

# ZF MGCAWU DISTRICT Municipality



**2022 / 2023**

[These financial statements have been audited]

**ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
30 JUNE 2023**

**ZF MGCAWU DISTRICT MUNICIPALITY**  
**Annual Financial Statements for the year ended 30 June 2023**

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**ZF MGCAWU DISTRICT MUNICIPALITY**  
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**ABBREVIATIONS**

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ASB	Accounting Standards Board
B-BBEE	Broad-based black economic empowerment
CPMD	Continues Professional Management Development
EPWP	Expanded Public Works Programme Integrated Grant
FMG	Financial Management Grant
GRAP	Generally Recognised Accounting Practice
LGSETA	Local Government Services Sector Education & Training Authority
LSA	Long Service Awards
MFMA	Municipal Finance Management Act
MPAC	Municipal Public Accounts Committee
mSCOA	Municipal Standard Chart of Accounts
MSIG	Municipal System Improvement grant
PEMA	Post-retirement Health Care Benefits
PMS	Performance Management Framework
RRAMS	Rural Roads Asset Management Systems Grant
SALGA	South African Local Government Association
SARS	South African Revenue Service
SCM	Supply Chain Management
SDL	Skills Development Levy
ZFM	ZF Mgcawu District Municipality

**ZF MGCAWU DISTRICT MUNICIPALITY**  
**Annual Financial Statements for the year ended 30 June 2023**

**GENERAL INFORMATION**

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**EXECUTIVE MAYOR**

M.C. BASSON

**SPEAKER**

W.R.S. PETERSON

**MEMBERS OF THE MAYORAL COMMITTEE**

Executive Mayor: M.C. BASSON

Councillors: J. SILO  
A. MATSHIMO  
P.M. MGCERA  
A. JOHNSON

**GRADING OF THE LOCAL AUTHORITY**

Grade 4

**AUDITORS**

External: Auditor General: Kimberley  
Internal: ZF Mgcawu District Municipality Internal Audit Unit

**PRIMARY BANKER**

ABSA

**REGISTERED OFFICE**

c/o Upington 26 Avenue & Dr Nelson Mandela Drive  
Upington  
8801

Private Bag X6039  
Upington  
8800

Telephone: (054) 337 2800  
Fax: (054) 337 2888

E-Mail: [admin@zfm-dm.gov.za](mailto:admin@zfm-dm.gov.za)  
Website: [www.zfm-dm.co.za](http://www.zfm-dm.co.za)

**ACTING MUNICIPAL MANAGER**

MR. A. TIETIES

**CHIEF FINANCIAL OFFICER**

MRS. E. ISAACS

**ZF MGCAWU DISTRICT MUNICIPALITY**  
**Annual Financial Statements for the year ended 30 June 2023**

**GENERAL INFORMATION (continued)**

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**REVIEW OF FINANCIAL STATEMENTS**

The Annual Financial Statements were reviewed by the Audit & Performance Committee, Internal Audit Unit, MPAC, Provincial Treasury and Management before it was approved by the Municipal Manager.

**APPROVAL OF FINANCIAL STATEMENTS**

I am responsible for the preparation of these Annual Financial Statements, which are set out on pages 3 to 133, in terms of Section 126(1) of the Municipal Finance Management Act (Act No 56 of 2003) and which I have signed on behalf of the District Municipality.

These Annual Financial Statements will be presented to the Council for information on 31 August 2023.

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**MR. A. TIETIES**  
**ACTING MUNICIPAL MANAGER**  
**31 August 2023**

**ZF MGCAWU DISTRICT MUNICIPALITY**  
**Annual Financial Statements for the year ended 30 June 2023**

**MEMBERS OF COUNCIL**

<b>NAME</b>	<b>POSITION</b>	<b>PARTY</b>	<b>PERIOD</b>
M.C. Basson	Executive Mayor	ANC	Commencement: 23/06/2022
W.R.S. Peterson	Speaker	KSR	Commencement: 14/12/2021
A. Johnson	Mayoral Committee	ANC	Commencement: 14/12/2022
A. Matshimo	Mayoral Committee	ANC	Commencement: 14/12/2021
P.M. Mgcera	Mayoral Committee	ANC	Commencement: 28/01/2022
J. Silo	Mayoral Committee	ANC	Commencement: 14/12/2021
P.H. Matthys	Section 79 Committee	HFTF	Commencement: 30/08/2022
M.M. Louw	Normal Councillor	ANC	Commencement: 23/06/2022
J. Esau	Normal Councillor	EFF	Commencement: 09/11/2021
H. De Koker	Normal Councillor	DA	Commencement: 09/11/2021
M.H.B. Van Zyl	Normal Councillor	DA	Commencement: 09/11/2021
F.L. Witbooi	Normal Councillor	DA	Commencement: 09/11/2021
P.H. Matthys	Normal Councillor	HFTF	Commencement: 09/11/2021 Term ended: 29/08/2022
F. Basson	Councillor	ANC	Commencement: 14/12/2022
P.J. George	Councillor	ANC	Commencement: 14/12/2021
K.G. Keorometswe	Councillor	ANC	Commencement: 09/11/2021
D.R. Pienaar	Councillor	ANC	Commencement: 14/12/2021
S. Abel	Councillor	ANC	Commencement: 28/01/2022
A.J. Ruiters	Councillor	DA	Commencement: 09/11/2021
C.F.P. Bezuidenhoudt	Councillor	DA	Commencement: 14/12/2021
P.T. Van der Steen	Councillor	DA	Commencement: 14/12/2021
S. Sandlana	Councillor	DA	Commencement: 14/12/2021
J. Balies	Councillor	EFF	Commencement: 14/12/2021
A.C. Kotzee	Councillor	HFTF	Commencement: 14/12/2021

**CERTIFICATION OF REMUNERATION OF COUNCILLORS**

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 and according to the Government Gazette 46470 dated 02/06/2022. This read with the Remuneration of Public Officer Bearers Act, Circular 40/2012 dated 10/12/2012 of SALGA and the Minister of Provincial and Local Government's determination in accordance with this Act.

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**MR. A. TIETIES**  
**ACTING MUNICIPAL MANAGER**  
**31 August 2023**

**ZF MGCAWU DISTRICT MUNICIPALITY**  
**Annual Financial Statements for the year ended 30 June 2023**

**FOREWORD**

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It is my pleasure to present the 2022/2023 Annual Financial Statements of the ZF Mgcawu District Municipality. Local Government is regarded as the nucleus of government hence we must comply with section 152 of the Constitution to provide democratic and accountable government for local communities. As the ZF Mgcawu District Municipality, we are committed to making this institution a place of excellence and therefore we call on all our stakeholders to join us on the journey of unparalleled development for achieving our goals. We remain committed to supporting our Local Municipalities as one of our legislative requirements as enshrined in the Municipal Structures Act.


We continue to strive for good governance in our administration and instil those principles in our officials. The oversight role that the Council continues to play over the Executive and the Administration continues to yield results. The Municipal Public Accounts Committee also plays a pivotal role in ensuring good governance and accountability.

The 2021/2022 audit results confirm the hard work that our administrative staff and public representatives put into keeping this Municipality on track. Whilst we celebrate this achievement, we must also ensure that these clean audits translate into actual services that our people can see, feel and touch. Clean audits mean we manage public money efficiently and leave no room for corruption. As the District Municipality, our goal is to promote economic development, and fiscal discipline and ensure that we govern effectively and facilitate the growth of our Municipality.

The ZF Mgcawu District Municipality aims to achieve the ultimate goal of collaborative governance that involves government, the community and Non-Government Organizations that work together to achieve more than what we could achieve on our own.

The District Municipality is committed to striving, within our financial and administrative capacity to achieve the objectives of Local Government as set out in Section 152(1) of the Constitution. It is our hope that we will build a South Africa in which every person is provided with an opportunity and means to make a better life for themselves.

I would like to thank all the Councillors, the Mayoral Committee, and the Municipal Public Accounts Committee (MPAC) for their effective oversight of the Municipality's operations. I also want to thank the Management and Staff for your commitment to serving the District Municipality. I also have to express my gratitude to the Audit Committee for their guidance and oversight role.



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**CLLR. M.C. BASSON**  
**EXECUTIVE MAYOR**  
**31 August 2023**

# Report of the auditor-general to the Northern Cape Provincial Legislature and the council on ZF Mgcawu District Municipality

## Report on the audit of the financial statements

### Opinion

1. I have audited the financial statements of the ZF Mgcawu District Municipality set out on pages xx to xx, which comprise the statement of financial position as at 30 June 2023, statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget and actual amounts for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the ZF Mgcawu District Municipality as at 30 June 2023 and its financial performance and cash flows for the year then ended in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) and the requirements of the Municipal Finance Management Act 56 of 2003 (MFMA) and the Division of Revenue Act 5 of 2022 (Dora).

### Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the responsibilities of the auditor-general for the audit of the financial statements section of my report.
4. I am independent of the municipality in accordance with the International Ethics Standards Board for Accountants' *International code of ethics for professional accountants (including International Independence Standards)* (IESBA code) as well as other ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### Material uncertainty relating to going concern

6. I draw attention to the matter below. My opinion is not modified in respect of this matter.
7. I draw attention to note 50 to the financial statements, which indicates that the three-year Medium Term Revenue Expenditure Framework (MTREF) reflected that the budget was unfunded for 2023/24, 2024/25 and 2025/26. The outcome of the cash back assessment from Provincial Treasury was negative for 2023/24 as well as negative for the two outer years 2024/25 and 2025/26. Further the cash flow challenges are experienced, as cash flow projections are compiled for the payment sequence of the equitable share which is the largest

portion of operational revenue source. As stated in note 50, these events or conditions, along with the other matters as set forth in note 50, indicate that a material uncertainty exists that may cast significant doubt on the municipality's ability to continue as a going concern.

### **Other matters**

8. I draw attention to the matters below. My opinion is not modified in respect of these matters.

### **Unaudited disclosure notes**

9. In terms of section 125(2)(e) of the MFMA, the particulars of non-compliance with the MFMA should be disclosed in the financial statements. This disclosure requirement did not form part of the audit of the financial statements and, accordingly, I do not express an opinion on it.

### **Unaudited supplementary schedules**

10. The supplementary information set out on pages xx to xx does not form part of the financial statements and is presented as additional information. I have not audited these schedules and, accordingly, I do not express an opinion on them.

### **Responsibilities of the accounting officer for the financial statements**

11. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the Standards of GRAP and the requirements of the MFMA and the Dora; and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

12. In preparing the financial statements, the accounting officer is responsible for assessing the municipality's ability to continue as a going concern; disclosing, as applicable, matters relating to going concern; and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the municipality or to cease operations, or has no realistic alternative but to do so.

### **Responsibilities of the auditor-general for the audit of the financial statements**

13. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error; and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

14. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

## Report on the annual performance report

15. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I must audit and report on the usefulness and reliability of the reported performance information against predetermined objectives for the selected material performance indicators presented in the annual performance report. The accounting officer is responsible for the preparation of the annual performance report.
16. I selected the following material performance indicators related to basic service delivery and municipal financial viability & management presented in the annual performance report for the year ended 30 June 2023. I selected those indicators that measure the municipality's performance on its primary mandated functions and that are of significant national, community or public interest.
- The assistant director environmental health to conduct quarterly monitoring of drinking water quality at all category B-municipalities and correspond any failures to the category B -municipalities.
  - Create 09 full time equivalent for the financial year ending 30 June 2023 by repairing water leaks in Dawid Kruiper mun.
  - Create 05 full time equivalent for the financial year ending 30 June 2023 by repairing water leaks in Kai Garib mun.
  - The assistant director town planning to submit the joint municipal planning tribunal minutes and attendance register as proof of annual sitting concluded.
17. I evaluated the reported performance information for the selected material performance indicators against the criteria developed from the performance management and reporting framework, as defined in the general notice. When an annual performance report is prepared using these criteria, it provides useful and reliable information and insights to users on the municipality's planning and delivery on its mandate and objectives.
18. I performed procedures to test whether:
- the indicators used for planning and reporting on performance can be linked directly to the municipality's mandate and the achievement of its planned objectives
  - the indicators are well defined to ensure that they are easy to understand and can be applied consistently, as well as verifiable so that I can confirm the methods and processes to be used for measuring achievements
  - the targets can be linked directly to the achievement of the indicators and are specific, time bound and measurable to ensure that it is easy to understand what should be delivered and by when, the required level of performance as well as how performance will be evaluated
  - the indicators and targets reported on in the annual performance report are the same as those committed to in the approved initial or revised planning documents

- the reported performance information is presented in the annual performance report in the prescribed manner
- there is adequate supporting evidence for the achievements reported measures taken to improve performance.

19. I performed the procedures to report material findings only; and not to express an assurance opinion or conclusion.

20. I did not identify any material findings on the reported performance information for the selected indicators.

### **Other matter**

21. I draw attention to the matter below.

### **Achievement of planned targets**

22. The annual performance report includes information on reported achievements against planned targets and measures taken to improve performance.

### **Report on compliance with legislation**

23. In accordance with the PAA and the general notice issued in terms thereof, I must audit and report on compliance with applicable legislation relating to financial matters, financial management and other related matters. The accounting officer is responsible for the municipality's compliance with legislation.

24. I performed procedures to test compliance with selected requirements in key legislation in accordance with the findings engagement methodology of the Auditor-General of South Africa (AGSA). This engagement is not an assurance engagement. Accordingly, I do not express an assurance opinion or conclusion.

25. Through an established AGSA process, I selected requirements in key legislation for compliance testing that are relevant to the financial and performance management of the municipality, clear to allow consistent measurement and evaluation, while also sufficiently detailed and readily available to report in an understandable manner. The selected legislative requirements are included in the annexure to this auditor's report.

26. I did not identify any material non-compliance with the selected legislative requirements.

### **Other information in the annual report**

27. The accounting officer is responsible for the other information included in the annual report. The other information referred to does not include the financial statements, the auditor's report and those selected development priorities presented in the annual performance report that have been specifically reported on in this auditor's report.

28. My opinion on the financial statements, the report on the audit of the annual performance report and the report on compliance with legislation do not cover the other information included in the annual report and I do not express an audit opinion or any form of assurance conclusion on it.
29. My responsibility is to read this other information and, in doing so, consider whether it is materially inconsistent with the financial statements and the selected development priorities presented in the annual performance report or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
30. I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

### Internal control deficiencies

31. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with applicable legislation; however, my objective was not to express any form of assurance on it.
32. I did not identify any significant deficiencies in internal control.

Auditor General

Auditor-General

Kimberley

30 November 2023



AUDITOR - GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*

**ZF MGCAWU DISTRICT MUNICIPALITY**  
**Annual Financial Statements for the year ended 30 June 2023**

**REPORT OF THE CHIEF FINANCIAL OFFICER**

**1. INTRODUCTION**

It gives me great pleasure to present the Annual Financial Statements of ZF Mgcawu District Municipality ending 30 June 2023.

These Annual Financial Statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003). The standards and pronouncements that form the GRAP Reporting Framework for the 2022/23 financial period is set out in Directive 5 issued by the ASB on 11 March 2009, as amended.

The Statement of Financial Position at 30 June 2023 indicates an increase in Non-Current Assets, a decrease in Current Assets, a decrease in Non-Current Liabilities and a decrease in Current Liabilities.

The increase in Non-Current Assets is primarily as a result of the increase in the Property, Plant and Equipment and Non-current Investments. The decrease in Current Assets is primarily as a result of the decrease in Cash and Cash Equivalents.

The decrease in Non-Current Liabilities is primarily as a result of the decrease in Long-term Liabilities and Employee Benefit Liabilities. The decrease in Current Liabilities is primarily as a result of the decrease in Payables from Exchange Transactions.

**2. mSCOA IMPLEMENTATION PLAN**

The District Municipality implemented the Municipal Standard Chart of Accounts (mSCOA) during the year ended 30 June 2018 as required in terms of the Municipal Regulations on Standard Chart of Accounts, announced by Government Gazette No 37577 of 22 April 2014, in section 168 of the Local Government: Municipal Finance Management Act (Act 56 of 2003) and through directives and guidelines from National Treasury.

**3. KEY FINANCIAL INDICATORS**

The following indicators are the key indicators and is a comparison to prior year figures. The percentages of expenditure categories are well within acceptable norms and indicate good governance of the funds of the District Municipality.

**Financial Statement Ratios:**

INDICATOR	2023 R	2022 R
Surplus / (Deficit) before Appropriations	3 064 416	2 281 399
Surplus / (Deficit) at the end of the Year	(16 364 146)	(19 428 561)
Expenditure Categories as a percentage of Total Expenses:		
Employee Related Costs	70.58%	69.92%
Remuneration of Councillors	5.91%	5.67%
Depreciation and Amortisation	1.47%	1.27%
Impairment Losses	0.00%	0.06%
Finance Costs	0.53%	0.62%
Contracted Services	6.40%	8.03%
Inventory Consumed	0.47%	0.77%
Transfers and Subsidies Paid	1.06%	0.37%
Operating Leases	0.00%	0.74%
Operational Costs	13.45%	12.54%
Loss on Disposal of Capital Assets	0.14%	0.00%

**ZF MGCAWU DISTRICT MUNICIPALITY**  
**Annual Financial Statements for the year ended 30 June 2023**

**REPORT OF THE CHIEF FINANCIAL OFFICER**

**4. OPERATING RESULTS**

Details of the operating results per segmental classification of expenditure are included in Note 52, whilst operational results are included in Appendices E (1), E (2) and E (3).

**5. FINANCING OF CAPITAL EXPENDITURE**

The expenditure on Assets during the year amounted to R1 549 584 (2021/22: R2 164 287). Full details of Assets are disclosed in Notes 8, 9, 51 and Appendix "B" to the Annual Financial Statements.

The capital expenditure of R1 549 584 was financed as follows:

DETAILS	Actual 2022/23 R	Actual 2021/22 R	Percentage Variance %	Budgeted 2022/23 R	Variance actual/ budgeted %
Finance Leases	130 889	1 610 000	(91.87)	130 889	-
Grants and Subsidies	1 189 930	486 048	144.82	1 189 930	-
Own Funds (Accumulated Surplus)	228 766	68 239	235.24	378 281	(39.53)
	1 549 584	2 164 287	(28.40)	1 699 100	(8.80)

Source of funding as a percentage of Total Capital Expenditure:

DETAILS	2023 %	2022 %
Finance Leases	8.45%	74.39%
Grants and Subsidies	76.79%	22.46%
Own Funds (Accumulated Surplus)	14.76%	3.15%
	100.00%	100.00%

**6. RECONCILIATION OF BUDGET TO ACTUAL**

**6.1 Operating Budget:**

DETAILS	2023 R	2022 R
<i>Variance per Category:</i>		
Budgeted surplus before appropriations	1 388 487	1 108 240
Revenue variances	347 495	(1 931 510)
Expenditure variances:		
Employee Related Costs	98 619	684 769
Remuneration of Councillors	54 717	16 798
Depreciation and Amortisation	1 367	103 925
Impairment Losses	20 000	4 754
Finance Costs	1 632	631
Contracted Services	847 022	1 020 466
Inventory Consumed	82 257	57 634
Transfers and Subsidies Paid	146 684	15 757
Operating Leases	-	53 130
Operational Costs	75 260	992 806
Loss on Disposal of Capital Assets	875	154 000
Actual surplus before appropriations	3 064 416	2 281 399

**ZF MGCAWU DISTRICT MUNICIPALITY**  
**Annual Financial Statements for the year ended 30 June 2023**

**REPORT OF THE CHIEF FINANCIAL OFFICER**

DETAILS	2023 R	2022 R
<i>Variance per Service Segment:</i>		
Budgeted surplus before appropriations	1 388 487	1 108 240
Executive and Council	8 207	540 231
Finance and Administration (incl Bad Debt)	1 089 219	218 868
Internal Audit	113 463	135 979
Public Safety	54 285	194 180
Health	107 676	110 666
Planning and Development	247 248	123 579
Other	54 957	65 989
Add: Gains and Losses	875	(216 333)
Actual surplus before appropriations	3 064 416	2 281 399

Details of the operating results per segmental classification of expenditure are included in 52, whilst operational results are included in Appendices E(1), E(2) and E(3).

**6.2 Capital Budget:**

DETAILS	Actual 2022/23 R	Actual 2021/22 R	Variance actuals R	Budgeted 2022/23 R	Variance actual/ budgeted R
Executive and Council	28 043	53 357	(25 313)	133 900	(105 857)
Finance and Administration	706 089	2 051 687	(1 345 598)	710 000	(3 911)
Internal Audit	-	50 291	(50 291)	-	-
Public Safety	9 565	8 952	613	10 000	(435)
Health	33 621	-	33 621	35 000	(1 379)
Planning and Development	772 266	-	772 266	774 000	(1 734)
Corporate Services	-	-	-	36 200	(36 200)
	1 549 584	2 164 287	(614 702)	1 699 100	(149 516)

Details of the results per segmental classification of capital expenditure are included in Note 51.

**7. ACCUMULATED SURPLUS**

The balance of the Accumulated Surplus as at 30 June 2023 amounted to R16 364 146 (30 June 2022: R19 428 561) and is made up as follows:

Accumulated Surplus	(16 364 146)	(19 428 561)
	<u>(16 364 146)</u>	<u>(19 428 561)</u>

Refer to Note 17 and the Statement of Change in Net Assets for more detail.

**ZF MGCAWU DISTRICT MUNICIPALITY**  
**Annual Financial Statements for the year ended 30 June 2023**

**REPORT OF THE CHIEF FINANCIAL OFFICER**

	<b>2023</b>	<b>2022</b>
	<b>R</b>	<b>R</b>
<b>8. LONG-TERM LIABILITIES</b>		
The outstanding amount of Long-term Liabilities as at 30 June 2023 was R276 895 (30 June 2022: R803 350) and is made up as follows:		
Finance Lease Liability	276 895	803 350
	<b>276 895</b>	<b>803 350</b>
	<b>276 895</b>	<b>803 350</b>

Finance Lease Liabilities relate to Copier Machines with a lease term of 3 years with a fair value of R783 000 as at 1 October 2018, ending 30 September 2021. The effective interest rate on Finance Leases is 19.4%.

