

ANNUAL AUDITED  
**FINANCIAL  
STATEMENTS**

**2022  
2023**



**Mossel Bay**  
MUNICIPALITY

# Mossel Bay Municipality

## Annual Financial Statements for the year ended 30 June 2023

### General Information

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**Legal form**

Category B Local Authority

**Legislation**

The most important legislation governing Mossel Bay Municipality in terms of financial operations are:  
Constitution of the Republic of South Africa, 1996;  
Municipal Finance Management Act, (MFMA) 2003 (Act No. 56 of 2003) and regulations issued in terms of the Act;  
Annual Division of Revenue Act, (DORA) (Act 1 of 2008);  
Intergovernmental Fiscal Relations Act, 1997 (Act No. 97 of 1997);  
Intergovernmental Relations Framework Act, 2005 (Act No. 13 of 2005);  
Municipal Structures Act, 1998 (Act No. 117 of 1998) and regulations issued in terms of the Act;  
Municipal Systems Act, 2000 (Act. No. 32 of 2000) and regulations issued in terms of the Act;  
Municipal Property Rates Act, 2004 (Act No. 6 of 2004) and the regulations issued in terms of the Act;  
Preferential Procurement Policy Framework Act, 2000 (Act No. 5 of 2000) and regulations issued in terms of the Act; and  
Prevention and Combating of Corrupt Activities Act, 2004 (Act No. 12 of 2004)  
Property Rates Act (Act 6 of 2004)

This list is however not exhaustive.

**Principal activities**

In line with sections 4B and 5B of the Constitution, Mossel Bay Municipality renders the following services within its jurisdiction area:

- Air pollution
- Building regulations
- Child care facilities
- Electricity reticulation
- Firefighting services
- Local Tourism
- Municipal planning
- Municipal public works only in respect of the needs of the Municipalities in the discharge of their responsibilities to administer functions specifically assigned to them under this Constitution or any other law
- Stormwater management systems in built-up areas
- Water and sanitation services limited to portable water supply systems and domestic waste-water and sewage disposal systems
- Beaches and amusement facilities
- Billboards and the display of advertisements in public places
- Cemeteries, funeral parlours and crematoria
- Cleansing
- Control of public nuisances
- Control of undertakings that sell liquor to the public
- Facilities for the accommodation, care and burial of animals
- Fencing and fences
- Licensing and control of undertakings that sell food to the public
- Local amenities
- Local sport facilities
- Municipal parks and recreation
- Municipal roads
- Noise pollution
- Public places
- Refuse removal, refuse dumps and solid waste disposal
- Street lighting
- Traffic and parking

# Mossel Bay Municipality

## Annual Financial Statements for the year ended 30 June 2023

### General Information

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**Area of Jurisdiction**

The area demarcated by the Demarcation Board in terms of the Local Government Municipal: Demarcation Act (Act 27 of 1998), including the areas of Boggomsbaai; Brandwacht; Buysplaas; Danabaai; Friemersheim; Glentana; Great Brak River; Hartenbos; Herbertsdale; KwaNonqaba; Little Brak River; Mossel Bay; Rheeboek; Ruiterbos; Sonskynvallei; Tergniet; and Vleesbaai

Demarcation code

WC043

# Mossel Bay Municipality

## Annual Financial Statements for the year ended 30 June 2023

### General Information

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#### Mayoral committee:

Executive Mayor

Alderman D Kotzé

Councillors

Alderman C Bayman (Deputy Executive Mayor and Chairperson of Planning & Economic Development Services Committee)  
Alderman N Booisen (Chairperson of Community Services Committee)  
Councillor N Le Roux (Chairperson of Corporate and Governance Services Committee)  
Councillor M Furness (Chairperson of Financial Services Committee)  
Councillor A Dellemijn (Chairperson of Infrastructure Services Committee)  
Councillor L Van Dyk (Chairperson of Community Safety Committee)

Speaker

Alderlady V Fortuin

Ward Councillors

- 1 Clr S Dubula (ANC)
- 2 Clr N Gwaza (ANC)
- 3 Clr Z Matyesini (ANC)
- 4 Clr A Janse van Rensburg (DA)
- 5 Clr A Dellemijn (DA)
- 6 Clr M Furness (DA)
- 7 Clr W Botha (DA)
- 8 Clr J Coetzee (DA)
- 9 Clr E Meyer (DA)
- 10 Clr L Van Dyk (DA)
- 11 Clr N Le Roux (DA)
- 12 Clr W Buda (ANC)
- 13 Ald R H Ruiters (DA)
- 14 Clr D Claassen (DA)
- 15 Clr M Mkonto (ANC)

Proportional Representative Councillors

Clr E Baron (VF+)  
Clr J Bavuma (DA)  
Ald C Bayman (DA)  
Clr N Booisen (DA)  
Ald V Fortuin (DA)  
Clr J Gouws (ACDP)  
Clr D Kamfer (ICOSA)  
Ald D Kotzé (DA)  
Clr M Kannemeyer (DA)  
Clr W Liebenberg (VF+)  
Clr T Mvumvu (DA)  
Clr F Porter (PA)  
Clr R Sethuntsha (DA)

# Mossel Bay Municipality

## Annual Financial Statements for the year ended 30 June 2023

### General Information

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<b>Chief Finance Officer (CFO)</b>	O Fredericks
<b>Accounting Officer</b>	C Puren
<b>Registered office</b>	101 Marsh Street Mossel Bay 6506
<b>Postal address</b>	P O Box 25 Mossel Bay 6500
<b>Bankers</b>	Standard Bank
<b>Auditors</b>	Auditor-General of South Africa Registered Auditors
<b>Telephone</b>	(044) 606-5000
<b>E-mail</b>	admin@mosselbay.gov.za
<b>Website</b>	<a href="http://www.mosselbay.gov.za">http://www.mosselbay.gov.za</a>

# Mossel Bay Municipality

## Annual Financial Statements for the year ended 30 June 2023

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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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# Mossel Bay Municipality

## Annual Financial Statements for the year ended 30 June 2023

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#### Abbreviations:

CDW	Community Development Workers
COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
DEDAT	Department of Economic Development and Tourism
DORA	Division of Revenue Act
EPWP	Expanded Public Works Programme
FMG	Finance Management Grant
FMSG	Financial Management Support Grant
GRAP	Generally Recognised Accounting Practice
ISUP	Informal Settlements Upgrading Partnership Grant
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
INEP	Integrated National Electrification Programme Grant
LGSETA	Local Government Sector Education Training Authority
MBM	Mossel Bay Municipality
MDRG	Municipal Disaster Relief Grant
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant
MCTIG	Financial assistance to Municipality for Maintenance & Construction of Transport Infrastructure Grant
MSDCB	Municipal Service Delivery and Capacity Building Grant
RSEP / VPUU	Regional Socio-Economic Programme / Violence Prevention through Urban Upgrading Programme
SALGA	South African Local Government Association
SEIF	Shared Economic Infrastructure Facility Grant
SIR	Self Insurance Reserve
SMME	Small, Medium and Micro Enterprises
WESGRO	Western Cape Tourism Trade and Investment Promotion Agency
WIP	Work-in-progress

# **Mossel Bay Municipality**

## **Annual Financial Statements for the year ended 30 June 2023**

### **Accounting Officer's Responsibilities and Approval**

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The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

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

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the Council sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

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 empowerment in their audited annual financial statements and annual reports. Please refer to Note 57.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2024 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

The annual financial statements set out from page 8, which have been prepared on the going concern basis, were approved by the accounting officer on 30 November 2023 and were signed on its behalf by:

PP



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**C Puren**  
**Accounting Officer**

**Mossel Bay**

**Thursday, 30 November 2023**

# Mossel Bay Municipality

## Annual Financial Statements for the year ended 30 June 2023

### Chief Financial Officer's Report

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#### 1. INTRODUCTION

It gives me great pleasure to present the financial position of Mossel Bay Municipality at 30 June 2023 and the results of its operations and cash flows for the year then ended.

The Annual Financial Statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP).

#### 2. KEY FINANCIAL INDICATORS

The following are some of the key financial indicators, comparing the 2023 financial year's performance of the Municipality to the 2022 comparative figures:

Ratio Description	2023	2022
<b>Revenue Management</b>		
Level of reliance on Government grants	15,2 %	13,8 %
Actual income vs Budgeted Income*	(0,2)%	(2,0)%
<b>Expenditure Management</b>		
Employee related costs to total expenditure	26,5 %	22,2 %
Actual expenditure vs Budgeted expenditure*	(4,7)%	13,8 %
Finance costs as a percentage of total expenditure	1,0 %	1,1 %
Repairs and Maintenance / PPE (carry amount)	4,6 %	4,6 %
Repairs and Maintenance / Total expenditure	8,3 %	7,4 %
<b>Asset Management</b>		
Actual Expenditure vs Budgeted Expenditure*	(14,9)%	(32,0)%
Stockholding period (days)	11 days	9 days
<b>Debt Management</b>		
Creditor payment period (days)	58 days	61 days
Debtors collection period (days)	53 days	45 days
<b>Liquidity</b>		
Current ratio	2,30 : 1	2,40 : 1
Acid Test ratio	2,30 : 1	2,30 : 1
Turnover of accounts receivable	8,6 : 1	9,9 : 1
Cash to interest	3,85 : 1	4,14 : 1
Debt to cash	1,30 : 1	1,30 : 1
Cash to Income (Cash divided by Net surplus/deficit)**	0,43 : 1	(0,38) : 1
Total Liabilities / Total Assets	0,20 : 1	0,19 : 1

\*The total variance between budgeted and actual amounts is provided as a percentage variance.

\*\* Cash to Income ratio for 21/22 financial year reflects negative due to R240m impairment on property due to implementation of latest valuation roll. This resulted in the Municipality reflecting an operational deficit for that year.

#### **2.1 Borrowing, funding and reserves policy**

The Borrowing, Funds and Reserves policy of Council, makes the measurement of the following ratios compulsory:

##### **Finance costs to total expenditure**

The approved policy by Council determines that the interest paid to total expenditure may not exceed 5%. The information below provides the measurement of the current year against the results of the previous year.

**Mossel Bay Municipality**  
**Annual Financial Statements for the year ended 30 June 2023**  
**Chief Financial Officer's Report**

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	2023	2022
<b>Finance cost to total expenditure</b>		
Total Finance cost	13 592 954	15 935 947
<b>Total operating expenditure</b>	<b>1 397 144 850</b>	<b>1 511 625 383</b>

Finance costs (Interest paid) to total expenditure is well within the norm of 5%.

Total long term debt to total operating revenue

The approved policy by Council determines that the total long term debt to total operating revenue (excluding conditional grants and transfers) must not exceed 35%. Some housing transactions is viewed as Construction contracts and is excluded from Government grants and subsidies on the Statement of Financial Performance. The information below provides the measurement of the current year against the results of the previous year.

	2023	2022
<b>Total % of long term debt to total operating revenue (excluding conditional grants and transfers)</b>	<b>13,8 %</b>	<b>12,7 %</b>
Total Long-term debt	173 506 365	153 613 273
<b>Total Operating Revenue (excluding conditional grants and transfers)</b>	<b>1 259 641 103</b>	<b>1 207 886 258</b>

This percentage of long term debt to operating revenue is well within the approved policy of Council of 35%.

**Cash generation from operating activities**

The approved policy by Council determines that the cash generation from operating activities must at least cover the annual loan repayments once. The information below provides the measurement of the current year against the results of the previous year.

	2023	2022
<b>Coverage of Annual loan repayments by cash generated from operating activities (Times)</b>	<b>15</b>	<b>13</b>
Cash generated from operating activities	266 508 135	212 025 597
<b>Annual loan repayments</b>	<b>17 206 908</b>	<b>15 923 443</b>

The Municipality does not have a high reliance on loans, thus the ratio is favourable. The coverage of cash generated from operating activities to the annual loan repayment is well above the norm of 1 time.

**It must be noted that the above total for Annual loan repayments includes only the Capital portion of loans.**

**Percentage of annual loan repayment to total operating expenditure**

The approved policy by Council determines that the percentage of total annual loan repayment (Capital and Interest) to total operating expenditure must not be more than 10%. The information below provides the measurement of the current year against the results of the previous year.

	2023	2022
<b>Percentage of annual loan repayment to total expenditure</b>	<b>2,2 %</b>	<b>1,6 %</b>
Annual loan repayments (Interest & capital)	31 246 510	24 793 625
<b>Total Operating expenditure</b>	<b>1 397 144 850</b>	<b>1 511 625 383</b>

The Municipality does not have a high reliance on loans and thus the amount relating to repayments of loans are low. The percentage of annual loan repayment to total expenditure is well within the norm of 10%.

It must be noted that the above total for Annual loan repayments includes both Capital and Interest repayments.

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**Annual Financial Statements for the year ended 30 June 2023**  
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**2.2 Liquidity policy**

The liquidity policy makes the measurement of the following ratios compulsory:

**Cash/Cost Coverage Ratio**

The approved policy by Council determines that the Cash/Cost Coverage Ratio (Excluding Unspent Conditional Grants) must be calculated as ((Cash and Cash Equivalents - Unspent Conditional Grants - Overdraft) + Short Term Investment) / Monthly Fixed Operational Expenditure excluding (Depreciation, Amortisation, Provision for Bad Debts, Impairment and Loss on Disposal of Assets) and that a coverage of 3 times is acceptable.

	<b>2023</b>	<b>2022</b>
<b>Cash / Cost Coverage ratio (Times)</b>	<b>6,5</b>	<b>6,6</b>
Cash and cash equivalents	586 391 255	574 640 554
Monthly Fixed Operational Expenditure	89 712 005	86 683 856

**Cash and cash equivalents**

Petty cash and bank balances	53 759 880	42 080 372
(Unspent)/Unpaid conditional grants and receipts	(34 492 352)	(15 785 849)
(Unspent)/Unpaid contract advances	7 160 318	2 342 761
Short-term deposits	-	20 458 615
Short term investments	559 963 409	525 544 655
	586 391 255	574 640 554

**Monthly Fixed Operational Expenses**

Total average monthly expenditure for the year	116 428 738	125 968 782
Less:		
Depreciation & Amortisation	(11 496 187)	(30 859 955)
Provision for Bad Debts	(6 575 625)	(1 409 510)
Impairment and loss on disposal of assets	(8 644 921)	(7 015 461)
	89 712 005	86 683 856

The cash/cost coverage ratio is above the norm of 3 times as per liquidity policy and has slightly decreased from the previous year mainly due to Unspent grants higher in the current year.

**Current ratio**

The purpose of this ratio is to measure the municipality's ability to meet its short term commitments.

The approved policy by Council guides that the current ratio should be above 1,5:1. The information below provides the measurement of the current year against the results of the previous year.

	<b>2023</b>	<b>2022</b>
	<b>2,3</b>	<b>2,4</b>
Current assets	834 104 337	765 506 030
Current liabilities	358 259 858	322 381 811

The municipality operates above the norm set by Council. The ratio has remained favourable from the previous year.

# Mossel Bay Municipality

## Annual Financial Statements for the year ended 30 June 2023

### Chief Financial Officer's Report

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#### 2.3 Other ratio's of importance

##### a) Debtors collection period in days

This ratio reflects the collection period. The debtor days refers to the average number of days required for the municipality to receive payment from its customers for bills/invoices issued to them for services. The ratio is also a good indication of the effectiveness of credit control procedures within the municipality. If the ratio is above the norm, it indicates that the municipality is exposed to significant cash flow risk. This is also an indication that the municipality is experiencing challenges in the collection of outstanding amounts due to it. In addition, this indicates that a significant amount of potential cash is tied up in consumer debtors and the municipality must improve revenue and cash flow management.

The norm is 30 days. The information below provides the measurement of the current year against the results of the previous year.

	<b>2023</b>	<b>2022</b>
<b>Debtors collection period (days)</b>	<b>52,6</b>	<b>44,6</b>
Consumer debtors * 365	57 297 044 898	47 189 109 432
<b>Rates revenue + Services revenue + Debtors income</b>	<b>1 089 497 396</b>	<b>1 057 232 319</b>

The municipality operates outside the norm. The collection period in days has increased against the result of the previous financial year as impairment on Water debtors has decreased due to better collection rates.

Debtors income includes Interest received on outstanding debtor accounts.

##### b) Level of reliance on government grants

The ratio measures the extent to which the municipality's expenditure is funded through government grants and subsidies.

No norm is proposed at this time by National Treasury. It must be mentioned that National Treasury does promote a healthy balance of funding sources.

The information below provides the measurement of the current year against the results of the previous year. It must be noted that some Housing transactions is classified as Construction contracts and is excluded from Government grants and subsidies on the Statement of Financial Performance.

	<b>2023</b>	<b>2022</b>
<b>Level of reliance on government grants</b>	<b>15,2 %</b>	<b>13,8 %</b>
Government grants and subsidies	225 060 878	192 894 446
<b>Total revenue</b>	<b>1 484 701 981</b>	<b>1 400 780 704</b>

The results indicates that the municipality is not dependent on grant funding to run its normal operations.

##### c) Implementation of the capital program

This ratio measures the extent to which budgeted capital expenditure has been spent during the financial year under review. Further, this ratio measures the municipality's ability to implement capital projects and monitor the risks associated with non-implementation. The ratio also assesses whether the municipality has effective controls in place to ensure that expenditure is incurred in accordance with an approved budget. Any variance above 5% indicates discrepancies in planning and budgeting which should be investigated and corrective measures implemented. Under-spending is also an indicate that the municipality might be experiencing possible cash flow difficulties to implement projects. Ideally, under-spending should be the result of improved efficiencies and not as a result of non-implementation of programs and/or projects. Overspending may also indicate inaccurate budgeting or poor financial management control.

The norm ranges between a 0% and 5% variance.

# Mossel Bay Municipality

## Annual Financial Statements for the year ended 30 June 2023

### Chief Financial Officer's Report

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The information below provides the measurement of the current year against the results of the previous year.

	<b>2023</b>	<b>2022</b>
<b>Actual versus Budgeted Capital Expenditure</b>	<b>(14,9)%</b>	<b>(32,0)%</b>
Actual capital expenditure - Budgeted capital expenditure	(42 308 681)	(87 985 355)
<b>Budgeted Capital Expenditure</b>	<b>284 841 231</b>	<b>275 232 178</b>

The municipality is functioning outside the norm. The main reasons for underspending on capital expenditure are due to underspending on ISUP grant housing projects and grant funds received late in the year which could not be spent by year-end.

#### **d) Implementation: Operational Revenue**

This ratio measures the extent of actual operating revenue (including Capital Grant Revenue) received in relation to budgeted operating revenue during the financial year, under review. A ratio outside the norm indicates either a challenge in capacity to implement, ineffective billing and credit control, weakness in compilation of budgets or issues of financial controls and management of the municipality.

The norm ranges between a 0% and 5% variance.

The information below provides the measurement of the current year against the results of the previous year.

	<b>2023</b>	<b>2022</b>
<b>Actual revenue vs Budgeted revenue</b>	<b>(0,2)%</b>	<b>(2,0)%</b>
Actual revenue - Budgeted revenue	(2 748 320)	(28 531 828)
<b>Budgeted revenue</b>	<b>1 503 305 741</b>	<b>1 429 312 531</b>

The municipality is functioning within the norm.

#### **e) Implementation: Operational Expenditure**

This ratio measures the extent to which budgeted operating expenditure has been spent during the financial year, under review. The ratio also assesses whether the municipality has effective controls in place to ensure that expenditure is incurred in accordance with an approved budget. Any variance outside the norm either indicate a challenge in capacity to implement, issues of financial controls and management and / or poor budgeting.

The norm ranges between a 0% and 5% variance.

The information below provides the measurement of the current year against the results of the previous year.

	<b>2023</b>	<b>2022</b>
<b>Actual operating expenditure vs Budgeted operating expenditure</b>	<b>(4,7)%</b>	<b>13,8 %</b>
Actual expenditure - Budgeted expenditure	(67 781 271)	190 185 752
<b>Budgeted expenditure</b>	<b>1 444 173 128</b>	<b>1 373 532 356</b>

The municipality is functioning within the norm.

# Mossel Bay Municipality

## Annual Financial Statements for the year ended 30 June 2023

### Chief Financial Officer's Report

#### 3. LIQUIDITY POSITION OF THE MUNICIPALITY

There are two main liquidity ratios that can be used to analyse the liquidity position of the municipality, namely the Current and Acid Test ratios. There are various other ratios that can be utilised to assess the municipality's liquidity position.

The calculations of these ratios are as follows:

Ratio Description	Formula	2023	2022
Current ratio	Current assets	834 104 337	765 506 030
	Current liabilities	358 259 858 2,3	322 381 811 2,4
Acid Test Ratio	Current assets - Inventory	807 709 813	744 505 360
	Current liabilities	358 259 858 2,3	322 381 811 2,3
Turnover of accounts receivable	Revenue (credit)	1 370 012 172	1 305 568 364
	Accounts receivable	160 083 671 8,6	131 706 178 9,9
Debt to cash	Total liabilities	809 891 651	742 773 001
	Cash and Short term investments balance at the end of the period	613 723 289 1,3	588 083 642 1,3

The above ratios show that the municipality is in a liquid position, with current assets of double the current liabilities. The Turnover of accounts receivable ratio for the year under review slightly improved compared to the previous year. The municipality generates 8,6 times more revenue than what the outstanding accounts are.

The following information shows the history of the current year ratio for the municipality

	2018	2019	2020	2021	2022	2023
Current ratio	2,7	2,5	2,4	2,3	2,4	2,3

#### 4. OPERATING RESULTS

##### Summary of results

Details of the operating results per segmental classification are included in the supplementary information while operational results per category, together with an explanation of significant variances of more than 10 per cent from the final budget, are included in the Statement of Comparison of Budget and Actual amounts.

These amounts are based on the total position of the municipality (including non-cash transactions):

Revenue	Actual 2023	Actual 2022	Variance	Adjusted budget 2023	Variance
Operating surplus / (deficit)	2 766 510 081	3 029 216 744	(8,7)%	-	-
Operating income for the year	1 500 557 421	1 400 780 704	7,1 %	1 503 305 741	(0,2)%
Appropriations for the year	(64 456 426)	(99 737 263)	-	-	-
	4 202 611 076	4 330 260 185	(2,9)%	1 503 305 741	
Expenditure	Actual 2023	Actual 2022	Variance	Adjusted budget 2023	Variance
Operating expenditure for the year	1 376 391 857	1 459 499 968	(5,7)%	1 444 173 128	(4,7)%

# Mossel Bay Municipality

## Annual Financial Statements for the year ended 30 June 2023

### Chief Financial Officer's Report

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The accumulated surplus at 30 June 2023 amounted to R2 826 million. The accumulated surplus of R2 767 million at 30 June 2022 was restated with previous year corrections. Refer to note 49 for more detail.

The operating income increased by 7,1% to R1500,6 million from the previous financial year's income of R1400,8 million. The operating expenditure increased by (5,7)% to R1376,4 million.

The municipality's financial statements ended on a surplus of R124,2 million for the year.

#### Operating revenue and expenditure

The following information indicates the municipality's major revenue sources for the year under review compared to the prior year:

<b>Operating revenue as a percentage of total revenue</b>	<b>2023</b>	<b>2022</b>
Service charges	58,3 %	61,1 %
Construction contracts	0,1 %	1,0 %
Rental of facilities and equipment	0,9 %	0,8 %
Agency services - Provincial Traffic	0,5 %	0,5 %
Interest received - outstanding debtors	0,5 %	0,5 %
Interest received - external investments	3,7 %	2,6 %
Other income	4,0 %	4,2 %
Property rates	12,9 %	12,2 %
Availability charges	1,6 %	1,7 %
Government grants & subsidies recognised	15,2 %	13,8 %
Public contributions and donations	0,3 %	0,1 %
Fines, Penalties and Forfeits	1,8 %	1,4 %
	<b>100 %</b>	<b>100 %</b>

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# Mossel Bay Municipality

## Annual Financial Statements for the year ended 30 June 2023

### Chief Financial Officer's Report

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The information below indicates the municipality's major types of expenditure for the year compared to the previous year:

<b>Operating expenditure as a percentage of total expenditure</b>	<b>2023</b>	<b>2022</b>
Employee related costs	26,5 %	22,2 %
Remuneration of councillors	1,0 %	0,8 %
Depreciation, amortisation and asset impairment	9,9 %	24,5 %
Bad debts written off	5,6 %	1,1 %
Finance costs	1,0 %	1,1 %
Bulk purchases	31,3 %	28,4 %
Contracted services	12,0 %	11,5 %
Inventory consumed	7,4 %	5,6 %
General Expenses	4,6 %	4,3 %
Transfers and subsidies paid	0,8 %	0,5 %
	<b>100 %</b>	<b>100 %</b>

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#### 5. CAPITAL EXPENDITURE AND FINANCE

The capital expenditure for the year as stated in the financial statements amounted to R242 532 550 and is broken down as follows:

	2023		2022	
<b>Capital expenditure per function</b>				
Community services / facilities	12 365 383	5,1 %	14 947 655	8,0 %
Electricity	48 812 973	20,1 %	31 987 353	17,1 %
Housing	29 479 770	12,2 %	16 972 280	9,1 %
Refuse	10 788 254	4,4 %	17 523 588	9,4 %
Sanitation	33 537 667	13,8 %	19 177 616	10,2 %
Streets and Storm water	36 813 423	15,2 %	25 026 897	13,4 %
Water	26 106 580	10,8 %	37 749 325	20,2 %
Community Safety	18 063 376	7,4 %	5 966 473	3,2 %
Other	26 565 124	11,0 %	17 903 060	9,6 %
	<b>242 532 550</b>	<b>100 %</b>	<b>187 254 247</b>	<b>100 %</b>

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The capital expenditure was financed as follows:

	2023		2022	
<b>Sources of finance</b>				
Capital Replacement Reserve	130 720 107	53,9 %	112 938 348	60,3 %
Self Insurance Reserve	124 717	0,1 %	1 137 712	0,6 %
Grants and Subsidies	73 415 155	30,3 %	48 953 342	26,1 %
External loans	35 173 722	14,5 %	24 112 073	12,9 %
Donated assets	- 3 098 849	1,3 %	112 772	0,1 %
	<b>242 532 550</b>	<b>100 %</b>	<b>187 254 247</b>	<b>100 %</b>

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Property, plant and equipment is funded to a large extent from the Capital Replacement Reserve.

#### 6. FINANCIAL SUSTAINABILITY

Financial sustainability refers to financial accounts which reflect sufficient revenue and adequate corporate stability in order to fund and deliver on service delivery and performance targets. Following are information on various financial ratios that show the past 9 years' information, the current year information and 3 budget years' information.

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	Liquidity	Liquidity	Activity	Solvency	Cash Flow	Cash Flow
	Current ratio	Debtors payment period (days)	Inventory turnover ratio	Total assets to liabilities	Current liabilities coverage	Capital expenditure coverage
2014	2,35	26	26,00	7,53	0,98	1,30
2015	2,39	51	20,00	7,36	1,05	1,60
2016	2,66	12	13,00	7,63	0,99	1,22
2017	2,50	20	18,00	7,45	0,96	1,41
2018	2,70	41	30,00	7,67	0,72	1,11
2019	2,50	47	10,00	6,91	0,82	1,18
2020	2,40	55	10,00	6,01	0,84	1,03
2021	2,30	42	12,00	5,74	0,86	1,18
2022	2,40	45	9,00	5,17	0,66	1,13
2023	2,30	53	11,00	4,98	0,74	1,10
2024 (budget)	1,70	34	6,00	4,62	1,14	1,23
2025 (budget)	1,20	34	5,00	4,09	0,70	0,94
2026 (budget)	1,10	33	4,00	3,99	0,53	1,15

  

	Debt ratio	Income & Expenditure Trends	Income & Expenditure Trends	Income & Expenditure Trends	Income & Expenditure Trends	
	Debt to cash	Government Grants as % of Revenue	Employee related cost as % of expenditure	Repairs & maintenance as % of expenditure	Debt impairment cost as % of expenditure	
2014		1,30	15,00	30,10	5,40	4,50
2015		1,19	15,80	29,20	5,40	4,80
2016		1,12	15,60	28,90	6,50	3,50
2017		1,00	15,50	26,69	9,50	3,00
2018		1,00	16,70	30,00	10,12	2,00
2019		1,00	14,80	31,10	10,04	1,88
2020		1,20	15,70	27,80	10,41	2,61
2021		1,30	16,20	29,10	10,20	1,40
2022		1,30	13,80	22,20	7,42	1,10
2023		1,30	15,20	26,50	8,29	5,60
2024 (budget)		1,46	18,49	27,90	9,36	1,89
2025 (budget)		2,80	14,68	28,56	9,00	0,98
2026 (budget)		3,81	15,83	28,05	9,09	0,55

**7. CAPITAL REPLACEMENT RESERVE**

The Capital Replacement Reserve balance as at 30 June 2023 amounted to R224 989 068 (R161 869 514 as at 30 June 2022).

The Capital Replacement Reserve is a cash-backed reserve established to enable the municipality to finance future capital expenditure. Cash contributions, depending on the availability thereof, are made annually to the reserve.

The municipality, in conjunction with its own capital requirements and external funds (external loans and grants) is able to finance its annual infrastructure capital program.

Refer to the Statement of Changes in Net Assets for more detail.

# Mossel Bay Municipality

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#### 8. EXTERNAL LOANS, INVESTMENTS AND CASH

On 30 June 2023 the external loans amounted to R173 506 365 (R153 613 273 on 30 June 2022). The municipality has taken up loans to the amount of R 37 100 000 and repaid loans to the amount of R17 206 908 during the year.

The municipality's cashbook showed a positive balance of R53 742 926 (R42 058 736 on 30 June 2022) and Petty Cash to the amount of R16 954 (R21 637 on 30 June 2022) on 30 June 2023. The external investments shorter than 3 months amounted to R- against the R20 458 615 of the previous year. The Short term deposits has been withdrawn and reflects mostly in the cash and cash equivalents amount. The Short term investments longer than 3 months but shorter than 12 months amounted to R559 963 409 against the R525 544 655 of the previous year. The municipality also has a long term investment of R167 174 000 (R137 174 000 on 30 June 2022)as at 30 June 2023.

More particulars regarding external loans and investments appear in Notes 19, 12, 13 and 20 of the Annual Financial Statements, as well as in the Supplementary Information.

#### 9. PROVISIONS

The provisions is made in order to enable the municipality to be in a position to fulfil its known legal obligations when they become due and payable.

Provisions amounted to R150 321 516 as at 30 June 2023 (R146 479 774 as at 30 June 2022) and are made up as follows:

	<b>2023</b>	<b>2022</b>
Rehabilitation of Landfill Sites	150 321 516	146 479 774

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Refer to Note 22 of the Annual Financial Statements for more detail.

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**10. LIQUIDITY REQUIREMENTS**

The information below shows the allocation of the investment portfolio toward the funding of various obligations:

	<b>2023</b>	<b>2022</b>
<b>Liquidity Requirement Calculation (as stipulated in paragraph 4)</b>		
All earmarked and / or conditional grants received but not yet utilised	34 492 352	15 785 849
All earmarked and / or construction contracts revenue received but not yet utilised	(7 160 318)	(2 342 761)
Value of the provisions held in cash for the rehabilitation of landfill sites to the extent that these funds are required within the following 5 years	150 321 516	146 479 774
Value of legally entrenched short term rights and benefits of employees related to medical benefits and retirement benefits plus one fifth of the non-current liability regarding post-retirement benefits**	74 669 910	43 987 317
Unspent Loan Funds	-	-
Funds held for agency services not yet performed	-	-
Reserve funds reflected in Statement of Financial Position that are assumed to be held in cash:		
- Capital Replacement Reserve	224 989 068	161 869 514
- Self Insurance Reserve	173 440 082	172 103 209
Capital redemption and interest payments on external loans not reflected as part of normal operating expenditure	33 349 501	26 610 170
1 months operational expenditure excluding non-cash items	89 712 005	86 683 856
Consumer deposits	38 583 083	36 067 665
Other Deposits and Other Advance Payments		
- Retentions	14 070 268	11 469 937
- Payments received in advance	38 524 779	38 256 937
- Other deposits	9 446 852	9 027 503
Non-current deposit: Pavilion	344 472	322 827
Reserve funds for Landfill site provision	15 000 000	15 000 000
<b>Total liquidity requirements</b>	<b>889 783 570</b>	<b>761 321 797</b>

**Actual available liquidity held (reference paragraph 4)**

Bank balances at e.g.		
- ABSA, FNB, Standard Bank, Nedbank, Investec, Money Market		
Bank balances sub total	53 759 880	42 080 372
All other term deposits with banks*	-	19 435 684
All Short term investments with banks*	559 963 409	499 267 422
All Long term investments with banks*	167 174 000	130 315 300
Consumer debtors (current - 60 days)	155 559 152	121 004 918
Other reserves held in cash not reflected in bank balances mentioned above for e.g.		
- Unspent conditional grants	-	-
- Payments received for agency functions not yet performed	-	-
- The cash value of reserves held	-	-
- Cash deposits held as part of loan covenant ceded	-	-
- Undrawn bank overdraft facility of committed liquidity lines available	-	-
<b>Total liquidity available</b>	<b>936 456 441</b>	<b>812 103 696</b>

<b>Liquidity surplus / (shortfall)</b>	<b>46 672 871</b>	<b>50 781 899</b>
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\* Liquidity policy for the 2022/23 year differs from previous year. In previous year only 95% of deposits and investments held with banks were used as available liquidity, whereas in the current financial year 100% should be available as per policy.

\*\* Liquidity policy for the 2022/23 year differs in relation to retirement benefits liquidity requirement. 1/5 th of the Non-current benefits should also be cash funded.

# Mossel Bay Municipality

## Annual Financial Statements for the year ended 30 June 2023

### Chief Financial Officer's Report

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#### 11. EMPLOYEE BENEFITS

These liabilities are in order to enable the municipality to be in a position to fulfil its known legal obligations with regards to employee benefits when they become due and payable.

The employee benefits liability amounted to R192 967 557 as at 30 June 2023 (R183 856 095 as at 30 June 2022) and is made up as follows:

	<b>2023</b>	<b>2022</b>
Post-Employment Health Care Benefits	137 355 031	127 405 516
Ex-Gratia Gratuities	1 007 193	1 044 545
Long Service Awards	19 178 038	21 066 809
Employee overtime / standby allowance accrual	2 339 131	1 945 104
Employee bonus accrual	8 354 514	8 457 333
Staff leave accrual	23 818 173	23 068 357
Performance bonus accrual	915 477	868 431
	<b>192 967 557</b>	<b>183 856 095</b>

Refer to Note 21 of the Annual Financial Statements for more detail.

#### 12. CURRENT LIABILITIES

Current liabilities are those liabilities of the municipality due and payable in the short term (less than 12 months). No indication is found that the municipality would be unable to meet its obligations. Current liabilities amounted to R358 259 856 as at 30 June 2023 (R322 381 812 as at 30 June 2022) and are made up as follows:

		<b>2023</b>	<b>2022</b>
Other financial liabilities	Note 20	19 900 439	17 821 746
Employee benefit obligation	Note 21	45 095 499	43 987 317
Provisions	Note 22	1 173 203	2 874 539
Unspent conditional grants and receipts	Note 23	34 492 352	15 785 849
Consumer deposits	Note 24	38 583 083	36 067 665
Unspent construction contract advances	Note 4	-	-
Payables from exchange transactions	Note 25	219 015 280	205 844 696
		<b>358 259 856</b>	<b>322 381 812</b>

#### 13. CURRENT ASSETS

Current assets amounted to R834 104 337 as at 30 June 2023 (R765 506 030 as at 30 June 2022) and is made up as follows:

		<b>2023</b>	<b>2022</b>
Inventories	Note 3	26 394 524	21 000 671
Unpaid Construction contract advances	Note 4	7 160 319	2 342 760
Current portion of Long term receivables	Note 5	287 813	366 690
Receivables from exchange transactions	Note 6	149 389 820	122 999 104
Receivables from non-exchange transactions	Note 7	23 635 253	17 702 590
VAT	Note 11	13 513 319	13 010 572
Short term Investments	Note 12	559 963 409	525 544 655
Cash and cash equivalents	Note 13	53 759 880	62 538 988
		<b>834 104 337</b>	<b>765 506 030</b>

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**14. TRADE AND OTHER RECEIVABLES FROM EXCHANGE AND NON-EXCHANGE TRANSACTIONS**

The net balance of trade and other receivables from exchange transactions is indicated below:

	<b>2023</b>	<b>2022</b>	<b>Variance</b>
Electricity	52 183 959	49 722 837	4,95 %
Water	40 125 274	30 876 290	29,95 %
Sewerage	8 642 630	7 256 993	19,09 %
Refuse	8 958 829	7 462 741	20,05 %
Land sales	305	419	(27,21)%
Housing selling schemes	10 276	2 702	280,31 %
Housing rental	12 270	5 167	137,47 %
Other (merchandising, jobbing, contracts and service charges)	30 806 381	20 981 735	46,82 %
Payments received in advance	8 649 896	6 690 220	29,29 %
	<b>149 389 820</b>	<b>122 999 104</b>	<b>21,46 %</b>

The net balance of receivables from non-exchange transactions is indicated below:

	<b>2023</b>	<b>2022</b>	<b>Variance</b>
Fines	3 381 396	877 442	285,4 %
Consumer debtors - Rates	16 238 281	12 976 349	25,1 %
Payments made in advance	128 834	128 834	- %
Other	781 276	1 299 019	(39,9)%
Availability charges - Electricity	1 403 09	1 014 23	38
Availability charges - Sanitation and Sewerage	771 64	626 53	23
Availability charges - Water	930 73	780 18	19
	<b>23 635 254</b>	<b>17 702 591</b>	<b>33,5 %</b>

**15. EXPRESSIONS OF APPRECIATION**

I am grateful to the Executive Mayor, Executive Deputy Mayor, members of the Executive Committee, Councillors, the Municipal Manager and Directors for their unwavering support and guidance extended during the financial year. I also extend a special word of thanks and appreciation to all staff who assisted with the preparation of the year end information, specifically the staff of the Budget and Treasury Office. Without their focused efforts, contributions and assistance, the preparation of these financial statements would not have been possible.

