



**GEORGE LOCAL MUNICIPALITY  
ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2024**



**AUDITOR - GENERAL  
SOUTH AFRICA**

*Auditing to build public confidence*

30 November 2024

# George Local Municipality

Annual Financial Statements for the year ended June 30, 2024

## 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

L van Wyk (Resigned 20 June 2024)

J Von Brandis

Deputy Executive Mayor

RS Figland

Speaker

S Snyman

### Councillors

Ward

1  
2  
2  
3  
4  
5  
6  
7  
8  
8  
9  
10  
11  
12  
13  
14  
16

J Safers  
DL Cronje  
V Gericke (27 October 2023)  
E Brown  
M Barnardt  
M Simmers  
JH Jantjies  
VS Mruqhli  
B Petrus (21 November 2023)  
S Vorster  
TE Lento  
ZB Gom  
SZ Ntondini  
ET Mdaka  
SM Toto  
M Roelfse  
B Hani

# George Local Municipality

Annual Financial Statements for the year ended June 30, 2024

## GENERAL INFORMATION

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16	T Jeyi
17	B Adams
18	D Gultig
20	I Kritzinger
20	C Alexander
21	S Manxele
22	M Kruger
23	B Johnson
24	J Fry
25	J Esau
26	B Von Brandis
27	R Hector (20 July 2023)
27	M Kleynhans
28	S Snyman

Proportionally elected councillors

EC America  
VD Carolus  
CM Clarke  
J du Toit  
ED Figland  
V Gericke (Resigned 27 October 2023)  
M Greef  
C Jansen (Resigned 6 November 2023)  
KS Lose  
RMI Louw  
G Masase  
N Mbete  
F Mdaka  
L Ncamile (07 May 2023)  
C Neethling  
GC Niehaus  
JC Petersen  
P Qampi  
TM Qatana  
SJ Smart  
G van Niekerk  
L Van Wyk (Resigned 20 June 2024)  
R Voster  
D Wessels (20 June 2024)  
R Windwaai  
E Bussack  
DB Coeries  
M Gultig  
GD Leminie  
H Philander  
JG Stander

# George Local Municipality

Annual Financial Statements for the year ended June 30, 2024

## GENERAL INFORMATION

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<b>Grading of local authority</b>	5
<b>Municipal Demarcation code</b>	WC044
<b>Auditor</b>	The Auditor General of South Africa
<b>Bankers</b>	First National Bank
<b>Registered office</b>	Civic Centre 71 York Street George 6530
<b>Postal address</b>	PO Box 19 George 6530
<b>Accounting Officer</b>	Mr. D Adonis (Acting)
<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>



**George Local Municipality**  
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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, 2024

## 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

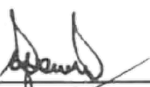
I am responsible for the preparation of these Financial Statements in terms of Section 126(1) of the Municipal Finance Management Act which I have signed on behalf of the municipality.

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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**GW Louw**  
Acting Accounting Officer

# George Local Municipality

Annual Financial Statements for the year ended June 30, 2024

## STATEMENT OF FINANCIAL POSITION AS AT JUNE 30, 2024

Figures in Rand	Note(s)	2024	2023 Restated*
<b>Assets</b>			
<b>Current Assets</b>			
Inventories	2	116,749,323	121,257,268
Receivables from exchange transactions	3	206,584,906	189,026,240
Receivables from non-exchange transactions	4	74,962,040	85,208,870
Prepayments	6	7,218,596	7,322,843
VAT receivable	7	23,875,342	26,929,202
Construction contracts and receivables	8	2,537,515	3,468,641
Loans and receivables	9	122,910	156,473
Principle agent arrangement: amounts due from principle	10	1,103,983	1,103,983
Cash and cash equivalents	11	1,357,019,037	843,879,110
		<b>1,790,173,652</b>	<b>1,278,352,630</b>
<b>Non-Current Assets</b>			
Property, plant and equipment	12	4,603,622,224	3,894,819,455
Intangible assets	13	584,729	909,691
Heritage assets	14	4,236,000	4,236,000
Investment property	15	143,744,521	143,911,704
Loans and receivables	9	95,577	119,039
		<b>4,752,283,051</b>	<b>4,043,995,889</b>
<b>Total Assets</b>		<b>6,542,456,703</b>	<b>5,322,348,519</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Loans and borrowings	16	55,989,941	46,758,346
Service concession liability	17	19,848,947	16,538,804
Payables from exchange transactions	18	363,017,070	258,113,335
Consumer deposits	19	45,628,334	39,659,086
Employee benefit obligation	20	84,313,413	84,665,993
Provisions	21	18,495,179	24,818,292
Unspent conditional grants and receipts	22	757,265,419	422,809,718
		<b>1,344,558,303</b>	<b>893,363,574</b>
<b>Non-Current Liabilities</b>			
Loans and borrowings	16	414,367,952	261,957,242
Service concession liability	17	29,066,031	48,914,977
Payables from exchange transactions	18	10,504,474	8,113,143
Employee benefit obligation	20	215,022,400	197,450,828
Provisions	21	83,767,224	88,968,626
		<b>752,728,081</b>	<b>605,404,816</b>
<b>Total Liabilities</b>		<b>2,097,286,384</b>	<b>1,498,768,390</b>
<b>Net Assets</b>		<b>4,445,170,319</b>	<b>3,823,580,129</b>
Housing development fund	23	33,869,830	35,729,371
Accumulated surplus		4,411,300,489	3,787,850,758
<b>Total Net Assets</b>		<b>4,445,170,319</b>	<b>3,823,580,129</b>

# George Local Municipality

Annual Financial Statements for the year ended June 30, 2024

## STATEMENT OF FINANCIAL PERFORMANCE

Figures in Rand	Note(s)	2024	2023 Restated*
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Sale of electricity	24	931,086,882	785,776,767
Sale of water	24	228,473,527	211,952,855
Sewerage and sanitation charges	24	168,467,446	157,407,731
Refuse removal	24	153,295,801	141,374,178
Rental of facilities and equipment		4,425,474	4,214,837
Income from agency services	25	14,083,052	14,304,911
GIPTN Fare Revenue	26	77,498,662	63,779,838
Operating revenue	27	101,372,713	83,712,016
Interest received - Outstanding Debtors	28	21,634,976	14,405,852
Interest received - External Investments	28	103,305,656	63,346,326
<b>Total revenue from exchange transactions</b>		<b>1,803,644,189</b>	<b>1,540,275,311</b>
<b>Revenue from non-exchange transactions</b>			
<b>Taxation revenue</b>			
Property rates	29	443,330,073	384,703,012
Licences and Permits	30	1,779,415	1,836,903
<b>Transfer revenue</b>			
Government grants & subsidies - Operating	31	680,045,129	624,643,277
Government grants & subsidies - Capital	31	580,648,646	408,296,370
Public contributions and donations		10,000	-
Construction contract revenue	8	314,874	271,625
Fines, Penalties and Forfeits	32	35,343,550	61,038,941
<b>Other</b>			
Availability charges	33	22,296,913	22,312,412
Actuarial gains	20	2,963,805	31,724,308
<b>Total revenue from non-exchange transactions</b>		<b>1,766,732,405</b>	<b>1,534,826,848</b>
<b>Total revenue</b>		<b>3,570,376,594</b>	<b>3,075,102,159</b>
<b>Expenditure</b>			
Employee related costs	34	644,896,264	604,733,822
Remuneration of councillors	35	25,563,677	25,556,683
Depreciation and amortisation	36	216,787,183	179,597,594
Impairment loss	37	135,065,902	138,479,479
Finance costs	38	89,393,067	77,897,108
Bulk purchases	39	715,566,093	598,225,496
Contracted services	40	700,573,012	640,910,412
Grants and subsidies paid	41	85,765,255	79,459,407
Cost of housing sold		4,011,995	5,389,776
Loss on disposal of assets and liabilities	42	1,290,473	994,607
Inventories losses/write-downs	43	26,162,832	22,845,376
Other materials / Inventory	44	192,922,619	180,989,391
General Expenses	45	110,788,037	103,712,936
<b>Total expenditure</b>		<b>2,948,786,409</b>	<b>2,658,792,087</b>
<b>Surplus for the year</b>		<b>621,590,185</b>	<b>416,310,072</b>



# George Local Municipality

Annual Financial Statements for the year ended June 30, 2024

## STATEMENT OF CHANGES IN NET ASSETS

Figures in Rand	Transfer to / (from) the Housing Development Fund'	Accumulated surplus / defici	Total net assets
Opening balance as previously reported	35,872,551	3,371,766,867	3,407,639,418
Adjustments			
Prior period errors - Refer to Note 49	-	(369,361)	(369,361)
<b>Balance at July 1, 2022 as restated*</b>	<b>35,872,551</b>	<b>3,371,397,506</b>	<b>3,407,270,057</b>
Changes in net assets			
Surplus for the year	-	416,310,072	416,310,072
Transfer to / (from) the Housing Development Fund	(143,180)	143,180	-
Total changes	(143,180)	416,453,252	416,310,072
<b>Restated* Balance at July 1, 2023</b>	<b>35,729,371</b>	<b>3,787,850,763</b>	<b>3,823,580,134</b>
Changes in net assets			
Surplus for the year	-	621,590,185	621,590,185
Transfer to / (from) the Housing Development Fund	(1,859,541)	1,859,541	-
Total changes	(1,859,541)	623,449,726	621,590,185
<b>Balance at June 30, 2024</b>	<b>33,869,830</b>	<b>4,411,300,489</b>	<b>4,445,170,319</b>
Note(s)	23		

**George Local Municipality**  
Annual Financial Statements for the year ended June 30, 2024

**CASH FLOW STATEMENT**

Figures in Rand	Note(s)	2024	2023 Restated*
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Taxation		445,954,272	390,084,385
Sale of goods and services		1,485,293,103	1,278,942,047
Grants		1,608,038,565	1,416,738,985
Construction contracts		1,246,000	1,078,416
Interest income		114,973,106	68,353,182
Other receipts		105,899,258	78,771,024
		<u>3,761,404,304</u>	<u>3,233,968,039</u>
<b>Payments</b>			
Employee costs		(698,062,207)	(651,584,295)
Suppliers		(1,690,626,877)	(1,639,174,072)
Finance costs		(56,996,243)	(44,917,564)
		<u>(2,445,685,327)</u>	<u>(2,335,675,931)</u>
<b>Net cash flows from operating activities</b>	46	<u><b>1,315,718,977</b></u>	<u><b>898,292,108</b></u>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	12	948,722,022	(709,387,324)
Proceeds from sale of property, plant and equipment	12	848,537	7,072,475
Proceeds from sale of investment property	15	121,720	-
Proceeds from sale of loans and receivables		69,210	293,444
<b>Net cash flows from investing activities</b>		<u><b>(947,682,555)</b></u>	<u><b>(702,021,405)</b></u>
<b>Cash flows from financing activities</b>			
Proceeds from loans and borrowings		215,929,000	116,717,783
Repayment of loans and borrowings		(54,286,695)	(49,539,467)
Service concession liability		(16,538,803)	(12,105,440)
<b>Net cash flows from financing activities</b>		<u><b>145,103,502</b></u>	<u><b>55,072,876</b></u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<u><b>513,139,924</b></u>	<u><b>251,343,578</b></u>
Cash and cash equivalents at the beginning of the year		843,879,110	592,535,532
<b>Cash and cash equivalents at the end of the year</b>	11	<u><b>1,357,019,037</b></u>	<u><b>843,879,110</b></u>

# George Local Municipality

Annual Financial Statements for the year ended June 30, 2024

## 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>Statement of Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue by source</b>						
Property rates	441,877,370	-	<b>441,877,370</b>	443,330,073	<b>1,452,703</b>	64
Service charges	1,446,139,976	-	<b>1,446,139,976</b>	1,481,323,656	<b>35,183,680</b>	64
Investment revenue	57,414,834	-	<b>57,414,834</b>	103,305,656	<b>45,890,822</b>	64
Transfers recognised - operational	731,260,000	-	<b>731,260,000</b>	680,045,129	<b>(51,214,871)</b>	64
Other own revenue	552,788,844	-	<b>552,788,844</b>	281,723,434	<b>(271,065,410)</b>	64
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>3,229,481,024</b>	<b>-</b>	<b>3,229,481,024</b>	<b>2,989,727,948</b>	<b>(239,753,076)</b>	
<b>Expenditure by type</b>						
Employee costs	703,368,313	5,296,990	<b>708,665,303</b>	644,896,265	<b>(63,769,038)</b>	64
Remuneration of councillors	29,923,188	(234,000)	<b>29,689,188</b>	25,563,677	<b>(4,125,511)</b>	64
Debt impairment	103,918,450	-	<b>103,918,450</b>	135,065,902	<b>31,147,452</b>	64
Depreciation and Amortisation	187,493,795	-	<b>187,493,795</b>	216,787,183	<b>29,293,388</b>	64
Finance charges	40,388,003	6,244,000	<b>46,632,003</b>	89,393,067	<b>42,761,064</b>	64
Inventory consumed and bulk purchases	1,030,066,463	(6,855,967)	<b>1,023,210,496</b>	934,651,544	<b>(88,558,952)</b>	64
Transfers and grants	83,008,299	3,506,204	<b>86,514,503</b>	85,765,255	<b>(749,248)</b>	64
Other expenditure	997,179,425	(7,934,757)	<b>989,244,668</b>	816,663,516	<b>(172,581,152)</b>	64
<b>Total expenditure</b>	<b>3,175,345,936</b>	<b>22,470</b>	<b>3,175,368,406</b>	<b>2,948,786,409</b>	<b>(226,581,997)</b>	
<b>Surplus / (Deficit)</b>	<b>54,135,088</b>	<b>22,470</b>	<b>54,112,618</b>	<b>40,941,539</b>	<b>(466,335,073)</b>	
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	1,315,946,060	-	<b>1,315,946,060</b>	580,648,646	<b>(735,297,414)</b>	64
<b>Surplus / (Deficit) after capital transfers &amp; contributions</b>	<b>1,370,081,148</b>	<b>22,470</b>	<b>1,370,058,678</b>	<b>621,590,185</b>	<b>(1,201,632,487)</b>	
<b>Surplus / (Deficit) for the year</b>	<b>1,370,081,148</b>	<b>22,470</b>	<b>1,370,058,678</b>	<b>621,590,185</b>	<b>(1,201,632,487)</b>	

# George Local Municipality

Annual Financial Statements for the year ended June 30, 2024

## 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	4,404,380	-	<b>4,404,380</b>	4,063,204	<b>(341,176)</b>	64
Internal Audit	94,061	-	<b>94,061</b>	86,658	<b>(7,403)</b>	64
Community and Social Services	24,806,044	-	<b>24,806,044</b>	15,750,503	<b>(9,055,541)</b>	64
Community Halls and Facilities	837,383	-	<b>837,383</b>	-	<b>(837,383)</b>	64
Sport and recreation	14,102,890	-	<b>14,102,890</b>	13,624,993	<b>(477,897)</b>	64
Public Safety	35,934,005	-	<b>35,934,005</b>	34,437,256	<b>(1,496,749)</b>	64
Housing	4,037,937	-	<b>4,037,937</b>	3,699,842	<b>(338,095)</b>	64
Planning and Development	22,034,227	-	<b>22,034,227</b>	15,607,887	<b>(6,426,340)</b>	64
Road Transport	766,438,753	-	<b>766,438,753</b>	204,437,781	<b>(562,000,972)</b>	64
Energy Sources	169,467,685	-	<b>169,467,685</b>	142,105,235	<b>(27,362,450)</b>	64
Water Management	480,613,148	-	<b>480,613,148</b>	377,642,800	<b>(102,970,348)</b>	64
Waste Water Management	189,839,821	-	<b>189,839,821</b>	121,590,825	<b>(68,248,996)</b>	64
Waste Management	15,754,334	-	<b>15,754,334</b>	15,255,874	<b>(498,460)</b>	64
Other	364,824	-	<b>364,824</b>	195,214	<b>(169,610)</b>	64
	<b>1,728,729,492</b>	-	<b>1,728,729,492</b>	<b>948,498,072</b>	<b>(780,231,420)</b>	
	-	-	-	-	-	
<b>Sources of Capital Funds</b>						
Borrowing	291,938,457	-	<b>291,938,457</b>	259,564,733	<b>(32,373,724)</b>	
Internally Generated funds	226,145,784	-	<b>226,145,784</b>	176,461,078	<b>(49,684,706)</b>	
Transfers recognized - Capital	1,210,645,251	-	<b>1,210,645,251</b>	512,472,261	<b>(698,172,990)</b>	
	<b>1,728,729,492</b>	-	<b>1,728,729,492</b>	<b>948,498,072</b>	<b>(780,231,420)</b>	

# George Local Municipality

Annual Financial Statements for the year ended June 30, 2024

## 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	424,232,880	-	<b>424,232,880</b>	445,954,272	<b>21,721,392</b>	
Sale of goods and services	1,465,400,390	-	<b>1,465,400,390</b>	1,485,293,103	<b>19,892,713</b>	
Grants	1,640,280,000	-	<b>1,640,280,000</b>	1,608,038,565	<b>(32,241,435)</b>	
Construction contracts	-	-	-	1,246,000	<b>1,246,000</b>	
Interest income	57,740,274	-	<b>57,740,274</b>	114,973,106	<b>57,232,832</b>	
Other receipts	194,473,336	-	<b>194,473,336</b>	105,899,258	<b>(88,574,078)</b>	
	<b>3,782,126,880</b>	-	<b>3,782,126,880</b>	<b>3,761,404,304</b>	<b>(20,722,576)</b>	
<b>Payments</b>						
Suppliers and employee cost	(2,601,606,750)	-	<b>(2,601,606,750)</b>	(698,062,207)	<b>1,903,544,543</b>	
Suppliers	-	-	-	(1,690,626,877)	<b>(1,690,626,877)</b>	
Finance costs	(36,826,835)	-	<b>(36,826,835)</b>	(56,996,243)	<b>(20,169,408)</b>	
	<b>(2,638,433,585)</b>	-	<b>(2,638,433,585)</b>	<b>(2,445,685,327)</b>	<b>192,748,258</b>	
<b>Net cash flows from operating activities</b>	<b>1,143,693,295</b>	-	<b>1,143,693,295</b>	<b>1,315,718,977</b>	<b>172,025,682</b>	
<b>Cash flows from investing activities</b>						
Purchase of property, plant and equipment	(1,728,729,492)	-	<b>(1,728,729,492)</b>	(948,722,022)	<b>780,007,470</b>	
Proceeds on disposal of property, plant and equipment	4,800,000	-	<b>4,800,000</b>	848,537	<b>(3,951,463)</b>	
Proceeds on disposal of Investment property	-	-	-	121,720	<b>121,720</b>	
Proceeds from sale of loans and receivables	-	-	-	69,210	<b>69,210</b>	
<b>Net cash flows from investing activities</b>	<b>(1,723,929,492)</b>	-	<b>(1,723,929,492)</b>	<b>(947,682,555)</b>	<b>776,246,937</b>	
<b>Cash flows from financing activities</b>						
<b>Receipts</b>						
Proceeds from loans and borrowings	266,204,443	-	<b>266,204,443</b>	215,929,000	<b>(50,275,443)</b>	
Repayment of loans and borrowings	(46,598,376)	-	<b>(46,598,376)</b>	(54,286,695)	<b>(7,688,319)</b>	
Repayment of Service concession liability	-	-	-	(16,538,803)	<b>(16,538,803)</b>	
<b>Net cash flows from Financing activities</b>	<b>219,606,067</b>	-	<b>219,606,067</b>	<b>145,103,502</b>	<b>(74,502,565)</b>	

# George Local Municipality

Annual Financial Statements for the year ended June 30, 2024

## 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	(360,630,130)	-	<b>(360,630,130)</b>	513,139,924	<b>873,770,054</b>	
Cash/cash equivalents at the year begin:	592,532,651	-	<b>592,532,651</b>	843,879,110	<b>251,346,459</b>	
<b>Cash and cash equivalents at the end of the year</b>	<b>231,902,521</b>	-	<b>231,902,521</b>	<b>1,357,019,037</b>	<b>1,125,116,513</b>	

The accounting policies on pages 14 to 46 and the notes on pages 47 to 165 form an integral part of the annual financial statements.

# George Local Municipality

Annual Financial Statements for the year ended June 30, 2024

## 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. They are presented in South African Rand. All figures have been rounded to the nearest Rand.

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.

## ACCOUNTING POLICIES

Standard	Description	Effective Date (Year starting on).
GRAP 103	<p><b><u>Heritage assets</u></b> There are proposed amendments to the classification of mixed use, cultural significance and the fair value accounting. The amendments to the Standard are approved by the Board. The amendments may not be applied by entities in developing an accounting policy. Entities are only permitted to adopt the amendments once an effective date has been determined by the Minister of Finance.</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><u>Financial Instruments</u></b> The objective of this standards is to establish principles for recognising, measuring, presenting and disclosing financial instruments. Will have a significant impact on the categories of financial and impairment model.</p>	1 April 2025
GRAP 1	<p><b><u>Presentation of Financial statements: Going Concern</u></b> 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. Adjustments for going concern proposed to provide guidance on the preparation of AFS as going concern and the related disclosure.</p> <p>The transitional provisions are specified in the revised Standard. The amendments may not be applied by entities in developing an accounting policy. Entities are only permitted to adopt the amendments once an effective date has been determined by the Minister of Finance.</p> <p>No significant impact is expected as the municipality's current treatment is already in line with the Standards treatment.</p>	Unknown
GRAP 105, GRAP 106, and GRAP 107 (amendments)	<p><b><u>Transfer of Functions and Merges</u></b> The amendments to the Standard are approved by the Board. The amendments may not be applied by entities in developing an accounting policy. Entities are only permitted to adopt the amendments once an effective date has been determined by the Minister of Finance</p>	Unknown
iGRAP 22	<p><b><u>Foreign Currency Transactions and Advanced Consideration</u></b> The interpretation is to provide guidance on determining the transactions date for purpose of determining the exchange rate to use on initial recognition of the related assets, expense or revenue (or part of it) on the derecognition of a non-monetary assets or non-monetary liability arising from the payment or receipt of advance consideration in a foreign currency.</p> <p>Early adoption of the Interpretation is encourage.</p> <p>No significant impact is expected as the foreign currency transactions and advance consideration is not relevant to the operations of the</p>	1 April 2025



## ACCOUNTING POLICIES

Municipality.

<b>Guideline</b>	<b><u>Application of Materiality of Financial Statements</u></b> The guideline is not authoritative but only encourage.	No effective date
<b>Improvements to GRAP standards (2023)</b>	The improvements are approved by the Board, The effective date is yet to be determined by the Minister of Finance. The improvements may not be applied by entities in developing an accounting policy. Entities are only permitted to adopt the improvements once an effective date has been determined by the Minister of Finance.	Unknown
	No significant impact is expected as the Municipality`s current treatment is already in line with the Standards treatment.	

### 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.

## **ACCOUNTING POLICIES**

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

#### **Componentisation of Infrastructure assets**

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

#### **Intangible assets**

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

#### **Investment property**

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

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

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.

## **ACCOUNTING POLICIES**

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

#### **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.
- Interest rates linked to government bond rate and CPI 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	4 - 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.

## **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 - 75
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. (2023: 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:

#### Class

Trade receivables from exchange transactions  
Trade and other receivables from non-exchange transactions  
Loans and receivables  
Cash and cash equivalents  
Principle agent arrangement: amounts due from principle  
Construction contracts and receivables

#### Category

Financial asset measured at amortised cost  
Financial asset measured at amortised cost  
Financial asset measured at amortised cost  
Financial asset measured at amortised cost  
Financial asset measured at amortised cost  
Financial asset measured at fair value

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

#### Class

Loans and borrowings  
Trade and other payables from exchange transactions  
Consumer deposits  
Financial liabilities

#### Category

Financial liability measured at amortised cost  
Financial liability measured at amortised cost  
Financial liability measured at amortised cost  
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.

### **1.12 Statutory receivables**

#### **Identification**

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

#### **Initial recognition**

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

#### **Initial measurement**

The municipality initially measures statutory receivables at their transaction amount.

#### **Subsequent measurement**

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

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

#### **Impairment losses**

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

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

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

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

## **ACCOUNTING POLICIES**

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### **1.12 Statutory receivables (continued)**

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

#### **Derecognition**

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

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

### **1.13 Leases**

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

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

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

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

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

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

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

## **ACCOUNTING POLICIES**

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### **1.13 Leases (continued)**

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

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

### **1.14 Inventories**

Inventories 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.

## **ACCOUNTING POLICIES**

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### **1.14 Inventories (continued)**

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

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

### **1.15 Construction contracts and receivables**

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,



## **ACCOUNTING POLICIES**

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

- 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 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.

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 net 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 net 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 01/07/2023 to 30/06/2024.

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

Explanations for differences between the approved and final budget are included in the Notes to the Financial Statements. Material differences are being defined by Management as 10% of a specific line-item and amounts greater than R1,000,000. Explanations for material differences between the final budget amounts and actual amounts are included in the Notes to the Financial Statements - refer to Note 64.