Finance Lease Liabilities relate to Copier Machines with a lease term of 3 years with a fair value of R660 000 as at 1 June 2022, ending 31 May 2025. The effective interest rate on Finance Leases is 12.4%.

Finance Lease Liabilities relate to Telephone System with a lease term of 3 years with a fair value of R950 000 as at 1 July 2021, ending 30 June 2024. The effective interest rate on Finance Leases is 73.1%.

Finance Lease Liabilities relate to Copier Machines with a lease term of 33 months with a fair value of R130 889 as at 1 August 2022, ending 31 May 2025. The effective interest rate on Finance Leases is 20.6%.

Refer to Note 15 and Appendix "A" for more detail.

**9. EMPLOYEE BENEFIT LIABILITIES**

Employee Benefit Liabilities amounted R30 960 000 as at 30 June 2023 (30 June 2022: R32 041 000) and is made up as follows:

Post-retirement Health Care Benefits Liability	Note 16	23 453 000	25 014 000
Long Service Awards Liability	Note 16	7 507 000	7 027 000
		<b>30 960 000</b>	<b>32 041 000</b>
		<b>30 960 000</b>	<b>32 041 000</b>

The Post-retirement Health Care Benefits Liability is in respect of continued Health Care Benefits for employees of the District Municipality after retirement being members of schemes providing for such benefits. This liability is unfunded.

The Long-term Service Liability is an estimate of the long-service based on historical staff turnover. No other long-term service benefits are provided to employees. This liability is unfunded.

Refer to Note 16 for more detail.

**10. CURRENT LIABILITIES**

Current Liabilities amounted R10 421 139 as at 30 June 2023 (30 June 2022: R11 663 271) and is made up as follows:

Provisions	Note 12	3 121 597	2 887 376
Payables from Exchange Transactions	Note 13	6 648 436	8 279 010
Unspent Conditional Grants and Receipts	Note 14	-	-
Current Portion of Long-term Liabilities	Note 15	651 106	496 885
		<b>10 421 139</b>	<b>11 663 271</b>
		<b>10 421 139</b>	<b>11 663 271</b>

Current Liabilities are those liabilities of the District Municipality due and payable in the short-term (less than 12 months). There is no known reason as to why the District Municipality will not be able to meet its obligations.

Refer to Note 12, 13, 14, 15 for more detail.

**ZF MGCAWU DISTRICT MUNICIPALITY**  
**Annual Financial Statements for the year ended 30 June 2023**

**REPORT OF THE CHIEF FINANCIAL OFFICER**

**11. PROPERTY, PLANT AND EQUIPMENT**

The net value of Property, Plant and Equipment was R21 602 242 as at 30 June 2023 (30 June 2022: R21 429 126).

Refer to Note 8, 51 and Appendix B for more detail.

**12. INTANGIBLE ASSETS**

The net value of Intangible Assets were R108 712 as at 30 June 2023 (30 June 2022: R112 354).

Intangible Assets are assets which cannot physically be identified and verified and are in respect of computer software obtained by the District Municipality in order to be able to fulfil its duties as far as service delivery is concerned.

Refer to Note 9 and Appendix "B" for more detail.

**13. NON-CURRENT INVESTMENTS**

The District Municipality held Investments to the value of R1 070 386 as at 30 June 2023 (30 June 2022: R512 048).

These investments are invested to improve the District Municipality's unfunded budget and going concern.

Refer to Note 10 for more detail.

**14. LONG-TERM RECEIVABLES**

Long-term Receivables of R93 933 at 30 June 2023 (30 June 2022: R108 585) is made up as follows:

		2023 R	2022 R
Finance Lease Receivable	Note 11	10 616	12 433
Staff Related Long Term Receivables	Note 11	99 759	113 871
CPMD Debtors		90 600	97 800
SCM Debtors		8 035	12 547
Maternity Leave Debtors		1 123	3 523
		<b>110 374</b>	<b>126 303</b>
Less: Short-term portion included in Current Assets	Note 11	(16 441)	(17 718)
		<b>93 933</b>	<b>108 585</b>

The increase in the amount for Long-term Receivables is due to new debtors raised during 2022/23 financial year.

Refer to Note 11 for more detail.

**15. CURRENT ASSETS**

Current Assets amounted R2 418 615 as at 30 June 2023 (30 June 2022: R2 916 946) and is made up as follows:

Receivables from Exchange Transactions	Note 2	224 591	219 189
Statutory Receivables from Exchange Transactions	Note 3	3 605	12 771
Receivables from Non-exchange Transactions	Note 4	20 000	-
VAT Receivable	Note 5	448 235	540 862
Cash and Cash Equivalents	Note 6	1 705 742	2 126 406
Current Portion of Long-term Receivables	Note 7	16 441	17 718
		<b>2 418 615</b>	<b>2 916 946</b>

Refer to Note 2, 4, 5, 6 and 7 for more detail.

**ZF MGCAWU DISTRICT MUNICIPALITY**  
**Annual Financial Statements for the year ended 30 June 2023**

**REPORT OF THE CHIEF FINANCIAL OFFICER**

**16. INTER-GOVERNMENTAL GRANTS**

The District Municipality is dependent on financial aid from other government spheres to finance its annual capital programme. Operating grants are utilised to finance indigent assistance and provision of free basic services. Refer to Notes 14 and 18, and Appendix "F" for more detail.

**17. EVENTS AFTER THE REPORTING DATE**

Full details of all known events, if any, after the reporting date are disclosed in Note 47.

**18. GOING CONCERN ASSESSMENT**

Refer to management's going concern assessment disclosed in Note 50.

**19. EXPRESSION OF APPRECIATION**

We are grateful to the Executive Mayor, members of the Mayoral Committee, Councillors, the Acting Municipal Manager and Heads of Departments for the support extended during the financial year. A special word of thanks to all staff in the Finance Department, for without their assistance these Annual Financial Statements would not have been possible.

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**MRS. E. ISAACS**  
**CHIEF FINANCIAL OFFICER**  
**31 August 2023**

**ZF MGCAWU DISTRICT MUNICIPALITY**  
**STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2023**

	Note	Actual	
		2023 R	2022 Restated R
<b>ASSETS</b>			
<b>Current Assets</b>		<b>2 418 615</b>	<b>2 916 946</b>
Receivables from Exchange Transactions	2	224 591	219 189
Statutory Receivables from Exchange Transactions	3	3 605	12 771
Receivables from Non-exchange Transactions	4	20 000	-
VAT Receivable	5	448 235	540 862
Cash and Cash Equivalents	6	1 705 742	2 126 406
Current Portion of Long-term Receivables	7	16 441	17 718
<b>Non-Current Assets</b>		<b>22 875 273</b>	<b>22 162 114</b>
Property, Plant and Equipment	8	21 602 242	21 429 126
Intangible Assets	9	108 712	112 354
Non-current Investments	10	1 070 386	512 048
Long-term Receivables	11	93 933	108 585
<b>Total Assets</b>		<b>25 293 888</b>	<b>25 079 060</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>		<b>10 421 139</b>	<b>11 663 271</b>
Provisions	12	3 121 597	2 887 376
Payables from Exchange Transactions	13	6 648 436	8 279 010
Current Portion of Long-term Liabilities	15	651 106	496 885
<b>Non-Current Liabilities</b>		<b>31 236 895</b>	<b>32 844 350</b>
Long-term Liabilities	15	276 895	803 350
Employee Benefit Liabilities	16	30 960 000	32 041 000
<b>Total Liabilities</b>		<b>41 658 033</b>	<b>44 507 621</b>
<b>Total Assets and Liabilities</b>		<b>(16 364 146)</b>	<b>(19 428 561)</b>
<b>NET ASSETS</b>		<b>(16 364 146)</b>	<b>(19 428 561)</b>
Accumulated Surplus / (Deficit)	17	(16 364 146)	(19 428 561)
<b>Total Net Assets</b>		<b>(16 364 146)</b>	<b>(19 428 561)</b>

**ZF MGCAWU DISTRICT MUNICIPALITY**  
**STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2023**

		Actual	
	Note	2023	2022
		R	Restated R
<b>REVENUE</b>			
<b>Revenue from Non-exchange Transactions</b>			
Transfers and Subsidies	18	86 401 864	82 846 906
Impairment Gains	25	-	-
<b>Revenue from Exchange Transactions</b>			
Rental from Fixed Assets	19	776	8 730
Finance Income	20	1 234 722	699 566
Operational Revenue	21	1 113 132	834 620
Gains on Disposal of Capital Assets	32	-	10 667
<b>Total Revenue</b>		<b>88 750 495</b>	<b>84 400 490</b>
<b>EXPENDITURE</b>			
Employee Related Costs	22	60 477 724	57 417 558
Remuneration of Councillors	23	5 060 204	4 653 771
Depreciation and Amortisation	24	1 263 327	1 042 953
Impairment Losses	25	-	53 246
Finance Costs	26	450 068	512 869
Contracted Services	27	5 482 523	6 594 714
Inventory Consumed	28	399 716	634 183
Transfers and Subsidies Paid	29	910 863	304 250
Operating Leases	30	-	606 950
Operational Costs	31	11 524 872	10 298 596
Loss on Disposal of Capital Assets	32	116 783	-
<b>Total Expenditure</b>		<b>85 686 079</b>	<b>82 119 090</b>
<b>SURPLUS / (DEFICIT) FOR THE YEAR</b>		<b>3 064 416</b>	<b>2 281 399</b>
<b>Refer to Budget Statement for explanation of budget variances (page 23 - 37)</b>			

**ZF MGCAWU DISTRICT MUNICIPALITY**  
**STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2023**

Description	Share Premium	Total Reserves and Funds	Accumulated Surplus	Total Net Assets
	R	R	R	R
<b>2022</b>				
Balance at 30 June 2021	-	-	(21 709 961)	(21 709 961)
Correction of Error (Note 33)		-	-	-
<b>Restated Balance at 30 June 2021</b>	-	-	<b>(21 709 961)</b>	<b>(21 709 961)</b>
Published Surplus for the year			<b>2 281 399</b>	<b>2 281 399</b>
Surplus for the year (previously published)		-	2 394 737	2 394 737
Correction of Error (Note 33)	-	-	(113 338)	(113 338)
<b>Restated Balance at 30 June 2022</b>	-	-	<b>(19 428 561)</b>	<b>(19 428 561)</b>
<b>2023</b>				
Surplus / (Deficit) for the year		-	3 064 416	3 064 416
<b>Balance at 30 June 2023</b>	-	-	<b>(16 364 146)</b>	<b>(16 364 146)</b>

**ZF MGCAWU DISTRICT MUNICIPALITY**  
**CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2023**

		Actual	
	Note	2023	2022
		R	Restated R
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Receipts</b>			
Transfers and Subsidies		86 401 864	82 312 923
Rental from Fixed Assets	19	776	8 730
Finance Income	20	1 234 722	699 566
Other Receipts		1 190 800	1 364 597
<b>Payments</b>			
Employee Related Costs		(61 302 724)	(58 776 558)
Remuneration of Councillors	23	(5 060 204)	(4 653 771)
Finance Costs Paid	26	(450 068)	(512 869)
Suppliers Paid		(7 512 813)	(8 594 239)
Other Payments		(12 457 514)	(10 607 716)
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>		<b><u>2 044 840</u></b>	<b><u>1 240 663</u></b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of Property, Plant and Equipment	8	(1 369 534)	(512 678)
Purchase of Intangible Assets	9	(49 162)	(41 609)
Proceeds on Disposal of Property, Plant and Equipment	8	0	157 519
Decrease / (Increase) in Non-current Investments	10	(558 338)	(512 048)
Decrease / (Increase) in Long-term Receivables		14 652	(94 288)
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b><u>(1 962 380)</u></b>	<b><u>(1 003 104)</u></b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repayment of Borrowings		(503 124)	(392 357)
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>		<b><u>(503 124)</u></b>	<b><u>(392 357)</u></b>
<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b><u>(420 664)</u></b>	<b><u>(154 798)</u></b>
Cash and Cash Equivalents at Beginning of Period		2 126 406	2 281 203
Cash and Cash Equivalents at End of Period	6	1 705 742	2 126 406

**ZF MGCAWU DISTRICT MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2023**

30 June 2023

Description	Original Budget	Budget Adjustments	Special Adjustment Budget	Budget Adjustments	Special Adjustment Budget	Virement	Final Budget	Actual Outcome	Un-authorised 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	R
<b>FINANCIAL POSITION</b>												
<b>Current Assets</b>												
Inventories	(500)	30 000	29 500	(31 097)	(1 597)	-	(1 597)	-	-	1 597	0.00	0.00
Receivables from Exchange Transactions	2 193 587	-	2 193 587	(1 801 000)	392 587	-	392 587	224 591	-	(167 996)	57.21	10.24
Statutory Receivables from Exchange Transactions	-	-	-	-	-	-	-	3 605	-	3 605	0.00	0.00
Receivables from Non-exchange Transactions	-	-	-	-	-	-	-	20 000	-	20 000	0.00	0.00
VAT Receivable	-	-	-	-	-	-	-	448 235	-	448 235	0.00	0.00
Cash and Cash Equivalents	3 881 368	5 589 287	9 470 655	(2 289 728)	7 180 927	-	7 180 927	1 705 742	-	(5 475 185)	23.75	43.95
Current Portion of Long-term Receivables	15 563	-	15 563	-	15 563	-	15 563	16 441	-	878	105.64	105.64
<b>Non-Current Assets</b>												
Property, Plant and Equipment	22 350 740	228 000	22 578 740	(683 354)	21 895 386	-	21 895 386	21 602 242	-	(293 144)	98.66	96.65
Intangible Assets	397 161	35 000	432 161	-	432 161	-	432 161	108 712	-	(323 449)	25.16	27.37
Non-current Investments	250 000	-	250 000	250 000	500 000	-	500 000	1 070 386	-	570 386	214.08	428.15
Long-term Receivables	21 680	-	21 680	-	21 680	-	21 680	93 933	-	72 253	433.27	433.27
<b>Total Assets</b>	<b>29 109 599</b>	<b>5 882 287</b>	<b>34 991 886</b>	<b>(4 555 179)</b>	<b>30 436 707</b>	<b>-</b>	<b>30 436 707</b>	<b>25 293 888</b>	<b>-</b>	<b>(5 142 819)</b>	<b>83.10</b>	<b>86.89</b>
<b>Current Liabilities</b>												
Provisions	1 220 115	-	1 220 115	-	1 220 115	-	1 220 115	3 121 597	-	1 901 482	255.84	255.84
Payables from Exchange Transactions	15 243 400	(6 556 980)	8 686 420	6 208 096	14 894 516	-	14 894 516	6 648 436	-	(8 246 080)	44.64	43.62
Current Portion of Long-term Liabilities	293 310	-	293 310	-	293 310	-	293 310	651 106	-	357 796	221.99	221.99
<b>Non-Current Liabilities</b>												
Long-term Liabilities	128 263	-	128 263	-	128 263	-	128 263	276 895	-	148 632	215.88	215.88
Employee Benefit Liabilities	32 569 298	(750 000)	31 819 298	1 037 505	32 856 803	-	32 856 803	30 960 000	-	(1 896 803)	94.23	95.06
<b>Total Liabilities</b>	<b>49 454 386</b>	<b>(7 306 980)</b>	<b>42 147 406</b>	<b>7 245 601</b>	<b>49 393 007</b>	<b>-</b>	<b>49 393 007</b>	<b>41 658 033</b>	<b>-</b>	<b>(7 734 974)</b>	<b>84.34</b>	<b>84.24</b>
<b>Total Assets and Liabilities</b>	<b>(20 344 787)</b>	<b>13 189 267</b>	<b>(7 155 520)</b>	<b>(11 800 780)</b>	<b>(18 956 300)</b>	<b>-</b>	<b>(18 956 300)</b>	<b>(16 364 146)</b>	<b>-</b>	<b>2 592 154</b>	<b>0.00</b>	<b>0.00</b>
<b>Net Assets (Equity)</b>												
Accumulated Surplus / (Deficit)	(20 344 787)	13 189 267	(7 155 520)	(11 800 780)	(18 956 300)	-	(18 956 300)	(16 364 146)	-	2 592 154	0.00	0.00
<b>Total Net Assets</b>	<b>(20 344 787)</b>	<b>13 189 267</b>	<b>(7 155 520)</b>	<b>(11 800 780)</b>	<b>(18 956 300)</b>	<b>-</b>	<b>(18 956 300)</b>	<b>(16 364 146)</b>	<b>-</b>	<b>2 592 154</b>	<b>0.00</b>	<b>0.00</b>

**ZF MGCAWU DISTRICT MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2023**

***Financial Position: Explanation of Variances between Approved Budget and Actual***

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Position are explained below:

**Inventories:**

Incorrectly budgeted for Inventories.

**Receivables from Exchange Transactions:**

VAT Receivables budget is included in Receivables from Exchange Transactions. The VAT Receivable budget amount anticipated was under budgeted for.

**Statutory Receivables Exchange Transactions**

Statutory Receivables Exchange Transactions budget is included in Receivables from Exchange Transactions. The VAT Receivable budget amount anticipated was under budgeted for.

**Receivables from Non-exchange Transactions:**

Relates to UIF expenditure debtors and was not budgeted for.

**VAT Receivable:**

VAT Receivables budget is included in Receivables from Exchange Transactions.

**Cash and Cash Equivalents:**

The budget amount was over budgeted for.

**Intangible Assets:**

Did not take Depreciation into account with the budgeted figure.

**Non-current Investments:**

Did not budget for the prior year Investments.

**Long-term Receivables:**

Budgeted figures were not updated with the latest amortisation tables.

**Provisions:**

Only budgeted for Leave Accrual. Budgeted amount of short-term portion of PEMA and LSA included under Non-Current Employee Benefit Liabilities.

**Payables from Exchange Transactions:**

The variance is due to improved cash flow during the financial year to settle outstanding creditors before year-end..

**Current Portion of Long-term Liabilities:**

Incorrectly budgeted for the new finance lease liabilities under Contracted Services.

**Long-term Liabilities:**

Incorrectly budgeted for the new finance lease liabilities under Contracted Services.

**Accumulated Surplus / (Deficit):**

Combination of reasons stated above

**ZF MGCAWU DISTRICT MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2023**

30 June 2023

Description	Original Budget	Budget Adjustments	Special Adjustment Budget	Budget Adjustments	Special Adjustment Budget	Virement	Final Budget	Actual Outcome	Un-authorised 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	R
<b>FINANCIAL PERFORMANCE</b>												
<b>Revenue from Non-exchange Transactions</b>												
Transfers and Subsidies	85 508 000	420 000	85 928 000	1 150 000	87 078 000	-	87 078 000	86 401 864	-	(676 136)	99.22	101.05
<b>Revenue from Exchange Transactions</b>												
Rental from Fixed Assets	10 000	-	10 000	-	10 000	-	10 000	776	-	(9 224)	7.76	7.76
Finance Income	950 000	-	950 000	-	950 000	-	950 000	1 234 722	-	284 722	129.97	129.97
Operational Revenue	1 665 000	-	1 665 000	(1 300 000)	365 000	-	365 000	1 113 132	-	748 132	304.97	66.85
<b>Total Revenue</b>	<b>88 133 000</b>	<b>420 000</b>	<b>88 553 000</b>	<b>(150 000)</b>	<b>88 403 000</b>	<b>-</b>	<b>88 403 000</b>	<b>88 750 495</b>	<b>-</b>	<b>347 495</b>	<b>100.39</b>	<b>100.70</b>
<b>Expenditure</b>												
Employee Related Costs	62 070 555	(2 943 874)	59 126 681	(93 200)	59 033 481	1 542 862	60 576 343	60 477 724	-	(98 619)	99.84	97.43
Remuneration of Councillors	4 827 921	(56 000)	4 771 921	193 000	4 964 921	150 000	5 114 921	5 060 204	-	(54 717)	98.93	104.81
Depreciation and Amortisation	577 240	-	577 240	669 454	1 246 694	18 000	1 264 694	1 263 327	-	(1 367)	99.89	218.86
Impairment Losses	20 000	-	20 000	-	20 000	-	20 000	-	-	(20 000)	0.00	0.00
Finance Costs	140 000	364 000	504 000	3 700	507 700	(56 000)	451 700	450 068	-	(1 632)	99.64	321.48
Contracted Services	6 701 537	(1 162 390)	5 539 147	585 447	6 124 594	204 951	6 329 545	5 482 523	-	(847 022)	86.62	81.81
Inventory Consumed	476 000	(31 250)	444 750	50 249	494 999	(13 026)	481 973	399 716	-	(82 257)	82.93	83.97
Transfers and Subsidies Paid	315 000	580 000	895 000	162 543	1 057 543	4	1 057 547	910 863	-	(146 684)	86.13	289.16
Operational Costs	11 172 105	3 495 207	14 667 312	(1 102 731)	13 564 581	(1 964 449)	11 600 132	11 524 872	-	(75 260)	99.35	103.16
Loss on Disposal of Capital Assets	-	-	-	-	-	117 658	117 658	116 783	-	(875)	99.26	0.00
<b>Total Expenditure</b>	<b>86 300 358</b>	<b>245 693</b>	<b>86 546 051</b>	<b>468 462</b>	<b>87 014 513</b>	<b>-</b>	<b>87 014 513</b>	<b>85 686 079</b>	<b>-</b>	<b>(1 328 434)</b>	<b>98.47</b>	<b>99.29</b>
<b>Surplus/(Deficit) for the Year</b>	<b>1 832 642</b>	<b>174 307</b>	<b>2 006 949</b>	<b>(618 462)</b>	<b>1 388 487</b>	<b>-</b>	<b>1 388 487</b>	<b>3 064 416</b>	<b>-</b>	<b>1 675 929</b>	<b>220.70</b>	<b>167.21</b>

**ZF MGCAWU DISTRICT MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2023**

***Financial Performance: Explanation of Variances between Approved Budget and Actual***

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Performance are explained below:

Rental from Fixed Assets:

Budgeted figures were not updated with the latest amortisation tables.