  
**CHIEF FINANCIAL OFFICER**

**30 November 2023**

**Mossel Bay Municipality**  
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**Statement of Financial Position as at 30 June 2023**

Figures in Rand	Notes	2023	2022 Restated*
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Inventories	3	26 394 524	21 000 671
Unpaid construction contract advances	4	7 160 319	2 342 760
Long-term receivables	5	287 813	366 690
Receivables from exchange transactions	6	149 389 820	122 999 104
Receivables from non-exchange transactions	7	23 635 253	17 702 590
VAT receivable	11	13 513 319	13 010 572
Short-term investments	12	559 963 409	525 544 655
Cash and cash equivalents	13	53 759 880	62 538 988
		<b>834 104 337</b>	<b>765 506 030</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	14	2 539 635 186	2 449 931 537
Investment property	15	384 553 406	385 507 512
Intangible assets	16	715 126	954 661
Heritage Assets	17	4 223 599	4 223 599
Living resources	10	345 721	-
Long-term receivables	5	21 637	17 166
Operating lease asset	18	103 767 024	99 941 298
Investments	19	167 174 000	137 174 000
		<b>3 200 435 699</b>	<b>3 077 749 773</b>
<b>TOTAL ASSETS</b>		<b>4 034 540 036</b>	<b>3 843 255 803</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Other financial liabilities	20	19 900 439	17 821 746
Employee benefit obligation	21	45 095 499	43 987 317
Provisions	22	1 173 203	2 874 538
Unspent conditional grants and receipts	23	34 492 352	15 785 849
Consumer deposits	24	38 583 083	36 067 665
Payables from exchange transactions	25	219 015 282	205 844 696
		<b>358 259 858</b>	<b>322 381 811</b>
<b>NON-CURRENT LIABILITIES</b>			
Other financial liabilities	20	153 605 926	135 791 527
Operating lease liability	18	661 023	802 823
Employee benefit obligation	21	147 872 058	139 868 778
Provisions	22	149 148 313	143 605 235
Non-current deposits	26	344 472	322 827
		<b>451 631 793</b>	<b>420 391 190</b>
<b>TOTAL LIABILITIES</b>		<b>809 891 651</b>	<b>742 773 001</b>
<b>NET ASSETS ATTRIBUTABLE TO OWNERS OF CONTROLLING ENTITY</b>			
Self-insurance reserve	27	173 440 082	172 103 209
Capital replacement reserve	28	224 989 069	161 869 514
Accumulated surplus / (deficit)		2 826 219 234	2 766 509 387
<b>TOTAL NET ASSETS</b>		<b>3 224 648 385</b>	<b>3 100 482 110</b>

**Mossel Bay Municipality**  
**Annual Financial Statements for the year ended 30 June 2023**

**Statement of Financial Performance**

Figures in Rand	Notes	2023	2022 Restated*
<b>REVENUE</b>			
<b>Revenue from exchange transactions</b>			
Service charges	29	866 036 728	855 692 891
Construction contracts	4	1 251 298	14 028 668
Rental of facilities and equipment	30	12 694 951	11 563 805
Agency services - Provincial Traffic	64	8 148 171	7 481 660
Interest received - outstanding debtors		6 983 413	7 448 944
Interest received - external investments	31	55 085 669	36 956 100
Other income	32	59 604 143	58 256 238
<b>Total revenue from exchange transactions</b>		<b>1 009 804 373</b>	<b>991 428 306</b>
<b>Revenue from non-exchange transactions</b>			
<b>Taxation revenue</b>			
Availability charges	33	24 354 026	23 548 216
Property rates	34	192 123 229	170 542 268
Interest earned - outstanding property rates		895 873	551 359
Licences and Permits		1 317 174	1 297 821
<b>Transfer revenue</b>			
Government grants & subsidies recognised	35	225 060 878	192 894 446
Public contributions and donations	36	4 911 124	1 493 736
Fines, Penalties and Forfeits	37	26 235 304	19 024 552
<b>Total revenue from non-exchange transactions</b>		<b>474 897 608</b>	<b>409 352 398</b>
<b>TOTAL REVENUE</b>		<b>1 484 701 981</b>	<b>1 400 780 704</b>
<b>EXPENDITURE</b>			
Employee related costs	38	370 069 039	335 289 732
Remuneration of councillors	39	13 413 696	12 806 274
Depreciation, amortisation and asset impairment	40	137 954 241	370 319 461
Bad debts written off	41	78 907 504	16 914 122
Finance costs	42	13 592 954	15 935 947
Bulk purchases	43	436 942 993	429 308 778
Contracted services	44	167 046 389	174 458 208
Transfers and subsidies paid	45	11 528 534	7 840 727
Inventory consumed	46	103 739 052	84 185 530
General Expenses	47	63 950 448	64 566 604
<b>TOTAL EXPENDITURE</b>		<b>1 397 144 850</b>	<b>1 511 625 383</b>
<b>Operating surplus / (deficit)</b>		<b>87 557 131</b>	<b>(110 844 679)</b>
Gain / (loss) on disposal of assets and liabilities	14&15	6 022 600	5 301 808
Inventories losses / write-downs	3	(8 777 459)	(8 683 252)
Reversal of impairment loss / (Impairment loss) on receivables	41	39 363 299	(48 743 971)
<b>SURPLUS / (DEFICIT) FOR THE YEAR</b>		<b>124 165 571</b>	<b>(162 970 094)</b>

**Mossel Bay Municipality**  
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**Statement of Changes in Net Assets**

Figures in Rand	Self-insurance reserve	Capital replacement reserve	Total reserves	Accumulated surplus / (deficit)	Total net assets
Opening balance as previously reported	125 751 217	108 484 243	234 235 460	3 023 879 137	3 258 114 597
Adjustments					
Prior year adjustments (Note 49)	-	-	-	5 337 607	5 337 607
<b>Balance at 01 July 2021 as restated*</b>	<b>125 751 217</b>	<b>108 484 243</b>	<b>234 235 460</b>	<b>3 029 216 744</b>	<b>3 263 452 204</b>
Changes in net assets					
Surplus for the year	-	-	-	(162 970 094)	(162 970 094)
Transfer to Self-insurance reserve	48 257 498	-	48 257 498	(48 257 498)	-
- Contributions from operating account and other contributions	-	124 163 385	124 163 385	(124 163 385)	-
- External services contribution	-	31 069 714	31 069 714	(31 069 714)	-
- Land sales contribution	-	11 090 518	11 090 518	(11 090 518)	-
Less: Expenditure: Funding Capital Projects	(1 905 506)	(112 938 346)	(114 843 852)	114 843 852	-
Total changes	46 351 992	53 385 271	99 737 263	(262 707 357)	(162 970 094)
Opening balance as previously reported	172 103 209	161 869 514	333 972 723	2 767 466 775	3 101 439 498
Adjustments					
Prior year adjustments (Note 49)	-	-	-	(956 694)	(956 694)
<b>Balance at 01 July 2022 as restated*</b>	<b>172 103 209</b>	<b>161 869 514</b>	<b>333 972 723</b>	<b>2 766 510 081</b>	<b>3 100 482 804</b>
Changes in net assets					
Surplus for the year	-	-	-	124 165 571	124 165 571
Transfer to Self-insurance reserve	4 922 048	-	4 922 048	(4 922 048)	-
- Contributions from operating account and other contributions	-	138 607 377	138 607 377	(138 607 377)	-
- External services contribution	-	31 964 932	31 964 932	(31 964 932)	-
- Land sales contribution	-	21 643 646	21 643 646	(21 643 646)	-
Less: Expenditure: Funding Capital Projects	(3 585 175)	(129 096 402)	(132 681 577)	132 681 577	-
Total changes	1 336 873	63 119 553	64 456 426	59 709 145	124 165 571
<b>Balance at 30 June 2023</b>	<b>173 440 082</b>	<b>224 989 067</b>	<b>398 429 149</b>	<b>2 826 219 234</b>	<b>3 224 648 383</b>
Notes	27	28			

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**Cash Flow Statement**

Figures in Rand	Notes	2023	2022 Restated*
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Grants		243 033 194	189 882 289
Interest income		51 262 835	36 160 892
Ratepayers and Service charges		1 100 360 147	996 019 031
Other		98 158 829	104 982 375
		<b>1 492 815 005</b>	<b>1 327 044 587</b>
<b>Payments</b>			
Employee costs		(370 061 241)	(340 089 767)
Suppliers		(708 125 990)	(689 175 121)
Transfers and grants		(11 528 534)	(7 840 728)
Other Payments		(132 507 734)	(77 830 608)
Grants repaid		(4 083 371)	(82 766)
		<b>(1 226 306 870)</b>	<b>(1 115 018 990)</b>
<b>Net cash flows from operating activities</b>	<b>48</b>	<b>266 508 135</b>	<b>212 025 597</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	14	(234 056 530)	(192 491 455)
Proceeds from sale of property, plant and equipment	14	14 087 204	7 194 640
Purchase of investment property	15	(3 772 417)	583 919
Proceeds from sale of investment property	15	7 140 582	8 098 783
Purchase of other intangible assets	16	140 333	(456 681)
Purchase of Living resource assets	10	(335 565)	-
(Increase) / Decrease in Long-term Receivables		74 405	165 798
(Increase) / Decrease in Non-current investments		(30 000 000)	(30 000 000)
(Increase) / Decrease in short-term investments		(34 418 753)	(64 074 292)
<b>Net cash flows from / (in) investing activities</b>		<b>(281 140 741)</b>	<b>(270 979 288)</b>
<b>Cash flows from financing activities</b>			
Proceeds from other financial liabilities		37 100 000	54 199 500
Repayment of other financial liabilities		(17 206 908)	(15 923 442)
Finance costs		(14 039 601)	(8 870 182)
<b>Net cash flows from / (in) financing activities</b>		<b>5 853 491</b>	<b>29 405 876</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>(8 779 115)</b>	<b>(29 547 815)</b>
Cash and cash equivalents		62 538 988	92 086 160
<b>Cash and cash equivalents at the end of the year</b>	<b>13</b>	<b>53 759 873</b>	<b>62 538 345</b>

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**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	Reasons for material variances
Figures in Rand						
<b>STATEMENT OF FINANCIAL PERFORMANCE</b>						
<b>REVENUE</b>						
Property rates	190 995 494	-	<b>190 995 494</b>	192 123 229	<b>1 127 735</b>	Use Valuation roll for December each year to budget for Property Rates. Growth in valuation roll for the last 6 months of the year not taken into account with budget.
Service charges - electricity revenue	561 420 604	-	<b>561 420 604</b>	560 651 534	<b>(769 070)</b>	
Service charges - water revenue	157 567 331	-	<b>157 567 331</b>	161 028 506	<b>3 461 175</b>	Budgeted conservatively for conventional water usage. Better collection rate.
Service charges - sanitation revenue	83 187 842	-	<b>83 187 842</b>	85 213 566	<b>2 025 724</b>	Growth in properties making use of this service. Use amount of consumers as at end of December each year to project income for budget purposes.
Service charges - refuse revenue	83 569 573	-	<b>83 569 573</b>	83 497 150	<b>(72 423)</b>	
Rental of facilities and equipment	9 652 714	-	<b>9 652 714</b>	12 694 949	<b>3 042 235</b>	Did not provide for Operating lease smoothing in budget.
Interest earned - external investments	49 882 154	-	<b>49 882 154</b>	55 085 669	<b>5 203 515</b>	The Municipality budgeted conservatively for interest on investments. The municipality also experienced better investment opportunities than anticipated.
Interest earned - outstanding debtors	7 261 400	-	<b>7 261 400</b>	7 879 287	<b>617 887</b>	
Fines, Penalties and Forfeits	18 259 968	-	<b>18 259 968</b>	26 235 304	<b>7 975 336</b>	Did not foresee at Feb adjustments budget such big revenue to be recognised for Provincial Traffic fines. Unclaimed retention monies and deposits more than anticipated.
Licences and Permits (Non-exchange)	1 314 471	-	<b>1 314 471</b>	1 317 174	<b>2 703</b>	

# Mossel Bay Municipality

## Annual Financial Statements for the year ended 30 June 2023

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final and budget actual	Reasons for material variances
Figures in Rand						
Agency services - Provincial Traffic	8 818 847	-	<b>8 818 847</b>	8 148 171	<b>(670 676)</b>	
Transfers recognised - Operational	158 472 873	-	<b>158 472 873</b>	143 728 277	<b>(14 744 596)</b>	The underspending is mainly due to underspending on Housing grant allocations to the amount of R12.8m.
Other income	57 232 270	-	<b>57 232 270</b>	59 604 145	<b>2 371 875</b>	Due to increase in External service contributions for new development in Mossel Bay Municipal area.
Gain on Disposal of PPE	500 000	-	<b>500 000</b>	15 855 438	<b>15 355 438</b>	Gains were realised on alienation of 4 municipal sites.
<b>Total revenue (excluding capital transfers and contributions)</b>	<b>1 388 135 541</b>	<b>-</b>	<b>1 388 135 541</b>	<b>1 413 062 399</b>	<b>24 926 858</b>	
<b>EXPENDITURE</b>						
Employee related costs	(405 131 864)	305 476	<b>(404 826 388)</b>	(370 069 044)	<b>34 757 344</b>	R4m Actuarial gain realised on Post employment health care liability. The gain is mainly due to movement in number of participants and changes to data from prior year and variations from demographic assumptions. Employee related costs capitalised to Water inventory was not correctly budgeted. Vacant positions was a further reason for the underspending of this budget. Budget adjustment: Shifted available FMG grant funds viremented to general exp.
Remuneration of councillors	(14 234 877)	-	<b>(14 234 877)</b>	(13 413 696)	<b>821 181</b>	
Debt Impairment	(51 832 438)	-	<b>(51 832 438)</b>	(39 544 207)	<b>12 288 231</b>	More reversal of impairment done due to better collection rates and the big write-off of debtor accounts in July 2022.

# Mossel Bay Municipality

## Annual Financial Statements for the year ended 30 June 2023

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final and budget actual	Reasons for material variances
Figures in Rand						
Depreciation and asset impairment	(122 301 022)	-	<b>(122 301 022)</b>	(137 954 241)	<b>(15 653 219)</b>	Difference due to more projects under construction finalisation than anticipated.
Finance costs	(14 476 728)	-	<b>(14 476 728)</b>	(13 592 954)	<b>883 774</b>	
Bulk purchases	(457 184 831)	-	<b>(457 184 831)</b>	(436 942 993)	<b>20 241 838</b>	Decrease in electricity usage due to Loadshedding.
Inventory consumed	(98 644 922)	(3 394 122)	<b>(102 039 044)</b>	(103 739 052)	<b>(1 700 008)</b>	Budget adjustments: Viremented funds from General expenses to purchase chemicals for Water treatment plants.
Contracted Services	(195 265 707)	(865 113)	<b>(196 130 820)</b>	(167 046 389)	<b>29 084 431</b>	The underspending is mainly due to underspending on Housing grant allocations to the amount of R12.8m. Savings on Audit fees, cleaning services and security services.
Transfers and Subsidies	(12 041 816)	-	<b>(12 041 816)</b>	(11 528 535)	<b>513 281</b>	
General Expenses	(72 558 923)	3 953 759	<b>(68 605 164)</b>	(72 727 908)	<b>(4 122 744)</b>	Due to savings on operational costs, e.g. telephone costs, bank charges and computer services. Budget adjustments: Viremented funds to General expenses to purchase chemicals for Water treatment plants
Loss on disposal of PPE	(500 000)	-	<b>(500 000)</b>	(9 832 838)	<b>(9 332 838)</b>	Disposal losses on Fixed assets, mainly on Sport grounds.
<b>TOTAL EXPENDITURE</b>	<b>(1 444 173 128)</b>	-	<b>(1 444 173 128)</b>	<b>(1 376 391 857)</b>	<b>67 781 271</b>	
<b>Operating surplus / (deficit)</b>	<b>(56 037 587)</b>	-	<b>(56 037 587)</b>	<b>36 670 542</b>	<b>92 708 129</b>	
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	115 170 200	-	<b>115 170 200</b>	84 396 174	<b>(30 774 026)</b>	The main reason for underspending is due to expenditure not realised on Upgrading of informal settlements grant funded projects.

# Mossel Bay Municipality

## Annual Financial Statements for the year ended 30 June 2023

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final and budget actual	Reasons for material variances
Figures in Rand						
Transfers and subsidies - capital (in-kind - all)	-	-	-	3 098 848	<b>3 098 848</b>	Donated assets received and taken up in asset register after the Feb adjustments budget.
	<b>115 170 200</b>	<b>-</b>	<b>115 170 200</b>	<b>87 495 022</b>	<b>(27 675 178)</b>	
<b>SURPLUS / (DEFICIT) FOR THE YEAR</b>	<b>59 132 613</b>	<b>-</b>	<b>59 132 613</b>	<b>124 165 564</b>	<b>65 032 951</b>	

### Reconciliation

#### Format and classification differences - TOTAL REVENUES (OPERATIONAL AND CAPITAL)

Statement of Financial Performance	1 484 701 981	
Statement of Comparison of Budget and Actual Amounts	1 500 557 421	
Difference	15 855 440	The difference is due to the Gain on Disposal of PPE which is classified as part of Operational Revenue on the Approved Budget format, whereas on the Statement of Financial Performance, the Gain on Disposal of PPE is presented as a below the line item.

#### Format and classification differences - TOTAL OPERATIONAL EXPENDITURE

Statement of Financial Performance	(1 397 144 850)	
Statement of Comparison of Budget and Actual Amounts	(1 376 391 857)	
Difference	20 752 993	The difference is due to the Loss on Disposal of PPE as well as the Inventories losses / write-downs which is classified as part of Operational Expenditure on the Approved Budget format, whereas on the Statement of Financial Performance it is presented as a below the line items.

# Mossel Bay Municipality

## Annual Financial Statements for the year ended 30 June 2023

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final and budget actual	Reasons for material variances
Figures in Rand						
<b>STATEMENT OF FINANCIAL POSITION</b>						
<b>ASSETS</b>						
<b>Current Assets</b>						
Cash	8 098 398	-	<b>8 098 398</b>	53 759 880	<b>45 661 482</b>	Mainly due to underspending on Capital projects and Housing grant allocations. Refer additionally to reasons above.
Call investment deposits	490 000 000	-	<b>490 000 000</b>	559 963 409	<b>69 963 409</b>	Cash availability for re-investment was better than anticipated. Conservative approach with budget.
Consumer debtors	100 665 180	-	<b>100 665 180</b>	173 596 991	<b>72 931 811</b>	Correction was done to shift Availability charges from Exchange to Non-Exchange Receivables and was budgeted under Other debtors.
Other debtors	34 832 955	-	<b>34 832 955</b>	12 941 402	<b>(21 891 553)</b>	
Current portion of long-term receivables	336 690	-	<b>336 690</b>	287 813	<b>(48 877)</b>	
Inventories	19 836 135	-	<b>19 836 135</b>	26 394 524	<b>6 558 389</b>	
	<b>653 769 358</b>	-	<b>653 769 358</b>	<b>826 944 019</b>	<b>173 174 661</b>	
<b>Non-Current Assets</b>						
Long-term receivables	8 666	-	<b>8 666</b>	21 637	<b>12 971</b>	
Investments	167 174 000	-	<b>167 174 000</b>	167 174 000	-	
Investment property	387 848 072	-	<b>387 848 072</b>	384 553 406	<b>(3 294 666)</b>	Savings on Business park projects on capital programme and disposals not anticipated with budget.
Property, plant and equipment	2 610 543 811	-	<b>2 610 543 811</b>	2 539 635 186	<b>(70 908 625)</b>	The main reason for underspending is due to expenditure not realised on Upgrading of informal settlements grant funded projects. Grant funding for Loadshedding relief grant was received in April 2023 and could not be spent by year end.

# Mossel Bay Municipality

## Annual Financial Statements for the year ended 30 June 2023

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final and budget actual	Reasons for material variances
Figures in Rand						
Biological assets	3 500		<b>3 500</b>	-	<b>(3 500)</b>	
Living resources	-	-	-	345 721	<b>345 721</b>	
Intangible assets	1 008 944	-	<b>1 008 944</b>	715 126	<b>(293 818)</b>	
Other non-current assets	105 007 014		<b>105 007 014</b>	107 990 623	<b>2 983 609</b>	Did not provide for Operating lease smoothing in budget.
	<b>3 271 594 007</b>	<b>-</b>	<b>3 271 594 007</b>	<b>3 200 435 699</b>	<b>(71 158 308)</b>	
<b>TOTAL ASSETS</b>	<b>3 925 363 365</b>	<b>-</b>	<b>3 925 363 365</b>	<b>4 027 379 718</b>	<b>102 016 353</b>	
<b>LIABILITIES</b>						
<b>Current Liabilities</b>						
Borrowing	22 081 605	-	<b>22 081 605</b>	19 900 439	<b>(2 181 166)</b>	Opening balance of loans was not adjusted with the FEB adj Budget in line with previous year closing balance.
Consumer deposits	37 871 048	-	<b>37 871 048</b>	38 583 083	<b>712 035</b>	
Trade and other payables	203 011 187	-	<b>203 011 187</b>	246 347 313	<b>43 336 126</b>	Due to unspent grants at year-end (Mainly Human settlements development grant. Funds were motivated to be rolled-over to next financial year.
Provisions	47 137 855	-	<b>47 137 855</b>	46 268 702	<b>(869 153)</b>	
	<b>310 101 695</b>	<b>-</b>	<b>310 101 695</b>	<b>351 099 537</b>	<b>40 997 842</b>	
<b>Non-Current Liabilities</b>						
Borrowing	162 207 079	-	<b>162 207 079</b>	154 611 420	<b>(7 595 659)</b>	Opening balance of loans was not adjusted with the FEB adj Budget in line with previous year closing balance.
Provisions	289 952 655	-	<b>289 952 655</b>	297 020 371	<b>7 067 716</b>	Mainly due to Actuarial Gain realised in the current financial year of R4.9m.

# Mossel Bay Municipality

## Annual Financial Statements for the year ended 30 June 2023

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final and budget actual	Reasons for material variances
Figures in Rand						
	452 159 734	-	452 159 734	451 631 791	(527 943)	
<b>TOTAL LIABILITIES</b>	<b>762 261 429</b>	<b>-</b>	<b>762 261 429</b>	<b>802 731 328</b>	<b>40 469 899</b>	
<b>Net Assets</b>						
Accumulated surplus / (deficit)	2 832 313 777	-	2 832 313 777	2 826 219 240	(6 094 537)	Net effect of all comments raised in the Statement of Financial Performance and corrections made on previous and prior years.
Reserves	330 788 159	-	330 788 159	398 429 150	67 640 991	Due to underspending on Capital budgets as well as a bigger contribution to CRR than anticipated.
<b>TOTAL NET ASSETS</b>	<b>3 163 101 936</b>	<b>-</b>	<b>3 163 101 936</b>	<b>3 224 648 390</b>	<b>61 546 454</b>	

# Mossel Bay Municipality

## Annual Financial Statements for the year ended 30 June 2023

Budget on Accrual Basis

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	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final and budget actual	Reasons for material variances
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Figures in Rand

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### CASH FLOW STATEMENT

#### CASH FLOWS FROM OPERATING ACTIVITIES

# Mossel Bay Municipality

## Annual Financial Statements for the year ended 30 June 2023

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final and budget actual	Reasons for material variances
Figures in Rand						
<b>Receipts</b>						
Property rates	183 355 674	-	<b>183 355 674</b>	192 123 228	<b>8 767 554</b>	Use Valuation roll for December each year to budget for Property Rates. Growth in valuation roll for the last 6 months of the year not taken into account with budget.
Service charges	850 315 536	-	<b>850 315 536</b>	908 236 920	<b>57 921 384</b>	Budgeted conservatively for conventional water usage. Growth in properties making use services. Use amount of consumers as at end of December each year to project income for budget purposes.
Other revenue	85 641 170	-	<b>85 641 170</b>	98 158 829	<b>12 517 659</b>	Due to increase in External service contributions for new development in Mossel Bay Municipal area.
Transfers and Subsidies - Operational	158 472 873	-	<b>158 472 873</b>	154 553 647	<b>(3 919 226)</b>	The underspending is mainly due to underspending on Housing grant allocations to the amount of R12.8m.
Transfers and Subsidies - Capital	115 170 200	-	<b>115 170 200</b>	84 396 177	<b>(30 774 023)</b>	The main reason for underspending is due to expenditure not realised on Upgrading of informal settlements grant funded projects. Grant funding for Loadshedding relief grant was received in April 2023 and could not be spent by year end.
Interest	54 012 700	-	<b>54 012 700</b>	51 262 836	<b>(2 749 864)</b>	The Municipality budgeted conservatively for interest on investments. The municipality also experienced better investment opportunities than anticipated.
	<b>1 446 968 153</b>	<b>-</b>	<b>1 446 968 153</b>	<b>1 488 731 637</b>	<b>41 763 484</b>	

# Mossel Bay Municipality

## Annual Financial Statements for the year ended 30 June 2023

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final and budget actual	Reasons for material variances
Figures in Rand						
<b>Payments</b>						
Suppliers and employees	(1 221 815 550)	-	(1 221 815 550)	(1 213 210 384)	8 605 166	The underspending is mainly due to underspending on Housing grant allocations to the amount of R12.8m. Savings on Audit fees, cleaning services and security services. Savings on Employee related costs due to vacant positions.
Finance charges	(14 450 902)	-	(14 450 902)	(14 039 602)	411 300	The Cashflow budget did not take into consideration that the Finance charges on Provision for landfill sites is a non-cash transaction.
Transfers and Grants	(12 041 816)	-	(12 041 816)	(11 528 534)	513 282	
	<b>(1 248 308 268)</b>	-	<b>(1 248 308 268)</b>	<b>(1 238 778 520)</b>	<b>9 529 748</b>	
<b>NET CASH FLOWS FROM / (USED) OPERATING ACTIVITIES</b>	<b>198 659 885</b>	-	<b>198 659 885</b>	<b>249 953 117</b>	<b>51 293 232</b>	

# Mossel Bay Municipality

## Annual Financial Statements for the year ended 30 June 2023

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final and budget actual	Reasons for material variances
Figures in Rand						
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
<b>Receipts</b>						
Proceeds on disposal of PPE	3 500 000	-	<b>3 500 000</b>	21 227 786	<b>17 727 786</b>	Did not foresee these disposals with the compilation of budget. Alienation of 4 municipal sites.
Decrease / (increase) in non-current receivables	38 500	-	<b>38 500</b>	74 405	<b>(35 905)</b>	
Decrease / (increase) in non-current investments	5 544 655	-	<b>5 544 655</b>	(64 418 754)	<b>(69 963 409)</b>	Cash availability for re-investment was better than anticipated. Conservative approach with budget.
<b>Payments</b>						
Capital assets	(284 841 231)	-	<b>(284 841 231)</b>	(238 024 179)	<b>46 817 052</b>	The main reason for underspending is due to expenditure not realised on Upgrading of informal settlements grant funded projects. Grant funding for Loadshedding relief grant was received in April 2023 and could not be spent by year end.
<b>NET CASH FLOWS FROM / (USED) INVESTING ACTIVITIES</b>	<b>(275 758 076)</b>	<b>-</b>	<b>(275 758 076)</b>	<b>(281 140 742)</b>	<b>(5 382 666)</b>	

## Mossel Bay Municipality Annual Financial Statements for the year ended 30 June 2023

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final and budget actual	Reasons for material variances
Figures in Rand						
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>						
<b>Receipts</b>						
Borrowing long-term / refinancing	37 100 000	-	<b>37 100 000</b>	37 100 000	-	
Increase / (Decrease) in Consumer deposits	1 803 383	-	<b>1 803 383</b>	2 515 419	<b>712 036</b>	
<b>Payments</b>						
Repayment of borrowing	(16 245 784)	-	<b>(16 245 784)</b>	(17 206 908)	<b>(961 124)</b>	
<b>NET CASH FLOWS FROM / (USED) FINANCING ACTIVITIES</b>	<b>22 657 599</b>	-	<b>22 657 599</b>	<b>22 408 510</b>	<b>(249 088)</b>	
Net increase/(decrease) in cash and cash equivalents	(54 440 592)	-	<b>(54 440 592)</b>	(8 779 115)	<b>45 661 478</b>	Mainly due to underspending on Capital projects and Housing grant allocations. Refer additionally to reasons above.
Cash and cash equivalents at the beginning of the year	62 538 988	-	<b>62 538 988</b>	62 538 988	-	
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<b>8 098 396</b>	-	<b>8 098 396</b>	<b>53 759 873</b>	<b>45 661 478</b>	

# Mossel Bay Municipality

## Annual Financial Statements for the year ended 30 June 2023

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final and budget actual	Reasons for material variances
Figures in Rand						
<b>Reconciliation</b>						
<b>Net cash from / (used) operating activities</b>						
<b>Format and classification differences</b>						
Cash Flow Statement					266 508 135	
Statement of Comparison of Budget and Actual Amounts					249 953 117	
Difference					(16 555 018)	Reason for variance is due to Finance costs included on Cashflow Statement under Financing activities, but in Budget under Operating activities.
<b>Net cash from / (used) investing activities</b>						
<b>Format and classification differences</b>						
Cash Flow Statement					(281 140 741)	
Statement of Comparison of Budget and Actual Amounts					(281 140 742)	
Difference					(1)	
<b>Net cash from / (used) financing activities</b>						
<b>Format and classification differences</b>						
Cash Flow Statement					5 853 491	
Statement of Comparison of Budget and Actual Amounts					22 408 510	

# Mossel Bay Municipality

## Annual Financial Statements for the year ended 30 June 2023

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final and budget actual	Reasons for material variances
Figures in Rand						
Difference					16 555 019	Reason for variance is due to Finance costs included on Cashflow Statement under Financing activities, but in Budget under Operating activities.
<b>Actual Amount in the Cash flow statement</b>					<b>36 201 643</b>	

Adjustments from approved to final budget are a consequence of reallocations within the budget, referred to as virements.

# Mossel Bay Municipality

## Annual Financial Statements for the year ended 30 June 2023

### Accounting Policies

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#### 1. Presentation of Annual Financial Statements

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

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

In the absence of an issued and effective Standard of GRAP, accounting policies for material transactions, events or conditions were developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 as read with Directive 5.

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

Entities are required to apply the Standards of GRAP where the Minister has determined the effective date. The Minister has determined the effective date for the Standards of GRAP outlined below (paragraph .09 of Directive 5). Below are the Standards of GRAP applicable to the Municipality.

<b>Reference</b>	<b>Topic</b>
GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GRAP 5	Borrowing Costs
GRAP 9	Revenue from Exchange Transactions
GRAP 11	Construction Contracts
GRAP 12	Inventories
GRAP 13	Leases
GRAP 14	Events After the Reporting Date
GRAP 16	Investment Property
GRAP 17	Property, Plant and Equipment
GRAP 18	Segment Reporting
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets
GRAP 20	Related Party Disclosures
GRAP 21	Impairment of Non-cash-generating Assets
GRAP 23	Revenue from Non-exchange Transactions (Taxes and Transfers)
GRAP 24	Presentation of Budget Information in Financial Statements
GRAP 25	Employee Benefits
GRAP 26	Impairment of Cash-generating Assets
GRAP 31	Intangible Assets
GRAP 32	Service concession arrangements: Grantor
GRAP 37	Joint Arrangements

# Mossel Bay Municipality

## Annual Financial Statements for the year ended 30 June 2023

### Accounting Policies

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GRAP 38	Disclosure of Interest in Other Entities
GRAP 103	Heritage Assets
GRAP 104	Financial Instruments
GRAP 108	Statutory receivables
GRAP 109	Accounting by Principles and Agents
GRAP 110	Living and Non-living Resources

# Mossel Bay Municipality

## Annual Financial Statements for the year ended 30 June 2023

### Accounting Policies

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#### C2. Directives issued and effective that entities are required to apply (paragraph .14 of Directive 5):

<b>Reference</b>	<b>Topic</b>
Directive 1	Repeal of Existing Transitional Provisions in, and Consequential Amendments to, Standards of GRAP
Directive 3	Transitional Provisions for High Capacity Municipalities
Directive 5	Determining the GRAP Reporting Framework
Directive 7	The Application of Deemed Cost
Directive 11	Changes in the Measurement Bases Following the Initial Adoption of the Standards of GRAP

#### C3. Interpretations of the Standards of GRAP approved that entities are required to apply (paragraph .10 of Directive 5):

<b>Reference</b>	<b>Topic</b>
IGRAP 1	Applying the Probability Test on Initial Recognition of Revenue
IGRAP 2	Changes in Existing Decommissioning, Restoration and Similar Liabilities
IGRAP 3	Determining whether an Arrangement Contains a Lease
IGRAP 9	Distributions of Non-cash Assets to Owners
IGRAP 10	Assets Received from Customers
IGRAP 13	Operating Leases – Incentives
IGRAP 14	Evaluating the Substance of Transactions Involving the Legal Form of a Lease
IGRAP 15	Revenue – Barter Transactions Involving Advertising Services
IGRAP 16	Intangible Assets – Website Costs
IGRAP 17	Service Concession Arrangements Where a Grantor Controls a Significant Residual Interest in an Asset
IGRAP 18	Recognition and Derecognition of Land
IGRAP 19	Liabilities to Pay Levies
IGRAP 20	Accounting for Adjustments to Revenue

# Mossel Bay Municipality

## Annual Financial Statements for the year ended 30 June 2023

### Accounting Policies

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C4. Approved guideline of Standards of GRAP that entities are required to apply (paragraph .15 of Directive 5):

<b>Reference</b>	<b>Topic</b>
Guideline	Accounting for Arrangements Undertaken in terms of the National Housing Programme

C6. Standards of GRAP approved which are not yet effective, or for which the Minister of Finance has not yet determined an effective date, that entities may consider in formulating an accounting policy (paragraph .12 of this Directive):

Standards of GRAP that may be used in developing an accounting policy:

<b>Reference</b>	<b>Topic</b>
None	

C7. Guidelines which are not authoritative where entities are encouraged to apply the Guideline when preparing their financial statements:

<b>Reference</b>	<b>Topic</b>
Guideline	The Application of Materiality to Financial Statements

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

#### **1.1 Presentation currency**

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality. All amounts are rounded to the nearest Rand.

#### **1.2 Going concern assumption**

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

Management considers key financial metrics and approved medium-term budgets to conclude that the going concern assumption used in the compiling of the Annual Financial Statements is appropriate.

#### **1.3 Materiality**

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor.

Assessing whether an omission or misstatement could influence decisions of users, and so be material, requires consideration of the characteristics of those users. The Framework for the Preparation and Presentation of Financial Statements states that users are assumed to have a reasonable knowledge of government, its activities, accounting and a willingness to study the information with reasonable diligence. Therefore, the assessment takes into account how users with such attributes could reasonably be expected to be influenced in making and evaluating decisions.

Material differences or variances are defined as any differences or variances above 10% with a value of more than R1 000 000. Explanations for material differences between the approved and final budget are included in the annual financial statements.

#### **1.4 Interests in other entities**

##### **Joint arrangements**

Binding arrangement is an arrangement that confers enforceable rights and obligations on the parties to the arrangement as if it were in the form of a contract. It includes rights from contracts or other legal rights.

A joint arrangement is an arrangement of which two or more parties have joint control.

# Mossel Bay Municipality

## Annual Financial Statements for the year ended 30 June 2023

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#### 1.4 Interests in other entities (continued)

Joint control is the agreed sharing of control by way of a binding arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement.

A joint operator is a party to a joint operation that has joint control of that joint operation.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

A joint venturer is a party to a joint venture that has joint control of that joint venture.

A party to a joint arrangement is an entity that participates in a joint arrangement, regardless of whether that entity has joint control of the arrangement.

A separate vehicle is a separately identifiable financial structure, including separate legal entities or entities recognised by statute, regardless of whether those entities have a legal personality.

#### **Joint arrangements, joint control and types of joint arrangement**

A joint arrangement has the following characteristics:

- The parties are bound by a binding arrangement.
- The binding arrangement gives two or more of those parties joint control of the arrangement.

A joint arrangement is either a joint operation or a joint venture.

Joint control is the sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. The sharing of control is agreed by way of a binding arrangement. The municipality that is a party to an arrangement assesses whether the binding arrangement gives all the parties, or a group of the parties, control of the arrangement collectively. All the parties, or a group of the parties, control the arrangement collectively when they must act together to direct the activities that significantly affect the benefits from the arrangement. The municipality applies judgement when assessing whether all the parties, or a group of the parties, have joint control of an arrangement. The municipality shall make this assessment by considering all facts and circumstances. If facts and circumstances change, the municipality reassess whether it still has joint control of the arrangement.

The municipality determines the type of joint arrangement in which it is involved. The classification of a joint arrangement as a joint operation or a joint venture depends upon the rights and obligations of the parties to the arrangement. The municipality applies judgement when assessing whether a joint arrangement is a joint operation or a joint venture. The municipality determines the type of joint arrangement in which it is involved by considering its rights and obligations arising from the arrangement. The municipality assesses its rights and obligations by considering the structure and legal form of the arrangement, the terms of the binding arrangement and, when relevant, other facts and circumstances. If facts and circumstances change, the municipality reassess whether the type of joint arrangement in which it is involved has changed.

# Mossel Bay Municipality

## Annual Financial Statements for the year ended 30 June 2023

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#### 1.4 Interests in other entities (continued)

##### Financial statements and parties to a joint arrangement

##### Joint operations

The municipality as a joint operator, recognises in relation to its interest in a joint operation:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

The municipality as a joint operator accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the Standards of GRAP applicable to the particular assets, liabilities, revenues and expenses.

The municipality as a party that participates in, but does not have joint control of, a joint operation, also accounts for its interest in the arrangement in accordance with the aforementioned, if that party has rights to the assets, and obligations for the liabilities, relating to the joint operation. If the municipality as a party that participates in, but does not have joint control of a joint operation and does not have rights to the assets, and obligations for the liabilities, relating to that joint operation, it accounts for its interest in the joint operation in accordance with the Standards of GRAP applicable to the particular assets, liabilities, revenue and expenses.

#### 1.5 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

##### Impairment testing

The calculation in respect of the impairment of receivables 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 historical collection trend and council decisions that might impact the recoverability of the receivable. This was performed individually across all debtors by discounting the future cashflows using the interest rate earned on the primary bank account.

The calculation in respect of the impairment of Traffic fines is based on the same principle as for other receivables except that it is not performed on an individual fine basis and discounting of future cashflows by using a rate that reflects the current risk free rate.

The discounting of future cashflows for Property rates is also based on a rate that reflects the current risk-free rate.

The municipality used the interest rate on primary bank account as the effective interest rate for impairment, except for Statutory receivables the average interest rate on Short-term investments are used.

# Mossel Bay Municipality

## Annual Financial Statements for the year ended 30 June 2023

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#### 1.5 Significant judgements and sources of estimation uncertainty (continued)

##### 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. Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 22 - Provisions.

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 rate (Average interest earned on investment) was used to calculate the effect of the time value of money.

##### Post retirement benefits

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. Additional information is disclosed in Note 21.

##### Other current Employee Benefit obligations

Staff leave: The provision is based on full cost of accrued leave at year-end. The uncertainty is when the leave will be taken or if employment is terminated.

Performance Bonus: The provision is the best estimate on year-end and based on historical patterns for the payment of performance bonuses. The uncertainty is a result of the performance bonus that must be evaluated and approved by council.

##### Componentisation of Infrastructure assets

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

##### 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.

For deemed cost applied to other assets as per adoption of Directive 7, management used the depreciated replacement cost method which was based on assumptions about the remaining duration of the assets.

The Municipality considers a project to be significantly delayed after a period of 12 months.

The Municipality makes use of the principles outlined in iGRAP18 to determine if it is the custodian of the land classified as Property, Plant and Equipment.

# Mossel Bay Municipality

## Annual Financial Statements for the year ended 30 June 2023

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#### 1.5 Significant judgements and sources of estimation uncertainty (continued)

##### **Intangible Assets**

The useful lives of intangible assets are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. For deemed cost applied to intangible assets as per adoption of Directive 7, management used the depreciated replacement cost method which was based on assumptions about the remaining duration of the assets.

##### **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.

For deemed cost applied to Investment Property as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

The Municipality considers a project to be significantly delayed after a period of 12 months.

The Municipality makes use of the principles outlined in iGRAP18 to determine if it is the custodian of the land classified as Investment Property.

##### **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.

##### **Pre-paid Electricity**

Pre-paid electricity is only recognised as revenue once the electricity is deemed to be consumed. The pre-paid electricity balance (included under payables) represents the best estimate of electricity sold at year-end, which is still unused.

Assumption is made that on the each purchase of prepaid electricity during the year, all prior purchased electricity have been consumed. A daily average consumption per meter is calculated based on purchase history per meter for the year. The daily average consumption per meter is used to calculate how much of the last purchased electricity for the year have been consumed up to year end. The remaining estimated unused purchased electricity per meter as at year end is used in the calculation that forms part of the balance included under payables.

# Mossel Bay Municipality

## Annual Financial Statements for the year ended 30 June 2023

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#### 1.5 Significant judgements and sources of estimation uncertainty (continued)

##### Revenue recognition

Accounting Policy on Revenue from Non-Exchange Transactions and Revenue from Exchange Transactions below 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.

##### Non-living resources

It is management's judgement that all five sources of water are non-living resources within the Municipal jurisdiction. The five sources being, dams owned by Department of Water and Sanitation, dams owned by the municipality, seawater, rivers and water from boreholes. Due to the fact that the Accounting Standards Board decided that non-living resources should not be recognised as a capital asset, the Mossel Bay Municipality will only disclose the resources.

##### Living resources

Due to the fact that the K9 unit was established, a living resource asset class was established. The animals in Harry Giddy Park which was previously deemed to be immaterial in value and quantity and therefor the Municipality decided to prospectively apply the reclassification as a separate accounting reporting group called Living resources.

##### Segment reporting

For management purposes, the municipality is organised and operates in seven key functional segments. To this end, management monitors the operating results of these segments for the purpose of internal reporting and making decisions about resource allocations and assessment of performance. Revenues and expenditures relating to these segments are allocated at a transactional level.

The seven key functional segments comprise of:

- Municipal Manager and Executive Council
- Corporate Services
- Financial Services
- Infrastructure Services
- Community Services
- Planning and Economic Development
- Community Safety

##### Budget information

Material differences or variances are defined as any differences or variances above 10% with a value of more than R1 000 000. Explanations for material differences between the approved and final budget are included in the annual financial statements.

#### 1.6 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Investment property is recognised as an asset 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 is initially recognised at cost. Transaction costs are included in the initial measurement.

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

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## Annual Financial Statements for the year ended 30 June 2023

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#### 1.6 Investment property (continued)

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Land with undetermined use is recognised as Investment Property.

Transfers are made to or from investment property only when there is a change in use.

#### Cost model

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

Depreciation is provided to write down the cost, less estimated residual value by equal installments over the useful life of the property, which is as follows:

Item	Useful life
Improved Property - land	Indefinite
Improved Property - buildings	5 - 100
Unimproved Property - land	Indefinite

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in the Statement of Financial Performance.

Transfers to, or from, investment property shall be made when, and only when, there is a change in use, evidenced by:

- (a) commencement of development with a view to sale, for a transfer from investment property to inventories;
- (b) end of owner-occupation, for a transfer from owner-occupied property to investment property; or
- (c) commencement of an operating lease (on a commercial basis) to another party, for a transfer from inventories to investment property.

If an owner-occupied property becomes an investment property the transfer will be effective as from the date of change in use.

For a transfer from inventories to investment property that will be carried at cost (if applicable less accumulated depreciation) as Investment Property is on cost model.

The municipality separately discloses expenditure to repair and maintain investment property in the notes to the annual financial statements (see note 15).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the annual financial statements (see note 15).

#### 1.7 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of 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 is initially measured at cost.

# Mossel Bay Municipality

## Annual Financial Statements for the year ended 30 June 2023

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

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

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

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 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.

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.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories. Refer to policy 1.8 for Site restoration and dismantling cost.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Land is not depreciated as it is deemed to have an indefinite useful life.

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**1.7 Property, plant and equipment (continued)**

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

<b>Item</b>	<b>Depreciation method</b>	<b>Average useful life in years</b>
PPE Land		
Land		Indefinite
Community assets		
Community facilities:		
• Taxi ranks / bus terminals	Straight line	8 - 100
• Parks	Straight line	8 - 100
• Fire / ambulance stations	Straight line	8 - 100
• Zoo and Marine facilities	Straight line	5 - 100
• Creches	Straight line	8 - 100
• Cemeteries / crematoria	Straight line	8 - 100
• Theatres	Straight line	8 - 100
• Clinics / care centres	Straight line	8 - 100
• Centres	Straight line	15 - 100
• Nature reserves	Straight line	8 - 100
• Libraries	Straight line	8 - 100
• Galleries	Straight line	8 - 100
• Public ablution facilities	Straight line	8 - 100
• Stalls	Straight line	8 - 100
• Halls	Straight line	8 - 100
• Museums	Straight line	8 - 100
• Airports	Straight line	8 - 100
• Public open space	Straight line	8 - 100
• Markets	Straight line	8 - 100
• Abattoirs	Straight line	8 - 100
• Testing stations	Straight line	8 - 100
• Police	Straight line	45 - 100
Sport and recreation facilities:		
• Indoor facilities	Straight line	8 - 100
• Outdoor facilities	Straight line	5 - 100
• Leisure/resort facilities	Straight line	8 - 100
Other assets		
Computer equipment:		
• Desktop computer	Straight line	4 - 5
• Laptop computer	Straight line	4 - 5
• Tablets	Straight line	1 - 2
• Printers	Straight line	4 - 5
• Servers	Straight line	2 - 5
• Other computer equipment	Straight line	2 - 5
Furniture and Office Equipment	Straight line	8 - 50
Housing	Straight line	8 - 100
Machinery and Equipment	Straight line	5 - 30
Operational buildings:		
• Municipal offices	Straight line	5 - 100
• Yards	Straight line	8 - 100
• Stores	Straight line	8 - 100
• Training centres	Straight line	8 - 100
• Pay / enquiry points	Straight line	8 - 100
• Building plan offices	Straight line	8 - 100
• Workshops	Straight line	8 - 100
• Laboratories	Straight line	8 - 100
• Manufacturing plant	Straight line	8 - 100

# Mossel Bay Municipality

## Annual Financial Statements for the year ended 30 June 2023

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

• Depots	Straight line	8 - 100
Transport Assets	Straight line	7 - 30
Infrastructure		
Coastal infrastructure:		
• Revetments	Straight line	10 - 100
• Piers	Straight line	8 - 80
Roads infrastructure:		
• Road furniture	Straight line	5 - 50
• Road structures	Straight line	5 - 50
• Roads	Straight line	5 - 30
Electrical infrastructure:		
• Power plants	Straight line	5 - 100
• HV substations	Straight line	5 - 100
• HV switching stations	Straight line	5 - 100
• HV transmission conductors	Straight line	10 - 50
• MV networks	Straight line	5 - 50
• MV substations	Straight line	5 - 100
• MV switching stations	Straight line	5 - 100
• LV networks	Straight line	2 - 60
Information and communications infrastructure:		
• Distribution layers	Straight line	2 - 10
• Core layers	Straight line	5 - 100
• Data centres	Straight line	8 - 100
Sanitation infrastructure:		
• Outfall sewers	Straight line	7 - 50
• Pump stations	Straight line	5 - 50
• Reticulation	Straight line	7 - 50
• Toilet facilities	Straight line	10 - 50
• Waste water treatment works	Straight line	5 - 100
Solid waste infrastructure:		
• Electricity generation facilities	Straight line	8 - 100
• Landfill sites	Straight line	10 - 100
• Waste drop-off points	Straight line	8 - 100
• Waste processing facilities	Straight line	8 - 100
• Waste separation facilities	Straight line	8 - 100
• Waste transfer stations	Straight line	8 - 100
Storm-water infrastructure:		
• Attenuation	Straight line	5 - 50
• Drainage collection	Straight line	5 - 60
• Storm-water conveyance	Straight line	5 - 50
Water supply infrastructure:		
• Pump stations	Straight line	5 - 50
• Water treatment works	Straight line	5 - 100
• Distribution	Straight line	7 - 50
• Reservoirs	Straight line	5 - 50
• Boreholes	Straight line	5 - 50
• Dams weirs	Straight line	5 - 100
• Distribution points	Straight line	7 - 20
• Bulk mains	Straight line	7 - 80
• PRV stations	Straight line	5 - 50

The depreciable amount of an asset is allocated on a systematic basis over its initial useful life.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

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

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. The depreciation method applied to an asset is reviewed for indicators that the expected pattern of consumption of the future economic benefits or service potential embodied in the asset has changed. If detected then the useful life is reviewed. Such a change is accounted for as a change in an accounting estimate.

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

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

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

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 14).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 14).

Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up shall be included in surplus or deficit when the compensation becomes receivable.

#### 1.8 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which a municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

The asset is measured using the cost model:

- (a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- (b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- (c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

#### 1.9 Intangible assets

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

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

Intangible assets are initially recognised at cost.

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.

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.

# Mossel Bay Municipality

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#### 1.9 Intangible assets (continued)

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the Municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the Municipality has the resources to complete the project; and
- it is probable that the Municipality will receive future economic benefits or service potential.

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

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Amortisation shall begin when the 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. Amortisation shall cease at the date the asset is derecognised.

The amortisation charge for each period shall be recognised in surplus or deficit unless this or another Standard permits or requires it to be included in the carrying amount of another asset.

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#### 1.9 Intangible assets (continued)

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Depreciation method	Average useful life in years
Computer Software	Straight line	4 - 10
Servitudes	Straight line	5 - 20

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

#### 1.10 Heritage assets

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

##### 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.

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.