### **1.34 Unauthorised expenditure**

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

### **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.

## **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, 2024

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2024	2023
<b>2. Inventories</b>		
Consumable stores - at cost	9,864,006	14,554,368
GIPTN Smart Cards for electronic fare revenue system	202,863	375,500
Maintenance materials, chemicals and water reserve - at cost	14,503,667	11,280,427
Purified water	1,047,109	850,905
Property Developments - at cost	39,266	61,918
Unsold Properties Held for Resale - at net realisable value	91,092,412	94,134,150
	<b>116,749,323</b>	<b>121,257,268</b>
<b>Reconciliation of Purified Water</b>		
Opening balance	850,905	634,693
System Input Volume	142,651,455	123,278,394
Authorised Consumption	(116,326,249)	(102,461,382)
Water losses	(26,129,002)	(20,600,800)
<b>Purified Water</b>	<b>1,047,109</b>	<b>850,905</b>
Refer to note 44 for the amount of inventories consumed and recognised as an expense during the period.		
Refer to note 43 for details of items written down to net realisable value.		
<b>Inventory pledged as security</b>		
No inventory was pledged as security as at 30 June 2024.		
Refer to note 49 for detail regarding the correction of prior period errors.		
<b>3. Trade receivables from exchange transactions</b>		
Service debtors	197,982,579	177,877,215
Other exchange receivables	8,602,327	11,149,025
- Prepaid electricity	6,221,339	8,575,688
- Rental debtors	1,429,565	1,676,843
- GIPTN fare revenue	951,423	896,494
	<b>206,584,906</b>	<b>189,026,240</b>
<b>Gross balances</b>		
Electricity	133,781,724	102,649,885
Water	169,746,189	199,477,927
Sewerage	91,280,933	77,482,711
Refuse	88,825,505	75,286,383
Housing loans instalments	586,237	674,465
Housing rental	456,672	471,365
Other	20,360,256	16,753,736
	<b>505,037,516</b>	<b>472,796,472</b>



# George Local Municipality

Annual Financial Statements for the year ended June 30, 2024

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2024	2023
<b>3. Trade receivables from exchange transactions (continued)</b>		
<b>Less: Allowance for impairment</b>		
Electricity	(25,783,530)	(10,143,455)
Water	(125,607,889)	(154,519,060)
Sewerage	(69,043,437)	(59,684,575)
Refuse	(67,142,725)	(57,792,888)
Housing loans instalments	(541,561)	(635,951)
Housing rental	(346,109)	(380,953)
Other	(18,589,686)	(11,762,375)
	<b>(307,054,937)</b>	<b>(294,919,257)</b>
<b>Net balance</b>		
Electricity	107,998,194	92,506,430
Water	44,138,300	44,958,867
Sewerage	22,237,496	17,798,136
Refuse	21,682,780	17,493,495
Regional services levies	44,676	38,514
Housing rental	110,563	90,412
Other	1,770,570	4,991,361
	<b>197,982,579</b>	<b>177,877,215</b>
<b>Electricity</b>		
Current (0 -30 days)	97,666,751	77,711,339
31 - 60 days	4,801,829	3,664,604
61 - 90 days	3,379,348	2,085,740
91 - 120 days	2,255,884	1,364,969
121 - 365 days	25,677,912	17,823,233
Less: Allowance for impairment	(25,783,530)	(10,143,455)
	<b>107,998,194</b>	<b>92,506,430</b>
<b>Water</b>		
Current (0 -30 days)	32,820,195	32,999,603
31 - 60 days	12,390,901	9,139,812
61 - 90 days	6,815,700	7,731,023
91 - 120 days	6,417,822	7,339,392
121 - 365 days	111,301,571	142,268,097
Less: Allowance for impairment	(125,607,889)	(154,519,060)
	<b>44,138,300</b>	<b>44,958,867</b>
<b>Sewerage</b>		
Current (0 -30 days)	13,021,796	11,813,259
31 - 60 days	4,336,997	4,035,742
61 - 90 days	3,188,969	3,293,101
91 - 120 days	2,899,328	2,894,268
121 - 365 days	67,833,843	55,446,341
Less: Allowance for impairment	(69,043,437)	(59,684,575)
	<b>22,237,496</b>	<b>17,798,136</b>

# George Local Municipality

Annual Financial Statements for the year ended June 30, 2024

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2024	2023
<b>3. Trade receivables from exchange transactions (continued)</b>		
<b>Refuse</b>		
Current (0 -30 days)	12,515,612	11,742,185
31 - 60 days	4,288,335	4,162,957
61 - 90 days	3,167,268	3,397,669
91 - 120 days	2,881,583	2,988,134
121 - 365 days	65,972,707	52,995,438
Less: Allowance for impairment	(67,142,725)	(57,792,888)
	<b>21,682,780</b>	<b>17,493,495</b>
<b>Housing loans instalments</b>		
Current (0 -30 days)	11,482	15,814
31 - 60 days	7,047	10,887
61 - 90 days	5,924	10,925
91 - 120 days	5,707	9,087
121 - 365 days	556,077	627,752
Less: Allowance for impairment	(541,561)	(635,951)
	<b>44,676</b>	<b>38,514</b>
<b>Housing rental</b>		
Current (0 -30 days)	56,047	38,425
31 - 60 days	30,419	18,721
61 - 90 days	23,301	11,825
91 - 120 days	16,822	8,437
121 - 365 days	330,083	393,957
Less: Allowance for impairment	(346,109)	(380,953)
	<b>110,563</b>	<b>90,412</b>
<b>Other</b>		
Current (0 -30 days)	1,512,468	1,684,582
31 - 60 days	547,672	809,413
61 - 90 days	177,304	17,367
91 - 120 days	1,223,343	358,413
121 - 365 days	16,899,469	13,883,961
Less: Allowance for impairment	(18,589,686)	(11,762,375)
	<b>1,770,570</b>	<b>4,991,361</b>

# George Local Municipality

Annual Financial Statements for the year ended June 30, 2024

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2024	2023
<b>3. Trade receivables from exchange transactions (continued)</b>		
<b>Summary of debtors by customer classification</b>		
<b>Consumers</b>		
Current (0 -30 days)	55,146,761	45,461,293
31 - 60 days	22,744,795	17,376,962
61 - 90 days	14,394,951	14,124,144
91 - 120 days	14,586,292	13,164,440
121 - 365 days	266,372,043	260,805,315
	<u>373,244,842</u>	<u>350,932,154</u>
Less: Allowance for impairment	(287,146,493)	(283,807,560)
	<b><u>86,098,349</u></b>	<b><u>67,124,594</u></b>
<b>Industrial/ commercial</b>		
Current (0 -30 days)	97,533,277	85,619,419
31 - 60 days	3,274,467	4,198,932
61 - 90 days	2,059,122	2,327,873
91 - 120 days	1,043,994	1,776,730
121 - 365 days	22,173,065	23,774,088
	<u>126,083,925</u>	<u>117,697,042</u>
Less: Allowance for impairment	(19,908,444)	(11,102,102)
	<b><u>106,175,481</u></b>	<b><u>106,594,940</u></b>
<b>National and provincial government</b>		
Current (0 -30 days)	3,738,239	3,349,268
31 - 60 days	383,955	266,243
61 - 90 days	303,753	95,634
91 - 120 days	70,215	21,529
121 - 365 days	1,213,615	434,603
	<u>5,709,777</u>	<u>4,167,277</u>
Less: Allowance for impairment	-	(9,596)
	<b><u>5,709,777</u></b>	<b><u>4,157,681</u></b>
<b>Total</b>		
Current (0 -30 days)	156,418,277	134,429,980
31 - 60 days	26,403,217	21,842,137
61 - 90 days	16,757,826	16,547,651
91 - 120 days	15,700,501	14,962,699
121 - 365 days	289,757,695	285,014,006
	<u>505,037,516</u>	<u>472,796,473</u>
Less: Allowance for impairment	(307,054,937)	(294,919,258)
	<b><u>197,982,579</u></b>	<b><u>177,877,215</u></b>

# George Local Municipality

Annual Financial Statements for the year ended June 30, 2024

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand			2024	2023
<b>3. Trade receivables from exchange transactions (continued)</b>				
<b>Reconciliation of allowance for impairment of consumer debtors</b>				
<b>2024</b>	Balance at the beginning of the year	Impairment losses recognised / (reversed)	Amounts written off as uncollectible	Balance at the end of the year
Electricity	10,143,455	17,867,609	(2,227,534)	25,783,530
Water	154,519,059	47,589,443	(76,500,613)	125,607,889
Sewerage	59,684,576	19,840,835	(10,481,974)	69,043,437
Refuse	57,792,889	20,276,453	(10,926,616)	67,142,726
Housing loan instalments	635,951	(77,017)	(17,374)	541,560
Housing rentals	380,952	3,812	(38,656)	346,108
Other consumer debtors	11,762,376	7,283,022	(455,712)	18,589,686
	<b>294,919,258</b>	<b>112,784,157</b>	<b>(100,648,479)</b>	<b>307,054,939</b>
<b>2023</b>	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>

Trade debtors past due but not impaired.

Figures in Rand	2024	2023
31 - 60 days	11,478,506	10,223,863
61 - 90 days	6,349,850	5,854,431
91 - 120 days	4,584,154	4,716,680
121 - 365 days	41,565,520	45,445,022
	<b>63,978,030</b>	<b>66,239,996</b>

### Credit quality of consumer debtors

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

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

# George Local Municipality

Annual Financial Statements for the year ended June 30, 2024

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2024	2023
<b>4. Receivables from non-exchange transactions</b>		
<b>Taxation receivables</b>		
Net Rates	36,662,289	38,973,863
Gross rates	64,773,759	63,084,881
Allowance for impairment on rates	(28,112,470)	(24,111,018)
<b>Transfer receivables</b>		
Net Fines	5,952,919	9,772,310
Fines	47,359,805	73,293,030
Allowance for impairment of fines	(41,406,886)	(63,520,720)
Conditional government grants and subsidies receivable (Refer note 22)	4,498,063	17,387,152
<b>Other receivables</b>	27,848,769	19,075,545
Sundry receivables	24,614,868	14,835,047
Allowance for impairment on sundry receivables	(2,203,732)	(1,439,979)
Availability charges receivables	15,513,517	14,030,938
Allowance for impairment on availability charges receivables	(11,170,983)	(9,444,284)
Non-cash portion of Housing Development Fund	771,560	818,102
Operating lease receivables	323,539	275,721
	<b>74,962,040</b>	<b>85,208,870</b>

# George Local Municipality

Annual Financial Statements for the year ended June 30, 2024

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2024	2023
<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)	26,476,703	22,182,978
31 - 60 days	6,028,209	4,118,176
61 - 90 days	2,229,341	2,698,386
91 - 120 days	1,588,799	2,001,237
121 - 365 days	28,451,707	32,084,104
Less: Allowance for impairment	(28,112,470)	(24,111,018)
	<b>36,662,289</b>	<b>38,973,863</b>
<b>Summary of Rates by customer classification</b>		
<b>Residential consumers</b>		
Current (0 - 30 days)	18,034,596	14,974,838
31 - 60 days	3,560,632	2,855,245
61 - 90 days	1,602,833	1,707,482
91 - 120 days	1,119,523	1,326,917
121 - 365 days	22,509,410	25,680,109
Less: Allowance for impairment	(24,028,240)	(22,437,075)
	<b>22,798,754</b>	<b>24,107,516</b>
<b>Industrial / commercial</b>		
Current (0 - 30 days)	7,965,738	6,690,444
31 - 60 days	2,136,972	1,046,763
61 - 90 days	363,504	819,811
91 - 120 days	210,890	536,175
121 - 365 days	3,328,374	6,146,826
Less: Allowance for impairment	(4,084,230)	(1,673,943)
	<b>9,921,248</b>	<b>13,566,076</b>
<b>National and provincial government and other</b>		
Current (0 - 30 days)	391,085	241,748
31 - 60 days	330,588	216,168
61 - 90 days	262,994	171,092
91 - 120 days	258,375	138,145
121 - 365 days	2,697,215	533,118
	<b>3,940,257</b>	<b>1,300,271</b>
<b>Total of rates by customer classification</b>	<b>36,662,289</b>	<b>38,973,863</b>

# George Local Municipality

Annual Financial Statements for the year ended June 30, 2024

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2024	2023
<b>4. Receivables from non-exchange transactions (continued)</b>		
<b>Fines</b>		
The ageing of fines is as follows:		
Current (0 - 30 days)	1,963,700	4,173,500
31 - 60 days	1,772,300	3,790,700
61 - 90 days	2,026,750	5,080,545
91 - 120 days	2,516,700	6,491,125
121 days - 365 days	39,080,355	53,757,160
	<u>47,359,805</u>	<u>73,293,030</u>
Less: Allowance for impairment	(41,406,886)	(63,520,720)
	<u><b>5,952,919</b></u>	<u><b>9,772,310</b></u>
<b>Availability charges receivables</b>		
The ageing of availability charges receivables is as follows:		
Current (0 - 30 days)	1,459,062	1,533,982
31 - 60 days	626,529	636,536
61 - 90 days	496,129	561,553
91 - 120 days	438,338	479,777
121 days - 365 days	12,493,459	10,819,090
	<u>15,513,517</u>	<u>14,030,938</u>
Less: Allowance for impairment	(11,170,983)	(9,444,284)
	<u><b>4,342,534</b></u>	<u><b>4,586,654</b></u>

# George Local Municipality

Annual Financial Statements for the year ended June 30, 2024

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2024	2023		
<b>4. Receivables from non-exchange transactions (continued)</b>				
<b>Reconciliation of provision for impairment of receivables from non-exchange transactions</b>				
<b>2024</b>	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)	24,111,018	5,930,522	(1,929,070)	28,112,470
Transfer receivables (Fines)	63,520,720	25,583,433	(47,697,268)	41,406,885
Sundry receivables	1,439,979	763,753	-	2,203,732
Availability charges receivables	9,444,284	2,883,174	(1,156,475)	11,170,983
	<b>98,516,001</b>	<b>35,160,882</b>	<b>(50,782,813)</b>	<b>82,894,070</b>
<b>2023</b>	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	43,124,948	(48,243,274)	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>49,571,027</b>	<b>(50,595,029)</b>	<b>98,516,001</b>

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

### Rates debtors past due but not impaired

31 - 60 days	2,620,699	1,927,635
61 - 90 days	844,739	954,668
91 - 120 days	463,890	630,848
121 - 365 days	4,098,006	5,144,184
	<b>8,027,334</b>	<b>8,657,335</b>

### Fines debtors past due but not impaired

31 - 60 days	166,852	499,205
61 - 90 days	217,117	661,534
91 - 120 days	263,613	846,822
121 - 365 days	5,088,480	7,221,174
	<b>5,736,062</b>	<b>9,228,735</b>



# George Local Municipality

Annual Financial Statements for the year ended June 30, 2024

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2024	2023
<b>4. Receivables from non-exchange transactions (continued)</b>		
<b>Availability charges receivables past due but not impaired</b>		
31 - 60 days	272,377	297,950
61 - 90 days	187,993	198,673
91 - 120 days	127,984	151,240
121 - 365 days	1,797,358	1,734,672
	<b>2,385,712</b>	<b>2,382,535</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	275,721	298,447
Straight lining adjustment in the Statement of Financial Performance	47,818	(22,726)
	<b>323,539</b>	<b>275,721</b>

Operating leases - as lessor (income).

### Minimum lease payments receivable

- within one year	1,306,198	1,151,792
- in second to fifth year inclusive	3,216,140	1,575,138
- after five years	925,176	375,936
	<b>5,447,514</b>	<b>3,102,866</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, 2024

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2024	2023
<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	36,662,289	38,973,863
Fines	5,952,919	9,772,310
VAT	23,875,342	26,929,202
	<b>66,490,550</b>	<b>75,675,375</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, 2024

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2024	2023
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### 5. Statutory receivables (continued)

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.

### 6. Prepayments

Prepayments consist of the following:

SALGA	7,212,077	7,303,371
Accommodation	2,520	19,472
SATSA	3,999	-
	<b>7,218,596</b>	<b>7,322,843</b>
Current assets	7,218,596	7,322,843

#### SALGA

SALGA membership fees for the 2024/20245 financial year were paid in April 2024 and the municipality received a 5% discount for early settlement.

#### Accommodation

Accommodation paid in advance for municipal officials attending out of town municipal matters in July 2024.

#### SATSA

Conference registration fee paid in advance for a municipal official attending the SATSA (South African Tourism Association) Conference schedule for August 2024.

### 7. VAT receivable

VAT receivable from SARS	27,621,994	37,133,781
VAT input accrual	21,416,074	11,933,950
VAT output accrual	(15,746,271)	(14,212,944)
VAT output payable: Library Services	(9,416,455)	(7,925,585)
	<b>23,875,342</b>	<b>26,929,202</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 output payable: Library Services

# George Local Municipality

Annual Financial Statements for the year ended June 30, 2024

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand

2024

2023

### 7. VAT receivable (continued)

As per the Schedule 5 of the Constitution of the Republic of South Africa, the responsibility to render library services is allocated to the provincial government. The Western Cape Provincial Department of Cultural Affairs and Sport (DCAS) therefore has a responsibility to provide the library services as per its mandate.

The library function has not been assigned to George Municipality. Library services therefore remains a provincial government function performed by DCAS.

In order for DCAS to carry out its library services, DCAS entered into a Memorandum of Agreement (MOA) with George Municipality in which DCAS makes a payment of library grant funding to the municipality, in order for the municipality to provide the library services for the benefit of the general public.

As per the Memorandum of Agreement between the Western Cape Government via its Department of Cultural Affairs and Sport and George Municipality, the funding provided is a contribution towards partially addressing the unfunded mandate, for staffing, the new library building project, instalment of a book detection system and / or other specified project cost of the public libraries in the municipality

# George Local Municipality

Annual Financial Statements for the year ended June 30, 2024

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand				2024	2023
<b>8. Construction contracts and receivables</b>					
<b>Contracts in progress at Statement of Financial Position date</b>					
Construction contracts and receivables/(payables)				2,537,515	3,468,641
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:					
<b>30 June 2024</b>	Golden Valley	Themba lethu 700 Units	Themba lethu 42 & 58	Completed construction projects	Total
Opening balance from/(due to) customers	(1,102,745)	1,931,636	383,286	2,256,464	3,468,641
Advances received	-	-	-	(1,246,000)	(1,246,000)
Revenue recognised / (derecognised)	-	-	-	314,874	314,874
	<b>(1,102,745)</b>	<b>1,931,636</b>	<b>383,286</b>	<b>1,325,338</b>	<b>2,537,515</b>
Accumulated revenue recognised	(5,994,627)	(86,692,345)	(7,201,293)	(3,467,754)	(103,356,019)
Accumulated expenditure	5,994,627	86,692,345	7,201,293	3,467,754	103,356,019
	-	-	-	-	-
<b>30 June 2023</b>	Golden Valley	Themba lethu 700 Units	Themba lethu 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	145,275	271,625
	<b>(1,102,745)</b>	<b>1,931,636</b>	<b>383,286</b>	<b>2,256,464</b>	<b>3,468,641</b>
Accumulated revenue recognised	(5,994,627)	(86,692,345)	(7,201,293)	(3,152,880)	(103,041,145)
Accumulated expenditure	5,994,627	86,692,345	7,201,293	3,152,880	103,041,145
	-	-	-	-	-

Refer to note 49 for detail regarding the corrections of prior period errors.

# George Local Municipality

Annual Financial Statements for the year ended June 30, 2024

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand		2024	2023			
<b>9. Loans and receivables</b>						
As at 30 June 2024	Gross balance	Repayments	Reversal of impairment	Net Balance	Transferred to current assets	Non-current
Housing scheme loans	36,462	(26,680)	12,185	21,967	(14,305)	7,662
Sale of erven loans	20,690	-	-	20,690	(20,690)	-
Actaris meter debt	218,360	(42,530)	-	175,830	(87,915)	87,915
	<b>275,512</b>	<b>(69,210)</b>	<b>12,185</b>	<b>218,487</b>	<b>(122,910)</b>	<b>95,577</b>
As at 30 June 2023	Gross balance	Impairment allowance	Net balance	Transferred to current assets	Non-current	
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>	

### 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.

Reconciliation of impairment allowance

# George Local Municipality

Annual Financial Statements for the year ended June 30, 2024

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2024			2023
<b>9. Loans and receivables (continued)</b>				
<b>2024</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	12,185	(12,185)	-	-
<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

### 10. Principle agent arrangement

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

- Thembalethu Bungalow Housing Project: This project is for the rehabilitation of services and construction of 200 houses in Thembalethu 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:

<b>2024</b>	Opening balance	Amounts paid back	Receipts from Department	Expenses on behalf of principal	Receivable / (Advances received) from Department
Housing scheme loans	1,103,983	-	-	-	1,103,983
	<b>1,103,983</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,103,983</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	(3,076,304)	3,076,316	-	-	-
	<b>(2,780,985)</b>	<b>3,076,316</b>	<b>-</b>	<b>808,664</b>	<b>1,103,983</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, 2024

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2024	2023
<b>11. Cash and cash equivalents</b>		
Cash and cash equivalents consist of:		
Cash on hand	27,380	24,720
Bank balances	454,825,179	443,854,390
Investments	902,166,478	400,000,000
	<b><u>1,357,019,037</u></b>	<b><u>843,879,110</u></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			Cash book balances		
	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2024	June 30, 2023	June 30, 2022
ABSA BANK - Cheque Account - 102 222 0981	915,754	976,935	29,779,020	895,523	749,784	37,694,150
First National Bank - Cheque Account - 628 696 23150	454,560,757	441,589,131	550,177,093	453,929,655	443,104,606	554,816,462
First National Bank - Cheque Bank - 762 034 22458	1,083,120	-	-	1,083,120	-	-
First National Bank - Cheque Bank - 630 596 62304	1,083,359	-	-	1,083,359	-	-
ABSA - George Charitable Relief Fund - 914 955 4208	6,283	5,930	-	-	-	-
Nedbank Fixed Deposit	300,000,000	100,000,000	-	300,000,000	100,000,000	-
Standard Bank Fixed Deposit	100,000,000	200,000,000	-	100,000,000	200,000,000	-
ABSA Bank Fixed Deposit	500,000,000	100,000,000	-	500,000,000	100,000,000	-
<b>Total</b>	<b><u>1,357,649,273</u></b>	<b><u>842,571,996</u></b>	<b><u>579,956,113</u></b>	<b><u>1,356,991,657</u></b>	<b><u>843,854,390</u></b>	<b><u>592,510,612</u></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	<u>1,357,649,273</u>	<u>842,571,996</u>



**George Local Municipality**  
Annual Financial Statements for the year ended June 30, 2024

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

**Figures in Rand**

**12. Property, plant and equipment**

	2024			2023		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	922,840,318	-	922,840,318	923,830,099	-	923,830,099
Infrastructure	4,699,216,614	(1,772,981,900)	2,926,234,714	3,920,366,481	(1,623,092,833)	2,297,273,648
Community	298,883,239	(125,412,626)	173,470,613	262,618,047	(111,579,024)	151,039,023
Other	86,164,913	(47,498,140)	38,666,773	73,797,595	(40,912,700)	32,884,895
Other - Buildings	204,640,139	(85,552,010)	119,088,129	173,026,004	(79,372,082)	93,653,922
Service concession assets - GIPTN Buses	305,813,153	(166,592,929)	139,220,224	305,813,153	(131,968,905)	173,844,248
Machinery and Equipment	213,714,916	(82,313,118)	131,401,798	171,456,695	(67,392,243)	104,064,452
Transport	228,329,650	(75,629,995)	152,699,655	182,811,749	(64,582,581)	118,229,168
<b>Total</b>	<b>6,959,602,942</b>	<b>(2,355,980,718)</b>	<b>4,603,622,224</b>	<b>6,013,719,823</b>	<b>(2,118,900,368)</b>	<b>3,894,819,455</b>

**Reconciliation of property, plant and equipment 2024**

	Opening balance	Additions	WIP additions	Disposals	Transfers	Depreciation	Total
Land	923,830,099	-	-	(989,781)	-	-	922,840,318
Infrastructure	2,297,273,648	266,896,164	511,953,987	-	-	(149,889,085)	2,926,234,714
Community	151,039,023	28,027,778	8,237,414	-	-	(13,833,602)	173,470,613
Other	32,884,895	12,393,320	11,029	-	(23,814)	(6,598,657)	38,666,773
Other - Buildings	93,653,922	20,700,799	11,054,274	(61,449)	23,814	(6,283,231)	119,088,129
Service concession assets - GIPTN Buses	173,844,248	-	-	-	-	(34,624,024)	139,220,224
Machinery and Equipment	104,064,452	41,289,049	969,173	-	-	(14,920,876)	131,401,798
Transport	118,229,168	46,965,085	-	(980,358)	-	(11,514,240)	152,699,655
	<b>3,894,819,455</b>	<b>416,272,195</b>	<b>532,225,877</b>	<b>(2,031,588)</b>	<b>-</b>	<b>(237,663,715)</b>	<b>4,603,622,224</b>

**George Local Municipality**  
Annual Financial Statements for the year ended June 30, 2024

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

Figures in Rand

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

**Reconciliation of property, plant and equipment - 2023**

	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	154,202,039	37,760,250	-	-	-	(18,118,041)	173,844,248
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>3,336,686,601</b>	<b>368,945,735</b>	<b>391,723,839</b>	<b>(7,890,777)</b>	<b>-</b>	<b>(194,645,943)</b>	<b>3,894,819,455</b>

**Pledged as security**

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

Refer to note 49 for detail regarding the correction of prior period errors.