Finance Income:

Invested funds for a longer period than anticipated for.

Operational Revenue:

Under budget for funds received from LGSETA.

Impairment Losses:

No Debtors were written off during the year.

Inventory Consumed:

Underspending is mainly due to cost containment measures.

Transfers and Subsidies Paid:

Underspending is mainly due to cost containment measures and cash flow challenges.

**ZF MGCAWU DISTRICT MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2023**

30 June 2023

Description	Original Budget	Budget Adjustments	Special Adjustment Budget	Budget Adjustments	Special Adjustment Budget	Virement	Final Budget	Actual Outcome	Un-authorised 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	R
<b>CAPITAL EXPENDITURE PER FUNCTION</b>												
Executive and Council	150 000	(147 000)	3 000	130 900	133 900	-	133 900	28 043	-	(105 857)	20.94	18.70
Finance and Administration	900 000	(900 000)	-	-	-	710 000	710 000	706 089	-	(3 911)	99.45	78.45
Public Safety	-	-	-	-	-	10 000	10 000	9 565	-	(435)	95.65	0.00
Health	-	-	-	-	-	35 000	35 000	33 621	-	(1 379)	96.06	0.00
Planning and Development	400 000	300 000	700 000	4 000	704 000	70 000	774 000	772 266	-	(1 734)	99.78	193.07
Corporate Services	-	975 000	975 000	(113 800)	861 200	(825 000)	36 200	-	-	(36 200)	0.00	0.00
<b>Total Capital Expenditure</b>	<b>1 450 000</b>	<b>228 000</b>	<b>1 678 000</b>	<b>21 100</b>	<b>1 699 100</b>	<b>-</b>	<b>1 699 100</b>	<b>1 549 584</b>	<b>-</b>	<b>(149 516)</b>	<b>91.20</b>	<b>106.87</b>

**Capital Expenditure per Function: Explanation of Variances between Approved Budget and Actual**

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items for Capital Expenditure per Function are explained below:

Executive and Council:

Savings realised on capital items budgeted for and not procured. Budget rolled over to 2023/24 financial year.

Corporate Services:

Savings realised on capital items budgeted for and not procured. Budget rolled over to 2023/24 financial year.

**ZF MGCAWU DISTRICT MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2023**

30 June 2023

Description	Original Budget	Budget Adjustments	Budget Adjustments	Special Adjustment Budget	Virement	Final Budget	Actual Outcome	Un-authorised 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>CASH FLOW</b>												
<b>Cash Flows from/(used in) Operating Activities</b>												
Transfers and Subsidies	85 008 000	(230 000)	84 778 000	-	84 778 000	-	84 778 000	86 401 864	1 623 864	101.92	101.64	
Rental from Fixed Assets	-	-	-	-	-	-	776	776	776	0.00	0.00	
Finance Income	150 000	-	150 000	-	150 000	-	1 234 722	1 084 722	1 084 722	823.15	823.15	
Other Receipts	175 000	-	175 000	-	175 000	-	1 190 800	1 015 800	1 015 800	680.46	680.46	
Employee Related Costs	(83 757 245)	6 106 287	(77 650 958)	(2 208 628)	(79 859 586)	-	(61 302 724)	18 556 862	18 556 862	76.76	0.00	
Remuneration of Councillors	-	-	-	-	-	-	(5 060 204)	(5 060 204)	(5 060 204)	0.00	0.00	
Finance Costs	(140 000)	140 000	-	-	-	-	(450 068)	(450 068)	(450 068)	0.00	0.00	
Suppliers Paid	-	-	-	-	-	-	(7 512 813)	(7 512 813)	(7 512 813)	0.00	0.00	
Other Payments	(100 000)	-	(100 000)	100 000	-	-	(12 457 514)	(12 457 514)	(12 457 514)	0.00	0.00	
<b>Cash Flows from/(used in) Investing Activities</b>												
Purchase of Property, Plant and Equipment	(1 450 000)	(263 000)	(1 713 000)	48 900	(1 664 100)	-	(1 664 100)	(1 369 534)	294 566	82.30	0.00	
Purchase of Intangible Assets	-	-	-	-	-	-	(49 162)	(49 162)	(49 162)	0.00	0.00	
Decrease / (Increase) in Non-current Investments	(250 000)	-	(250 000)	(250 000)	(500 000)	-	(500 000)	(558 338)	(58 338)	111.67	0.00	
Decrease / (Increase) in Long-term Receivables	-	-	-	-	-	-	14 652	14 652	14 652	0.00	0.00	
<b>Cash Flows from/(used in) Financing Activities</b>												
Proceeds from Borrowings	-	-	-	-	-	-	-	-	-	0.00	0.00	
Repayment of Borrowings	-	-	-	-	-	-	(503 124)	(503 124)	(503 124)	0.00	0.00	
<b>Cash and Cash Equivalents at End of the Year</b>	<b>(364 245)</b>	<b>5 753 287</b>	<b>5 389 042</b>	<b>(2 309 728)</b>	<b>3 079 314</b>	<b>-</b>	<b>3 079 314</b>	<b>(420 664)</b>	<b>-</b>	<b>(3 499 978)</b>	<b>0.00</b>	<b>0.00</b>

**ZF MGCAWU DISTRICT MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2023**

***Cash Flow: Explanation of Variances between Approved Budget and Actual***

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Cash Flow Statement are explained below:

Rental from Fixed Assets:

Not budgeted separately for under cash flow statement, included under the Other Receipts.

Finance Income:

Invested funds for a longer period than anticipated for.

Other Receipts

Under budget for funds received from LGSETA.

Employee Related Costs

A1 Schedules only made provision for one line item for Employee Related Cost and Suppliers, which include all other expenditure.

Remuneration of Councillors

A1 Schedules only made provision for one line item for Employee Related Cost and Suppliers, which include all other expenditure.

Finance Cost

A1 Schedules only made provision for one line item for Employee Related Cost and Suppliers, which include all other expenditure.

Suppliers Paid

A1 Schedules only made provision for one line item for Employee Related Cost and Suppliers, which include all other expenditure.

Other Payments

A1 Schedules only made provision for one line item for Employee Related Cost and Suppliers, which include all other expenditure.

Purchase of Property, Plant and Equipment:

Did not budget for additions on the new mSCOA budget format and incorrectly budgeted for the new finance lease liabilities under Contracted Services.

Purchase of Intangible Assets:

NT Budget Template not aligned to GRAP requirements - Purchase of Intangible Assets included in Purchase of Property, Plant and Equipment above.

Decrease / (Increase) in Non-current Investments:

Did not budget for the prior year Investments.

Decrease / (Increase) in Long-term Receivables:

Did not be budget for on the new mSCOA budget format.

Proceeds from Borrowings:

Did not budget for leases because it was included under Contracted Services.

Repayment of Borrowings:

Did not budget for leases because it was included under Contracted Services.

Cash and Cash Equivalents at End of the Year:

All above-mentioned items are reflecting in Cash and Cash Equivalents at End of the Year.

**ZF MGCAWU DISTRICT MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2023**

30 June 2022

Description	Original Budget	Budget Adjustments	Special Adjustment Budget	Budget Adjustments	Adjustment Budget	Virement	Final Budget	Actual Outcome	Un-authorised 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	R
<b>FINANCIAL POSITION</b>												
<b>Current Assets</b>												
Receivables from Exchange Transactions	418 512	1 003 827	1 422 339	-	1 422 339	-	1 422 339	219 189	-	(1 203 150)	15.41	52.37
Statutory Receivables Exchange Transactions	-	-	-	-	-	-	-	12 771	-	12 771	0.00	0.00
VAT Receivable	-	-	-	-	-	-	-	540 862	-	540 862	0.00	0.00
Cash and Cash Equivalents	716 772	4 385 931	5 102 703	4 595 483	9 698 186	-	9 698 186	2 126 406	-	(7 571 780)	21.93	296.66
Current Portion of Long-term Receivables	15 563	(9 161)	6 402	-	6 402	-	6 402	17 718	-	11 316	276.76	113.85
<b>Non-Current Assets</b>												
Property, Plant and Equipment	23 321 340	(1 778 472)	21 542 868	(1 143 950)	20 398 918	-	20 398 918	21 429 126	-	1 030 208	105.05	91.89
Intangible Assets	397 161	(259 814)	137 347	-	137 347	-	137 347	112 354	-	(24 993)	81.80	28.29
Non-current Investments	500 000	-	500 000	-	500 000	-	500 000	512 048	-	12 048	102.41	102.41
Long-term Receivables	21 680	(7 383)	14 297	-	14 297	-	14 297	108 585	-	94 288	759.50	500.85
<b>Total Assets</b>	<b>25 391 028</b>	<b>3 334 928</b>	<b>28 725 956</b>	<b>3 451 533</b>	<b>32 177 489</b>	<b>-</b>	<b>32 177 489</b>	<b>25 079 060</b>	<b>-</b>	<b>(7 098 429)</b>	<b>77.94</b>	<b>98.77</b>
<b>Current Liabilities</b>												
Provisions	2 784 425	1 938 782	4 723 207	250 000	4 973 207	-	4 973 207	2 887 376	-	(2 085 831)	58.06	103.70
Payables from Exchange Transactions	11 624 829	(390 704)	11 234 125	4 221 507	15 455 632	-	15 455 632	8 279 010	-	(7 176 622)	53.57	71.22
Unspent Conditional Grants and Receipts	-	-	-	-	-	-	-	-	-	-	0.00	0.00
Current Portion of Long-term Liabilities	293 310	(210 718)	82 592	-	82 592	-	82 592	496 885	-	414 293	601.61	169.41
<b>Non-Current Liabilities</b>												
Long-term Liabilities	128 263	(95 224)	33 039	-	33 039	-	33 039	803 350	-	770 311	2 431.52	626.33
Employee Benefit Liabilities	30 404 988	2 381 012	32 786 000	-	32 786 000	-	32 786 000	32 041 000	-	(745 000)	97.73	105.38
<b>Total Liabilities</b>	<b>45 235 815</b>	<b>3 623 148</b>	<b>48 858 963</b>	<b>4 471 507</b>	<b>53 330 470</b>	<b>-</b>	<b>53 330 470</b>	<b>44 507 621</b>	<b>-</b>	<b>(8 822 849)</b>	<b>83.46</b>	<b>98.39</b>
<b>Total Assets and Liabilities</b>	<b>(19 844 787)</b>	<b>(288 220)</b>	<b>(20 133 007)</b>	<b>(1 019 974)</b>	<b>(21 152 981)</b>	<b>-</b>	<b>(21 152 981)</b>	<b>(19 428 561)</b>	<b>-</b>	<b>1 724 420</b>	<b>0.00</b>	<b>0.00</b>
<b>Net Assets (Equity)</b>												
Accumulated Surplus / (Deficit)	(19 844 787)	(288 220)	(20 133 007)	(1 019 974)	(21 152 981)	-	(21 152 981)	(19 428 561)	-	1 724 420	0.00	0.00
<b>Total Net Assets</b>	<b>(19 844 787)</b>	<b>(288 220)</b>	<b>(20 133 007)</b>	<b>(1 019 974)</b>	<b>(21 152 981)</b>	<b>-</b>	<b>(21 152 981)</b>	<b>(19 428 561)</b>	<b>-</b>	<b>1 724 420</b>	<b>0.00</b>	<b>0.00</b>

**ZF MGCAWU DISTRICT MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2023**

***Financial Position: Explanation of Variances between Approved Budget and Actual***

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Position are explained below:

Receivables from Exchange Transactions:

VAT Receivables budget is included in Receivables from Exchange Transactions. The VAT Receivable budget amount anticipated was under budgeted for.

Statutory Receivables Exchange Transactions

Statutory Receivables Exchange Transactions budget is included in Receivables from Exchange Transactions. The VAT Receivable budget amount anticipated was under budgeted for.

VAT Receivable:

VAT Receivables budget is included in Receivables from Exchange Transactions.

Cash and Cash Equivalents:

The budget amount was under budgeted for due to cost containment measures during COVID-19.

Current Portion of Long-term Receivables:

Budgeted figures were not updated with the latest amortisation tables.

Intangible Assets:

ZFM included additions as budgeted for but did not realise due to procurement challenges.

Long-term Receivables:

Budgeted figures were not updated with the latest amortisation tables.

Provisions:

Only budgeted for Leave Accrual. Budgeted amount of short-term portion of PEMA and LSA included under Non-Current Employee Benefit Liabilities.

Payables from Exchange Transactions:

The variance is due to improved cash flow during the financial year to settle outstanding creditors before year-end..

Unspent Conditional Grants and Receipts:

ZFM did not budget for Unspent Conditional Grants and Receipts as it was anticipated that all grants will be spent.

Current Portion of Long-term Liabilities:

Budgeted figures were not updated with the latest amortisation tables.

Long-term Liabilities:

Budgeted figures were not updated with the latest amortisation tables.

Accumulated Surplus / (Deficit):

Combination of reasons stated above

**ZF MGCAWU DISTRICT MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2023**

30 June 2022

Description	Original Budget	Budget Adjustments	Special Adjustment Budget	Budget Adjustments	Adjustment Budget	Virement	Final Budget	Actual Outcome	Un-authorised 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	R
<b>FINANCIAL PERFORMANCE</b>												
<b>Revenue from Non-exchange Transactions</b>												
Transfers and Subsidies	82 178 000	(1 850 000)	80 328 000	3 398 000	83 726 000	-	83 726 000	82 846 906	-	(879 094)	98.95	100.81
Impairment Gains	-	-	-	-	-	-	-	-	-	-	0.00	0.00
<b>Revenue from Exchange Transactions</b>												
Rental from Fixed Assets	10 000	-	10 000	-	10 000	-	10 000	8 730	-	(1 270)	87.30	87.30
Finance Income	800 000	50 000	850 000	-	850 000	-	850 000	699 566	-	(150 434)	82.30	87.45
Operational Revenue	665 000	700 000	1 365 000	-	1 365 000	-	1 365 000	834 620	-	(530 380)	61.14	125.51
Gains on Disposal of Capital Assets	381 000	-	381 000	-	381 000	-	381 000	10 667	-	(370 333)	2.80	2.80
<b>Total Revenue</b>	<b>84 034 000</b>	<b>(1 100 000)</b>	<b>82 934 000</b>	<b>3 398 000</b>	<b>86 332 000</b>	<b>-</b>	<b>86 332 000</b>	<b>84 400 490</b>	<b>-</b>	<b>(1 931 510)</b>	<b>97.76</b>	<b>100.44</b>
<b>Expenditure</b>												
Employee Related Costs	56 969 949	1 172 386	58 142 335	329 235	58 471 570	(369 243)	58 102 327	57 417 558	-	(684 769)	98.82	100.79
Remuneration of Councillors	3 773 302	438 191	4 211 493	219 257	4 430 750	239 819	4 670 569	4 653 771	-	(16 798)	99.64	123.33
Depreciation and Amortisation	594 640	113 600	708 240	-	708 240	438 638	1 146 878	1 042 953	-	(103 925)	90.94	175.39
Impairment Losses	20 000	-	20 000	-	20 000	38 000	58 000	53 246	-	(4 754)	91.80	266.23
Finance Costs	-	-	-	-	-	513 500	513 500	512 869	-	(631)	99.88	0.00
Contracted Services	5 742 750	(80 150)	5 662 600	2 097 445	7 760 045	(144 865)	7 615 180	6 594 714	-	(1 020 466)	86.60	114.84
Inventory Consumed	565 427	(66 000)	499 427	236 351	735 778	(43 961)	691 817	634 183	-	(57 634)	91.67	112.16
Transfers and Subsidies Paid	150 000	175 000	325 000	(5 045)	319 955	52	320 007	304 250	-	(15 757)	95.08	202.83
Operating Leases	650 000	(350 000)	300 000	116 000	416 000	244 080	660 080	606 950	-	(53 130)	91.95	93.38
Operational Costs	12 115 035	(911 104)	11 203 931	1 004 491	12 208 422	(917 020)	11 291 402	10 298 596	-	(992 806)	91.21	85.01
Loss on Disposal of Capital Assets	153 000	-	153 000	-	153 000	1 000	154 000	-	-	(154 000)	0.00	0.00
<b>Total Expenditure</b>	<b>80 734 103</b>	<b>491 923</b>	<b>81 226 026</b>	<b>3 997 734</b>	<b>85 223 760</b>	<b>-</b>	<b>85 223 760</b>	<b>82 119 090</b>	<b>-</b>	<b>(3 104 670)</b>	<b>96.36</b>	<b>101.72</b>
<b>Surplus/(Deficit) for the Year</b>	<b>3 299 897</b>	<b>(1 591 923)</b>	<b>1 707 974</b>	<b>(599 734)</b>	<b>1 108 240</b>	<b>-</b>	<b>1 108 240</b>	<b>2 281 399</b>	<b>-</b>	<b>1 173 159</b>	<b>205.86</b>	<b>69.14</b>

**ZF MGCAWU DISTRICT MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2023**

***Financial Performance: Explanation of Variances between Approved Budget and Actual***

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Performance are explained below:

Rental from Fixed Assets:

Budgeted figures were not updated with the latest amortisation tables.

Finance Income:

Over budgeted for. Funds were utilised to settle prior year Current Liabilities and could not be invested.

Operational Revenue:

Over budget for funds received from LGSETA.

Gains on Disposal of Capital Assets:

Budgeted separately for gains and losses but the actual figures are combined. Income from auction was lower than expected.

Contracted Services:

Incorrectly budgeted for the new finance lease liabilities under Contracted Services.

Loss on Disposal of Capital Assets:

Budgeted separately for gains and losses but the actual figures are combined. Income from auction was lower than expected.

**ZF MGCAWU DISTRICT MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2023**

30 June 2022

Description	Original Budget	Budget Adjustments	Special Adjustment Budget	Budget Adjustments	Adjustment Budget	Virement	Final Budget	Actual Outcome	Un-authorised 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	R
<b>CAPITAL EXPENDITURE PER FUNCTION</b>												
Executive and Council	15 000	-	15 000	(10 000)	5 000	48 357	53 357	53 357	-	-	100.00	355.71
Finance and Administration	-	15 000	15 000	15 000	30 000	378 450	408 450	2 051 687	1 643 237	1 643 237	502.31	0.00
Internal Audit	-	-	-	-	-	50 291	50 291	50 291	-	-	100.00	0.00
Public Safety	-	-	-	-	-	8 952	8 952	8 952	-	-	100.00	0.00
Environmental Protection	-	-	-	-	-	-	-	-	-	-	0.00	0.00
Planning and Development	-	700 000	700 000	(700 000)	-	-	-	-	-	-	0.00	0.00
Corporate Services	2 195 000	(1 260 000)	935 000	(448 950)	486 050	(486 050)	-	-	-	-	0.00	0.00
<b>Total Capital Expenditure</b>	<b>2 210 000</b>	<b>(545 000)</b>	<b>1 665 000</b>	<b>(1 143 950)</b>	<b>521 050</b>	<b>(0)</b>	<b>521 050</b>	<b>2 164 287</b>	<b>1 643 237</b>	<b>1 643 237</b>	<b>415.37</b>	<b>97.93</b>

**Capital Expenditure per Function: Explanation of Variances between Approved Budget and Actual**

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items for Capital Expenditure per Function are explained below:

Finance and Administration:

Incorrectly budgeted for the new finance lease liabilities under Contracted Services.

**ZF MGCAWU DISTRICT MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2023**

30 June 2022

Description	Original Budget	Budget Adjustments	Special Adjustment Budget	Budget Adjustments	Adjustment Budget	Virement	Final Budget	Actual Outcome	Un-authorised 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	R
<b>CASH FLOW</b>												
<b>Cash Flows from/(used in) Operating Activities</b>												
Transfers and Subsidies	82 178 000	(3 225 000)	78 953 000	3 038 950	81 991 950	-	81 991 950	82 312 923	-	320 973	100.39	100.16
Rental from Fixed Assets	-	-	-	-	-	-	-	8 730	-	8 730	0.00	0.00
Finance Costs	800 000	50 000	850 000	-	850 000	-	850 000	699 566	-	(150 434)	82.30	87.45
Other Receipts	675 000	700 000	1 375 000	-	1 375 000	-	1 375 000	1 364 597	-	(10 403)	99.24	202.16
Employee Related Costs	(80 217 981)	(1 482 019)	(81 700 000)	81 700 000	-	-	-	(58 776 558)	-	(58 776 558)	0.00	0.00
Remuneration of Councillors	-	-	-	-	-	-	-	(4 653 771)	-	(4 653 771)	0.00	0.00
Finance Costs Paid	-	-	-	-	-	-	-	(512 869)	-	(512 869)	0.00	0.00
Suppliers Paid	-	-	-	-	-	-	-	(8 594 239)	-	(8 594 239)	0.00	0.00
Other Payments	-	-	-	-	-	-	-	(10 607 716)	-	(10 607 716)	0.00	0.00
<b>Cash Flows from/(used in) Investing Activities</b>												
Purchase of Property, Plant and Equipment	(2 210 000)	545 000	(1 665 000)	1 665 000	-	-	-	(512 678)	-	(512 678)	0.00	0.00
Purchase of Intangible Assets	-	-	-	-	-	-	-	(41 609)	-	(41 609)	0.00	0.00
Proceeds on Disposal of Property, Plant and Equipment	-	-	-	-	-	-	-	157 519	-	157 519	0.00	0.00
Decrease / (Increase) in Non-current Investments	-	-	-	(500 000)	(500 000)	-	(500 000)	(512 048)	-	(12 048)	0.00	0.00
Decrease / (Increase) in Long-term Receivables	-	(14 297)	(14 297)	14 297	-	-	-	(94 288)	-	(94 288)	0.00	0.00
<b>Cash Flows from/(used in) Financing Activities</b>												
Repayment of Borrowings	-	-	-	-	-	-	-	(392 357)	-	(392 357)	0.00	0.00
<b>Cash and Cash Equivalents at End of the Year</b>	<b>1 225 019</b>	<b>(3 426 316)</b>	<b>(2 201 297)</b>	<b>85 918 247</b>	<b>83 716 950</b>	<b>-</b>	<b>83 716 950</b>	<b>(154 798)</b>	<b>-</b>	<b>(83 871 748)</b>	<b>0.00</b>	<b>0.00</b>

**ZF MGCAWU DISTRICT MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2023**

***Cash Flow: Explanation of Variances between Approved Budget and Actual***

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Cash Flow Statement are explained below:

Rental from Fixed Assets:

Not budgeted separately for under cash flow statement, included under the Other Receipts.