##### Depreciation and Impairment

Heritage assets are not depreciated, since their long economic life and high residual value means that any depreciation would be immaterial.

The municipality assesses at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset. The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

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 impairment is recognised in the Statement of Financial Performance.

The useful lives of items of heritage assets have been assessed as follows:

Item	Useful life in years
Conservation areas	Indefinite
Historic Buildings	Indefinite
Monuments	Indefinite
Other heritage	Indefinite

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#### 1.10 Heritage assets (continued)

##### 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 on the disposal or retirement of a heritage asset is determined as the difference between the sales proceeds and the carrying value of the heritage asset and is recognised in the statement of Financial Performance.

#### 1.11 Financial instruments

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

The Municipality has various types of financial instruments and these can be broadly categorised as either a financial asset or a financial liability.

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 financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

**A financial liability is** any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- combined instruments that are designated at fair value;

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#### 1.11 Financial instruments (continued)

- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

#### 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

Long-Term Receivables	Financial asset measured at Amortised cost
Receivables from Exchange Transactions	Financial asset measured at Amortised cost
Other Receivables from Non-Exchange Transactions	Financial asset measured at Amortised cost
Short-term Investment Deposits	Financial asset measured at Amortised cost
Cash and Cash Equivalents	Financial asset measured at Amortised cost
Short and Long-term Investments	Financial asset measured at Amortised cost
Unpaid Construction Contracts	Financial asset measured at Amortised cost

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

Other Financial Liabilities	Financial liability measured at Amortised cost
Payables from exchange transactions	Financial liability measured at Amortised cost
Unspent Construction contract advances	Financial liability measured at Amortised cost
Unspent Conditional Grants and Receipts	Financial liability measured at Amortised cost
Consumer Deposits	Financial liability measured at Amortised cost
Non-current Deposits	Financial liability measured at Amortised cost
Other Employee benefit obligations	Financial liability measured at Amortised cost

Grants are seen as financial instrument if there is an applicable contractual agreement which sets out the conditions of the grant.

#### 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.

#### 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.

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#### 1.11 Financial instruments (continued)

##### **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 fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

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

##### **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.

Financial assets measured at amortised cost:

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.

# Mossel Bay Municipality

## Annual Financial Statements for the year ended 30 June 2023

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#### 1.11 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 entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, 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 entity :
  - derecognise the asset; and
  - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

If the municipality transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognise either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

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.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised.

If a transfer does not result in derecognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continues to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the entity recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

##### 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 the Statement of Financial Performance. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

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## Annual Financial Statements for the year ended 30 June 2023

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#### 1.11 Financial instruments (continued)

##### Presentation / Offsetting of Financial Instruments

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

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

#### 1.12 Cash and Cash equivalents and Investments

Cash and cash equivalents include cash on hand, call deposits and cash with banks. Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions and are subject to an insignificant risk of change in value.

Investments is classified as either Long-term Investments or Short-term Investments. Long-term Investments is investments made for a period longer than 12 months, whilst those invested for a period of longer than 3 months but shorter than 12 months is classified as Short-term Investments. Recognition and classification of investments are made at inception of the investment. All other call deposits, 32-day notice deposits or other forms investments not exceeding 3 months are classified as cash and cash equivalents.

Long-term Investment income is recognised on a time-proportion basis using the effective interest method.

#### 1.13 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.

Carrying amount is the amount at which an asset is recognised in the statement of financial position.

The cost method is the method used to account for statutory receivables that requires such receivables to be measured at their transaction amount, plus any accrued interest or other charges (where applicable) and, less any accumulated impairment losses and any amounts derecognised.

Nominal interest rate is the interest rate and/or basis specified in legislation, supporting regulations or similar means.

Grants are seen as statutory receivable is it is gazetted in the DORA or Provincial Gazette and no other contractual agreement which sets out the conditions of the grant is applicable.

The transaction amount for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

##### Recognition

The municipality recognises statutory receivables as follows:

- if the transaction is an exchange transaction, using the policy on Revenue from exchange transactions;
- if the transaction is a non-exchange transaction, using the policy on Revenue from non-exchange transactions (Taxes and transfers); or
- if the transaction is not within the scope of the policies listed in the above or another Standard of GRAP, the receivable is recognised when the definition of an asset is met and, 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

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## Annual Financial Statements for the year ended 30 June 2023

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#### 1.13 Statutory receivables (continued)

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, either directly or through the use of an allowance account. The amount of the losses are recognised in the Statement of Financial Performance.

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

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

Any previously recognised impairment loss is adjusted either directly or 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 the Statement of Financial Performance.

#### 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.

# Mossel Bay Municipality

## Annual Financial Statements for the year ended 30 June 2023

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#### 1.14 Value Added Tax

##### Current tax assets and liabilities

The Municipality is registered for VAT on the payment basis. Revenue, expenses and assets are recognised net of the amount 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.

#### 1.15 Unpaid Conditional Grants and Receipts

Unpaid conditional grants are assets in terms of the GRAP Framework 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.

#### 1.16 Payables from Exchange Transactions

Payables from exchange transactions are originally carried at fair value and subsequently are measured at amortised cost using the effective interest method.

#### 1.17 Unspent Conditional Grants and Receipts

Unspent conditional grants and receipts are reflected on the Statement of Financial Position as a current liability. They represent unspent government grants, subsidies and contributions from the public. This liability always has to be backed by cash.

The following provisions are set for the creation and utilisation of this liability:

- The cash which backs up the liability is invested 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 liability. If it is the Municipality's interest it is recognised as interest earned in the Statement of Financial Performance.
- Whenever an asset is purchased out of the unspent conditional grant an amount equal to the cost price of the asset purchased is transferred from the Unspent Conditional Grant into the statement of financial performance as revenue.

#### 1.18 Other Financial Liabilities (Borrowings)

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the Statement of Financial Performance over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Municipality has the unconditional right to defer settlement of the liability for at least 12 months after the date of the Statement of Financial Position.

#### 1.19 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 both land and buildings elements, the entity assesses the classification of each element separately.

##### Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

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## Annual Financial Statements for the year ended 30 June 2023

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#### 1.19 Leases (continued)

##### Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

#### 1.20 Inventories

Inventories are assets:

- (a) in the form of materials or supplies to be consumed in the production process;
- (b) in the form of materials or supplies to be consumed or distributed in the rendering of services;
- (c) held for sale or distribution in the ordinary course of operations; or
- (d) in the process of production for sale or distribution.

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

The weighted average method is used to allocate cost to inventory items.

Water inventory is being measured by multiplying the cost per kilo litre of purified water by the amount of water in storage. Water inventory is measured at the reporting date by way of readings and the calculated volume in the distribution network. Apparent and real water losses is recognised in the period it occurs.

Subsequently inventories are measured at the lower of cost and net realisable value. If none/nominal charge then recognised at lower of cost and current replacement cost.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Inventories shall be recognised as an asset if, and only if,

- (a) it is probable that future economic benefits or service potential associated with the item will flow to the entity; and
- (b) the cost of the inventories can be measured reliably.

Inventories shall be measured at the lower of cost and current replacement cost where they are held for:

- (a) distribution through a non-exchange transaction; or
- (b) consumption in the production process of goods to be distributed at no charge or for a nominal charge.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

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, e.g. land inventory.

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 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, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

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#### 1.21 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.

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

Cost plus or cost based contract is a construction contract in which the contractor is reimbursed for allowable or otherwise defined costs and, in the case of a commercially-based contract, an additional percentage of these costs or a fixed fee, if any.

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.

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

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

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

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.

Unspent construction contract advances are recognised in the Statement of Financial Position as a current liability, whereas Unpaid construction contract advances are recognised as a current asset.

#### 1.22 Impairment of cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

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

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

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

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

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

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#### 1.22 Impairment of cash-generating assets (continued)

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

Useful life is either:

- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

#### Cash-generating units

Cash-generating units are defined as end-services that generate, or is expected to generate, positive cash flows. All individual assets assigned to these units are viewed as cash-generating assets at initial recognition. The following end-services are classified as cash-generating units:

- Electricity services
- Water services
- Solid waste management services
- Waste water management services

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

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

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

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#### 1.22 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.

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

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

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

#### 1.23 Impairment of non-cash-generating assets

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

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

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

Useful life is either:

- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

##### 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:

##### Restoration cost approach

Restoration cost is the cost of restoring the service potential of an asset to its pre-impaired level. The present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

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#### 1.23 Impairment of non-cash-generating assets (continued)

##### 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 surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

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.

##### 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 the Statement of Financial Performance.

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.

#### 1.24 Employee benefits

Employee benefits are all forms of consideration given by a entity in exchange for service rendered by employees.

All costs relating to employee benefits such as contributions, interest and / or actuarial gains or losses, is recognised in the statement of financial performance as employee related costs.

# Mossel Bay Municipality

## Annual Financial Statements for the year ended 30 June 2023

### Accounting Policies

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#### 1.24 Employee benefits (continued)

##### Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

##### Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

##### Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the entity during a reporting period, the entity recognise the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

##### Post-employment benefits: Defined benefit plans

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

# Mossel Bay Municipality

## Annual Financial Statements for the year ended 30 June 2023

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#### 1.24 Employee benefits (continued)

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the entity recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or
- the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognise past service cost as an expense in the reporting period in which the plan is amended.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

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

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

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

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

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

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

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

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

# Mossel Bay Municipality

## Annual Financial Statements for the year ended 30 June 2023

### Accounting Policies

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#### 1.24 Employee benefits (continued)

##### Staff Leave

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 is calculated based on the total remuneration package of the employee.

Accumulated leave is carried forward and can be used in future periods if the current period's entitlement is not used in full. All unused leave will be paid out to the specific employee at the end of that employee's employment term.

Accumulated leave is vesting.

##### Staff Bonusses

Liabilities for staff bonuses are recognised as they accrue to employees. The liability at year end is based on bonus accrued at year end for each employee.

##### Performance Bonusses

A provision, in respect of the liability relating to the anticipated costs of performance bonuses payable to Section 57 employees, is recognised as it accrues to Section 57 employees. The performance bonus provision is based on the employment contract stipulations as well as previous performance bonus payment trends.

##### Employee overtime/standby allowance accrual

The cost of short-term employee benefits is recognised in the period in which the service is rendered. Liabilities are recognised as they accrue to employees.

##### Other post retirement obligations

The municipality provides post-retirement health care benefits and gratuities upon retirement to some retirees:

##### (a) Post-Retirement Medical obligations

The Municipality provides post-retirement healthcare benefits to its employees and retired employees of the Municipality, and to their registered dependants. 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 expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit pension plans. Actuarial gains and losses arising from experience adjustments, and changes in actuarial assumptions are charged or credited to the Statement of Financial Performance. These obligations are valued annually by independent qualified actuaries.

- Contribution made by council and by the municipal official to the medical fund.
- 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 inservice 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.

# Mossel Bay Municipality

## Annual Financial Statements for the year ended 30 June 2023

### Accounting Policies

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#### 1.24 Employee benefits (continued)

##### (b) Long Service awards

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the Municipality. The Municipality's obligation under these plans is valued by independent qualified actuaries annually and the corresponding liability is raised.

Payments are offset against the liability, including notional interest, resulting from the valuation by the actuaries is 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, 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.

##### (c) Ex gratia Gratuities

Ex gratia gratuities are provided to employees that were not previously members of a pension fund. The Municipality's obligation under these plans is valued by independent qualified actuaries and the corresponding liability is raised.

Payments made by the Municipality are offset 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.

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 are charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The entity shall recognise the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.

#### 1.25 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Provision for Environmental Rehabilitation: Estimated long-term environmental provisions, comprising rehabilitation and landfill site closure, are based on the municipality's policy, taking into account current technological, environmental and regulatory requirements. The provision for rehabilitation is recognised as and when the environmental liability arises. To the extent that the obligations relate to the asset, they are 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 Surplus or Deficit.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

# Mossel Bay Municipality

## Annual Financial Statements for the year ended 30 June 2023

### Accounting Policies

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#### 1.25 Provisions and contingencies (continued)

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of an activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 61.

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

#### 1.26 Commitments

Items are classified as commitments when the municipality has committed itself to future transactions that will normally result in the outflow of cash.

Commitments are disclosed in the notes to the Annual Financial Statements inclusive of VAT.

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.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancelable or only cancelable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

#### 1.27 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

# Mossel Bay Municipality

## Annual Financial Statements for the year ended 30 June 2023

### Accounting Policies

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#### 1.27 Revenue from exchange transactions (continued)

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

#### Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

#### Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

#### Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

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

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

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 are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced.

These service charges includes a basic charge as determined by Council.

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.

An estimation is made annually of the water and electricity consumptions not yet invoiced, for which an accrual is recognised as at year end.

Revenue from sale of electricity prepaid meter cards are recognised at the point of sale. 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 calculated by using a trend analysis and other historical data on electricity usage.

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.

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# Mossel Bay Municipality

## Annual Financial Statements for the year ended 30 June 2023

### Accounting Policies

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#### 1.27 Revenue from exchange transactions (continued)

Service charges from **sewerage and sanitation** for residential and business properties are levied annually based on a fixed tariff.

**Rentals** are recognised on a straight-line basis over the term of the lease agreement.

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

The income for **agency services** recognised is commission in terms of the agency agreement.

Where the outcome of a construction contract can be estimated reliably, **Construction contract revenue** are recognised by reference to the stage of completion of the contract activity at the reporting date, as measured by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs.

#### Interest received

Revenue arising from the use by others of entity assets yielding interest or similar distributions is recognised when:

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

Interest is recognised, in the Statement of Financial Performance, using the effective interest rate method.

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

#### 1.28 Revenue from non-exchange transactions

In a non-exchange transaction, a municipality either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

#### Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

# Mossel Bay Municipality

## Annual Financial Statements for the year ended 30 June 2023

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#### 1.28 Revenue from non-exchange transactions (continued)

##### Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

##### 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 when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis. Rebates and discounts are offset against the related revenue, in terms of IGRAP 1, as there is no right to collect this revenue in terms of the municipal tariff policy and by-laws.

##### Grants, transfers and donations

Apart from Services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Revenue 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.

A liability is recognised, to the extent that the criteria, conditions or obligations have not been met.

Transferred assets are measured at their fair value as at the date of acquisition.

Grants without any conditions attached are recognised as revenue when the asset is recognised.

##### Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

Fine Revenue constitutes both spot fines and summonses. Fine revenue is recognised when the spot fine or summons is issued. 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.

##### Availability charges

An availability charge for electricity, water and sewerage as determined from time to time by the Council shall be levied and will be payable on all properties on a monthly basis, except in cases where the site has been declared inhabitable by the municipality, with or without improvements, whether or not the property is connected to the electricity reticulation / water network / sewerage network systems of the Council. These availability charges is recognised in the Statement of Financial Performance as Revenue from Non-exchange transactions.

# Mossel Bay Municipality

## Annual Financial Statements for the year ended 30 June 2023

### Accounting Policies

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#### 1.28 Revenue from non-exchange transactions (continued)

##### Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

**Revenue from third parties** i.e. insurance payments for assets impaired, are recognised when it can be measured reliably and is not being offset against the related expenses of repairs or renewals of impaired assets.

**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.

All **unclaimed deposits** are initially recognised as a liability until 36 months expires, when all unclaimed deposits into the Municipality's bank account will be treated as revenue. This policy is in line with the prescribed debt principle as enforced by law.

Contributed property, plant and equipment:

Contributed property, plant and equipment are recognised when such items of property, plant and equipment qualify for recognition and become available for use by the Municipality.

Interest from non-exchange transactions:

Interest revenue is recognised using the effective interest rate method.

Licences and Permits:

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

#### 1.29 Borrowing costs

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

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

#### 1.30 Accounting by principals and agents

##### Identification

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

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

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

##### Identifying whether an entity is a principal or an agent

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

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

# Mossel Bay Municipality

## Annual Financial Statements for the year ended 30 June 2023

### Accounting Policies

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#### 1.30 Accounting by principals and agents (continued)

##### Binding arrangement

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

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

##### Assessing which entity benefits from the transactions with third parties

When the municipality 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 municipality concludes that it is not the agent, then it is the principal in the transactions.

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

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

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

##### Recognition

The municipality, as a principal, recognises revenue and expenses that arise from transactions with third parties in a principal-agent arrangement in accordance with the requirements of the relevant Standards of GRAP.

The municipality, as an agent, recognises only that portion of the revenue and expenses it receives or incurs in executing the transactions on behalf of the principal in accordance with the requirements of the relevant Standards of GRAP.

The municipality recognises assets and liabilities arising from principal-agent arrangements in accordance with the requirements of the relevant Standards of GRAP.

#### 1.31 Comparative information

Where necessary, comparative information have been reclassified to conform to changes in presentation in the current year. The nature and reason for the reclassification is disclosed.

Where material accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

#### 1.32 Unauthorised expenditure

Unauthorised expenditure is any expenditure incurred otherwise than in accordance with section 15 or 11(3) of the Municipal Finance Management Act (MFMA).

Unauthorised expenditure includes:

- Overspending of the total amount appropriated in the Municipality's approved budget,
- Overspending of the total amount appropriated for a vote in the approved budget,
- Expenditure from a vote unrelated to the department or functional area covered by the vote,
- Expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose,
- Spending of an allocation received from another sphere of Government, Municipality, or organ of state otherwise than in accordance with any conditions of the allocation,
- A grant by the Municipality otherwise than in accordance with the MFMA.

A vote is defined as a Directorate.

# Mossel Bay Municipality

## Annual Financial Statements for the year ended 30 June 2023

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#### 1.32 Unauthorised expenditure (continued)

The municipality has the following Directorates:

- Municipal Manager
- Corporate Services
- Financial Services
- Technical / Infrastructure Services
- Community Services
- Planning & Economic Development Services
- Community Safety

All expenditure relating to unauthorised 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.

Unauthorised expenditure are disclosed in the notes to the Annual Financial Statements exclusive of VAT.

#### 1.33 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is expenditure that 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.

Fruitless and wasteful expenditure are disclosed in the notes to the Annual Financial Statements inclusive of VAT.

#### 1.34 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), and the Public Office Bearers Act (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 in the Statement of Financial Performance in the year the expenditure occurred and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

Irregular expenditure are disclosed in the notes to the Annual Financial Statements inclusive of VAT.

#### 1.35 Internal reserves

##### Capital replacement reserve (CRR)

In order to finance capital assets from internal sources, amounts are transferred out of the accumulated surplus into the Capital Replacement Reserve (CRR) in terms of the funding and reserves policy adopted by the Municipality. The cash in the CRR can only be used to finance capital expenditure appropriated in an approved budget. The CRR is reduced and the accumulated surplus is credited by a corresponding amount when the amounts in the CRR are utilised.

##### Self insurance reserve

The municipality has a self-insurance reserve to set aside amounts to offset potential losses or claims that are not insured externally. An annual contribution is made to the self-insurance reserve as prescribed in the Borrowing, Funds and Reserves Policy of the Municipality.

At the end of each financial year an amount (as determined by the Liquidity calculation prescribed in the municipality's Liquidity policy) may be transferred from accumulated surplus to self-insurance reserve or capital replacement reserve. The Chief Financial Officer has the delegation to determine such amount to be transferred to the self-insurance reserve.

The balance of the self-insurance or capital replacement reserve is invested in short-term cash investments.

#### 1.36 Segment information

A segment is an activity of the Municipality:

# Mossel Bay Municipality

## Annual Financial Statements for the year ended 30 June 2023

### Accounting Policies

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#### 1.36 Segment information (continued)

- 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.

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.

Reportable segments are the actual segments which are reported on in the segment report. Refer to note 68 on Segment reporting for more information.

#### 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.

Reports used for segment reporting and disclosure in the Annual Financial Statements is on the same measurement basis.

Considering all above the entity defined segment reporting as the link between the organisational structure and defined votes, as per the latest budget policy, as the level of segment reporting. Expenditure (operational and capital), revenue and performance management reports is prepared in this manner.

#### 1.37 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

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

The approved budget is prepared on a accrual basis and presented by functional classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 01 July 2022 to 30 June 2023.

Material differences or variances are defined as any differences or variances above 10% with a value of more than R1 000 000. Explanations for material differences between the approved and final budget are included in the annual financial statements.

Explanations for material differences between the final budget amounts and actual amounts are included in the Statement of comparison of budget and actual amounts.

Reconciliations are provided below the budget comparison statements regarding classification differences between the approved budget and the annual financial statements.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

The disclosure of comparative budget information is not required in terms of GRAP 24.

#### 1.38 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

An entity controls another entity when the entity is exposed, or has rights, to variable benefits from its involvement with the other entity and has the ability to affect the nature or amount of those benefits through its power over the other entity.

# Mossel Bay Municipality

## Annual Financial Statements for the year ended 30 June 2023

### Accounting Policies

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#### 1.38 Related parties (continued)

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

The municipality is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the municipality to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Where the municipality is exempt from the disclosures in accordance with the above, the municipality discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity's financial statements to understand the effect of related party transactions on its annual financial statements.

#### 1.39 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

# **Mossel Bay Municipality**

## **Annual Financial Statements for the year ended 30 June 2023**

### **Accounting Policies**

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#### **1.40 Changes in accounting policy, estimates and errors**

Changes in accounting policies have been applied retrospectively in accordance with GRAP 3 requirements, 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. Detail of changes in accounting policies are disclosed in the notes to the annual financial statements.

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements. Detail of changes in accounting estimates are disclosed in the notes to the annual financial statements.

Prior period errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect or 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. Detail of prior period errors are disclosed in the notes to the annual financial statements.

# Mossel Bay Municipality

## Annual Financial Statements for the year ended 30 June 2023

### Accounting Policies

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#### 1.41 Living and non-living resources

Living resources are those resources that undergo biological transformation.

Non-living resources are those resources, other than living resources, that occur naturally and have not been extracted.

Agricultural activity is the management by the municipality of the biological transformation and harvest of biological assets for:

- (a) sale;
- (b) distribution at no charge or for a nominal charge; or
- (c) conversion into agriculture produce or into additional biological assets for sale or distribution at no charge or for a nominal charge.

A bearer plant is a living plant that:

- (a) is used in the production or supply of agricultural produce;
- (b) is expected to bear produce for more than one period; and
- (c) has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales.

Biological transformation comprises the processes of growth, degeneration, production, and procreation that cause qualitative or quantitative changes in a living resource.

Carrying amount is the amount at which an asset is recognised after deducting any accumulated depreciation and accumulated impairment losses.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or development and, where applicable, the amount attributed to the asset when initially recognised in accordance with the specific requirements of other Standards of GRAP.

Depreciation is the systematic allocation of the depreciable amount of an asset over its useful life.

Depreciable amount is the cost of an asset, or other amount substituted for cost, less its residual value.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Group of resources means a grouping of living or non-living resources of a similar nature or function in the municipality's operations that is shown as a single item for the purpose of disclosure in the annual financial statements.

The residual value of an asset is the estimated amount that the municipality would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset was already of the age and in the condition expected at the end of its useful life.

Useful life is the period over which an asset is expected to be available for use by the municipality, or the number of production or similar units expected to be obtained from the asset by the municipality.

#### Recognition

Non-living resources, other than land, are not recognised as assets. Required information are disclosed in the notes to the annual financial statements.

A living resource is recognised 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.

Where the municipality is required in terms of legislation or similar means to manage a living resource, but it does not meet the definition of an asset because control of the resource cannot be demonstrated, relevant information are disclosed in the notes to the annual financial statements.

# Mossel Bay Municipality

## Annual Financial Statements for the year ended 30 June 2023

### Accounting Policies

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#### 1.41 Living and non-living resources (continued)

Where the municipality holds a living resource that meets the definition of an asset, but which does not meet the recognition criteria, relevant information are disclosed in the notes to the annual financial statements. When the information about the cost or fair value of the living resource becomes available, the municipality recognises, from that date, the living resource and apply the measurement principles.

##### Measurement at recognition

A living resource that qualifies for recognition as an asset is measured at its cost.

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

The cost of a living resource comprises its purchase price, including import duties and non-refundable purchase taxes, and any costs directly attributable to bringing the living resource to the location and condition necessary for it to be capable of operating in the manner intended by management.

##### Measurement after recognition

###### Cost model

After recognition as an asset, a group of living resources are carried at its cost less any accumulated depreciation and any accumulated impairment losses.

###### Depreciation

Living resources are depreciated and the depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset, where appropriate.

The depreciable amount of a living resource is allocated on a systematic basis over its useful life.

The municipality assesses at each reporting date whether there is any indication that the entity's expectations about the residual value and the useful life of a living resource 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(s) is accounted for as a change in an accounting estimate.

In assessing whether there is any indication that the expected useful life of the living resource has changed, the municipality considers the following indications:

- (a) The use of the living resource has changed, because of the following:
  - The municipality has changed the manner in which the living resource is used.
  - The municipality has made a decision to dispose of the living resource in a future reporting period(s) such that this decision changes the expected period over which the living resource will be used.
  - Legislation, government policy or similar means have been amended or implemented during the reporting period that have, or will, change the use of the living resource.
  - The living resource was idle or retired from use during the reporting period.
- (b) The living resource is approaching the end of its previously expected useful life.
- (c) There is evidence that the condition of the living resource improved or declined based on assessments undertaken during the reporting period.
- (d) The living resource is assessed as being impaired.

In assessing whether there is any indication that the expected residual value of the living resource has changed, the municipality considers whether there has been any change in the expected timing of disposal of the living resource, as well as any relevant indicators as noted above.

The depreciation method used reflects the pattern in which the future economic benefits or service potential of the living resource is expected to be consumed by the entity.

# Mossel Bay Municipality

## Annual Financial Statements for the year ended 30 June 2023

### Accounting Policies

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#### 1.41 Living and non-living resources (continued)

The depreciation method applied to a living resource is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the living resource, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The depreciation methods and useful lives of items of living resources have been assessed as follows:

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Item	Depreciation method	Average useful life
Sheep	Straight-line	5
Dogs	Straight-line	5
Other animals (Birds, etc.)	Straight-line	5 - 100

#### Impairment

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

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 impairment is recognised in the Statement of Financial Performance.

Compensation from third parties for living resources that have been impaired, lost or given up, is included in surplus or deficit when the compensation becomes receivable.

#### Transfers

Transfers from living resources are made when the particular asset no longer meets the definition of a living resource and/or is no longer within the scope of this accounting policy.

Transfers to living resources are made when the asset meets the definition of a living resource.

#### Derecognition

The carrying amount of a living resource is derecognised 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 living resource is included in surplus or deficit when the item is derecognised.

# Mossel Bay Municipality

## Annual Financial Statements for the year ended 30 June 2023

### Notes to the Annual Financial Statements

Figures in Rand	2023	2022
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#### 2. New standards and interpretations

##### 2.1 Standards and interpretations effective and adopted in the current year

No new standards and interpretations were adopted during the current financial year.

##### 2.2 Standards and Interpretations early adopted

No new standards were early adopted in the current financial year.

##### 2.3 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2023 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
<ul style="list-style-type: none"> <li>• Guideline: Guideline on the Application of Materiality to Financial Statements</li> </ul>	01 April 2023	Guideline is not authoritative but encouraged to consider when preparing Annual Financial Statements
<ul style="list-style-type: none"> <li>• GRAP 1 (amendments related to materiality): Presentation of Financial Statements</li> </ul>	01 April 2023	Unlikely there will be a material impact
<ul style="list-style-type: none"> <li>• GRAP 1 (amendments related to going concern): Presentation of Financial Statements</li> </ul>	01 April 2099	Unlikely there will be a material impact
<ul style="list-style-type: none"> <li>• GRAP 25 (Amended): Employee Benefits</li> </ul>	01 April 2023	Unlikely there will be a material impact
<ul style="list-style-type: none"> <li>• GRAP 103: Heritage Assets</li> </ul>	01 April 2099	Expected change on classification of mixed-use assets and fair value
<ul style="list-style-type: none"> <li>• Improvements to the Standards of GRAP (2020)</li> </ul>	01 April 2023	Unlikely there will be a material impact
<ul style="list-style-type: none"> <li>• iGRAP 7: The limit on a defined benefit asset, minimum funding requirement and their interaction</li> </ul>	01 April 2023	Unlikely there will be a material impact
<ul style="list-style-type: none"> <li>• iGRAP 21: The effect of past decisions on materiality</li> </ul>	01 April 2023	Unlikely there will be a material impact
<ul style="list-style-type: none"> <li>• Guideline: Accounting for Landfill Sites</li> </ul>	01 April 2023	Unlikely there will be a material impact
<ul style="list-style-type: none"> <li>• GRAP 104 (amended): Financial Instruments</li> </ul>	01 April 2025	Expected change on classification and that the change will have a big impact on impairment calculations

**Mossel Bay Municipality**  
**Annual Financial Statements for the year ended 30 June 2023**

**Notes to the Annual Financial Statements**

Figures in Rand	2023	2022
<b>3. Inventories</b>		
Consumable stores	23 745 518	18 625 454
Unsold property held for resale	1 798 768	1 693 768
Water	850 238	681 449
	<b>26 394 524</b>	<b>21 000 671</b>

Inventory (Consumable Stores) to the value of R - (2022: R 24 562) was written off during the financial year.

Water inventory to the value of R8 777 459 (2022: R8 658 690) were lost during the financial year. The main reason for these water losses is due to defective meters, breakage in pipelines, leaking valves, vandalism, theft, etc.

Unsold property held for resale relates to developed land that is held for resale by the municipality, mostly aimed at middle-income households.

Water inventory relates to purified water under the control of the municipality. The cost of sale per kilolitre increased from R6.46 p/kl in 2022 to R7.56 p/kl in 2023 representing an increase in cost of sale of 17.01%.

All inventory for the current year are carried at the lower of cost or the net realisable value.

Refer to note 46 for the amount of inventories recognised as an expense during the period.

None of the inventories were pledged as security for liabilities.

**Mossel Bay Municipality**  
**Annual Financial Statements for the year ended 30 June 2023**  
**Notes to the Annual Financial Statements**

Figures in Rand 2023 2022

**4. Unspent / (unpaid) construction contract advances**

**Contracts in progress at statement of financial position date**

**Unspent / (unpaid) construction contract advances per Housing Project:**

Asazani / Zinyoka	(9 622 946)	(9 622 946)
Elangeni	-	428 307
External Toilet Eradication	2 462 627	3 713 926
Khayelitsha	-	452 187
Sonskynvallei	-	2 685 766
	<b>(7 160 319)</b>	<b>(2 342 760)</b>

The Municipality has been allocated funds in the 2023/2024 financial year for the Asazani / Zinyoka project which will cover the unspent portion of construction contract advances.

**Movement during the year**

Opening balance	(2 342 759)	9 820 082
Receipts	-	1 865 826
Conditions met - Transferred to revenue	(1 251 298)	(14 028 669)
Repayment of unspent grants	(3 566 261)	-
	<b>(7 160 318)</b>	<b>(2 342 761)</b>

As at 30 June 2023, retention of contracts in progress were R 178 859 (2022: R -).

No contract debtors were pledged as security for any overdraft facilities.

An amount of R 3 566 261 was repaid to the Department of Human Settlements after the application for Roll-over of grant funding was rejected. The amounts unspent for Elangeni, Sonskynvallei and Khayelitsha in the previous year makes up this total.

**Method used to determine the contract revenue recognised in the period**

The stage of completion method was used to determine the contract revenue recognised in the period.

**Construction contracts revenue recognised**

Construction contracts	1 251 298	14 028 668
	<b>1 251 298</b>	<b>14 028 668</b>

Contract	Total contract cost	Total contract revenue recognised	Total contract cost	Total contract revenue recognised
	2023	2023	2022	2022
Asazani / Zinyoka	-	-	2 513 291	2 513 291
Elangeni	-	-	274 624	274 624
External Toilet Eradication	1 251 298	1 251 298	4 434 608	4 434 608
Khayelitsha	-	-	6 638 545	6 638 545
Sonskynvallei	-	-	167 600	167 600
	<b>1 251 298</b>	<b>1 251 298</b>	<b>14 028 668</b>	<b>14 028 668</b>

**Method used to determine the stage of completion of contracts in progress**

The proportion that contract costs incurred for work performed to date bear to the estimated total contract costs.

**Mossel Bay Municipality**  
**Annual Financial Statements for the year ended 30 June 2023**  
**Notes to the Annual Financial Statements**

Figures in Rand		2023	2022
<b>4. Unspent / (unpaid) construction contract advances (continued)</b>			
<b>30 June 2023</b>	Aggregate amount of costs incurred and recognised surpluses (less recognised deficits) to date for agreements in progress	Amount of retentions	Roll-Over not approved and paid back
Asazani / Zinyoka	111 345 758	-	-
Elangeni	6 628 074	-	428 308
External Toilet Eradication	7 905 284	178 859	-
Khayelitsha	12 484 357	-	452 187
Sonskynvallei	55 587 517	-	2 685 766
	<b>193 950 990</b>	<b>178 859</b>	<b>3 566 261</b>
<b>30 June 2022</b>	Aggregate amount of costs incurred and recognised surpluses (less recognised deficits) to date for agreements in progress	Amount of advances received for agreements in progress	Amount of retentions
Asazani / Zinyoka	111 345 758	327 820	-
Elangeni	6 628 074	35 820	-
External Toilet Eradication	6 653 986	578 427	-
Khayelitsha	12 484 357	865 897	-
Sonskynvallei	55 587 517	57 861	-
	<b>192 699 692</b>	<b>1 865 825</b>	<b>-</b>

**Mossel Bay Municipality**  
**Annual Financial Statements for the year ended 30 June 2023**  
**Notes to the Annual Financial Statements**

Figures in Rand	2023	2022
<b>5. Long-term receivables</b>		
<b>At amortised cost</b>		
Land Sales Debtors	1 013	1 356
Bursary Obligations	279 390	233 574
Housing Selling Schemes	106 463	236 807
	386 866	471 737
Impairments	(77 416)	(87 881)
	<b>309 450</b>	<b>383 856</b>
<b>Non-current assets</b>		
At amortised cost	21 637	17 166
<b>Current assets</b>		
At amortised cost	287 813	366 690
<b>Total</b>	<b>309 450</b>	<b>383 856</b>
<b>Reconciliation of debt impairment of long-term receivables</b>		
Balance at the beginning of the year	87 881	110 096
Contribution to / (Reversal from) provision	(10 465)	(22 215)
	-	-
	<b>77 416</b>	<b>87 881</b>

Outstanding Land Sales debtors and Housing Selling Scheme Loans were summarised in scheme numbers. A payment % report was drawn in order to establish the payment percentage per type of debtor. This payment percentage was used to impair these long-term receivables.

No provision for debt impairment to be recognised for study loans.

Land Sales: Loans were granted to qualified individuals by Council. These loans attract interest at market-related interest rates.

Housing Selling Scheme Loans: Housing loans are granted to qualifying individuals in terms of the National Housing Policy. These loans attract interest at a rate determined by the National Minister of Housing.

**6. Receivables from exchange transactions**

<b>Gross balances</b>		
Electricity	59 644 638	56 420 890
Water	58 533 693	71 598 565
Sewerage	20 925 252	36 868 798
Refuse	18 773 304	32 858 867
Land sales	7 178	6 407
Housing selling schemes	897 913	1 231 287
Housing rental	207 173	230 129
Other (merchandising, jobbing, contracts and service charges)	44 798 907	33 137 006
Payments received in advance	8 649 896	6 690 220
	<b>212 437 954</b>	<b>239 042 169</b>

**Mossel Bay Municipality**  
**Annual Financial Statements for the year ended 30 June 2023**  
**Notes to the Annual Financial Statements**

Figures in Rand	2023	2022
<b>6. Receivables from exchange transactions (continued)</b>		
<b>Less: Allowance for impairment</b>		
Electricity	(7 460 679)	(6 698 053)
Water	(18 408 419)	(40 722 275)
Sewerage	(12 282 622)	(29 611 805)
Refuse	(9 814 475)	(25 396 126)
Land sales	(6 873)	(5 988)
Housing selling schemes	(887 637)	(1 228 585)
Housing rental	(194 903)	(224 962)
Other (merchandising, jobbing, contracts and service charges)	(13 992 526)	(12 155 271)
	<b>(63 048 134)</b>	<b>(116 043 065)</b>

**Net balance**

Electricity	52 183 959	49 722 837
Water	40 125 274	30 876 290
Sewerage	8 642 630	7 256 993
Refuse	8 958 829	7 462 741
Land sales	305	419
Housing selling schemes	10 276	2 702
Housing rental	12 270	5 167
Other (merchandising, jobbing, contracts and service charges)	30 806 381	20 981 735
Payments received in advance	8 649 896	6 690 220
	<b>149 389 820</b>	<b>122 999 104</b>

**Electricity**

Current (0 -30 days)	50 186 173	44 638 004
31 - 60 days	860 082	1 728 061
61 - 90 days	950 266	1 280 393
91 - 120 days	679 454	980 701
121 - 365 days	3 535 998	6 232 842
> 365 days	3 432 665	1 560 889
Less: Impairment	(7 460 679)	(6 698 053)
	<b>52 183 959</b>	<b>49 722 837</b>

Electricity receivable that are past due as at 30 June 2023 but not impaired is R1 997 787 (2022: R5 084 834).

**Water**

Current (0 -30 days)	37 300 841	32 457 383
31 - 60 days	1 629 397	2 325 823
61 - 90 days	1 427 834	2 214 122
91 - 120 days	1 116 433	2 074 472
121 - 365 days	6 514 194	13 697 889
> 365 days	10 544 994	18 828 877
Less: Impairment	(18 408 419)	(40 722 276)
	<b>40 125 274</b>	<b>30 876 290</b>

Water receivable that are past due as at 30 June 2023 but not impaired is R2 824 432 (2022: Rnil).

**Mossel Bay Municipality**  
**Annual Financial Statements for the year ended 30 June 2023**  
**Notes to the Annual Financial Statements**

Figures in Rand	2023	2022
<b>6. Receivables from exchange transactions (continued)</b>		
<b>Sewerage</b>		
Current (0 -30 days)	6 990 982	8 444 562
31 - 60 days	853 167	1 684 410
61 - 90 days	928 582	1 572 304
91 - 120 days	669 520	1 495 793
121 - 365 days	4 265 666	10 853 011
> 365 days	7 217 335	12 818 718
Less: Impairment	(12 282 622)	(29 611 805)
	<b>8 642 630</b>	<b>7 256 993</b>

Sewerage receivable that are past due as at 30 June 2023 but not impaired is R1 651 648 (2022: Rnil).

<b>Refuse</b>		
Current (0 -30 days)	7 625 542	8 522 404
31 - 60 days	743 937	1 410 156
61 - 90 days	663 921	1 315 326
91 - 120 days	585 692	1 233 474
121 - 365 days	3 662 147	9 026 783
> 365 days	5 492 065	11 350 725
Less: Impairment	(9 814 475)	(25 396 127)
	<b>8 958 829</b>	<b>7 462 741</b>

Refuse receivable that are past due as at 30 June 2023 but not impaired is R1 333 287 (2022: Rnil).

<b>Land sales</b>		
Current (0 -30 days)	415	424
31 - 60 days	114	180
61 - 90 days	91	61
91 - 120 days	76	61
121 - 365 days	555	473
> 365 days	5 927	5 208
Less: Impairment	(6 873)	(5 988)
	<b>305</b>	<b>419</b>

Land Sales receivable that are past due as at 30 June 2023 but not impaired is Rnil (2022: Rnil).

<b>Housing selling schemes</b>		
Current (0 -30 days)	15 291	17 023
31 - 60 days	6 935	8 004
61 - 90 days	6 743	7 842
91 - 120 days	6 650	7 716
121 - 365 days	52 469	79 809
> 365 days	809 825	1 110 893
Less: Impairment	(887 637)	(1 228 585)
	<b>10 276</b>	<b>2 702</b>

Housing Selling Schemes receivable that are past due as at 30 June 2023 but not impaired is Rnil (2022: Rnil).

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<b>6. Receivables from exchange transactions (continued)</b>		
<b>Housing rental</b>		
Current (0 -30 days)	8 478	8 114
31 - 60 days	2 997	2 991
61 - 90 days	2 740	2 862
91 - 120 days	2 781	2 846
121 - 365 days	21 815	42 749
> 365 days	168 362	170 567
Less: Impairment	(194 903)	(224 962)
	<b>12 270</b>	<b>5 167</b>

Housing rentals receivable that are past due as at 30 June 2023 but not impaired is R3 791 (2022: Rnil).

<b>Other (merchandising, jobbing, contracts and service charges)</b>		
Current (0 -30 days)	32 431 095	18 691 649
31 - 60 days	976 150	1 010 744
61 - 90 days	612 249	930 949
91 - 120 days	924 515	824 565
121 - 365 days	4 038 403	4 752 351
> 365 days	5 816 495	6 926 749
Less: Impairment	(13 992 526)	(12 155 272)
	<b>30 806 381</b>	<b>20 981 735</b>

Other Receivables from Exchange transactions includes accruals for Interest on Investments to the amount of R 13 343 681 (2022: R5 099 531).

Other receivables that are past due as at 30 June 2023 but not impaired is Rnil (2022: R2 290 087).

No receivables were pledged as security.

**Summary of exchange receivables by customer classification**

Residential / Consumers	52 722 241	36 075 931
Industrial / Commercial	51 856 211	51 677 682
National and Provincial Government	3 096 658	3 623 700
Other	33 064 814	24 931 571
	<b>140 739 924</b>	<b>116 308 884</b>

The summary of receivables by customer classification excludes Payments received in advance.

<b>Reconciliation of allowance for impairment</b>		
Balance at beginning of the year	(116 043 065)	(61 719 431)
Movement in allowance for impairment	52 994 931	(54 323 634)
	<b>(63 048 134)</b>	<b>(116 043 065)</b>

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<b>7. Receivables from non-exchange transactions</b>		
<b>Gross balance</b>		
Rates	23 499 545	20 001 579
Traffic fines	30 864 824	21 454 743
Government grants and subsidies	128 834	128 834
Other	1 463 831	2 413 200
Availability charges - Electricity	3 360 494	2 985 887
Availability charges - Sanitation and Sewerage	1 753 674	1 702 178
Availability charges - Water	2 468 646	2 469 358
	<b>63 539 848</b>	<b>51 155 779</b>
<b>Less: Allowance for impairment</b>		
Rates	(7 261 264)	(7 025 230)
Traffic fines	(27 483 428)	(20 577 301)
Other	(682 555)	(1 114 181)
Availability charges - Electricity	(1 957 402)	(1 971 657)
Availability charges - Sanitation and Sewerage	(982 031)	(1 075 649)
Availability charges - Water	(1 537 915)	(1 689 171)
	<b>(39 904 595)</b>	<b>(33 453 189)</b>
<b>Net balance</b>		
Rates	16 238 281	12 976 349
Traffic fines	3 381 396	877 442
Government grants and subsidies	128 834	128 834
Other	781 276	1 299 019
Availability charges - Electricity	1 403 092	1 014 230
Availability charges - Sanitation and Sewerage	771 643	626 529
Availability charges - Water	930 731	780 187
	<b>23 635 253</b>	<b>17 702 590</b>

Rates, Traffic fines and Government grants and subsidies disclosed under Receivables from Non-exchanges transactions are Statutory Receivables in context of GRAP 108. Statutory receivables arise from legislation, supporting regulations, or similar means, and require settlement by another entity in cash or another financial asset. Refer to Note 8 for disclosure notes relating to Statutory receivables.

Availability charges for Electricity, Water and Sewerage are not classified as Statutory Receivables in context of GRAP 108, but rather a Financial instrument in terms of GRAP 104.

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

No receivables were pledged as security.

**Rates: Ageing**

Current (0 -30 days)	13 504 839	11 639 359
31 - 60 days	797 089	575 321
61 - 90 days	753 977	432 655
91 - 120 days	588 203	371 418
121 - 365 days	2 951 669	2 665 388
> 365 days	4 903 768	4 317 438
Less: Impairment	(7 261 264)	(7 025 230)
	<b>16 238 281</b>	<b>12 976 349</b>

Rates receivable that are past due as at 30 June 2023 but not impaired is R2 733 441 (2022: R 1336 990).