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

Vehicles	1,072,081	1,195,360
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**Service concession assets**

GIPTN Buses used as public transport assets are classified as service concession assets. 75 buses are the property of the municipality and 29 buses are owned by the VOC. Refer to note 57 for details of service concession arrangements.

**George Local Municipality**  
Annual Financial Statements for the year ended June 30, 2024

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

Figures in Rand

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

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

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

**Reconciliation of Work-in-Progress 2024**

	Included within Infrastructure	Included within Community	Included within Other PPE	Included within remaining PPE	Included within Land	Total
Opening balance	1,035,184,771	22,957,794	40,064,379	20,034,766	196,882	1,118,438,592
Additions/capital expenditure	511,953,987	8,237,414	980,202	11,054,274	-	532,225,877
Transferred to completed items	(19,797,891)	-	-	-	-	(19,797,891)
	<b>1,527,340,867</b>	<b>31,195,208</b>	<b>41,044,581</b>	<b>31,089,040</b>	<b>196,882</b>	<b>1,630,866,578</b>

**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	13,074,436	4,783,342	-	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>40,064,379</b>	<b>20,034,766</b>	<b>196,882</b>	<b>1,118,438,592</b>

R222 933 which formed part of the prior year WIP additions were incorrectly included within remaining PPE which was moved to Other PPE.

Other PPE WIP additions Previously disclosed R12 851 503.

Remaining PPE WIP additions Previously disclosed R5 006 275.

# George Local Municipality

Annual Financial Statements for the year ended June 30, 2024

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2024	2023
<b>12. Property, plant and equipment (continued)</b>		
<b>Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance</b>		
Contracted services	174,062,540	191,365,069
Employee related costs	26,493,290	13,375,948
Material and other expenditure	23,173,528	29,519,216
	<b><u>223,729,358</u></b>	<b><u>234,260,233</u></b>

### Changes in estimates

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

Infrastructure	(5,042,984)	(2,285,974)
Community	(600,769)	(394,542)
Other	(945,584)	(1,938,389)
Other - Buildings	(234,837)	-
Transport	(688,470)	-
Machinery and Equipment	(915,563)	-
Service concession assets - GIPTN Buses	1,137,009	-
	<b><u>(7,291,198)</u></b>	<b><u>(4,618,905)</u></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.

	<b>2024</b>	<b>2023</b>
Carrying value of land which the entity controls without legal ownership or custodianship included in property, plant and equipment	4,846,390	4,846,390

### 13. Intangible assets

	2024			2023		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	4,249,227	(3,664,498)	584,729	4,249,227	(3,339,536)	909,691

# George Local Municipality

Annual Financial Statements for the year ended June 30, 2024

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2024	2023
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### 13. Intangible assets (continued)

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

	Opening balance	Amortisation	Total
Computer software	909,691	(324,962)	584,729

#### Reconciliation of intangible assets - 2023

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

### 14. Heritage assets

	2024			2023		
	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 2024

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

#### Reconciliation of heritage assets 2023

	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 (2023: RNil).

# George Local Municipality

Annual Financial Statements for the year ended June 30, 2024

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2024			2023		
<b>15. Investment property</b>						
	2024			2023		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	142,565,696	-	142,565,696	142,570,866	-	142,570,866
Buildings	4,981,974	(3,803,149)	1,178,825	4,981,973	(3,641,136)	1,340,837
<b>Total</b>	<b>147,547,670</b>	<b>(3,803,149)</b>	<b>143,744,521</b>	<b>147,552,839</b>	<b>(3,641,136)</b>	<b>143,911,704</b>

### Reconciliation of investment property - 2024

	Opening balance	Disposals	Depreciation	Total
Land	142,570,866	(5,170)	-	142,565,696
Buildings	1,340,838	-	(162,013)	1,178,825
	<b>143,911,704</b>	<b>(5,170)</b>	<b>(162,013)</b>	<b>143,744,521</b>

### 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>

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	1,384,842	1,345,336
Repairs and maintenance of investment property	273,969	104,896
	<u>1,658,811</u>	<u>1,450,232</u>

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

### 16. Loans and borrowings

#### At amortised cost

Annuity loans	470,357,893	308,715,588
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#### Non-current liabilities

Annuity loans	414,367,952	261,957,242
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# George Local Municipality

Annual Financial Statements for the year ended June 30, 2024

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2024	2023
<b>16. Loans and borrowings (continued)</b>		
<b>Current liabilities</b>		
Annuity loans	55,989,941	46,758,346
<b>Annuity loans</b>		
Annuity loans are repaid over periods varying from 1 year to 15 years (2023: 1 year to 15 years) and at interest rates varying from 6.75% to 12,15% (2023: 6.75% to 12,15%) per annum. Annuity loans are not secured.		
Loans are for mainly for financing of Infrastructure and Transport assets.		
<b>17. Service concession liability</b>		
<b>Minimum lease payments due</b>		
- within one year	28,404,413	28,404,413
- in second to fifth year inclusive	33,916,880	62,321,292
	62,321,293	90,725,705
less: future finance charges	(13,406,315)	(25,271,924)
<b>Present value of minimum lease payments</b>	<b>48,914,978</b>	<b>65,453,781</b>
<b>Present value of minimum lease payments due</b>		
- within one year	19,848,947	16,538,804
- in second to fifth year inclusive	29,066,031	48,914,977
	<b>48,914,978</b>	<b>65,453,781</b>
George municipality has entered into a service concession arrangement with one Vehicle Operating Company (VOC) for the George Integrated Public Transport Network (GIPTN). The municipality shall pay the operator the agreed rates as detailed in the Operator agreement.		
The average term is 4-7 years whereby the payments made to the VOC are affected by the change in Prime Rate.		
Refer to note 49 for detail regarding the correction of prior period errors.		
<b>18. Payables from exchange transactions</b>		
<b>Current liabilities</b>		
Trade payables	217,655,480	146,605,026
Compensation Commissioner	3,779,053	2,811,270
GIPTN compensation liability	4,850,881	4,594,736
Other payables	13,350,974	16,324,361
Payments received in advanced - contract in process	32,285,826	25,816,177
Retentions	84,392,402	58,210,359
Unidentified deposits	6,702,454	3,751,406
	<b>363,017,070</b>	<b>258,113,335</b>
<b>Non-current liabilities</b>		
GIPTN compensation liability	10,504,474	8,113,143

# George Local Municipality

Annual Financial Statements for the year ended June 30, 2024

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2024	2023
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### 18. Payables from exchange transactions (continued)

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.

A series of error corrections have been made to ensure the disclosures align with the Municipal Standard Chart of Accounts (MSCOA) classifications. Although the adjustments are due to MSCOA changes, the requirements of the GRAP standard were still considered,

Sundry deposits previously reported: R243 305.

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 22 for more detail.

Balance at beginning of the year	12,707,878	7,210,901
Transferred from Provisions	10,637,552	12,040,762
Change in liability due to inflation and discounting rates	(1,933,833)	(2,664,231)
Paid during the year	(6,056,242)	(3,879,554)
	<b><u>15,355,355</u></b>	<b><u>12,707,878</u></b>
Non-current liabilities	10,504,474	8,113,143
Current liabilities	4,850,881	4,594,736
	<b><u>15,355,355</u></b>	<b><u>12,707,878</u></b>

Refer to note 49 for detail regarding the correction of prior period errors.



# George Local Municipality

Annual Financial Statements for the year ended June 30, 2024

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2024	2023
<b>19. Consumer deposits</b>		
Electricity and water	45,182,856	39,415,781
Sundry deposits	445,478	243,305
	<b>45,628,334</b>	<b>39,659,086</b>
Guarantees held in lieu of electricity and water deposits	22,709,048	21,655,484

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

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

A series of error corrections have been made to ensure the disclosures align with the Municipal Standard Chart of Accounts (MSCOA) classifications. Although the adjustments are due to MSCOA changes, the requirements of the GRAP standard were still considered,

Sundry deposits previously reported: Rnil.

Refer to note 49 for detail regarding the correction of prior period errors.

# George Local Municipality

Annual Financial Statements for the year ended June 30, 2024

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2024	2023
<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	185,942,000	171,692,000
Ex-gratia pension benefits liability	1,633,400	1,533,000
Long service awards	27,447,000	24,225,828
	<b>215,022,400</b>	<b>197,450,828</b>
<b>Current liabilities</b>		
Post-Retirement Medical Aid benefits liability	10,405,000	8,954,000
Ex-gratia pension benefits liability	470,500	590,500
Long service awards	2,138,000	4,753,000
Staff leave	53,610,112	53,405,045
Staff annual bonus	17,689,801	16,963,448
	<b>84,313,413</b>	<b>84,665,993</b>
<b>Total liabilities</b>		
Post-Retirement Medical Aid benefits liability	196,347,000	180,646,000
Ex-gratia pension benefits liability	2,103,900	2,123,500
Long service awards	29,585,000	28,978,828
Staff leave	53,610,112	53,405,045
Staff annual bonus	17,689,801	16,963,448
	<b>299,335,813</b>	<b>282,116,821</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 2024. 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	684	640
In-service (Employees) non-members	651	640
Continuation members (Retirees, widow and orphans)	153	147
	<b>1,488</b>	<b>1,427</b>
In-service members	72,523,000	69,109,000
In-service non-members	11,480,000	10,519,000
Continuation members	112,344,000	101,018,000
	<b>196,347,000</b>	<b>180,646,000</b>

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

- Bonitas

# George Local Municipality

Annual Financial Statements for the year ended June 30, 2024

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2024	2023
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### 20. Employee benefit obligations (continued)

- Sizwe-Hosmed
- LA Health
- Key Health
- Samwumed

Regulatory framework

GRAP 25, derived from IPSAS 39 and IAS 19, has been approved by the ASB and the Minister of Finance, and is effective for financial periods commencing on or after 1 April 2023.

It applies to institutions falling within the ambit of the Finance Management Act.

# George Local Municipality

Annual Financial Statements for the year ended June 30, 2024

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2024	2023
<b>20. Employee benefit obligations (continued)</b>		
Risks of the plan		
<b>Inflation:</b> The risk that future CPI inflation and medical aid contribution inflation are higher than assumed and present in an uncontrolled manner.		
<b>Longevity:</b> The risk that eligible individuals live longer than assumed i.e. their benefits are payable for longer than expected.		
<b>Volatility of open-ended, long-term DBO:</b> The risk that the DBO may be volatile which is exacerbated by its long-term nature.		
<b>Enforcement of eligibility criteria and rules:</b> The risk that eligibility criteria and rules are not strictly or consistently enforced, to the detriment of the Municipality.		
<b>Future changes in legislation:</b> The risk that changes to legislation with respect to the post-employment medical aid benefit may increase the DBO for the Municipality.		
There are no curtailments or settlements to reflect.		
Valuation Method		
The projected unit credit method has been used to value the DOB.		
Post Retirement Benefits (PEMA)	196,347,000	180,646,000
<b>Post Retirement Health Care Benefits</b>		
Balance 1 July	180,646,000	189,776,000
Contribution for the year	6,142,000	6,893,000
Interest cost	21,932,000	21,926,000
Expenditure for the year	(8,954,000)	(8,477,000)
Actuarial Loss/(Gains)	(3,419,000)	(29,472,000)
	<b>196,347,000</b>	<b>180,646,000</b>
Transfer of Current Portion to Current Provisions	(10,405,000)	(8,954,000)
<b>Non-current portion: Net defined benefit liability</b>	<b>185,942,000</b>	<b>171,692,000</b>
The total defined benefit obligation has increased by 9% (or R15 701 million) since the last valuation. The main reasons for the change in liability:		
1. A decrease in the average age which means members are further from retirement (more discounting) and more likely to leave before retirement;		
2. A decrease in the average past service;		
3. An increase in the average post-employment subsidy;		
4. An increase in the net discount rate;		
5. An increase in the average post-employment subsidy;		
6. An increase in the average past service.		
<b>Key actuarial assumptions used:</b>		
Financial assumptions		
<b>Rate on interest</b>		
Discount rate	12.20 %	12.44 %
CPI (Consumer Price inflation)	6.19 %	6.55 %
Medical Aid Contribution Inflation Rate	7.69 %	8.05 %

# George Local Municipality

Annual Financial Statements for the year ended June 30, 2024

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2024	2023
<b>20. Employee benefit obligations (continued)</b>		
Net Effective Discount Rate	4.19 %	4.06 %

The next contribution increases were assumed to occur at 1 January 2025.

Demographic assumptions

### **Mortality during employment**

SA85-90 tables, adjusted for female lives.

### **Mortality rates post-employment**

The PA 90-1 with 1% mortality improvement from p.a from 2010.

### **Normal retirement age**

The normal retirement age is 65 for males and 60 for females.

### **Average 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.

### **Proportion of Eligible In-Service Non-Members Joining a Scheme by Retirement**

It has been assumed that 15% of eligible in-service non-members will be on a medical scheme by retirement (should they not exit employment before then) and continue with the subsidy at and after retirement.

### **Continuation from membership**

It has been assumed that 80% of in-service members will remain on the Municipality's health care arrangement should they stay until retirement.

### **Family Profile**

It has been assumed that female spouses will be three years younger than their male counterparts. Furthermore, we've assumed that 65% of eligible employees on a health care arrangement at retirement will have a subsidised spouse dependant. For current retiree members, actual subsidised spouse dependants were used and the potential for remarriage was ignored.

# George Local Municipality

Annual Financial Statements for the year ended June 30, 2024

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2024	2023
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### 20. Employee benefit obligations (continued)

Termination of service

Valuation: 30 June 2024

Age	Rate
20 - 24	9%
25 -29	8%
30 - 34	6%
35 - 39	5%
40 - 44	5%
45 - 49	4%
50 - 54	3%
55+	0%

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

Present value of fund obligations	196,347,000	180,646,000
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There are currently no long-term assets set aside off-balance sheet in respect of the DBO, thus plan assets is zero.

As there is no plan asset, the net defined benefit liability is equal to the defined benefit obligation.

#### Reconciliation of present value of fund obligation:

Present value of fund obligation at the beginning of the year	180,646,000	189,776,000
<b>Total expenses</b>	<b>19,120,000</b>	<b>20,342,000</b>
Service cost	6,142,000	6,893,000
Interest	21,932,000	21,926,000
Payments to the plan	(8,954,000)	(8,477,000)
<b>Actuarial (gains)/losses</b>	<b>(3,419,000)</b>	<b>(29,472,000)</b>
Demographic assumptions	-	-
Financial assumptions	(3,613,000)	(24,899,000)
Experience adjustments	194,000	(4,573,000)
<b>Present value of fund obligation at the end of the year</b>	<b>196,347,000</b>	<b>180,646,000</b>
Transfer of Current Portion	(10,405,000)	(8,954,000)
	<b>185,942,000</b>	<b>171,692,000</b>

Sensitivity Analysis on the Accrued Liability on 30 June 2024:

Assumption	Change	Total liability	%Change
Central Assumptions	-	196,347,000	-
Medical aid contribution inflation rate	1 %	223,556,000	14 %
Medical aid contribution inflation rate	(1)%	173,853,000	(11)%
Discount rate	1 %	174,855,000	11 %
Discount rate	(1)%	222,613,000	13 %
Post-employment mortality (year)		190,894,000	(3)%
Post-employment mortality (year)	(1)	201,759,000	3 %
Average retirement age (year)	(1)	204,408,000	4 %
Membership continuation	10 %	186,313,000	(5)%

Sensitivity Analysis on Current-Service and Interest Cost for the year ending 30 June 2024:

# George Local Municipality

Annual Financial Statements for the year ended June 30, 2024

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand		2024	2023		
<b>20. Employee benefit obligations (continued)</b>					
<b>Assumption</b>	<b>Change</b>	<b>Current cost</b>	<b>Interest</b>	<b>Total Cost</b>	<b>%Change</b>
Central Assumptions		6,142,000	21,932,000	28,074,000	
Medical aid contribution inflation rate	1.00 %	7,519,000	25,058,000	32,577,000	16 %
Medical aid contribution inflation rate	(1.00)%	5,060,000	19,349,000	24,409,000	(13)%
Discount rate	1.00 %	5,149,000	21,025,000	26,174,000	(7)%
Discount rate	(1.00)%	7,405,000	22,948,000	30,353,000	8 %
Post-employment morality (years)	1	5,994,000	21,304,000	27,298,000	(3)%
Post-employment morality (years)	(1)	6,291,000	22,555,000	28,846,000	3 %
Average retirement age (years)	(1)	6,640,000	22,897,000	29,537,000	5 %
Membership continuation	(10)%	5,424,000	20,751,000	26,175,000	(7)%

The method used to prepare the sensitivity analysis remained unchanged from the previous period. The assumptions used would be based on the market conditions and demographic inputs as at 30 June 2024.

The Service Cost for the ensuing year is estimated to be R6 474 000 whereas the Interest Cost for the next year is estimated to be R23 338 000.

### Maturity analysis of the DBO (up to 80 years, R millions)

Future year	Expected benefits vesting
1	10.41
2	11.60
3	12.55
4	13.78
5	15.37
6 - 10	106.74
11 - 15	178.93
16 - 20	273.46
21 - 25	398.70
26 - 30	530.20
31 - 40	1 403.65
41 - 50	1 509.38
51 - 60	1 153.84
61 - 70	565.68
71 - 80	143.22

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

Net Defined Benefit Liability History	30 June 2020	30 June 2021	30 June 2022	30 June 2023	30 June 2024
Defined benefit obligation	161.464	182.599	189.776	180.646	196.347

# George Local Municipality

Annual Financial Statements for the year ended June 30, 2024

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand			2024	2023
<b>20. Employee benefit obligations (continued)</b>				
Fair value of plan asset	-	-	-	-
<b>Surplus / (Deficit)</b>	<b>161.464</b>	<b>182.599</b>	<b>180.646</b>	<b>196.347</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 2020	30 June 2021	30 June 2022	30 June 2023	30 June 2024
2024 Defined benefit obligation: (Gain) /Loss	5.402	(6.705)	(8.765)	(4.573)	0.194
Assets: Gains / (Loss)	-	-	-	-	-
	<b>5.402</b>	<b>(6.705)</b>	<b>(8.765)</b>	<b>(4.573)</b>	<b>0.194</b>

### 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 2024.

Eligible employees - Female	534	496
Eligible employees - Male	802	785
	<b>1,336</b>	<b>1,281</b>

The Service Cost for the ensuing year is estimated to be R2 566 000 whereas the Interest Cost for the next year is estimated to be R3 262 000.

### Regulatory framework

GRAP 25, derived from IPSAS 39 and IAS 19, has been approved by the ASB and the Minister of Finance, and is effective for financial periods commencing on or after 1 April 2023.

It applies to institutions falling within the ambit of the Finance Management Act.

### Risks of the plan



# George Local Municipality

Annual Financial Statements for the year ended June 30, 2024

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2024	2023
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### 20. Employee benefit obligations (continued)

**Inflation:** The risk that future CPI inflation and medical aid contribution inflation are higher than assumed and present in an uncontrolled manner.

**Longevity:** The risk that fewer eligible employees terminate their service at the Municipality i.e. more long service awards vest than expected.

**Volatility of open-ended, long-term DBO:** The risk that the DBO may be volatile which is exacerbated by its long-term nature.

**Enforcement of eligibility criteria and rules:** The risk that eligibility criteria and rules are not strictly or consistently enforced, to the detriment of the Municipality.

**Future changes in legislation:** The risk that changes to legislation with respect to long service awards may increase the DBO for the Municipality.

There are no curtailments or settlements to reflect.

Valuation method

The Projected Unit Credit Method has been used to value the DBO.

The Projected Unit Credit Method has been used to value the DBO.	29,585,000	28,978,000
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#### Defined benefit obligation

Balance 1 July	28,978,000	28,759,000
Contribution for the year	2,351,000	2,397,000
Interest cost	3,053,000	3,058,000
Expenditure for the year	(4,861,095)	(2,752,192)
Actuarial Loss/(Gain)	64,095	(2,483,808)
	<b>29,585,000</b>	<b>28,978,000</b>
Transfer of Current Portion to Current Provisions	(2,138,000)	(4,753,000)
<b>Non-current portion: Net defined benefit liability</b>	<b>27,447,000</b>	<b>24,225,000</b>

The total DBO has increased by 2% (or R 607,000) due to the above being more than offset by an increase in the number of eligible employees since the last valuation.

Key actuarial assumptions used:

Financial assumptions

#### Rate of interest

Discount rate	11.43 %	11.45 %
CPI (Consumer Price inflation)	5.53 %	5.68 %
General earnings inflation rate	6.53 %	6.68 %
Net Effective Discount Rate	4.60 %	4.47 %

The next general earnings increase was assumed to take place on 1 July 2025.

Demographic assumptions

# George Local Municipality

Annual Financial Statements for the year ended June 30, 2024

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2024	2023
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### 20. Employee benefit obligations (continued)

#### Mortality during employment

SA85-90 tables, adjusted for female lives.

#### Promotional Earnings Scale

The annual escalation rates below are in addition to the general earnings inflation assumption of 6.53% per annum for all employees.

#### Average 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.

Termination of service

Valuation: 30 June 2024

Age	Rate
20 - 24	9%
25 - 29	8%
30 - 34	6%
35 - 39	5%
40 - 44	5%
45 - 49	4%
50 - 54	3%
55+	0%

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

Present value of fund obligations	29,585,000	28,978,000
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Management has indicated that there are currently no long-term assets set aside off-balance sheet in respect of the LSA DBO.

#### Reconciliation of present value of fund obligation:

Present value of fund obligation at the beginning of the year	28,978,000	28,759,000
<b>Total expenses</b>	<b>542,905</b>	<b>2,702,808</b>
Service cost	2,351,000	2,397,000
Interest Cost	3,053,000	3,058,000
Payments to the plan	(4,861,095)	(2,752,192)
<b>Actuarial (gains)/losses</b>	<b>64,095</b>	<b>(2,483,808)</b>
Financial assumptions	(23,905)	(1,944,808)
Experience adjustments	88,000	(539,000)
	<b>29,585,000</b>	<b>28,978,000</b>
Transfer of Current Portion	(2,138,000)	(4,753,000)
<b>Net defined benefit liability</b>	<b>27,447,000</b>	<b>24,225,000</b>

Sensitivity Analysis on the Accrued Liability on 30 June 2024

Assumption	Change	Total Liability	%Change'
Central Assumptions	-	29,585,000	-
General earnings inflation rate	1.00 %	31,442,000	6.00 %
General earnings inflation rate	(1.00)%	27,897,000	(6.00)%

# George Local Municipality

Annual Financial Statements for the year ended June 30, 2024

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand		2024	2023
<b>20. Employee benefit obligations (continued)</b>			
Discount rate	1.00 %	27,876,000	(6.00)%
Discount rate	(1.00)%	31,493,000	6.00 %
Average retirement age	2	33,648,000	14.00 %
Average retirement age	(2)	25,027,000	(15.00)%
Rates of termination serves (x)	2	24,165,000	(18.00)%
Rates of termination serves (x)	0.5	33,273,000	12.00 %

Sensitivity Analysis on Current-Service and Interest Cost for the year ending 30 June 2024.

Assumptions	Change	Current cost	Interest	Total Cost	%Change
Central Assumptions	-	2,351,000	3,053,000	5,404,000	-
General earnings inflation rate	1.00 %	2,549,000	3,255,000	5,804,000	7.00 %
General earnings inflation rate	(1.00)%	2,174,000	2,871,000	5,045,000	(7.00)%
Discount rate	1.00 %	2,194,000	3,119,000	5,313,000	(2.00)%
Discount rate	(1.00)%	2,528,000	2,976,000	5,504,000	2.00 %
Average retirement age (years)	2	2,616,000	3,492,000	6,108,000	13.00 %
Average retirement age (years)	(2)	2,074,000	3,569,000	4,643,000	(14.00)%
Rates of termination serves	2	1,715,000	2,465,000	4,180,000	(23.00)%
Rates of termination serves	0.5	2,827,000	3,456,000	6,283,000	16.00 %

The method used to prepare the sensitivity analysis remained unchanged from the previous period. The assumptions used would be based on the market conditions and demographic inputs as at 30 June 2024.

Maturity analysis of the DBO (up to 40 years, R millions);

Future year	Expected benefits vesting
1	2.138
2	4.872
3	4.503
4	5.246
5	5.426
6 - 10	30.079
11 - 15	38.547
16 - 20	38.843
21 - 30	62.429
31 - 40	9.868

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 2020	30 June 2021	30 June 2022	30 June 2023	30 June 2024
Accrued Liability	27.586	27.660	28.759	28.978	29.585
Fair value of plan assets	-	-	-	-	-
	<b>27.586</b>	<b>27.660</b>	<b>28.759</b>	<b>28.978</b>	<b>29.585</b>

# George Local Municipality

Annual Financial Statements for the year ended June 30, 2024

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2024	2023
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### 20. Employee benefit obligations (continued)

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 (**R rands**).