Finance Costs

Over budgeted for. Funds were utilised to settle prior year Current Liabilities and could not be invested.

Employee Related Costs

A1 Schedules only made provision for one line item for Employee Related Cost and Suppliers, which include all other expenditure.

Remuneration of Councillors

A1 Schedules only made provision for one line item for Employee Related Cost and Suppliers, which include all other expenditure.

Finance Cost

A1 Schedules only made provision for one line item for Employee Related Cost and Suppliers, which include all other expenditure.

Suppliers Paid

A1 Schedules only made provision for one line item for Employee Related Cost and Suppliers, which include all other expenditure.

Other Payments

A1 Schedules only made provision for one line item for Employee Related Cost and Suppliers, which include all other expenditure.

Purchase of Property, Plant and Equipment:

Did not budget for additions on the new mSCOA budget format and Incorrectly budgeted for the new finance lease liabilities under Contracted Services.

Purchase of Intangible Assets:

NT Budget Template not aligned to GRAP requirements - Purchase of Intangible Assets included in Purchase of Property, Plant and Equipment above.

Proceeds on Disposal of Property, Plant and Equipment:

Did not be budget for on the new mSCOA budget format.

Decrease / (Increase) in Long-term Receivables:

Did not be budget for on the new mSCOA budget format.

Proceeds from Borrowings:

Did not budget for leases because it was included under Contracted Services.

Repayment of Borrowings:

Did not budget for leases because it was included under Contracted Services.

Cash and Cash Equivalents at End of the Year:

All above-mentioned items are reflecting in Cash and Cash Equivalents at End of the Year.

**ZF MGCAWU DISTRICT MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2023**

**RECONCILIATION OF BUDGET SURPLUS/(DEFICIT) WITH THE SURPLUS/(DEFICIT) IN THE STATEMENT OF FINANCIAL PERFORMANCE:**

Description	2022/23	2021/22
	R	R
<b>Net surplus/(deficit) per the statement of financial performance</b>	<b>3 064 416</b>	<b>2 281 399</b>
<b>Revenue from Non-exchange Transactions</b>		
Transfers and Subsidies	676 136	879 094
Impairment Gains	-	-
<b>Revenue from Exchange Transactions</b>		
Rental from Fixed Assets	9 224	1 270
Finance Income	(284 722)	150 434
Operational Revenue	(748 132)	530 380
Gains on Disposal of Capital Assets	-	370 333
<b>Expenditure</b>		
Employee Related Costs	(98 619)	(684 769)
Remuneration of Councillors	(54 717)	(16 798)
Depreciation and Amortisation	(1 367)	(103 925)
Impairment Losses	(20 000)	(4 754)
Finance Costs	(1 632)	(631)
Contracted Services	(847 022)	(1 020 466)
Inventory Consumed	(82 257)	(57 634)
Grants and Subsidies Paid	(146 684)	(15 757)
Operating Leases	-	(53 130)
Operational Costs	(75 260)	(992 806)
Loss on Disposal of Capital Assets	(875)	(154 000)
<b>Net surplus/deficit per approved budget</b>	<b>1 388 487</b>	<b>1 108 240</b>

The following budgets were approved by Council during 2022/23 financial year:

- 28 February 2022: Annual Adjustment Budget
- 30 June 2022: Special Adjustment Budget for additional HIV/AIDS funding received.

**ZF MGCAWU DISTRICT MUNICIPALITY  
SEGMENTAL ANALYSIS OF FINANCIAL PERFORMANCE**

30 June 2023

Description	Executive and Council	Finance and Administration	Internal Audit	Public Safety	Health	Planning and Development	Tourism	Total for District Municipality
	R	R	R	R	R	R	R	R
<b>REVENUE</b>								
<b>Revenue from Non-exchange Transactions</b>								
Transfers and Subsidies	500 000	81 511 864	-	-	-	4 390 000	-	86 401 864
<b>Revenue from Exchange Transactions</b>								
Rental from Fixed Assets	-	776	-	-	-	-	-	776
Finance Income	-	1 234 722	-	-	-	-	-	1 234 722
Operational Revenue	-	1 113 132	-	-	-	-	-	1 113 132
Gains on Disposal of Capital Assets	-	-	-	-	-	-	-	-
<b>Total Revenue</b>	<b>500 000</b>	<b>83 860 495</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4 390 000</b>	<b>-</b>	<b>88 750 495</b>
<b>EXPENDITURE</b>								
Employee Related Costs	9 235 708	28 387 905	3 170 002	2 988 037	6 521 575	9 163 203	1 011 294	60 477 724
Remuneration of Councillors	5 060 204	-	-	-	-	-	-	5 060 204
Depreciation and Amortisation	-	1 263 327	-	-	-	-	-	1 263 327
Impairment Losses	-	-	-	-	-	-	-	-
Finance Costs	-	450 068	-	-	-	-	-	450 068
Contracted Services	410 727	2 772 917	303 621	-	21 739	1 973 518	-	5 482 523
Inventory Consumed	52 348	276 620	-	9 063	741	60 770	174	399 716
Transfers and Subsidies Paid	910 863	-	-	-	-	-	-	910 863
Operating Leases	-	-	-	-	-	-	-	-
Operational Costs	3 215 234	6 645 956	187 343	53 742	371 170	836 479	214 949	11 524 872
Loss on Disposal of Capital Assets	-	116 783	-	-	-	-	-	116 783
<b>Total Expenditure</b>	<b>18 885 082</b>	<b>39 913 576</b>	<b>3 660 966</b>	<b>3 050 842</b>	<b>6 915 224</b>	<b>12 033 971</b>	<b>1 226 417</b>	<b>85 686 079</b>
<b>Surplus/(Deficit) for the Year</b>	<b>(18 385 082)</b>	<b>43 946 919</b>	<b>(3 660 966)</b>	<b>(3 050 842)</b>	<b>(6 915 224)</b>	<b>(7 643 971)</b>	<b>(1 226 417)</b>	<b>3 064 416</b>

**ZF MGCAWU DISTRICT MUNICIPALITY**  
**SEGMENTAL ANALYSIS OF FINANCIAL PERFORMANCE (Continued)**

30 June 2022

Description	Executive and Council	Finance and Administration	Internal Audit	Public Safety	Health	Planning and Development	Tourism	Total for District Municipality
	R	R	R	R	R	R	R	R
<b>REVENUE</b>								
<b>Revenue from Non-exchange Transactions</b>								
Transfers and Subsidies	533 983	76 982 923	-	-	-	5 330 000	-	82 846 906
<b>Revenue from Exchange Transactions</b>								
Rental from Fixed Assets	-	8 730	-	-	-	-	-	8 730
Finance Income	-	699 566	-	-	-	-	-	699 566
Operational Revenue	-	834 620	-	-	-	-	-	834 620
Gains on Disposal of Capital Assets	-	10 667	-	-	-	-	-	10 667
<b>Total Revenue</b>	<b>533 983</b>	<b>78 536 507</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5 330 000</b>	<b>-</b>	<b>84 400 490</b>
<b>EXPENDITURE</b>								
Employee Related Costs	8 139 080	27 715 629	3 051 412	3 060 895	6 638 516	7 835 718	976 310	57 417 558
Remuneration of Councillors	4 653 771	-	-	-	-	-	-	4 653 771
Depreciation and Amortisation	-	1 042 953	-	-	-	-	-	1 042 953
Impairment Losses	-	53 246	-	-	-	-	-	53 246
Finance Costs	-	512 869	-	-	-	-	-	512 869
Contracted Services	558 233	2 442 646	198 586	-	6 150	3 389 098	-	6 594 714
Inventory Consumed	38 794	239 117	5 294	14 942	1 810	325 876	8 350	634 183
Transfers and Subsidies Paid	304 250	-	-	-	-	-	-	304 250
Operating Leases	-	606 950	-	-	-	-	-	606 950
Operational Costs	2 414 479	6 475 443	210 869	86 138	294 340	639 591	177 736	10 298 596
Loss on Disposal of Capital Assets	-	-	-	-	-	-	-	-
<b>Total Expenditure</b>	<b>16 108 606</b>	<b>39 088 854</b>	<b>3 466 161</b>	<b>3 161 975</b>	<b>6 940 816</b>	<b>12 190 283</b>	<b>1 162 396</b>	<b>82 119 090</b>
<b>Surplus/(Deficit) for the Year</b>	<b>(15 574 623)</b>	<b>39 447 653</b>	<b>(3 466 161)</b>	<b>(3 161 975)</b>	<b>(6 940 816)</b>	<b>(6 860 283)</b>	<b>(1 162 396)</b>	<b>2 281 399</b>

**ZF MGCAWU DISTRICT MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2023**

## **1. BASIS OF PRESENTATION**

The Annual Financial Statements have been prepared on an Accrual Basis of accounting and are in accordance with the historical cost convention, except where indicated otherwise.

The Annual Financial Statements have been prepared in accordance with Standards of Generally Recognised Accounting Practices (GRAP), as approved by the Minister of Finance, including any interpretations, guidelines and directives issued by the Accounting Standards Board and in accordance with the requirements of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003).

The District Municipality implemented the Municipal Standard Chart of Accounts (mSCOA) during the year ended 30 June 2018 as required in terms of the Municipal Regulations on Standard Chart of Accounts, announced by Government Gazette No 37577 of 22 April 2014, in section 168 of the Local Government: Municipal Finance Management Act (Act 56 of 2003) and through directives and guidelines from National Treasury.

### **1.1 Presentation Currency**

The Annual Financial Statements are presented in South African Rand, rounded off to the nearest Rand which is the District Municipality's functional currency.

### **1.2 Changes in Accounting Policy and Comparability**

Accounting Policies have been consistently applied, except where otherwise indicated below.

For the years ended 30 June 2022 and 30 June 2023 the District Municipality has adopted the accounting framework as set out in paragraph 1 above. The details of any resulting changes in Accounting Policy and comparative restatements are set out below and in the relevant Notes to the Annual Financial Statements.

With the adoption of mSCOA the District Municipality reclassified certain balances in order to comply with the instruction notes issued. The result of the reclassification is set out below and in the relevant Notes to the Annual Financial Statements.

### **1.3 Critical Judgements, Estimations and Assumptions**

In the application of the District Municipality's Accounting Policies, which are described below, Management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

The following are the critical judgements and estimations that Management have made in the process of applying the District Municipality's Accounting Policies and that have the most significant effect on the amounts recognised in Annual Financial Statements:

#### **1.3.1 Revenue Recognition**

Accounting Policy 7.2 on Revenue from Exchange Transactions and Accounting Policy 7.3 on Revenue from Non-exchange Transactions describes the conditions under which revenue will be recorded by the Management of the District Municipality.

In making their judgement, the 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). As far as Revenue from Non-exchange Transactions is concerned (see Basis of Preparation above), and, in particular, whether the District Municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services is rendered, whether the service has been rendered. Also of importance is the estimation process involved in initially measuring revenue at the fair value thereof. Management of the District Municipality is satisfied that recognition of the revenue in the current year is appropriate.

**ZF MGCAWU DISTRICT MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2023**

**1.3.2 Impairment of Financial Assets**

Accounting Policy 6.4 on Impairment of Financial Assets describes the process followed to determine the value at which Financial Assets should be impaired. In making the estimation of the impairment, the Management of the District Municipality considered the detailed criteria of impairment and used its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of the reporting period. The Management of the District Municipality is satisfied that impairment of Financial Assets recorded during the year is appropriate.

- **Impairment of Trade Receivables:**

The calculation in respect of the impairment of Debtors is based on an assessment of the extent to which Debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This is performed per service-identifiable categories across all classes of debtors.

**1.3.3 Useful lives of Property, Plant and Equipment and Intangible Assets**

As described in Accounting Policies 3.3, and 4.2, the District Municipality depreciates its Property, Plant & Equipment and amortises its Intangible Assets, over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use.

The estimation of residual values of assets is based on Management's judgement as to 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.

**1.3.4 Impairment: Write-down of Property, Plant & Equipment, Intangible Assets, and Inventories**

Accounting Policy N/A on Impairment of Assets, Accounting Policy 4.2 on Intangible Assets – Subsequent Measurement, Amortisation and Impairment describe the conditions under which non-financial assets are tested for potential impairment losses by the Management of the District Municipality. Significant estimates and judgements are made relating to impairment testing of Property, Plant and Equipment and impairment testing of Intangible Assets.

In making the above-mentioned estimates and judgement, Management considered the subsequent measurement criteria and indicators of potential impairment losses. In particular, the calculation of the recoverable service amount for PPE and Intangible Assets and the Net Realisable Value for Inventories involves significant judgment by Management.

Estimated impairments during the year to Plant and Equipment, and Intangible Assets are disclosed in Notes 8 and 9 to the Annual Financial Statements, if applicable.

**1.3.5 Defined Benefit Plan Liabilities**

As described in Accounting Policy 9.2, Employee Benefits – Post-employment Benefits, the District Municipality obtains actuarial valuations of its Defined Benefit Plan Liabilities. The defined benefit obligations of the District Municipality that were identified are Post-retirement Health Benefit Obligations and Long-service Awards. The estimated liabilities are recorded in accordance with the requirements of GRAP 25. Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in the relevant Notes to the Annual Financial Statements.

**1.3.6 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 using actuarial valuations.

**1.3.7 Budget Information**

Deviations between budget and actual amounts are regarded as material differences when a 10% deviation exists. All material differences are explained in the Statement of Comparison of Budget and Actual amounts for the year ended 30 June 2021.

**1.4 Going Concern Assumption**

The Annual Financial Statements have been prepared on a *Going Concern Basis*.

**ZF MGCAWU DISTRICT MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2023**

**1.5 Standards, Amendments to Standards and Interpretations issued but not yet Effective**

The following GRAP Standards have been issued but are not yet effective and have not been early adopted by the District Municipality:

<b>Standard</b>	<b>Description</b>	<b>Effective date</b>	<b>Planned Date for Application by Municipality</b>
GRAP 1	Presentation of Financial Statements (Revised)	01/04/2023	30/06/2024
GRAP 25	Employee Benefits (Revised)	01/04/2024	30/06/2025
GRAP 104	Financial Instruments (Revised)	01/04/2025	30/06/2026
General GRAP	Improvement to the Standards of GRAP (2021)	01/04/2023	30/06/2024
IGRAP 7	The limit on a defined benefit asset, minimum funding requirements and their interaction	Not yet determined	Not yet determined
IGRAP 21	The Effect of Past Decisions on Materiality	01/04/2023	30/06/2024
Guideline	The Application of Materiality to Financial Statements	Not yet determined	Not yet determined

Management has considered all of the above-mentioned GRAP Standards issued but not yet effective and anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the District Municipality.

**2. ACCUMULATED SURPLUS**

The accumulated surplus of the District Municipality is affected by only the net profit or loss during the financial year and is maintained in terms of the relevant accounting policies.

**3. PROPERTY, PLANT AND EQUIPMENT**

**3.1 Initial Recognition**

Property, Plant and Equipment are initially recognised at cost.

Where an asset is acquired by the District 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.

Repairs and Maintenance are expenses incurred through servicing equipment or repairing of existing assets. These expenses are not recognised in the carrying value of the asset, but directly recognised in Surplus or Deficit and measured at cost against the attributing segments of the Municipal Standard Chart of Accounts (mSCOA).

**3.2 Subsequent Measurement**

Subsequently all Property Plant and Equipment are measured at cost, less accumulated depreciation and accumulated impairment losses.

**3.3 Depreciation**

Depreciation on assets other than land is calculated on cost, using the *Straight-line Method*, to allocate their cost or revalued amounts to their residual values over the estimated useful lives of the assets. 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.

**ZF MGCAWU DISTRICT MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2023**

The depreciation rates are based on the following estimated useful lives:

	Asset Class	Years		Asset Class	Years
	<b>Buildings</b>			<b>Other</b>	
	Improvements	25 - 100		Bins and Containers	5
	<b>Community</b>			Furniture and Fittings	5 - 10
	Recreational Facilities	15 - 60		Office Equipment	3 - 7
	Security	5		Other items of Plant and Equipment	2 - 5
				Other Vehicles	5 - 10
				Specialised Plant and Equipment	10 - 15
				Specialist Vehicles	5 - 20
				Watercraft	15

### **3.4 Land**

Land is stated at historical cost and is not depreciated as it is deemed to have an indefinite useful life.

### **3.5 Incomplete Construction Work**

Incomplete Construction Work is stated at historical cost. Depreciation only commences when the asset is available for use.

### **3.6 Finance Leases**

Assets capitalised under finance leases are depreciated over their expected useful lives on the same basis as Property, Plant and Equipment controlled by the District Municipality or, where shorter, the term of the relevant lease if there is no reasonable certainty that the District Municipality will obtain ownership by the end of the lease term.

### **3.7 Derecognition**

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. Gains are not classified as Revenue.

## **4. INTANGIBLE ASSETS**

### **4.1 Initial Recognition**

Identifiable non-monetary assets without physical substance are classified and recognised as Intangible Assets.

Intangible Assets are initially recognised at cost.

Where an Intangible Asset is acquired by the District 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.

The cost of an Intangible Asset acquired in exchange for non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets, is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up. If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

Repairs and Maintenance are expenses incurred through servicing computer equipment or repairing of existing intangible assets. These expenses are not recognised in the carrying value of the asset, but directly recognised in Surplus or Deficit and measured at cost against the attributing segments of the Municipal Standard Chart of Accounts (mSCOA).

### **4.2 Subsequent Measurement, Amortisation and Impairment**

After initial recognition, Intangible Assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

**ZF MGCAWU DISTRICT MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2023**

Amortisation is charged on a *Straight-line Method* over the Intangible Assets' useful lives. The residual value of Intangible Assets with finite useful lives is zero, unless an active market exists. Where Intangible Assets are deemed to have indefinite useful lives, such Intangible Assets are not amortised. However, such Intangible Assets are subject to an annual impairment test.

The amortisation rates are based on the following estimated useful lives:

	Asset Class	Years
	Computer Software Purchased	3 - 5

#### **4.3 Derecognition**

The gain or loss arising from the derecognition of an item of Intangible Asset is included in Surplus or Deficit when the item is derecognised. Gains are not classified as Revenue.

## **5. IMPAIRMENT OF ASSETS**

The District Municipality classifies all assets held with the primary objective of generating a commercial return as Cash Generating Assets. All other assets are classified as Non-cash Generating Assets.

### **5.1 Impairment of Cash Generating Assets**

The District Municipality assesses at each reporting date whether there is any indication that an asset may be impaired.

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 recoverable amount of the cash generating unit to which the asset belongs is determined.

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

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in Surplus or Deficit.

An impairment loss is recognised for cash generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit pro rata on the basis of the carrying amount of each asset in the unit.

The District Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

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 had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in Surplus or Deficit.

### **5.2 Impairment of Non-cash Generating Assets**

The District Municipality assesses at each reporting date whether there is any indication that an asset may be impaired.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the non-cash generating unit to which the asset belongs is determined.

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

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

**ZF MGCAWU DISTRICT MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2023**

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in Surplus or Deficit.

An impairment loss is recognised for non-cash generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit pro rata on the basis of the carrying amount of each asset in the unit.

The District Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

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 had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in Surplus or Deficit.

**6. FINANCIAL INSTRUMENTS**

The District Municipality has various types of Financial Instruments and these can be broadly categorised as Financial Assets, Financial Liabilities or Residual Interests in accordance with the substance of the contractual agreement.

**Initial Recognition**

Financial Assets and Financial Liabilities are recognised when it becomes party to the contractual provisions of the instrument.

The District Municipality does not offset a Financial Asset and a Financial Liability unless a legally enforceable right to set off the recognised amounts currently exist and the District Municipality intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

**Fair Value Methods and Assumptions**

The fair values of Financial Instruments are determined as follows:

- The fair values of quoted investments are based on current bid prices.  
If the market for a Financial Asset is not active (and for unlisted securities), the Municipality establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same,
- discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

**6.1 Financial Assets – Classification**

The District Municipality has the following types of Financial Assets:

Type of Financial Asset	Classification in terms of GRAP 104
Long-term Receivables	Financial Assets at Amortised Cost
Receivables from Exchange Transactions	Financial Assets at Amortised Cost
Receivables from Non-exchange Transactions	Financial Assets at Amortised Cost
Bank, Cash and Cash Equivalents – Investment Deposits	Financial Assets at Amortised Cost
Bank, Cash and Cash Equivalents – Bank	Financial Assets at Amortised Cost
Bank, Cash and Cash Equivalents – Cash	Financial Assets at Fair Value
Current Portion of Long-term Receivables	Financial Assets at Amortised Cost

Cash includes cash-on-hand (including petty cash) and cash with banks (including call deposits). For the purposes of the Cash Flow Statement, Cash and Cash Equivalents comprise cash-on-hand and deposits held on call with banks, net of bank overdrafts.

**ZF MGCAWU DISTRICT MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2023**

**6.2 Financial Liabilities – Classification**

The District Municipality has the following types of Financial Liabilities:

Type of Financial Liability	Classification in terms of GRAP 104
Long-term Liabilities	Financial Liabilities at Amortised Cost
Payables from Exchange Transactions	Financial Liabilities at Amortised Cost
Taxes and Transfers Payable	Financial Liabilities at Amortised Cost
Current Portion of Long-term Liabilities	Financial Liabilities at Amortised Cost

*Bank Overdrafts* are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

**6.3 Initial and Subsequent Measurement**

**6.3.1 Financial Assets:**

**Financial Assets measured at Amortised Cost**

*Financial Assets at Amortised Cost* are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the Financial Asset. Subsequently, these assets are measured at amortised cost using the *Effective Interest Method* less any impairment, with interest recognised on an *Effective Yield Basis*.