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<b>7. Receivables from non-exchange transactions (continued)</b>		
<b>Availability charges - Electricity: Ageing</b>		
Current (0 -30 days)	1 027 616	831 952
31 - 60 days	171 645	128 255
61 - 90 days	148 868	105 504
91 - 120 days	128 938	96 726
121 - 365 days	665 116	594 479
> 365 days	1 218 311	1 228 971
Less: Impairment	(1 957 402)	(1 971 657)
	<b>1 403 092</b>	<b>1 014 230</b>

Availability charges - Electricity receivable that are past due as at 30 June 2023 but not impaired is R375 475 (2022: R182 277).

**Availability charges - Sanitation and sewerage: Ageing**

Current (0 -30 days)	550 838	479 883
31 - 60 days	89 696	71 817
61 - 90 days	79 746	60 152
91 - 120 days	68 128	55 281
121 - 365 days	343 682	316 488
> 365 days	621 584	718 557
Less: Impairment	(982 031)	(1 075 649)
	<b>771 643</b>	<b>626 529</b>

Availability charges -Sanitation and sewerage receivable that are past due as at 30 June 2023 but not impaired is R220 806 (2022: R146 647).

**Availability charges - Water: Ageing**

Current (0 -30 days)	651 992	630 025
31 - 60 days	111 879	96 647
61 - 90 days	98 552	81 002
91 - 120 days	85 179	73 593
121 - 365 days	444 744	459 788
> 365 days	1 076 300	1 128 303
Less: Impairment	(1 537 915)	(1 689 171)
	<b>930 731</b>	<b>780 187</b>

Availability charges - Water receivable that are past due as at 30 June 2023 but not impaired is R278 738 (2022: R150 163).

**Summary of non-exchange receivables by customer classification**

The summary of receivables by customer classification includes Rates and Availability charges.

Residential / Consumers	14 634 453	11 580 104
Industrial / Commercial	3 486 458	2 945 227
National and Provincial Government	530 859	154 158
Other	691 977	717 806
	<b>19 343 747</b>	<b>15 397 295</b>

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**7. Receivables from non-exchange transactions (continued)**

**Reconciliation of allowance for impairment**

Opening balance	(33 453 189)	(30 976 438)
Provision for impairment	(6 451 406)	(2 476 751)
	<b>(39 904 595)</b>	<b>(33 453 189)</b>

**8. Statutory receivables**

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.

In accordance with the principles of GRAP 108, statutory receivables of the municipality is classified as follows:

**Statutory receivables balances**

**Statutory receivables included in the Statement of Financial Position under VAT Receivable**

VAT (Payable) / Receivable	13 513 319	13 010 572
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**8. Statutory receivables (continued)**

**Statutory receivables included in the Statement of Financial Position under Receivables from non-exchange transactions**

Property Rates	16 238 281	12 976 349
Traffic fines	3 381 396	877 442
Government grants and subsidies	128 834	128 834
	<b>19 748 511</b>	<b>13 982 625</b>

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

**Statutory receivables transactions**

**Statutory receivables transactions included in the Statement of Financial Performance:**

**Property rates:**

Property rates revenue	192 123 229	170 542 268
Interest earned - outstanding property rates	895 873	551 359

**Traffic fines:**

Fines, penalties and forfeits	22 602 880	16 233 882
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**Government grants and subsidies:**

Disaster Management Grant	-	-
	<b>215 621 982</b>	<b>187 327 509</b>

**Reconciliation of provision for impairment for statutory receivables**

**Provision for impairment included under VAT Receivable transactions:**

VAT Receivable	-	-
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**Provision for impairment included under receivables from non-exchange transactions:**

Property Rates	(7 261 264)	(7 025 230)
Traffic fines	(27 483 428)	(20 577 301)
Government grants and subsidies	-	-
	<b>(34 744 692)</b>	<b>(27 602 531)</b>

**Recognition or reversal of impairment losses on statutory receivables**

**Recognition of impairment losses**

Property Rates	757 518	760 233
Traffic Fines	6 906 127	906 226

**Reversal of impairment losses**

Traffic Fines	(225 329)	(702 317)
	<b>7 438 316</b>	<b>964 142</b>

Statutory receivables are impaired in line with the Municipality's Accounting Policy 1.13 .

**Statutory receivables past due but not impaired**

**Statutory receivables**

Property Rates	2 733 441	1 336 990
Traffic fines	-	-
Government grants and subsidies	128 834	128 834

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<b>8. Statutory receivables (continued)</b>		
VAT (Payable) / Receivable	13 513 319	14 888 607
	<b>16 375 594</b>	<b>16 354 431</b>

Additional information on collectability of statutory receivables can be seen in Note 11 and Note 7 of this document.

**Transactions arising from statute**

Property rates related transactions arise in terms of the Municipal Property Rates Act, 6 of 2004, Municipal Finance Management Act, 56 of 2003, as well as the Property Rates Policy of the municipality approved by Council as part of the Budget Process.

Traffic fines arise from the National Road Traffic Act 93 of 1996, National Road Traffic Regulations 2000, National Land Transport Act 5 of 2009 and Criminal Procedure Act 51 of 1971. Prosecutor performs prosecutorial functions in terms of a general delegation awarded by the National Prosecuting Authority and is subject to the control of the Control Prosecutor at the Magistrate's Court in Mossel Bay.

Government grants related transactions arise in terms of the applicable annual Division of Revenue Act as well as the relevant Provincial Gazette. The receivable for Government grants and subsidies to the amount of R128 834 is for the Disaster Management Grant that is due from the Garden Route District Municipality. This grant was allocated to Mossel Bay Municipality in the 2014/15 year and the District Municipality subtracted the amount of R128 834 from the grant payment made to Mossel Bay for outstanding accounts raised by them for Fire services rendered.

VAT transactions arise from the Value Added Tax Act 89 of 1991. VAT is an indirect tax on the consumption of goods and services in the economy. VAT is levied on all goods and services subject to certain exemptions, exceptions, deductions and adjustments provided for in the Value Added Tax Act 89 of 1991.

**Determination of transaction amounts**

Property rates transaction amounts are determined in line with the Annual Tariff List of the municipality approved by Council as part of the Budget Process in terms of the Municipal Finance Management Act, 56 of 2003.

Traffic fines transaction amounts are determined in line with the Traffic Offence Code Book as approved by Senior Magistrate and implemented in the district of Mossel Bay.

Government grants related transaction amounts allocated to the municipality are stipulated in the applicable annual Division of Revenue Act Bill as well as the relevant Provincial Gazette.

VAT transactions amounts are determined in line with the Value Added Tax Act 89 of 1991.

**Interest or other charges levied / charged**

Interest or other charges levied on Property rates balances are in line with the Annual Tariff List of the municipality approved by Council as part of the Budget Process in terms of the Municipal Finance Management Act, 56 of 2003. "Interest" means a charge levied, on all arrear accounts calculated at an interest rate which is one percent higher than the prime interest rate.

Traffic fines: Additional charges includes contempt of court fees / warrant of arrest fee determined in terms of the Criminal Procedure Act. Currently at R200 effected after court date on non/default payment / non appearance.

Interest or other charges levied on Government grants, if applicable, is based on the average investment rate for the applicable year.

The rates and interest charges are determined by the Value Added Tax Act 89 of 1991.

# Mossel Bay Municipality

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#### 8. Statutory receivables (continued)

##### Basis used to assess and test whether a statutory receivable is impaired

The basis used to assess Property Rates receivables is to look at the extent to which debtors on an individual basis defaulted on payments already due and an assessment of their ability to make payments based on their historical collection trend.

The basis used to assess Traffic fine receivables is to look at the extent to which debtors per group of fines (Municipal fines, Provincial fines) defaulted on payments already due and an assessment of their ability to make payments based on their historical collection trend.

Each individual Grant is assessed for collectability in line with the legislative prescripts or contract arrangements that relates to the specific grant.

No impairment on VAT Receivable, balance expected to be fully recoverable.

##### Discount rate applied to the estimated future cash flows

The discount rate applied for all types of Statutory receivables mentioned above is based on the average rate of investments. This rate is seen as risk free as the amount to be paid in interest and capital amount is guaranteed by the Investment institution.

#### 9. Non-living resources

##### Nature and types of non-living resources

The only non-living resource identified by Mossel Bay Municipality is the water resource as no other natural resources are prevalent within the jurisdiction of Mossel Bay Municipality:

The major portion of water for consumption is provide from Wolwedans dam with a capacity of 24 630 000 m<sup>3</sup> and the Klipheuwel dam with a capacity of 4 450 000 m<sup>3</sup>, both owned and operated by Department of Water and Sanitation. The Municipality does not have any obligations or responsibilities towards the provincial dams to safeguard, maintain or control them. The dams are merely a source from which the municipality purchases water resources as needed for use in providing water services to the community.

Ernest Robertson Dam: The dam is a municipal operated and owned dam with a capacity of 410 000 m<sup>3</sup>.

The Municipality also regards the ocean as a source of a water resource. The reason for this is that the Municipality, together with PETROSA, Jointly controls a desalination plant used to purify sea water. The Municipality does have some seawater extraction requirements. The desalination plant has a capacity of 15m/l water per day of which the Municipality has a right to two thirds of the water produced.

The municipality has various boreholes throughout the jurisdiction area, however the boreholes are insignificant in their supply of water in relation to the total water supply.

The major river water sources for the municipality that needs to be disclosed are the Klein Bos Weir, the Friemersheim Weir and Ruiterbos river. The other rivers, springs and other water sources are considered insignificant in their supply of water in relation to the total water supply.

After extraction the water from the dams, boreholes and sea, the water is purified at various purification works after which it is accounting wise treated as water inventory. See the disclosure note 3 in this regard.

The Ernest Robertson dam, the borehole equipment and the desalination plant are recognised as capital assets and reported as part of the accounting group Property Plant and Equipment.

There is no liability that arise due to the custodianship of the water resource. No resources were given up that resulted in compensation from third parties. The desalination plant arrangement is disclosed in note 66.

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**10. Living resources**

	2023			2022		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Sheep	35 285	(19 337)	15 948	-	-	-
Dogs	335 565	(5 792)	329 773	-	-	-
<b>Total</b>	<b>370 850</b>	<b>(25 129)</b>	<b>345 721</b>	<b>-</b>	<b>-</b>	<b>-</b>

**Reconciliation of living resources - 2023**

	Opening balance	Additions	Transfers received / (made)	Depreciation	Total
Sheep	-	-	15 948	-	15 948
Dogs	-	335 565	-	(5 792)	329 773
	<b>-</b>	<b>335 565</b>	<b>15 948</b>	<b>(5 792)</b>	<b>345 721</b>

**Reconciliation of living resources - 2022**

**Nature and type of Living resources**

The municipality is in the process of establishment of a K9 dog unit as part of Community Safety initiatives. Dogs have been purchased by the municipality and one dog donated to the municipality for this purpose. There are also various other animals in Harry Giddy Park, kept for recreational purposes.

The animals in the Harry Giddy Park were previously disclosed as a separate accounting reporting group but kept as part of Property, Plant and Equipment in Note 14 in accordance with the judgement then made as it was immaterial in value and quantity. The judgement has changed this year as the Municipality for the first time purchased dogs for the establishment of a K9 dog unit for which the amounts are material.

Other Disclosures:

Refer to note 51 for detail on change in accounting estimates.

Refer to note 59 for detail on contractual commitments.

The Municipality do not have any living resources that are borrowed from other entities, or which are on loan to other entities. There are no restrictions on the realisability of the living resources or the remittance of revenue and proceeds of de-recognition.

No Living resources are pledged as security for liabilities.

None of the living resources carries an impairment.

**11. VAT (Payable) / Receivable**

VAT (Payable) / Receivable	13 513 319	13 010 572
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VAT is payable on the payment basis. Only once payment is received from debtors VAT is paid over to SARS.

VAT Receivable is a Statutory Receivable in context of GRAP 108. Statutory receivables arise from legislation, supporting regulations, or similar means, and require settlement by another entity in cash or another financial asset. Refer to Note 8 for disclosure notes relating to Statutory receivables.

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**12. Short-term investments**

ABSA Bank	65 358 937	-
Nedbank	368 171 550	305 016 468
Standard Bank	126 432 922	220 528 187
	<b>559 963 409</b>	<b>525 544 655</b>

The average rate of return on Short-term Investments was 6.7% for the year ended 30 June 2023.

The carrying value of Short-term Investments approximate their fair value.

No investments were pledged as security.

**13. Cash and cash equivalents**

Cash and cash equivalents consist of:

Petty cash	16 954	21 637
Bank balances	53 742 926	42 058 736
Short-term deposits	-	20 458 615
	<b>53 759 880</b>	<b>62 538 988</b>

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2023	30 June 2022	30 June 2021	30 June 2023	30 June 2022	30 June 2021
Primary Bank Account - Standard Bank 251940381	66 520 821	-	-	53 742 926	-	-
Primary Bank Account - Nedbank cheque account 1134644809	-	39 637 783	91 437 823	-	42 058 736	92 062 660
<b>Total</b>	<b>66 520 821</b>	<b>39 637 783</b>	<b>91 437 823</b>	<b>53 742 926</b>	<b>42 058 736</b>	<b>92 062 660</b>

Short-term Deposits	2023	2022
Short-term Deposits: Current portion matures within next 12 months	-	20 458 615

All accounts of Mossel Bay Municipality are currently held with Standard Bank. The balance on the two Traffic fines accounts number 251940411 - Account for Municipal Traffic fines, and number 251940403 - Account for Provincial Traffic fines, are swept to the Primary bank account number 251940381 on a daily basis.

The management of the municipality is of the opinion that the carrying value of Short-term Deposits, Bank Balances and Petty Cash recorded at amortised cost in the Annual Financial Statements approximate their fair values.

The fair value of Short-term Deposits, Bank Balances and Petty Cash was determined after considering the standard terms and conditions of agreements entered into between the municipality and financial institutions.

The average rate of return on Short-term Deposits was 6.6% for the year ended 30 June 2023.

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

No restrictions were placed on the use of cash and cash equivalents.

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**14. Property, plant and equipment**

	2023			2022		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
<b>Infrastructure</b>						
Coastal Infrastructure	5 114 771	(2 570 336)	2 544 435	4 845 920	(2 336 432)	2 509 488
Electrical Infrastructure	468 834 877	(157 018 622)	311 816 255	418 720 210	(145 693 474)	273 026 736
Information and Communication Infrastructure	14 695 482	(5 105 431)	9 590 051	7 108 275	(4 244 739)	2 863 536
Land	114 067 573	-	114 067 573	114 738 884	-	114 738 884
Roads Infrastructure	530 649 915	(216 331 831)	314 318 084	498 825 680	(188 011 000)	310 814 680
Sanitation Infrastructure	547 259 382	(187 485 898)	359 773 484	512 011 013	(169 565 588)	342 445 425
Solid Waste Infrastructure	100 976 031	(47 329 180)	53 646 851	93 740 185	(34 487 431)	59 252 754
Storm Water Infrastructure	240 687 003	(65 793 107)	174 893 896	233 800 908	(57 344 883)	176 456 025
Water Supply Infrastructure	659 029 144	(253 279 031)	405 750 113	638 173 848	(222 864 058)	415 309 790
<b>Community Assets</b>						
Community assets	345 448 020	(93 116 384)	252 331 636	330 905 687	(85 240 135)	245 665 552
Libraries	13 894 301	(2 930 469)	10 963 832	13 652 412	(2 682 263)	10 970 149
Zoo, Marine and Non-biological Animals	374 250	(3 916)	370 334	109 535	(20 780)	88 755
Land	205 603 601	-	205 603 601	211 339 123	-	211 339 123
<b>Other Assets</b>						
Operational and Housing Buildings	186 347 985	(40 859 898)	145 488 087	163 999 202	(37 722 041)	126 277 161
Machinery and Equipment	34 881 241	(21 835 853)	13 045 388	31 276 791	(20 233 363)	11 043 428
Furniture and Office equipment	27 096 273	(16 046 099)	11 050 174	24 465 041	(14 703 845)	9 761 196
Computer equipment	28 337 053	(16 655 718)	11 681 335	21 149 740	(13 653 718)	7 496 022
Transport assets	118 609 477	(41 739 601)	76 869 876	98 928 461	(36 685 607)	62 242 854
Land	70 832 403	(5 002 222)	65 830 181	72 632 201	(5 002 222)	67 629 979
<b>Total</b>	<b>3 712 738 782</b>	<b>(1 173 103 596)</b>	<b>2 539 635 186</b>	<b>3 490 423 116</b>	<b>(1 040 491 579)</b>	<b>2 449 931 537</b>

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

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

	Opening balance	Additions	Disposals	Transfers received / (made)	Depreciation	Impairment loss	Impairment reversal	Total
<b>Infrastructure</b>								
Coastal Infrastructure	2 509 488	279 003	(3 137)	-	(240 919)	-	-	2 544 435
Electrical Infrastructure	273 026 736	52 500 873	(478 114)	-	(13 227 640)	(5 600)	-	311 816 255
Information and Communication Infrastructure	2 863 536	7 718 656	(9 411)	-	(982 730)	-	-	9 590 051
Land	114 738 884	843 071	(1 514 382)	-	-	-	-	114 067 573
Roads Infrastructure	310 814 680	31 862 903	(1 540)	-	(28 333 229)	(24 730)	-	314 318 084
Sanitation Infrastructure	342 445 425	35 512 764	(14 385)	(55 350)	(18 114 970)	-	-	359 773 484
Solid Waste Infrastructure	59 252 754	7 525 899	(220 341)	-	(12 911 461)	-	-	53 646 851
Storm Water Infrastructure	176 456 025	6 886 095	-	-	(8 448 224)	-	-	174 893 896
Water Supply Infrastructure	415 309 790	20 952 893	(78 501)	44 650	(30 455 099)	(23 620)	-	405 750 113
<b>Community Assets</b>								
Community assets	245 665 552	16 559 780	(1 275 686)	-	(8 693 784)	(24 556)	100 330	252 331 636
Libraries	10 970 149	241 889	-	-	(248 206)	-	-	10 963 832
Zoo, Marine and Non-biological Animals	88 755	300 000	-	(15 948)	(2 473)	-	-	370 334
Land	211 339 123	39 479	(5 775 000)	-	-	-	-	205 603 602
<b>Other Assets</b>								
Operational and Housing Buildings	126 277 161	22 689 158	(64 707)	-	(3 434 278)	(13 811)	34 564	145 488 087
Machinery and Equipment	11 043 428	4 393 885	(166 985)	-	(2 224 940)	-	-	13 045 388
Furniture and Office equipment	9 761 196	2 843 932	(75 884)	-	(1 479 070)	-	-	11 050 174
Computer equipment	7 496 022	7 325 547	(58 818)	10 700	(3 092 116)	-	-	11 681 335
Transport assets	62 242 854	20 089 071	(61 861)	-	(5 400 188)	-	-	76 869 876
Land	67 629 980	-	(1 799 798)	-	-	-	-	65 830 182
	<b>2 449 931 538</b>	<b>238 564 898</b>	<b>(11 598 550)</b>	<b>(15 948)</b>	<b>(137 289 327)</b>	<b>(92 317)</b>	<b>134 894</b>	<b>2 539 635 188</b>

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

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

	Opening balance	Additions	Disposals	Depreciation	Impairment loss	Impairment reversal	Total
<b>Infrastructure</b>							
Coastal Infrastructure	2 739 761	-	-	(230 273)	-	-	2 509 488
Electrical Infrastructure	255 611 400	32 016 316	(1 473 757)	(13 127 223)	-	-	273 026 736
Information and Communication Infrastructure	2 635 149	886 681	(51 683)	(606 611)	-	-	2 863 536
Land	114 747 629	-	(8 745)	-	-	-	114 738 884
Roads Infrastructure	331 787 666	6 848 931	(9 757)	(27 812 160)	-	-	310 814 680
Sanitation Infrastructure	335 436 180	24 321 419	(20 000)	(17 292 174)	-	-	342 445 425
Solid Waste Infrastructure	53 759 341	14 339 736	(99 537)	(8 773 052)	-	26 266	59 252 754
Storm Water Infrastructure	170 576 227	13 771 661	-	(7 891 863)	-	-	176 456 025
Water Supply Infrastructure	404 732 895	39 062 802	(1 354 569)	(27 131 338)	-	-	415 309 790
<b>Community Assets</b>							
Community assets	217 330 838	35 853 511	(404 875)	(7 906 722)	(3 515)	796 315	245 665 552
Libraries	11 167 444	51 174	-	(248 469)	-	-	10 970 149
Zoo, Marine and Non-biological Animals	17 281	74 250	-	(2 776)	-	-	88 755
Land	211 339 123	-	-	-	-	-	211 339 123
<b>Other Assets</b>							
Operational and Housing Buildings	128 208 659	1 122 304	(50 959)	(3 015 784)	(9 410)	22 351	126 277 161
Machinery and Equipment	12 445 924	826 372	(126 408)	(2 102 460)	-	-	11 043 428
Furniture and Office equipment	9 340 058	2 055 966	(249 258)	(1 385 570)	-	-	9 761 196
Computer equipment	6 240 025	3 323 983	(64 294)	(2 003 692)	-	-	7 496 022
Transport assets	55 152 063	12 601 567	(740 886)	(4 769 890)	-	-	62 242 854
Land	72 452 246	217 391	(37 436)	-	(5 002 222)	-	67 629 979
	<b>2 395 719 909</b>	<b>187 374 064</b>	<b>(4 692 164)</b>	<b>(124 300 057)</b>	<b>(5 015 147)</b>	<b>844 932</b>	<b>2 449 931 537</b>

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

**Reconciliation of Depreciation Charge for Property, Plant and Equipment**

The depreciation charge for the year i.r.o. the Water Treatment Plant is reallocated to water inventory consumed.

The depreciation charge for Property, Plant and Equipment was recognised as follows:

Included in the depreciation expense	136 786 457	123 864 798
Included in water inventory consumed	502 870	435 259
<b>Total depreciation charge for the year</b>	<b>137 289 327</b>	<b>124 300 057</b>

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

	Opening balance	Additions / capital expenditure	Finalised during the year	Total
<b>Infrastructure</b>				
Coastal infrastructure	-	219 030	(219 030)	-
Electrical infrastructure	49 640 205	48 282 873	(22 094 682)	75 828 396
Information and communications infrastructure	-	4 864 398	(4 435 678)	428 720
Road infrastructure	13 767 285	33 383 237	(5 989 008)	41 161 514
Sanitation infrastructure	9 755 532	38 330 641	(18 470 858)	29 615 315
Solid waste infrastructure	34 981	5 922 429	(5 530 961)	426 449
Storm-water infrastructure	2 376 849	6 035 067	(3 004 082)	5 407 834
Water supply infrastructure	13 329 134	24 654 866	(21 759 160)	16 224 840
<b>Community Assets</b>				
Community Assets	2 624 117	11 696 640	(4 649 026)	9 671 731
Community Assets Land	-	39 478	-	39 478
Zoo Marine and Non-biological Animals	-	632 522	(332 522)	300 000
<b>Other assets</b>				
Land	217 391	-	(217 391)	-
Operational & Housing Buildings	14 321 583	28 530 914	(32 768 001)	10 084 496
	<b>106 067 077</b>	<b>202 592 095</b>	<b>(119 470 399)</b>	<b>189 188 773</b>

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<b>14. Property, plant and equipment (continued)</b>				
<b>Reconciliation of Work-in-Progress 2022</b>				
	Opening balance	Additions / capital expenditure	Finalised during the year	Total
<b>Infrastructure</b>				
Coastal infrastructure	-	11 540	(11 540)	-
Electrical Infrastructure	26 992 970	31 341 051	(8 693 816)	49 640 205
Information and Communications Infrastructure	-	911 520	(911 520)	-
Road Infrastructure	17 584 823	22 697 543	(26 515 081)	13 767 285
Sanitation Infrastructure	78 856 126	17 018 449	(86 119 043)	9 755 532
Solid Waste Infrastructure	541 340	13 755 554	(14 261 913)	34 981
Storm Water Infrastructure	6 451 950	6 476 366	(10 551 467)	2 376 849
Water Supply Infrastructure	20 464 108	35 666 733	(42 801 707)	13 329 134
<b>Community Assets</b>				
Community Assets	7 462 539	10 612 590	(15 451 012)	2 624 117
Libraries	726 929	51 174	(778 103)	-
<b>Other Assets</b>				
Land	-	217 391	-	217 391
Operational & Housing Buildings	21 011 459	24 130 275	(30 820 151)	14 321 583
	<b>180 092 244</b>	<b>162 890 186</b>	<b>(236 915 353)</b>	<b>106 067 077</b>

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

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

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

Contracted services	47 867 436	48 651 834
Employee related costs	54 707 455	52 392 254
Sale of goods/Inventory	12 390 369	10 469 075
General expenses	888 741	704 650
	<b>115 854 001</b>	<b>112 217 813</b>

There are no restrictions on the realisability of Property, Plant and Equipment or the remittance of revenue and proceeds of de-recognition.

No Property, Plant and Equipment are pledged as security for liabilities.

There were no significant delays on projects or any construction halted for the reporting period.

The animals in the Harry Giddy Park were previously disclosed as a separate accounting reporting group but kept as part of Property, Plant and Equipment in Note 14 in accordance with the judgement then made as it was immaterial in value and quantity. The judgement has changed this year as the Municipality for the first time purchased dogs for the establishment of a K9 dog unit for which the amounts are material.

Refer to Note 51 for detail regarding the change in accounting estimates relating to change in useful lives and residual value of PPE assets.

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

Refer to Note 59 for the amount of contractual commitment for the acquisition of PPE. The amount of R231 478 222 for contracted commitments is approved and contracted.

Finance lease liabilities are secured over the items of computer equipment and office equipment leased. The total carrying value of leased assets at 30 June 2023 is R1 483. All the leased assets were finance leases which have been fully redeemed, but the assets are still used by the Municipality. The monthly payments regarding these leased assets are treated as operating leases.

Included in the carrying value of Water supply infrastructure is an amount of R 81 704 887 for Seawater Desalination Plant which was completed during the 2012/13 year and is the Municipality's portion of the capital expenditure for the construction of a jointly-owned 15 Mega litres per day Seawater Desalination facility. There are no budgeted capital commitments toward the seawater Desalination facility for the following year.

**Impairment information:**

Various assets carry impairments, such as operational buildings, community facilities, sport and recreation facilities, coastal infrastructure and Information and communications infrastructure due to due damage at reporting date. Social Housing carry an impairment due to the houses being built within the flood lines. Site 3345 carry an impairment as a result in the market value decrease as per the valuation roll, with a valuation date of 1 July 2021. Whilst the water, roads and electrical and sanitation infrastructure carry impairments due to a landslip mostly caused due to heavy rainfalls.

There were various impairment reversals at various Sporting facilities, Community Halls as well as to Operational buildings.

**Land appointed in terms of legislation which entity controls without legal ownership or custodianship**

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 1.5.

Carrying value of land included in the carrying value of Property, Plant and Equipment	115 721 312	192 136 549
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# Mossel Bay Municipality

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#### 14. Property, plant and equipment (continued)

There are 539 pieces of land where the Municipality is the legal owner according to the deed office records. The Municipality has assessed that it does not have control over the land as its individual housing subsidies has been approved and control has either been handed over to the developer or the beneficiary. This assessment has been made in terms of iGRAP 18 paragraph 16.

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**15. Investment property**

	2023			2022		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	643 824 011	(259 270 605)	384 553 406	646 157 877	(260 650 365)	385 507 512

**Reconciliation of investment property - 2023**

	Opening balance	Additions	Disposals	Depreciation	Total
Investment property	385 507 512	3 772 418	(3 606 387)	(1 120 137)	384 553 406

**Reconciliation of investment property - 2022**

	Opening balance	Additions	Disposals	Impairments	Depreciation	Total
Investment property	633 079 121	(583 919)	(5 301 694)	(240 242 894)	(1 443 102)	385 507 512

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

There are no restrictions on the realisability of investment property or the remittance of revenue and proceeds of derecognition.

There were no construction or development of investment property halted during the current or previous financial years.

There are no Contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

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**15. Investment property (continued)**

**Amounts recognised in surplus or deficit**

Rental revenue from Investment property	5 560 324	8 569 848
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**Expenditure incurred to repair and maintain investment property**

Sale of goods/Inventory	205	480
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Impairment information:

Various Land and Buildings classified as Investment property carries an impairment as a result of a market value decrease as per the valuation roll, with a valuation date of 1 July 2021.

**Land appointed in terms of legislation which entity controls without legal ownership or custodianship**

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 1.5.

Carrying value of land included in the carrying value of Investment property	100 783 659	80 330 410
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**Reconciliation of Work-in-Progress 2023**

	Opening balance	Additions / capital expenditure	Finalised during the year	Total
Buildings	901 850	3 633 408	(516 899)	4 018 359

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

	Opening balance	Additions / capital expenditure	Finalised during the year	Total
Buildings	1 682 772	575 312	(1 356 234)	901 850

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**16. Intangible assets**

	2023			2022		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	2 414 302	(1 699 176)	715 126	2 625 060	(1 670 399)	954 661

**Reconciliation of intangible assets - 2023**

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software	954 661	(140 333)	(252)	(98 950)	715 126

**Reconciliation of intangible assets - 2022**

	Opening balance	Additions	Amortisation	Total
Computer software	697 057	456 681	(199 077)	954 661

**Reconciliation of Amortisation Charge for Intangible Assets**

The amortisation charge for the year i.r.o. the Water Treatment Plant is reallocated to water inventory consumed.

The amortisation charge for Intangible assets was recognised as follows:

Included in the amortisation expense	84 432	199 077
Included in water inventory consumed	14 518	-
<b>Total amortisation charge for the year</b>	<b>98 950</b>	<b>199 077</b>

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

	Opening balance	Additions / capital expenditure	Finalised during the year	Total
Computer Software	311 390	793 155	(933 488)	171 057

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

	Opening balance	Additions / capital expenditure	Finalised during the year	Total
Computer Software	-	342 058	(30 668)	311 390

**Other information**

The amortisation expense is included in the line item "Depreciation and amortisation " (Note 40) in the Statement of Financial Performance.

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**16. Intangible assets (continued)**

The Municipality does not have any internally generated intangible assets.

No restrictions are placed on intangible assets.

No intangible assets were pledged as security for liabilities.

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

**Expenditure incurred to repair and maintain intangible assets**

No repairs and maintenance were incurred during the current or previous year.

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**17. Heritage Assets**

	2023			2022		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Historical monuments	95 003	-	95 003	95 003	-	95 003
Conservation areas	730 200	(2 000)	728 200	730 200	(2 000)	728 200
Historical buildings	3 397 827	-	3 397 827	3 397 827	-	3 397 827
Other	2 569	-	2 569	2 569	-	2 569
<b>Total</b>	<b>4 225 599</b>	<b>(2 000)</b>	<b>4 223 599</b>	<b>4 225 599</b>	<b>(2 000)</b>	<b>4 223 599</b>

**Reconciliation of heritage assets 2023**

	Opening balance	Additions	Impairment losses recognised	Total
Historical monuments	95 003	-	-	95 003
Conservation areas	728 200	-	-	728 200
Historical buildings	3 397 827	-	-	3 397 827
Other	2 569	-	-	2 569
	<b>4 223 599</b>	<b>-</b>	<b>-</b>	<b>4 223 599</b>

**Reconciliation of heritage assets 2022**

	Opening balance	Additions	Impairment losses recognised	Total
Historical monuments	95 003	-	-	95 003
Conservation areas	730 200	-	(2 000)	728 200
Historical buildings	3 397 827	-	-	3 397 827
Other	2 569	-	-	2 569
	<b>4 225 599</b>	<b>-</b>	<b>(2 000)</b>	<b>4 223 599</b>

There is no restrictions on title and disposal of heritage assets and no heritage assets are pledged as securities.

The Heritage assets reporting group has no under construction assets for the past two years.

If it is not disclosed separately on the face of the statement of financial performance, the amount of compensation from third parties for items of heritage assets that were impaired, lost of given up is included in the surplus or deficit.

Heritage Assets are not depreciated owing to uncertainty regarding to their estimated useful lives. The municipality assess at each reporting date if there is an indication of impairment.

Impairment information:

Sites 3478 and 3481 carries an impairment as a result of a market value decrease as per the valuation roll, with a valuation date of 1 July 2021.

# Mossel Bay Municipality

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#### 17. Heritage Assets (continued)

**Heritage assets which fair values cannot be reliably measured due to impracticability as there is no active market for these assets:**

##### **Site 3791, Mossel Bay - Cave at the Point**

The Cape St. Blaize Cave at the point in Mosselbay, situated on site 3791, is classified as a heritage asset controlled by the Municipality. The Cape St. Blaize Cave yield artifacts dating back 80 000 years. The artifacts itself are housed at the Culture Museum which is not controlled or owned by the Municipality.

##### **Sites 2573 and 2938 Mossel Bay - Harry Giddey Park & Historical fresh water fountain**

The Harry Giddey Park situated on sites 2938 and 2573 is classified as a heritage asset of the Municipality. The park was erected in 1887 and originally named after Queen Victoria of England to commemorate her 50th year as Queen. The park was renamed later in 1939 as the Harry Giddey Park in honour of Mr Harry Giddey, a wealthy person of Mossel Bay, for all the efforts to upgrade the park.

##### **Site 3794, 3626 and 3419 Mossel Bay - War Memorial**

The War Memorial at the Point of Mossel Bay situated on sites 3794, 3626 and 3419, is classified as a heritage asset controlled and owned by the Municipality. The War memorial was designed by WJ Delbridge, it was built in 1924 to commemorate the townsfolk who lost their lives in the World War I, a panel was added with the names of those killed in World War II.

##### **Site 129/134 Great Brak River - Old Hydro Power station in Great Brak**

The hydro-electric power station on site 129/134 is classified as a heritage asset of the Municipality. The hydro-electric power station was built by the Searle Brothers in 1924, and generated 350kVA of power for their tannery and the village. It uses a bucket Pelton wheel operating under a 160m head, fed by a 25km long water channel.

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**17. Heritage Assets (continued)**

**Heritage assets used for more than one purpose**

The following heritage assets are used for more than one purpose:

<b>Asset no</b>	<b>Asset Description</b>	<b>Bookvalue</b>	<b>Alternative use description</b>
45382	Cave at the Point	100	The Cape St.Blaize Cave itself can be classified as a heritage asset. Site 3419 is however classified as PPE due to the fact that a significant portion of the site is used as a parking area.
48383	War Memorial	4 344 828	The War Memorial itself can be classified as a heritage asset. Site 3749 is however classified as PPE due to the fact that a significant portion of the site is used as road and pavement reserves.
510784, 508072, 508074, 508075, 508076, 508077	Brick Building (Old Municipal offices), 6 & 7 Market street	13 971 348	Site 3070 host the 1st Municipal office, but is not registered in the name of the Municipality. Site 3069 is classified as Investment Property due to the fact that a significant portion of the site is leased out and the rest is used as parking area. Both the 1st & 2nd Municipal offices are declared national monuments.
44866	Harry Giddey Park & Historical freshwater fountain	395 000	Harry Giddey park itself can be classified as a heritage asset. Site 2938 is however classified as PPE due to the fact that a significant portion of the site is used as sport and recreational facilities.
495106	Great Brak river Museum	525 000	The building used as the Museum is classified as a heritage asset. Site 129/144 is however classified as PPE due to the fact that a significant portion of the site is used as a creche and parking area for both the Museum and the creche.
47290, 507671	Info Centrum (Old Power station building), Munro avenue, Santos beach	8 212 451	Site 2165 and the building is classified as PPE due to the fact that a significant portion of this property is used for administrative purposes (used as a parking area, administrative offices and as an Info centrum).
495105	Old Hydro-electric power station and pumpstation	150 000	The Old Hydro-electric power station itself can be classified as a Heritage asset. Site 129 portion 134 is however classified as PPE due to the fact that a significant portion of the site is used as a pumpstation and electrical infrastructure.
		<b>27 598 727</b>	

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<b>17. Heritage Assets (continued)</b>		
<b>Expenditure incurred to repair and maintain heritage assets</b>		
No repairs and maintenance were incurred during the current or previous year.		
<b>Land appointed in terms of legislation which entity controls without legal ownership or custodianship</b>		
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 1.5.		
Carrying value of land included in the carrying value of Heritage assets	650 000	650 000

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**18. Operating leases**

**The Municipality as lessor**

Operating leases relate to Property owned by the Municipality with lease terms of between one to one hundred years. The lessee does not have an option to purchase the property at the expiry of the lease period.

**Non-cancelable Operating Lease assets recognised in the Statement of Financial Performance**

Balance at the beginning of year	99 941 298	96 072 145
Movement for the year	3 825 726	3 869 153
	<b>103 767 024</b>	<b>99 941 298</b>

**The following receipts have been recognised as an income in the Statement of Financial Performance**

Rental income	12 038 556	11 134 912
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**At the reporting date the Municipality had lease receipts receivable under non-cancelable operating leases for Investment Property, which fall due as follows:**

Up to 1 year	8 213 588	8 947 333
1 to 5 years	14 466 473	17 459 322
More than 5 years	416 456 564	417 506 251
	<b>439 136 625</b>	<b>443 912 906</b>

Operating leases are recognised on the straight-line basis as per the requirement of GRAP 13. Rental revenue from Operating Leases is recognised on a Straight-line Basis over the term of the relevant lease.

Lease receipts receivable for the 21/22 financial year has been restated due to contracts included in current year register, which had an effect in previous year. The amount has been restated / increased with total future lease receipts of R580 546.

**The Municipality as lessee**

Operating leases relate to buildings with lease terms of between one to ten years, with an option to extend for a further period. The Municipality does not have an option to purchase the leased asset at the expiry of the lease period. No restrictions are imposed by these lease arrangements.

**Non-cancelable Operating Lease liabilities recognised in the Statement of Financial Performance**

Balance at the beginning of the year	802 823	1 258 653
Movement for the year	(141 801)	(455 830)
	<b>661 022</b>	<b>802 823</b>

**The following payments have been recognised as an expenditure in the Statement of Financial Performance**

Lease rentals on operating lease - Other	3 642 225	3 603 626
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**At the reporting date the Municipality had outstanding commitments under non-cancelable operating leases for buildings, which fall due as follows:**

Up to 1 year	1 687 965	1 568 323
1 to 5 years	1 827 242	3 515 208
	<b>3 515 207</b>	<b>5 083 531</b>

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**18. Operating leases (continued)**

Operating leases are recognised on the straight-line basis as per the requirement of GRAP 13. Lease expenditure from Operating Leases is recognised on a Straight-line Basis over the term of the relevant lease.

The Lease rentals on operating lease amount for the 21/22 financial year has been restated in line with applicable lease rental account. The previous amount disclosed was R3 533 023.

**19. Investments**

Long-term Investments	167 174 000	137 174 000
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No investments were written off during the year.

The rate of return on the two Long-term Investments were 6.7% and 7% for the year ended 30 June 2023.

Investments are made in accordance with the Municipality's Cash Management and Investment policy as follows:

- That the broad investment policy framework be applicable
- Investments not be placed with foreign banks
- Council's total investment portfolio be invested with banks according to the investment policy
- Not more than 50% of the total Short and Long term investments placed with one institution, measured at inception without accrued interest.

No investments were pledged as security.

**20. Other financial liabilities**

**At amortised cost**

Long term loans	173 506 365	153 613 273
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**Long term loans:**

Long term loans are repaid over periods varying from 5 to 15 years (2022: 5 to 15 years) and at interest rates varying from 5.54% to 10.55% (2022: 5.54% to 10.55%)

The loans are redeemed bi-annually.

Refer to Appendix A for more detail on other financial liabilities.

Split between Non-current and Current liabilities:

**Non-current liabilities**

At amortised cost	153 605 926	135 791 527
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**Current liabilities**

At amortised cost	19 900 439	17 821 746
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<b>Total Other financial liabilities</b>	<b>173 506 365</b>	<b>153 613 273</b>
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**21. Employee benefit obligations**

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

**Non-current liabilities**

Post-Retirement Medical Aid benefits liability	130 181 432	120 725 594
Ex-gratia pension benefits liability	832 495	869 576
Long service awards	16 858 131	18 273 608
	<b>147 872 058</b>	<b>139 868 778</b>

**Current liabilities**

Post-Retirement Medical Obligation	7 173 599	6 679 922
Post-Retirement Ex-gratia Gratuities	174 698	174 969
Post-Retirement Long-service awards	2 319 907	2 793 201
Performance bonus accrual	915 477	868 431
Staff leave accrual	23 818 173	23 068 357
Employee bonus accrual	8 354 514	8 457 333
Employee overtime / Standby allowance accrual	2 339 131	1 945 104
	<b>45 095 499</b>	<b>43 987 317</b>

**Total liabilities**

Post-Retirement Medical Aid benefits liability	137 355 031	127 405 516
Ex-gratia pension benefits liability	1 007 193	1 044 545
Long service awards	19 178 038	21 066 809
Performance bonus accrual	915 477	868 431
Staff leave accrual	23 818 173	23 068 357
Employee bonus accrual	8 354 514	8 457 333
Employee overtime / Standby allowance accrual	2 339 131	1 945 104
	<b>192 967 557</b>	<b>183 856 095</b>

**21.1 POST EMPLOYMENT HEALTH CARE BENEFITS**

Medical Scheme arrangements:

The employer offers in-service members and continuation members the opportunity of belonging to one of several medical schemes, most of which offer a range of options pertaining to levels of cover.

Upon retirement, an employee may continue membership of the medical scheme. Upon a member's death-in-service or death-in-retirement, the surviving dependants may continue membership of the medical scheme.

Post-employment Subsidy policy:

All new continuation pensioners (that are currently still in service) and their dependants will receive a 60% subsidy subject to the maximum (CAP) amount of R5 007 (per month per member) for the financial period from 1 July 2022 subject to the following minimum services conditions:

- If appointed after 01/07/2013, but before or on 01/09/2014, the in-service member must have at least 10 years' uninterrupted service.
- If appointed after 01/09/2014, but before or on 01/03/2017, the in-service member must have at least 15 years' uninterrupted service. In this scenario, if the in-service member was appointed after 01/05/2015 and meets the stipulated minimum service, then receipt of the post-employment medical aid subsidy may commence from age 65 only.
- In-service members appointed after 01/03/2017 do not qualify for a post-employment medical aid subsidy.

All existing continuation pensioners and their eligible dependants will continue to receive a 70% subsidy subject to the maximum (CAP) amount of R 5 007 (per month per member) from 1 July 2022. However, there are two members who receive a subsidy of 100%.

It is assumed that the subsidy would increase by 75% of long-term CPI.

# Mossel Bay Municipality

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#### 21. Employee benefit obligations (continued)

Upon a member's death-in-service, surviving dependants are allowed to commence receipt of the same post-employment subsidy. The minimum service and membership conditions mentioned above do not apply to death-in-service benefits. Upon a member's death-in-retirement, surviving dependants are allowed to continue to receive the same subsidy.

Valuation method:

In accordance with the requirements of GRAP 25, the Projected Unit Credit method has been applied. The valuation has been made with reference to the Actuarial Society of South Africa (ASSA) guidelines and in particular the Advisory Practice Note 301, which meets the requirements of GRAP 25.