Experience adjustment	30 June 2020	30 June 2021	30 June 2022	30 June 2023	30 June 2024
Liabilities: (Gain) / Loss	1,196,866	37,000	215,000	(539,000)	180,000
Assets: Gain / (Loss)	-	-	-	-	-
	<b>1,196,866</b>	<b>37,000</b>	<b>215,000</b>	<b>(539,000)</b>	<b>180,000</b>

#### Ex-gratia benefits

The Ex-gratia pension benefit plan is a defined benefit plan. As at 30 June 2024, 96 employees and 9 pensioners were eligible for payments in terms of this plan.

As there is no plan asset, the net defined benefit liability is equal to the defined benefit obligation.

The effective date of this valuation is 30 June 2024 and its purpose is to enable the Municipality to provide appropriate disclosure in their financial statements in respect of this net defined benefit liability.

There are no current service costs as the benefit is fully accrued for all eligible individuals.

Eligible employees	96	100
Pensioners	9	9
	<b>105</b>	<b>109</b>
Eligible employees	887,900	984,000
Pensioners	1,216,000	1,139,500
	<b>2,103,900</b>	<b>2,123,500</b>

#### Regulatory framework

GRAP 25, derived from IPSAS 39 and IAS 19, has been approved by the ASB and the Minister of Finance, and is effective for financial periods commencing on or after 1 April 2023.

It applies to institutions falling within the ambit of the Finance Management Act.

# George Local Municipality

Annual Financial Statements for the year ended June 30, 2024

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2024	2023
<b>20. Employee benefit obligations (continued)</b>		
Risks of the plan		
<b>Inflation:</b> The risk that future CPI inflation is higher than assumed and present in an uncontrolled manner.		
<b>Longevity:</b> The risk that eligible individuals live longer than assumed i.e. their benefits are payable for longer than expected.		
<b>Termination of service:</b> The risk that fewer eligible employees terminate their service at the Municipality i.e. more benefits will be payable than expected.		
<b>Volatility of open-ended, long-term DBO:</b> The risk that the DBO may be volatile which is exacerbated by its long-term nature.		
<b>Enforcement of eligibility criteria and rules:</b> The risk that eligibility criteria and rules are not strictly or consistently enforced, to the detriment of the Municipality.		
<b>Future changes in legislation:</b> The risk that changes to legislation with respect to the ex-gratia benefits may increase the DBO for the Municipality.		
There are no curtailments or settlements to reflect.		
Valuation method		
The projected unit credit method has been used to value the DBO.		
Defined benefit obligation	2,103,900	2,123,500
<b>Defined benefit obligation</b>		
Balance 1 July	2,123,500	2,336,300
Contribution for the year	-	-
Interest cost	179,800	190,100
Expenditure for the year	(590,500)	(634,400)
Actuarial Loss/(Gain)	391,100	231,500
	<b>2,103,900</b>	<b>2,123,500</b>
Transfer of Current Portion to Current Provisions	(470,500)	(590,500)
<b>Non-current portion: Net defined benefit liability</b>	<b>1,633,400</b>	<b>1,533,000</b>

The total DBO has decreased by 1% (or R 19,600) since the last valuation. A numerical analysis of the unexpected movement (actuarial gain/loss) is provided in the next section. The main reasons for the actual movement in the DBO are:

1. The average employee DBO has decreased by 6% since the last valuation due to a decrease in the average current lump sum value.
2. The total employee DBO has decreased by 10% due to the above, combined with a decrease in the number of eligible employees.
3. The average pensioner DBO has increased by 7% since the last valuation.
4. The total pensioner DBO has also increased by 7% due to the above, and because there was no change in the number of pensioners.

Key actuarial assumptions used:

Financial assumptions

# George Local Municipality

Annual Financial Statements for the year ended June 30, 2024

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2024	2023
<b>20. Employee benefit obligations (continued)</b>		
<b>Rate of interest</b>		
Discount rate	9.68 %	9.80 %
CPI (Consumer Price inflation)	4.30 %	4.86 %
<b>Net Effective Discount Rate (Lump sum)</b>	<b>9.68 %</b>	<b>9.80 %</b>
Pension inflation rate	3.44 %	2.43 %
<b>Net discount rate (Pension)</b>	<b>6.03 %</b>	<b>7.20 %</b>

The next pension increase was assumed to occur at 1 July 2025.

Demographic assumptions

### Mortality during employment

SA85-90 tables, adjusted for female lives

### Mortality rates post-employment

The PA 90-1 with 1% mortality improvement from p.a from 2010

### Average 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.

### Termination of service

If an eligible employee leaves due to resignation or retrenchment, the employer's DBO in respect of that employee ceases. It is therefore important not to overstate termination rates.

Valuation: 30 June 2024:

Age	Females	Males
55 - 54	3%	3%
55+	0%	0%

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

Present value of fund obligations	2,103,900	2,123,500
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Management has indicated that there are no long-term assets set aside off-balance sheet in respect of the Municipality's ex-gratia DBO.

### Reconciliation of present value of fund obligation:

Present value of fund obligation at the beginning of the year	2,123,500	2,336,300
<b>Total expenses</b>	<b>(410,700)</b>	<b>(444,300)</b>
Service cost	-	-
Interest cost	179,800	190,100
Payments to the plan	(590,500)	(634,400)
<b>Actuarial (gains)/losses</b>	<b>391,100</b>	<b>231,500</b>
Demographic assumptions	-	-
Financial assumptions	69,200	(70,600)
Experience adjustments	321,900	302,100
	<b>2,103,900</b>	<b>2,123,500</b>
Transfer of Current Portion	(470,500)	(590,500)
<b>Net defined benefit liability</b>	<b>1,633,400</b>	<b>1,533,000</b>

# George Local Municipality

Annual Financial Statements for the year ended June 30, 2024

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2024	2023
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### 20. Employee benefit obligations (continued)

Sensitivity analysis on the defined benefit obligation (Rands).

Assumptions	Change	Total Liability	%Change
Central Assumptions	-	2,103,900	-
Pension inflation rate	1.00 %	2,190,300	4.00 %
Pension inflation rate	(1.00)%	2,023,600	(4.00)%
Discount rate	1.00 %	2,020,700	(4.00)%
Discount rate	(1.00)%	2,195,500	4.00 %
Post-employment mortality (years)	1	2,053,100	(2.00)%
Post-employment mortality (years)	(1)	2,155,300	2.00 %
Average retirement age (years)	1	2,037,700	(3.00)%
Average retirement age (years)	(1)	2,171,600	3.00 %

Sensitivity Analysis on Current-Service and Interest Cost for the year ending 30 June 2024.

Assumption	Change	Interest cost	Total Cost	%Change
Central Assumptions	-	179,800	179,800	-
Pension inflation rate	1.00 %	185,700	185,700	3.00 %
Pension inflation rate	(1.00)%	174,500	174,500	(3.00)%
Discount rate	1.00 %	189,400	189,400	5.00 %
Discount rate	(1.00)%	169,300	169,300	(6.00)%
Post-employment mortality (years)	1	175,500	175,500	(2.00)%
Post-employment mortality (years)	(1)	184,200	184,200	2.00 %
Average retirement age (years)	1	175,700	175,700	(2.00)%
Average retirement age (years)	(1)	183,700	183,700	2.00 %

The method used to prepare the sensitivity analysis remained unchanged from the previous period. The assumptions used would be based on the market conditions and demographic inputs as at 30 June 2024.

The Service Cost for the ensuing year is estimated to be R6 474 000 whereas the Interest Cost for the next year is estimated to be R23 338 000.

Maturity analysis of the DBO (up to 40 years, Rands):

Future year	Expected benefits vesting
1	470 500
2	408 900
3	256 300
4	191 300
5	180 000
6 - 10	879 500
11 - 15	447 000
16 - 20	243 000
21 - 25	178 300
31 - 40	29 200

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, 2024

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand			2024	2023	
<b>20. Employee benefit obligations (continued)</b>					
<b>Net Defined Benefit Liability History</b>	<b>30 June 2020</b>	<b>30 June 2021</b>	<b>30 June 2022</b>	<b>30 June 2023</b>	<b>30 June 2024</b>
Defined benefit obligation	2.991	2.640	2.336	2.124	2.104
Fair value of plan assets	-	-	-	-	-
	<u>2.991</u>	<u>2.640</u>	<u>2.336</u>	<u>2.124</u>	<u>2.104</u>

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**).

<b>Experience adjustment</b>	<b>30 June 2020</b>	<b>30 June 2021</b>	<b>30 June 2022</b>	<b>30 June 2023</b>	<b>30 June 2024</b>
Defined Benefit Obligation: (Gain) / Loss	1,508,539	35,900	204,800	302,100	321,900
Assets: Gain / (Loss)	-	-	-	-	-
	<u>1,508,539</u>	<u>35,900</u>	<u>204,800</u>	<u>302,100</u>	<u>321,900</u>

### 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 Retirement Fund and Consolidated Retirement fund are defined benefit plans, whereas the LA Retirement 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 R67,759,990 for employees and R308,254 for Councillors represents contributions payable to these plans by the municipality at rates specified in the rules of the plans.

### LA Retirement Fund

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

The 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



# George Local Municipality

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## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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### 20. Employee benefit obligations (continued)

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	53,405,045	55,029,099
Payments	(3,979,283)	(4,362,572)
Increase / (Decrease) in provision	4,184,350	2,738,518
	<b>53,610,112</b>	<b>53,405,045</b>

#### Staff annual bonus

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

Opening balance	16,963,448	14,355,419
Payments	(16,963,448)	(14,355,419)
Increase / (Decrease) in provision	17,689,801	16,963,448
	<b>17,689,801</b>	<b>16,963,448</b>

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### 21. Provisions

#### Reconciliation of provisions - 2024

	Opening Balance	Additions	Utilised during the year	Change in discount factor	Reduction due to re-measurement or settlement without cost to entity	Total
Rehabilitation of landfill site	72,295,482	(6,465,507)	(250,897)	6,800,016	-	72,379,094
Compensation Liability GIPTN	41,491,436	12,313,773	(16,306,118)	3,021,769	(10,637,551)	29,883,309
	<b>113,786,918</b>	<b>5,848,266</b>	<b>(16,557,015)</b>	<b>9,821,785</b>	<b>(10,637,551)</b>	<b>102,262,403</b>

#### Reconciliation of provisions - 2023

	Opening Balance	Additions	Utilised during the year	Change in discount factor	Reduction due to re-measurement or settlement without cost to entity	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	3,826,036	(15,675,721)	3,975,812	(12,040,762)	41,491,436
	<b>131,239,371</b>	<b>584,357</b>	<b>(16,264,363)</b>	<b>10,268,315</b>	<b>(12,040,762)</b>	<b>113,786,918</b>

#### Current liabilities consist of

Rehabilitation of landfill site	2,528,531	1,360,785
Compensation Liability GIPTN	15,966,648	23,457,507
	<b>18,495,179</b>	<b>24,818,292</b>
Non-current liabilities	83,767,224	88,968,626
Current liabilities	18,495,179	24,818,292
	<b>102,262,403</b>	<b>113,786,918</b>

Refer to note 49 for detail regarding the correction of prior period errors.

# George Local Municipality

Annual Financial Statements for the year ended June 30, 2024

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2024	2023
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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 2024 has been escalated annually with the Consumer Price Index rate until the estimated time of closure and discounted to present value using South African Government Bond rates of between 8.942 % and 12.365% 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	69,238,717	(6,468,910)	(250,897)	6,528,117	69,047,027
Uniondale	3,056,765	3,402	-	271,899	3,332,066
	<b>72,295,482</b>	<b>(6,465,508)</b>	<b>(250,897)</b>	<b>6,800,016</b>	<b>72,379,093</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 (2023: 230) licences were subject to the buy-in option, while 295 (2023: 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 R35 706 820 (2023: R48 248 830). A discount rate of 7.575% (2023: 6.128%) (the 2 year Government Bond rate) was used to discount the provision.

The municipality expects to pay the buy-out options between September 2024 and January 2026 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	2024	2023
<b>22. Conditional government grants and subsidies</b>		
<b>Unspent conditional government grants and subsidies</b>	<b>757,265,419</b>	<b>422,809,717</b>
National Government Grants	735,311,904	386,490,600
Provincial Government Grants	14,174,286	28,612,626
Other	7,704,027	7,704,027
District Government Grants	75,211	2,464
<b>Less: Conditional government grants and subsidies receivable - Note 4</b>	<b>(4,498,063)</b>	<b>(17,387,152)</b>
National Government Grants	(262,147)	(262,147)
Provincial Government Grants	(1,662,519)	(14,551,607)
District Government Grants	(2,573,398)	(2,573,398)
	<b>752,767,356</b>	<b>405,422,565</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 31):

<b>Unconditional Grants</b>		
Grants	214,689,971	193,460,000
<b>Conditional Grants</b>		
Grants and Donations	1,044,565,336	838,246,468
Subsidies	1,438,468	1,233,177
<b>Total Government Grants and Subsidies</b>	<b>1,260,693,775</b>	<b>1,032,939,645</b>
Operating	680,045,129	624,643,277
Capital	580,648,646	408,296,370
	<b>1,260,693,775</b>	<b>1,032,939,647</b>

Details of the different grants are set out below.

### Unconditional Grants

#### 22.1 Equitable share

Grants received	(214,689,971)	193,460,000
Conditions met - Operating	214,689,971	(193,460,000)
Conditions met - Capital	-	-
<b>Conditions still to be met/(Grant expenditure to be recovered)</b>	<b>-</b>	<b>-</b>

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

Free basic services are services provided for poor households (indigent support) that are funded through the Equitable Share allocation. The cost of free basic services for 2024 were R133 832 229 (2023: R 120,475,786).

# George Local Municipality

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## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2024	2023
<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	1,771,000	1,721,000
Conditions met - Operating	(1,771,000)	(1,721,000)
<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).		
<b>22.3 National: Infrastructure Skills Development</b>		
Opening balance	1,221,971	-
Grants received	6,217,000	6,000,000
Conditions met - Operating	(5,044,783)	(4,634,343)
Conditions met - Capital	-	(143,686)
Repayment of grant	(1,221,971)	-
<b>Conditions still to be met/(Grant expenditure to be recovered)</b>	<b>1,172,217</b>	<b>1,221,971</b>
The Infrastructure Skills Development Grant is given to strengthen the capacity of local government to effectively and efficiently deliver quality infrastructure, by increasing the pool of skills available and to facilitate lifelong learning and the transfer of knowledge to municipalities.		
<b>22.4 National: Energy Efficiency and Demand Side Management Grant</b>		
Opening balance	399,612	-
Grants received	-	2,500,000
Conditions met - Capital	-	(2,100,388)
Repayment of grant	(399,612)	-
<b>Conditions still to be met/(Grant expenditure to be recovered)</b>	<b>-</b>	<b>399,612</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.		
<b>22.5 National: Municipal Infrastructure Grant (MIG)</b>		
Opening balance	1,960,306	-
Grants received	-	45,508,000
Conditions met - Operating	-	(750,002)
Conditions met - Capital	(1,960,306)	(42,797,692)
<b>Conditions still to be met/(Grant expenditure to be recovered)</b>	<b>-</b>	<b>1,960,306</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	2024	2023
<b>22. Conditional government grants and subsidies (continued)</b>		
<b>22.6 National: Water Service Infrastructure Grant</b>		
Opening balance	-	-
Grants received	3,820,000	-
Conditions met - Capital	(3,820,000)	-
<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>		
Opening balance	129,404,089	-
Grants received	365,138,000	374,896,000
Conditions met - Operating	(4,000,000)	(2,903,210)
Conditions met - Capital	(338,550,953)	(242,588,701)
<b>Conditions still to be met/(Grant expenditure to be recovered)</b>	<b>151,991,136</b>	<b>129,404,089</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	104,578	-
Grants received	6,346,000	38,036,000
Conditions met - Capital	(5,752,314)	(37,931,422)
<b>Conditions still to be met/(Grant expenditure to be recovered)</b>	<b>698,264</b>	<b>104,578</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	4,173,000	1,990,000
Conditions met - Operating	(3,240,873)	(1,990,000)
<b>Conditions still to be met/(Grant expenditure to be recovered)</b>	<b>932,127</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

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### 22. Conditional government grants and subsidies (continued)

#### 22.11 National: Public Transport Grant

Opening balance	24,304,645	-
Grants received	649,823,000	237,100,000
Conditions met - Operating	(170,300,423)	(149,292,686)
Conditions met - Capital	(53,858,055)	(63,502,669)
<b>Conditions still to be met/(Grant expenditure to be recovered)</b>	<b>449,969,167</b>	<b>24,304,645</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.

The unspent conditional grant mainly resulted from additional funding received during March 2024.

#### 22.12 National: Municipal Disaster Recovery Grant

Opening balance	229,095,398	-
Grants received	-	237,497,000
Conditions met - Capital	(98,574,332)	(8,401,602)
<b>Conditions still to be met/(Grant expenditure to be recovered)</b>	<b>130,521,066</b>	<b>229,095,398</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 National: Integrated Urban Development Grant

Grants received	59,878,999	-
Conditions met - Operating	(1,033,998)	-
Conditions met - Capital	(58,836,937)	-
<b>Conditions still to be met/(Grant expenditure to be recovered)</b>	<b>8,064</b>	<b>-</b>

To provide funding for public investment in infrastructure for the poor and to promote increased access to municipal own sources of capital finance in order to increase funding for public investment in economic infrastructure; to ensure that public investments are spatially aligned and to promote the sound management of the assets delivered.

#### 22.14 National: Neighbourhood Development Partnership Grant

Grants received	5,000,000	-
Conditions met - Capital	(4,980,136)	-
<b>Conditions still to be met/(Grant expenditure to be recovered)</b>	<b>19,864</b>	<b>-</b>

To plan, catalyse, and invest in targeted locations in order to attract and sustain third party capital investments aimed at spatial transformation, that will improve the quality of life, and access to opportunities for residents in South Africa's targeted locations, under- served neighbourhoods, townships and rural towns.

# George Local Municipality

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## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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### 22. Conditional government grants and subsidies (continued)

#### 22.15 Provincial: Western Cape Financial Management Capacity

##### Building Grant

Opening balance	324,535	124,535
Grants received	1,200,000	1,450,000
Conditions met - Operating	(1,000,000)	(1,250,000)
Repayment of grant	(324,535)	-
<b>Conditions still to be met/(Grant expenditure to be recovered)</b>	<b>200,000</b>	<b>324,535</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.

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

Opening balance	(12,997,789)	12,671,346
Grants received	288,868,000	214,811,000
Conditions met - Operating	(274,856,674)	(240,480,135)
<b>Conditions still to be met/(Grant expenditure to be recovered)</b>	<b>1,013,537</b>	<b>(12,997,789)</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.

#### 22.17 Provincial: Human Settlements Development Grant

Opening balance	12,838,249	10,135,335
Grants received	-	10,570,200
Conditions met - Operating	-	(189,000)
Conditions met - Capital	-	(7,678,286)
<b>Conditions still to be met/(Grant expenditure to be recovered)</b>	<b>12,838,249</b>	<b>12,838,249</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.

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

Opening balance	182,363	667,233
Grants received	245,000	411,837
Conditions met - Operating	(122,500)	(484,870)
Repayment of grant	(182,363)	(411,837)
<b>Conditions still to be met/(Grant expenditure to be recovered)</b>	<b>122,500</b>	<b>182,363</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.



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Figures in Rand	2024	2023
<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	-	-
Repayment of grant	(530,000)	-
<b>Conditions still to be met/(Grant expenditure to be recovered)</b>	<b>-</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.

<b>22.20 Provincial: Informal Settlements Upgrade Grants</b>		
Opening balance	1,171,868	2,715,969
Grants received	-	-
Conditions met - Operating	(1,261,341)	(1,544,102)
<b>Conditions still to be met/(Grant expenditure to be recovered)</b>	<b>(89,473)</b>	<b>1,171,868</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.

<b>Department of Human Settlements</b>		
22.17 Provincial: Human Settlements Development Grant	12,838,248	12,838,249
22.18 Provincial: Housing Accredited/Capacity Grants	122,500	182,363
22.19 Provincial: Accelerated Housing Programme Grants	-	530,000
22.20 Provincial: Informal Settlements Upgrade Grants	(89,473)	1,171,868
Construction contracts Refer to note 8	(2,537,515)	(3,468,641)
Principle agent arrangements: amounts due from principle - Refer to note 10	(1,103,983)	(1,103,983)
	<b>9,229,777</b>	<b>10,149,856</b>

# George Local Municipality

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## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2024	2023
<b>22. Conditional government grants and subsidies (continued)</b>		
<b>22.21 Provincial: Proclaimed Roads</b>		
Opening balance	-	-
Grants received	504,946	22,153,393
Conditions met - Operating	(504,946)	(22,153,393)
<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).

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

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.

### 22.23 Provincial: Provide resources for the Cycle Infrastructure Project Grant

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.

### 22.24 Provincial: Title Deeds Restoration Grant

Grants received	434,670	-
Conditions met - Operating	(453,898)	-
<b>Conditions still to be met/(Grant expenditure to be recovered)</b>	<b>19,228</b>	<b>-</b>

To provide funding for the eradication of the pre-2014 title-deeds registration backlog and the professional fees associated with it, including beneficiary verification.

# George Local Municipality

Annual Financial Statements for the year ended June 30, 2024

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2024	2023
<b>22. Conditional government grants and subsidies (continued)</b>		
<b>22.25 Provincial: Community Development Workers' Operational Grant</b>		
Grants received	94,000	94,000
Conditions met - Operating	(94,000)	(188,000)
Repayment of grant	-	(30,450)
<b>Conditions still to be met/(Grant expenditure to be recovered)</b>	<b>-</b>	<b>-</b>
This grant is for financial assistance to Municipalities to cover the operational expenses i.r.o the functions of the community development workers including the supervisors and regional organisers.		
<b>22.26 Provincial: Thembaletu Thusong Service Centre</b>		
Opening balance	-	-
Grants received	150,000	-
Conditions met - Operating	(150,000)	-
<b>Conditions still to be met/(Grant expenditure to be recovered)</b>	<b>-</b>	<b>-</b>
This grant is given to provide financial assistance to Municipalities, ensuring the financial sustainability of the Thusong Service Centres.		
<b>22.27 Provincial: Sport / Recreational Facilities</b>		
Opening balance	693,491	700,000
Grants received	750,000	800,000
Conditions met - Capital	(1,443,491)	(806,509)
<b>Conditions still to be met/(Grant expenditure to be recovered)</b>	<b>-</b>	<b>693,491</b>
This grant is given by Provincial Treasury to initiate and support socially cohesive sport and recreation structures and/or activities.		
<b>22.28 Provincial: Emergency Municipal Load-Shedding Relief</b>		
Opening balance	12,872,121	-
Grants received	-	14,220,000
Conditions met - Capital	(12,872,121)	(1,347,879)
<b>Conditions still to be met/(Grant expenditure to be recovered)</b>	<b>-</b>	<b>12,872,121</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

Annual Financial Statements for the year ended June 30, 2024

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2024	2023
<b>22. Conditional government grants and subsidies (continued)</b>		
<b>22.29 Provincial: LG Public Employment Support Grant</b>		
Opening balance	-	1,440,695
Conditions met - Operating	-	(1,440,695)
<b>Conditions still to be met/(Grant expenditure to be recovered)</b>	<b>-</b>	<b>-</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.

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

<b>22.30 Other: GRDM Electrification Grant</b>		
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.

<b>22.31 Other: GRDM Emergency Relief Funds</b>		
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

Annual Financial Statements for the year ended June 30, 2024

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2024	2023
<b>22. Conditional government grants and subsidies (continued)</b>		
<b>22.32 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.

### 22.33 Other: LG Seta

Opening balance	-	-
Grants received	1,438,468	1,233,177
Conditions met - Operating	(1,438,468)	(1,233,177)
<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.

### 22.34 Other: GRDM Community Safety Initiatives

Opening balance	-	120,000
Grants received	155,000	-
Conditions met - Operating	(82,254)	(120,000)
<b>Conditions still to be met/(Grant expenditure to be recovered)</b>	<b>72,746</b>	<b>-</b>

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

### 22.35 Other: GRDM Micro Enterprise Facilities Grant

Opening balance	2,465	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>2,465</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.

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

# George Local Municipality

Annual Financial Statements for the year ended June 30, 2024

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2024	2023
<b>22. Conditional government grants and subsidies (continued)</b>		
<b>Total Grants</b>		
Opening balance	405,422,566	33,544,227
Grants received	1,610,697,055	1,404,451,607
Conditions met - Operating	(680,045,129)	(623,834,611)
Conditions met - Capital	(580,648,647)	(408,296,370)
Repayment of grant funding received	(2,658,480)	(442,287)
<b>Conditions still to be met/(Grant expenditure to be recovered)</b>	<b><u>752,767,356</u></b>	<b><u>405,422,566</u></b>

Refer to note 49 for detail regarding the corrections of prior period errors.