**Financial Assets measured at Fair Value**

*Financial Assets at Fair Value* are initially measured at fair value, excluding directly attributable transaction costs. They are subsequently measured at fair value with unrealised gains or losses recognised directly in Surplus or Deficit.

**6.3.2 Financial Liabilities:**

**Financial Liabilities measured at Fair Value**

*Financial Liabilities at Fair Value* are stated at fair value, with any resulted gain or loss recognised in Surplus or Deficit.

**Financial Liabilities held at Amortised Cost**

Any other Financial Liabilities are classified as *Other Financial Liabilities* (All Payables, Loans and Borrowings are classified as Other Liabilities) and are initially measured at fair value, net of transaction costs. Trade and Other Payables, Interest-bearing Debt including Finance Lease Liabilities, Non-interest-bearing Debt and Bank Borrowings are subsequently measured at amortised cost using the *Effective Interest Rate Method*. Interest expense is recognised in Surplus or Deficit by applying the effective interest rate.

Bank Borrowings, consisting of interest-bearing short-term bank loans, repayable on demand and overdrafts are recorded at the proceeds received. Finance costs are accounted for using the *Accrual Basis* and are added to the carrying amount of the bank borrowing to the extent that they are not settled in the period that they arise.

Prepayments are carried at cost less any accumulated impairment losses.

**6.4 Impairment of Financial Assets**

Financial Assets, other than those at fair value, are assessed for indicators of impairment at the end of each reporting period. Financial Assets are impaired where there is objective evidence of impairment of Financial Assets (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised through the use of an allowance account.

**6.4.1 Financial Assets at Amortised Cost**

A provision for impairment of Accounts Receivables is established when there is objective evidence that the District Municipality will not be able to collect all amounts due according to the original terms of receivables. The provision is made whereby the recoverability of accounts receivable is assessed individually and then collectively after grouping the assets in financial assets with similar credit risk characteristics. The amount of the provision is the difference between the Financial Asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Future cash flows in a group of Financial Assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Cash flows relating to short-term receivables are not discounted where the effect of discounting is immaterial.

**ZF MGCAWU DISTRICT MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2023**

Government accounts are not provided for as such accounts are regarded as receivable for the following reasons:

- It is Management's judgement that the accounts are not "lost events" in terms of GRAP 104.58.
- State Departments and Entities have to pay their creditors within 30 days in terms of the PFMA.
- There is an urge from National Treasury that State Departments and Entities should start paying their outstanding debt.

The carrying amount of the Financial Asset is reduced by the impairment loss directly for all Financial Assets carried at Amortised Cost with the exception of Consumer Debtors, where the carrying amount is reduced through the use of an allowance account. When a Consumer Debtor is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against revenue. Changes in the carrying amount of the allowance account are recognised in Surplus or Deficit.

#### **6.5 Derecognition of Financial Assets**

The District Municipality derecognises Financial Assets only when the contractual rights to the cash flows from the asset expires or it transfers the Financial Asset and substantially all the risks and rewards of ownership of the asset to another entity, except when Council approves the write-off of Financial Assets due to non-recoverability.

If the District Municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the District Municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the District Municipality retains substantially all the risks and rewards of ownership of a transferred Financial Asset, the District Municipality continues to recognise the Financial Asset and also recognises a collateralised borrowing for the proceeds received.

#### **6.6 Derecognition of Financial Liabilities**

The District Municipality derecognises Financial Liabilities when, and only when, the District Municipality's obligations are discharged, cancelled or they expire.

The District Municipality recognises the difference between the carrying amount of the 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, in Surplus or Deficit.

## **7. REVENUE RECOGNITION**

### **7.1 General**

Revenue is derived from a variety of sources which include rates levied, grants from other tiers of government and revenue from trading activities and other services provided.

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the District Municipality's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

### **7.2 Revenue from Exchange Transactions**

#### **7.2.1 Rentals Received**

Revenue from the rental of facilities and equipment is recognised on a Straight-line Basis over the term of the lease agreement.

#### **7.2.2 Interest Earned**

Interest earned on investments is recognised in Surplus or Deficit on the *Time-proportionate Basis* that takes into account the effective yield on the investment.

Interest earned on the following investments is not recognised in Surplus or Deficit:

- Interest earned on unutilised Conditional Grants is allocated directly to the Creditor: Unutilised Conditional Grants, if the grant conditions indicate that interest is payable to the funder.

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**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2023**

**7.2.3 Sale of Goods (including Houses)**

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

- (a) The Municipality has transferred to the buyer the significant risks and rewards of ownership of the goods;
- (b) The Municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- (c) The amount of revenue can be measured reliably;
- (d) It is probable that the economic benefits or service potential associated with the transaction will flow to the Municipality; and
- (e) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

**7.3 Revenue from Non-exchange Transactions**

**7.3.1 Public Contributions**

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use.

**7.3.2 Other Donations and Contributions**

Donations are recognised on a cash receipt basis or where the donation is in the form of Property, Plant and Equipment, when such items of property, plant and equipment are available for use.

**7.3.2 Government Grants and Receipts**

Equitable share allocations are recognised in revenue at the start of the financial year if no time-based restrictions exist.

Conditional grants, donations and funding are recognised as revenue to the extent that the District Municipality has complied with any of the criteria, conditions or obligations embodied in the agreement.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the District Municipality with no future related costs, are recognised in Surplus or Deficit in the period in which they become receivable.

Interest earned on investments is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor and if it is the District Municipality's interest, it is recognised as interest earned in Surplus or Deficit.

**7.3.3 Revenue from Recovery of Unauthorised, Irregular, Fruitless and Wasteful Expenditure**

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 as revenue when the recovery thereof from the responsible councillors or officials became virtually certain in a financial period subsequent to the period when the actual Unauthorised, Irregular, Fruitless and Wasteful Expenditure was incurred.

**8. PROVISIONS**

The best estimate of the expenditure required to settle the present obligation is the amount that the District Municipality would rationally pay to settle the obligation at the reporting date or to transfer it to a third party at that time and are determined by the judgment of the Management of the District Municipality, supplemented by experience of similar transactions and, in some cases, reports from independent experts. The evidence considered includes any additional evidence provided by events after the reporting date. Uncertainties surrounding the amount to be recognised as a provision are dealt with by various means according to the circumstances. Where the provision being measured involves a large population of items, the obligation is estimated by weighting all possible outcomes by their associated probabilities.

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**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2023**

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it – this unavoidable cost resulting from the contract is the amount of the provision to be recognised.

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in Surplus or Deficit as a finance cost as it occurs.

## **9. EMPLOYEE BENEFIT LIABILITIES**

### **9.1 Short-term Employee Benefits**

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service. The liability for leave pay is based on the total accrued leave days at year end and is shown as a creditor in the Statement of Financial Position.

The District Municipality recognises the expected cost of performance bonuses only when the District Municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

The entity recognise the expected cost of bonus payments (13th cheques) when the District Municipality has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made and the settlement will be within 12 months. 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.

#### **9.1.1 Provision for 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 also on the annual basic salary of the employee.

Accumulating 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 but cannot exceed 48 days.

#### **9.1.2 Staff Bonuses Accrued**

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.

#### **9.1.3 Provision for Performance Bonuses**

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

### **9.2 Post-employment Benefits**

The District Municipality provides retirement benefits for its employees and councillors, and has both defined benefit and defined contribution post-employment plans.

#### **9.2.1 Defined Contribution Plans**

The District Municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in Surplus or Deficit in the period in which the service is rendered by the relevant employees. The District Municipality has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

**ZF MGCAWU DISTRICT MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2023**

**9.2.2 Defined Benefit Plans**

**Post-retirement Health Care Benefits**

The District Municipality has an obligation to provide Post-retirement Health Care Benefits to certain of its retirees. According to the rules of the Medical Aid Funds with which the District Municipality is associated, a member (who is on the current Conditions of Service), on retirement, is entitled to remain a continued member of the Medical Aid Fund, in which case the District Municipality is liable for a certain portion of the medical aid membership fee. Not all Medical Aid Funds with which the District Municipality is associated, provide for continued membership.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and unrecognised actuarial gains and losses, reduced by unrecognised past service costs. The plan is unfunded. The present value of the defined benefit obligation is calculated using the *Projected Unit Credit Method*, incorporating actuarial assumptions and a discount rate based on the government bond rate. Valuations of these obligations are carried out annually by independent qualified actuaries.

Actuarial gains or losses are recognised immediately in Surplus or Deficit.

Past-service costs are recognised immediately in Surplus or Deficit.

**Long-service Allowance**

The District Municipality has an obligation to provide Long-service Allowance Benefits to all of its employees. According to the rules of the Long-service Allowance Scheme, which the District Municipality instituted and operates, an employee (who is on the current Conditions of Service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 10, 15, 20, 25 and 30 years of continued service. The District Municipality's liability is based on an actuarial valuation. The Projected Unit Credit Method is used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through Surplus or Deficit.

**Defined Benefit Pension Plans**

The District Municipality has an obligation to provide Post-retirement Pension Benefits to certain of its retirees. Pension contributions in respect of employees who were not members of a pension fund are recognised as an expense when incurred. Staff provident funds are maintained to accommodate personnel who, due to age, cannot join or be part of the various pension funds. The District Municipality contributes monthly to the funds.

The liability recognised in the Statement of Financial Position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognised past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the *Projected Unit Credit Method*. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains or losses are recognised immediately in Surplus or Deficit.

Past-service costs are recognised immediately in Surplus or Deficit.

**10. LEASES**

**10.1 The Municipality as Lessee**

**10.1.1 Operating Leases**

The District Municipality recognises operating lease rentals as an expense in Surplus or Deficit on a Straight-line Basis over the term of the relevant lease. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability. Any lease incentives are included as part of the net consideration agreed.

**ZF MGCAWU DISTRICT MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2023**

**10.2 The Municipality as Lessor**

Amounts due from lessees under Finance Leases or instalment sale agreements are recorded as receivables at the amount of the District Municipality's net investment in the leases. Finance lease or instalment sale revenue is allocated to accounting periods so as to reflect a constant periodic rate of return on the District Municipality's net investment outstanding in respect of the leases or instalment sale agreements.

Rental revenue from **Operating Leases** is recognised on a *Straight-line Basis* over the term of the relevant lease.

**11. VALUE ADDED TAX**

The District Municipality accounts for Value Added Tax on the Payments Basis in accordance with section 15(2)(a) of the Value-Added Tax Act (Act No 89 of 1991).

**12. UNAUTHORISED EXPENDITURE**

Unauthorised Expenditure is expenditure that has not been budgeted for, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, Municipality or organ of state, and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No 56 of 2003). All expenditure relating to Unauthorised Expenditure is accounted for as an expense in Surplus or Deficit 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 Surplus or Deficit.

**13. IRREGULAR EXPENDITURE**

Irregular Expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No 56 of 2003), the Municipal Systems Act (Act No 32 of 2000), the Public Office Bearers Act (Act No 20 of 1998), or is in contravention of the Municipality's or Municipal Entities' Supply Chain Management Policies. Irregular Expenditure excludes Unauthorised Expenditure. Irregular Expenditure is accounted for as an expense in Surplus or Deficit in the period it occurred and where recovered, it is subsequently accounted for as revenue in Surplus or Deficit.

**14. 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 accounted for as expenditure in Surplus or Deficit 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 Surplus or Deficit.

**15. CONTINGENT ASSETS AND CONTINGENT LIABILITIES**

Contingent Assets and Contingent Liabilities are not recognised. Contingencies are disclosed in Notes to the Annual Financial Statements.

**16. COMMITMENTS**

Commitments are future expenditure to which the District Municipality committed and that will result in the outflow of resources. Commitments are not recognised in the Statement of Financial Position as a liability or as expenditure in Surplus or Deficit, but are included in the disclosure Notes. A distinction is made between capital and operational commitments.

**ZF MGCAWU DISTRICT MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2023**

**17. RELATED PARTIES**

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Management is regarded as a related party and comprises the Councillors, Mayor, Executive Committee Members, Municipal Manager, Chief Financial Officer and all other Managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

**18. EVENTS AFTER THE REPORTING DATE**

Events after the reporting date that are classified as adjusting events have been accounted for in the Annual Financial Statements. The events after the reporting date that are classified as Non-adjusting Events after the Reporting Date have been disclosed in Notes to the Annual Financial Statements.

**19. SEGMENT REPORTING**

The mandate of the Municipality is to provide basic services to the community over which it governs. In order to properly execute its mandate and achieve its strategic goals, internal Management reporting is based on each service objective. The following components have been identified as individually significant segments for purposes of reporting in terms of GRAP 18 (Segment Reporting):

- *The segment for Executive and Council*
- *The segment for Finance and Administration*
- *The segment for Internal Audit*
- *The segment for Public Safety*
- *The segment for Health*
- *The segment for Planning and Development*
- *The segment for Tourism*

All other sources of income and expenditure is aggregated through means of the administrative function as these services are not significant to the other services of the Municipality as a whole.

The Municipality only operates in a single geographical location and accordingly does not report separately on each location within its jurisdiction.

No changes were made from prior periods measurement methods used to determine reported segment surplus or deficit.

The Segmental Reporting is disclosed in Note 49 to the Annual Financial Statements.

**20. BUDGET INFORMATION**

The annual budget figures have been prepared in accordance with the GRAP standard and are consistent with the Accounting Policies adopted by the Council for the preparation of these Annual Financial Statements. The amounts are scheduled as a separate additional financial statement, called the Statement of Comparison of Budget and Actual amounts. Explanatory comment is provided in the statement giving reasons for overall growth or decline in the budget and motivations for over- or under spending on line items. The annual budget figures included in the Annual Financial Statements are for the District Municipality and do not include budget information relating to subsidiaries or associates. These figures are those approved by the Council at the beginning and during the year following a period of consultation with the public as part of the Integrated Development Plan. The budget is approved on an accrual basis by nature classification.

The approved budget covers the period from 1 July 2022 to 30 June 2023.

**ZF MGCAWU DISTRICT MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2023**

**21. CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND ERRORS**

Changes in accounting policies that are effected by Management 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 District Municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Refer to Note N/A for details of changes in accounting policies.

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in Note 34 to the Annual Financial Statements where applicable.

Correction of 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 of the error. In such cases the District Municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

Refer to Note 33 to the Annual Financial Statements for details of corrections of errors recorded during the period under review.

**22. TREATMENT OF SUPPORT FUNDS RECEIVED**

Funding received from Local Municipalities for support services are not recognised as revenue but are allocated to support accounts where the actual cost of support services (admin fees, shared service fee, travel costs and subsistence allowances) are deducted from. By using support accounts for each Local Municipality ZFM has more control over its support services and cannot overspend on support rendered.

**23. 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.

The municipality has the following Statutory Receivables from Exchange Transactions:

- VAT Receivable

**23.1 Recognition and Initial Measurement**

Statutory Receivables are recognised if the transaction is an exchange transaction per GRAP 9 or a non-exchange transaction per GRAP 23 or, if the transaction is not within the scope of GRAP 9 or GRAP 23, or another Standard of GRAP, and 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 municipality and the transaction amount can be reliably measured.

The municipality recognises Statutory Receivables when they arise.

Statutory Receivables are initially measured at their transaction amount. The transaction amount would be the amount that is determined on initial measurement in accordance with the relevant Standard of GRAP.

The transaction amounts of the Statutory Receivables of the municipality are determined as follows:

- VAT is levied and recovered in terms of the stipulations contained in the Value-Added Tax Act, 1991 (Act No. 89 of 1991) at rates determined by the Department of Finance and published in the Government Gazette.

**23.2 Subsequent Measurement**

Statutory Receivables are measured 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.

**ZF MGCAWU DISTRICT MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2023**

### **23.3 Impairment**

Statutory Receivables are assessed for indicators of impairment at the end of each reporting period. Statutory Receivables are impaired where there is any indication of impairment of Statutory Receivables, such as the probability of insolvency or significant financial difficulties of the debtor.

In assessing whether Statutory Receivables are impaired, the municipality assesses whether there are any indications that individually significant receivables are impaired; and/or groups of similar, individually insignificant, receivables are impaired.

The municipality groups together and assesses collectively for impairment those receivables that exhibit similar characteristics which provide information about the possible collectability of the amounts owing to the municipality. The municipality uses the following groupings:

- VAT Receivable

If there is such evidence the carrying amount is reduced to the estimated future cash flows, an impairment loss is recognised, directly or indirectly, through the use of an allowance account, with the amount of the impairment loss being recognised in Surplus or Deficit.

The municipality applies a discount rate to its statutory receivables as follows for each category of receivable:

- VAT Receivable
- LG Seta Subsidies

### **23.4 Derecognition**

The municipality derecognises Statutory Receivables only when the rights to the cash flows from the receivable expires or it transfers the Statutory Receivable and substantially all the risks and rewards of ownership of the receivable to another municipality, except when council approves the write-off of the receivable due to non-recoverability.

The municipality derecognises a receivable if the municipality, despite having retained some significant risks and rewards of ownership, transfers 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 party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the municipality recognises separately any rights and obligations created or retained in the transfer. The carrying amount of and statutory receivables transferred is allocated between the rights and obligations retained and those transferred on the basis of the relative fair values at the transfer date. The municipality assesses whether any newly created rights and obligations are within the scope of GRAP 104 or another Standards of GRAP. Any difference between the consideration received and the amounts derecognised and, those amounts recognised, is recognised in surplus or deficit in the period transferred.

**ZF MGCAWU DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023**

**1. GENERAL INFORMATION**

ZF Mgcawu District Municipality (The District Municipality, formerly known as Siyanda District Municipality) is a local government institution in Upington, Northern Cape, and has 5 Local Municipalities under its jurisdiction. The registered address of its office and principal place of business are disclosed under "General Information" included in the Annual Financial Statements and in the introduction and overview of the Annual Report ended 30 June 2023. The principal activities of the District Municipality are disclosed in the Annual Report.

**2. RECEIVABLES FROM EXCHANGE TRANSACTIONS**

	<b>Gross Balances R</b>	<b>Provision for Impairment R</b>	<b>Net Balances R</b>
<b>As at 30 June 2023</b>			
Service Debtors:	224 591	-	224 591
Merchandising, Jobbing and Contracts	224 591	-	224 591
<b>Total Receivables from Exchange Transactions</b>	<b>224 591</b>	<b>-</b>	<b>224 591</b>
	<b>Gross Balances R</b>	<b>Provision for Impairment R</b>	<b>Net Balances R</b>
<b>As at 30 June 2022</b>			
Service Debtors:	219 189	-	219 189
Merchandising, Jobbing and Contracts	219 189	-	219 189
<b>Total Receivables from Exchange Transactions</b>	<b>219 189</b>	<b>-</b>	<b>219 189</b>

Prior year amounts have been restated. Refer to Note 33 on 'Correction of Error' for details of the restatement.

The District Municipality did not pledge any of its Receivables as security for borrowing purposes.

The management of the District Municipality is of the opinion that the carrying value of Receivables approximate their fair values.

The fair value of Receivables was determined after considering the standard terms and conditions of agreements entered into between the District Municipality and Receivables as well as the current payment ratios of the District Municipality's Receivables.

VAT is payable on the receipts basis. Only once payment is received from debtors, VAT is paid over to SARS.

No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies.

	<b>2023 R</b>	<b>2022 R</b>
<b>2.1 Ageing of Receivables from Exchange Transactions</b>		
<b>Other Debtors: Ageing</b>		
<u>Current:</u>		
0 - 30 days	150 542	193 518
<u>Past Due:</u>		
31 - 60 Days	15 546	-
61 - 90 Days	-	-
91 - 120 Days	-	-
+ 120 Days	58 503	25 671
<b>Total</b>	<b>224 591</b>	<b>219 189</b>

**ZF MGCAWU DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023**

**2.2 Summary of Receivables from Exchange Transactions by Customer Classification**

	Continuous Medical Aid Members R	Local Municipalities R	Other R	Total R
<b>As at 30 June 2023</b>				
<u>Current:</u>				
0 - 30 days	-	30 450	120 092	150 542
<u>Past Due:</u>				
31 - 60 Days	-	-	15 546	15 546
61 - 90 Days	-	-	-	-
+ 90 Days	-	-	-	-
+ 120 Days	-	58 503	-	58 503
Sub-total	-	88 954	135 638	224 591
Less: Provision for Impairment	-	-	-	-
<b>Total Trade Receivables by Customer Classification</b>	<b>-</b>	<b>88 954</b>	<b>135 638</b>	<b>224 591</b>

	Continuous Medical Aid Members R	Local Municipalities R	Other R	Total R
<b>As at 30 June 2022</b>				
<u>Current:</u>				
0 - 30 days	-	58 503	135 015	193 518
<u>Past Due:</u>				
31 - 60 Days	-	-	-	-
61 - 90 Days	-	-	-	-
+ 90 Days	-	-	-	-
+ 120 Days	-	-	25 671	25 671
Sub-total	-	58 503	160 686	219 189
Less: Provision for Impairment	-	-	-	-
<b>Total Trade Receivables by Customer Classification</b>	<b>-</b>	<b>58 503</b>	<b>160 686</b>	<b>219 189</b>

	2023 R	2022 R
<b>2.3 Reconciliation of the Provision for Impairment</b>		
Balance at beginning of year	-	-
<i>All Consumer Debtors</i>	-	-
Impairment Losses recognised	-	-
<i>All Consumer Debtors</i>	-	-
Impairment Losses reversed	-	-
<i>All Consumer Debtors</i>	-	-
<i>Provision amount written off as uncollectable</i>	-	-
<b>Balance at end of year</b>	<b>-</b>	<b>-</b>

**2.4 Ageing of impaired Receivables from Exchange Transactions**

No impairment loss was recognised on 30 June 2023.