The Post Employment Health Care Benefit Plan is a defined benefit plan, of which the members are made up as follows:

In-service (employee) members	360	382
Continuation (retiree and widow) members	144	142
	<b>504</b>	<b>524</b>

The unfunded liability in respect of past service has been estimated as follows:

In-service (employee) members	50 567 499	46 085 957
Continuation (retiree and widow) members	86 787 531	81 319 559
	<b>137 355 030</b>	<b>127 405 516</b>

#### Summary of the in-service membership

Number of principal members	360	382
Average age (years)	46	45
Average past service (years)	15	14
Average employer monthly contribution	3 225	4 358
Average number of dependants	1	1

#### Summary of the continuation membership

Number of principal members	144	142
Average age (years)	68	68
Average employer monthly contribution	4 507	4 906
Portion with a spouse dependant	44 %	44 %

The municipality contributes monthly for health care arrangements, to the following medical aid schemes:

- Bonitas
- LA Health
- Hosmed
- Key Health
- Samwumed

Results of valuations:

#### Accrued Liability

In-service members	50 567 499	46 085 957
Continuation members	86 787 531	81 319 559
	<b>137 355 030</b>	<b>127 405 516</b>

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**21. Employee benefit obligations (continued)**

**All members**

Total value of liabilities	137 355 031	127 405 516
Value of assets	-	-
<b>Unfunded accrued liability</b>	<b>137 355 031</b>	<b>127 405 516</b>

The total liability increased by 7,81% over the accounting period.

**Current service and interest cost**

Current service cost (Active employees)	3 197 009	3 024 000
Interest cost (All members)	15 495 788	13 030 000
	<b>18 692 797</b>	<b>16 054 000</b>

**Actuarial gains and losses**

Actuarial (Gain) / Loss for the period	(1 382 730)	(15 858 872)
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The total liability has increased by 7,81% (R 9,950 million) since the last valuation.

The main reasons for the movement in the liability:

- service cost increased the liability by R 3 197 009;
- interest cost over the valuation period results in an increase in the liability by R 15 495 788;
- benefit payments towards continuation pensioners currently being subsidised for medical contributions for the 2022/23 year amount to R 7360 552;
- the net discount rate changed from 3.21% to 4.09% during the valuation period. This decreased the accrued liability;
- the movements in the number of participants resulted in a decrease in the accrued liability;
- increases in the medical cap and actual medical contributions resulted in a further decrease in the accrued liability; and
- the miscellaneous items in the data resulted in a decrease in the liability by R 16 245 360. Factors that make up the miscellaneous items are changes to data from the prior year and variations from demographic assumptions (i.e. rates of withdrawal).

**Past and future changes in the accrued liability**

	Year ending 30/06/2021	Year ending 30/06/2022	Year ending 30/06/2023	Year ending 30/06/2024	Year ending 30/06/2025
Opening accrued liability	117 276 000	134 432 000	127 405 516	137 355 031	152 128 876
Current service cost	2 746 000	3 024 000	3 197 009	4 088 924	3 596 315
Interest Cost	11 457 000	13 030 000	15 495 788	17 858 520	16 707 282
Contributions (Benefit payments)	(7 181 884)	(7 221 612)	(7 360 552)	(7 173 599)	(7 083 830)
	124 297 116	143 264 388	138 737 761	152 128 876	165 348 643
Actuarial Loss / (Gain)	10 134 884	(15 858 872)	(1 382 730)	-	-
	<b>134 432 000</b>	<b>127 405 516</b>	<b>137 355 031</b>	<b>152 128 876</b>	<b>165 348 643</b>

\*Notes to the above table:

- *The projections assume that the employer's health care arrangements and subsidy policy will remain as outlined and that all the actuarial assumptions made are borne out in practice. In addition, it is assumed that no contributions are made by the employer towards prefunding its liability via an off-balance sheet vehicle.*
- *Contributions or benefits paid refer to medical scheme contributions made by the employer with respect to its subsidy of current continuation members.*
- *There are no Past Service Costs, Curtailments or Settlements to reflect.*

# Mossel Bay Municipality

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#### 21. Employee benefit obligations (continued)

##### Key actuarial assumptions used:

In estimating the unfunded liability for post-employment health care benefits a number of assumptions are required. GRAP 25 requires the actuarial assumptions to be unbiased and mutually compatible.

Financial assumptions:

It is difficult to predict future investment returns and health care cost inflation rates. The relationship between them is more stable and therefore easier to predict. GRAP 25 requires that financial assumptions be based on market expectations at the valuation date for the period over which the liability obligations are to be settled.

The key assumptions used in the valuation, with the prior years' assumptions shown for comparison, are summarised below:

Assumption	2023	2022
Discount rate (D)	12,88 %	12,49 %
Health care cost inflation (H)	8,44 %	8,99 %
Consumer price inflation(C)	6,94 %	7,49 %
Maximum subsidy inflation rate	5,21 %	6,37 %
Net discount rate $((1+D)/(1+H)-1)$	4,09 %	3,21 %

The methodology of setting the financial assumptions:

GRAP 25 stipulates that the choice of the discount rate should be derived from government bond yields consistent with the estimated term of the post-employment liabilities. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated term of all the benefit payments, current market rates of the appropriate term should be used to discount shorter term payments, and the discount rate for longer maturities should be estimated by extrapolating current market rates along the yield curve.

Demographic Assumptions:

Assumption	2023	2022
Normal retirement age	65	65
Average retirement age	63	63
Mortality during employment	SA 85-90	SA 85-90
Mortality post-employment	PA(90)-1 with a 1% mortality improvement p.a. from 2010	PA(90)-1 with a 1% mortality improvement p.a. from 2010
Proportion with a spouse dependant at retirement	80%	80%
Continuation of membership at retirement	90%	90%

The normal retirement age of employees is 65 years. It has been assumed that in-service members will retire at age 63 on average, which then implicitly allows for expected rates of ill-health and early retirement. In-service members who have passed the assumed retirement age have been assumed to retire at their next birthday.

It has been assumed that 90% of in-service members will remain on the employer's health care arrangement should they stay until retirement.

It has been assumed that female spouses will be five years younger than their male counterparts. Furthermore, it has been assumed that 80% of eligible in-service members on a health care arrangement at retirement will have a spouse dependant on their medical aid. For current retiree members, actual medical aid dependants were used and the potential for remarriage was ignored.

It is recognised that a contingent liability may exist in respect of employees who have not joined a medical aid scheme, but would be entitled to this benefit should they join a medical aid in the future and satisfy the eligibility requirements. It was assumed that these employees will not join a medical aid scheme.

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**21. Employee benefit obligations (continued)**

**Withdrawal rates over the current valuation period:**

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

If an in-service member leaves, the employer's liability in respect of that employee ceases.

Amounts recognised in the Statement of Financial Position are as follows:	2023	2022
Present value of fund obligations	137 355 031	127 405 516
Fair value of plan assets	-	-
Unfunded accrued liability	137 355 031	127 405 516
Unrecognised past service cost	-	-
Unrecognised actuarial gains (losses)	-	-
Miscellaneous item	-	-
<b>Net liability</b>	<b>137 355 031</b>	<b>127 405 516</b>

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

Current service cost	3 197 009	3 024 000
Interest cost	15 495 788	13 030 000
Actuarial (gains) / loss	(1 382 730)	(15 858 872)
<b>Total included in employee related cost - Refer to note 38</b>	<b>17 310 067</b>	<b>195 128</b>

History of Liabilities, Assets and Experience Adjustments

**Present value of accrued liability and Fair value of plan assets**

	Year ended 30/06/2019 R'000	Year ended 30/06/2020 R'000	Year ended 30/06/2021 R'000	Year ended 30/06/2022 R'000	Year ended 30/06/2023 R'000
Present value of accrued liability	127 035	117 276	134 432	127 406	137 355
Fair value of plan assets	-	-	-	-	-
<b>Surplus / (deficit)</b>	<b>(127 035)</b>	<b>(117 276)</b>	<b>(134 432)</b>	<b>(127 406)</b>	<b>(137 355)</b>

**Experience adjustments:**

Experience adjustments are the effects of differences between the previous actuarial assumptions and what has actually occurred. The experience adjustments for the current period is as follows:

	Year ended 30/06/2019 R'000	Year ended 30/06/2020 R'000	Year ended 30/06/2021 R'000	Year ended 30/06/2022 R'000	Year ended 30/06/2023 R'000
Plan liabilities (gain) / loss	(4 573)	2 045	1 197	(13 351)	(1 383)

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**21. Employee benefit obligations (continued)**

Sensitivity analysis:

The accrued liability is a function of the valuation assumptions, and which may or may not be borne out in practice. Variations from these assumptions will emerge in future years as experience gains or losses recognised immediately in the income statement by Mossel Bay Municipality.

The valuation results are sensitive to changes in the underlying assumptions. The effects of varying these assumptions are illustrated below.

	Decrease	30 June 2023 Valuation basis R'000	Increase
	R'000		R'000
Effect of a 1% change in the health care inflation rate on total liability	117 873 828	137 355 031	146 655 815
Effect of a 1% change in the discount rate on total liability	148 439 741	137 355 031	123 216 757
Effect of a 1% change in the health care inflation rate on current service cost	3 301 278	3 197 009	4 620 064
Effect of a 1% change in the health care inflation rate on interest cost	14 715 532	15 495 788	18 417 324
Effect of a 1% change in the discount rate on current service cost	4 733 233	3 197 009	3 343 976
Effect of a 1% change in the discount rate on interest cost	17 200 840	15 495 788	16 600 294

Mortality

The table that follow shows the impact of a change in the mortality assumption from the base assumption of PA(90)-1. It shows the effect of a decrease in the post-employment mortality, average retirement age and continuation of membership at retirement, respectively.

	Decrease	30 June 2022 Valuation basis R'000	Increase
	R'000		R'000
Effect of a 1-year change in the post-employment mortality* on the total liability	128 466 600	137 355 031	141 008 073
Effect of a 1-year decrease in the average retirement age on the total liability	142 559 618	137 355 031	-
Effect of a 10% decrease in the continuation of membership at retirement on the total liability	131 736 420	137 355 031	-
Effect of a 1 year decrease in the post-employment mortality* on current service cost	3 859 043	3 197 009	4 052 194
Effect of a 1-year decrease in the post-employment mortality* on interest cost	16 088 799	15 495 788	17 722 196
Effect of a 1-year decrease in the average retirement age on the current service cost	4 312 323	3 197 009	-
Effect of a 1-year decrease in the average retirement age on the interest cost	17 894 653	15 495 788	-
Effect of a 10% decrease in the continuation of membership at retirement on the current service cost	3 516 659	3 197 009	-
Effect of a 10% decrease in the continuation of membership at retirement on the interest cost	16 501 018	15 495 788	-

\*The post-employment mortality adjustment assumed that to each beneficiary we assigned a mortality rate of an individual two years younger than that beneficiary, i.e lighter mortality implying that the individual lives longer than expected in the valuation basis.

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#### 21. Employee benefit obligations (continued)

##### **21.2 EX-GRATIA GRATUITIES**

The employer's ex-gratia pensions liability consists of a commitment to pay pensions to eligible employees upon meeting the condition admissible for an ex-gratia pension. This liability is also generated in respect of spouse dependants who are offered continued ex-gratia pensions on the death of the primary ex-gratia pensioner.

Mossel Bay is committed to pay ex-gratia pensions as follows:

- The ex-gratia pensions are paid by the Municipality from its revenue and are therefore not funded or paid from any of the Municipality's pension funds. The revenue pensions are also referred to as "ex-gratia" pensions. Ex-gratia pensioners receive a monthly ex-gratia pension, increased annually and payable for life.
- There is a 60% contingent pension payable to a spouse upon the pensioner's death.
- Pension amounts are fixed.

##### Valuation method:

In accordance with the requirements of GRAP 25, the Projected Unit Credit method has been used to value the liabilities. The valuation has been made with reference to the Actuarial Society of South Africa (ASSA) guidelines, in particular, the Advisory Practice Note 301, and meets the requirements of GRAP 25.

<b>Statistics on eligible retirees:</b>	2023	2022
Number of pensioners	5	5
Employer's average monthly pension payment	2 957	2 957
Pension-weighted average age (years)	85	84
Portion married	40 %	40 %

##### Results of Valuation:

<b>Accrued liability</b>		
Total value of liabilities	1 007 193	1 044 545
Value of assets	-	-
<b>Unfunded accrued liability</b>	<b>1 007 193</b>	<b>1 044 545</b>

The total liability decreased by 3,58% over the accounting period.

##### **Interest Costs and Current-Service Costs**

Total interest cost	84 000	84 000
Current-Service Costs	-	-
	<b>84 000</b>	<b>84 000</b>

The interest cost represents the accrual of interest on the Accrued Liability, allowing for benefit payments, over the corresponding year. This arises because all future ex-gratia benefits are one year closer to payment.

The current-service cost is nil as there are no current employees entitled to an ex-gratia pension benefit.

##### **Actuarial gains and losses**

Actuarial (gain) / loss for the period	56 086	(31 917)
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##### The main reasons for the movement in the liability:

The average liability has decreased by 4% since the last valuation due to:

- an increase in the net discount rate; and
- changes from prior year and variations in demographic assumptions (e.g. withdrawal rates).

The total liability has decreased by 4% (or R37 352) since the last valuation, due to the above and because there was no change in the number of pensioners.

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**21. Employee benefit obligations (continued)**

**Past and future changes in the accrued liability**

<b>Liability History</b>	Year ending 30/06/2021	Year ending 30/06/2022	Year ending 30/06/2023	Year ending 30/06/2024	Year ending 30/06/2025
Opening accrued liability	1 385 947	1 169 900	1 044 545	1 007 193	923 572
Current service cost*					
Interest cost	71 023	84 000	84 000	91 077	83 165
Benefit payments	(177 438)	(177 438)	(177 438)	(174 698)	(167 269)
Actuarial (gain) / losses	(109 632)	(31 917)	56 086	-	-
<b>Surplus / (Deficit)</b>	<b>1 169 900</b>	<b>1 044 545</b>	<b>1 007 193</b>	<b>923 572</b>	<b>839 468</b>

\*Notes to the above table:

- *The projections assume that the ex-gratia arrangements remain as outlined, and that all the actuarial assumptions made are borne out in practice. In addition, it is assumed that no contributions are made by the employer towards prefunding its liability via an off-balance sheet vehicle.*
- *There are no Past Service Costs, Curtailments or Settlements to reflect.*

Key actuarial assumptions used:

In estimating the unfunded liability for the ex-gratia liability, a number of assumptions are required. GRAP 25 requires the actuarial assumptions to be unbiased and mutually compatible.

Financial assumptions:

It is difficult to predict future investment returns and pension increase rates. The relationship between them is more stable and therefore easier to predict. GRAP 25 requires that financial assumptions be based on market expectations at the valuation date for the period over which the liability obligations are to be settled.

The key assumptions used in the valuation, with the prior years' assumptions shown for comparison, are summarised below:

<b>Net discount rate</b>	<b>2023</b>	<b>2022</b>
Discount rate (D)	9,90 %	9,83 %
Net discount rate $((1+D)/(1+H)-1)$	9,90 %	9,83 %

The methodology of setting the financial assumptions:

GRAP 25 stipulates that the choice of the discount rate should be derived from government bond yields consistent with the estimated term of the post-employment liabilities. However, where there is no deep market in government bonds with a sufficiently long maturity to match the estimated term of all the benefit payments, current market rates of the appropriate term should be used to discount shorter term payments, and the discount rate for longer maturities should be estimated by extrapolating current market rates along the yield curve.

A discount rate of 9,90% per annum has been used. These rates do not reflect any adjustment for taxation. These rates were determined by using the Bond Exchange Zero Coupon Yield Curve as at 30 June 2023.

Yields were determined by looking at the duration of the liability and finding the fixed-interest and index-linked yields at the relevant duration using an iterative process (because the yields depend on the liability, which in turn depends on the yields).

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**21. Employee benefit obligations (continued)**

Demographic and Decrement Assumptions:

Age difference between spouses	Males 5 years older than females
Proportion married	Actual marital status
Mortality in retirement	PA (90) - 1 in addition to a mortality improvement of 1% per year since 2010

PA(90) ultimate table, adjusted down by one year of age, and a 1% annual compound mortality improvement from 2010. This means that we expect 1% fewer people to die next year. In the year thereafter, we expect 1.99% fewer people to die, i.e. 1.99% is derived from  $[1-(1-1\%)^2]$ , and so on.

It has been assumed that female spouses will be five years younger than their male counterparts.

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

Present value of fund obligations	1 007 193	1 044 545
Fair value of plan assets	-	-
	1 007 193	1 044 545
Unrecognised transitional liability	-	-
Unrecognised past service cost	-	-
Unrecognised actuarial gains / (losses)	-	-
Miscellaneous items	-	-
<b>Net liability</b>	<b>1 007 193</b>	<b>1 044 545</b>

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

Current service cost	-	-
Interest cost	84 000	84 000
Actuarial (gains) / losses	56 086	(31 917)
<b>Total included in employee related cost - Refer to note 38</b>	<b>140 086</b>	<b>52 083</b>

**History of Liabilities, Assets and Experience Adjustments:**

**Present value of accrued liability and Fair value of plan assets**

	Year ending 30/06/2019	Year ending 30/06/2020	Year ending 30/06/2021	Year ending 30/06/2022	Year ending 30/06/2023
Present value of accrued liability	1 469 411	1 385 947	1 169 000	1 044 545	1 007 193
Fair value of plan assets	-	-	-	-	-
<b>Surplus / (deficit)</b>	<b>(1 469 411)</b>	<b>(1 385 947)</b>	<b>(1 169 000)</b>	<b>(1 044 545)</b>	<b>(1 007 193)</b>

Experience adjustments:

Experience adjustments are the effects of differences between the previous actuarial assumptions and what has actually occurred. The experience adjustments is as follows:

	Year ending 30/06/2019	Year ending 30/06/2020	Year ending 30/06/2021	Year ending 30/06/2022	Year ending 30/06/2023
Plan liabilities (gain) / loss	(144 080)	18 415	(109 632)	(31 917)	56 086
Plan assets	-	-	-	-	-

# Mossel Bay Municipality

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#### 21. Employee benefit obligations (continued)

##### Sensitivity analysis:

The accrued liability is a function of the valuation assumptions, and which may or may not be borne out in practice. Variations from these assumptions will emerge in future years as experience gains or losses recognised immediately in the income statement by Mossel Bay Municipality.

The valuation results are sensitive to changes in the underlying assumptions. The effects of varying these assumptions are illustrated below.

	1% decrease	30 June 2023 Valuation basis	1% increase
Effect of a 1% change in the discount rate on the total liability	1 053 833	1 007 193	964 516
Effect of a 1% change in the discount rate on the interest cost	86 030	84 000	95 623

##### Mortality:

The table that follow shows the impact of a change in the mortality assumption:

	Decrease	30 June 2023 Valuation basis	Increase
Effect of a 2-year change in the post-retirement mortality on the total liability	-	1 007 193	1 040 972
Effect of a 2-year decrease in the post-retirement mortality on the interest cost	-	84 000	94 408

#### **21.3 LONG SERVICE AWARDS**

The long service bonus awards are accumulated leave days allocated for years of service by the employee to the Municipality. The long service bonus awards are allocated in the form of annual leave days and is convertible into cash in the year the employee attains the service eligible for an award. As a result, the award is also a function of the employee's annual salary. The annual salary is converted into a daily salary by dividing the annual salary by 249.

##### Nature of the liability:

The employer's long service bonus awards consist of an obligation to pay out a bonus in the year the employee attains the required service. This obligation represents a liability to the employer and the value is represented by the present value of the total long service bonus awards expected to become payable under the employer's current policy.

Mossel Bay Municipality offers bonuses for every 5 years of completed service from 10 years to 45 years. In addition, a 14th Cheque is awarded from 30 years of service onwards to 45 years.

##### Valuation method:

In accordance with the requirements of GRAP 25, the Projected Unit Credit method has been used to value the liabilities. The valuation has been made with reference to the Actuarial Society of South Africa (ASSA) guidelines, in particular, the Advisory Practice Note 301, and meets the requirements of GRAP 25.

##### Valuation of Assets:

The Long service award liability is not a funded arrangement, i.e. no separate assets have been set aside to meet this liability that qualify as plan assets in terms of the requirements of GRAP 25. As such a nil value has been ascribed to the fair value of plan assets.

##### **Statistics on eligible employees**

Number of eligible employees	1 003	977
Average annual earnings (Rand)	238 910	224 509
Earnings-weighted average age (years)	42,9	42,7
Earnings-weighted average past service (years)	10,6	10,5

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**21. Employee benefit obligations (continued)**

Results of valuation:

**Accrued liability**

Total value of liabilities 19 178 038 21 066 809  
 Value of assets - -

**Unfunded Accrued Liability 19 178 038 21 066 809**

Average liability per employee 19 121 21 563

The total liability decreased by (9,0)% over the accounting period.

The main reasons for the movement in liability:

- Mossel Bay employees accrued an extra year of service and as a result, the liability increased by R 1 671 745;
- Interest cost over the valuation period results in an increase in the liability by R 2 149 954;
- Some employees attained milestones during the valuation period and this resulted in a bonus payment of R 2 944 387, which reduced the accrued liability with the same margin;
- The net discount rate changed from 2.94% to 4.18% during the valuation period. This has decreased the accrued liability;
- Movements in the staff employed by Mossel Bay during the valuation period. This has increased the accrued liability;
- The salary increase expectation of 5.04% as at 1 July 2023 increased the accrued liability further; and
- The miscellaneous items in the data resulted in a decrease in the liability by R 102 281. Factors that make up the miscellaneous items are changes to membership composition, data changes from previous valuation and variations from demographic assumptions.

<b>Past and Future Changes in the Accrued Liability:</b>	Year ending 30/06/2021	Year ending 30/06/2022	Year ending 30/06/2023	Year ending 30/06/2024
Opening Accrued Liability	18 129 000	18 749 000	21 066 809	19 178 038
Current service cost	1 570 000	1 652 000	1 671 745	1 528 259
Interest cost	1 308 000	1 713 000	2 149 954	2 320 075
Benefit payments	(1 605 792)	(1 873 068)	(2 944 387)	(2 319 907)
Actuarial Loss / (Gain)	(652 208)	825 877	(2 766 083)	-
	<b>18 749 000</b>	<b>21 066 809</b>	<b>19 178 038</b>	<b>20 706 465</b>

\*Notes to the above table:

- These projections assume that the long service awards arrangements remain as outlined, and that all the actuarial assumptions made are borne out in practice. In addition, it is assumed that no contributions are made by the employer towards prefunding its liability via an off-balance sheet vehicle.
- There are no Past Service Costs, Curtailments or Settlements to reflect.

Key actuarial assumptions used:

In estimating the unfunded liability for long service awards a number of assumptions are required. GRAP 25 requires the actuarial assumptions to be unbiased and mutually compatible.

Financial Variables:

It is difficult to predict future investment returns and earnings inflation rates. The relationship between them is more stable and therefore easier to predict. GRAP 25 requires that financial assumptions be based on market expectations at the valuation date for the period over which the liability obligations are to be settled.

The key assumptions used in the valuation, with the prior years' assumptions shown for comparison, are summarised below:

	<b>2023</b>	<b>2022</b>
<b>Net discount rate</b>		
Discount rate	10,99 %	10,93 %
General earnings inflation rate (long-term)	6,53 %	7,76 %
Net discount rate	4,18 %	2,94 %

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**21. Employee benefit obligations (continued)**

The methodology of setting the financial assumptions:

GRAP 25 stipulates that the choice of this rate should be derived from government bond yields consistent with the estimated term of the employee benefit liabilities. However, where there is no deep market in government bonds with a sufficiently long maturity to match the estimated term of all the benefit payments, current market rates of the appropriate term should be used to discount shorter term payments, and the discount rate for longer maturities should be estimated by extrapolating current market rates along the yield curve.

Demographic and mortality assumptions:

	2023	2022
Normal retirement age (years)	65	65
Average retirement age*	63	63
Pre-retirement mortality	SA85-90	SA85-90

\*The average retirement age for all active employees was assumed to be 63 years to implicitly allow for ill-health and early retirements.

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

Present value of fund obligations	19 178 038	21 066 809
Fair value of plan assets	-	-
	19 178 038	21 066 809
Unrecognised transitional liability	-	-
Unrecognised past service cost	-	-
Unrecognised actuarial gains / (losses)	-	-
Miscellaneous items	-	-
<b>Net liability</b>	<b>19 178 038</b>	<b>21 066 809</b>

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

Current service cost	1 671 745	1 652 000
Interest cost	2 149 954	1 713 000
Actuarial losses / (gains)	(2 766 083)	825 877
<b>Total included in employee related cost - Refer to note 38</b>	<b>1 055 616</b>	<b>4 190 877</b>

**HISTORY OF LIABILITIES, ASSETS AND EXPERIENCE ADJUSTMENTS:**

**Present value of accrued liability and Fair value of plan assets**

	Year ending 30/06/2019	Year ending 30/06/2020	Year ending 30/06/2021	Year ending 30/06/2022	Year ending 30/06/2023
Present value of accrued liability	17 151 533	18 129 000	18 749 000	21 066 809	19 178 038
Fair value of plan assets	-	-	-	-	-
<b>Surplus / (deficit)</b>	<b>(17 151 533)</b>	<b>(18 129 000)</b>	<b>(18 749 000)</b>	<b>(21 066 809)</b>	<b>(19 178 038)</b>

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#### 21. Employee benefit obligations (continued)

##### Experience adjustments

Experience adjustments are the effects of differences between the previous actuarial assumptions and what has actually occurred. The experience adjustments is as follows:

	Year ending 30/06/2019	Year ending 30/06/2020	Year ending 30/06/2021	Year ending 30/06/2022	Year ending 30/06/2023
Plan liabilities (gain) / loss	(1 308 326)	991 581	(235 208)	825 877	(2 766 083)
Plan assets gain / (loss)	-	-	-	-	-

##### Sensitivity Analysis:

The liability derived by this valuation is dependent on the assumptions set out, which may or may not be borne out in practice. Variations from these assumptions will emerge in future years as experience gains or losses and will be recognised by Mossel Bay Municipality in accordance with a consistently applied amortisation process.

The valuation results are sensitive to changes in the underlying assumptions. The effects of varying these assumptions are illustrated below:

	1% decrease	30 June 2023 Valuation basis	1% increase
Effect of a 1% change in the general earnings inflation rate on total liability	18 043 439	19 178 038	20 462 148
Effect of a 1% change in the discount rate on total liability	20 415 254	19 178 038	18 100 507
Effect of a 1% change in the general earnings inflation rate on current service cost	1 417 093	1 671 745	1 654 723
Effect of a 1% change in the general earnings inflation rate on interest rate	2 173 980	2 149 954	2 485 422
Effect of a 1% change in the discount rate on current service cost	1 650 041	1 671 745	1 422 605
Effect of a 1% change in the discount rate on interest cost	2 479 384	2 149 954	2 181 328

##### Mortality

The table that follow shows the impact of a change in the mortality assumption:

	decrease	30 June 2023 Valuation basis SA85-90	Increase
Effect of a 2-year change in the average retirement age on total liability	16 443 539	19 178 038	21 527 993
Effect of a two-fold increase and a 50% decrease in the withdrawal rate on total liability	15 772 854	19 178 038	21 531 381
Effect of a 2-year change in the average retirement age on current service cost	1 366 854	1 671 745	1 679 457
Effect of a 2-year change in the average retirement age on interest cost	1 982 907	2 149 954	2 620 726
Effect of a two-fold increase and a 50% decrease in the withdrawal rate on current service cost	1 148 874	1 671 745	1 808 511
Effect of a two-fold increase and a 50% decrease in the withdrawal rate on interest cost	1 882 649	2 149 954	2 622 581

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#### 21. Employee benefit obligations (continued)

##### **21.4 INFORMATION ABOUT THE MUNICIPALITY'S OTHER RETIREMENT FUNDS**

The personnel of Mossel Bay Municipality are members of the funds as set out below. These schemes are subject to either a tri-annual, bi-annual or annual actuarial valuation, details which are provided below. 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; these assets are not notionally allocated to each of the participating employers.
- One set of financial statements are compiled for each fund and financial statements are not drafted for each participating employer.
- The same rate of contributions applies to all participating employers, and no regard is paid to differences in the membership distribution of the participating employers.

It is therefore seen that each fund operates as a single entity and is not divided into sub-funds for each participating employer.

##### **21.4.1 Consolidated Retirement Fund (previously Cape Joint Retirement Fund)**

The most recent valuation for the Consolidated Retirement Fund was performed for the year ended 30 June 2022. As at the valuation date, the total value of net assets of the Fund was R36.502 billion (2021: R34.148 billion).

An effective investment return of 5.9% (2021: 16.8%) per annum was awarded for the Growth Portfolio.

A pension increase of 6% (2021: 4.5%) was granted to pensioners effective 01 March 2022. A pensioner bonus of 100% of monthly pension was payable in December 2021. A special pensioner bonus of 100% of annual pension was payable in August 2021.

The funding level for the Member Share Account, Preservation Pension Account and Living Annuity Account were 100% as at valuation date. The Processing Reserve Account represents 0.5% of the sum of the Members' Shares and Living Annuitants accounts.

##### **21.4.2 SALA Pension Fund**

The SALA Pension Fund operates both as a defined benefit and defined contribution scheme. It is a multi-employer plan and the contribution rate payable is 9%, by the members and 18% by Council. 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.

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#### 21. Employee benefit obligations (continued)

##### 21.4.3 Municipal Councillors' Pension Fund

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 798.03 million (30 June 2017 : R1 480.55 million), with funding levels of 100% (30 June 2017: 100%).

The contribution rate paid by the members (elected 7.5 % or 13.75 %) and council (either 7.5 % or 15 %) is sufficient to fund the benefits accruing from the fund in the future. 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.

Due to concerns on the governance and financial stability of the Fund, the Financial Sector Conduct Authority appointed a Section 26 Board of Trustees on 15 February 2017. The purpose of the Section 26 Trustees was to bring about stability within the Fund. Following a court order, Curators were then appointed to take control and management of the Fund in terms of Section 5 (1) of the Financial Institutions (Protection of Funds Act, 2001) effective 19 December 2017.

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

The Municipal Workers Retirement Fund is a defined contribution scheme. Members contribute at a rate of not less than 7.5% of salaries, as required by the Rules. The employers contribute at a total rate of not less than 18%.

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 R 9.021 million (corresponding to a funding level of 102.22%). The previous valuation as at 30 June 2019 revealed an excess of R 9.272 million (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 member's Fund Credits and to provide a margin for contingency reserves as at 30 June 2020.

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**21. Employee benefit obligations (continued)**

**21.5 OTHER CURRENT EMPLOYEE BENEFIT OBLIGATIONS:**

**21.5.1 PERFORMANCE BONUS ACCRUAL**

Performance bonuses accrue to employees on an annual basis, subject to certain conditions. The accrual is an estimate of the amount due to staff as at the financial year end.

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

Balance at the beginning of the year	868 430	923 812
Contributions to provision	958 990	831 328
Expenditure incurred	(911 943)	(886 709)
	<b>915 477</b>	<b>868 431</b>

**21.5.2 STAFF LEAVE ACCRUAL**

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 the total remuneration package of the employee.

The movement on the staff leave accrual consist of the following:

Balance at the beginning of the year	23 068 357	23 014 955
Contributions to provision	1 604 388	1 713 938
Expenditure incurred	(854 572)	(1 660 536)
	<b>23 818 173</b>	<b>23 068 357</b>

**21.5.3 EMPLOYEE BONUS ACCRUAL**

Annual bonuses accrue to employees on an annual basis, based on the employee contract. These accruals are an estimate of the amount due to staff as at the financial year end.

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

Balance at the beginning of the year	8 457 333	8 228 947
Contributions to provision	18 101 480	17 351 049
Expenditure incurred	(18 204 299)	(17 122 663)
	<b>8 354 514</b>	<b>8 457 333</b>

**21.5.4 EMPLOYEE OVERTIME / STANDBY ALLOWANCES**

An accrual is done for the overtime / standby allowances that accrued to employees with regards to the financial year.

The movement on the employee overtime / standby allowance accrual consist of the following:

Balance at the beginning of the year	1 945 104	1 401 440
Contributions to provision	2 339 131	1 945 104
Expenditure incurred	(1 945 104)	(1 401 440)
	<b>2 339 131</b>	<b>1 945 104</b>

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**22. Provisions**

**Reconciliation of provisions - 2023**

	Opening Balance	Additions	Utilised during the year	Total
Rehabilitation of Landfill sites	146 479 773	6 647 761	(2 806 018)	150 321 516
	<b>146 479 773</b>	<b>6 647 761</b>	<b>(2 806 018)</b>	<b>150 321 516</b>

**Reconciliation of provisions - 2022**

	Opening Balance	Additions	Utilised during the year	Total
Rehabilitation of Landfill sites	127 353 106	19 762 510	(635 842)	146 479 774

Split between Non-current and current liabilities:

Non-current liabilities	149 148 312	143 605 236
Current liabilities	1 173 203	2 874 538
	<b>150 321 515</b>	<b>146 479 774</b>

**Rehabilitation of Landfill sites**

Provision is made in terms of the Municipality's licensing stipulations for the rehabilitation of landfill sites. It includes the closure activities of Buysplaas; D'Almeida; Fremiersheim; Great Brak; Herbertsdale and Louis Fourie landfill sites, but exclude post closure monitoring cost when the conditions thereof cannot be reliably estimated. As soon as these costs can be reliably determined, it will be included in the provision calculation. The provision has been determined by consulting engineers. The payment dates for the total closure and rehabilitation are uncertain, but are expected to all be finalised by 2028.

The key assumptions used in the valuation are as follows:

<b>Rates used</b>	2023	2022
Discount rate	6,60 %	4,65 %
Inflation rate	5,17 %	5,18 %

The average interest rate earned on Investments were used as a result of the fact that the provision is made good by funds set aside for this purpose.

The inflation rate used is the average of the past 10 years as published on the StatsSA website.

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<b>23. Unspent conditional grants and receipts</b>		
<b>Unspent grants and receipts comprises of:</b>		
<b>Unspent grants and receipts</b>		
Provincial Grants	22 190 590	10 907 385
District Municipality	592 917	1 403 525
<b>Other unspent receipts</b>		
Public contributions	11 708 845	3 474 939
	<b>34 492 352</b>	<b>15 785 849</b>

The Municipality received a National unconditional grant called Equitable Share which was previously disclosed under this Note. The grant is no longer disclosed as part of this Note as it is unconditional and therefore directly allocated to the Government Grant Revenue.

The reason for the increase in the unspent conditional grants and receipts totals are due to the following reasons:

- Provincial Grants: R5m Loadshedding Relief Grant received in April 2023 and could not be spent by year-end. R3.9m Title Deeds Restoration Grant received in May 2023, tenders have been awarded and funds will be spent in the 2023/2024 year. R5.4m Top Structure Grant for Wolwedans received in March 2023. The Municipality has applied to roll-over these funds to the next financial year.
- Public Contributions: Public contributions towards Capital projects as part of development contracts for Renosterbos, Hartland and Outeniquabosch estates. These funds will be allocated to the relevant capital project costs as it occurs.

**Movement during the year**

Opening balance	15 785 848	6 717 930
Receipts	129 097 874	96 816 043
Conditions met - Transferred to revenue	(106 307 999)	(87 665 358)
Re-payment of unspent grant	(4 083 371)	(82 766)
	<b>34 492 352</b>	<b>15 785 849</b>

The detailed movement per conditional grant is as follows:

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**23. Unspent conditional grants and receipts (continued)**

**National: LG Financial Management Grant**

**Operational:**

Opening balance	-	-
Receipts	1 550 000	1 550 000
Conditions met - Transferred to revenue	(1 550 000)	(1 550 000)
	-	-

The Financial Management Grant is paid by National Treasury to municipalities to promote and support reforms in financial management by building capacity in municipalities to implement the Municipal Finance Management Act (MFMA).

Other than the amounts unspent, the conditions of the grants have been met. No funds were delayed during the financial year.

**National: Municipal Infrastructure Grant**

**Capital:**

Opening balance	-	2 837 771
Receipts	27 046 000	25 277 000
Conditions met - Transferred to revenue	(27 046 000)	(28 114 771)
	-	-

The Municipal Infrastructure Grant is given to municipalities to provide specific capital finance for eradicating basic municipal infrastructure backlogs for poor households, microenterprises and social institutions servicing poor communities.

During the financial year the municipality received communication from National Government informing the municipality of the intention to stop MIG funding to the amount of R6.2 million in terms of section 18 of the 2022 DORA. The reason provided was that the municipality spent less than 40 per cent of the MIG allocations end of December 2022.

The reason for the underspending is directly related to the cancellation of the tender for the Refurbishment of the Pinnacle Point Wastewater Treatment Works. The cancellation was due to the preferred contractor's offer exceeding the Budget for the project by 211 per cent. A second round of tendering was done and the MIG project allocations was adjusted after council's approval.

As a result of the above, National Government delayed the payment of R6.4m MIG grant funds to the municipality from December 2022 to March 2023. The municipality however received the full MIG allocation for the 2022/2023 year as per the DORA allocation.

**National: Integrated National Electrification Programme Grant**

**Capital:**

Opening balance	-	-
Receipts	17 061 000	10 026 000
Conditions met - Transferred to revenue	(17 061 000)	(10 026 000)
	-	-

The Integrated National Electrification Programme Grant is given to municipalities to implement the Integrated National Electrification Programme (INEP) by providing capital subsidies to municipalities to address the electrification backlog of all existing and planned residential dwellings (including upgrade of informal settlements, new, and normalisation), and the installation of relevant bulk infrastructure.

Other than the amounts unspent, the conditions of the grants have been met. No funds were delayed during the financial year.

# Mossel Bay Municipality

## Annual Financial Statements for the year ended 30 June 2023

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#### 23. Unspent conditional grants and receipts (continued)

##### National: Expanded Public Works Programme Incentive Grant

###### Operational:

Opening balance	-	-
Receipts	1 935 000	1 672 000
Conditions met - Transferred to revenue	(1 935 000)	(1 672 000)
	<u>-</u>	<u>-</u>

The Expanded Public Works Programme Grant is incentive funding given to municipalities to expand job creation efforts in specific focus areas, where labour intensive delivery methods can be maximised.

During the financial year the municipality received communication from National Government informing the municipality of the intention to withhold the 3rd tranche payment for R580 000 of EPWP funding in terms of section 18 of the 2022 DORA. The municipality immediately responded and the funds were paid to the municipality in the same month.

##### Provincial: Integrated Housing & Human Settlement and Development Grant

###### Operational:

Opening balance	1 483 412	3 181 860
Receipts	14 384 055	7 939 762
Conditions met - Transferred to revenue	(6 327 412)	(9 638 210)
Re-payment of Unspent grant	(3 932 744)	-
	<u>5 607 311</u>	<u>1 483 412</u>

This grant is given to municipalities 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.

Other than the amounts unspent, the conditions of the grants have been met. No funds were delayed during the financial year.

An amount of R 3 932 744 was repaid to the Department of Human Settlements after the application for Roll-over of grant funding was rejected. The biggest portion was for the Title deed restoration project, which was reallocated to the municipality again in the 2022/23 year. Refer to below information on the Title deeds restoration Grant.

##### Provincial: Informal Settlements Upgrading Partnership Grant

###### Capital:

Opening balance	5 771 938	-
Receipts	32 618 918	23 794 451
Conditions met - Transferred to revenue	(33 536 310)	(18 022 513)
	<u>4 854 546</u>	<u>5 771 938</u>

This grant is given to municipalities to provide funding to facilitate a programmatic and inclusive approach to upgrading informal settlements.

Other than the amounts unspent, the conditions of the grants have been met. No funds were delayed during the financial year.

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**23. Unspent conditional grants and receipts (continued)**  
**Provincial: Community Development Workers Grant**

**Operational:**

Opening balance	197 105	146 867
Receipts	63 992	59 795
Conditions met - Transferred to revenue	(78 020)	(9 557)
Re-payment of Unspent grant	(140 104)	-
	<b>42 973</b>	<b>197 105</b>

This grant is given to provide financial assistance to municipalities to cover the operational costs pertaining to the functions of the community development workers programme.

The project was completed during the prior year and the conditions met. The remaining balance of R140 104 have thus been paid back to the Provincial Department during the current year under review.

Other than the amounts unspent, the conditions of the grants have been met. No funds were delayed during the financial year.

**Provincial: Wcape Financial Management Capability Grant**

**Operational:**

Receipts	307 084	-
Conditions met - Transferred to revenue	(93 135)	-
	<b>213 949</b>	<b>-</b>

The Financial Management Capability Grant is given to municipalities to support municipalities to improve their financial management capabilities. The outcome of this grant is effective local governance, efficient infrastructure investment, strategic Supply Chain Management and Integrated Provincial Governance.

Other than the amounts unspent, the conditions of the grants have been met. No funds were delayed during the financial year.

**Provincial: Financial Management Capacity Building Grant**

**Operational:**

Opening balance	236 672	-
Receipts	15 131	403 695
Conditions met - Transferred to revenue	(107 850)	(167 023)
	<b>143 953</b>	<b>236 672</b>

The Financial Management Capacity Building Grant is given to municipalities 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.

Other than the amounts unspent, the conditions of the grants have been met. No funds were delayed during the financial year.

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**23. Unspent conditional grants and receipts (continued)**  
**Provincial: Community Library Services Grant**

**Operational:**

Opening balance	303 806	15 621
Receipts	10 061 862	10 174 025
Conditions met - Transferred to revenue	(10 296 642)	(9 870 219)
Re-payment of Unspent grant	-	(15 621)

**Capital:**

Opening balance	80 885	-
Receipts	4 700	80 885
Conditions met - Transferred to revenue	(59 407)	-

**95 204 384 691**

This grant is given to municipalities to transform urban and rural public library infrastructure, facilities and services (primarily targeting previously disadvantaged communities) through a recapitalised programme at provincial level in support of local government and national initiatives.

The projects for 2020/21 year was completed and the conditions met. The remaining balance of R 15 621 was a saving and have thus been paid back to Provincial Government during the previous financial year.

Other than the amounts unspent, the conditions of the grants have been met. No funds were delayed during the financial year.

**Provincial: Financial assistance to Municipality for Maintenance & Construction of Transport Infrastructure Grant**

**Operational:**

Opening balance	10 523	-
Receipts	341 335	5 757 043
Conditions met - Transferred to revenue	(341 335)	(5 746 520)
Re-payment of Unspent grant	(10 523)	-

**- 10 523**

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

The project was completed during the prior year and the conditions met. The remaining balance of R10 523 have thus been paid back to the Provincial Department during the current year under review.

Other than the amounts unspent, the conditions of the grants have been met. No funds were delayed during the financial year.

**Provincial: Municipal Fire Service Capacity Building Grant:**

**Capital:**

Opening balance	-	-
Receipts	879 246	-

**879 246 -**

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

Other than the amounts unspent, the conditions of the grants have been met. No funds were delayed during the financial year.

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<b>23. Unspent conditional grants and receipts (continued)</b>		
<b>Provincial: Development of Sport &amp; Recreation Facilities Grant</b>		
<b>Capital:</b>		
Opening balance	311 725	-
Receipts	-	313 713
Conditions met - Transferred to revenue	(311 725)	(1 988)
	<b>-</b>	<b>311 725</b>

This grant is given to municipalities for the provision of sport and recreation facilities in especially previous disadvantaged communities.

Other than the amounts unspent, the conditions of the grants have been met. No funds were delayed during the financial year.

**Provincial: Municipal Service Delivery & Capacity Building Grant**

<b>Operational:</b>		
Opening balance	-	-
Receipts	148 442	70 000
Conditions met - Transferred to revenue	(42 377)	(70 000)
<b>Capital:</b>		
Opening balance	6 323	-
Receipts	158 396	81 230
Conditions met - Transferred to revenue	(138 630)	(74 907)
	<b>132 154</b>	<b>6 323</b>

The Municipal Service Delivery and Capacity Building Grant is given to municipalities to provide financial assistance to municipalities to improve infrastructure, systems, structures, corporate governance and service delivery.

Other than the amounts unspent, the conditions of the grants have been met. No funds were delayed during the financial year.