### 23. Housing development fund

Unappropriate surplus	(19,513,413)	(17,653,872)
Loans extinguished by Government on 1 April 1998	53,383,243	53,383,243
	<b><u>33,869,830</u></b>	<b><u>35,729,371</u></b>

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

Housing selling scheme loans	9	21,967	36,462
Inventory	2	39,266	61,918
Receivables from exchange transactions	3	1,042,910	1,145,830
Receivables from non-exchange transactions	4	771,560	818,102
Cash and cash equivalents	11	32,765,687	34,485,161
Payables from exchange transactions	18	(771,560)	(818,102)
<b>Total Housing Development Fund Assets and Liabilities</b>		<b><u>33,869,830</u></b>	<b><u>35,729,371</u></b>

### 24. Service charges

Sale of electricity	931,086,882	785,776,767
Sale of water	228,473,527	211,952,855
Sewerage and sanitation charges	168,467,446	157,407,731
Refuse removal	153,295,801	141,374,178
	<b><u>1,481,323,656</u></b>	<b><u>1,296,511,531</u></b>

A series of error corrections have been made to ensure the disclosures align with the Municipal Standard Chart of Accounts (MSCOA) classifications. Although the adjustments are due to MSCOA changes, the requirements of the GRAP standard were still considered,

Sale of electricity previously reported: R785 775 792

Refer to note 49 for detail regarding the corrections of prior period errors.

### 25. Income from agency services

Provincial vehicle registrations	14,083,052	14,304,911
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Refer to note 58 regarding the principle-agent agreement.

# George Local Municipality

Annual Financial Statements for the year ended June 30, 2024

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2024	2023
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### 25. Income from agency services (continued)

A series of error corrections have been made to ensure the disclosures align with the Municipal Standard Chart of Accounts (MSCOA) classifications. Although the adjustments are due to MSCOA changes, the requirements of the GRAP standard were still considered,

Provincial drivers licenses previously reported: R1 836 903

Refer to note 49 for detail regarding the corrections of prior period errors.

### 26. GIPTN Fare Revenue

GIPTN Fare Revenue	77,498,662	63,779,838
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Fare revenue is recognised in accordance with accounting policy 1.25.

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

### 27. Operating revenue

Building plan fees and related income	10,888,745	12,622,126
Camping fees	1,216,357	1,018,770
Cemetery fees	1,666,201	1,491,192
Collection charges	8,516,535	4,269,076
Development charges	44,539,709	35,090,189
Insurance claims received	2,508,053	2,737,489
Entrance fees	60,247	69,756
Libraries	9,939,130	10,366,087
Land usage application fee	1,825,252	2,186,079
Rates clearance certificates for property transfers	808,960	980,179
Reversal to the rehabilitation of the landfill sites provision	6,465,507	3,241,679
Sale of Erven	4,561,714	5,405,224
Sundry income	8,376,303	4,234,170
	<b>101,372,713</b>	<b>83,712,016</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.

A series of error corrections have been made to ensure the disclosures align with the Municipal Standard Chart of Accounts (MSCOA) classifications. Although the adjustments are due to MSCOA changes, the requirements of the GRAP standard were still considered,

Development charges previously reported: R35 159 945.

Entrance fees previously reported: Rnil.

Sale of Erven previously reported: Rnil.

Sundry income previously reported: R4 294 921.

Refer to note 49 for detail regarding the correction of prior period errors.

# George Local Municipality

Annual Financial Statements for the year ended June 30, 2024

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2024	2023
<b>28. Interest received</b>		
<b>Interest revenue</b>		
Trade receivables	21,634,976	14,405,852
<b>Interest revenue</b>		
Bank accounts	53,603,837	27,367,980
Short term investments	49,701,819	35,978,346
	<b>103,305,656</b>	<b>63,346,326</b>
	<b>124,940,632</b>	<b>77,752,178</b>



# George Local Municipality

Annual Financial Statements for the year ended June 30, 2024

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2024	2023
<b>29. Property rates</b>		
<b>Rates received</b>		
Agriculture	6,648,952	6,533,674
Business and Commercial	91,342,049	92,299,929
Industrial	32,770,058	21,587,887
Public benefit organisations	318,239	393,115
Public service infrastructure	140,518	179,058
Mining	402,814	-
Residential	311,807,201	275,516,786
Public service purposes	18,620,814	18,019,031
Vacant land	30,365,018	17,466,979
Less: Income forgone	(45,440,474)	(37,800,371)
Less: Impermissible rates	(3,645,116)	(9,493,076)
	<b><u>443,330,073</u></b>	<b><u>384,703,012</u></b>

### Valuations

Agriculture	4,619,342,000	3,179,707,000
Churches, Monuments and Parks	480,619,000	373,690,000
Business and Commercial	7,862,707,350	7,646,507,000
Public Service Purposes	1,670,432,060	1,567,731,000
Industrial	2,827,572,900	1,869,784,000
Municipal Exempt	1,410,568,100	1,386,578,000
Public Service Infrastructure	140,330,100	86,929,000
Public Benefit Organisations	225,430,000	185,631,000
Residential	53,533,875,500	33,720,021,000
Mining	35,570,000	-
Vacant land	2,542,368,965	1,470,523,000
	<b><u>75,348,815,975</u></b>	<b><u>51,487,101,000</u></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, 6 of 2004 and the Amendment Act, 29 of 2014. 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 0.5846 (2023: 0,8219) cents in the Rand on total valuations were applied to determine assessment rates. Business tariffs are levied at 1.1691 (2023: 1.1596) for Commercial, Industrial, Business and Mining erven, and this was applicable for all Areas.

Rebates of 15%, 20% and 40% (2023: 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.

Prior year amount for Industrial valuations were corrected to agree to the signed recons performed.

Industrial valuations previously reported: R1 869 754 000.

### 30. Licences and permits (non-exchange)

License and permits	<u>1,779,415</u>	<u>1,836,903</u>
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# George Local Municipality

Annual Financial Statements for the year ended June 30, 2024

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2024	2023
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### 30. Licences and permits (non-exchange) (continued)

A series of error corrections have been made to ensure the disclosures align with the Municipal Standard Chart of Accounts (MSCOA) classifications. Although the adjustments are due to MSCOA changes, the requirements of the GRAP standard were still considered,

License and permits previously reported: Rnil.

Refer to note 49 for detail regarding the corrections of prior period errors.



# George Local Municipality

Annual Financial Statements for the year ended June 30, 2024

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2024	2023
<b>31. Government grants &amp; subsidies</b>		
<b>Operating grants</b>		
Equitable share	214,689,971	193,460,000
National: Integrated Urban Development Grant	1,033,998	-
National: Expanded Public Works Program Grant	3,240,873	1,990,000
National: Financial Management Grant (FMG)	1,771,000	1,721,000
National: Infrastructure Skills Development	5,044,783	4,634,343
National: Municipal Infrastructure Grant (MIG)	-	750,000
National: Public Transport Grant	170,300,423	149,292,687
National: Regional Bulk Infrastructure Grant (RBIG)	4,000,000	2,903,210
Provincial: Capacity Building and Other Grant	-	-
Provincial: Community Development Workers Grant	94,000	188,000
Provincial: Human Settlements Grant	1,383,841	3,026,635
Provincial: Integrated Public Transport Network Grant	274,856,674	240,480,135
Provincial: Title Deeds Restoration Grant	453,898	-
Provincial: Proclaimed Roads	504,946	22,153,393
Provincial: Thusong Centre Grant	150,000	-
Provincial: Western Cape Financial Management Capacity Building	1,000,000	1,250,001
Provincial: Western Cape Municipal Energy Resilience Grant	-	-
Other: LG Public Employment Grant	-	1,440,696
Other: LG Seta	1,438,468	1,233,177
Other: GRDM: Community Initiatives	82,254	120,000
	<b>680,045,129</b>	<b>624,643,277</b>
<b>Capital grants</b>		
National: Energy Efficiency and Demand Side Management Grant	-	2,100,388
Provincial: Emergency Municipal Load-Shedding Relief	12,872,121	1,347,879
Provincial: Sport and Recreational Facilities	1,443,491	806,509
Other: JDMA Grant	-	997,536
National: Municipal Disaster Recovery Grant	98,574,332	8,401,602
National: Water Services Infrastructure Grant	3,820,000	-
National: Neighbourhood Development Partnership Grant	4,980,136	-
National: Integrated Urban Development Grant	58,836,937	-
National: Municipal Disaster Recovery Grant	-	-
National: Infrastructure Skills Development	-	143,686
National: Integrated National Electrification Grant	5,752,314	37,931,422
National: Municipal Infrastructure Grant (MIG)	1,960,307	42,797,692
National: Public Transport Grant	53,858,055	63,502,669
National: Regional Bulk Infrastructure Grant (RBIG)	338,550,953	242,588,701
Provincial: Human Settlements Grant	-	7,678,286
	<b>580,648,646</b>	<b>408,296,370</b>
	<b>1,260,693,775</b>	<b>1,032,939,647</b>

# George Local Municipality

Annual Financial Statements for the year ended June 30, 2024

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2024	2023
<b>31. Government grants &amp; subsidies (continued)</b>		
<b>Revenue recognised per vote as required by Section 123 (c) of the MFMA</b>		
Civil Engineering Services	1,062,459,054	867,989,318
Community Services	90,109,968	55,175,082
Corporate Services	9,076,783	2,882,172
Electro- Technical Services	59,663,910	97,494,928
Financial Services	22,164,745	2,971,001
Human Settlements, Planning and Property Management	17,219,315	6,427,146
	<b><u>1,260,693,775</u></b>	<b><u>1,032,939,647</u></b>
<b>32. Fines, penalties and forfeits</b>		
Property rates penalties	2,563,413	1,995,314
Other fines	2,777,817	1,279,011
Traffic fines	28,176,823	52,649,804
Unclaimed Money Forfeits	1,825,497	5,114,812
	<b><u>35,343,550</u></b>	<b><u>61,038,941</u></b>
<p>A series of error corrections have been made to ensure the disclosures align with the Municipal Standard Chart of Accounts (MSCOA) classifications. Although the adjustments are due to MSCOA changes, the requirements of the GRAP standard were still considered.</p> <p>Unclaimed money forfeits previously reported: R5 055 036.</p> <p>Refer to note 49 for detail regarding the corrections of prior period errors.</p>		
<b>33. Availability Charges</b>		
Sewerage - Availability charges	5,230,346	5,351,726
Refuse - Availability charges	2,505,074	6,629,234
Electricity - Availability charges	2,925,451	3,119,706
Water - Availability charges	11,636,042	7,211,746
	<b><u>22,296,913</u></b>	<b><u>22,312,412</u></b>

# George Local Municipality

Annual Financial Statements for the year ended June 30, 2024

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2024	2023
<b>34. Employee related costs</b>		
Basic	396,563,650	363,754,711
Housing benefits and allowances	2,318,581	2,282,027
Medical aid - company contributions	28,100,347	24,840,958
Other payroll levies	11,175,855	10,265,536
Overtime payments	51,511,251	57,018,827
Employee benefit obligations	8,277,534	8,977,176
Bonus	30,865,858	29,754,772
Staff leave	4,184,350	2,738,518
Travel, motor car, accommodation, subsistence and other allowances	40,946,672	35,770,747
UIF	3,192,176	3,032,985
Pension	67,759,990	64,138,780
Settlement agreements	-	2,158,785
	<b><u>644,896,264</u></b>	<b><u>604,733,822</u></b>

A series of error corrections have been made to ensure the disclosures align with the Municipal Standard Chart of Accounts (MSCOA) classifications. Although the adjustments are due to MSCOA changes, the requirements of the GRAP standard were still considered,

Basic previously reported: R376 419 520.

Medical aid - company contributions previously reported: R25 639 484.

Other payroll levies previously reported: R10 636 358.

Employee benefit obligations previously reported: R2 426 968.

Bonus previously reported: R29 912 052.

Travel, motor car, accommodation, subsistence and other previously reported: R36 564 859.

UIF previously reported: R3 138 755.

Pension previously reported: R65 837 458.

Arbitration awards previously reported: R42 198.

Severance package and settlement agreements previously reported separately.

Severance package previously reported: R1 313 610.

Settlement agreements previously reported: R845 175.

Refer to note 49 for detail regarding the correction of prior period errors.

# George Local Municipality

Annual Financial Statements for the year ended June 30, 2024

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2024	2023
<b>34. Employee related costs (continued)</b>		
<b>Remuneration of Municipal Manager</b>		
Annual Remuneration	2,019,177	1,669,252
Car Allowance	132,000	132,000
Acting expense	7,513	-
Contributions to UIF, Medical and Pension Funds	2,262	2,255
Performance bonus	248,608	241,367
Cellphone allowance	40,800	40,800
Once-off Gratuity	21,819	40,680
	<b>2,472,179</b>	<b>2,126,354</b>
<b>Remuneration of Director Financial Services</b>		
Annual Remuneration	1,502,697	1,268,078
Car Allowance	120,000	120,000
Contributions to UIF, Medical and Pension Funds	108,076	126,141
Cellphone allowance	40,800	40,800
Performance bonus	208,927	115,910
Once-off Gratuity	20,340	38,985
Acting allowance	3,635	3,144
	<b>2,004,475</b>	<b>1,713,058</b>
<b>Remuneration of Director Corporate Services</b>		
Annual Remuneration	1,314,299	1,005,534
Car Allowance	100,000	115,031
Settlement agreement (previous director)	-	594,775
Contributions to UIF, Medical and Pension Funds	2,062	70,621
Acting expense	7,196	26,884
Performance Bonuses	81,282	-
Cellphone allowance	34,000	32,794
Leave gratuity (previous director)	-	45,862
Once-off Gratuity	16,950	11,395
	<b>1,555,789</b>	<b>1,902,896</b>
<b>Remuneration of Human Settlements, Planning and Development and Property Management</b>		
Annual Remuneration	1,699,330	1,485,635
Performance Bonuses	208,927	202,842
Contributions to UIF, Medical and Pension Funds	31,443	30,369
Cellphone allowance	40,800	40,800
Once-off Gratuity	20,340	40,680
	<b>2,000,840</b>	<b>1,800,326</b>

# George Local Municipality

Annual Financial Statements for the year ended June 30, 2024

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2024	2023
<b>34. Employee related costs (continued)</b>		
<b>Remuneration of Director Electro- Technical Services</b>		
Annual Remuneration	272,200	1,428,878
Performance Bonuses	134,310	202,842
Contributions to UIF, Medical and Pension Funds	15,578	88,465
Leave gratuity	-	40,800
Acting expense	40,849	-
Once-off Gratuity	3,390	40,680
Cellphone allowance	6,800	-
	<b>473,127</b>	<b>1,801,665</b>
<b>Remuneration of Director Community Services</b>		
Annual Remuneration	1,304,531	684,085
Settlement agreement (Previous Director)	-	845,175
Car Allowance	156,000	26,000
Contributions to UIF, Medical and Pension Funds	220,995	169,830
Acting expense	-	22,183
Cellphone allowance	40,800	23,172
Once-off Gratuity	20,340	23,730
	<b>1,742,666</b>	<b>1,794,175</b>
<b>Remuneration of Director Protection Services</b>		
Contributions to UIF, Medical and Pension Funds	-	57
Leave gratuity	-	5,733
	<b>-</b>	<b>5,790</b>
<b>Remuneration of Director Civil Engineering Services</b>		
Annual Remuneration	1,308,866	722,165
Car Allowance	-	82,400
Performance Bonuses	89,540	-
Contributions to UIF, Medical and Pension Funds	298,307	191,830
Cellphone allowance	40,800	27,200
Once-off Gratuity	20,340	13,560
Acting expense	3,153	17,402
	<b>1,761,006</b>	<b>1,054,557</b>

# George Local Municipality

Annual Financial Statements for the year ended June 30, 2024

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2024	2023
<b>35. Remuneration of councillors</b>		
<b>Basic salaries</b>		
Executive Major	697,549	725,487
Deputy Executive Mayor	574,555	580,385
Speaker	693,838	701,342
Chief Whip	538,634	544,036
Executive and Section 79 Committee	6,315,807	6,469,418
Councillors	8,640,414	8,728,767
<b>Allowances and contributions</b>		
Car allowance	5,231,292	4,929,917
Cell phone allowance	2,348,811	2,337,523
Contributions to medical aid	214,523	271,072
Contributions to pension fund	308,254	268,736
	<b>25,563,677</b>	<b>25,556,683</b>



# George Local Municipality

Annual Financial Statements for the year ended June 30, 2024

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2024	2023
<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	697,549	725,487
Car allowance	232,145	230,164
Cell phone allowance	42,240	43,200
	<b>971,934</b>	<b>998,851</b>
<b>Deputy Executive Mayor</b>		
Basic salary	574,555	580,385
Car allowance	189,963	184,133
Cell phone allowance	43,200	43,200
	<b>807,718</b>	<b>807,718</b>
<b>Speaker</b>		
Basic salary	693,838	701,342
Cell phone allowance	43,200	43,200
Contributions to medical aid	70,680	64,344
	<b>807,718</b>	<b>808,886</b>
<b>Chief Whip</b>		
Basic salary	538,634	544,036
Car allowance	178,104	172,702
Cell phone allowance	43,200	43,200
	<b>759,938</b>	<b>759,938</b>
<b>Executive Committee</b>		
Basic salary	5,129,029	5,330,005
Car allowance	1,688,547	1,669,452
Cell phone allowance	410,520	429,600
Contributions to pension fund	61,828	99,417
	<b>7,289,924</b>	<b>7,528,474</b>
<b>Section 79 committee chairperson</b>		
Basic Salary	1,186,778	1,139,413
Car allowance	207,440	201,073
Cell phone allowance	91,560	81,600
	<b>1,485,778</b>	<b>1,422,086</b>
<b>All Other Councillors</b>		
Basic Salary	8,640,414	8,708,967
Car allowance	2,735,092	2,472,394
Cell phone allowance	1,674,891	1,653,523
Contributions to medical aid	143,843	206,728

# George Local Municipality

Annual Financial Statements for the year ended June 30, 2024

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2024	2023
<b>35. Remuneration of councillors (continued)</b>		
Contributions to pension fund	246,426	169,319
Public Office bearer allowance	-	19,800
	<b>13,440,666</b>	<b>13,230,731</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	216,300,208	179,097,982
Intangible assets	324,962	338,042
Investment property	162,013	161,570
	<b>216,787,183</b>	<b>179,597,594</b>

Refer to note 49 for detail regarding the correction of prior period errors.

### 37. Impairment loss

#### Impairments

Trade receivables from exchange transactions	100,204,061	87,289,560
Trade and other receivables from non-exchange transactions	34,874,026	51,200,459
Loans and receivables	(12,185)	(10,540)
	<b>135,065,902</b>	<b>138,479,479</b>

Impairment loss is disclosed VAT exclusive.

### 38. Finance costs

Borrowings	40,016,132	32,282,109
Employee benefits obligations	25,164,800	25,174,100
Finance leases	32,171	4,939
Service concession Liability	14,358,179	10,167,644
Provision for rehabilitation of landfill site	6,800,016	6,292,504
Provision for Compensation Liability GIPTN (provision and accrual)	3,021,769	3,975,812
	<b>89,393,067</b>	<b>77,897,108</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.

A series of error corrections have been made to ensure the disclosures align with the Municipal Standard Chart of Accounts (MSCOA) classifications. Although the adjustments are due to MSCOA changes, the requirements of the GRAP standard were still considered,

Employee benefit obligations previously reported: Rnil.

Refer to note 49 for detail regarding the corrections of prior period errors.

# George Local Municipality

Annual Financial Statements for the year ended June 30, 2024

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2024	2023
<b>39. Bulk purchases</b>		
Electricity - Eskom	<u>715,566,093</u>	<u>598,225,496</u>

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, 2024

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2024	2023
<b>40. Contracted services</b>		
<b>Consultants and Professional Services</b>		
<b>Business and Advisory</b>		
Accounting and Auditing	1,857,597	1,611,380
Air Pollution	73,130	-
Audit Committee	332,517	148,456
Human Resources	4,137,497	1,699,689
Project Management	2,309,450	4,469,633
Quality Control	-	-
Valuer and Assessors	2,281,215	3,526,771
<b>Infrastructure and Planning</b>		
Engineering	12,955,883	8,170,730
Town Planner	1,868,840	1,362,216
<b>Other</b>		
Laboratory Services	384,322	202,887
Legal Cost	16,333,232	17,296,804
Medical examination and Occupational	412,852	121,417
<b>Contractors</b>		
Artist and Performers	543,358	791,444
Building	118,954	-
Catering Services	2,310,966	1,982,137
Electrical	7,859,182	10,096,572
Employee Wellness	982,337	710,990
Event Promoters	15,882,570	15,645,484
Fire Protection	67,063	188,110
First Aid	146,789	585,044
Haulage	6,223,733	5,070,346
Buildings and Facilities	39,064,018	42,760,069
Equipment	7,480,403	6,502,710
Unspecified Assets	150,639,748	162,471,515
Management of Informal Settlements	11,255,720	8,097,931
Hygiene services	250,474	179,157
Prepaid Electricity Vendors	26,818,467	24,282,386
Safeguard and Security	701,193	1,011,026
Traffic and Street Lights	401,032	1,000,039
Other	188,617	155,466
<b>Outsourced Services</b>		
<b>Business and Advisory</b>		
Accounting and Auditing	1,169,180	1,234,471
Business and Financial Management	4,163,554	3,044,208
Communications	815,280	725,980
Human Resources	270,982	627,783
Organisational	7,157,602	7,111,955
Electrical	30,102	59,412
<b>Other</b>		
Administrative and Support Staff	1,510,604	661,580
Alien Vegetation Control	1,196,422	1,232,170
Animal Care	3,270,250	3,100,106
Clearing and Grass Cutting Services	4,778,823	3,298,673
Internal Auditors	2,586,850	4,232,755
Legal Cost	5,103,496	736,617
Meter Management	2,337,682	2,541,271
Refuse Removal	21,906,329	9,157,295
Removal of chemical waste	704,005	926,981
Printing Services	392,006	1,842,986

# George Local Municipality

Annual Financial Statements for the year ended June 30, 2024

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2024	2023
<b>40. Contracted services (continued)</b>		
Security Services	34,831,812	26,494,002
Sewerage Services	-	47,162
Traffic Fines Management	2,163,524	3,912,806
Transport Services	289,990,595	249,627,777
Other	167,944	154,013
Personel and labour	2,144,811	-
	<b>700,573,012</b>	<b>640,910,412</b>

A series of error corrections have been made to ensure the disclosures align with the Municipal Standard Chart of Accounts (MSCOA) classifications. Although the adjustments are due to MSCOA changes, the requirements of the GRAP standard were still considered,

Valuer and Assessors previously reported: R3 524 071.

Engineering previously reported: R10 459 233.

Town Planner previously reported: R1 362 451.

Medical examination and Occupational: Rnil.

Electrical previously reported: R10 298 628.

Employee Wellness previously reported: R633 501.

Event Promoters previously reported: R17 144 174.

First Aid previously reported: R1 300 676.

Buildings and Facilities previously reported: R46 652 078.

Unspecified Assets previously reported: R164 116 961.

Hygiene services previously reported: Rnil.

Prepaid Electricity Venders previously reported: R24 282 908.

Other previously reported: R154 944.

Electrical previously reported: Rnil.

Administrative and support staff previously reported: R661 254.

Removal of chemical waste previously reported: Rnil.

Security services previously reported: R29 633 879.

Refer to note 49 for detail regarding the corrections of prior period errors.

# George Local Municipality

Annual Financial Statements for the year ended June 30, 2024

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2024	2023
<b>41. Grants and subsidies paid</b>		
<b>Other subsidies</b>		
Bursary Grants	538,892	11,935
Provincial Department of Mobility	83,784,442	79,358,414
Donations	1,441,921	46,860
Arbitration awards	-	42,198
	<b>85,765,255</b>	<b>79,459,407</b>

A series of error corrections have been made to ensure the disclosures align with the Municipal Standard Chart of Accounts (MSCOA) classifications. Although the adjustments are due to MSCOA changes, the requirements of the GRAP standard were still considered,

Arbitration awards previously reported: Rnil.

Refer to note 49 for detail regarding the corrections of prior period errors.

<b>42. Loss on disposal of assets</b>		
Property, plant and equipment	1,003,954	818,302
Inventory	286,519	176,305
	<b>1,290,473</b>	<b>994,607</b>

<b>43. Inventories losses/write downs</b>		
<b>Net realisable value adjustments</b>		
GIPTN Smart Cards for electronic fare revenue system	33,830	282,526
Unsold properties held for resale	-	1,962,050
Water distribution losses	26,129,002	20,600,800
	<b>26,162,832</b>	<b>22,845,376</b>

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

Net realisable value adjustments were performed on the GIPTN Smart Cards held as inventory as at 30 June 2024.

Water inventory to the value of R26 129 002 (2023: R20 600 170) were lost during the financial year. The main reason for these water losses is due to defective meters, breakage in pipelines, leaking valves, vandalism and theft.

Refer to note 49 for detail regarding the correction of prior period errors.

<b>44. Other materials / Inventory</b>		
Fuel	29,387,700	33,141,416
Chemicals	4,154,728	924,804
Other	43,053,942	44,461,789
Inventory consumed Purified Water	116,326,249	102,461,382
	<b>192,922,619</b>	<b>180,989,391</b>

# George Local Municipality

Annual Financial Statements for the year ended June 30, 2024

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2024	2023
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### 44. Other materials / Inventory (continued)

A series of error corrections have been made to ensure the disclosures align with the Municipal Standard Chart of Accounts (MSCOA) classifications. Although the adjustments are due to MSCOA changes, the requirements of the GRAP standard were still considered,

Fuel previously reported: R35 642 100.