**2.5 Derecognition of Financial Assets**

No Financial Assets have been transferred to other parties during the year.

**ZF MGCAWU DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023**

	2023 R	2022 R
<b>3. STATUTORY RECEIVABLES FROM EXCHANGE TRANSACTIONS</b>		
VAT Accruals Receivable / (Payable) - Accruals	<b>3 605</b>	<b>12 771</b>
<b>As at 30 June:</b>		
Gross Balances	3 605	12 771
Plus: Fines and Penalties	-	-
Less: Provision for Impairment	-	-
	<b>3 605</b>	<b>12 771</b>

Prior year amounts have been restated. Refer to Note 33 on 'Correction of Error' for details of the restatement.

VAT Receivable is the Net Receivable from all VAT Control Accounts and agree to the VAT201 Returns.

VAT is payable on the receipts basis. Only once payment is received from debtors, VAT is paid over to SARS.

No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies. The Municipality has financial risk policies in place to ensure that payments are affected before the due date.

The Municipality does not hold deposits or other security for its Receivables.

None of the Receivables have been pledged as security for the Municipality's financial liabilities.

The management of the Municipality is of the opinion that the carrying value of Receivables approximate their fair values.

VAT Receivable is not impaired nor is it discounted as the amount is expected to be receivable within 60 days.

**3.1 Ageing of Statutory Receivables from Exchange Transactions - VAT**

Current:

0 - 30 days	3 605	12 771
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Past Due:

31 - 60 Days	-	-
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61 - 90 Days	-	-
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91 - 120 Days	-	-
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+ 120 Days	-	-
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<b>Total</b>	<b>3 605</b>	<b>12 771</b>
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**4. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS**

	Gross Balances R	Provision for Impairment R	Net Balances R
<b>As at 30 June 2023</b>			
Unauthorised, Irregular, Fruitless and Wasteful Expenditure	20 000	-	20 000
<b>Total Receivables from Non-exchange Transactions</b>	<b>20 000</b>	<b>-</b>	<b>20 000</b>

	Gross Balances R	Provision for Impairment R	Net Balances R
<b>As at 30 June 2022</b>			
Unauthorised, Irregular, Fruitless and Wasteful Expenditure	-	-	-
<b>Total Receivables from Non-exchange Transactions</b>	<b>-</b>	<b>-</b>	<b>-</b>

**ZF MGCAWU DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023**

During the preparation of the 2022/23 Annual Financial Statements it was noted that one debit order was deducted from ZF Mgcawu District Municipality's bank account without any authorisation by ZFM officials. The Municipality has opened a case at the SAPS for further investigation.

Refer to Note 36 on 'Fruitless and Wasteful Expenditure' for more details.

The Municipality does not hold deposits or other security for its Receivables.

None of the Receivables have been pledged as security for the Municipality's financial liabilities.

The management of the Municipality is of the opinion that the carrying value of Receivables approximate their fair values.

**4.1 Ageing of Receivables from Non-exchange Transactions**

**As at 30 June 2023**

	Current	Past Due			Total
	0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	
<b>Unauthorised, Irregular, Fruitless and Wasteful Expenditure:</b>					
Gross Balances	-	-	-	20 000	20 000
Less: Provision for Impairment	-	-	-	-	-
<b>Net Balances</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>20 000</b>	<b>20 000</b>

**As at 30 June 2022**

	Current	Past Due			Total
	0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	
<b>Unauthorised, Irregular, Fruitless and Wasteful Expenditure:</b>					
Gross Balances	-	-	-	-	-
Less: Provision for Impairment	-	-	-	-	-
<b>Net Balances</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**5. VAT RECEIVABLE**

	2023 R	2022 R
VAT	<u>448 235</u>	<u>540 862</u>
<b>As at 30 June:</b>		
Gross Balances	448 235	540 862
Plus: Fines and Penalties	-	-
Less: Provision for Impairment	-	-
	<u>448 235</u>	<u>540 862</u>

Prior year amounts have been restated. Refer to Note 33 on 'Correction of Error' for details of the restatement.

VAT Receivable is the Net Receivable from all VAT Control Accounts and agree to the VAT201 Returns.

VAT is payable on the receipts basis. Only once payment is received from debtors, VAT is paid over to SARS.

No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies. The Municipality has financial risk policies in place to ensure that payments are affected before the due date.

The Municipality does not hold deposits or other security for its Receivables.

None of the Receivables have been pledged as security for the Municipality's financial liabilities.

The management of the Municipality is of the opinion that the carrying value of Receivables approximate their fair values.

**ZF MGCAWU DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023**

	2023 R	2022 R
<b>6. CASH AND CASH EQUIVALENTS</b>		
Current Investments	54 770	24 278
Bank Accounts	1 650 965	2 100 512
Cash and Cash Equivalents	7	1 616
<b>Total Bank, Cash and Cash Equivalents</b>	<b>1 705 742</b>	<b>2 126 406</b>

For the purposes of the Statement of Financial Position and the Cash Flow Statement, Cash and Cash Equivalents include Cash-on-Hand, Cash in Banks and Current Investments.

**6.1 Current Investment Deposits**

Call Deposits	54 770	24 278
<b>Total Current Investment Deposits</b>	<b>54 770</b>	<b>24 278</b>

**Call Deposits** are investments with a maturity period of less than 3 months and earn interest rates varying from 3.5% to 7.9% per annum.

Deposits attributable to Deposit taking Institutions	54 770	-
KOF: ABSA Account 1045170264	54 770	-
<b>Total Deposits attributable to Commitments of the District Municipality</b>	<b>54 770</b>	<b>24 278</b>

**ABSA Account 9358880080**

Cash book balance at beginning of year	24 278	20 382
Cash book balance at end of year	54 770	24 278
Bank statement balance at beginning of year	24 278	20 382
Bank statement balance at end of year	54 770	24 278

**6.2 Bank Accounts**

Cash in Bank	1 650 965	2 100 512
<b>Total Bank Accounts</b>	<b>1 650 965</b>	<b>2 100 512</b>

The District Municipality has the following bank accounts:

**Primary Bank Account**

*ABSA Bank Account 2240000035*

Cash book balance at beginning of year	2 100 512	2 260 378
Cash book balance at end of year	1 650 965	2 100 512
Bank statement balance at beginning of year	2 100 512	2 260 378
Bank statement balance at end of year	1 650 965	2 100 512

The District Municipality does not have any overdrawn current account facilities with its banker and therefore does not incur interest on overdrawn current accounts. Interest is earned at different rates per annum on favourable balances.

**ZF MGCAWU DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023**

	<b>2023</b>	<b>2022</b>
	<b>R</b>	<b>R</b>
<b>6.3 Cash and Cash Equivalents</b>		
Cash Floats and Advances	7	1 616
<b>Total Cash on hand in Cash Floats, Advances and Equivalents</b>	<u>7</u>	<u>1 616</u>

**Petty Cash Bank Account**

*ABSA Bank Account 9266723639*

Cash book balance at beginning of year	1 616	443
Cash book balance at end of year	<u>7</u>	<u>1 616</u>

Bank statement & Cash Float balance at beginning of year	1 616	443
Bank statement & Cash Float balance at end of year	<u>7</u>	<u>1 616</u>

The District Municipality did not pledge any of its Cash and Cash Equivalents as collateral for its financial liabilities.

No restrictions have been imposed on the District Municipality in terms of the utilisation of its Cash and Cash Equivalents.

The management of the District Municipality is of the opinion that the carrying value of Current Investment Deposits, Bank Balances, Cash and Cash Equivalents recorded at amortised cost in the Annual Financial Statements approximate their fair values.

The fair value of Current Investment Deposits, Bank Balances, Cash and Cash Equivalents was determined after considering the standard terms and conditions of agreements entered into between the District Municipality and financial institutions.

**7. CURRENT PORTION OF LONG-TERM RECEIVABLES**

Finance Lease Receivable	3 600	3 600
Staff Related Long Term Receivables	12 841	14 118
CPMD Debtors	7 200	7 200
SCM Debtors	4 518	4 518
Maternity Leave Debtors	1 123	2 400
<b>Total Current Portion of Long-term Receivables</b>	<u><b>16 441</b></u>	<u><b>17 718</b></u>

**ZF MGCAWU DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023**

**8 PROPERTY, PLANT AND EQUIPMENT**

30 June 2023

**Reconciliation of Carrying Value**

Description	Land	Other Assets: Buildings	Land and Buildings	Computer Equipment	Furniture and Office Equipment	Machinery and Equipment	Transport Assets	Total
	R	R	R	R				R
<b>Carrying values at 01 July 2022</b>	<b>17 976 000</b>	<b>534 388</b>	<b>18 510 388</b>	<b>664 759</b>	<b>253 604</b>	<b>1 324 047</b>	<b>676 328</b>	<b>21 429 126</b>
Cost	17 976 000	2 056 000	20 032 000	2 396 590	2 022 640	1 809 800	1 109 072	27 370 103
Accumulated Depreciation:	-	(1 521 612)	(1 521 612)	(1 731 831)	(1 769 036)	(485 753)	(432 744)	(5 940 977)
Acquisitions	-	-	-	318 134	47 257	435 099	699 933	1 500 423
Cost	-	-	-	318 134	47 257	304 210	699 933	1 369 534
Leased	-	-	-	-	-	130 889	-	130 889
Depreciation:	-	(82 213)	(82 213)	(251 626)	(28 437)	(686 895)	(161 352)	(1 210 523)
Cost	-	(82 213)	(82 213)	(251 626)	(28 437)	(31 593)	(161 352)	(555 222)
Leased	-	-	-	-	-	(655 302)	-	(655 302)
Carrying value of Disposals:	-	-	-	(41 035)	(21 128)	(26)	(54 595)	(116 783)
- Cost	-	-	-	(333 291)	(241 154)	(231)	(195 600)	(770 276)
- Accumulated Depreciation	-	-	-	292 256	220 026	205	141 005	653 492
<b>Carrying values at 30 June 2023</b>	<b>17 976 000</b>	<b>452 174</b>	<b>18 428 174</b>	<b>690 233</b>	<b>251 296</b>	<b>1 072 225</b>	<b>1 160 314</b>	<b>21 602 242</b>
Cost	17 976 000	2 056 000	20 032 000	2 381 434	1 828 743	2 244 668	1 613 405	28 100 250
Accumulated Depreciation:	-	(1 603 826)	(1 603 826)	(1 691 201)	(1 577 448)	(1 172 443)	(453 091)	(6 498 008)

**ZF MGCAWU DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023**

**8 PROPERTY, PLANT AND EQUIPMENT (Continued)**

30 June 2022

**Reconciliation of Carrying Value**

Description	Land	Other Assets: Buildings	Land and Buildings	Computer Equipment	Furniture and Office Equipment	Machinery and Equipment	Transport Assets	Total
	R	R	R	R				R
<b>Carrying values at 01 July 2021</b>	<b>17 976 000</b>	<b>616 601</b>	<b>18 592 601</b>	<b>477 033</b>	<b>283 073</b>	<b>155 870</b>	<b>849 532</b>	<b>20 358 109</b>
Cost	17 976 000	2 056 000	20 032 000	2 278 848	2 160 646	986 849	1 109 072	26 567 416
Accumulated Depreciation:	-	(1 439 399)	(1 439 399)	(1 801 815)	(1 877 573)	(830 979)	(259 541)	(6 209 307)
Acquisitions	-	-	-	466 503	30 731	1 625 444	-	2 122 678
Cost	-	-	-	466 503	30 731	15 444	-	512 678
Leased	-	-	-	-	-	1 610 000	-	1 610 000
Depreciation:	-	(82 214)	(82 214)	(241 788)	(45 112)	(362 491)	(173 204)	(904 808)
Cost	-	(82 214)	(82 214)	(241 788)	(45 112)	(10 036)	(173 204)	(552 353)
Leased	-	-	-	-	-	(352 455)	-	(352 455)
Carrying value of Disposals:	-	-	-	(36 989)	(15 088)	(94 776)	-	(146 852)
- Cost	-	-	-	(348 761)	(168 737)	(802 493)	-	(1 319 991)
- Accumulated Depreciation	-	-	-	311 772	153 650	707 717	-	1 173 139
<b>Carrying values at 30 June 2022</b>	<b>17 976 000</b>	<b>534 388</b>	<b>18 510 388</b>	<b>664 759</b>	<b>253 604</b>	<b>1 324 047</b>	<b>676 328</b>	<b>21 429 126</b>
Cost	17 976 000	2 056 000	20 032 000	2 396 590	2 022 640	1 809 800	1 109 072	27 370 103
Accumulated Depreciation:	-	(1 521 612)	(1 521 612)	(1 731 831)	(1 769 036)	(485 753)	(432 744)	(5 940 977)

Refer to Note 51, Appendix B and E (4) for more detail on Property, Plant and Equipment, including those in the course of construction.

Prior year amounts have been restated. Refer to Note 33 on 'Correction of Error' for details of the restatement.

**ZF MGCAWU DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023**

	2023 R	2022 R
<b>8 PROPERTY, PLANT AND EQUIPMENT (Continued)</b>		
<b>8.1 Gross Carrying Amount of Property, Plant and Equipment that is fully depreciated and still in use</b>		
At Carrying Amount:		
Computer Equipment	6 135	17 545
Furniture and Office Equipment	39 352	66 995
Intangible Assets	31 121	-
Machinery and Equipment	420	120
<b>Gross Carrying Amount of PPE fully depreciated and still in use</b>	<b>77 029</b>	<b>84 660</b>
<b>8.2 Carrying Amount of Property, Plant and Equipment retired from active use and not classified as a Discontinued Operation</b>		
Refer to Note 32 for Property, Plant and Equipment that were retired from active use and held for disposal during the financial year.		
<b>8.3 Assets pledged as security</b>		
The District Municipality did not pledge any of its assets as security, except for Leased Assets.		
<b>8.4 Impairment of Property, Plant and Equipment</b>		
No Property, Plant and Equipment were impaired from active use during the financial year.		
<b>8.5 Change in Estimate - Useful Life of Property, Plant and Equipment reviewed</b>		
A change in the estimated useful life of various assets of the Municipality has resulted in the following decreases in depreciation for the mentioned departments for the financial year 2022/23:		
Administration	(1 082)	(30)
Asset Management Unit	-	(2)
Budget and treasury office	-	(3)
Communication & Liaison	(2 561)	
Council Administration	(381)	(3)
Council Services	(17 563)	(9 699)
Engineering Services	(3 196)	(3)
Environmental Health	(363)	(22)
Financial Services	(7 841)	(12 380)
Housing Accreditation	-	(1)
Human Resources	-	(29)
Information Technology	(18 706)	(24 795)
Internal Audit	(192)	(115)
LED	-	(3)
Municipal Manager	(80)	(2 728)
PIMMS	(266)	(8)
Property Services	(2 980)	(0)
Risk Management	-	(27)
Supply Chain Management	-	(1)
Planning & Development	-	(6)
Tourism	-	(7)
<b>Total Change in Estimate for Useful Life of Property, Plant and Equipment</b>	<b>(55 211)</b>	<b>(49 864)</b>

**ZF MGCAWU DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023**

	<b>2023</b>	<b>2022</b>
	<b>R</b>	<b>R</b>
<b>8.6 Land and Buildings carried at Fair Value</b>		
The Municipality's Land and Buildings are accounted for according to the cost model and therefore no fair value has been determined.		
<b>8.7 Repairs and Maintenance</b>		
Repairs and Maintenance expenditures of Property, Plant and Equipment are disclosed under Contracted Services, refer Note 27.		
<b>8.8 Compensation received for Losses</b>		
Compensation, included in Operating Surplus, was received from the Municipality's insurers for Property, Plant and Equipment lost during the year:		
Compensation received from insurers	-	-
Carrying value of lost or broken assets	-	(1 807)
<b>Surplus / (Deficit) on Compensation received for Lost PPE</b>	<b>108 712</b>	<b>(1 807)</b>

**9 INTANGIBLE ASSETS**

At Cost less Accumulated Amortisation and Accumulated Impairment Losses **108 712** **112 354**

The movement in Intangible Assets is reconciled as follows:

**30 June 2023**

**Carrying values at 01 July 2022**

	<b>Computer Software</b>	<b>Total</b>
<b>Carrying values at 01 July 2022</b>	<b>112 354</b>	<b>112 354</b>
Cost	910 198	910 198
Accumulated Amortisation	(797 844)	(797 844)
Acquisitions:	49 162	49 162
Purchased	49 162	49 162
Amortisation:	(52 803)	(52 803)
Purchased	(52 803)	(52 803)
Carrying value of Disposals:	-	-
- Cost	(256 283)	(256 283)
- Accumulated Depreciation	256 283	256 283
<b>Carrying values at 30 June 2023</b>	<b>108 712</b>	<b>108 712</b>
Cost	703 077	703 077
Accumulated Amortisation	(594 365)	(594 365)

**ZF MGCAWU DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023**

<b>30 June 2022</b>	<b>Computer Software</b>	<b>Total</b>
<b>Carrying values at 01 July 2021</b>	<b>208 890</b>	<b>208 890</b>
Cost	889 727	889 727
Accumulated Amortisation	(680 837)	(680 837)
Acquisitions:	41 609	41 609
Purchased	41 609	41 609
Amortisation:	(138 145)	(138 145)
Purchased	(138 145)	(138 145)
Carrying value of Disposals:	-	-
- Cost	(21 137)	(21 137)
- Accumulated Depreciation	21 137	21 137
<b>Carrying values at 30 June 2022</b>	<b>112 354</b>	<b>112 354</b>
Cost	910 198	910 198
Accumulated Amortisation	(797 844)	(797 844)

The amortisation expense has been included in the line item 'Depreciation and Amortisation' in the Statement of Financial Performance (see Note 24).

All of the District Municipality's Intangible Assets are held under freehold interests and no Intangible Assets had been pledged as security for any liabilities of the District Municipality.

No restrictions apply to any of the Intangible Assets of the District Municipality.

Refer to Appendix "B" for more detail on Intangible Assets.

#### **9.1 Significant Intangible Assets**

The District Municipality's intangible assets only comprise of computer related software.

#### **9.2 Intangible Assets with Indefinite Useful Lives**

The District Municipality amortises all its Intangible Assets and none of such assets are regarded as having indefinite useful lives.

The useful lives of the Intangible Assets remain unchanged from the previous year.

Amortisation is charged on a straight-line basis over the Intangible Assets' useful lives.

#### **9.3 Impairment of Intangible Assets**

No impairment losses have been recognised on Intangible Assets of the District Municipality at the reporting date.

#### **9.4 Change in Estimate - Useful Life of Intangible Assets reviewed**

The estimated useful lives of Intangible Assets were reviewed but no changes were made by the District Municipality

**ZF MGCAWU DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023**

	<b>2023</b>	<b>2022</b>
	<b>R</b>	<b>R</b>
<b>10 NON-CURRENT INVESTMENTS</b>		
<b>Financial Instruments</b>		
Fixed Deposits	<u>1 070 386</u>	<u>512 048</u>
<b>Total Investments</b>		
All Investments	1 070 386	512 048
Less: Short-term Portion transferred to Current Investments	-	-
<b>Total Non-current Investments</b>	<u><b>1 070 386</b></u>	<u><b>512 048</b></u>

The Fixed Deposit of R500 000 in 2021/22 financial year is an investment with a maturity period of 3 years (ending 17 March 2025) and earns interest of 8.22% per annum.

The Fixed Deposit of R250 000 in 2022/23 financial year is an investment with a maturity period of 3 years (ending 10 November 2025) and earns interest of 9.94% per annum.

The Fixed Deposit of R250 000 in 2022/23 financial year is an investment with a maturity period of 3 years (ending 15 Junie 2026) and earns interest of 11.33% per annum.

The Fixed Deposit of R1 070 386 (2022: R512 048) are invested to improve the District Municipality's unfunded budget and going concern position.

The Municipal Structures Act, Act 177 of 1998, requires local authorities to invest funds which are not immediately required with prescribed institutions and the period should be such that it will not be necessary to borrow funds against the investment at a penalty rate of interest to meet commitments.

The management of the Municipality is of the opinion that the carrying value of Investments recorded at amortised cost in the Annual Financial Statements approximate their fair values.

The fair value of Investments was determined after considering the standard terms and conditions of agreements entered into between the Municipality and financial institutions.

	<b>2023</b>	<b>2022</b>
	<b>R</b>	<b>R</b>
<b>11 LONG-TERM RECEIVABLES</b>		
<b>Gross Balances:</b>		
Finance Lease Receivable	10 616	12 433
Staff Related Long Term Receivables	99 759	113 871
CPMD Debtors	90 600	97 800
SCM Debtors	8 035	12 547
Maternity Leave Debtors	1 123	3 523
	<u><b>110 374</b></u>	<u><b>126 303</b></u>
<b>Less: Provision for Impairment:</b>		
Finance Lease Receivable	-	-
Staff Related Long Term Receivables	-	-
	<u>-</u>	<u>-</u>
<b>Net Balances:</b>		
Finance Lease Receivable	10 616	12 433
Staff Related Long Term Receivables	99 759	113 871
CPMD Debtors	90 600	97 800
SCM Debtors	8 035	12 547
Maternity Leave Debtors	1 123	3 523
<b>Total Long Term Receivables</b>	<u><b>110 374</b></u>	<u><b>126 303</b></u>

**ZF MGCAWU DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023**

	<b>2023</b>	<b>2022</b>
	<b>R</b>	<b>R</b>
<b>Less: Current Portion transferred to Current Receivables:</b>		
Finance Lease Receivable	(3 600)	(3 600)
Staff Related Long Term Receivables	(12 841)	(14 118)
CPMD Debtors	(7 200)	(7 200)
SCM Debtors	(4 518)	(4 518)
Maternity Leave Debtors	(1 123)	(2 400)
	<b>(16 441)</b>	<b>(17 718)</b>
<b>Non-Current Portion of Long Term Receivables</b>		
Finance Lease Receivable	7 016	8 833
Staff Related Long Term Receivables	86 917	99 753
<b>Non-Current Portion of Long Term Receivables</b>	<b>93 933</b>	<b>108 585</b>

**FINANCE LEASE RECEIVABLES**

Finance Lease Receivables relate to Housing Selling Scheme Loans:

Loans were granted to the tenants of low cost housing erected by the District Municipality with funds provided by the State, in order to enable them to purchase the houses they previously rented from the District Municipality. Loans are repaid over a period of twenty years and at an interest rate of 5% per annum.