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**23. Unspent conditional grants and receipts (continued)**

**Provincial: Regional Socio-economic programme (RSEP) Grant**

**Capital:**

Opening balance	-	53 071
Receipts	1 080 000	-
Conditions met - Transferred to revenue	(1 046 637)	(53 071)
	<b>33 363</b>	<b>-</b>

This grant is to implement and enhance programmes to interact with stakeholders and empower communities to partner with government in implementing socio-economic and urban upgrading programmes.

Other than the amounts unspent, the conditions of the grants have been met. No funds were delayed during the financial year.

**Provincial: Municipal Accreditation & Capacity Building Grant**

**Operational:**

Opening balance	(65 017)	189 006
Receipts	256 000	-
Conditions met - Transferred to revenue	(253 944)	(254 023)
	<b>(62 961)</b>	<b>(65 017)</b>

This grant is to contribute to capacity building efforts by funding the monthly salaries of Capacity Building Clerks who are responsible for educating housing scheme beneficiaries and promoting different housing subsidy schemes that are available to communities.

Other than the amounts unspent, the conditions of the grants have been met. No funds were delayed during the financial year.

The payment of the unpaid balance as at 30 June 2023 was received in July 2023.

**Provincial: Thusong Service Centre**

**Operational:**

Opening balance	-	59 373
Re-payment of Unspent grant	-	(59 373)
	<b>-</b>	<b>-</b>

This grant is a contribution towards the maintenance expenses of the Mossel Bay Thusong Service Centre.

Other than the amounts unspent, the conditions of the grants have been met. No funds were delayed during the financial year.

The projects for 2020/21 year was completed and the conditions met. The remaining balance of R 59 373 was a saving and have thus been paid back to Provincial Government during the previous financial year.

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**23. Unspent conditional grants and receipts (continued)**

**Provincial: Greenest Town Competition**

**Operational:**

**Capital:**

Opening balance	-	4 134
Conditions met - Transferred to revenue	-	(4 134)
	-	-

Mossel Bay Municipality was awarded as top achievers in the Provincial Greenest Municipality Competition (GMC) 2019. These funds are used in line with the GMC objectives.

Other than the amounts unspent, the conditions of the grants have been met. No funds were delayed during the financial year.

**Provincial: DEDAT SMME Booster Fund**

**Capital:**

Opening balance	2 343 804	-
Receipts	84 175	2 343 804
Conditions met - Transferred to revenue	(2 079 151)	-
	<b>348 828</b>	<b>2 343 804</b>

This grant is provided in assistance to SMMEs and specifically a contribution towards the Mayixhale Business Hub and Wolwedans Business Space.

Other than the amounts unspent, the conditions of the grants have been met. No funds were delayed during the financial year.

**Provincial: Municipal Electrical Master Plan Grant**

**Operational:**

Opening balance	226 207	-
Receipts	3 345	611 720
Conditions met - Transferred to revenue	(212 949)	(385 511)
	<b>16 603</b>	<b>226 209</b>

This grant is a contribution to ensure effective functioning of municipal electrical infrastructure and to maximise the provision of basic electricity to citizens.

Other than the amounts unspent, the conditions of the grants have been met. No funds were delayed during the financial year.

**Provincial: WCape Municipal Energy Resilience Grant**

**Operational:**

Opening balance	-	-
Receipts	-	500 000
Conditions met - Transferred to revenue	-	(500 000)
	-	-

This grant is a contribution to support the implementation of renewable energy and energy resilience projects. The funds was received for a Cost of Supply Study.

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**23. Unspent conditional grants and receipts (continued)**

Other than the amounts unspent, the conditions of the grants have been met. No funds were delayed during the financial year.

**Provincial: LG Public Employment Support Grant**

**Operational:**

Receipts	-	1 300 000
Conditions met - Transferred to revenue	-	(1 300 000)
	-	-

This grant is a contribution to coordinate and ensure the implementation of targeted, short term public employment programmes for communities identified as being in distress. The municipality utilised the funding through it's General Street Cleaning project.

Other than the amounts unspent, the conditions of the grants have been met. No funds were delayed during the financial year.

**Provincial: Establishment and Support of a K9 Unit Grant**

**Operational:**

Opening balance	-	-
Receipts	909 710	-
Conditions met - Transferred to revenue	(276 087)	-

**Capital:**

Opening balance	-	-
Receipts	2 212 869	-
Conditions met - Transferred to revenue	(1 972 650)	-
	<b>873 842</b>	-

This grant is provided for resource funding in support of established K9 unit.

Other than the amounts unspent, the conditions of the grants have been met. No funds were delayed during the financial year.

**Provincial: Title-Deeds Restoration Grant**

**Operational:**

Opening balance	-	-
Receipts	4 012 861	-
Conditions met - Transferred to revenue	(129 953)	-
	<b>3 882 908</b>	-

This grant is provided for the eradication of the title-deeds registration backlog and professional fees associated with it, including beneficiary verification.

Other than the amounts unspent, the conditions of the grants have been met. No funds were delayed during the financial year.

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**23. Unspent conditional grants and receipts (continued)**  
**Provincial: Wcape Municipal Interventions Grant**

**Capital:**

Opening balance	-	-
Receipts	250 000	-
Conditions met - Transferred to revenue	(250 000)	-
	-	-

This grant is provided in assistance to Municipalities to improve infrastructure, systems, structures, corporate governance, service delivery and compliance with executive obligations. The grant for 2022/23 financial year was specifically used for provision of safety area High Mast lighting for KwaNonqaba area in Mossel Bay.

Other than the amounts unspent, the conditions of the grants have been met. No funds were delayed during the financial year.

**Provincial: Emergency Municipal Load Shedding Relief Grant**

**Capital:**

Opening balance	-	-
Receipts	5 128 669	-
Conditions met - Transferred to revenue	-	-
	<b>5 128 669</b>	-

This grant is provided for implementation of emergency measure to mitigate the impact of load-shedding on municipal services, businesses and the economy. The grant for 2022/23 financial year will be used for purchasing of standby generators for critical water pumpstations in Mossel Bay area.

Other than the amounts unspent, the conditions of the grants have been met. No funds were delayed during the financial year.

**District: Community Safety**

**Capital:**

Opening balance	1 403 525	7 772
Receipts	84 057	1 403 525
Conditions met - Transferred to revenue	(894 665)	-
Re-payment of Unspent grant	-	(7 772)
	<b>592 917</b>	<b>1 403 525</b>

The amounts transferred to Mossel Bay Municipality in the current and previous financial years was from the Garden Route District Municipality to be used for safety initiatives in Mossel Bay.

The projects for 2020/21 year was completed and the conditions met. The remaining balance of R 7 772 was a saving and have thus been paid back to Garden Route District Municipality during the previous financial year.

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<b>23. Unspent conditional grants and receipts (continued)</b>		
<b>Public Contributions and Other Receipts</b>		
<b>Operational:</b>		
Opening balance	17 577	150 639
Receipts	273 443	71 850
Conditions met - Transferred to revenue	(267 120)	(204 911)
<b>Capital</b>		
Opening balance	3 457 362	71 816
Receipts	8 227 583	3 385 545
	<b>11 708 845</b>	<b>3 474 939</b>

Mossel Bay Municipality received various public contributions. The current year contributions include funds received for the Relief Charitable Fund as well as an amounts for contributions to Capital projects as part of development contracts for Renosterbos, Hartland and Outeniquabosch estates. The previous year contributions additionally includes a contribution from Tourism Trade and Investment.

Refer to Note 49 for a prior period correction made to the public contributions.

**24. Consumer deposits**

Electricity	21 924 843	20 710 297
Water	16 658 240	15 357 368
	<b>38 583 083</b>	<b>36 067 665</b>

No Guarantees are held in lieu of electricity and water. No interest accrues on consumer deposits.

**25. Payables from exchange transactions**

Trade payables	155 745 743	146 252 421
Payments received in advanced	38 524 779	38 256 937
Accrued expenditure	157 339	103 734
Retentions	14 070 268	11 469 937
Other payables	1 070 301	731 599
Other deposits	9 446 852	9 027 503
Auditor-General of South Africa	-	2 565
	<b>219 015 282</b>	<b>205 844 696</b>

The fair value of trade and other payables approximates their carrying amounts. Trade and other payables are normally settled on 30-day terms in accordance with the MFMA. No interest is charged for the first 30 days from the date of receipt of the invoice / statement. Thereafter interest is charged in accordance with the credit policies of the various individual creditors.

Increased retention funds due to new housing, roads and electricity infrastructure projects.

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

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Figures in Rand	2023	2022
<b>26. Non-current deposits</b>		
<b>Santos Pavillion Repair Fund</b>		
Balance at beginning of year	322 827	313 534
Interest on investment	21 645	9 293
	<b>344 472</b>	<b>322 827</b>

This fund was created after the Pavilion burnt down a number of years ago. An entrepreneur restored the pavilion to its original form in exchange for a 93-year lease at a reasonable rent. It was also a condition that he should make available an amount of R100 000 to Council as an investment. Interest earned may be used by Council for the maintenance of the building, should he fail to do it himself.

**27. Self-insurance reserve**

Balance at the beginning of the year	172 103 209	125 751 217
Contributions from Operating account and other contributions	1 461 590	47 489 704
Funding Capital Projects	(124 717)	(1 137 712)
	<b>173 440 082</b>	<b>172 103 209</b>

The Self-insurance Reserve is fully funded and invested in financial instruments.

**28. Capital replacement reserve**

Balance at the beginning of the year	161 869 514	108 484 244
Contributions from Operating account and other contributions	138 607 378	124 163 385
External Services contribution	31 964 932	31 069 714
Land Sales contribution	21 643 646	11 090 518
Funding Capital Projects	(129 096 401)	(112 938 347)
	<b>224 989 069</b>	<b>161 869 514</b>

The Capital Replacement Reserve is fully funded and invested in financial instruments.

All contributions to the Capital Replacement Reserve (CRR) is made in terms of Council approved Funding and Reserves Policy. An increase in development contributions and land sales was experienced during the financial year.

**29. Service charges**

Sale of electricity	549 549 633	539 501 456
Sale of water	153 746 644	148 999 913
Refuse removal	83 497 150	84 374 942
Sewerage and sanitation charges	79 243 301	82 816 580
	<b>866 036 728</b>	<b>855 692 891</b>

The service charges revenue are in respect of services rendered to consumers and billed in terms of Council's approved tariffs.

These service charges revenues are the net amounts after taking into account revenue foregone of R128 087 086 (2022: R 80 683 772). The reason for the change from previous year is due to Council approved policy changes in regards to Indigent assistance.

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<b>30. Rent of facilities and equipment</b>		
Premises	12 038 556	11 134 912
Facilities and equipment	656 395	428 893
	<b>12 694 951</b>	<b>11 563 805</b>

Included in above Rental revenue - Premises is the rent billed for renting out of the Point and Santos / De Bakke Caravan Parks.

**31. Interest received - external investments**

<b>Interest revenue</b>		
Current bank account	3 035 083	1 490 796
Long-term investments	10 806 247	8 244 150
Short-term investments	41 244 339	27 221 154
	<b>55 085 669</b>	<b>36 956 100</b>

Increased investment interest due to better investment opportunities and interest rates increase.

**32. Other income**

Administrative Handling Fees	1 355 692	1 501 475
Building Plan Approval Fees	14 379 933	13 143 711
Collection charges	3 138 778	3 717 028
Development charges	31 964 932	27 684 169
Fire services	(8 472)	584 737
Land usage fees	2 987 782	3 072 383
Other	5 785 498	7 451 566
Sale of Redundant inventory	-	1 101 169
	<b>59 604 143</b>	<b>58 256 238</b>

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

The fire services revenue amount is indicated in the current year as a total negative amount of R8 472. The reason for this is due to a fire services amount repaid during the year which relates to the previous financial year. The amount repaid to specific customer amounted to R28 849 and is seen as immaterial to correct in the prior period.

**33. Availability charges**

Sale of Electricity	11 101 900	9 881 173
Sale of Water	7 281 862	8 051 163
Sewerage and Sanitation charges	5 970 264	5 615 880
	<b>24 354 026</b>	<b>23 548 216</b>

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<b>34. Property rates</b>		
<b>Rates received</b>		
Agricultural	3 005 390	3 342 750
Assessment Rate: Letting	1 294	1 298
Business and commercial	26 098 532	27 602 082
Industrial properties	8 541 995	6 826 791
Public benefit organisations	212 504	276 263
Public service infrastructure properties	274 166	53 004
Residential properties	156 416 649	131 202 491
Residential properties - vacant land	11 980 117	9 862 700
Special rated area - CID	707 095	570 043
State-owned properties	484 707	465 602
Less: Income forgone	(15 599 220)	(9 660 756)
	<b>192 123 229</b>	<b>170 542 268</b>

**Valuations**

Business and commercial	3 837 296 000	3 402 187 540
Agricultural / Farming	3 670 563 000	3 448 980 125
Industrial properties	1 302 996 000	878 914 000
Mining properties	3 451 000	-
Municipal properties	881 186 000	837 140 900
National monuments	35 619 000	37 416 000
Public benefit organisations	264 102 000	280 007 000
Place of worship - Church	328 638 000	199 390 000
Place of worship - Parsonage	26 990 000	95 114 000
Protected areas	29 756 000	12 337 000
Less: Income forgone	455 250 000	42 476 000
Public service infrastructure impermissible	22 968 000	23 303 000
State-owned properties	600 024 000	495 944 000
Residential properties	49 575 561 000	34 627 599 685
Vacant - Business	196 294 000	138 218 000
Vacant - Industrial	67 390 000	-
Vacant - Residential	2 739 368 000	1 923 453 093
	<b>64 037 452 000</b>	<b>46 442 480 343</b>

The valuation of properties takes place every five years in terms of the Municipal Property Rates Act, No.6 of 2004. The last General Valuation Date was 1 July 2021, and was implemented 1 July 2022. Generally there are 2 Supplementary Valuation Rolls per year. The basic rate for land and buildings range between R0.000819 and R0.007860 respectively. Qualifying pensioners receive an additional rebate of either 50% or 30% on property rates depending on their monthly income. The first R15 000 valuation on all residential properties are impermissible. A rebate is allowed on the valuation of residential properties up to R110 000 valuation. With regards to indigent households, where the joint income of the household amount to less than four times or two times the monthly government old age pension or where the valuation of the property is less than R125 000, a rebate is allowed on the valuation up to R125 000 of the property's valuation plus 100% rebate for Level 1 Indigent Households and Households housing a person with a disability or 50% rebate for Level 2 Indigent Household.

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<b>35. Government grants and subsidies recognised</b>		
<b>Operating grants</b>		
National Government: Equitable share	119 020 001	105 409 001
National Government: Financial Management Grant	1 549 999	1 550 000
National Government: Expanded Public Works Programme Integrated Grant	1 935 000	1 672 000
Provincial Government: Integrated Housing & Human Settlement Development and Development	6 327 412	9 638 210
Provincial Government: Community Library Services Grant	10 296 642	9 870 218
Provincial Government: Title-Deeds Restoration Grant	129 953	-
Provincial Government: Financial Management Capacity Building Grant	107 850	167 023
Provincial Government: Community Development Workers Grant	78 020	9 557
Provincial Government: Financial Management Capability Grant	93 135	-
Provincial Government: Financial assistance to Municipality for Maintenance & Construction of Transport Infrastructure Grant	341 335	5 746 520
Provincial Government: Municipal Accreditation and Capacity Building Grant	253 944	254 023
Provincial Government: Municipal Electrical Master Plan Grant	212 949	385 511
Provincial Government: WCape Mun Energy Resilience Grant	-	500 000
Provincial Government: LG Public Employment Support Grant	-	1 300 000
Provincial Government: Municipal Service Delivery and Capacity Building Grant	42 377	70 000
Provincial Government: Establishment and Support of A K9 Unit Grant	276 087	-
Provincial Department Agencies - Wcape Tourism Trade and Investment Promotion Agency	-	25 000
	<b>140 664 704</b>	<b>136 597 063</b>
<b>Capital grants</b>		
National Government: Municipal Infrastructure Grant	27 046 000	28 114 770
National Government: Integrated National Electrification Programme	17 061 000	10 026 000
Provincial Government: Informal Settlements Upgrading Partnership Grant	33 536 310	18 022 513
Provincial Government: Regional Socio-economic programme (RSEP)	1 046 637	53 071
Provincial Government: Community Library Services Grant	59 407	-
Provincial Government: Development of Sport and Recreation Facilities Grant	311 725	2 100
Provincial Government: Municipal Service Delivery and Capacity Building Grant	138 630	74 907
Provincial Government: Greenest Town Competition	-	4 022
Provincial Government: DEDAT SMME Booster Fund	2 079 151	-
Provincial Government: Establishment and Support of a K9 Unit	1 972 650	-
Provincial Government: Municipal Interventions Grant	250 000	-
District Municipality: Community Safety	894 664	-
	<b>84 396 174</b>	<b>56 297 383</b>
<b>Total Operating and Capital grants</b>	<b>225 060 878</b>	<b>192 894 446</b>
<b>Government Grants and Subsidies spent per vote</b>		
Municipal Manager	6 473 000	38 856 053
Corporate Services	279 005	176 580
Financial Services	1 550 000	1 550 000
Technical Services	130 742 568	89 140 078
Community Services	40 199 938	34 655 665
Development & Planning	43 924 265	42 543 785
Governance Services	3 143 402	952
	<b>226 312 178</b>	<b>206 923 113</b>

Included in the above summary of Grants and subsidies spent per Vote are Construction contract revenue as these are all Housing Topstructure projects for which the Municipality received a Grant from Provincial Government. Refer to note 4 for total construction contract revenue amount of R1 251 298 (2022: R 14 028 668) included.

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<b>36. Public contributions and donations</b>		
Donated assets	3 098 848	112 772
Public corporations	1 812 276	1 380 964
	<b>4 911 124</b>	<b>1 493 736</b>

Donated Assets:

During the 2022/2023 year the municipality recognised donated Electricity infrastructure to the amount of R2 508 112 which was received from various developers and includes donated street lights, minisubs and reticulation assets. The Municipality also recognised donated ICT equipment received at our libraries to the amount of R352 432. These are the biggest portion of the donated assets recognised above.

During the 2021/22 year the municipality recognised donated Computer and Office equipment received at our Libraries to the amount of R112 772.

Public corporations amount includes:

- An amount of R1 356 851 recognised for PetroSA portion of contribution towards the Desalination plant.
- An amount of R267 120 recognised for Relief/Charitable funds of the Mayor.

**37. Fines, Penalties and Forfeits**

Traffic fines	22 602 880	16 233 882
Tender withdrawal penalties	180 000	-
Illegal connection fines	1 738 254	557 811
Forfeits	1 538 031	2 069 591
Other fines, penalties and forfeits	176 139	163 268
	<b>26 235 304</b>	<b>19 024 552</b>

Other fines, penalties and forfeits includes Pound fees, Library penalties and fines for Councillors.

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

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<b>38. Employee related costs</b>		
Basic salaries and wages	230 925 034	218 821 212
Annual bonuses	17 374 300	16 774 162
Social contributions - Medical aid	17 797 957	16 784 632
Social contributions - Pension fund	40 000 757	37 274 851
Social contributions - UIF	1 876 091	1 795 099
Other social contributions - Industrial council and Group life insurance	6 534 536	6 072 377
Allowances - Acting	1 997 413	1 730 517
Allowances - Housing benefits	1 208 317	1 228 588
Allowances - Overtime payments	18 861 328	15 410 606
Allowances - Standby	5 655 260	5 066 369
Allowances - Travel or motor vehicle usage	7 159 150	6 956 978
Allowances - Other	4 322 585	3 693 650
Post-retirement benefit contributions - Healthcare	18 692 797	16 054 000
Post-retirement benefit contributions - Long service awards	3 821 699	3 365 000
Post-retirement benefit contributions - Pension	84 000	84 000
Post-retirement benefits - Actuarial losses / (gains) on Employee Benefit Provision	(4 092 727)	(15 064 911)
Contribution to leave gratuity provision	1 604 388	1 713 938
Less: Employee costs capitalised to PPE/Inventory	(14 133 976)	(13 324 424)
<b>Total employee related costs excluding key management positions</b>	<b>359 688 909</b>	<b>324 436 644</b>

The remuneration of key management positions consists of the following:

**Municipal Manager**

Annual remuneration	1 333 488	743 469
Performance bonuses	263 130	16 756
Contributions to UIF, Medical and Pension Funds	270 680	136 589
Car allowance	102 000	26 661
Cellular or Telephone allowance	36 000	8 637
Industrial council	130	41
	<b>2 005 428</b>	<b>932 153</b>

**Chief Finance Officer**

Annual remuneration	1 204 917	1 093 645
Performance bonuses	186 751	176 105
Contributions to UIF, Medical and Pension Funds	97 566	92 125
Car allowance	72 000	72 000
Cellular or Telephone allowance	36 000	30 600
Industrial council	130	124
	<b>1 597 364</b>	<b>1 464 599</b>

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<b>38. Employee related costs (continued)</b>		
<b>Remuneration of individual executive director positions:</b>		
<b>Director Planning and Development</b>		
Annual Remuneration	1 292 790	1 217 094
Performance Bonuses	141 368	133 783
Contributions to UIF, Medical and Pension Funds	296 175	280 815
Car Allowance	108 000	108 000
Cellular or Telephone allowance	36 000	30 600
Industrial council	130	124
	<b>1 874 463</b>	<b>1 770 416</b>
<b>Director Community Safety</b>		
Annual Remuneration	-	733 209
Performance Bonuses	1 179	78 587
Contributions to UIF, Medical and Pension Funds	-	139 585
Car Allowance	-	76 500
Cellular or Telephone allowance	-	22 950
Industrial council	-	93
	<b>1 179</b>	<b>1 050 924</b>
<b>Director Corporate Services</b>		
Annual Remuneration	691 446	1 348 233
Performance Bonuses	63 901	138 871
Contributions to UIF, Medical and Pension Funds	36 466	193 994
Car Allowance	42 000	120 000
Cellular or Telephone allowance	19 067	30 600
Group insurance	-	5 891
Industrial council	76	124
	<b>852 956</b>	<b>1 837 713</b>
<b>Director Technical Services</b>		
Annual Remuneration	1 705 787	1 620 909
Performance Bonuses	176 566	168 319
Contributions to UIF, Medical and Pension Funds	304 565	291 208
Car Allowance	102 000	102 000
Cellular or Telephone allowance	36 000	30 600
Group insurance	7 164	7 164
Industrial council	130	124
	<b>2 332 212</b>	<b>2 220 324</b>
<b>Director Community Services</b>		
Annual Remuneration	1 166 754	1 054 301
Performance Bonuses	126 095	118 907
Contributions to UIF, Medical and Pension Funds	267 546	253 034
Car Allowance	120 000	120 000
Cellular or Telephone allowance	36 000	30 600
Industrial council	130	124
	<b>1 716 525</b>	<b>1 576 966</b>

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<b>38. Employee related costs (continued)</b>		
<b>Total employee related costs</b>		
Employee costs - municipal staff	359 688 922	324 436 644
Employee costs - senior managers & municipal manager	10 380 117	10 853 088
	<b>370 069 039</b>	<b>335 289 732</b>

**39. Remuneration of councillors**

Executive Mayor	934 685	949 358
Deputy Executive Mayor	757 349	688 836
Mayoral Committee Members	3 563 795	3 551 171
Speaker	757 349	771 099
Councillors	7 123 124	6 597 907
Councillors' Pension Contributions	225 554	183 103
Councillors' Medical Aid Contributions	51 840	64 800
	<b>13 413 696</b>	<b>12 806 274</b>

**In-kind benefits**

The Executive Mayor, Deputy Executive Mayor, Speaker and Mayoral Committee Members are employed on a full-time basis. Each is provided with an office and administrative secretarial support at the cost of the Council.

The Mayor and the Deputy Mayor have access to council-owned vehicles for ceremonial and official functions.

Full-time Councillors are equipped with computers.

**40. Depreciation, amortisation and asset impairment**

<b>Depreciation</b>		
Property, plant and equipment	136 786 457	123 864 798
Investment property	1 120 136	1 443 102
Living Resources	5 792	-
<b>Amortisation</b>		
Intangible assets	84 432	199 077
<b>Asset impairment</b>		
Impairments	43 942	245 262 284
Reversal of impairments	(86 518)	(449 800)
	<b>137 954 241</b>	<b>370 319 461</b>

The amount (R245m) of impairments recognised in the previous financial year is due to the implementation of the latest valuation roll.

The depreciation charge for the year relating to the Water Treatment Plants is reallocated to water inventory consumed. Refer to notes 14 and 16 for reconciliations of all Depreciation for the year.

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

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<b>41. Debt impairment and Bad Debts written off</b>		
Debt impairment	11 938 682	49 446 288
Reversal of debt impairment	(51 301 981)	(702 317)
	(39 363 299)	48 743 971
Bad debts written off	78 907 504	16 914 122
	<b>39 544 205</b>	<b>65 658 093</b>

Traffic fines written off is included in the total for Bad debts written off and amounted to R 8 325 900 as at 30 June 2023 (2022: R 10 775 150).

Bad debts written off to the amount of R73m during the current financial year is mainly due to the write-off of irrecoverable indigent debtor accounts following a change in Council's policy on the criteria of indigent households.

**42. Finance costs**

Other financial liabilities	13 449 061	8 788 424
Landfill Sites (Provisions)	(468 292)	7 056 472
Non-Current deposits / Grants	612 185	91 051
	<b>13 592 954</b>	<b>15 935 947</b>

The negative amount reflected in the Landfill Site (Provisions) is the result of a change in the provision that exceeded the carrying value of the assets.

The reason for the increase in Finance costs relating to the Grants is due to increased interest on bigger unspent grant amounts allocated to the specific project.

**43. Bulk purchases**

Electricity - Eskom	436 942 993	429 308 778
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Bulk purchases are the cost of commodities not generated by the Municipality, but which the Municipality distributes to consumers. The Municipality purchases electricity in bulk from Eskom and then redistributes it to consumers.

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<b>44. Contracted services</b>		
<b>Consultants and Professional Services</b>		
Business and Advisory	1 332 740	5 123 100
Infrastructure and Planning	5 552 970	6 049 101
Legal cost	13 420 956	5 276 197
Other	123 602	113 007
<b>Contractors</b>		
Building	6 653 132	23 571 219
Chipping	3 227 402	-
Maintenance of buildings and facilities	6 496 711	4 455 347
Maintenance of unspecified assets	38 872 024	41 963 381
Safeguard and security	9 150 583	7 608 256
Sewerage services	3 838 843	6 415 010
Tracing agents and debt collectors	5 477 743	5 488 381
Other	7 337 976	5 494 180
<b>Outsourced Services</b>		
Administrative and Support staff	3 588 335	2 461 659
Alien vegetation control	2 557 706	2 264 399
Business and Advisory	3 717 538	5 003 770
Cleaning services	15 463 250	14 388 246
Clearing and Grass cutting services	11 708 996	10 837 622
Organic and building refuse removal	7 010 213	6 704 784
Refuse removal	10 390 888	9 494 801
Removal of structures and illegal signs	3 212 980	3 715 098
Swimming supervision	2 816 257	2 226 840
Other	5 095 544	5 803 810
	<b>167 046 389</b>	<b>174 458 208</b>

Consultants - Business and Advisory: The cost between the two financial years has decreased due to cost of Property Valuations which was done in the 2021/2022 financial year.

Consultants - Legal Cost: The increase from previous year is due to settlement cost of legal cases.

Contractors - Building: All Housing Topstructure expenditure is indicated under this item. The expenditure per year will vary depending on the amount of Grants and expenditure thereof in the specific year.

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

**45. Transfers and subsidies paid**

Bursary Scheme	200 985	167 023
Sport Council	131 330	126 000
SPCA	1 253 384	1 155 250
Subsidy: Benefit Discount Scheme	111 978	148 447
District Municipality	102 300	119 350
Tourism	6 358 924	5 794 746
Public Protection and Safety	3 050 000	-
Other	319 633	329 911
	<b>11 528 534</b>	<b>7 840 727</b>

The increase in Transfers and Subsidies paid is due to a new transfer payment made to the Joint Operations Centre NPC under Public Protection and Safety.

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**45. Transfers and subsidies paid (continued)**

Other Donations:

As at 30 June 2023 Other Donations were made in the financial year to the amount of R319 633 (2022: R 329 911). This is made up by the following donations: R223 383 Mayoral discretionary fund payouts and R96 250 worth of Other Donations (R13 750 was donated to each of the following: Piet Julies Aids action group, @Peace care centre, Mossel Bay Care centre, Caws 4 Paws, Heart to Heart care centre and Education and Training hub for Autism received R27500).

**46. Inventory consumed**

Consumables	23 286 226	20 527 389
Material and supplies	22 461 914	19 542 788
Land	-	38 335
Water	57 990 912	44 077 018
	<b>103 739 052</b>	<b>84 185 530</b>

Increase in Water inventory consumed is mainly due to the cost of sale per kilolitre increased from R6.46 in 2022 to R7.56 in 2023.

**47. General expenses**

Advertising	2 143 457	1 925 586
Auditors remuneration	5 349 141	4 630 976
Commission paid	7 656 307	7 567 883
Communication - Telephone & Postage	3 361 426	3 651 937
Dumping fees	5 710 784	8 514 286
External computer expenses	12 058 948	11 617 480
Insurance	4 778 908	4 398 840
Lease rentals	4 182 360	4 080 091
Municipal expenses	3 176 332	3 113 488
Other expenses	6 390 495	6 516 807
Skills Development Fund Levy	3 041 305	2 854 162
Subscriptions and membership fees	3 933 670	3 751 514
Workmen's Compensation Fund	2 167 315	1 943 554
	<b>63 950 448</b>	<b>64 566 604</b>

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<b>48. Cash generated from operations</b>		
Surplus (deficit)	124 165 571	(162 970 094)
<b>Adjustments for:</b>		
Depreciation and amortisation	137 996 812	125 506 968
Depreciation and amortisation - Water Treatment Plants	517 388	435 259
Gain and Loss on sale of assets and liabilities	2 754 859	3 381 444
Investment Income - external investments	(10 806 247)	(8 244 150)
Finance costs	13 592 954	15 935 947
Impairment of Assets / Reversal of impairment	(42 576)	244 812 484
Debt impairment / Reversal of impairment	(39 363 298)	48 743 971
Bad debts written off	78 907 504	16 914 122
Movements in operating lease assets and accruals	(3 967 526)	(4 324 984)
Movements in retirement benefit assets and liabilities / Provisions	17 514 225	23 071 147
Inventory land derecognition	-	38 335
Donated Assets	(3 098 849)	(112 772)
Sale of Redundant Inventory	-	(1 101 168)
Actuarial loss / (gain)	(4 092 727)	(15 064 911)
<b>Changes in working capital:</b>		
Inventories	(14 171 313)	(4 415 206)
Receivables from exchange transactions	(49 257 586)	(67 197 665)
Other receivables from non-exchange transactions	(11 803 753)	(3 480 801)
Payables from exchange transactions	11 761 082	5 389 750
VAT	(502 747)	(4 771 131)
Unspent conditional grants and receipts	13 888 944	(3 094 921)
Consumer deposits	2 515 418	2 573 973
	<b>266 508 135</b>	<b>212 025 597</b>

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

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<b>49. Prior period errors and reclassifications</b>				
<b>STATEMENT OF FINANCIAL POSITION</b>	<b>2022 previously reported</b>	<b>Reclassifi- cations</b>	<b>Prior period errors / Change in Accounting policy</b>	<b>2022 restated</b>
<b>ASSETS</b>				
<b>Current Assets</b>				
Inventories	21 000 671	-	-	21 000 671
Unpaid construction contract advances	2 342 760	-	-	2 342 760
Current portion of long-term receivables	366 690	-	-	366 690
Receivables from exchange transactions	108 600 837	-	14 398 267	122 999 104
Receivables from non-exchange transactions	17 698 336	-	4 254	17 702 590
VAT receivable	14 888 607	-	(1 878 035)	13 010 572
Short term investments	525 544 655	-	-	525 544 655
Cash and cash equivalents	62 538 988	-	-	62 538 988
	<b>752 981 544</b>	<b>-</b>	<b>12 524 486</b>	<b>765 506 030</b>
<b>Non-current Assets</b>				
Property, plant and equipment	2 454 683 394	-	(4 751 856)	2 449 931 538
Investment property	385 507 512	-	-	385 507 512
Intangible assets	985 329	-	(30 668)	954 661
Heritage assets	4 223 599	-	-	4 223 599
Long term receivables	17 166	-	-	17 166
Operating lease asset	99 941 298	-	-	99 941 298
Investments	137 174 000	-	-	137 174 000
	<b>3 082 532 298</b>	<b>-</b>	<b>(4 782 524)</b>	<b>3 077 749 774</b>
<b>TOTAL ASSETS</b>	<b>3 835 513 842</b>	<b>-</b>	<b>7 741 962</b>	<b>3 843 255 804</b>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Current portion of Other financial liabilities	17 821 746	-	-	17 821 746
Current Employee benefit obligations	43 987 317	-	-	43 987 317
Current Provisions	2 874 538	-	-	2 874 538
Unspent conditional grants and receipts	12 400 304	-	3 385 545	15 785 849
Consumer deposits	36 067 665	-	-	36 067 665
Payables from exchange transactions	205 869 192	-	(24 496)	205 844 696
	<b>319 020 762</b>	<b>-</b>	<b>3 361 049</b>	<b>322 381 811</b>
<b>Non-current Liabilities</b>				
Other financial liabilities	135 791 527	-	-	135 791 527
Operating lease liability	802 823	-	-	802 823
Employee benefits	139 868 778	-	-	139 868 778
Provisions	143 605 235	-	-	143 605 235
Non-current deposits	322 827	-	-	322 827
	<b>420 391 190</b>	<b>-</b>	<b>-</b>	<b>420 391 190</b>
<b>TOTAL LIABILITIES</b>	<b>739 411 952</b>	<b>-</b>	<b>3 361 049</b>	<b>742 773 001</b>
<b>TOTAL NET ASSETS</b>	<b>3 096 101 890</b>	<b>-</b>	<b>4 380 913</b>	<b>3 100 482 803</b>
<b>NET ASSETS</b>				
Self-insurance reserve	172 103 209	-	-	172 103 209
Capital replacement reserve	161 869 514	-	-	161 869 514
Accumulated surplus	2 762 129 167	-	4 380 913	2 766 510 080
	<b>3 096 101 890</b>	<b>-</b>	<b>4 380 913</b>	<b>3 100 482 803</b>

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**49. Prior period errors and reclassifications (continued)**

**STATEMENT OF FINANCIAL PERFORMANCE**

	2022 previously reported	Reclassifi- cations	Prior period errors	2022 restated
<b>Revenue from exchange transactions</b>				
Service charges	850 167 945	-	5 524 946	855 692 891
Construction contracts	14 028 668	-	-	14 028 668
Rental of facilities and equipment	11 563 805	-	-	11 563 805
Agency services - Provincial Traffic	7 481 660	-	-	7 481 660
Interest received - outstanding debtors	7 448 944	-	-	7 448 944
Interest received - external investments	36 956 100	-	-	36 956 100
Other income	61 641 783	-	(3 385 545)	58 256 238
<b>Revenue from non-exchange transactions</b>				
Taxation revenue				
Availability charges	23 548 216	-	-	23 548 216
Property rates	170 542 268	-	-	170 542 268
Interest earned - outstanding property rates	551 359	-	-	551 359
Licences and permits	1 297 821	-	-	1 297 821
Transfer revenue				
Government grants and subsidies	192 894 446	-	-	192 894 446
Public contributions and donations	1 493 736	-	-	1 493 736
Fines, Penalties and Forfeits	18 995 802	-	28 750	19 024 552
<b>TOTAL REVENUE</b>	<b>1 398 612 553</b>	<b>-</b>	<b>2 168 151</b>	<b>1 400 780 704</b>

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**49. Prior period errors and reclassifications (continued)**

	2022 previously reported	Reclassifi- cations	Prior period errors / Change in accounting policy	2022 restated
<b>EXPENDITURE</b>				
Employee related cost	335 289 732	-	-	335 289 732
Remuneration of councillors	12 806 274	-	-	12 806 274
Depreciation, amortisation and asset impairment	368 541 198	-	1 778 267	370 319 465
Bad debts written off	16 914 122	-	-	16 914 122
Finance cost	15 935 947	-	-	15 935 947
Bulk purchases	429 308 778	-	-	429 308 778
Contracted services	174 446 669	-	11 540	174 458 209
Transfers and subsidies paid	7 840 727	-	-	7 840 727
Inventory consumed	84 185 530	-	-	84 185 530
General Expenses	64 566 604	-	-	64 566 604
<b>TOTAL EXPENDITURE</b>	<b>1 509 835 581</b>	<b>-</b>	<b>1 789 807</b>	<b>1 511 625 388</b>
<b>OPERATING SURPLUS / (DEFICIT)</b>				
OPERATING SURPLUS / (DEFICIT)	(111 223 028)	-	378 344	(110 844 684)
Gain / (loss) on disposal of assets and liabilities	6 636 846	-	(1 335 038)	5 301 808
Inventories losses / write-downs	(8 683 252)	-	-	(8 683 252)
Reversal of impairment loss / (Impairment loss) on receivables	(48 743 971)	-	-	(48 743 971)
<b>SURPLUS / (DEFICIT) FOR THE YEAR</b>	<b>(162 013 405)</b>	<b>-</b>	<b>(956 694)</b>	<b>(162 970 099)</b>
<b>CASH FLOW STATEMENT</b>				
	2022 previously reported	Reclassifi- cations	Prior period errors / Change in accounting policy	2022 restated
Net cash from operating activities	212 033 007	-	-	212 025 597
Net cash from investing activities	(270 986 750)	-	-	(270 979 288)
Net cash from financing activities	29 405 876	-	-	29 405 876
Total cash movement for the year	(29 547 867)	-	-	(29 547 867)
Cash and cash equivalents at the beginning of the year	92 086 160	-	-	92 086 160
	<b>62 538 293</b>	<b>-</b>	<b>-</b>	<b>62 538 293</b>

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**49. Prior period errors and reclassifications (continued)**  
The reclassifications and correction of the error(s) are as follows:

**49.1 Reclassifications**

No reclassifications were done during the year under review.

**49.2 Correction of Error 1 - Service Connections**

Partial disposals of Service Connections not processed as at 30 June 2022.

<b>Affected line items</b>	2022
Property, plant and equipment	(1 311 387)
(Gains) / losses on disposal of assets and liabilities	1 311 387
	-

**49.3 Correction of Error 2 - Finalisation of Cost**

Incorrect Finalisations reversed, both cost and Depreciation and new additions processed.

<b>Affected line items</b>	2022
Property, plant and equipment	16 884
Depreciation, amortisation and asset impairment	(16 884)
	-

**49.4 Correction of Error 3 - Ensuring the completeness of the Stormwater Network**

Ensuring of completeness of asset register by updating the Storm water network information based on the outcome of the the masterplan investigations.

<b>Affected line items</b>	2022
Property, plant and equipment	728 811
Depreciation, amortisation and asset impairment	307 834
Accumulated surplus - 2021 and prior	(1 036 645)
	-

**49.5 Correction of Error 4 - Reactivation of disposed assets**

New moveable additions due to incorrect or missed finalisation entries and re-instate previously disposed assets missing during asset counts.

<b>Affected line items</b>	2022
Property, plant and equipment	62 878
Depreciation, amortisation and asset impairment	25 656
(Gains) / losses on disposal of assets and liabilities	(882)
Accumulated surplus - 2021 and prior	(87 652)
	-

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**49. Prior period errors and reclassifications (continued)**

**49.6 Correction of Error 5 - Ensuring the completeness of the Stormwater Network**

Ensuring the completeness of asset register by updating the Storm water network information based on the outcome of the masterplan investigations.

<b>Affected line items</b>	2022
Property, plant and equipment	2 617 001
Depreciation, amortisation and asset impairment	(174 341)
Accumulated surplus - 2021 and prior	(2 442 660)
	-

**49.7 Correction of Error 6 - Finalisation of Cost**

Finalisation of project completed on or before 30 June 2022.

<b>Affected line items</b>	2022
Property, plant and equipment	(4 526 233)
Depreciation, amortisation and asset impairment	1 619 354
Contracted services	11 539
Accumulated surplus - 2021 and prior	2 895 340
	-

**49.8 Correction of Error 7 - Classification changes**

Classification changes, disposals of assets no longer in use as well as reclassification of expenditure.

<b>Affected line items</b>	2022
Property, plant and equipment	(2 241 480)
Depreciation, amortiation and asset impairment	(28 471)
Accumulated surplus - 2021 and prior	2 269 951
	-

**49.9 Correction of Error 8 - Finalisation of Cost**

Finalisation of projects completed on or before 30 June 2022.

<b>Affected line items</b>	2022
Property, plant and equipment	(98 330)
Intangible assets	(30 668)
Depreciation, amortisation and asset impairment	45 120
(Gains) / losses on disposal of assets and liabilities	24 533
Accumulated surplus - 2021 and prior	59 345
	-

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**49. Prior period errors and reclassifications (continued)**

**49.10 Correction of Error 9 - Hartland Developers Donations**

As per Section 4 of the Memorandum of Agreement between Mossel Bay Municipality and K2011133641 (SA) Proprietary Limited in accordance with Council Resolution E160-09/2020, an additional capital payment will be made to Mossel Bay Municipality together with the capital contribution in respect of each erf or unit, at the time of application for a rates clearance certificate. These amounts received have previously been recognised as capital contribution revenue, and should have been recognised as a reserve.

<b>Affected line items</b>	2022
Unspent conditional grants and receipts	(3 385 545)
Other Income - Development charges	3 385 545
	-

**49.11 Correction of Error 10 - Provincial Traffic fines**

Adjustment to previous year's transactions on Provincial Traffic Fines as per report received from the TCS system.

<b>Affected line items</b>	2022
Receivables from non-exchange transactions	4 254
Payables from exchange transactions	24 496
Fines, penalties and forfeits	(28 750)
	-

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**49. Prior period errors and reclassifications (continued)**

**49.12 Correction of Error 11 - Incorrect billing of water service charges (factor 10 meters)**

Correction in line with Communication of Audit Finding 1 of 2023. Shift Water Service charges revenue to previous and prior year in line with correction of factor application on meter readings.

<b>Affected line items</b>	2022
Receivables from exchange transactions	14 398 267
VAT receivable	(1 878 035)
Service charges - Sale of Water	(6 995 286)
Accumulated surplus - 2021 and prior	(5 524 946)
	-

**50. Changes in accounting policy**

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice on a basis consistent with the prior year.

**51. Change in accounting estimates**

**Change in Useful lives**

The Municipality has reassessed the useful lives of Property, plant and equipment (including the restoration cost of landfill sites based on the estimated closure date of each landfill site), Investment Property and Intangible assets and residual values of Property, plant and equipment which resulted in changes in depreciation and amortisation charges. The effect of the change in accounting estimate has resulted in the following movements for the current and future periods on the affected capital assets:

<b>Movement in depreciation and amortisation</b>	2023	2024	2025	2026
Before change in estimate	9 214 501	10 852 660	1 885 764	45 835
After change in estimate	7 312 694	8 055 328	3 109 272	1 672 368
<b>Net effect (Decrease) / Increased charges</b>	<b>(1 901 807)</b>	<b>(2 797 332)</b>	<b>1 223 508</b>	<b>1 626 533</b>

**Change in estimate of Rehabilitation costs**

A decrease in the estimated cost for the rehabilitation cost of D'Almeida and Friemersheim landfill sites occurred. In terms of iGRAP 2 the reduction will be treated as a credit to the capital asset to the maximum of the carrying value of the respective restoration cost asset, whilst the rest will be set off against the unwinding of the interest. Refer to Note for 42 finance costs.