Other previously reported: R45 677 993.

Refer to note 49 for detail regarding the correction of prior period errors.

# George Local Municipality

Annual Financial Statements for the year ended June 30, 2024

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2024	2023
<b>45. General expenses</b>		
Advertising, publicity and marketing	3,599,887	3,368,090
Auditors remuneration	7,793,739	7,633,410
Bank charges	2,952,324	2,329,182
Bargaining Council	7,307,582	6,624,179
Commission Third Party Vendors	9,065,668	5,917,332
External computer services	19,470,031	20,548,825
Rental of vehicles and equipment	13,376,178	11,488,188
Insurance	9,480,974	16,944,683
Internet charges	4,972,867	4,681,597
Learnerships and interns	578,685	459,522
Lease rentals on operating leases	4,425,171	2,694,143
Levies	1,839,559	2,510,318
Other general expenses	(19,635,824)	(17,002,414)
Postage, courier and delivery services	90,171	71,462
Printing and stationery	832,680	865,444
Refuse	21,138,340	10,560,825
Skills Development Levy	6,800,004	6,302,176
Telephone and fax	703,855	1,505,111
Travel	2,158,444	1,997,009
Uniforms	4,775,977	5,625,052
Vehicle Tracking	4,735,841	3,952,611
Warranties paid	-	1,715,239
Workmen's Compensation Fund	4,325,884	2,920,952
	<b>110,788,037</b>	<b>103,712,936</b>

A series of error corrections have been made to ensure the disclosures align with the Municipal Standard Chart of Accounts (MSCOA) classifications. Although the adjustments are due to MSCOA changes, the requirements of the GRAP standard were still considered,

Advertising, publicity and marketing previously reported: R3 279 869.

Bus ticketing services previously reported: R35 860 832.

Commission Third Party Vendors previously reported: R5 928 728.

Lease rentals on operating leases previously reported: R2 769 151.

Other general expenses previously reported: R8 458 064.

Printing and stationery previously reported: Rnil.

Travel - local previously reported: R 2 112 159.

Refer to note 49 for detail regarding the correction of prior period errors.



# George Local Municipality

Annual Financial Statements for the year ended June 30, 2024

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2024	2023
<b>46. Cash generated from operations</b>		
Surplus	621,590,185	416,310,072
<b>Adjustments for:</b>		
Depreciation and amortisation	216,787,183	195,145,555
Gain (loss) on sale of assets and liabilities	1,290,473	(1,926,923)
Finance costs - Finance leases	-	4,939
Impairment deficit	135,065,902	150,597,470
Movements in bonus provision	726,353	2,608,029
Movements in provisions	5,032,500	(1,421,887)
Provisions utilised during the year	(16,557,015)	(16,264,363)
Movement in Employee benefit asset and liabilities - Medical Aid, Pension and Long Service Awards	1,881,977	2,472,236
Movement in Employee benefit asset and liabilities - Staff leave	205,067	(1,624,054)
Receipts from principal	-	(808,664)
Payments on behalf of principal	-	(3,178,604)
Benefits paid in terms of employee benefits obligations	(16,050,232)	(11,595,208)
Construction contracts receipts	-	825,716
Unspent conditional grants received	1,608,038,565	1,416,738,985
Payments from unspent conditional grants	(1,260,693,775)	(1,045,161,112)
Construction contracts revenue	616,252	(126,350)
Inventory Losses / Write - downs	26,162,832	2,244,576
Other income	193,175	-
<b>Changes in working capital:</b>		
Inventories	4,507,945	(2,781,690)
(Increase) / Decrease in Receivables from non-exchange transactions	(11,738,107)	(73,764,273)
(Increase) / Decrease in Prepayments	104,247	8,847,729
Increase) / Decrease in Receivables from exchange transactions	(117,762,727)	(117,129,900)
Increase / (Decrease) in Trade and other payables from exchange transaction	107,295,069	(10,415,117)
(Increase) / Decrease in VAT	3,053,860	(14,717,484)
Increase / (Decrease) in Consumer deposits	5,969,248	3,412,430
	<b><u>1,315,718,977</u></b>	<b><u>898,292,108</u></b>

The cashflow was adjusted based on the restated figures. Refer to note 49.

### 47. Commitments

#### Authorised capital expenditure

##### Already contracted for but not provided for

• Infrastructure	825,788,802	527,923,953
• Community	36,189,556	4,908,406
	<b><u>861,978,358</u></b>	<b><u>532,832,359</u></b>

##### Total capital commitments

Already contracted for but not provided for	<b><u>861,978,358</u></b>	<b><u>532,832,359</u></b>
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# George Local Municipality

Annual Financial Statements for the year ended June 30, 2024

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2024	2023
<b>47. Commitments (continued)</b>		
<b>Operating leases - as lessee (expense)</b>		
<b>Minimum lease payments due</b>		
- within one year	1,448,138	1,150,336
- in second to fifth year inclusive	2,190,144	3,638,282
	<b>3,638,282</b>	<b>4,788,618</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	3,000,000
Construction of Nelson Mandela Boulevard	1,000,000	1,000,000
N Landu	-	1,362,784
Royal Haskoning	600,000	600,000
K Langeveldt	350,000	350,000
D Viljoen	30,000	-
	<b>4,980,000</b>	<b>6,312,784</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 and granted on 11 September 2023. The date of the hearing of the Application for Special leave to Appeal is awaited. The cost exposure for the municipality will be approximately R3 000 000 (2023: R3 000 000) if the company is successful.

# George Local Municipality

Annual Financial Statements for the year ended June 30, 2024

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand

2024

2023

### 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 the matter needs to be set for pre-trial. The combined amount claimed against the two defendants will, after amendment to the pleadings, be in the region of R30 000 000 (2023: R30,000,000). The estimated amount of financial exposure for the Municipality as far as legal fees are concerned, is approximately R1 000 000 (2023: R1,000,000). 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 (2023: R1,000,000).

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. The matter has been finalised.

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. After statements have been filed, the matter can proceed to trial. 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 plaintiff is unlikely to perse.

D Viljoen: A summons was issued against the municipality for damage to his vehicle as a result of an incident which took place on 31 July 2023 when the plaintiff's vehicle collided with a pothole. The cost exposure for the municipality will be approximately R30 000.

The George Municipality is performing Library function due to unfunded mandates being imposed on municipalities. Library function is not assigned to George Municipality and is also not acting formally as an agent in terms of the SLA with the Western Cape Provincial Department of Cultural Affairs. Currently there is uncertainty regarding the VAT Treatment and therefore the municipality applied for a SARS binding ruling and is currently awaiting a formal response. Potential penalties and interest imposed by SARS could be on the receipts received for the past 5 years. SARS Penalties for late payment of Output Vat is at 10% and interest charged is in accordance to the latest interest rates from SARS. In order to mitigate the exposure to penalties, has resulted in the municipality applying for the VDP program at SARS. Based on the above the most prudent approach for the municipality is to disclose a contingent liability regarding the possible interest and penalties.

### 49. Prior period errors

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:

A series of error corrections have been made to ensure the disclosures align with the Municipal Standard Chart of Accounts (MSCOA) classifications. Although the adjustments are due to MSCOA changes, the requirements of the GRAP standard were still considered,

# George Local Municipality

Annual Financial Statements for the year ended June 30, 2024

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand		2024	2023		
<b>49. Prior period errors (continued)</b>					
<b>Statement of financial position</b>					
<b>2023</b>					
	Note	As previously reported	Prior period error	MSCOA Reclassifications	Restated
<b>Current Assets</b>					
Inventories	49.1	121,964,845	(707,577)	-	121,257,268
Receivables from exchange transactions		189,026,240	-	-	189,026,240
Receivables from non-exchange transactions		85,208,870	-	-	85,208,870
Prepayments		7,322,843	-	-	7,322,843
Vat receivable	49.2	34,854,787	(7,925,585)	-	26,929,202
Construction contracts and receivables/(payables)	49.3	3,323,366	145,275	-	3,468,641
Loans and receivables		156,473	-	-	156,473
Principle agent arrangement: amounts due from principle		1,103,983	-	-	1,103,983
Cash and cash equivalents		843,879,110	-	-	843,879,110
		<b>1,286,840,517</b>	<b>(8,487,887)</b>	<b>-</b>	<b>1,278,352,630</b>
<b>Non-Current Assets</b>					
Property, plant and equipment	49.4	3,817,952,592	76,866,863	-	3,894,819,455
Intangible assets		909,691	-	-	909,691
Heritage assets		4,236,000	-	-	4,236,000
Investment property		143,911,703	-	-	143,911,703
Loans and receivables		119,039	-	-	119,039
		<b>3,967,129,025</b>	<b>76,866,863</b>	<b>-</b>	<b>4,043,995,888</b>
<b>Current Liabilities</b>					
Loans and borrowings		(46,758,346)	-	-	(46,758,346)
Service concession liability	49.5	-	(16,538,804)	-	(16,538,804)
Payables from exchange transactions	49.6	(258,425,408)	68,767	243,305	(258,113,336)
Consumer deposits		(39,415,781)	-	(243,305)	(39,659,086)
Employee benefit obligation		(84,665,993)	-	-	(84,665,993)
Provisions	49.7	(6,123,845)	(18,694,447)	-	(24,818,292)
Unspent conditional grants and receipts	49.8	(422,976,457)	166,739	-	(422,809,718)
		<b>(858,365,830)</b>	<b>(34,997,745)</b>	<b>-</b>	<b>(893,363,575)</b>
<b>Non-Current Liabilities</b>					
Loans and borrowings		(261,957,242)	-	-	(261,957,242)
Service concession liability	49.9	-	(48,914,977)	-	(48,914,977)
Payables from exchange transactions	49.10	(8,278,174)	165,032	-	(8,113,142)
Employee benefit obligation		(197,450,828)	-	-	(197,450,828)
Provisions	49.11	(109,429,841)	20,461,215	-	(88,968,626)
		<b>(577,116,085)</b>	<b>(28,288,730)</b>	<b>-</b>	<b>(605,404,815)</b>
<b>Net Assets</b>					
Housing development fund		(35,729,371)	-	-	(35,729,371)

# George Local Municipality

Annual Financial Statements for the year ended June 30, 2024

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand			2024	2023
<b>49. Prior period errors (continued)</b>				
Accumulated surplus (Opening balance 1 July 2023)	49.12	(3,371,766,867)	369,361	-
				(3,371,397,506)
		<u>(3,407,496,238)</u>	<u>369,361</u>	<u>-</u>
				<u>(3,407,126,877)</u>

# George Local Municipality

Annual Financial Statements for the year ended June 30, 2024

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand		2024	2023		
<b>49. Prior period errors (continued)</b>					
<b>Statement of financial performance</b>					
<b>2023</b>					
	Note	As previously reported	Prior period error	MSCOA Reclassifications	Restated
<b>Revenue from exchange transactions</b>		<b>1,531,805,783</b>	-	-	<b>1,540,275,311</b>
Service charges - Electricity		785,775,792	-	975	785,776,767
Service charges - Water		211,952,855	-	-	211,952,855
Service charges - Sewerage and sanitation charges		157,407,731	-	-	157,407,731
Service charges - Refuse removal		141,374,178	-	-	141,374,178
Rental of facilities and equipment		4,214,717	-	120	4,214,837
Income from agency services		16,141,814	-	(1,836,903)	14,304,911
Sale of erven		5,405,224	-	(5,405,224)	-
GIPTN Fare Revenue		63,779,838	-	-	63,779,838
Operating revenue	49.13	68,001,456	10,366,087	5,344,473	83,712,016
Interest received - Outstanding Debtors		14,405,852	-	-	14,405,852
Interest received - External Investments		63,346,326	-	-	63,346,326
<b>Revenue from non-exchange transactions</b>		<b>1,525,400,042</b>	-	-	<b>1,534,826,848</b>
Property rates		384,703,012	-	-	384,703,012
Licences and Permits		-	-	1,836,903	1,836,903
Government grants and subsidies - Operating	49.14	636,047,523	(11,404,246)	-	624,643,277
Government grants and subsidies - Capital	49.15	409,113,589	(817,219)	-	408,296,370
Construction contract revenue	49.16	126,350	145,275	-	271,625
Fines, penalties and forfeits	49.17	73,097,156	(12,117,991)	59,776	61,038,941
Availability charges		22,312,412	-	-	22,312,412
Actuarial gains		-	-	31,724,308	31,724,308
<b>Total Revenue</b>		<b>3,057,205,825</b>	-	-	<b>3,075,102,159</b>
<b>Expenditure</b>		<b>2,646,357,616</b>	-	-	<b>(2,658,792,085)</b>
Employee related costs	49.18	(617,888,616)	19,728,439	(6,573,643)	(604,733,820)
Remuneration of Councillors		(25,556,683)	-	-	(25,556,683)
Depreciation and amortisation	49.19	(188,171,111)	8,573,517	-	(179,597,594)
Impairment loss	49.20	(150,597,470)	12,117,991	-	(138,479,479)
Finance costs	49.21	(45,064,727)	(7,658,281)	(25,174,100)	(77,897,108)
Bulk purchases		(598,225,496)	-	-	(598,225,496)
Contracted services	49.22	(676,925,883)	36,015,471	-	(640,910,412)
Grants and subsidies paid	49.23	(43,556,377)	(35,860,832)	(42,198)	(79,459,407)
Cost of Erven sold		(5,389,776)	-	-	(5,389,776)
Loss on disposal of assets and liabilities		(994,607)	-	-	(994,607)
Inventories losses/write-downs	49.24	(2,244,576)	(20,600,800)	-	(22,845,376)
Other materials / Inventory	49.25	(127,170,070)	(54,706,183)	886,863	(180,989,390)
General Expenses	49.26	(164,572,224)	61,680,634	(821,347)	(103,712,937)
<b>Surplus for the year</b>		<b>410,848,209</b>	<b>5,461,862</b>	-	<b>416,310,074</b>

# George Local Municipality

Annual Financial Statements for the year ended June 30, 2024

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2024	2023		
<b>49. Prior period errors (continued)</b>				
Segment reporting note 65 have been adjusted subsequent to the corrections performed above.				
<b>Cash flow statement</b>				
<b>2023</b>				
	Note	As previously reported	Prior period error	Restated
Cash flow from operating activities				
Taxation		391,536,614	(1,452,229)	390,084,385
Sale of goods and services		1,282,496,674	(3,554,627)	1,278,942,047
Interest income		63,346,325	5,006,856	68,353,181
Other receipts		81,692,554	(2,921,530)	78,771,024
Suppliers		(1,661,271,348)	22,097,275	(1,639,174,073)
Finance cost		(34,749,920)	(10,167,644)	(44,917,564)
		<b>123,050,899</b>	<b>9,008,101</b>	<b>132,059,000</b>
Cash flow from investing activities				
Property, plant and equipment -Disposal		4,150,945	2,921,530	7,072,475
Cash flow from financing activities				
Repayment of Finance leases		(175,808)	(11,929,631)	(12,105,439)

Presented below are those items affected by prior-year errors excluding MSCOA Reclassifications.

# George Local Municipality

Annual Financial Statements for the year ended June 30, 2024

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2024	2023
<b>49. Prior period errors (continued)</b>		
<b>49.1 Inventories</b>		
Applying Grap 12 measurement requirements on purified water inventory.		
<b>Inventories (Balance as previously reported)</b>		121,964,845
Correction of error		(707,577)
<b>Inventories (Restated balance)</b>		<u>121,257,268</u>
<b>49.2 VAT Receivable</b>		
Output tax treatment of library funding.		
VAT Receivable (Balance as previously reported)		34,854,787
Correction of error		(7,925,585)
<b>VAT Receivable (Restated balance)</b>		<u>26,929,202</u>
<b>49.3 Construntion contracts and receivables</b>		
Accounts relating to construction contracts projects incorreccted disclosed under unspent conditional grants and receipts.		
<b>Construntion contracts and receivables (Balance as previously reported)</b>		3,323,366
Correction of error		145,275
<b>Construntion contracts and receivables (Restated balance)</b>		<u>3,468,641</u>
<b>49.4 Property, plant and equipment</b>		
Accounting for the busses procured by the Vehicle Operating Company (VOC) for the George Integrated Public Transport Network (GIPTN) using the financial liability method as per GRAP 32.		
<b>Property, plant and equipment (Balance as previously reported)</b>		3,817,952,592
Correction of error		76,866,863
<b>Property, plant and equipment (Restated balance)</b>		<u>3,894,819,455</u>
<b>49.5 Service concession liability (Current liability)</b>		
Accounting for the busses procured by the Vehicle Operating Company (VOC) for the George Integrated Public Transport Network (GIPTN) using the financial liability method as per GRAP 32.		
<b>Service concession liability (Current liability) (Balance as previously reported)</b>		-
Correction of error		(16,538,804)
<b>Service concession liability (Current liability) (Restated balance)</b>		<u>(16,538,804)</u>
<b>49.6 Payables from exchange transactions</b>		
Correction of mathematical errors in the Compensation liability GIPTN calculations.		
<b>Payables from exchange transactions (Balance as previously reported)</b>		(258,425,408)
Correction of error		68,767
<b>Payables from exchange transactions (Restated balance)</b>		<u>(258,356,641)</u>



# George Local Municipality

Annual Financial Statements for the year ended June 30, 2024

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2024	2023
<b>49. Prior period errors (continued)</b>		
<b>49.7 Provisions (Current Liabilities)</b>		
Correction of mathematical errors in the Compensation liability GIPTN calculations.		
Disclosing of Compensation liability GIPTN Buy-outs current portion.		
<b>Provisions (Balance as previously reported)</b>		(6,123,845)
Correction of error (GIPTN calculations)		231,291
Correction of error (Buy-outs)		(18,925,738)
<b>Provisions (Restated balance)</b>		<b><u>(24,818,292)</u></b>
<b>49.8 Unspent conditional grants and receipts</b>		
Accounts relating to construction contracts projects incorreccted disclosed under unspent conditional grants and receipts.		
Output tax treatment of library funding.		
<b>Unspent conditional grants and receipts (Balance as previously reported)</b>		(422,976,457)
Correction of error (Construction Contract)		(145,275)
Correction of error (Output Tax treatment of library funding)		312,015
<b>Unspent conditional grants and receipts (Restated balance)</b>		<b><u>(422,809,717)</u></b>
<b>49.9 Service concession liability (Non - Current Liabilities)</b>		
Accounting for the busses procured by the Vehicle Operating Company (VOC) for the George Integrated Public Transport Network (GIPTN) using the financial liability method as per GRAP 32.		
<b>Service concession liability (Non - Current Liabilities) (Balance as previously reported)</b>		-
Correction of error		(48,914,977)
<b>Service concession liability (Non - Current Liabilities) (Restated balance)</b>		<b><u>(48,914,977)</u></b>
<b>49.10 Payables from exchange transactions (Non-Current Liabilities)</b>		
Correction of mathematical errors in the Compensation liability GIPTN calculations.		
<b>Payables from exchange transactions (Non-Current Liabilities) (Balance as previously reported)</b>		(8,278,174)
Correction of error		165,032
<b>Payables from exchange transactions (Non-Current Liabilities) (Restated balance)</b>		<b><u>(8,113,142)</u></b>

# George Local Municipality

Annual Financial Statements for the year ended June 30, 2024

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2024	2023
<b>49. Prior period errors (continued)</b>		
<b>49.11 Provisions (Non-Current Liability)</b>		
Correction of mathematical errors in the Compensation liability GIPTN calculations.		
Disclosing of Compensation liability GIPTN Buy-outs current portion		
<b>Provisions (Non-Current Liability) (Balance as previously reported)</b>		(109,429,841)
Correction of error (GIPTN calculations)		1,535,477
Correction of error (Buy-outs)		18,925,737
<b>Provisions (Non-Current Liability) (Restated Balance)</b>		<b><u>(88,968,626)</u></b>
<b>49.12 Accumulated surplus Opening balance</b>		
Accounting for the busses procured by the Vehicle Operating Company (VOC) for the George Integrated Public Transport Network (GIPTN) using the financial liability method as per GRAP 32.		
Applying Grap 12 measurement requirements on purified water inventory.		
Output tax treatment of library funding.		
<b>Opening balance as previously reported</b>		(3,371,766,867)
Service concession liability		39,623,163
Service concession assets		(46,081,057)
Purified water		923,788
Library - VAT Service		5,903,467
<b>Balance at July 1, 2022 as restated*</b>		<b><u>(3,371,397,506)</u></b>
<b>49.13 Operating revenue</b>		
Output tax treatment of library funding.		
<b>Operating revenue (Balance as previously reported)</b>		68,001,456
Correction of error		10,366,087
<b>Operating revenue (Restated Balance)</b>		<b><u>78,367,543</u></b>
<b>49.14 Government grants and subsidies - Operating</b>		
Output tax treatment of library funding.		
Accounts relating to construction contracts projects incorreccted disclosed under unspent conditional grants and receipts.		
<b>Government grants and subsidies - Operating (Balance as previously reported)</b>		636,047,523
Correction of error (Library funding)		(11,258,971)
Correction of error (Construction Contracts)		(145,275)
<b>Government grants and subsidies - Operating (Restated Balance)</b>		<b><u>624,643,277</u></b>

# George Local Municipality

Annual Financial Statements for the year ended June 30, 2024

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2024	2023
<b>49. Prior period errors (continued)</b>		
<b>49.15 Government grants and subsidies - Capital</b>		
Output tax treatment of library funding.		
<b>Government grants and subsidies - Capital (Balance as previously reported)</b>		409,113,589
Correction of error		(817,219)
<b>Government grants and subsidies - Capital (Restated Balance)</b>		<u><b>408,296,370</b></u>
<b>49.16 Construction Contracts</b>		
Accounts relating to construction contracts projects incorreced disclosed under unspent conditional grants and receipts.		
<b>Construction Contracts (Balance as previously reported)</b>		126,350
Correction of error		145,275
<b>Construction Contracts (Restated Balance)</b>		<u><b>271,625</b></u>
<b>49.17 Fines, penalties and forfeits</b>		
Applying iGrap 20 for fines withdrawn in the current year.		
<b>Fines, penalties and forfeits (Balance as previously reported)</b>		73,097,156
Correction of error		(12,117,991)
<b>Fines, penalties and forfeits (Restated Balance)</b>		<u><b>60,979,165</b></u>
<b>49.18 Employee related costs</b>		
Applying Grap 12 measurement requirments on purified water inventory.		
<b>Employee related costs (Balance as previously reported)</b>		(617,888,616)
Correction of error		19,728,439
<b>Employee related costs (Restated Balance)</b>		<u><b>(598,160,177)</b></u>
<b>49.19 Depreciation and amortisation</b>		
Accounting for the busses procured by the Vehicle Operating Company (VOC) for the George Integrated Public Transport Network (GIPTN) using the financial liability method as per GRAP 32.		
Applying Grap 12 measurement requirments on purified water inventory.		
<b>Depreciation and amortisation (Balance as previously reported)</b>		(188,171,111)
Correction of error (GIPTN)		(6,974,445)
Correction of error (Inventory)		15,547,962
<b>Depreciation and amortisation (Restated balance)</b>		<u><b>(179,597,594)</b></u>

# George Local Municipality

Annual Financial Statements for the year ended June 30, 2024

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2024	2023
<b>49. Prior period errors (continued)</b>		
<b>49.20 Impairment loss</b>		
Applying iGrap 20 for fines withdrawn in the current year.		
<b>Impairment loss (Balance as previously reported)</b>		(150,597,470)
Correction of error		12,117,991
<b>Impairment loss (Restated balance)</b>		<b>(138,479,479)</b>
<b>49.21 Finance cost</b>		
Accounting for the busses procured by the Vehicle Operating Company (VOC) for the George Integrated Public Transport Network (GIPTN) using the financial liability method as per GRAP 32.		
Correction of mathematical errors in the Compensation liability GIPTN calculations.		
Applying Grap 12 measurement requirements on purified water inventory.		
<b>Finance cost (Balance as previously reported)</b>		(45,064,727)
Correction of error (Service session assets)		(10,167,644)
Correction of error (Compensation liability)		41,552
Correction of error (Inventory)		2,467,811
<b>Finance cost (Restated balance)</b>		<b>(52,723,008)</b>
<b>49.22 Contracted services</b>		
Correction of mathematical errors in the Compensation liability GIPTN calculations.		
Accounting for the busses procured by the Vehicle Operating Company (VOC) for the George Integrated Public Transport Network (GIPTN) using the financial liability method as per GRAP 32.		
Applying Grap 12 measurement requirements on purified water inventory.		
<b>Contracted services (Balance as previously reported)</b>		(676,925,883)
Correction of error (Compensation liability)		1,959,015
Correction of error (Inventory)		11,959,181
Correction of error (Service session assets)		22,097,275
<b>Contracted services (Restated Balance)</b>		<b>(640,910,412)</b>
<b>49.23 Grants and subsidies paid</b>		
GIPTN expenditure incorrectly disclosed under general expenditure.		
<b>Grants and subsidies paid (Balance as previously reported)</b>		(43,556,377)
Correction of error (GIPTN Expenses)		(35,860,832)
<b>Grants and subsidies paid (Restated balance)</b>		<b>(79,417,209)</b>

# George Local Municipality

Annual Financial Statements for the year ended June 30, 2024

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2024	2023
<b>49. Prior period errors (continued)</b>		
<b>49.24 Inventories losses/write-downs</b>		
Applying Grap 12 measurement requirements on purified water inventory.		
<b>Inventories losses/write-downs (Balance as previously reported)</b>		(2,244,576)
Correction of error		(20,600,800)
<b>Inventories losses/write-downs (Restated balance)</b>		<b>(22,845,376)</b>
<b>49.25 Other materials / Inventory</b>		
Applying Grap 12 measurement requirements on purified water inventory.		
<b>Other materials / Inventory (Balance as previously reported)</b>		(127,170,070)
Correction of error		(54,706,183)
<b>Other materials / Inventory (Balance as previously reported)</b>		<b>(181,876,253)</b>
<b>49.26 General Expenses</b>		
GIPTN expenditure incorrectly disclosed under general expenditure.		
Applying Grap 12 measurement requirements on purified water inventory.		
<b>General expenses (Balance as previously reported)</b>		(164,572,224)
Correction of error (GIPTN)		35,860,832
Correction of error (Inventory)		25,819,802
<b>General expenses (Restated balance)</b>		<b>(102,891,590)</b>

# George Local Municipality

Annual Financial Statements for the year ended June 30, 2024

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2024	2023
<b>50. Financial instruments disclosure</b>		
<b>Categories of financial instruments</b>		
<b>Notes to the Annual Financial Statements</b>		
<b>Loans and receivables</b>		
Housing Scheme loans	21,967	36,462
Sale of Erven Loans	20,690	20,690
Actaris Meter Debt	175,830	218,360
<b>Trade and other receivables from exchange transactions</b>		
Service debtors	197,982,579	177,877,215
Other debtors	8,602,327	11,149,025
<b>Other receivables from non-exchange transactions</b>		
Other debtors	26,753,670	17,981,722
Construction contracts and receivables/(payables)	2,537,515	3,468,641
Principle agent arrangement: amounts due from principle	1,103,983	1,103,983
<b>Cash and cash equivalents</b>		
Cash and cash equivalents	1,357,019,037	843,879,110
	<b><u>1,594,217,598</u></b>	<b><u>1,055,735,208</u></b>
<b>Financial liabilities</b>		
<b>Loans and borrowings</b>		
Annuity loans	470,357,893	308,715,588
<b>Service concession Liability</b>		
Service concession Liability	48,914,978	65,453,781
<b>Consumer deposits</b>		
Electricity and water deposits	45,628,334	39,659,086
<b>Trade and other payables</b>		
Trade payables	334,280,813	236,658,897
	<b><u>899,182,018</u></b>	<b><u>650,487,352</u></b>

Financial instruments is affected by the prior period errors corrected. Refer to note 49.