**STAFF RELATED LONG TERM RECEIVABLES**

In terms of the MFMA no Study Cost Loans are granted anymore. The outstanding amount is in respect of:

**i) CPMD Course Debtors**

Three employees did not complete their CMPD course and Council will be reimbursed for all expenditures incurred. ZFM will recover the amount from employees over a 14 year period with no interest, ending 31 January 2036. ZFM is in the process to negotiate new terms.

**ii) SCM Debtors**

SCM officials accidentally paid a former employee and could not recover the money. ZFM will recover the amount from employees over a 3 year period with no interest, ending 31 March 2025.

**iii) Maternity Leave Debtors**

A salary was incorrectly paid out to an employee who was on maternity leave. ZFM will recover this amount from employees over a 3 year period with no interest, ending 31 December 2023.

The District Municipality does not hold deposits or any other security for its Long-term Receivables.

No Long-term Receivables have been pledged as security for the District Municipality's financial liabilities.

The fair value of Long-term Receivables was determined after considering the standard terms and conditions of agreements entered into between the District Municipality and other parties.

**11.1 Leasing Arrangements**

The District Municipality entered into finance Leasing Arrangements for the house selling scheme loans. All leases are denominated in Currency Units. The average term of Finance Leases entered into is twenty years.

**ZF MGCAWU DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023**

**11.2 Amounts receivable under Finance Leases**

	Minimum Lease Payments		Present Value of Minimum Lease Payments	
	2023 R	2022 R	2023 R	2022 R
Within one year	3 600	3 600	3 600	3 600
In the second to fifth years, inclusive	7 863	10 069	7 863	10 069
Over five years	-	-	-	-
	<u>11 463</u>	<u>13 669</u>	<u>11 463</u>	<u>13 669</u>
Less: Unearned Finance Income	848	1 237	848	1 237
Present Value of Minimum Lease Payments Receivable	<u>10 616</u>	<u>12 433</u>	<u>10 616</u>	<u>12 433</u>
Provision for Uncollectable Lease Receivables	-	-	-	-
<b>Total Finance Lease Receivables</b>	<b><u>10 616</u></b>	<b><u>12 433</u></b>	<b><u>10 616</u></b>	<b><u>12 433</u></b>

	2023 R	2022 R
<b>Included in the Annual Financial Statements as:</b>		
Non-current Finance Lease Receivables	7 016	8 833
Current Finance Lease Receivables	3 600	3 600
<b>Total Finance Lease Receivables</b>	<b><u>10 616</u></b>	<b><u>12 433</u></b>

The interest rates inherent in the leases are fixed at the contract date of the entire lease term. The average effective interest rate contracted is approximately 5% (2022: 5%) per annum.

Management of the District Municipality is of the opinion that the carrying value of Finance Lease Receivables recorded at amortised cost in the Annual Financial Statements approximate their fair values.

The fair value of Finance Lease Receivables were determined after considering the standard terms and conditions of agreements entered into between the District Municipality and other parties as well as the current payment ratios of the District Municipality's debtors.

**11.3 Ageing of Long-term Receivables**

Current:

0 - 30 days

Past Due:

31 - 60 Days

61 - 90 Days

91 - 120 Days

+ 120 Days

Finance Lease Receivable

Staff Related Long Term Receivables

**Total**

-	-
-	-
-	-
-	-
110 374	126 303
<u>10 616</u>	<u>12 433</u>
<u>99 759</u>	<u>113 871</u>
<b><u>110 374</u></b>	<b><u>126 303</u></b>

As at 30 June Long-term Receivables of R110 374 (2022: R126 303) were past due of which R0 (2022: R0) were impaired. No terms for payment have been re-negotiated.

**ZF MGCAWU DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023**

	<b>2023</b>	<b>2022</b>
	<b>R</b>	<b>R</b>
<b>11.4 Reconciliation of the Provision for Impairment</b>		
Balance at beginning of year	-	-
Impairment Losses recognised	-	-
Impairment Losses reversed	-	-
Amounts written off as uncollectable	-	-
<b>Balance at end of year</b>	<b>-</b>	<b>-</b>

In determining the recoverability of a Long-term Receivable, the District Municipality considers any change in the credit quality of the receivable from the date credit was initially granted up to the reporting date. The Provision for Impairment on Long-term Receivables exists predominantly due to the possibility that these debts will not be recovered. Long-term Receivables were assessed individually and grouped together at the Statement of Financial Position as financial assets with similar credit risk characteristics and collectively assessed for impairment. However, the concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the management believe that there is no further credit provision required in excess of the Provision for Impairment.

**12 PROVISIONS**

Performance Bonus	531 597	553 376
Current Portion of Employee Benefit Liabilities (See Note 16):	2 590 000	2 334 000
Post-retirement Medical Aid Benefits Liability	1 649 000	1 552 000
Long-term Service Liability	941 000	782 000
<b>Total Provisions</b>	<b>3 121 597</b>	<b>2 887 376</b>

The movement in provisions is reconciled as follows:

**Performance Bonus:**

Opening Balance	553 376	525 207
Increases	(524 640)	552 472
Reductions	502 860	(524 303)
<b>Balance at end of year</b>	<b>531 597</b>	<b>553 376</b>

**Performance Bonuses** accrue to senior managers on an annual basis, subject to certain conditions. The provision is an estimate of the amount due at the reporting date.

**Current Portion of Defined Benefit Liabilities:**

	<b>Medical Aid</b>	<b>Long-term Service</b>
	<b>R</b>	<b>R</b>
<b>30 June 2023</b>		
Opening Balance	1 552 000	782 000
Expenditure incurred	(1 553 852)	(1 038 774)
Contributions to provision	1 650 852	1 197 774
<b>Balance at end of year</b>	<b>1 649 000</b>	<b>941 000</b>
<b>30 June 2022</b>		
Opening Balance	1 789 000	1 159 000
Expenditure incurred	(1 589 944)	(864 088)
Contributions to provision	1 352 944	487 088
<b>Balance at end of year</b>	<b>1 552 000</b>	<b>782 000</b>

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023**

	<b>2023</b>	<b>2022</b>
	<b>R</b>	<b>R</b>
<b>13 PAYABLES FROM EXCHANGE TRANSACTIONS</b>		
Advance Payments	-	50 550
LGSETA Skills Programmes and Learnerships	-	50 550
Annual Bonus	1 862 450	1 694 924
Leave Accrual	3 320 639	3 877 601
Other Payables: Salary Clearing and Control	261 924	904 744
Salary Control	165 248	592 675
Travel Control	-	7 037
Leave Control	-	112 982
Skills Control	-	38 708
Medical Aid Control	96 676	133 689
Unions Control	-	289
Employee Deductions FICS	-	19 364
Retentions	79 964	-
Salary Related Payables	934 237	907 937
PAYE Deductions	934 237	907 937
Trade Creditors	189 222	843 254
Payables and Accruals	189 222	843 254
<b>Total Payables</b>	<b>6 648 436</b>	<b>8 279 010</b>

Prior year amounts have been restated. Refer to Note 33 on 'Correction of Error' for details of the restatement.

Annual Bonuses accrue to the staff of the District Municipality on an annual basis, subject to certain conditions. The provision is an estimate of the amount due at the reporting date.

Staff Leave accrues to the staff of the District Municipality on an annual basis, subject to certain conditions. The provision is an estimate of the amount due at the reporting date.

The District Municipality did not default on any payment of its Creditors. No terms for payment have been re-negotiated by the District Municipality.

The management of the District Municipality is of the opinion that the carrying value of Creditors approximates their fair values.

**14 UNSPENT CONDITIONAL GRANTS AND RECEIPTS**

**14.1 Conditional Grants from Government**

National Government	-	-
Provincial Government	-	-
<b>Total Conditional Grants and Receipts</b>	<b>-</b>	<b>-</b>

The Unspent Conditional Grants and Receipts are invested in call deposit accounts until utilised.

Refer to Note 18 for the reconciliation of Grants from Government Receipts. The District Municipality complied with the conditions attached to all grants received to the extent of revenue recognised.

Refer to Appendix "F" for more detail on Conditional Grants.

**ZF MGCAWU DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023**

**15 LONG-TERM LIABILITIES**

Finance Lease Liability	276 895	803 350
Non-Current Portion of Long Term Liabilities	276 895	803 350
Plus: Current Portion transferred to Current Liabilities:-	651 106	496 885
Finance Lease Liability	651 106	496 885
<b>Total Long-term Liabilities</b> (Neither past due, nor impaired)	<b>928 001</b>	<b>1 300 236</b>

**15.1 Finance Lease Liability**

**15.1.1 Summary of Arrangements**

Finance Lease Liabilities relate to Copier Machines and Telephon System with lease terms of 3 years. Capitalised Lease Liabilities are secured over the items of copier machines leased.

Refer to Appendix "A" for more detail on Long-term Liabilities.

**15.1.2 Obligations under Finance Leases:**

**The District Municipality as Lessee:**

Finance Lease Liabilities relate to Copier Machines with a lease term of 3 years with a fair value of R783 000 as at 1 October 2018. The effective interest rate on Finance Leases is 19.4%.

Finance Lease Liabilities relate to Copier Machines with a lease term of 3 years with a fair value of R660 000 as at 1 June 2022, ending 31 May 2025. The effective interest rate on Finance Leases is 12.4%.

Finance Lease Liabilities relate to Copier Machines with a lease term of 33 months with a fair value of R130 889 as at 1 August 2022, ending 31 May 2025. The effective interest rate on Finance Leases is 20.6%.

Finance Lease Liabilities relate to Telephone System with a lease term of 3 years with a fair value of R950 000 as at 1 July 2021, ending 30 June 2024. The effective interest rate on Finance Leases is 73.1%.

The District Municipality does not have an option to purchase the leased Property, Plant and Equipment at the conclusion of the lease agreements. The District Municipality's obligations under Finance Leases are secured by the lessors' title to the leased assets.

The lease is classified as a finance lease due to the substance of the transaction; The lease term is for the major part of the economic life of the asset and at the inception of the lease the present value of the minimum lease payments exceeded the fair value of the leased assets.

The District Municipality's obligations under Finance Leases are secured by the lessors' title to the leased assets.

The obligations under the finance lease are as follows:

	Minimum Lease Payments		Present Value of Minimum Lease Payments	
	2023 R	2022 R	2023 R	2022 R
<b>Amounts payable under borrowings:</b>				
Within one year	800 510	897 840	800 510	897 840
In the second to fifth years, inclusive	296 550	978 860	296 550	978 860
Over five years	-	-	-	-
	1 097 060	1 876 700	1 097 060	1 876 700
Less: Future Finance Obligations	169 059	576 465	169 059	576 465
<b>Present Value of Minimum Lease Obligations</b>	<b>928 001</b>	<b>1 300 236</b>	<b>928 001</b>	<b>1 300 236</b>
Less: Amounts due for settlement within 12 months (Current Portion)			(651 106)	(496 885)
<b>Borrowings due for settlement after 12 months (Non-current Portion)</b>			<b>276 895</b>	<b>803 350</b>

The District Municipality has finance lease agreements for the following significant classes of assets:

- Machinery and Equipment

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	<b>2023</b>	<b>2022</b>
	<b>R</b>	<b>R</b>
Included in these classes are the following significant leases:		
<b>(i) Copier Machines - 2018/19 contract</b>		
- Instalments are payable monthly in advance		
- Cost Price	-	R 783 000
- Accumulated Depreciation	-	R 783 000
- Net Carrying Amount	-	R 0
- Depreciation for the year	-	R 65 250
- Finance charge for the year	-	R 2 694
- Average period outstanding	-	0 months
- Average effective interest rate	-	19.4%
- Average monthly instalment	-	R 28 429
<b>(ii) Copier Machines - 2021/22 contract</b>		
- Instalments are payable monthly in advance		
- Cost Price	R 660 000	660 000
- Accumulated Depreciation	R 238 333	18 333
- Net Carrying Amount	R 421 667	R 641 667
- Depreciation for the year	R 220 000	R 18 333
- Finance charge for the year	R 72 793	R 6 492
- Average period outstanding	23 months	35 months
- Average effective interest rate	12.4%	12.4%
- Average monthly instalment	R 21 820	R 21 820
<b>(iii) Telephone System - 2021/22 contract</b>		
- Instalments are payable monthly in advance		
- Cost Price	R 950 000	950 000
- Accumulated Depreciation	R 633 333	316 667
- Net Carrying Amount	R 316 667	R 633 333
- Depreciation for the year	R 316 667	R 316 667
- Finance charge for the year	R 397 861	R 500 564
- Average period outstanding	12 months	24 months
- Average effective interest rate	73.1%	73.1%
- Average monthly instalment	R 53 000	R 53 000
<b>(iv) Copier Machines - 2022/23 contract</b>		
- Instalments are payable monthly in advance		
- Cost Price	R 130 889	-
- Accumulated Depreciation	R 39 663	-
- Net Carrying Amount	R 91 226	-
- Depreciation for the year	R 39 663	-
- Finance charge for the year	R 19 086	-
- Average period outstanding	26 months	-
- Average effective interest rate	20.6%	-
- Average monthly instalment	R 5 139	-

**15.2 Operating Leases**

Balance at beginning of year	-	33 039
Operating Lease payments effected	-	(392 159)
Operating Lease expenses recorded	-	359 120
<b>Total Operating Lease Liabilities</b>	<b>-</b>	<b>-</b>

**15.2.1 Leasing Arrangements**

**The District Municipality as Lessee:**

**ZF MGCAWU DISTRICT MUNICIPALITY**  
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Operating Leases relate to Rental of Office space (Chrystal lagoon) with lease terms of 3 years ending 30 November 2021, with an option to extend for a further period. All operating lease contracts contain market review clauses in the event that the District Municipality exercises its option to renew. The District Municipality does not have an option to purchase the leased asset at the expiry of the lease period.

**15.2.2 Amounts payable under Operating Leases**

At the Reporting Date the District Municipality had outstanding commitments under Non-cancellable Operating Leases, which fall due as follows:

	2023 R	2022 R
<b>Buildings:</b>	-	-
Up to 1 year	-	-
2 to 5 years	-	-
More than 5 years	-	-
<b>Total Operating Lease Arrangements</b>	-	-

The following payments have been recognised as an expense in the Statement of Financial Performance:

Minimum lease payments	-	(392 159)
<b>Total Operating Lease Expenses</b>	-	<b>(392 159)</b>

The following restrictions have been imposed on the District Municipality in terms of the lease agreements on Rental of Office Space:

- (i) The building shall remain the property of the lessor.
- (ii) The lessee shall not sell, sublet, cede, assign or delegate any of its rights or obligations on the building.
- (iii) The building shall be returned in good order and condition to the lessor upon termination of the agreement.

**16 EMPLOYEE BENEFIT LIABILITIES**

Post-retirement Health Care Benefits Liability	25 102 000	26 566 000
Long Service Awards Liability	8 448 000	7 809 000
<b>Total Employee Benefit Liabilities</b>	33 550 000	34 375 000
Less: Current Portion of Employee Benefit Liabilities	(2 590 000)	(2 334 000)
Post-retirement Health Care Benefits Liability	(1 649 000)	(1 552 000)
Long Service Awards Liability	(941 000)	(782 000)
<b>Non-current portion of Employee Benefit Liabilities</b>	<b>30 960 000</b>	<b>32 041 000</b>

**16.1 Post-retirement Health Care Benefits Liability**

Opening balance	26 566 000	28 284 000
Interest cost	2 968 000	2 675 000
Current service cost	575 000	566 000
Actual employer benefit payments	(1 553 852)	(1 589 944)
Actuarial loss/ (gain) recognised in the year	(3 453 148)	(3 369 056)
Balance at end of Year	25 102 000	26 566 000
Transfer to Current Provisions	(1 649 000)	(1 552 000)
<b>Total Post-retirement Health Care Benefits Liability</b>	<b>23 453 000</b>	<b>25 014 000</b>

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The District Municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the District Municipality. According to the rules of the Medical Aid Funds, with which the District Municipality is associated, a member (who is on the current Conditions of Service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the District Municipality is liable for a certain portion of the medical aid membership fee. The District Municipality operates an unfunded defined benefit plan for these qualifying employees. No other post-retirement benefits are provided to these employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2023 by Mr C Weiss, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligations, and the related current service costs and past service costs, were measured using the Projected Unit Credit Method.

	<b>2023</b>	<b>2022</b>
	<b>R</b>	<b>R</b>
The members of the Post-employment Health Care Benefit Plan are made up as follows:		
In-service Members (Employees)	54	55
In-service Non-members (Employees)	44	47
Continuation Members (Retirees, widowers and orphans)	24	23
<b>Total Members</b>	<b>122</b>	<b>125</b>

The liability in respect of past service has been estimated as follows:

In-service Members	7 353 000	8 312 000
In-service Non-members	788 000	646 000
Continuation Members	16 961 000	17 608 000
<b>Total Liability</b>	<b>25 102 000</b>	<b>26 566 000</b>

The District Municipality makes monthly contributions for health care arrangements to the following Medical Aid Schemes:

- Bonitas
- Keyhealth
- LA Health
- Samwumed

The Current-service Cost for the year ending 30 June 2023 is estimated to be R575 000, whereas the cost for the ensuing year is estimated to be R483 000 (30 June 2022: R566 000).

The Interest Cost for the year ending 30 June 2023 is estimated to be R2 968 000, whereas the cost for the ensuing year is estimated to be R2 894 000 (30 June 2022: R2 675 000).

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

Discount Rate	11.91%	11.50%
Health Care Cost Inflation Rate	7.54%	8.15%
Net Effective Discount Rate	4.06%	3.10%
Expected Rate of Salary Increase	5.40%	4.90%
Expected Retirement Age - Females	62	62
Expected Retirement Age - Males	62	62

**Movements in the present value of the Defined Benefit Obligation were as follows:**

Opening balance	26 566 000	28 284 000
Current service cost	575 000	566 000
Interest cost	2 968 000	2 675 000
Actual employer benefit payments	(1 553 852)	(1 589 944)
Actuarial loss/ (gain) recognised in the year	(3 453 148)	(3 369 056)
<b>Total Recognised Benefit Liability</b>	<b>25 102 000</b>	<b>26 566 000</b>

**ZF MGCAWU DISTRICT MUNICIPALITY**  
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	2023 R	2022 R
<b>The amounts recognised in the Statement of Financial Position are as follows:</b>		
Present value of fund obligations	25 102 000	26 566 000
Fair value of plan assets	-	-
	<u>25 102 000</u>	<u>26 566 000</u>
Present value of unfunded obligations	-	-
Unfunded Accrued Liability	25 102 000	26 566 000
Restrictions on asset recognised	-	-
Fair value of reimbursement rights recognised	-	-
<b>Total Benefit Liability</b>	<b><u>25 102 000</u></b>	<b><u>26 566 000</u></b>

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

Current service cost & Past service cost	575 000	566 000
Senior Management	36 800	39 300
Municipal Staff	538 200	526 700
Interest cost	2 968 000	2 675 000
Senior Management	107 600	82 400
Municipal Staff	2 860 400	2 592 600
Employer Benefit Payments	(1 553 852)	(1 589 944)
Actuarial losses / (gains)	(3 453 148)	(3 369 056)
Senior Management	-	(30 600)
Municipal Staff	(3 453 148)	(3 338 456)
<b>Total Post-retirement Benefit included in Employee Related Costs (Note 22)</b>	<b><u>(1 464 000)</u></b>	<b><u>(1 718 000)</u></b>

**Contribution to Actuarial losses / (gains):**

<b>Basis changes:</b>	<b>(3 453 148)</b>	<b>(3 369 056)</b>
(Increase)/Decrease in net discount rates	(2 994 000)	(348 000)
Change in assumed in-service non-member medical aid option	234 000	-
Increase in assumed average retirement age	-	-
Decrease in assumed membership continuation rate at retirement	-	-
Decrease in assumed in-service non-member take-up rate	-	-
Decrease in assumed spouse dependant proportion at retirement	-	-
Subsidy increases higher / (lower) than assumed	(321 000)	(646 000)
Changes to membership profile different from assumed	(374 000)	(2 176 000)
Actual benefits vested, (lower) / greater than expected	1 852	(199 056)

The actuarial gain attributable to membership changes arises primarily because, on average, members bought down to cheaper medical aid options, and there were more exits than expected since the last valuation.

**The history of fair values are as follows:**

	2023 R	2022 R	2021 R	2020 R	2019 R
Present Value of Defined Benefit Obligation	25 102 000	26 566 000	28 284 000	25 695 000	24 983 000
<b>Deficit</b>	<b><u>25 102 000</u></b>	<b><u>26 566 000</u></b>	<b><u>28 284 000</u></b>	<b><u>25 695 000</u></b>	<b><u>24 983 000</u></b>
Experienced adjustments on Plan Liabilities	(693 000)	(3 021 000)	65 000	(1 139 000)	(1 941 000)

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	<b>2023</b>	<b>2022</b>
	<b>R</b>	<b>R</b>
The effect of a 1% movement in the assumed rate of health care cost inflation is as follows:		
<b>Increase:</b>		
Effect on the aggregate of the current service cost and the interest cost	4 073 000	3 742 000
Effect on the defined benefit obligation	28 119 000	30 036 000
<b>Decrease:</b>		
Effect on the aggregate of the current service cost and the interest cost	3 111 000	2 836 000
Effect on the defined benefit obligation	22 576 000	23 692 000

The District Municipality expects to make a contribution of R1 649 000 (2022: R1 552 000) to the Defined Benefit Plans during the next financial year.