<b>Movement in provision</b>	2023 - D'Almeida	2023 - Friemersheim
Before change in estimate	20 178 365	6 242 631
After change in estimate	10 584 907	3 587 562
<b>Net effect (Decrease) / Increased charges</b>	<b>(9 593 458)</b>	<b>(2 655 069)</b>

**52. Comparison with budget**

<b>Reconciliation of budget surplus / (deficit) with the surplus / (deficit) in the Statement of Financial Performance:</b>	2023 R
Net surplus / (deficit) per the statement of financial performance	124 165 571
Net surplus / (deficit) as per approved budget	59 132 613
<b>Variance to be explained (refer to Statement of Comparison of Budget and Actual amounts for detail)</b>	<b>(65 032 958)</b>

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**52. Comparison with budget (continued)**

Budget information is presented on the accrual basis and is based on the same period as the actual amounts, i.e. 1 July 2022 to 30 June 2023. The budget information is therefore on a comparable basis to the actual amounts.

<b>Expenditure per VOTE: OPERATIONAL</b>	Budget:	Actuals:	Variance:
Vote 1 - Municipal Manager and Executive Council	61 953 638	60 897 564	1 056 074
Vote 2 - Corporate Services	81 964 358	69 113 598	12 850 760
Vote 3 - Financial Services	67 571 413	62 622 195	4 949 218
Vote 4 - Infrastructure Services	875 483 785	844 012 067	31 471 718
Vote 5 - Community Services	214 319 661	203 817 136	10 502 525
Vote 6 - Planning and Economic Development	72 569 802	55 604 390	16 965 412
Vote 7 - Community Safety	108 844 942	101 077 897	7 767 045
	<b>1 482 707 599</b>	<b>1 397 144 847</b>	<b>85 562 752</b>

<b>Below the line items</b>	Budget	Actual	Variance
Loss on disposal of assets and liabilities	-	9 832 838	(9 832 838)
Inventories losses/write-downs	-	8 777 459	(8 777 459)
Impairment loss on receivables	(38 534 471)	(39 363 299)	828 828
	<b>(38 534 471)</b>	<b>(20 753 002)</b>	<b>(17 781 469)</b>

<b>Grand total</b>	Budget	Actual	Variance
Exp per VOTE + Below the line items	1 444 173 128	1 376 391 845	67 781 283

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#### 52. Comparison with budget (continued)

##### Detail of Material Variances:

Municipal Manager & Executive Council: The underspending was mainly due to savings on Audit fees.

Corporate Services: The underspending is mainly due to savings on Depreciation cost, IT related costs and the realisation of an Actuarial Gain in the current financial year.

Financial Services: The underspending was mainly due to savings on contracted services for debt collection and savings on Operational costs, specifically on Bank charges, Computer services and Insurance costs.

Infrastructure Services: The underspending was mainly due savings on Bulk Electricity purchases which can be attributed to the current Loadshedding disaster. Other reasons for underspending are Bad debt write-offs budgeted but not realised, depreciation charges and underspending on Employee related costs.

Community Services: The underspending is mainly due to finance cost on Landfill site provision which is reflected as negative expenditure due to change in provision exceeding the carrying value of the assets. Further underspending on Cleaning services and Employee related costs.

Planning & Economic Development: The underspending is mainly due to underspending on Housing grant allocations to the amount of R12.8m. Savings also realised on contracted services and Depreciated was less than anticipated with budget process.

Community Safety: The underspending was mainly due to savings on contracted services for Security and a big savings on Employee related costs due to the Director position being vacant for the financial year.

##### **Expenditure per VOTE: CAPITAL**

	Budget:	Actual:	Variance:
	R	R	R
Vote 1 - Municipal Manager and Executive Council	669 529	500 316	169 213
Vote 2 - Corporate Services	10 458 894	9 582 758	876 136
Vote 3 - Financial Services	2 400 568	1 227 854	1 172 714
Vote 4 - Infrastructure Services	163 858 305	147 470 835	16 387 470
Vote 5 - Community Services	20 998 812	23 153 637	(2 154 825)
Vote 6 - Planning and Economic Development	64 753 228	42 533 774	22 219 454
Vote 7 - Community Safety	21 701 895	18 063 376	3 638 519
	<b>284 841 231</b>	<b>242 532 550</b>	<b>42 308 681</b>

##### Detail of Material Variances:

Corporate Services: The main reason in underspending is due to structural engineers finalising specifications for the Mounting mast for antennas.

Financial Services: The main reason in underspending is due to savings on budgets for replacement of assets relating to insurance claims.

Infrastructure Services: The underspending is mainly due to grant funding for Loadshedding relief grant received only in April 2023. Roll-over applications was motivated and approved by province to be spent in the 23/24 financial year. In year processes was delayed for some construction processes, but are on the way and CRR funds was approved by council to be rolled over to next financial year.

Community Services: The overspending is due to the increased restoration costs of landfill sites.

Planning & Integrated Services: The main reason for underspending is due to expenditure not realised on Upgrading of informal settlements grant funded projects. An application will be done to Provincial Treasury for the roll-over of grant funding.

Community Safety: The underspending is mainly due projects delay for purchasing of rubber ducks. An application will be done to Provincial Treasury for the roll-over of grant funding.

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Figures in Rand	2023	2022
<b>53. Utilisation of Long-term liabilities reconciliation</b>		
Long-term liabilities raised (Refer note 20)	173 506 365	153 613 273
Used to finance property, plant and equipment	(173 506 365)	(153 613 273)
	-	-

Sufficient cash has been set aside to ensure that long-term liabilities can be repaid on redemption date (See Note 13 for Cash and Cash Equivalents and to Note 12 for Short-term Investments).

**54. Unauthorised expenditure**

**Reconciliation of unauthorised expenditure**

Opening balance	237 074 760	36 246 537
Unauthorised expenditure current year	2 154 825	237 074 760
Approved by council or condoned	-	(36 246 537)
Transfer to receivables for recovery - not condoned	-	-
<b>Unauthorised expenditure awaiting authorisation</b>	<b>239 229 585</b>	<b>237 074 760</b>

The overspending of R2 154 825 under Community Services vote in the 2022/23 year is due to the recognition of the Landfill site asset as per the report by management expert on the Provision for the Rehabilitation of Landfill sites.

The overspending of R229 562 484 under the Planning and Economic Development vote in the 2021/22 year is due to Impairment losses recognised on Municipal Property after consideration of the latest valuation roll.

The overspending of R7 512 276 under the Community Services vote in the 2021/22 year is due to the recognition of the Landfill site asset as per the report by management expert on the Provision for the Rehabilitation of Landfill sites. The increase in the asset is due to the discount rate used on provision.

Disciplinary steps/criminal proceedings:

2022/23 : Disciplinary board Committee still to consider current year Unauthorised expenditure.

2021/22 : Investigated by Disciplinary board Committee and referred to Council for approval. No financial loss due to unauthorised expenditure. The Disciplinary board Committee found that no official acted negligently.

Non-cash	2 154 825	237 074 760
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**Non-cash analysed as follows:**

Impairment loss / Reversal of impairments	-	229 562 484
Capital additions - Landfill site provision asset	2 154 825	7 512 276
	<b>2 154 825</b>	<b>237 074 760</b>

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<b>55. Irregular expenditure</b>		
<b>Reconciliation of irregular expenditure</b>		
Opening balance	1 214 491	-
Irregular expenditure current year	1 896 960	1 184 739
Recovered	-	-
To be recovered - contingent asset	-	-
Adjustment of prior year disclosure	839 965	29 752
<b>Irregular expenditure awaiting write-off</b>	<b>3 951 416</b>	<b>1 214 491</b>

**2023**

**Incident**

Irregular Expenditure regarding the excess payments made with regards to contractors for Open Space Management and Collection of Refuse. (E115-05/2023)

Irregular Expenditure regarding the excess payments made with regards to contractors for Open Space Management and Collection of Refuse in relation to the entire TDR109/2020/2021. (E201-08/2023)

Adjustment of prior year disclosure: 2022 - Total R839 965  
 In the 2020 irregular expenditure listed below was decreased from the note as Council resolved that the funds had to be recovered and was subsequently listed as and contingent assets was increased by the same. Guidance was however received that the disclosed amount of irregular expenditure can only be decreased once the amounts have actually been recovered or written-off.

**2022**

**Incident**

Irregular Expenditure regarding reallocation allowance that was paid (Non-compliance with SCM regulation 44 - in service of the state) - R2180

Irregular Expenditure identified as a result of payments on TDR19/2019 exceeding the total award amount. R677 284

Irregular Expenditure identified as a result of payments on TDR67/2020/2021 exceeding the total award amount. R505 274

**Adjustment of prior year disclosure: 2021 - Total R29 752**

The Auditor-General identified Irregular Expenditure as a result of non-compliance i.r.o. SCM Regulation 44 (in service of the state).

**Disciplinary steps/criminal proceedings**

Investigated by Disciplinary board Committee and referred to Council. Council resolved irregular expenditure of R35 124 was incurred and the possible negligence to be investigated. (E115-05/2023)  
 Investigated by Disciplinary board Committee and referred to Council. Council resolved irregular expenditure of R1 861 835,91) was incurred and the possible negligence to be investigated. (E201-08/2023)

**Disciplinary steps/criminal proceedings**

Was reported to the Accounting Officer and will be taken to the Disciplinary Board for Investigation.

Was reported to the Accounting Officer and will be taken to the Disciplinary Board for Investigation.

Was reported to the Accounting Officer and will be taken to the Disciplinary Board for Investigation.

**56. Fruitless and wasteful expenditure**

**Reconciliation of fruitless and wasteful expenditure**

Opening balance	-	-
Fruitless and wasteful expenditure current year	-	-
Condoned or written off by Council	-	-
To be recovered - contingent asset	-	-
<b>Fruitless and wasteful expenditure awaiting condonement</b>	<b>-</b>	<b>-</b>

Expenditure was assessed and no fruitless expenditure found in current or previous financial years.

Refer to note 61 for detail of any contingent asset relating to Fruitless and Wasteful expenditure.

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**57. Additional disclosure in terms of the Municipal Finance Management Act (MFMA), (Act No. 56 of 2003)**

**Non-compliance with Municipal Finance Management Act**

No material non-compliance to the MFMA to report for the year under review.

**Non-compliance with provisions in MFMA and MBRR concerning tabling of an Adjustment Budget**

In terms of Section 23(3) of the Municipal Budget and Reporting Regulations (MBRR) the Municipality must at the next available council meeting, but within 60 days of the approval of the relevant provincial adjustments budget, table an adjustments budget referred to in section 28(2)(b) of the Act in Municipal Council.

In terms of Section 23(4) of the Municipal Budget and Reporting Regulations the Municipality must at the first available opportunity after the unforeseeable and unavoidable expenditure was incurred and in terms of Section 29(3) of the Municipal Finance Management Act (MFMA) within 60 days after the expenditure was incurred pass an adjustments budget otherwise expenditure is unauthorised.

Provincial Governments has communicated a Provincial Adjustments budget on 24 November 2022 with Municipalities in Western Cape. According to legislation, the Municipality must table an adjustments budget within 60 days, which is then in effect 24 January. The Mayor has approved Unforeseen expenditure on 25 November and 07 December 2022 which required a budget to be tabled within 60 days.

The municipality has revised its budget for the February Adjustments budget in terms of section 28(2) (a, b, d, f, g) and combined the three different adjustments budgets to relieve capacity issues. A application for extension of deadlines was sent in terms of the MFMA and MBRR to the Minister of Finance in Western Cape, which was accepted.

**Contributions to SALGA**

Opening balance	-	-
Current year subscription / fee	4 149 043	3 686 765
Amount paid - current year	(4 149 043)	(3 686 765)
Amount paid - previous years	-	-
	-	-

**Audit fees**

**External audit fees**

Opening balance	2 230	9 841
Current year fee	5 349 141	4 630 976
Amount paid - current year	(5 349 141)	(4 628 746)
Amount paid - previous years	(2 230)	(9 841)
	-	<b>2 230</b>

**Internal audit fees**

Opening balance	79 838	189 903
Current year fee	1 603 243	1 167 470
Amount paid - current year	(1 058 769)	(1 087 632)
Amount paid - previous years	(79 838)	(189 903)
	<b>544 474</b>	<b>79 838</b>

**PAYE and UIF**

Opening balance	-	-
Current year subscription / fee	52 018 614	48 819 966
Amount paid - current year	(52 018 614)	(48 819 966)
Amount paid - previous years	-	-
	-	-

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**57. Additional disclosure in terms of the Municipal Finance Management Act (MFMA), (Act No. 56 of 2003)**  
**(continued)**

**Pension, Provident and medical aid contributions, Group insurance**

Opening balance	-	-
Current year subscription / fee	111 202 010	104 757 162
Amount paid - current year	(111 202 010)	(104 757 162)
Amount paid - previous years	-	-
	-	-

Disclosure to be added on amount overpaid

**VAT**

VAT (payable) / receivable	13 513 319	13 010 572
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All VAT returns have been submitted by the due date throughout the year.

**Councillors' arrear consumer accounts**

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2023:

30 June 2023	Outstanding less than 90 days	Outstanding more than 90 days	Total
None	-	-	-
30 June 2022	Outstanding less than 90 days	Outstanding more than 90 days	Total
S Dubula	2 858	9 739	12 597
RJG Sethuntsha	3 445	51 303	54 748
	<b>6 303</b>	<b>61 042</b>	<b>67 345</b>

During the year the following Councillors' had arrear accounts outstanding for more than 90 days:

2023	Highest outstanding amount	Aging (in days)
ME Furness	5 959	90+ days
2022	Highest outstanding amount	Aging (in days)
ME Furness	10 010	90+ days
WP Fipaza	1 577	90+ days
J Siyoko	89	90+ days
S Dubula	9 739	90+ days
MA Mkonto	15 387	90+ days
RJG Sethuntsha	53 759	90+ days
FB Porter	337	90+ days

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**57. Additional disclosure in terms of the Municipal Finance Management Act (MFMA), (Act No. 56 of 2003)**  
**(continued)**

**Supply chain management regulations**

The following deviations and ratifications of minor breaches of procurement processes are reported to council in terms of Paragraph 36(2) of the SCM Policy:

**Types of deviations**

Sole Supplier	8 069 212	3 838 000
Emergency	5 842 340	5 769 912
Exceptional case and it is impractical or impossible to follow the official procurement process	38 837 393	35 031 399
	<b>52 748 945</b>	<b>44 639 311</b>

**Awards to close family members of persons in the service of the state**

Particulars of awards of more than R2 000 to a person who is a spouse, child or parent of a person in the service of the state, or has been in the services of the state in the previous 12 months:

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<b>57. Additional disclosure in terms of the Municipal Finance Management Act (MFMA), (Act No. 56 of 2003) (continued)</b>				
<b>Awarded to:</b>	<b>Connected person</b>	<b>Position held in state</b>	<b>2023</b>	<b>2022</b>
3rd Generation Trading PTY LTD	Renay Pillay	Environmental officer - PetroSA	2 845 047	2 105 919
Afezekiswa Mining and Construction CC	SN Kolwapi	Intern - Gauteng Housing department	421 600	-
Alveo Water (Pty) Ltd	Yazeed Daniels	School Finance and Record Officer at Western Cape Education Department	171 429	176 935
Amandle/Khubeka JV	John Emanuel Jacobs	Principal Inspector - National Government Employmen and Labour	8 663 116	-
	Unita Frazenburg	Registrar of Deeds - National Government Kimberley Deeds Office	-	-
	Eben Frazenburg	Teacher - WC Education Department	-	-
	Jacqueline Frazenburg	Teacher - WC Education Department	-	-
	Bruay Frazenburg	Municipal Prosecutor - City of Cape Town (Traffic Department)	-	-
Beneatas (Pty) Ltd	Marulyn Kannemeyer	Councillor - Mossel Bay Municipality	57 845	-
CH Fire Services CC	Unchin Kannemeyer	Snr SCM Practitioner: Compliance and Contract Administration - Mossel Bay Municipality	151 922	61 521
Chumani Architects (Pty) Ltd	Mareen Williams	Nurse - Mossel Bay Provincial Hospital	545 138	150 000
CML Civil Construction	Z van Wyk	Teacher - WC Education Department	24 800	-
DG Incentives (Pty) Ltd	Nonhlanhla Kumalo	Manager - Ports Regulator of SA	86 415	-
Diphororo Consulting (Pty) Ltd	Ntombana Del Sekgaphane	Official - Sector Education and Training Authority (SETA)	222 120	-
Drs Dietrich Voigt Mia Partners	Christene Maas-Loftus	Senior Medical officer - Department of Health	451	-
Ducharme Asset Management Accounting (Pty) Ltd	Lamahlibi Mbekeni	Snr Legal Admin officer - Department of Rural Development and Land Reform	-	980 659
Emakozeni Trading Enterprises CC	RS Zikode	Official - Department of Trade and Industry	203 684	145 001
Trading as Harvey World Travel Engineering Advice Services Western Cape (PTY) LTD	Shaun Westerberg	Manager: Building Development - Mossel Bay Municipality	343 213	1 744 743
	Erlene Westerberg	Personal Assistant: Municipal Manager - Mossel Bay Municipality	-	-
GIBB (PTY) LTD	Various employees : See Below		750 162	-
	Dianne Alderman	Teacher - EC Dept of Education	-	-
	Rajiv Beharie	Senior Engineer - Eskom	-	-
	Ian Bowker	Head of Dept - Dept of Asset Mngmnt and Maintenance in Transport	-	-

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**57. Additional disclosure in terms of the Municipal Finance Management Act (MFMA), (Act No. 56 of 2003)**  
**(continued)**

Irma Brink	Teacher - FS Dept of Education	-	-
Sonnika Cilliers	Teacher - Dept of Education	-	-
Liezel Cloete	Lecturer - Dept of Higher Education and Training	-	-
Dolerencia Davids	Admin officer - City of Cape Town	-	-
Hilton Davids	Admin officer - City of Cape Town	-	-
Jacqueline Gooch	Head of Dept - Dept of Transport and Public Works	-	-
Thando Gqobo	Civil Engineering Technician - Ethekweni Municipality	-	-
MB Haq	Town Planner - City Engineers	-	-
Conrad Hering	Electrical Engineer - Dept of Transport and Public Works	-	-
Siyamthanda Jafta	Assistant Mngr - EC Dept of Transport	-	-
Heinrich Jaskolka	Magistrate - Dept of Justice	-	-
Yvette Joubert	Teacher - WC Education Department	-	-
Tebho Kabi	Senior Technician - Eskom	-	-
Douglas Kiewiet	Area Mngr - Dept of Water Affairs	-	-
Unathi Lekonyana	Deputy Director - National Treasury	-	-
Gerda Magnus	Acting Deputy Director General - Dept of Higher Education and Training	-	-
Nokuzola Mandla	Control Works inspector - EC Dept of Human Settlements	-	-
Nokuthula Mkhize	Accounting Clerk - National Dept of Water Affairs	-	-
Londani Mkhumbuzi	Senior Clerk - KwaDukuza Municipality	-	-
David Moffett	Director Spatial Planning - Dept of Rural Development and Land Reform	-	-
Alan Moon	Head: Business Continuity - City of Cape Town	-	-
K Naidoo	Head of Dept Maths- Dept of Education	-	-
Herbert Netzhikweta	Senior Inspector - Dept of Minerals Resource	-	-
Phumlani Ngcamu	Snr Civils Technician - Ethekweni Municipality	-	-
Donovan O'Reilly	Warrant Officer - SAPS	-	-
Fawizia Peer	Deputy Mayor - Ethekweni Municipality	-	-
Funanani Phidza	Director ICT - Economic Development	-	-
Rendani Phidza	Snr Control Officer - Sports and Recreation	-	-
Thendo Phidza	Jnr Service Engineer - Eskom	-	-

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<b>57. Additional disclosure in terms of the Municipal Finance Management Act (MFMA), (Act No. 56 of 2003) (continued)</b>				
	Vuyokazi Sicwebu	PMU Manager - Ndlambe Municipality	-	-
	Sadra Singh	HR Officer - Dept of Education	-	-
	F Strampe	Chief Accounting Clerk - SAPS	-	-
Gouws N.E Transport	MH Pongolo	Parks Supervisor - Mossel Bay Municipality	381 634	620 840
Ikapa Reticulation and Flow CC	Sophia Davids	WCED - Special needs teacher	2 711 464	6 394 549
Improchem (Pty) Ltd	Dr Mokhele	Special Advisor - Minister of Science	21 898 717	10 109 603
Just-Breeze General Trading CC	Dr Matshidiso Mphahlele-Ntladi	Dentist: Department of Health (Limpopo)	3 055 337	4 861 595
Leanco Business Services & Training Centre CC	C Neethling	Councillor - George Municipality	24 600	-
Legendary Caterers (Pry) Ltd	L M Daniels	Official - Dept of Social Development	89 850	-
Lifesaving Medical Rescue	C Klaasen	First respondent - Department of Health	2 816 257	-
Lowveld Venom Suppliers	C A Hobkirk	Ranger - Mpumalanga Tourism and Parks Agency	19 100	-
Manho's Funerals (Pry) Ltd	KR Moolman	Senior Process Controller - PetroSA	11 720	-
Mossel Bay Tourism Bureau	Carel Venter	Director: Planning and Economic Development - Mossel Bay Municipality	6 864 064	5 794 746
	Venolea Fortuin	Councillor - Mossel Bay Municipality	-	-
	Mark Furness	Councillor - Mossel Bay Municipality	-	-
NCC Environmental Services (PTY) LTD	Chandre Rhoda	Invasive species programme manager - City of Cape Town	29 700	1 018 263
Nedbank Limited	Venussha Subramoney	Teacher - Department of Education	1 000 000	-
Poongavanum General Cleaning Services T/A Rig Marketing	Renay Pillay	Environmental officer - PetroSA	1 400 969	1 596 749
Prima Part	Vicky Basson	Manager: Budget and Reporting - Mossel Bay Municipality	254 926	105 408
RS Rose Enterprises (Pry) Ltd	R Rose	Senior Process Controller - Petro SA	113 260	-
Red Ant Security Relocation Eviction Services (Pty) Ltd	Noxolo Lesiela	Organisational Design and Development Practitioner - Mogale City Local Municipality	1 625 616	3 249 186
Setlatlapi Business Enterprise	P C Lerefolo	Official - Eskom	91 464	-
Signage Guys	Enrico Claassens	Warrant Officer - SAPS	18 525	-
Siphakame Skills Development	Ntobeko Vacu	Economic growth officer - Drakenstein Municipality	-	411 984
South Cape Fire Services CC	Merlin Carl Seconds	Electrical Attendant - Mossel Bay Municipality	88 560	-
Swannie's Auto Clinic	Rudi Swanepoel	Sergeant Detective - KwaNonqaba Police Station	543 360	506 430
	Benita Swanepoel	Sergeant - SAPS (Uniform Division)	-	-

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<b>57. Additional disclosure in terms of the Municipal Finance Management Act (MFMA), (Act No. 56 of 2003) (continued)</b>			
Urhwebo-E-Transand	Craig Mostert	Occupational Health and Safety Officer - Mossel Bay Municipality	- 9 383 750
Vredebest removals (Pty) Ltd	Dehan Barnard	Traffic officer - Mossel Bay Municipality	- 1 896
Zutari (Pty) Ltd	Various employees: see below		6 368 545 7 769 569
	HC Ahlschiager	Legal representative - Special Investigation Unit	- -
	S Seagens	Head of Security Architecture - City of Cape Town	- -
	K Nadasen	Director: Key Account Manager - National Department of Public Works	- -
	T Mncube	Specialist category manager (SCM) - Airports Company South Africa	- -
	M Msiwa	Official - KZN: Office of the Premier	- -
		<b>63 894 610</b>	<b>57 189 346</b>

The transactions are concluded in full compliance with the Supply Chain Management Policy of the Council and the transactions are considered to be at arms length.

No awards made to Councillors, Senior Managers or Employees of Mossel Bay Municipality.

**Levies paid to other government organisations**

Skills Development Fund Levy	3 041 305	2 854 162
Bargaining Council Levy	137 457	126 331
	<b>3 178 762</b>	<b>2 980 493</b>

**Material losses**

**Electricity distributed losses**

Units purchased (kWh)	293 657 128	315 121 678
Units lost during distribution (kWh)	39 182 107	43 612 164
Percentage lost during distribution	13,34 %	13,84 %

These losses are due to technical losses on the distribution system (transformers, cables, overhead lines), faulty meters, theft and vandalism.

**Water distributed losses**

Mega litres purified	8 827	8 160
Mega litres lost during distribution	1 161	1 340
Percentage lost during distribution	13,15 %	16,42 %

These losses are due to defective meters, losses on water network (breakage in pipelines and pumps, leaking valves, etc.), evaporation, theft, vandalism and damages due to blind excavations.

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<b>58. BBBEE Performance</b>		
Information on compliance with the Broad-Based Economic Empowerment Act (B-BBEE Act) is included in the Annual Report under the section 5.12 titled B-BBEE Compliance Performance Information.		
<b>59. Commitments</b>		
<b>Authorised capital expenditure</b>		
<b>Already approved and contracted for</b>		
• Infrastructure	220 086 111	23 323 792
• Community	4 180 359	1 081 998
• Other	1 152 038	79 695 367
	<b>225 418 508</b>	<b>104 101 157</b>
<b>Approved but not yet contracted</b>		
• Infrastructure	6 059 713	13 941 581
• Community	-	6 168 466
• Other	-	-
	<b>6 059 713</b>	<b>20 110 047</b>
<b>Total capital commitments will be financed from</b>		
Borrowing	64 935 817	-
Capital replacement reserve	47 258 653	40 343 508
Capital replacement reserve / Government grants	73 610 606	2 186 422
Government grants	45 673 146	81 681 274
Public contributions / donations	-	-
	<b>231 478 222</b>	<b>124 211 204</b>

The commitments presented above are inclusive of VAT.

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**60. 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.

**Related party balances**

**Related party transactions**

**Other Related Parties**

Mossel Bay Tourism	6 318 924	5 794 746
Vredebest Removals (Pty)Ltd	-	1 896
Joint Operation Centre	3 050 000	-

One Director and two councillors of Mossel Bay Municipality are board members of the Mossel Bay Tourism Bureau (Mr Carel Venter, Ms Venolea Fortuin and Mr Mark Furness).

Mr Dehan Barnard is one of the Directors of the Vredebest Removals and is employed at Mossel Bay as Traffic Officer.

Councillor Leon Van Dyk is one of the Directors of the Joint Operation Centre NPC.

The transactions are concluded in full compliance with the Supply Chain Management policy of the Council and the transactions are considered to be at arms length.

**Administration fees paid to (received from) related parties**

Porter, F	(12 500)	-
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Fine paid by Councillor Porter to Mossel Bay Municipality in terms of Item 2 of the Code of Conduct for Councillors. A total fine of R30 000 will be paid over 12 months.

**Related Party Loans**

Loans to Councillors and senior management employees are no longer permitted since 1 July 2004.

**Mossel Bay Municipality**  
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**60. Related parties (continued)**

**Remuneration of management**

**Councillors/Mayoral committee members**

**2023**

<b>Name</b>	<b>Basic salary</b>	<b>Travel and Subsistence exp</b>	<b>Termination benefits</b>	<b>Medical Aid Contributions</b>	<b>Pension Fund Contributions</b>	<b>Other benefits received</b>	<b>Total</b>
Barker, Anco	198 034	-	-	-	-	109 278	307 312
Baron, Elroy Absolom	277 325	-	-	-	-	140 442	417 767
Bavuma, Joseph Johannes	277 325	-	-	-	-	139 162	416 487
Bayman, John Clifford	465 370	-	-	-	81 745	230 372	777 487
Bobelo, Nosiphiwo Veronica	2 797	-	-	-	-	932	3 729
Booisen, Niklaas Cedric	421 615	-	-	17 280	74 370	219 088	732 353
Botha, Willem Stephanus	283 467	-	-	-	-	141 209	424 676
Buda, Witness Thembeni	188 332	-	-	-	28 250	120 194	336 776
Claassen, Donovan Chavei	182 066	-	-	-	32 337	118 188	332 591
Coetzee, Lodewyk Juan	254 956	-	-	-	-	131 705	386 661
Dellemijn, Anton	513 265	-	-	-	-	219 088	732 353
Dubula, Sibobalo	186 752	-	-	-	27 650	118 188	332 590
Fipaza, Wineka Primrose	2 179	-	-	-	-	726	2 905
Fortuin, Venolia	509 242	-	-	17 280	20 615	230 379	777 516
Furness, Mark Edgar	513 265	-	-	-	-	219 088	732 353
Gouws J	216 582	-	-	-	-	120 194	336 776
Groenewald, Barend Hendrik Jacobus	2 179	-	-	-	-	726	2 905
Gwaza, Noxolo	186 752	-	-	-	27 650	118 188	332 590
Janse van Rensburg, Anna Susanna Maria	216 582	-	-	-	-	120 194	336 776
Jansen, C	2 179	-	-	-	-	726	2 905
Kamfer, Davie	216 281	-	-	-	-	119 917	336 198
Kannemeyer, Marulyn	220 982	-	-	17 280	39 063	140 442	417 767
Kotzé, Dirk	682 969	-	-	-	-	275 657	958 626
Le Roux, Nicky	415 949	-	-	17 280	74 871	216 087	724 187
Levendal, Harry Joseph	6 887	-	-	-	-	2 296	9 183

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**60. Related parties (continued)**

Liebenberg, Willem Hendrik	214 402	-	-	-	-	118 188	332 590
Lichaba, Petrus	2 179	-	-	-	-	726	2 905
Matyesini, Zitulele Nelson	186 619	-	-	-	27 783	118 188	332 590
Mbandezi, Sebenzile Stanford	2 179	-	-	-	-	726	2 905
Mbolompo, Nobuzwe Julia	2 179	-	-	-	-	726	2 905
Meyer, Erica	242 179	-	-	17 280	17 866	140 442	417 767
Mkonto, Mzini Andile	214 402	-	-	-	-	118 188	332 590
Mvumvu, Thabo President	277 325	-	-	-	-	140 442	417 767
Porter, Faizell Baselero	214 402	-	-	-	-	118 188	332 590
Ruiters, Rosina Henrietta	199 302	-	-	17 280	-	120 194	336 776
Sethuntsha, Rethabile Jabulile Grace	186 619	-	-	-	27 783	118 188	332 590
Siyoko, Julia	2 179	-	-	-	-	726	2 905
Terblanche, Petru	5 510	-	-	-	-	1 837	7 347
Van Dyk, Leon	510 897	-	-	-	-	218 299	729 196
	<b>8 703 705</b>	<b>-</b>	<b>-</b>	<b>103 680</b>	<b>479 983</b>	<b>4 467 524</b>	<b>13 754 892</b>

**2022**

Name	Basic salary	Travel and Subsistence exp	Termination benefits	Medical Aid Contribution	Pension Fund Contribution	Other benefits received	Total
Barker, Anco	131 674	-	-	-	-	70 185	201 859
Baron, Elroy Absolom	235 709	-	-	5 760	-	121 290	362 759
Bavuma, Joseph Johannes	168 821	-	-	-	-	82 567	251 388
Bayman, John Clifford	459 134	-	-	-	44 320	208 617	712 071
Bobelo, Nosiphiwo Veronica	81 775	-	-	5 760	5 696	45 584	138 815
Booisen, Niklaas Cedric	412 754	-	-	17 280	53 423	201 952	685 409
Botha, Willem Stephanus	173 910	-	-	-	-	84 264	258 174
Buda, Witness Thembeni	177 672	-	-	-	26 651	108 907	313 230
Claassen, Donovan Chavei	123 883	-	-	-	7 792	70 184	201 859
Coetzee, Lodewyk Juan	131 674	-	-	-	-	70 185	201 859
De Klerk, Maria Cornelia	72 648	-	-	-	-	38 723	111 371
Dellemijn, Anton	483 457	-	-	-	-	201 952	685 409
Dubula, Sibobalo	125 012	-	-	-	6 663	70 184	201 859

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**60. Related parties (continued)**

Fipaza, Wineka Primrose	62 259	-	-	-	10 389	38 723	111 371
Fortuin, Venolia	431 417	-	-	17 280	55 474	208 857	713 028
Furness, Mark Edgar	483 457	-	-	-	-	201 952	685 409
Gouws J	204 322	-	-	-	-	108 908	313 230
Groenewald, Barend Hendrik Jacobus	47 628	-	-	-	9 458	33 535	90 621
Gwaza, Noxolo	125 012	-	-	-	6 663	70 184	201 859
Janse van Rensburg, Anna Susanna Maria	204 322	-	-	-	-	108 908	313 230
Jansen, C	72 648	-	-	-	-	38 723	111 371
Kamfer, Davie	194 289	-	-	-	-	103 560	297 849
Kannemeyer, Marulyn	203 431	-	-	12 960	25 078	121 290	362 759
Kotzé, Dirk	598 506	-	-	-	-	240 302	838 808
Le Roux, Nicky	254 038	-	-	11 520	47 317	130 055	442 930
Levendal, Harry Joseph	201 491	-	-	-	28 072	91 027	320 590
Liebenberg, Willem Hendrik	131 674	-	-	-	-	70 185	201 859
Lichaba, Petrus	67 896	-	-	-	4 752	38 723	111 371
Matyesini, Zitulele Nelson	120 570	-	-	-	11 105	70 184	201 859
Mbandezi, Sebenzile Stanford	62 259	-	-	-	10 389	38 723	111 371
Mbolompo, Nobuzwe Julia	63 764	-	-	-	8 884	38 723	111 371
Meyer, Erica	207 558	-	-	17 280	16 631	121 290	362 759
Mkonto, Mzini Andile	131 674	-	-	-	-	70 185	201 859
Mvumvu, Thabo President	241 469	-	-	-	-	121 290	362 759
Porter, Faizell Baselero	131 674	-	-	-	-	70 185	201 859
Ruiters, Rosina Henrietta	177 532	-	-	17 280	9 511	108 907	313 230
Sethuntsha, Rethabile Jabulile Grace	120 570	-	-	-	11 105	70 184	201 859
Siyoko, Julia	57 377	-	-	5 760	9 511	38 723	111 371
Terblanche, Petru	177 890	-	-	5 760	-	75 724	259 374
Van Dyk, Leon	404 516	-	-	-	-	175 991	580 507
	<b>7 957 366</b>	<b>-</b>	<b>-</b>	<b>116 640</b>	<b>408 884</b>	<b>3 979 635</b>	<b>12 462 525</b>

Other benefits received includes Travel and Cellphone allowances.

It must be noted that the Related party disclosure differs from the Remuneration of Councillors note due to accrual entries.

The note has been adjusted to remove the Travel and Subsistence expenditure disclosed in previous year Annual Financial Statements due to specific exclusion of reimbursement for expenditure in the applicable GRAP standard.

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**60. Related parties (continued)**

**Executive management**

**2023**

<b>Name</b>	Fees for services as a member of management	Basic salary	Bonuses and performance related payments	Other long-term benefits	Travel and Subsistence exp	Other benefits received	Total
Giliomee, MG	-	-	37 102	-	-	177	37 279
Puren, C	-	1 252 635	134 430	-	-	422 309	1 809 374
Naidoo, S	-	1 705 787	168 319	-	-	449 859	2 323 965
Jantjies, E	-	-	138 871	-	-	177	139 048
Fredericks, O	-	1 128 675	178 747	-	-	223 295	1 530 717
Potgieter, A	-	666 413	-	-	-	106 607	773 020
Nel, E	-	1 088 504	120 691	-	-	438 119	1 647 314
Venter, CJ	-	1 292 790	133 783	-	-	440 305	1 866 878
	-	<b>7 134 804</b>	<b>911 943</b>	-	-	<b>2 080 848</b>	<b>10 127 595</b>

**2022**

<b>Name</b>	Fees for services as a member of management	Basic salary	Bonuses and performance related payments	Leave payout	Termination benefits	Other long-term benefits	Travel and Subsistence exp	Other benefits received	Total
Giliomee, MG	-	41 318	178 330	252 821	398 221	-	-	74 559	945 249
Puren, C	-	1 037 140	104 783	-	-	-	-	360 761	1 502 684
Naidoo, S	-	1 620 909	168 319	-	-	-	-	431 095	2 220 323
Jantjies, E	-	1 348 233	138 871	136 851	-	-	-	356 707	1 980 662
Fredericks, O	-	1 093 645	58 702	-	-	-	-	194 849	1 347 196
Nel, E	-	1 054 301	118 907	-	-	-	-	403 758	1 576 966
Venter, CJ	-	1 217 094	133 783	-	-	-	-	419 538	1 770 415
	-	<b>7 412 640</b>	<b>901 695</b>	<b>389 672</b>	<b>398 221</b>	-	-	<b>2 241 267</b>	<b>11 343 495</b>

# Mossel Bay Municipality

## Annual Financial Statements for the year ended 30 June 2023

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#### 60. Related parties (continued)

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Other benefits received includes Motor Vehicle allowance, Telephone allowance, Medical Aid contribution, Post Retirement fund contribution, Group insurance, UIF and Industrial council levies.

It must be noted that the Related Party disclosures differ from the Note on Employee Related Costs due to accrual entries.

The note has been adjusted to remove the Travel and Subsistence expenditure disclosed in previous year Annual Financial Statements due to specific exclusion of reimbursement for expenditure in the applicable GRAP standard.

Key Management and Councillors receive and pay for services from the municipality on the same terms and conditions as other ratepayers / residents. Services rendered to key management personnel occurred within normal supplier and customer relationships on terms and conditions no more or less favourable than those which the municipality is reasonable to expect to have adopted if dealing with the individual persons in the same circumstances. These terms and conditions are within the normal operating parameters established by the municipality's legal mandate.

The amounts outstanding are unsecured and will be settled in cash.

The rates, service charges and other charges are in accordance with approved tariffs that were advertised to the public. No bad debt expenses have been recognised in respect of amounts owed by related parties.

#### General information on amounts of outstanding balances in relation to related parties:

The same terms and conditions apply to the outstanding balances as for all consumers of municipal services.

No guarantees are given or received in relation to related party transactions.

No provision for doubtful debts are made in relation to the amounts of outstanding balances and no expense was recognised during the period in respect of bad or doubtful debts due from related parties.

# Mossel Bay Municipality

## Annual Financial Statements for the year ended 30 June 2023

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#### 61. Contingencies

##### Contractual disputes

Below is a list of possible liability claims where the outcome was unknown at 30 June 2023 with the maximum unforeseen liability for the Municipality:

	2023	2022
Allandale and Others v Mossel Bay Municipality: claim for flood damages.	-	16 516 054
Stonetrade Trust v Mossel Bay Municipality: claim with regard to Mid-Income housing.	64 220 976	64 220 976
Attpower (Pty) Ltd v Mossel Bay Municipality: claim based on the so-called breach of contract.	-	227 844 296
Delict JF van Niekerk and Other v Mossel Bay Municipality: letter of demand was received from 53 registered owners in the Municipal Jurisdiction who were affected by the landslip in the Seemeeu Park residential area.	89 562 000	125 000 000
A summons was received for a public liability claim which could not be settled with the insurance brokers. Damages due to injuries is claimed.	250 000	250 000
	<b>154 032 976</b>	<b>433 831 326</b>

The Allandale case is no longer disclosed as a contingent liability. The main action was shelved, and the Applicant will need to bring a substantive application to proceed. The chances of the case being continued again seems to be remote and in line with GRAP 19 paragraph 35 such contingent liabilities do not have to be disclosed.

A settlement agreement was reached during the financial year under review between Mossel Bay Municipality and Attpower Developments (Pty) Ltd.

The reduction in contingency amount for the Seemeeupark Landslip case is due to notices to remove Cause of Complaints were lodged. A further Notice to Amend was received in April 2023. Amended Particulars of Claim was filed.

Guarantees of employees housing loans:

Guarantees have been issued to various financial institutions on behalf of officials in respect of housing loans.

This is covered by individual cumulated pensions depending on the years of service. Collateral investments were made in certain cases.

Note: Council has received the funds on one of the guarantees, but are awaiting confirmation of cancellation of the guarantee.

	2023	2022
The maximum amount of the guarantees to which council has a right to recovery.	31 285	24 285

# Mossel Bay Municipality

## Annual Financial Statements for the year ended 30 June 2023

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#### 61. Contingencies (continued)

##### Other contingent liabilities:

##### Arbitration cases:

There is currently one dispute under arbitration and conciliations between the municipality and person applied for a position. An amount of R575 982 is estimated for the claim, but the outcome and timing is not available.

##### VAT on Library Grant funds:

The separation of funding and implementation responsibilities often results in unfunded mandates being imposed on municipalities. Mossel Bay Municipality is not assigned a Library function, and is also not acting formally in terms of an SLA as agent of the province, but it is also expected to contribute financially to provision of library services. The Municipality is therefore unclear on the VAT treatment on all contributions received from SARS, till such time that clarity is obtained it will be disclosed as a contingent liability. The calculation is based on all receipts for the past 5 years, with interest and penalties as per the latest rates of SARS.

	2023	2022
VAT on Library grant funds including interest and penalties	19 614 451	13 577 764

#### 62. Risk management

##### Financial risk management

Credit risk is defined as the risk that one party to a financial instrument will fail to honour their obligation, thus causing the other party to incur a financial loss.

Potential concentrations of credit risk and interest rate risk consist mainly of fixed deposit investments, long term debtors, consumer debtors, other debtors, short term investment deposits and bank and cash balances.

The Municipality limits its counterparty exposures from its money market investment operations by only dealing with well-established financial institutions of high-quality 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. These limits are reviewed annually by the CFO and authorised by Council.

Consumer debtors 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 debtors. Consumer debtors are presented net of an allowance for doubtful debt. Outstanding accounts are followed up monthly and the supply of electricity accounts not paid on due date are put on auxiliary.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate or currency risk, whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market).

##### Liquidity risk

Liquidity risk is the risk that the Municipality will encounter difficulty in raising funds to meet commitments associated with financial liabilities. The financial liabilities of the Municipality are backed by appropriate assets and it has adequate liquid resources. Council has an approved Long-term financial plan which brought policies and procedures in place to monitor the cash projections and by ensuring that borrowing facilities are available to meet its cash requirements.

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**62. Risk management (continued)**

**Exposure to financial risks**

Financial assets exposed to credit risk at year end were as follows:

**Maximum Credit Risk of Financial instrument**

Long term receivables	309 450	383 856
Unpaid Construction contract advances	7 160 318	2 342 761
Receivables from exchange transactions	140 739 924	116 308 884
Receivables from non-exchange transactions	3 886 742	3 719 965
Investments	167 174 000	137 174 000
Short-term investments	559 963 409	525 544 655
Cash and cash equivalents	53 759 880	62 538 988
<b>Maximum Credit Risk Exposure</b>	<b>932 993 723</b>	<b>848 013 109</b>

Change in previous year risk due to addition of Unpaid construction contract advances and Availability charge receivables.

**Market risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. This comprises three types of risks, which is currency risk, interest rate risk and other prices risk.

**Interest rate risk**

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 rate changes. The possible impact on financial instruments is disclosed in note 67.

**63. Events after the reporting date**

The following event having financial implications requiring disclosure occurred subsequent to 30 June 2023.

Municipal Manager remuneration:

On 10 August 2023, Council item E196/08-2023 was approved by Council, whereby the Municipal Manager's remuneration package was amended to be in line with the approval obtained from the National Minister of Corporate Governance and Traditional Affairs. A letter was sent to the Minister to seek further clarification on the conditions set so as to make the necessary adjustments to the financial statements. The outcome of the clarification is unknown, hence no changes was made in the Annual Financial Statements as yet.