# George Local Municipality

Annual Financial Statements for the year ended June 30, 2024

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2024	2023
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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, 2024	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings	107,453,768	98,154,747	240,963,368	363,047,398
Service Concession Liabilities	28,404,413	26,752,535	7,164,345	-
Consumer deposits	45,628,334	-	-	-
Trade and other payables	324,028,790	3,827,053	6,677,421	-
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
Service Concession Liabilities	28,404,413	28,404,413	33,916,880	-
Consumer deposits	39,659,086	-	-	-
Trade and other payables	228,545,753	3,160,328	4,952,815	-

Liquidity risk is affected by the prior period errors corrected. Refer to note 49.

# George Local Municipality

Annual Financial Statements for the year ended June 30, 2024

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand

2024

2023

### 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, 2024

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2024	2023
<b>51. Risk management (continued)</b>		
<b>Financial instruments</b>		
Loans and receivables	218,487	275,512
Trade and other receivables from exchange transactions	206,584,906	189,026,240
Other receivables from non-exchange transactions	8,139,561	21,959,776
Cash and cash equivalents	1,357,019,037	843,879,110
	<b><u>1,571,961,991</u></b>	<b><u>1,055,140,638</u></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.

Credit risk is affected by the prior period errors corrected. Refer to note 49.

### 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 as previously reported	-	3,288,035
Add: Unauthorised expenditure - current (Operating)	31,271,056	-
Less: Unauthorised expenditure authorised by council	-	(3,288,035)
<b>Closing balance</b>	<b><u>31,271,056</u></b>	<b><u>-</u></b>

The over expenditure incurred by municipal departments during the year is attributable to the following categories

Non-cash	31,271,056	-
Cash	-	-
	<b><u>31,271,056</u></b>	<b><u>-</u></b>

### Analysed as follows: non-cash

Bulk purchases (Eskom accrual)	19,365,693	-
Other	1,523,371	-
Impairment Loss	10,381,992	-
	<b><u>31,271,056</u></b>	<b><u>-</u></b>

Council approved the unauthorised expenditure amounting to R3 288 035 on 26 January 2023.

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, 2024

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand				2024	2023
<b>52. Unauthorised expenditure (continued)</b>					
<b>Budget Comparison by Municipal Vote in total</b>	2024	2024	2024	2024	
	Actual	Budget	Variance	Unauthorised	
Civil Engineering Services	1,850,349,603	2,786,198,886	(935,849,283)	-	
Community Services	451,867,502	463,197,879	(11,330,377)	-	
Corporate Services	216,683,935	227,099,737	(10,415,802)	-	
Electro-Technical services	1,070,314,366	1,066,453,053	3,861,313	31,271,056	
Financial Services	156,450,578	186,980,682	(30,530,104)	-	
Human Settlements, Planning and Development and Property Management	125,232,805	145,151,550	(19,918,745)	-	
Office of the Municipal Manager	26,385,690	28,978,111	(2,592,421)	-	
	<b>3,897,284,479</b>	<b>4,904,059,898</b>	<b>(1,006,775,419)</b>	<b>31,271,056</b>	
<b>Budget Comparison by Municipal Vote - Operating Expenditure</b>	2024	2024	2024	2024	
	Actual	Budget	Variance	Unauthorised	
Civil Engineering Services	1,146,219,273	1,348,757,164	(202,537,891)	-	
Community Services	379,851,683	386,876,814	(7,025,131)	-	
Corporate Services	208,881,427	211,039,363	(2,157,936)	-	
Electro-Technical services	928,206,424	896,935,368	31,271,056	31,271,056	
Financial Services	153,555,975	183,993,682	(30,437,707)	-	
Human Settlements, Planning and Development and Property Management	105,772,594	118,843,965	(13,071,371)	-	
Office of the Municipal Manager	26,299,032	28,884,050	(2,585,018)	-	
	<b>2,948,786,408</b>	<b>3,175,330,406</b>	<b>(226,543,998)</b>	<b>31,271,056</b>	
<b>Budget Comparison by Municipal Vote - Capital Expenditure</b>	2024	2024	2024	2024	
	Actual	Budget	Variance	Unauthorised	
Civil Engineering Services	704,130,330	1,437,441,722	(733,311,392)	-	
Community Services	72,015,819	76,321,065	(4,305,246)	-	
Corporate Services	7,802,508	16,060,374	(8,257,866)	-	
Electro-Technical services	142,107,942	169,517,685	(27,409,743)	-	
Financial Services	2,894,603	2,987,000	(92,397)	-	
Human Settlements, Planning and Development and Property Management	19,460,211	26,307,585	(6,847,374)	-	
Office of the Municipal Manager	86,658	94,061	(7,403)	-	
	<b>948,498,071</b>	<b>1,728,729,492</b>	<b>(780,231,421)</b>	<b>-</b>	
<b>Budget Comparison by Municipal Vote in total</b>	2023	2023	2023	2023	
	Actual	Budget	Variance	Unauthorised	
Civil Engineering Services	1,604,755,914	2,130,069,216	(525,313,302)	-	
Community Services	419,393,203	445,181,786	(25,788,583)	-	
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	165,159,207	192,542,897	(27,383,690)	-	
Human Settlements	106,343,638	125,631,777	(19,288,139)	-	
Office of the Municipal Manager	25,440,522	28,912,429	(3,471,907)	-	
	<b>3,419,461,657</b>	<b>4,153,243,410</b>	<b>(733,781,753)</b>	<b>-</b>	

# George Local Municipality

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## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2024			2023
<b>52. Unauthorised expenditure (continued)</b>				
<b>Budget Comparison by Municipal Vote - Operating Expenditure</b>	2023 Actual	2023 Budget	2023 Variance	2023 Unauthorised
Civil Engineering Services	1,057,503,189	1,236,742,567	(179,239,378)	-
Community Services	362,009,189	375,061,573	(13,052,384)	-
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	162,250,382	189,604,747	(27,354,365)	-
Human Settlements	98,462,953	113,157,142	(14,694,189)	-
Office of the Municipal Manager	25,313,803	28,702,429	(3,388,626)	-
	<b>2,658,792,083</b>	<b>3,006,215,970</b>	<b>(347,423,887)</b>	-
<b>Budget Comparison by Municipal Vote - Capital Expenditure</b>	2023 Actual	2023 Budget	2023 Variance	2023 Unauthorised
Civil Engineering Services	547,252,725	893,326,649	(346,073,924)	-
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	7,880,685	12,474,635	(4,593,950)	-
Office of the Municipal Manager	126,719	210,000	(83,281)	-
	<b>760,669,574</b>	<b>1,147,027,440</b>	<b>(386,357,866)</b>	-

Alleged Unauthorised Expenditure under investigation

There is a case under investigation at year end which may possibly result in Unauthorised Expenditure. The cases relate to soup kitchen payments and the quantum are unknown at year end.

Unauthorised Expenditure were affected by the prior period errors corrected. Refer to note 49 for corrections performed.

### 53. Irregular expenditure

Opening balance as previously reported	10,322,836	14,349,712
Add: Irregular expenditure - current	19,188,320	10,322,836
Add: Irregular expenditure - prior period	10,703,800	-
Less: Amount written off - current	(173,220)	(14,349,712)
<b>Closing balance</b>	<b>40,041,736</b>	<b>10,322,836</b>

Council approved the irregular expenditure amounting to R 173 220 on 29 August 2024.

Prior year Irregular expenditure have been restated to include the non-compliance with S2(1) of the PPPFA amounting to R10 149 616.

Irregular expenditure previously reported: R173 220.

Irregular expenditure is disclosed VAT inclusive.

# George Local Municipality

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## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2024	2023
<b>53. Irregular expenditure (continued)</b>		
<b>Details of irregular expenditure</b>		
<b>Identified during the financial year</b>		
Non-compliance with SCM regulation 17	-	160,340
Non-compliance with SCM regulation 36	-	12,880
Non-compliance with SCM regulations 13(b) and 43	5,279,959	-
Non-compliance with S2(1)(a) of the PPPFA	13,063,754	10,149,616
Non-compliance with regulation 3(1) of the PPR (2022)	95,571	-
Non-compliance with regulation 4(2),4(4) and 9 of the PPR (2022)	46,850	-
Supplier in contravention to tender specification	160,983	-
Expenditure in excess of original contract value	541,203	-
Contravention section 67(1)(a) of the Municipal System Act	10,703,800	-
	<b>29,892,120</b>	<b>10,322,836</b>

### Alleged Irregular Expenditure under investigation

There are two cases under 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 overtime paid and traffic fines revenue.

There are two 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 as previously reported	728,648	728,648
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Fruitless and wasteful expenditure is presented inclusive of VAT.

### Alleged fruitless and wasteful Expenditure under investigation

There is a case currently under investigation and still in progress as at 30 June 2024 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)	418,242,602	405,199,546
Units lost during distribution	35,959,955	34,526,298
Percentage lost during distribution	8.60	8.52

#### Water distribution

Kilolitres purified	13,084,619	13,127,347
Kilolitres lost during distribution	2,718,399	3,573,909
Percentage lost during distribution	20.78	27.22

### 56. Municipal Land Transport Fund

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

# George Local Municipality

Annual Financial Statements for the year ended June 30, 2024

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2024	2023
<b>56. Municipal Land Transport Fund (continued)</b>		
The transactions for the year were:		
Opening balance	118,356,494	131,090,503
National grants - note 31	170,300,423	149,292,687
Provincial grants - note 31	274,856,674	240,480,135
Fare revenue - note 26	77,498,662	63,779,838
Other income - note 27	320,457	337,880
Less: Expenses	<u>(499,139,123)</u>	<u>(466,624,549)</u>
<b>Surplus</b>	<b><u>142,193,587</u></b>	<b><u>118,356,494</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	390,998	2,250,487
Less: Expenses (depreciation and compensation adjustment)	<u>(59,471,897)</u>	<u>(34,007,068)</u>
<b>Surplus / (Loss)</b>	<b><u>(59,080,899)</u></b>	<b><u>(31,756,581)</u></b>
Total GIPTN Surplus / (Loss)	<u>83,112,688</u>	<u>86,599,913</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 this 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. Fareboes are increased annually.

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

# George Local Municipality

Annual Financial Statements for the year ended June 30, 2024

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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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:

2024	Drivers licences	Vehicle registrations	Total
Revenue received from third parties	3,320,058	73,400,895	76,720,953
Payment to provincial traffic department	(1,540,643)	(59,317,843)	(60,858,486)
Agency fee income	1,779,415	14,083,052	15,862,467
Depreciation	-	(302,655)	(302,655)
Employee cost	(4,025,308)	(5,412,618)	(9,437,926)
Contracted services	(17,995)	(850,798)	(868,793)
General expenses	(570,665)	(1,017,114)	(1,587,779)
	<b>(2,834,553)</b>	<b>6,499,867</b>	<b>3,665,314</b>
2023	Drivers licences	Vehicle registrations	Total
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>

#### 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 R301 603 981 (2023: R267 782 971) to the operator for providing the service on their behalf.

# George Local Municipality

Annual Financial Statements for the year ended June 30, 2024

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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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 R26 818 467 (2023: R24 282 386).

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 Rnil (2023: R475 056).

The fees paid to Cigicell (Pty) Ltd during the year were R3 337 114 (2023: 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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## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2024	2023
<b>59. Additional disclosure in terms of Municipal Finance Management Act</b>		
<b>Contributions to organised local government</b>		
Opening balance	(7,303,371)	(6,553,191)
Current year subscription / fee	7,303,371	6,553,191
Amount paid - current year	(7,212,077)	(7,303,371)
Prepayment - Refer to note 6	<u>(7,212,077)</u>	<u>(7,303,371)</u>
<p>The municipality pays the SALGA membership fees annually in May for the following financial year in order to receive a 5% discount. Refer to note 6 for more detail.</p>		
<b>Audit fees</b>		
Current year subscription / fee	7,793,739	7,633,410
Amount paid - current year	(7,789,807)	(7,590,568)
	<u>3,932</u>	<u>42,842</u>
<p>The unpaid amount are included under trade payables. Refer to note 18.</p> <p>Refer to note 45 for reclassification of expenditure incorrectly classified under auditors remuneration.</p>		
<b>PAYE and UIF</b>		
Current year subscription / fee	115,732,429	94,360,883
Amount paid - current year	(115,732,429)	(94,360,883)
	<u>-</u>	<u>-</u>
<b>Pension and Medical Aid Deductions</b>		
Current year subscription / fee	150,558,628	137,948,165
Amount paid - current year	(150,558,628)	(137,948,165)
	<u>-</u>	<u>-</u>
<b>Skills Development Levies</b>		
Current year subscription / fee	6,800,004	6,302,176
Amount paid - current year	(6,800,004)	(6,302,176)
	<u>-</u>	<u>-</u>
<b>VAT</b>		
VAT receivable / (payable)	<u>23,875,342</u>	<u>26,929,202</u>
<p>VAT output payables and VAT input receivables are shown in note 7.</p> <p>All VAT returns have been submitted by the due date throughout the year.</p>		

# George Local Municipality

Annual Financial Statements for the year ended June 30, 2024

## 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

Councillors' consumer accounts all have current balances. None of their accounts are outstanding for more than 90 days.

June 30, 2024	Outstanding less than 90 days	Outstanding more than 90 days	Total
S Snyman	1,999	-	1,999
B Johnson	4,979	-	4,979
EC America	1,323	-	1,323
M Kruger	1,639	-	1,639
S Manxele	37,985	-	37,985
SZ Ntondini	1,217	-	1,217
SJ Smart	3,758	-	3,758
R Windwaai	44	-	44
GC Niehaus	9,538	-	9,538
VD Carolus	3,508	-	3,508
GJ Stander	1,898	-	1,898

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

#### 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.

<b>2024 Directorate</b>	<b>Less than R30 000</b>	<b>Between R30 001 and R200 000</b>	<b>Between R200 001 and R2 000 000</b>	<b>More than R2 000 001</b>	<b>Total per Directorate</b>
Civil Engineering Services	38,828	989,409	4,076,051	2,895,768	8,000,056
Community Services	124,893	295,920	4,842,415	-	5,263,228
Corporate Services	40,149	534,155	667,614	-	1,241,918
Electro-Technical Services	74,547	79,797	3,834,361	12,073,324	16,062,029
Financial Services	8,280	332,813	431,461	5,279,959	6,052,513
Human Settlements, Planning and development	36,067	128,530	-	-	164,597
Office of the Municipal Manager	-	455,237	205,432	-	660,669
	<b>322,764</b>	<b>2,815,861</b>	<b>14,057,334</b>	<b>20,249,051</b>	<b>37,445,010</b>

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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)

Category	Less than R30 000	Between R30 001 and R200 000	Between R200 001 and R2 000 000	More than R2 000 001	Total per Category
Emergency	15,789	-	3,403,324	12,073,324	15,492,437
Single Provider	96,864	457,268	627,145	-	1,181,277
Exceptional Case (Impractical or impossible)	210,111	2,358,593	10,026,865	8,175,727	20,771,296
	<b>322,764</b>	<b>2,815,861</b>	<b>14,057,334</b>	<b>20,249,051</b>	<b>37,445,010</b>

### 2023

Directorate	Less than R30 000	Between R30 001 and R200 000	Between R200 001 and R2 000 000	Total per Directorate
Civil Engineering Services	52,574	385,622	1,694,009	2,132,205
Community Services	100,137	752,625	1,705,426	2,558,188
Corporate Services	92,656	606,364	-	699,020
Electro-Technical Services	27,261	486,169	-	513,430
Financial Services	4,255	371,538	1,402,033	1,777,826
Office of the Municipal Manager	4,858	96,020	-	100,878
Human Settlement, Planning and Development	4,485	185,611	-	190,096
Protection Services	-	470,391	-	470,391
	<b>286,226</b>	<b>3,354,340</b>	<b>4,801,468</b>	<b>8,442,035</b>

Category	Less than R30 000	Between R30 001 and R200 000	Between R200 001 and R2 000 000	Total per Directorate
Emergency	25,236	616,230	362,897	1,004,363
Single Provider	119,939	605,360	1,490,376	2,215,675
Exceptional Case (Impractical or impossible)	141,051	2,132,749	2,948,195	5,221,996
	<b>286,226</b>	<b>3,354,339</b>	<b>4,801,468</b>	<b>8,442,035</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.

The major deviations were as follows:

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

2024

Awarded	Amount	Reason / Explanation
Harvey World	224,630	Exceptional case and impractical to follow the official procurement process. Poor service from current service provider.
Henque Waste	1,457,811	Impossible to follow the official procurement process. The current service provider, LG-Waste withdraw from the project.
South Cape Petroleum	862,319	Emergency: Appointed supplier could not address the demand and supply challenges.
Eden FM	205,432	Impossible to follow the official procurement process. The municipality did went out on tender, but the tender has been cancelled due to non-compliance of all bidders.
South Cape Petroleum	12,073,324	Emergency: The municipality terminated the services of the bulk fuel delivery service provider.
SSK Agri	656,801	Emergency: The municipality terminated the services of the bulk fuel delivery service provider.
Millers Attorneys	1,279,998	Impossible to follow the official procurement process. Purchase of specific portion of land.
Millers Attorneys	1,800,002	Impossible to follow the official procurement process. Purchase of specific portion of land.
Red Ant	2,895,769	Impractical to follow the official procurement process due to the sensitivity of the operations.
Henque Waste	1,378,730	Impossible to follow the official procurement process. The current service provider, LG Waste withdraw from the project.
Minnaar Niehaus Attorneys	388,759	Exceptional case and impractical to follow the official procurement process. Specialised knowledge and expertise are required.
South Cape Petroleum	1,884,205	Emergency: The appointed service provider could not deliver any fuel.
Henque Waste	662,400	Impossible to follow the official procurement process, LG-Ewaste withdraw from the project.
Fairbridges Wertheim Becker Inc	278,855	Exceptional case and it is impractical to follow the official procurement processes. The sensitivity and confidentiality of this matter necessitates the appointment of an attorney who is not on our panel of Attorneys.
Henque Waste	716,330	Impossible to follow the official procurement process. The tender for the collection for green bags still in process.
South Cape Petroleum	1,087,838	Impossible to follow the official procurement process. New tender in process.
Red Ant	339,250	Impossible to follow the official procurement process due to the sensitivity of the operations.
Ross Excavations	5,279,959	Impssible to follow the official procurement process because of the disaster that occurred on Monday, 6 May.
Hamilton Hydraulic Services	627,144	Sole Supplier of specific equipment in SA.
Ruwacon (Pty) Ltd	206,830	Impssible to follow the official procurement process because of the disaster that occurred on Monday, 6 May.

**34,306,386**

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.

# George Local Municipality

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

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><u>4,586,419</u></b>	

# George Local Municipality

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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	25,794,245	19,127,543
	ZB Ebrahim	Non-Executive Director	Social Housing Regulatory	Various		
Royal Haskoning DHV	JD van Eeden	Member	Councillor - Langeberg	Brother	15,530,772	13,734,264
			Department of Water Affairs	Nephew		
SMEC South Africa (Pty) Ltd	M Phosa	Member	Finance - Mpumalanga Provincial Government	Spouse	22,123,390	18,226,067
Moreki Distributors	MD Moreki	Director	Palm Springs Magistrates Court	Spouse	93,924	6,350,211
Kathaka Enterprises (Pty) Ltd	MG Modise - Director	Not indicated	Not indicated	Shareholder at Kathaka Raw Enterprise (Pty) Ltd	19,400	-
Willvest Twenty Three (Pty) Ltd t/a Urhwebo E-transand	Various	Various	Various	Various	71,725,448	44,321,473
Minolta SA: George	KR Mthimunye	Non-Executive director	Mintek	Various	2,749,194	2,491,189
IMQS Software (Pty) Ltd	Various	Various	Various	Various	43,296	48,901
GLS Consulting	Various	Various	Various	Various	3,941,781	2,615,619
Ian Dickie and Company (Pty) Ltd	M Samuels	Director	SAPS - SCM	Spouse	2,049,185	768,239
Bidvest Waltons	KB Wakeford	Director	Various	Bidvest (Pty) Ltd and all affiliated companies	903,402	1,217,368
	GC McMahon	Director	Various			
	NT Madisa	Director	Various			
Trentyre	NP Mona	Member	SA Forestry Company	Not Indicated	-	510,539
	A Sing	Non-Executive Director	DBSA	Not Indicated		

# George Local Municipality

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

Conlog	L Moodley  L Gaxeni	Commercial Director  Quality Manager	Provincial Health Department of KZN - Director of Informatics - GIS  Eskom KZN - Deductor Manager	Spouse  Spouse	58,296	805,281
Chlorcape (Pty) Ltd	PW Pretorius	Director	Not indicated	Shareholder in Ultra Water, Ikapa Commodities	47,759,352	50,593,733
Cobus Louw Professional Eng (Pty) Ltd	DE Janeke	Director	Dept. of Education - Psychologist	Spouse	4,854,871	484,153
Just Breeze General Trading CC	CL Ntladi	Lebowakgomo Hospital	Lebowakgomo Hospital	Shareholder in Jomash Construction, Bakgorong Security, Mahlako Travels, LMN Training & Mosadi Holdings	22,873,994	5,058,945
2 Brothers Enterprise	J Booysen	Owner	George Municipality - Cleaner/Tea Lady	Sister-In-Law	412,775	264,650
Vilconsec	C Viljoen	Owner	Official at George Municipality - C Langeveldt  Official at George Municipality - A Viljoen	Sister  Wife	1,128,766	1,242,169
Agate & Bryl t/a Rock Solutions	L Coetsee	Director	Corporate Service: Tea Lady/Caretaker	Mother-in-law	350,820	340,340
First Technology Western Cape	A Sharp	Director	Various	Various	2,604,335	2,981,939
Amandla GCF Construction cc	G Jones - Director W Frazenburg - Director	Not indicated	Not indicated	Interest in other companies: Empower Asphalt	202,388	-
Lexis Nexis South Africa (Pty) Ltd	I Andrew TR Naidoo	Various	Various	Shareholders	64,321	36,261
OWS & EAS Joint Venture	CR Stockwell	Director	Area Manager at City of Cape Town	CR Stockwell shareholder at Nadeson Consulting Services	8,503,396	3,860,506
Bearing Warehouse	FC Zeelie	Member	Department of Agriculture	Spouse	12,661	18,297