**64. Accounting by principals and agents**

**Details of the arrangements are as follows:**

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**64. Accounting by principals and agents (continued)**

Municipality as Agent / Principle	Other Party in agreement	Purpose of Arrangement	Description of Arrangement	Significant Terms and Conditions of Arrangement
Agent	Provincial Department of Transport	Motor Vehicle registration	The Municipality undertakes to handle Motor vehicle license issuing on behalf of the Department of Transport and collects a commission of 12% plus VAT.	The municipality collect motor registration fees on behalf of Provincial Administration. Payment is made weekly based on the e-Natis reports Agency fees to the value of 12% plus VAT is withhold from the payment to the Province
Agent	Provincial Department of Transport	Drivers Licence applications	The Municipality undertakes to handle Driver's licence applications on behalf of the Department of Transport.	The value of application fees is determined by the Provincial administration. The Municipality recognise all fees collected as agency fees.
Agent	Provincial Department of Transport	Administration of Drivers licence cards - RTMC (Road Traffic Management Company)	The Municipality undertakes to issue Driver's licence cards on behalf of the Department of Transport.	The municipality collect all application fees on behalf of Provincial Administration and recognise the revenue as agency fees. The cost for the production of a drivers licence card, for each successful applicant, is paid by the Municipality to the service provider appointed by Provincial Administration based on an invoice of RTMC (Road Traffic Management Company)
Agent	Department of Justice	Administration of Court fees	The Municipality undertakes to collect Court Fines on behalf of the Department of Justice and get no commission for this service.	The municipality collect content of court fees on behalf of the Dept of Justice, which is paid over on a monthly basis. The Municipality has no rights to an administration fee on the content of court fees.

# Mossel Bay Municipality

## Annual Financial Statements for the year ended 30 June 2023

### Notes to the Annual Financial Statements

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<b>64. Accounting by principals and agents (continued)</b>			
Agent	Provincial Department of Human Settlements	Administration of the Building of Houses	<p>The Human settlements Department has an agreement with the municipality to administer the process for building of houses for third parties in terms of Chapter 3 of the National Housing Code. For the year under review Mossel Bay Municipality was the Agent for the following housing projects: Wolwedans Housing project.</p> <p>A) Mossel Bay Municipality does not have the power to determine the significant terms and conditions of the transactions, Department of Human Settlements is responsible for the construction of houses and is responsible for preparing contracts and project agreements and Appointing contractors for housing development.</p> <p>B) Mossel Bay Municipality, is only the fund administrator, therefore Mossel Bay Municipality does not have the ability to use resources from the transactions substantially for its own benefit.</p> <p>C) Department of Human Settlement is responsible for fulfilling the rights and obligations under the contractual arrangement entered into with contractors and/or other service providers. Thus, Mossel Bay Municipality is not exposed to variability in the result of the transactions.</p>
Principal	Utilities	Prepaid electricity vendor	<p>Mossel Bay Municipality requires a prepayment vending and management system, which includes inspection of pre-paid meters and tamper management.</p> <p>The system must provide for all types of payment methods. System must be operation on a 24 hour per day, 7 days a week, 365 days a year basis. No changes during the reporting period.</p>
Principal	Easypay	Municipal account payment	<p>That the Municipality's accounts for services owed to it by customers be paid at various Collectors and Easypay will accept payments on the Municipality's behalf and pay over to Municipality at a collection cost.</p> <p>Funds shall be transferred daily in a consolidated total via ACM transfer to the Municipality's nominated bank account. No changes during the reporting period</p>

# Mossel Bay Municipality

## Annual Financial Statements for the year ended 30 June 2023

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

Principal	Pay@	Municipal account payment	That the Municipality make use of the Pay@ account payment system available in retail and other networks and Pay@ shall provide the required systems to interface with Networks to enable the Data to be presented and payments to be made by the Municipality's customers.	Data of municipal accounts shall be updated regularly. Systems shall be maintained and commission, supply and install systems necessary for provisioning of the Payment solution. No Changes during the reporting period.

#### Municipality as agent

##### Resources held on behalf of the principal(s), but recognised in the municipality's own financial statements

The resources regarding the Licensing Department, Dept of Justice and Department of Human Settlements remain their own and do not form part of the Municipality's financial statements.

##### Revenue recognised

The aggregate amount of revenue that the entity recognised as compensation for the transactions carried out on behalf of the principal is R8 148 171 (2022: R7 481 660 ).

Motor Vehicle registration - Dept of Transport	4 447 486	4 053 017
Drivers Licence applications - Dept of Transport	3 700 685	3 428 643
RTMC - Dept of Transport	-	-
Court Fees - Dept of Justice	-	-
Administration of Housing - Dept of Human Settlements	-	-
	<b>8 148 171</b>	<b>7 481 660</b>

##### Liabilities and corresponding rights of reimbursement recognised as assets

Liabilities incurred on behalf of the principal(s) that have been recognised by the entity have a net effect of R56 850 that is still owed by the Municipality and will be paid over to the Department of Transport / Department of Justice in the new financial year.

Corresponding rights of reimbursement that have been recognised as assets have a net effect of R5 308 and relates to Motor Vehicle registrations.

##### Category(ies) of revenue received / expenses paid on behalf of the principal, are:

The two categories of revenue received on behalf of the principal is Licensing fees (includes Vehicle licences, Drivers licences and Drivers licence cards) and Court fees.

##### Amount of revenue received /expenses paid on behalf of the principal during the reporting period

Agent Principal arrangement	2023	2022
Motor Vehicle registration - Dept of Transport	42 626 405	39 810 337
Drivers Licence applications - Dept of Transport	880 506	878 243
RTMC - Dept of Transport	4 277 160	4 233 528
Court Fees - Dept of Justice	889 850	287 800
Administration of Housing - Dept of Human Settlements	-	-
	<b>48 673 921</b>	<b>45 209 908</b>

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**64. Accounting by principals and agents (continued)**

**Receivables and / or payables recognised based on the rights and obligations established in the binding arrangement(s)**

Name of Receivables / Payable recognised	Receivables / Payable	2023	2022
Motor Vehicle registration	Payable	-	-
Drivers licence applications	Receivable	(5 308)	29 480
Court fees	Payable	56 850	58 800
	-	<b>51 542</b>	<b>88 280</b>

**Reconciliation of the carrying amount of receivables**

Drivers licence applications	2023	2022
Opening balance	29 480	30 823
Revenue that principal is entitled to	880 506	878 243
Amounts transferred to the Principal	(915 294)	(879 586)
	<b>(5 308)</b>	<b>29 480</b>

**Reconciliation of the carrying amount of payables**

Payables (Motor Vehicles registrations, RTMC and Court Fees)	2023	2022
Opening balance	58 800	30 000
Revenue that principal is entitled to	47 793 415	44 331 665
Amounts transferred to the principal	(42 680 735)	(39 525 656)
Commission	(5 114 630)	(4 777 209)
	<b>56 850</b>	<b>58 800</b>

**Municipality as principal**

**Resources (including assets and liabilities) of the municipality under the custodianship of the agent**

No assets or liabilities of Mossel Bay Municipality are under the custodianship of Utilities, Easypay or Pay@.

**Fee(s) paid as compensation to the agent**

Commission paid	2023	2022
Utilities - Prepaid electricity vendor	6 247 038	6 257 887
Easypay - Municipal account payment	684 874	587 058
Pay@ - Municipal account payment	724 395	722 938
	<b>7 656 307</b>	<b>7 567 883</b>

**Resource(s) and / or cost implications for the municipality if the principal-agent arrangement is terminated**

There are no resource or cost implications for the municipality if the arrangements are terminated.

**65. Going concern**

We draw attention to the fact that at 30 June 2023, the municipality had an accumulated surplus of R2 826 219 234 and that the municipality's total assets exceed its liabilities by R3 224 648 385.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

**Mossel Bay Municipality**  
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**65. Going concern (continued)**

The ability of the municipality to continue as a going concern is dependent on a number of factors. In assessment whether the going concern assumption is appropriate under the current economic climate, management considered a wide range of factors including the current and expected performance of the municipality, the likelihood of continued government funding and, if necessary, potential sources of replacement funding.

Further to that the Municipality has put in place cost containment measures to curb unnecessary spending. All stakeholders are referred to the Municipal Budget as well as Long Term Financial Plan which is used to assess whether the going concern assumption is appropriate.

**66. Interests in other entities**

**Interests in joint arrangements**

**Material joint arrangements**

**Joint arrangement**

Name of the joint arrangement:	Construction and operations of a jointly-owned 15 Mega litres per day Seawater Desalination facility
Nature of the entity's relationship with the joint arrangement:	Contract with PetroSA on Construction and operations of a jointly-owned 15 Mega litres per day Seawater Desalination facility
Domicile and legal form of the joint arrangement:	Contract signed between Mossel Bay Municipality and PetroSA for Construction and Operations of Desalination plant.
Proportion of ownership interest or participating share held by the entity:	Title and ownership of the Desalination facility shall vest in the Municipality and PetroSA proportional to their respective funding contributions.
Proportion of voting rights held:	The Municipality accounts for its share of the jointly controlled assets, any liabilities it has incurred, its share of any liabilities jointly incurred, income from the sale or use of its share of the Desalination plant, together with its share of the expenses incurred on the Desalination plant, and any expenses it incurs in relation to its interest in the asset.

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<b>67. Financial instruments disclosure</b>		
<b>Categories of financial instruments at amortised cost</b>		
<b>FINANCIAL ASSETS</b>		
<b>Investments</b>		
Long-term investments	167 174 000	137 174 000
<b>Short-term investments</b>		
Standard Bank	126 432 922	220 528 187
ABSA Bank	65 358 937	-
Nedbank	368 171 550	305 016 468
<b>Short-term investment deposits</b>		
Short-term investment deposits	-	20 458 615
<b>Cash and cash equivalents</b>		
Bank balances	53 742 926	42 058 736
Cash on hand	16 954	21 637
<b>Long-term receivables</b>		
Land Sales Debtors	1 013	1 356
Bursary Obligations	279 390	233 574
Housing Selling Schemes	29 047	148 926
<b>Unpaid Construction contract advances</b>		
Unpaid Construction contract advances	7 160 318	2 342 761
<b>Receivables from exchange transactions</b>		
Electricity	52 183 959	49 722 837
Water	40 125 274	30 876 290
Sewerage	8 642 630	7 256 993
Refuse	8 958 829	7 462 741
Land sales	305	419
Housing selling schemes	10 276	2 702
Housing rental	12 270	5 167
Other (Merchandising, Jobbing, Contracts and Service charges)	30 806 381	20 981 735
<b>Other receivables from non-exchange transactions</b>		
Other	781 276	1 299 019
Availability charges - Electricity	1 403 092	1 014 230
Availability charges - Sanitation and Sewerage	771 643	626 529
Availability charges - Water	930 731	780 187
	<b>932 993 723</b>	<b>848 013 109</b>
<b>FINANCIAL LIABILITIES</b>		
<b>Other financial liabilities</b>		
Long term loan	173 506 365	153 613 273
<b>Payables from exchange transactions</b>		
Trade payables	155 745 741	146 252 421
Accrued Expenditure	157 339	103 734
Retentions	14 070 268	11 469 937
Other payables	1 070 301	731 599
Other deposits	9 446 852	9 027 503
Auditor-General of South Africa	-	2 565

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<b>67. Financial instruments disclosure (continued)</b>		
<b>Consumer deposits</b>		
Electricity	21 924 843	20 710 297
Water	16 658 240	15 357 368
<b>Non-current deposits</b>		
Santos Pavillion Repair Fund	344 472	322 827
<b>Employee benefit obligations</b>		
Performance bonus accrual	915 477	868 431
Staff leave accrual	23 818 173	23 068 357
Bonus accrual	8 354 514	8 457 333
Employee Overtime / Standby allowance accrual	2 339 131	1 945 104
Long Service awards	19 178 038	21 066 809
<b>Unspent conditional grants and receipts</b>		
Unspent conditional grants and receipts	22 783 507	12 310 911
<b>Cash and cash equivalents</b>		
Bank overdraft	-	-
	<b>470 313 261</b>	<b>425 308 469</b>

Comparatives have been restated due to correction of prior period errors. Refer to Note 49.

Changes are made to the Other receivables from Non-exchange transactions totals by adding Availability charges amounts which are also financial instruments and removing Government grants and subsidies amount that is a statutory receivable.

**Methods and assumptions are used to determine the amortised cost of each class of financial instrument**

Cash and Cash Equivalents: The carrying amount approximates the amortised cost due to the relatively short-term nature of these financial assets.

Trade and Other receivables / payables: The carrying amount of trade and other receivables (net of provision for debt impairment) / payables approximates amortised cost due to the relatively short-term nature of these assets / liabilities.

Long-term Receivables / payables: Subsequent to initial recognition, interest bearing borrowings and receivables are stated at amortised cost. Fixed interest rate instruments are at amortised cost based on the present value of future principal and interest cash flows, discounted at the market-related interest rates at the reporting date.

**Interest rate sensitivity analysis**

The sensitivity analysis below has been determined based on financial instruments exposure to interest rates at reporting date. For floating rate instruments, the analysis is prepared assuming the amount of the instrument outstanding at the reporting date was outstanding for the whole year.

The basis point increases or decreases, as detailed in the table below, were determined by management and represent management's assessment of the reasonably possible change in interest rates.

A positive number below indicates an increase in surplus. A negative number below indicates a decrease in surplus.

The sensitivity analysis shows reasonable expected change in the interest rate, either an increase or decrease in the interest percentage. The equal but opposite % adjustment to the interest rate would result in an equal but opposite effect on surplus and therefore has not been separately disclosed below.

As the entity does not have any instruments that effect net assets directly, the disclosure only indicates the effect of the change in interest rates on surplus. There were no changes in the methods and assumptions used in preparing the sensitivity analysis from one year to the next.

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**67. Financial instruments disclosure (continued)**

Adjustment in interest rates: The effect of a 1% increase / decrease in interest rate would have the following effect:

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**67. Financial instruments disclosure (continued)**

**2023**

<b>Net effect of interest-bearing instruments on surplus</b>	<b>Balance</b>	<b>Interest income</b>	<b>Interest expense</b>	<b>Effective interest rate</b>	<b>Effect of a 1% adjustment in interest rate</b>
	-	-	-	- %	-
<b>Financial assets</b>					
Cash and cash equivalents	53 759 880	3 792 303	-	6,52 %	581 494
Receivables from exchange transactions	140 739 924	6 781 230	-	5,28 %	1 285 244
Receivables from non-exchange transactions	3 886 742	-	-	- %	-
Short-term investments	559 963 409	39 500 661	-	7,28 %	5 427 540
Investments	167 174 000	11 792 705	-	7,75 %	1 521 740
Long-term receivables	309 450	14 910	-	4,30 %	3 467
Unpaid Construction contract advances	7 160 319	-	-	- %	-
	-	-	-	- %	-
<b>Financial liabilities</b>					
Trade and other payables from exchange transactions	155 745 741	-	-	- %	-
Non-current deposits	344 472	-	21 644	6,49 %	(3 336)
Consumer deposits	-	-	-	- %	-
Unspent conditional grants and receipts	22 783 507	-	590 540	3,37 %	(175 472)
Other financial liabilities	173 506 365	-	13 449 062	8,22 %	(1 635 598)
Finance lease obligation	-	-	-	- %	-
Subtotal					
	<b>1 285 373 809</b>	<b>61 881 809</b>	<b>14 061 246</b>	<b>49,21 %</b>	<b>7 005 079</b>

**2022**

<b>Net effect of interest-bearing instruments on surplus</b>	<b>Balance</b>	<b>Interest income</b>	<b>Interest expense</b>	<b>Effective interest rate</b>	<b>Effect of a 1% adjustment in interest rate</b>
	-	-	-	- %	-
<b>Financial assets</b>					
Cash and cash equivalents	62 538 987	3 186 726	-	4,12 %	773 126
Receivables from exchange transactions	116 308 883	7 195 073	-	6,55 %	1 098 718
Receivables from non-exchange transactions	3 719 965	-	-	- %	-
Short-term investments	525 544 655	26 779 561	-	5,43 %	4 935 075
Investments	137 174 000	6 989 814	-	5,72 %	1 221 740
Long-term receivables	383 855	23 746	-	5,09 %	4 668
Unpaid Construction contract advances	2 342 760	-	-	- %	-
	-	-	-	- %	-
<b>Financial liabilities</b>					
Trade and other payables from exchange transactions	146 252 421	-	-	- %	-
Non-current deposits	322 827	-	9 293	2,92 %	(3 182)
Consumer deposits	-	-	-	- %	-
Unspent conditional grants and receipts	12 310 910	-	81 758	1,02 %	(79 843)
Other financial liabilities	153 613 273	-	8 788 424	6,54 %	(1 344 752)
	<b>1 160 512 536</b>	<b>44 174 920</b>	<b>8 879 475</b>	<b>37,39 %</b>	<b>6 605 550</b>

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

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#### 68. Segment information

##### General information

##### Identification of segments

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

The seven key functional segments comprise of:

- Municipal Manager and Executive Council
- Corporate Services
- Financial Services
- Infrastructure Services
- Community Services
- Planning and Economic Development
- Community Safety

Management does not at present have reliable separate financial information of assets and liabilities for the different segments, except for the capital additions as disclosed. Processes are in process of being put in place to generate this information at transaction level and in the most cost effective manner.

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**68. Segment information (continued)**

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

**2023**

	Municipal Manager and Executive Council	Corporate Services	Financial Services	Infrastructure Services	Community Services	Planning and Economic Development	Community Safety	Total
<b>Revenue</b>								
<b>Revenue from exchange transactions</b>								
Service charges	-	-	-	782 539 578	83 497 150	-	-	866 036 728
Construction contracts	-	-	-	-	-	1 251 298	-	1 251 298
Rental of facilities and equipment	-	-	-	104 269	1 333 624	11 257 060	-	12 694 953
Agency services - Provincial Traffic	-	-	-	-	-	-	8 148 171	8 148 171
Interest received - outstanding debtors	695 042	-	-	5 153 483	1 123 306	11 582	-	6 983 413
Interest received - external investments	-	-	55 085 669	-	-	-	-	55 085 669
Other income	32 521 775	11 516	5 119 637	1 985 021	1 512 106	18 129 825	324 267	59 604 147
<b>Revenue from non-exchange transactions</b>								
<b>Taxation revenue</b>								
Availability charges	-	-	-	24 354 025	-	-	-	24 354 025
Property rates	707 095	-	191 416 133	-	-	-	-	192 123 228
Interest earned - outstanding property rates	-	-	895 873	-	-	-	-	895 873
Licences and Permits	-	-	-	-	28 059	-	1 289 116	1 317 175
<b>Transfer revenue</b>								
Government grants & subsidies recognised	6 472 998	279 005	1 550 000	130 742 568	40 199 938	42 672 966	3 143 405	225 060 880
Public contributions and donations	438 059	-	-	4 041 590	428 432	-	3 043	4 911 124
Fines, penalties and forfeits	1 548 043	-	-	1 918 254	16 832	-	22 752 174	26 235 303
Internal recoveries	54 600 759	63 703 612	(12 656 352)	63 117 549	4 434 701	4 308 621	71 765	177 580 655
<b>Total segment revenue</b>	<b>96 983 771</b>	<b>63 994 133</b>	<b>241 410 960</b>	<b>1 013 956 337</b>	<b>132 574 148</b>	<b>77 631 352</b>	<b>35 731 941</b>	<b>1 662 282 642</b>

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	Municipal Manager and Executive Council	Corporate Services	Financial Services	Infrastructure Services	Community Services	Planning and Economic Development	Community Safety	Total
<b>68. Segment information (continued)</b>								
<b>Expenditure</b>								
Employee related costs	11 691 936	49 798 316	38 411 133	107 964 114	76 784 829	29 785 613	55 633 104	370 069 045
Remuneration of councillors	13 413 696	-	-	-	-	-	-	13 413 696
Depreciation, amortisation and asset impairment	78 358	3 072 051	748 467	101 862 428	23 942 566	4 552 053	3 698 328	137 954 251
Bad debts written off	5 626 384	-	913 121	46 414 029	17 628 070	-	8 325 900	78 907 504
Finance costs	612 186	-	-	12 800 225	180 544	-	-	13 592 955
Bulk purchases	-	-	-	436 942 993	-	-	-	436 942 993
Contracted services	15 255 340	2 784 496	9 384 226	46 417 938	59 025 473	11 801 203	22 377 717	167 046 393
Transfers and subsidies paid	319 633	200 985	-	-	233 630	6 470 902	4 303 384	11 528 534
Inventory consumed	297 738	514 136	444 714	80 121 950	16 853 058	356 645	5 150 812	103 739 053
General expenses	13 602 293	12 743 615	12 720 534	11 488 390	9 168 965	2 637 973	1 588 678	63 950 448
Internal charges	68 060	20 128	132 141	115 260 589	39 709 181	10 056 553	12 334 678	177 581 330
<b>Total segment expenditure</b>	<b>60 965 624</b>	<b>69 133 727</b>	<b>62 754 336</b>	<b>959 272 656</b>	<b>243 526 316</b>	<b>65 660 942</b>	<b>113 412 601</b>	<b>1 574 726 202</b>
Gain / (loss) on disposal of assets and liabilities	-	(139 765)	(15 527)	540 704	(7 358 907)	13 013 343	(17 248)	6 022 600
Inventories losses / write-downs	-	-	-	(8 777 459)	-	-	-	(8 777 459)
Reversal of impairment loss / (Impairment loss) on receivables	(1 086 303)	-	(237 019)	33 809 056	13 549 262	9 100	(6 680 797)	39 363 299
<b>Total segmental surplus / (deficit)</b>	<b>34 931 844</b>	<b>(5 279 359)</b>	<b>178 404 078</b>	<b>80 255 982</b>	<b>(104 761 813)</b>	<b>24 992 853</b>	<b>(84 378 705)</b>	<b>124 164 880</b>
<b>Assets</b>								
Capital additions during the year	500 316	9 582 758	1 227 854	147 470 835	23 153 637	42 533 774	18 063 376	242 532 550

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**68. Segment information (continued)**

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	Municipal Manager and Executive Council	Corporate Services	Financial Services	Infrastructure Services	Community Services	Planning and Economic Development	Community Safety	Total
<b>Revenue</b>								
<b>Revenue from exchange transactions</b>								
Service charges	-	-	-	771 317 952	84 374 941	-	-	855 692 893
Construction contracts	-	-	-	-	-	14 028 668	-	14 028 668
Rental of facilities and equipment	-	-	-	-	1 119 925	10 405 912	37 966	11 563 803
Agency service - Provincial Traffic	-	-	-	-	-	-	7 481 660	7 481 660
Interest received - outstanding debtors	623 233	-	-	5 262 923	1 535 567	27 220	-	7 448 943
Interest received - external investments	-	-	36 956 100	-	-	-	-	36 956 100
Other income	31 263 940	1 409	5 318 356	1 965 625	2 066 190	16 779 434	861 281	58 256 235
<b>Revenue from non-exchange transactions</b>								
<b>Taxation revenue</b>								
Availability charges	-	-	-	23 548 217	-	-	-	23 548 217
Property rates	570 043	-	169 972 223	-	-	-	1	170 542 267
Interest earned - outstanding property rates	-	-	551 359	-	-	-	-	551 359
Licences and permits	-	-	-	-	44 032	-	1 253 789	1 297 821
<b>Transfer revenue</b>								
Government grants & subsidies recognised	38 856 055	176 580	1 550 000	89 140 078	34 655 665	28 515 117	953	192 894 448
Public contributions and donations	179 912	-	-	1 201 053	112 772	(1)	-	1 493 736
Fines, penalties and forfeits	2 067 322	-	-	557 811	27 745	-	16 371 675	19 024 553
Internal recoveries	33 580 377	56 954 694	5 231 847	58 573 168	4 455 775	2 951 631	5 883 435	167 630 927
<b>Total segment revenue</b>	<b>107 140 882</b>	<b>57 132 683</b>	<b>219 579 885</b>	<b>951 566 827</b>	<b>128 392 612</b>	<b>72 707 981</b>	<b>31 890 760</b>	<b>1 568 411 630</b>

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	Municipal Manager and Executive Council	Corporate Services	Financial Services	Infrastructure Services	Community Services	Planning and Economic Development	Community Safety	Total
<b>68. Segment information (continued)</b>								
<b>Expenditure</b>								
Employee related costs	9 011 967	35 490 880	36 297 948	101 286 183	73 129 472	27 467 108	52 606 179	335 289 737
Remuneration of councillors	12 806 274	-	-	-	-	-	-	12 806 274
Depreciation, amortisation and asset impairment	56 702	2 150 663	643 036	96 355 137	18 458 263	249 708 741	2 946 911	370 319 453
Bad debts written off	474 344	-	93 916	4 049 492	1 521 220	-	10 775 150	16 914 122
Finance costs	91 049	-	-	8 251 330	7 593 567	-	-	15 935 946
Bulk purchases	-	-	-	429 308 778	-	-	-	429 308 778
Contracted services	6 298 145	2 565 810	13 884 871	52 888 533	49 653 368	27 895 038	21 272 447	174 458 212
Transfers and subsidies paid	264 911	167 023	-	-	245 350	6 008 193	1 155 250	7 840 727
Inventory consumed	221 019	401 601	384 168	62 234 782	14 361 704	472 414	6 109 840	84 185 528
General expenses	12 193 557	12 249 752	12 955 269	10 976 350	12 310 400	2 531 522	1 349 764	64 566 614
	29 902	24 711	128 982	112 288 299	35 021 695	8 059 070	12 077 592	167 630 251
Internal charges								
<b>Total segment expenditure</b>	<b>41 447 870</b>	<b>53 050 440</b>	<b>64 388 190</b>	<b>877 638 884</b>	<b>212 295 039</b>	<b>322 142 086</b>	<b>108 293 133</b>	<b>1 679 255 642</b>
Gain / (loss) on disposal of assets and liabilities	(218 419)	(14 812)	(154 053)	1 013 952	(56 579)	4 659 232	72 487	5 301 808
Inventories losses / write-downs	-	-	(24 562)	(8 658 690)	-	-	-	(8 683 252)
Reversal of impairment loss / (Impairment loss) on receivables	-	-	(760 232)	(37 144 849)	(10 575 260)	(59 720)	(203 909)	(48 743 970)
<b>Total segmental surplus/(deficit)</b>	<b>65 474 593</b>	<b>4 067 431</b>	<b>154 252 848</b>	<b>29 138 356</b>	<b>(94 534 266)</b>	<b>(244 834 593)</b>	<b>(76 533 795)</b>	<b>(162 969 426)</b>
<b>Assets</b>								
Capital additions during the year	226 368	4 203 644	3 056 593	114 577 547	32 471 243	26 744 955	5 966 473	187 246 823

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

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**68. Segment information (continued)**

**Measurement of segment surplus or deficit, assets and liabilities**

**Basis of accounting for transactions between reportable segments**

The accounting policies of the segments are the same as those described in the summary of significant accounting policies.

**The nature of differences between the measurements of the reportable segments' surplus or deficit and the entity's surplus or deficit and discontinued operations**

Inter-segment transfers: segment revenue and segment expense include revenue and expense arising from internal charges and recoveries between segments. Such transfers are usually accounted for at cost and are eliminated on consolidation. The amount of these transfers was R 177 581 330 (2022: R 167 630 251).

**Information about geographical areas**

Management does not at present have reliable separate financial information of geographical areas for decision making purposes. Processes are in process of being put in place to generate this information at transaction level and in the most cost effective manner.

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**APPENDIX A**

<b>SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2023</b>										
<b>External loans</b>	<b>Institution</b>	<b>Interest rate</b>	<b>Redeemable</b>	<b>Balance at 30 JUNE 2022</b>	<b>Received during the period</b>	<b>Redeemed / written off during the period</b>	<b>Unamortised discount on loans</b>	<b>Balance at 30 JUNE 2023</b>	<b>Carrying value of PPE</b>	<b>Other costs in accordance with the MFMA</b>
<b>LONG-TERM LOANS</b>										
DBSA loan R30m	Development Bank of South Africa	10.55%	30/06/2027	10 000 000		2 000 000	-	8 000 000	-	-
ABSA loan R4.8m	ABSA Bank	9.00%	01/07/2026	2 376 403		525 464		1 850 938		
ABSA loan R6.5m	ABSA Bank	9.50%	2027/07/01	3 896 738		655 094		3 241 644		
Nedbank loan R5.6m	Nedbank	9.10%	01/07/2028	3 826 691		515 291		3 311 400		
DBSA loan R10m	Development Bank of South Africa	9.47%	30/06/2029	7 003 806		1 000 544		6 003 262		
DBSA loan R35m	Development Bank of South Africa	9.47%	30/06/2029	27 222 222		3 888 889	-	23 333 333		
DBSA loan R12m	Development Bank of South Africa	9.47%	30/06/2029	9 333 334		1 333 333		8 000 000		
DBSA loan R7.8m	Development Bank of South Africa	9.47%	30/06/2029	6 066 666		866 667	-	5 200 000		
Nedbank loan R2.2m	Nedbank	7.36%	30/06/2025	1 394 546		428 166	-	966 380		
Nedbank loan R1.35m	Nedbank	5.54%	30/06/2031	1 246 972		92 107		1 154 864		
Nedbank loan R13.68m	Nedbank	5.54%	30/06/2031	12 635 978		933 355		11 702 623		
Nedbank loan R18m	Nedbank	5.54%	30/06/2031	16 626 287		1 228 098		15 398 189		
Nedbank loan R10.6m	Nedbank	5.87%	30/06/2031	9 772 475		758 157		9 014 318		
Nedbank loan R17.8m	Nedbank	5.87%	30/06/2031	16 411 156		1 273 191		15 137 964		
Nedbank loan R6m	Nedbank	5.93%	30/06/2032	6 000 000		401 649		5 598 352		
Nedbank loan R5m	Nedbank	5.93%	30/06/2032	5 000 000		334 707		4 665 293		
Nedbank loan R14.8m	Nedbank	5.93%	30/06/2032	14 800 000		972 195		13 827 805		
Nedbank loan R14.5m	Nedbank	10.33%	30/06/2033		14 500 000			14 500 000		
Nedbank loan R18.1m	Nedbank	10.33%	30/06/2033		18 100 000			18 100 000		
Nedbank loan R4.5m	Nedbank	10.33%	30/06/2033		4 500 000			4 500 000		
<b>Total long-term loans</b>				<b>153 613 274</b>	<b>37 100 000</b>	<b>17 206 908</b>	<b>-</b>	<b>173 506 366</b>	<b>-</b>	<b>-</b>
<b>TOTAL EXTERNAL LOANS</b>				<b>153 613 274</b>	<b>37 100 000</b>	<b>17 206 908</b>	<b>-</b>	<b>173 506 366</b>	<b>-</b>	<b>-</b>

APPENDIX B

APPROPRIATION STATEMENT AS AT 30 JUNE 2023

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
	R	R	R	R	R	R	R	R	R	R	R
<b>2023</b>											
<b>FINANCIAL PERFORMANCE</b>											
<b>Revenue</b>											
Property rates	187 231 481	3 764 013	190 995 494	-	-	190 995 494	192 123 228	-	1 127 734	101%	103%
Service charges	902 005 650	-16 260 300	885 745 350	-	-	885 745 350	890 390 755	-	4 645 405	101%	99%
Rental of facilities and equipment	8 572 239	1 080 475	9 652 714	-	-	9 652 714	12 694 951	-	3 042 237	132%	148%
Interest earned - external investments	36 590 684	13 291 470	49 882 154	-	-	49 882 154	55 085 669	-	5 203 515	110%	151%
Interest earned - outstanding debtors	8 189 450	-928 050	7 261 400	-	-	7 261 400	7 879 287	-	617 887	109%	96%
Dividends received	-	-	-	-	-	-	-	-	-	#DIV/0!	#DIV/0!
Fines, penalties and forfeits	4 964 827	13 295 141	18 259 968	-	-	18 259 968	26 235 303	-	7 975 335	144%	528%
Licences and permits	1 315 737	-1 266	1 314 471	-	-	1 314 471	1 317 174	-	2 703	100%	100%
Agency services	8 528 104	290 743	8 818 847	-	-	8 818 847	8 148 171	-	-670 676	92%	96%
Transfers recognised - operational	157 889 720	583 153	158 472 873	-	-	158 472 873	143 728 277	-	-14 744 596	91%	91%
Other revenue	33 555 723	23 676 547	57 232 270	-	-	57 232 270	59 604 147	-	2 371 877	104%	178%
Gains	500 000	-	500 000	-	-	500 000	15 855 437	-	15 355 437	3171%	3171%
<b>Total revenue (excluding capital transfers and contributions)</b>	<b>1 349 343 615</b>	<b>38 791 926</b>	<b>1 388 135 541</b>	<b>-</b>	<b>-</b>	<b>1 388 135 541</b>	<b>1 413 062 400</b>	<b>-</b>	<b>24 926 859</b>	<b>102%</b>	<b>105%</b>
<b>Expenditure</b>											
Employee related costs	408 917 455	-3 785 591	405 131 864	-	-305 476	404 826 388	370 069 042	-	-34 757 346	91%	90%
Remuneration of councillors	15 638 320	-1 403 443	14 234 877	-	-	14 234 877	13 413 697	-	-821 180	94%	86%
Debt impairment	39 086 764	12 745 674	51 832 438	-	-	51 832 438	39 544 204	-	-12 288 234	76%	101%
Depreciation & asset impairment	122 227 220	73 802	122 301 022	-	-	122 301 022	137 954 237	-	15 653 215	113%	113%
Finance charges	15 668 614	-1 191 886	14 476 728	-	-	14 476 728	13 592 954	-	-883 774	94%	87%
Bulk purchases	444 610 761	12 574 070	457 184 831	-	-	457 184 831	436 942 993	-	-20 241 838	96%	98%
Inventory consumed	88 132 456	10 512 466	98 644 922	-	3 394 122	102 039 044	103 739 049	-	1 700 005	102%	118%
Contracted services	180 314 270	14 951 437	195 265 707	-	865 113	196 130 820	167 046 390	-	-29 084 430	85%	93%
Transfers and subsidies	11 220 570	821 246	12 041 816	-	-	12 041 816	11 528 534	-	-513 282	96%	103%
Other expenditure	76 871 348	-4 312 425	72 558 923	-	-3 953 759	68 605 164	72 727 908	-	4 122 744	106%	95%
Losses	500 000	-	500 000	-	-	500 000	9 832 586	-	9 332 586	1967%	1967%
<b>Total expenditure</b>	<b>1 403 187 778</b>	<b>40 985 350</b>	<b>1 444 173 128</b>	<b>-</b>	<b>-</b>	<b>1 444 173 128</b>	<b>1 376 391 593</b>	<b>-</b>	<b>-67 781 535</b>	<b>95%</b>	<b>98%</b>
<b>Operating Surplus/(Deficit)</b>											
	<b>-53 844 163</b>	<b>-2 193 424</b>	<b>-56 037 587</b>	<b>-</b>	<b>-</b>	<b>-56 037 587</b>	<b>36 670 807</b>	<b>-</b>	<b>92 708 394</b>	<b>-65%</b>	<b>-68%</b>
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	105 151 000	10 019 200	115 170 200	-	-	115 170 200	84 396 177	-	-30 774 023	73%	80%
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educational Institutions)	-	-	-	-	-	-	-	-	-	#DIV/0!	#DIV/0!
Transfers and subsidies - capital (in-kind - all)	-	-	-	-	-	-	3 098 849	-	3 098 849	#DIV/0!	#DIV/0!
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	<b>51 306 837</b>	<b>7 825 776</b>	<b>59 132 613</b>	<b>-</b>	<b>-</b>	<b>59 132 613</b>	<b>124 165 832</b>	<b>-</b>	<b>65 033 219</b>	<b>210%</b>	<b>242%</b>
Taxation	-	-	-	-	-	-	-	-	-	#DIV/0!	#DIV/0!
<b>Surplus/(Deficit) for the year</b>	<b>51 306 837</b>	<b>7 825 776</b>	<b>59 132 613</b>	<b>-</b>	<b>-</b>	<b>59 132 613</b>	<b>124 165 832</b>	<b>-</b>	<b>65 033 219</b>	<b>210%</b>	<b>242%</b>

APPENDIX B

APPROPRIATION STATEMENT AS AT 30 JUNE 2023

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
	R	R	R	R	R	R	R	R	R	R	R
<b>CAPITAL EXPENDITURE AND FUNDS SOURCES</b>											
Total capital expenditure	284 937 019	-95 788	284 841 231		-	284 841 231	242 532 550		-42 308 681	85%	85%
<b>CASH FLOWS</b>											
Net cash from / (used) in operating activities	203 661 875	-5 001 990	198 659 885		-	198 659 885	264 883 238		66 223 353	133%	130%
Net cash from / (used) in investing activities	-251 398 519	-24 359 557	-275 758 076		-	-275 758 076	-279 515 836		-3 757 760	101%	111%
Net cash from / (used) in financing activities	45 612 635	-22 955 036	22 657 600		-	22 657 600	5 853 490		-16 804 110	26%	13%
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>-2 124 008</b>	<b>-52 316 582</b>	<b>-54 440 590</b>	-	-	<b>-54 440 590</b>	<b>-8 779 107</b>		<b>-16 804 110</b>	<b>16%</b>	<b>413%</b>
Cash and cash equivalents at the beginning of the year	15 085 454	47 453 534	62 538 988		-	62 538 988	62 538 987				
<b>Cash and cash equivalents at year end</b>	<b>12 961 446</b>	<b>-4 863 048</b>	<b>8 098 398</b>	-	-	<b>8 098 398</b>	<b>53 759 880</b>	-	<b>-16 804 110</b>	<b>664%</b>	<b>415%</b>

APPENDIX B

APPROPRIATION STATEMENT AS AT 30 JUNE 2023

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
	R	R	R	R	R	R	R	R	R	R	R
<b>2022</b>											
<b>FINANCIAL PERFORMANCE</b>											
<b>Revenue</b>											
Property rates	167 277 466	28 843	167 306 309	-	-	167 306 309	170 542 268		3 235 959	102%	102%
Service charges	885 701 574	-12 716 484	872 985 090	-	-	872 985 090	879 241 109		6 256 019	101%	99%
Rental of facilities and equipment	8 057 263	430 153	8 487 416	-	-	8 487 416	11 563 804		3 076 388	136%	144%
Interest earned - external investments	26 422 131	760 653	27 182 784	-	-	27 182 784	36 956 100		9 773 316	136%	140%
Interest earned - outstanding debtors	5 048 930	2 808 113	7 857 043	-	-	7 857 043	8 000 302		143 259	102%	158%
Dividends received	-	-	-	-	-	-	-		-	#DIV/0!	#DIV/0!
Fines, penalties and forfeits	8 317 554	3 952 898	12 270 452	-	-	12 270 452	19 024 551		6 754 099	155%	229%
Licences and permits	1 285 791	-8 152	1 277 639	-	-	1 277 639	1 297 821		20 182	102%	101%
Agency services	7 645 674	536 332	8 182 006	-	-	8 182 006	7 481 660		-700 346	91%	98%
Transfers recognised - operational	139 689 616	22 009 318	161 698 934	-	-	161 698 934	152 006 694		-9 692 240	94%	109%
Other revenue	27 348 557	8 690 865	36 039 422	-	-	36 039 422	58 256 239		22 216 817	162%	213%
Gains	-	-	-	-	-	-	8 516 683		8 516 683	#DIV/0!	#DIV/0!
<b>Total revenue (excluding capital transfers and contributions)</b>	<b>1 276 794 556</b>	<b>26 492 539</b>	<b>1 303 287 095</b>	<b>-</b>	<b>-</b>	<b>1 303 287 095</b>	<b>1 352 887 231</b>		<b>49 600 136</b>	<b>104%</b>	<b>106%</b>
<b>Expenditure</b>											
Employee related costs	385 111 599	-14 468 454	370 643 145	-	-	370 643 145	335 289 728		-35 353 417	90%	87%
Remuneration of councillors	15 044 049	-1 921 780	13 122 269	-	-	13 122 269	12 806 275		-315 994	98%	85%
Debt impairment	52 576 355	-3 830 291	48 746 064	-	-	48 746 064	65 658 094		16 912 030	135%	125%
Depreciation & asset impairment	134 887 650	-12 511 631	122 376 019	-	-	122 376 019	370 319 452		247 943 433	303%	275%
Finance charges	10 549 343	5 641 915	16 191 258	-	-	16 191 258	15 935 947		-255 311	98%	151%
Bulk purchases	411 329 540	-1 900 061	409 429 479	-	-65 000	409 364 479	429 308 778		19 944 299	105%	104%
Inventory consumed	88 430 904	3 335 356	91 766 260	-	2 118 159	93 884 419	84 185 525		-9 698 894	90%	95%
Contracted services	179 045 693	31 971 075	211 016 768	-	-249 402	210 767 366	174 458 205		-36 309 161	83%	97%
Transfers and subsidies	6 780 140	1 444 132	8 224 272	-	-77 000	8 147 272	7 840 728		-306 544	96%	116%
Other expenditure	77 714 819	936 894	78 651 713	-	-1 726 756	76 924 957	73 249 856		-3 675 101	95%	94%
Losses	4 470 044	-1 104 936	3 365 108	-	-	3 365 108	3 214 874		-150 234	96%	72%
<b>Total expenditure</b>	<b>1 365 940 136</b>	<b>7 592 219</b>	<b>1 373 532 355</b>	<b>-</b>	<b>1</b>	<b>1 373 532 356</b>	<b>1 572 267 461</b>	<b>-</b>	<b>198 735 105</b>	<b>114%</b>	<b>115%</b>
<b>Operating Surplus/(Deficit)</b>	<b>-89 145 580</b>	<b>18 900 320</b>	<b>-70 245 260</b>	<b>-</b>	<b>-1</b>	<b>-70 245 261</b>	<b>-219 380 230</b>	<b>-</b>	<b>-149 134 969</b>	<b>312%</b>	<b>246%</b>
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	100 688 000	25 337 436	126 025 436	-	-	126 025 436	56 297 383		-69 728 053	45%	56%
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educational Institutions)	-	-	-	-	-	-	-		-	#DIV/0!	#DIV/0!
Transfers and subsidies - capital (in-kind - all)	-	-	-	-	-	-	112 772		112 772	#DIV/0!	#DIV/0!
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	<b>11 542 420</b>	<b>44 237 756</b>	<b>55 780 176</b>	<b>-</b>	<b>-1</b>	<b>55 780 175</b>	<b>-162 970 075</b>		<b>-218 750 250</b>	<b>-292%</b>	<b>-1412%</b>
Taxation	-	-	-	-	-	-	-		-	#DIV/0!	#DIV/0!
<b>Surplus/(Deficit) for the year</b>	<b>11 542 420</b>	<b>44 237 756</b>	<b>55 780 176</b>	<b>-</b>	<b>-1</b>	<b>55 780 175</b>	<b>-162 970 075</b>		<b>-218 750 250</b>	<b>-292%</b>	<b>-1412%</b>

APPENDIX B

APPROPRIATION STATEMENT AS AT 30 JUNE 2023

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
	R	R	R	R	R	R	R	R	R	R	R
<b>CAPITAL EXPENDITURE AND FUNDS SOURCES</b>											
Total capital expenditure	241 609 372	33 622 805	275 232 177		-	275 232 177	187 246 824		-87 985 353	68%	77%
<b>CASH FLOWS</b>											
Net cash from / (used) in operating activities	156 895 267	59 267 685	216 162 952		-	216 162 952	212 033 038		-4 129 914	98%	135%
Net cash from / (used) in investing activities	-163 070 872	-138 611 306	-301 682 178		-	-301 682 178	-270 986 758		30 695 420	90%	166%
Net cash from / (used) in financing activities	12 843 961	-4 325 441	8 518 521		-	8 518 521	29 405 875		20 887 354	345%	229%
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>6 668 356</b>	<b>-83 669 062</b>	<b>-77 000 706</b>	<b>-</b>	<b>-</b>	<b>-77 000 706</b>	<b>-29 547 845</b>	<b>-</b>	<b>47 452 860</b>	<b>38%</b>	<b>-443%</b>
Cash and cash equivalents at the beginning of the year	4 823 020	87 263 140	92 086 160		-	92 086 160	92 086 160				
<b>Cash and cash equivalents at year end</b>	<b>11 491 377</b>	<b>3 594 078</b>	<b>15 085 454</b>	<b>-</b>	<b>-</b>	<b>15 085 454</b>	<b>62 538 314</b>	<b>-</b>	<b>47 452 860</b>	<b>415%</b>	<b>544%</b>