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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	122,727,171	122,142,065
CHM Vuwani Computer Solutions (Pty) Ltd	Shareholding & director in other companies	Not indicated	Interest in other related companies	First Technology Group, etc.	293,835	-
Inca Portfolio Managers	M Mokoene	Non-Executive Director	Gautrain Management Agency	Not Indicated	1,072,087	766,130



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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	31,473,455	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		
	Direct Wholesale	Zona van Greunen, Managing Director	Director	Professional Nurse - Mosselbay Hospital		
Raubenheimers Attorneys	WM Lutfig	Director	Teacher	Spouse	1,579,042	3,723,004
Falcon Safety Management (Pty) Ltd	Zona van Greunen, Managing Director	Director	Nelson Mandela Bay Municipality	Spouse	58,880	-
Capstone VMG Enterprises (Pty) Ltd	V Sambokwe	Owner	Garden Route District Municipality - Administrative Clerk	Spouse	5,864	-
Hessequa Consulting Engineers cc	G Pepler	Director	Not indicated	Shareholder in Iviwe Engineering Solutions	317,288	-
Avela General Service and Construction	Sivuyile Mtila	Owner	George Municipality: Community Services (Environmental)	Son-in-law	-	80,271
	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	624,133	384,195

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

Bidvest Food Service	KB Wakeford	Director	Various	Bidvest (Pty) Ltd and all affiliated companies	21,291	32,615
	GC McMahan	Director	Various			
	NT Madisa	Director	Various			
Bidvest Prestige	KB Wakeford	Director	Various	Bidvest (Pty) Ltd and all affiliated companies	9,510,033	2,121,301
	GC McMahan	Director	Various			
	NT Madisa	Director	Various			
Bidvest Prestige Cleaning Services	KB Wakeford	Director	Various	Bidvest (Pty) Ltd and all affiliated companies	112,794	300,803
	GC McMahan	Director	Various			
	NT Madisa	Director	Various			
Bidvest Steiner George	KB Wakeford	Director	Various	Various	112,794	181,595
	GC McMahan	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	247,018	499,325
iX Engineers (Pty) Ltd	JC Karemaker	Director	Not indicated	Shareholder in BJE/IX/WRP JV	16,656,829	16,223,790

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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		
Improchem (Pty) Ltd t/a AECl Water	Dr Khotso Mokhele	Non-executive chairman at AECl Limited	Not indicated	Dr Khotso Mokhele - University of Free State and Dept. of Science and Technology - Chancellor	148,919	-
Loyiso Civil Construction	L Gardiner	Director	Not indicated	Interest in related company: Entsha Henra	114,885	150,480
Maverick Trading 59 CC	C Simons L vd Poll	Director Director	Not indicated	Maverick Trading 170 CC - shareholders	2,409,274	2,202,858
Memotek Trading CC	TG Sedumedi	Director	Not indicated	Director has shares in Gabriel & Michael Marketing	1,062,484	2,200,842
Elihlumayo Projects (Pty) Ltd	LA Mapolisa	Director	General Assistant at George Municipality	Family member	6,389	59,316
MDL Engineering Company (Pty) Ltd	MD Loubser	Director	Not indicated	Director has share in MDL Electrical cc	53,669,898	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

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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	4,357,394	8,589,132
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
Commix Vision (Pty) Ltd	Not indicated	Not indicated	Active telematics Commix Academy & Muthenia Group	Active Telematics Commix Academy & Muthenia group	1,077,897	1,874,465
Icon Construction (Pty) Ltd	Shareholding & director in other companies	Not indicated	Interest in other related companies	Shareholders in other companies	127,692,614	-
Roy Steele & Associates CC	R Steele	Director	Managing ODS Consultants CC	Managing ODS Consultants cc	138,000	160,475
Cape Environmental Assessment Practitioners t/a Cape EAPRAC	DJ Jeffrey	Director	Not indicated	Shareholder in Doug Jeffrey Environmental Consultants	662,890	541,019
QJ Jaji t/a Jaji Bee Relocation and Honey Farming	N Jaji	Owner/Director	Electro-Technical Services	Daughter	70,000	35,500
VE Reticulation (Pty) Ltd	JJ Bosman HAR van Niekerk K Lutchman	Director Director Director	Not indicated	Shareholders in VE Management Services (Pty) Ltd	36,838,369	69,832,354

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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		
Londoloz a Utility Solution (Pty) Ltd	TS Mazibuko	Director	Not indicated	Department of Arts and Culture - National Archivist	356,208	-
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.	95,805	29,754
Norland Construction (Pty) Ltd	Shareholding & director in other companies	Not indicated	Not indicated	Interest in other companies: Norlan Plant Holdings (Pty) Ltd; NJV Contractors (Pty) Ltd; Bastu Investments (Pty) Ltd; NAS Air Services (Pty) Ltd	3,801,603	-
Nikwe Enterprise (Pty) Ltd	M Olivier	Director	Admin Offider, George Municipality	Souse	84,876	-
Platinum Suppliers (Pty) Ltd	B Brass	Director	Not indicated	Shareholder at Bizconex (Pty) Ltd	27,233	-
Red Ant Security Relocation and Eviction Services	Buti Lesiela	Shareholder	Mogale City Local Municipality - Practitioner	Spouse	5,446,688	-
Sakhikha ya Suppliers cc	Mahadevan Valoo (Director) member Ikamva Facilities Management cc & Camel Rock Trading cc	Not indicated	Not indicated	Mahadevan Valoo member Ikamva Facilities Management cc & Camel Rock Trading cc	149,106	-

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

UDS Africa	AAE Khan	Director	Not indicated	Principal member at Edifice Consulting Engineers	392,645	-
VST Consulting Engineers (Pty) Ltd	V Thavar	Director	Not indicated	Shareholder in Khula Africa Engineers cc	1,064,240	-
Vanguard Fire and Safety Inland	J Buchan; L Sarabjit	Director Director	Not indicated Not indicated	J Buchan has Shares in other companies: Vanguard Fire and Safety Coastal and Vanguard Fire and safety Cape	42,809	-
Herold Gie Attorneys	Shareholding and director in other companies	Not indicated	Interest in other related companies	Interest in other related companies	191,007	-
Wolf Pack Race	Cheryl Langeveldt	Owner	Official at George Municipality	Spouse	116,190	-
Mimebe Projects	Mary-Anne Beukes	Director	South African Post Office	Director	1,448,643	-
Acumen Software (Pty) Ltd	Ismail Cachalia	Director	High Commission to Zambia Saad Chachalia	Father	506,000	-
					<b>662,055,100</b>	<b>500,951,430</b>

# George Local Municipality

Annual Financial Statements for the year ended June 30, 2024

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### 60. Related parties

Relationships  
Councillors

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

Directors

Directorate Financial Services  
Directorate Corporate Services  
Directorate Corporate Services  
Directorate Human Settlements, Planning and Development and Property Management  
Directorate Civil Engineering Services  
Directorate Electro- Technical Services  
Directorate Electro- Technical Services  
Directorate Community Services  
Municipal Manager  
Municipal Manager

R du Plessis  
E Ganza (Acting)  
K Moodley (Resigned 30 April 2024)  
L Waring (Resigned 30 June 2024)  
  
J Koegelenberg  
D Greeff (Acting)  
B Mandla (Resigned 31 August 2023)  
D Adonis  
Dr M Gratz (Resigned 30 June 2024)  
D Adonis (Acting)

### 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.

### 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	<u>470,357,893</u>	<u>308,715,588</u>
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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.

# George Local Municipality

Annual Financial Statements for the year ended June 30, 2024

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### 64. 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	Additional interest was received on short term investments due to increase in interest rates.
Transfers recognised - Operational	Difference is less than 10%.
Other own revenue	Budgeting of purified water stock gains as other income.
Employee related cost	The reason for the variance is due to vacant budgeted positions that have not been filled by 30 June 2024.
Remuneration of councillors	Variance due to remuneration increase budgeted for but not implemented.
Debt impairment	Provisions as included in the Customer Care, Credit Control and Debt Collection Policy are implemented on a daily and monthly basis to ensure that all monies and deposits due and payable to the municipality are collected and used to deliver services in the best interest of the community, residents, and customers; and, in a financially sustainable manner. It relates to historical water losses at indigent households.
Depreciation and asset impairment	Service concession assets not taken into account during the budgeting processes.
Finance charges	Landfill sites, GIPTN interest and the finance cost component on the service concession arrangement was not budgeted for.
Material and bulk purchases	Difference is less than 10%.
Transfers and grants	Difference is less than 10%.
Other expenditure	Application of the FAQ and GRAP 12 on the purified water treatment.
Transfers recognised - Capital	The under spending is mainly due to the grants that could not be fully spent during the 2023/2024 financial year. George Municipality also received an additional Public Transport grant during March 2024, which constitutes as fiscal dumping.



# George Local Municipality

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## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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### 64. Budget differences (continued)

Capital expenditure by vote	Material differences between budget and actual amounts
Finance and administration	Difference is less than 10%.
Internal audit	Difference is less than 10%.
Community and social services	Botanical Garden - Wall: Disaster recovery grant: A roll-over request have been received for a o roll-over of the projects to the 2024/25 financial year.
Community Halls and Facilities	The underspending is mainly due to the fact that the wooden floor at the civic centre could not be replaced and the upgrading of bathrooms and kitchen did not take place.
Sport and recreation	Difference is less than 10%.
Public safety	Difference is less than 10%.
Housing	Difference is less than 10%.
Planning and development	Upgrading of York Hostel: Varios factors restricted the contractor to arry out the projected expenditure for the 2023/24 financial year and the budget not spent will be rolled over to the 2024/2025 financial year.
Road transport	The underspending is mainly due to the fact that additional grant funding was PTNG grant funding was gazetted and received during March 2024. An application to roll-over the grant to 2024/25 has been done.
Energy sources	Electrical rehabilitation of facilities - Disaster recovery grant: Construction in progress and scheduled for completion end September 2024. The project will be roll-over to the 2024/25 financial year. Herolds Bay substation Transformer: Delivery of materials was delayed resulting in project delays. The project will be roll-over to the 2024/25 financial year.
Water management	Projects funded by the Regional Bulk Infrastructure Grant could not be completed by 30 June 2024 for various reasons. A roll-over request has been submitted to roll-over the budget to the 2024/25 financial year.
Waste water management	Projects funded by the Regional Bulk Infrastructure Grant could not be completed by 30 June 2024 for various reasons. A roll-over request has been received to roll-over the projects to the 2024/25 financial year.
Waste management	Difference is less than 10%.
Other	Difference is less than R1 000 000.

# George Local Municipality

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## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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### 65. Segment information

#### General information

#### Identification of segments

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

The four key functional segments comprise of:

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

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

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

# George Local Municipality

Annual Financial Statements for the year ended June 30, 2024

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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<b>65. Segment information (continued)</b>					
<b>Segment surplus or deficit, assets and liabilities</b>					
<b>Notes to the Annual Financial Statements</b>					
<b>2024</b>					
	Municipal Governance and Administration	Community and Public Safety	Economic and Environmental Services	Trading Services	Total
<b>Revenue from exchange transactions</b>					
Sale of electricity	2,843	-	-	931,084,039	931,086,882
Sale of water	-	-	-	228,473,527	228,473,527
Sewerage and sanitation charges	-	-	-	168,467,446	168,467,446
Refuse removal	-	-	-	153,295,801	153,295,801
Rental of facilities and equipment	1,985,575	1,477,930	596,317	365,652	4,425,474
Income from agency services	-	-	14,083,052	-	14,083,052
GIPTN Fare Revenue	-	-	77,498,662	-	77,498,662
Operating revenue	15,240,108	17,591,900	16,738,123	51,802,584	101,372,715
Interest received - Outstanding Debtors	702	-	-	21,634,274	21,634,976
Interest received - External Investments	100,632,099	2,673,557	-	-	103,305,656
<b>Revenue from non-exchange transactions</b>					
<b>Taxation revenue</b>					
Property rates	443,330,073	-	-	-	443,330,073
License and permits	-	-	1,779,415	-	1,779,415
<b>Transfer revenue</b>					
Government grants & subsidies - Operating	31,661,205	15,346,429	447,805,482	185,232,013	680,045,129
Government grants & subsidies - Capital	-	13,800,111	58,838,191	508,010,344	580,648,646
Public contributions and donations	-	10,000	-	-	10,000
Construction contract revenue	-	-	-	314,874	314,874
Fines, Penalties and Forfeits	4,825,378	28,159,472	2,043,852	314,848	35,343,550
<b>Other</b>					
Availability charges	-	-	-	22,296,913	22,296,913
Actuarial gains	2,963,805	-	-	-	2,963,805
<b>Total segment revenue</b>	<b>600,641,788</b>	<b>79,059,399</b>	<b>619,383,094</b>	<b>2,271,292,315</b>	<b>3,570,376,594</b>
<b>Entity's revenue</b>					<b>3,570,376,594</b>

# George Local Municipality

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<b>65. Segment information (continued)</b>					
	Municipal Governance and Administration	Community and Public Safety	Economic and Environmental Services	Trading Services	Total
<b>Expenditure</b>					
Employee related costs	237,176,433	133,366,244	59,420,193	214,933,395	644,896,265
Remuneration of councillors	25,563,675	-	-	-	25,563,675
Depreciation and amortisation	13,006,321	15,992,035	51,167,153	136,621,674	216,787,183
Impairment loss	15,188,436	25,571,249	-	94,306,218	135,065,903
Finance charges	25,221,141	3,360,372	17,515,752	43,295,802	89,393,067
Bulk purchases	-	-	-	715,566,093	715,566,093
Contracted services	57,579,619	57,873,098	405,603,066	179,517,228	700,573,011
Grants and subsidies paid	1,752,636	-	83,844,087	168,532	85,765,255
Cost of housing sold	4,011,995	-	-	-	4,011,995
Loss on disposal of assets and liabilities	600,925	239,360	6,072	444,116	1,290,473
Inventories losses/write-downs	-	-	33,830	26,129,002	26,162,832
Other materials / Inventory	4,137,664	12,015,562	1,590,403	175,178,990	192,922,619
General Expenses	26,332,624	45,226,631	27,290,136	11,938,647	110,788,038
<b>Total segment expenditure</b>	<b>410,571,469</b>	<b>293,644,551</b>	<b>646,470,692</b>	<b>1,598,099,697</b>	<b>2,948,786,409</b>
<b>Total segmental surplus/(deficit)</b>	<b>190,070,319</b>	<b>(214,585,152)</b>	<b>(27,087,598)</b>	<b>673,192,618</b>	<b>621,590,185</b>
<b>Assets</b>					
Segment assets	5,877,702,517	9,820,857	90,264,950	564,668,379	6,542,456,703
<b>Total assets as per Statement of financial Position</b>					<b>6,542,456,703</b>
<b>Liabilities</b>					
Segment liabilities	1,145,522,434	13,725,057	528,425,185	409,613,708	2,097,286,384
<b>Total liabilities as per Statement of financial Position</b>					<b>2,097,286,384</b>
<b>Other information</b>					
Additions to non-current assets (PPE, Investment Property and Intangible Assets)	12,404,349	68,020,265	262,743,078	605,330,379	948,498,072

# George Local Municipality

Annual Financial Statements for the year ended June 30, 2024

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand

### 65. Segment information (continued)

2023

	Municipal Governance and Administration	Community and Public Safety	Economic and Environmental Services	Trading Services	Total
<b>Revenue from exchange transactions</b>					
Sale of electricity	-	-	-	785,776,767	785,776,767
Sale of water	-	-	-	211,952,855	211,952,855
Sewerage and sanitation charges	-	-	-	157,407,731	157,407,731
Refuse removal	-	-	-	141,374,178	141,374,178
Rental of facilities and equipment	1,815,659	1,672,181	443,499	283,497	4,214,836
Income from agency services	-	-	14,304,911	-	14,304,911
GIPTN Fare Revenue	-	-	63,779,838	-	63,779,838
Operating revenue	6,868,363	15,528,540	22,449,581	38,865,532	83,712,016
Interest received - Outstanding Debtors	2,646	-	-	14,403,206	14,405,852
Interest received - External Investment	60,658,714	2,687,612	-	-	63,346,326
<b>Revenue from non-exchange transactions</b>					
<b>Taxation revenue</b>					
Property rates	384,703,013	-	-	-	384,703,013
Licences and Permits	-	-	1,836,903	-	1,836,903
<b>Transfer revenue</b>					
Government grants & subsidies - Operating	8,975,943	4,535,183	414,181,689	196,950,460	624,643,275
Government grants & subsidies - Capital	143,686	992,983	70,199,879	336,959,822	408,296,370
Construction contract revenue	-	271,625	-	-	271,625
Fines, Penalties and Forfeits	7,537,202	52,673,974	614,046	213,719	61,038,941
<b>Other</b>					
Availability charges	-	-	-	22,312,412	22,312,412
Actuarial gains	31,724,308	-	-	-	31,724,308
<b>Total segment revenue</b>	<b>502,429,534</b>	<b>78,362,098</b>	<b>587,810,346</b>	<b>1,906,500,179</b>	<b>3,075,102,157</b>
<b>Entity's revenue</b>					<b>3,075,102,157</b>

# George Local Municipality

Annual Financial Statements for the year ended June 30, 2024

## 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>65. Segment information (continued)</b>					
<b>Expenditure</b>					
Employee related costs	212,141,321	131,276,382	50,477,983	210,838,136	604,733,822
Remuneration of councillors	25,556,683	-	-	-	25,556,683
Depreciation and amortisation	10,706,719	13,461,983	35,456,264	119,972,628	179,597,594
Impairment loss	7,596,626	45,048,754	-	85,834,101	138,479,481
Finance costs	26,362,067	3,674,771	14,302,187	33,558,083	77,897,108
Bulk Purchases	-	-	-	598,225,496	598,225,496
Contracted services	53,145,897	53,350,743	377,559,376	156,854,394	640,910,410
Grants and subsidies paid	58,795	42,198	79,358,414	-	79,459,407
Cost of housing sold	5,389,776	-	-	-	5,389,776
Loss on disposal of assets and liabilities	2,065,481	(30,835)	(242,234)	(797,805)	994,607
Inventories losses/write-downs	1,962,050	-	282,526	20,600,800	22,845,376
Other materials / Inventory	4,431,962	8,622,623	1,551,691	166,383,115	180,989,391
General Expenses	28,343,219	37,930,856	25,995,920	11,442,941	103,712,936
<b>Total segment expenditure</b>	<b>377,760,596</b>	<b>293,377,475</b>	<b>584,742,127</b>	<b>1,402,911,889</b>	<b>2,658,792,087</b>
<b>Total segmental surplus/(deficit)</b>	<b>124,668,938</b>	<b>(215,015,377)</b>	<b>3,068,219</b>	<b>503,588,290</b>	<b>416,310,072</b>
<b>Assets</b>					
Segment assets	4,711,815,614	12,108,668	90,901,187	507,523,050	5,322,348,519
<b>Total assets as per Statement of financial Position</b>					<b>5,322,348,519</b>
<b>Liabilities</b>					
Segment liabilities	870,596,198	23,977,293	111,525,117	492,669,782	1,498,768,390
<b>Total liabilities as per Statement of financial Position</b>					<b>1,498,768,390</b>
<b>Other information</b>					
Additions to non-current assets (PPE, Investment Property and Intangible Assets)	29,199,316	33,823,589	236,348,381	461,298,283	760,669,574

**George Local Municipality**  
Annual Financial Statements for the year ended June 30, 2024

**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	441,577,886	299,484	441,877,370	-	-	441,877,370	443,330,073	-	1,452,703	100 %	100 %
Service charges	1,454,149,370	(8,009,394)	1,446,139,976	-	-	1,446,139,976	1,481,323,656	-	35,183,680	102 %	102 %
Investment revenue	42,414,834	15,000,000	57,414,834	-	-	57,414,834	103,305,656	-	45,890,822	180 %	244 %
Transfers recognised - operational	635,102,098	96,157,902	731,260,000	-	-	731,260,000	680,045,129	-	(51,214,871)	93 %	107 %
Other own revenue	544,593,223	8,195,621	552,788,844	-	-	552,788,844	281,723,434	-	(271,065,410)	51 %	52 %
<b>Total revenue (excluding capital transfers and contributions)</b>	<b>3,117,837,411</b>	<b>111,643,613</b>	<b>3,229,481,024</b>	<b>-</b>	<b>-</b>	<b>3,229,481,024</b>	<b>2,989,727,948</b>	<b>-</b>	<b>(239,753,076)</b>	<b>93 %</b>	<b>96 %</b>
Employee costs	708,327,172	(4,958,859)	703,368,313	-	5,296,990	708,665,303	644,896,265	-	(63,769,038)	91 %	91 %
Remuneration of councillors	30,568,078	(644,890)	29,923,188	-	(234,000)	29,689,188	25,563,677	-	(4,125,511)	86 %	84 %
Debt impairment	103,918,450	-	103,918,450	-	-	103,918,450	135,065,902	-	31,147,452	130 %	130 %
Depreciation and asset impairment	187,803,795	(310,000)	187,493,795	-	-	187,493,795	216,787,183	-	29,293,388	116 %	115 %
Finance charges	40,388,003	-	40,388,003	-	6,244,000	46,632,003	89,393,067	-	42,761,064	192 %	221 %
Materials and bulk purchases	1,028,704,177	1,362,286	1,030,066,463	-	(6,855,967)	1,023,210,496	934,651,544	-	(88,558,952)	91 %	91 %
Transfers and grants	40,657,687	42,350,612	83,008,299	-	3,506,204	86,514,503	85,765,255	-	(749,248)	99 %	211 %
Other expenditure	924,691,014	72,488,411	997,179,425	-	(7,934,757)	989,244,668	816,663,517	-	(172,581,151)	83 %	88 %
<b>Total expenditure</b>	<b>3,065,058,376</b>	<b>110,287,560</b>	<b>3,175,345,936</b>	<b>-</b>	<b>22,470</b>	<b>3,175,368,406</b>	<b>2,948,786,410</b>	<b>-</b>	<b>(226,581,996)</b>	<b>93 %</b>	<b>96 %</b>
<b>Surplus/(Deficit)</b>	<b>52,779,035</b>	<b>1,356,053</b>	<b>54,135,088</b>	<b>-</b>	<b>-</b>	<b>54,112,618</b>	<b>40,941,538</b>	<b>-</b>	<b>(13,171,080)</b>	<b>76 %</b>	<b>78 %</b>

**George Local Municipality**  
Annual Financial Statements for the year ended June 30, 2024

**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 and subsidies - capital (monetary allocations) (National / Provincial and District)	-	-	-	-		-	580,648,646		580,648,646	DIV/0 %	DIV/0 %
<b>Surplus (Deficit) after capital transfers and contributions</b>	<b>52,779,035</b>	<b>1,356,053</b>	<b>54,135,088</b>	-		<b>54,112,618</b>	<b>621,590,184</b>		<b>567,477,566</b>	<b>1,149 %</b>	<b>1,178 %</b>
<b>Surplus/(Deficit) for the year</b>	<b>52,779,035</b>	<b>1,356,053</b>	<b>54,135,088</b>	-		<b>54,112,618</b>	<b>621,590,184</b>		<b>567,477,566</b>	<b>1,149 %</b>	<b>1,178 %</b>
<b>Capital expenditure and funds sources</b>											
Total capital expenditure	1,023,042,577	705,686,915	1,728,729,492	-		1,728,729,492	948,498,071		(780,231,421)	55 %	93 %
<b>Sources of capital funds</b>											
Transfers recognised - capital	400,127,965	810,500,286	1,210,628,251	17,000		1,210,645,251	512,472,261		(698,172,990)	42 %	128 %
Borrowing	371,569,029	(79,630,572)	291,938,457	-		291,938,457	259,564,733		(32,373,724)	89 %	70 %
Internally generated funds	251,345,583	(25,182,799)	226,162,784	(17,000)		226,145,784	176,461,078		(49,684,706)	78 %	70 %
<b>Total sources of capital funds</b>	<b>1,023,042,577</b>	<b>705,686,915</b>	<b>1,728,729,492</b>	-		<b>1,728,729,492</b>	<b>948,498,072</b>		<b>(780,231,420)</b>	<b>55 %</b>	<b>93 %</b>



# George Local Municipality

Annual Financial Statements for the year ended June 30, 2024

## 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>2023</b>				
<b>Financial Performance</b>				
Property rates				384,703,012
Service charges				1,296,511,531
Investment revenue				63,346,326
Transfers recognised - operational				624,643,277
Other own revenue				297,601,643
<b>Total revenue (excluding capital transfers and contributions)</b>				<b>2,666,805,789</b>
Employee costs	-	-	-	(604,733,822)
Remuneration of councillors	-	-	-	(25,556,683)
Debt impairment	-	-	-	(138,479,479)
Depreciation and asset impairment	-	-	-	(179,597,594)
Finance charges	-	-	-	(77,897,108)
Inventory consumed and bulk purchases	-	-	-	(802,060,263)
Transfers and grants	-	-	-	(79,459,407)
Other expenditure	-	-	-	(751,007,731)
<b>Total expenditure</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(2,658,792,087)</b>
<b>Surplus/(Deficit)</b>				<b>8,013,702</b>
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)				408,296,370
<b>Surplus (Deficit) after capital transfers and contributions</b>				<b>416,310,072</b>
<b>Surplus/(Deficit) for the year</b>				<b>416,310,072</b>