Refer to Note 41, "Multi-employer Retirement Benefit Information", to the Annual Financial Statements for more information regarding the District Municipality's other retirement funds that is Provincially and Nationally administered.

**16.2 Long Service Awards Liability**

Opening Balance	7 809 000	7 450 000
Payments Made	(1 038 774)	(864 088)
Actuarial losses / (gains)	298 774	32 088
Increases (Passage of Time/Discounted Rate)	829 000	650 000
Increases (Outflow of Economic Benefits)	550 000	541 000
Balance at end of Year	8 448 000	7 809 000
Transfer to Current Provisions	(941 000)	(782 000)
<b>Total Long Service Awards Liability</b>	<b>7 507 000</b>	<b>7 027 000</b>

The District Municipality operates an unfunded defined benefit plan for all its employees. Under the plan, a Long-service Award is payable after 10 years of continuous service, and every 5 years of continuous service thereafter, and every 1 year after 25 years of continuous service, to employees according to Collective Agreement Circular 1/2014 dated 27/10/2014 and the Council resolution in November 1996. The provision is an estimate of the long-service based on historical staff turnover. No other long-service benefits are provided to employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2023 by Mr C Weiss, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

At year end, 98 (2022: 102) employees were eligible for Long-service Awards.

The Current-service Cost for the year ending 30 June 2023 is estimated to be R550 000, whereas the cost for the ensuing year is estimated to be R560 000.

The Interest Cost for the year ending 30 June 2023 is estimated to be R829 000, whereas the cost for the ensuing year is estimated to be R903 000.

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

Discount Rate	11.38%	11.16%
Net Effective Discount Rate	4.47%	3.57%
Expected Rate of Salary Increase	5.40%	4.90%
Expected Retirement Age - Females	62	62
Expected Retirement Age - Males	62	62

**Movements in the present value of the Defined Benefit Obligation were as follows:**

Opening Balance	7 809 000	7 450 000
Payments Made	(1 038 774)	(864 088)
Actuarial losses / (gains)	298 774	32 088
Increases (Passage of Time/Discounted Rate)	829 000	650 000
Increases (Outflow of Economic Benefits)	550 000	541 000
<b>Total Recognised Benefit Liability</b>	<b>8 448 000</b>	<b>7 809 000</b>

**ZF MGCAWU DISTRICT MUNICIPALITY**  
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	<b>2023</b>	<b>2022</b>
	<b>R</b>	<b>R</b>
<b>The amounts recognised in the Statement of Financial Position are as follows:</b>		
Present value of fund obligations	8 448 000	7 809 000
	8 448 000	7 809 000
Present value of unfunded obligations	-	-
	8 448 000	7 809 000
<b>Total Benefit Liability</b>	<b>8 448 000</b>	<b>7 809 000</b>

<b>The amounts recognised in the Statement of Financial Performance are as follows:</b>		
Current service cost	550 000	541 000
Senior Management	14 400	13 600
Municipal Staff	535 600	527 400
Interest cost	829 000	650 000
Senior Management	9 100	6 100
Municipal Staff	819 900	643 900
Payments Made	(1 038 774)	(864 088)
Senior Management	(82 218)	(173 417)
Municipal Staff	(956 556)	(690 671)
Actuarial losses / (gains)	298 774	32 088
Senior Management	84 818	120 217
Municipal Staff	213 956	(88 129)
<b>Total Post-retirement Benefit included in Employee Related Costs (Note 22)</b>	<b>639 000</b>	<b>359 000</b>

<b>Contribution to Actuarial losses / (gains):</b>	<b>298 774</b>	<b>32 088</b>
Basis changes:		
Decreases/(Increase) in net discount rates	(515 000)	(76 000)
Salary increases higher than assumed	-	-
Increase in assumed average retirement age	-	-
Application of revised withdrawal rates	-	-
Earnings increases higher than assumed	14 000	89 000
Changes to employee profile different from assumed	(101 000)	314 000
Change in benefits valued for former Khara Hais employees (Note 1)	644 000	
Actual benefits vesting, greater than expected	256 774	(294 912)

**The history of experienced adjustments is as follows:**

	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>
	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>
Present Value of Defined Benefit Obligation	8 448 000	7 809 000	7 450 000	7 160 000	6 757 000
<b>Deficit</b>	<b>8 448 000</b>	<b>7 809 000</b>	<b>7 450 000</b>	<b>7 160 000</b>	<b>6 757 000</b>
Experienced adjustments on Plan Liabilities	169 774	108 088	(65 254)	496 048	310 090

Above figures summarises the experience adjustments for the current period and the previous three periods. Experience adjustments are the effects of differences between the previous actuarial assumptions and what has actually occurred.

	<b>2023</b>	<b>2022</b>
	<b>R</b>	<b>R</b>
The effect of a 1% movement in the assumed rate of long service cost inflation is as follows:		
<b>Increase:</b>		
Effect on the aggregate of the current service cost and the interest cost	1 491 000	1 291 000
Effect on the defined benefit obligation	9 040 000	8 387 000
<b>Decrease:</b>		
Effect on the aggregate of the current service cost and the interest cost	1 279 000	1 100 000
Effect on the defined benefit obligation	7 912 000	7 288 000

The District Municipality expects to make a contribution of R941 000 (2022: R782 000) to the defined benefit plans during the next financial year.

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	<b>2023</b>	<b>2022</b>
	<b>R</b>	<b>R</b>
<b>17 ACCUMULATED SURPLUS</b>		
Accumulated Surplus / (Deficit) due to the results of Operations	(16 364 146)	(19 428 561)
<b>Total Accumulated Surplus</b>	<b><u>(16 364 146)</u></b>	<b><u>(19 428 561)</u></b>
<b>Reconciliation of Accumulated Surplus:</b>		
Opening Balance	(19 428 561)	(21 709 961)
Correction of Prior Period Error - Opening Balance	-	-
Published Surplus for the year	3 064 416	2 281 399
Surplus for the year (previously published)	-	2 394 737
Correction of Error (Note 33)	-	(113 338)
<b>Total Accumulated Surplus</b>	<b><u>(16 364 146)</u></b>	<b><u>(19 428 561)</u></b>
<b>18 TRANSFERS AND SUBSIDIES RECEIVED</b>		
<b>Capital Grants and subsidies</b>	-	-
Allocations Gazetted	-	-
<b>Operational Grants and subsidies</b>	86 401 864	82 846 906
Allocations Not Gazetted	2 193 864	1 618 906
Allocations Gazetted	84 208 000	81 228 000
<b>Total Government Grants and Subsidies</b>	<b><u>86 401 864</u></b>	<b><u>82 846 906</u></b>
<b>18.1 Operational Grants</b>		
<b>National Revenue Fund:</b>	<b>78 618 000</b>	<b>74 698 000</b>
Equitable Share Grant	78 618 000	74 698 000
<b>National Governments:</b>		
<b>Allocations Gazetted:</b>	<b>5 340 000</b>	<b>6 280 000</b>
Expanded Public Works Programme Integrated Grant	1 073 000	2 150 000
Local Government Financial Management Grant	1 200 000	1 200 000
Road Asset Management Systems Grant	3 067 000	2 930 000
<b>Allocations Not Gazetted:</b>	<b>1 693 864</b>	<b>1 084 923</b>
National Treasury Subsidy for External Audit Fees	1 693 864	1 084 923
<b>Provincial Government:</b>		
<b>Allocations Gazetted:</b>	<b>250 000</b>	<b>250 000</b>
Housing Grant	250 000	250 000
<b>Allocations Not Gazetted:</b>	<b>500 000</b>	<b>533 983</b>
HIV and AIDS Grant (Provincial Health Department)	500 000	533 983
	<b><u>86 401 864</u></b>	<b><u>82 846 906</u></b>
<b>18.2 Capital Grants and subsidies</b>		
<b>Provincial Government:</b>		
<b>Allocations Gazetted:</b>	-	-
Other	-	-
<b>Total Operational Grants Received</b>	<b><u>86 401 864</u></b>	<b><u>82 846 906</u></b>

**ZF MGCAWU DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023**

	<b>2023</b>	<b>2022</b>
	<b>R</b>	<b>R</b>
<b>18.3 Reconciliation per Grant Source</b>		
<b>18.3.1 National Governments: Financial Management Grant</b>		
<b>Allocations Gazetted:</b>		
Balance unspent at beginning of year	-	-
Current year receipts	1 200 000	1 200 000
Conditions met for 2017/18 - transferred to	-	-
Conditions met - transferred to Revenue: Operating Expenses	(1 200 000)	(1 200 000)
Conditions met - transferred to Revenue: Capital Expenses	-	-
Conditions still to be met - transferred to Liabilities (see Note 14)	<u>-</u>	<u>-</u>

The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The Grant is also used to promote and support reforms in financial management by building capacity in municipalities to implement the MFMA as part of strengthening financial and asset management in the District Municipality.

**18.3.2 National Governments: Rural Road Asset Management Systems Grant**

<b>Allocations Gazetted:</b>		
Balance unspent at beginning of year	-	-
Current year receipts	3 067 000	2 930 000
Conditions not met: Operating Expenses (Withheld by National Treasury)	-	-
Conditions met - transferred to Revenue: Operating Expenses	(1 877 070)	(2 443 952)
Conditions met - transferred to Revenue: Capital Expenses	(1 189 930)	(486 048)
Conditions still to be met - transferred to Liabilities (see Note 14)	<u>-</u>	<u>-</u>

To assist rural district municipalities to set up Rural Road Asset Management Systems (RRAMS), and collect road, bridge and traffic data on municipal road networks in line with the Road Infrastructure Strategic Framework for South Africa (RISFSA).

**18.3.3 National Governments: EPWP Incentive Grant**

<b>Allocations Gazetted:</b>		
Balance unspent at beginning of year	-	-
Current year receipts	1 073 000	2 150 000
Conditions met - transferred to Revenue: Operating Expenses	(1 073 000)	(2 150 000)
Conditions met - transferred to Revenue: Capital Expenses	-	-
Conditions still to be met - transferred to Liabilities (see Note 14)	<u>-</u>	<u>-</u>

To incentivise municipalities to expand work creation efforts through the use of labour intensive delivery methods in identified focus areas, in compliance with the Expanded Public Works Programme guidelines.

**18.3.4 Provincial Government: Housing Accreditation DPLG National Grant**

<b>Allocations Gazetted:</b>		
Balance unspent at beginning of year	-	-
Current year receipts	250 000	250 000
Conditions met - transferred to Revenue: Operating Expenses	(250 000)	(250 000)
Conditions met - transferred to Revenue: Capital Expenses	-	-
Conditions still to be met - transferred to Liabilities (see Note 14)	<u>-</u>	<u>-</u>

The purpose of this grant is to build capacity in municipalities to deliver and subsidise the operational costs of administering human settlements programmes and to ensure effective management of human settlements programmes at the local government level, in line with the accreditation framework.

**ZF MGCAWU DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023**

	<b>2023</b>	<b>2022</b>
	<b>R</b>	<b>R</b>
<b>18.3.5 Provincial Government: HIV/AIDS Grant (Provincial Health Department)</b>		
<b>Allocations Not Gazetted:</b>		
Balance unspent at beginning of year	-	533 983
Current year receipts	500 000	-
Conditions met - transferred to Revenue: Operating Expenses	(500 000)	(533 983)
Conditions met - transferred to Revenue: Capital Expenses	-	-
Conditions still to be met - transferred to Liabilities (see Note 14)	-	-
	<b>-</b>	<b>-</b>

The purpose of this grant is to sustain and extend coverage of the ward-based door-to-door education programme with referrals to local services, to build communities and support and utilise local services appropriately, and to support ward structures to address HIV/AIDS in the local community.

**18.3.6 Summary of Conditional Grants:**

Balance unspent at beginning of year	-	533 983
Current year receipts	6 090 000	6 530 000
Conditions met - transferred to Revenue: Operating Expenses	(4 900 070)	(6 577 935)
Conditions met - transferred to Revenue: Capital Expenses	(1 189 930)	(486 048)
Conditions still to be met - transferred to Liabilities	-	-
	<b>-</b>	<b>-</b>
<b>Grants classified under Receivables from Non-exchange Transactions</b>	<b>-</b>	<b>-</b>
<b>Unspent Conditional Grants - Current Liabilities (see Note 14)</b>	<b>-</b>	<b>-</b>

**19 RENTAL FROM FIXED ASSETS**

**Straight-lined Operating Lease Revenue**

Other Fixed Assets	776	8 730
Property Plant and Equipment	776	8 730
Ad-hoc Rental Income from Other Fixed Assets	-	-
<b>Total Rental of Facilities and Equipment</b>	<b>776</b>	<b>8 730</b>

Rental income generated are at market related premiums. All rental income recognised is therefore market related.

Rental revenue earned on Facilities and Equipment is in respect of Non-financial Assets rented out.

**20 FINANCE INCOME**

**External Investments:**

Bank Account	204 794	76 639
Call Accounts	971 008	610 220
Non-current Investments	58 338	12 048
	<b>1 234 139</b>	<b>698 907</b>

**Outstanding Exchange Receivables:**

Long-term Debtors		
Housing & Housing Selling Schemes	583	659
	<b>583</b>	<b>659</b>

<b>Total Exchange Interest Earned</b>	<b>1 234 722</b>	<b>699 566</b>
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**ZF MGCAWU DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023**

	<b>2023</b>	<b>2022</b>
	<b>R</b>	<b>R</b>
<b>21 OPERATIONAL REVENUE</b>		
LGSETA Skills Programmes and Learnerships	583 843	406 365
Commission	63 428	55 137
Merchandising, Jobbing and Contracts	353 509	270 650
Skills Development Levy Refund	112 354	102 469
<b>Total Operational Revenue</b>	<b>1 113 132</b>	<b>834 620</b>

LGSETA Skills Programmes and Learnerships were received for Student Education Programmes which were fully spent during 2022/23 financial year.

Prior year amounts have been restated. Refer to Note 33 on 'Correction of Error' for details of the restatement.

**22 EMPLOYEE RELATED COSTS**

Salaries and Wages		
Basic	40 106 571	37 577 593
Senior Management	2 266 277	2 793 683
Municipal Staff	37 840 294	34 783 910
Bonuses	524 640	552 472
Senior Management - Performance Bonus	524 640	552 472
Shift Work Allowance	806 615	890 246
Municipal Staff	806 615	890 246
Allowances		
Acting and Post Related Allowances	522 398	682 512
Senior Management	93 505	11 111
Municipal Staff	428 893	671 402
Annual Bonus Allowance	3 296 733	3 092 337
Senior Management	139 192	153 500
Municipal Staff	3 157 541	2 938 837
Cellular and Telephone	365 450	324 109
Senior Management	52 600	26 700
Municipal Staff	312 850	297 409
Housing Benefits	304 186	349 127
Senior Management	-	16 900
Municipal Staff	304 186	332 227
Standby Allowance	10 200	10 200
Municipal Staff	10 200	10 200
Travel or Motor Vehicle	3 784 463	4 179 248
Senior Management	791 404	1 244 037
Municipal Staff	2 993 059	2 935 211
Uniform/Special/Protective Clothing	1 207	1 326
Municipal Staff	1 207	1 326
Social Contributions		
Bargaining Council	8 493	8 850
Senior Management	233	298
Municipal Staff	8 260	8 552
Medical	2 166 649	2 123 833
Senior Management	152 365	96 839
Municipal Staff	2 014 284	2 026 994
Pension	6 776 549	6 243 004
Senior Management	369 980	306 165
Municipal Staff	6 406 568	5 936 839
Unemployment Insurance	215 314	216 535
Senior Management	6 553	8 147
Municipal Staff	208 761	208 388
<b>Total Employee Cost</b>	<b>58 889 467</b>	<b>56 251 393</b>

**ZF MGCAWU DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023**

	2023 R	2022 R
Post-retirement Benefit		
Current Service Cost	575 000	566 000
Senior Management	36 800	39 300
Municipal Staff	538 200	526 700
Interest Cost	2 968 000	2 675 000
Senior Management	107 600	82 400
Municipal Staff	2 860 400	2 592 600
Actuarial Gains and Losses	(3 453 148)	(3 369 056)
Senior Management	(272 500)	(30 600)
Municipal Staff	(3 180 648)	(3 338 456)
Leave Gratuity	(179 369)	27 914
Senior Management	(150 692)	47 649
Municipal Staff	(28 677)	(19 734)
Long Term Service Awards	1 677 774	1 266 306
Senior Management	108 318	139 917
Municipal Staff	1 569 455	1 126 389
<b>Total Post-retirement Benefit</b>	<b>1 588 256</b>	<b>1 166 165</b>
<b>Total Employee Related Costs</b>	<b>60 477 724</b>	<b>57 417 558</b>

Prior year amounts have been restated. Refer to Note 33 on 'Correction of Error' for details of the restatement.

**Remuneration of Section 57 Employees:**

**Remuneration of the Municipal Manager**

Annual Remuneration	75 584	931 346
Acting Allowance	75 464	-
Performance Bonus	154 329	164 719
Car, Cell phone and Housing Allowance	31 589	375 066
<b>Total</b>	<b>336 965</b>	<b>1 471 131</b>

**Remuneration of Director: Financial Services**

Annual Remuneration	752 772	572 389
Acting Allowance	-	11 111
Annual Bonus	57 096	48 500
Performance Bonus	105 593	94 385
Car, Cell phone and Housing Allowance	141 134	146 432
Company Contributions to Medical and Pension Funds	172 548	129 572
<b>Total</b>	<b>1 229 143</b>	<b>1 002 390</b>

The post was vacant as from 15 March 2021 to 31 August 2021. Acting Allowances were paid for the period. The post was filled from 01 September 2021.

**Remuneration of the Director: Corporate Services**

Annual Remuneration	685 149	638 343
Acting Allowance	18 041	-
Annual Bonus	25 000	60 000
Performance Bonus	159 786	154 382
Car, Cell phone and Housing Allowance	510 233	461 025
Company Contributions to Medical and Pension Funds	183 411	172 179
<b>Total</b>	<b>1 581 620</b>	<b>1 485 929</b>

**ZF MGCAWU DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023**

	<b>2023</b>	<b>2022</b>
	<b>R</b>	<b>R</b>
<b>Remuneration of the Director: Planning &amp; Development</b>		
Annual Remuneration	752 772	651 605
Annual Bonus	57 096	45 000
Performance Bonus	126 712	110 816
Car, Cell phone and Housing Allowance	161 048	305 114
Company Contributions to Medical and Pension Funds	166 386	101 252
<b>Total</b>	<b><u>1 264 014</u></b>	<b><u>1 213 788</u></b>

The post was filled from 01 August 2020. No acting allowances were paid for the period.

**Summary of Remuneration of Section 57 Employees:**

Annual Remuneration	2 266 277	2 793 683
Annual Bonus	139 192	153 500
Acting Allowance	93 505	11 111
Performance Bonus	546 419	524 302
Car, Cell phone and Housing Allowance	844 004	1 287 637
Company Contributions to Medical and Pension Funds	522 345	403 004
<b>Total Remuneration of Section 57 Employees</b>	<b><u>4 411 742</u></b>	<b><u>5 173 238</u></b>

The following compensation was payable to key management personnel in terms of GRAP 25 as at 30 June:

**Staff Leave Benefits:-**

Municipal Manager	-	124 770
Director: Financial Services	21 925	30 104
Director: Planning & Development	13 703	10 800
Director: Corporate Services	5 481	26 126
<b>Total</b>	<b><u>41 109</u></b>	<b><u>191 801</u></b>

**23 REMUNERATION OF COUNCILLORS**

Executive Mayor	922 127	837 419
Speaker	445 885	533 649
Chief Whip	385 824	128 460
Executive Committee	2 872 651	2 941 603
Section 79 committee chairperson	311 590	151 964
Total for All Other Councillors	122 127	60 676
<b>Total Councillors' Remuneration</b>	<b><u>5 060 204</u></b>	<b><u>4 653 771</u></b>

Prior year amounts have been restated. Refer to Note 33 on 'Correction of Error' for details of the restatement.

**Remuneration of Councillors:**

***In-kind Benefits***

The Councillors occupying the positions of Executive Mayor and Speaker serve in a full-time capacity. They are provided with office accommodation and secretarial support at the expense of the District Municipality in order to enable them to perform their official duties.

Councillors may utilise official Council transportation when engaged in official duties.

The Executive Mayor has used a Council owned vehicle for official duties.

Refer to Appendix G for more detail.

**ZF MGCAWU DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023**

	2023 R	2022 R
<b>24 DEPRECIATION AND AMORTISATION</b>		
Depreciation: Property, Plant and Equipment	1 210 523	904 808
Amortisation: Intangible Assets	52 803	138 145
<b>Total Depreciation and Amortisation</b>	<b>1 263 327</b>	<b>1 042 953</b>
<b>24.1 Depreciation: Property, Plant and Equipment</b>		
Other Assets	82 213	82 214
Computer Equipment	251 626	241 788
Furniture and Office Equipment	28 437	45 112
Machinery and Equipment	686 895	362 491
Own	31 593	10 036
Leased	655 302	352 455
Transport Assets	161 352	173 204
	<b>1 210 523</b>	<b>904 808</b>
Prior year amounts have been restated. Refer to Note 33 on 'Correction of Error' for details of the restatement.		
<b>25 IMPAIRMENT LOSSES / (GAINS)</b>		
Impairment (Gains) on Financial Assets	-	-
Impairment Losses on Financial Assets	-	53 246
<b>Total Impairment Losses / (Gains)</b>	<b>-</b>	<b>53 246</b>
<b>25.1 Impairment Losses on Financial Assets</b>		
<b>Impairment Losses</b>	-	-
Trade and Other Receivables from Exchange Transactions	-	-
Long Term Receivables	-	-
<b>Reversal of Impairment Losses</b>	-	-
Trade and Other Receivables from Exchange Transactions	-	-
Long Term Receivables	-	-
<b>Impairment Losses Recognised (written off during the current year):</b>	-	53 246
Trade and Other Receivables from Exchange Transactions	-	53 246
Long Term Receivables	-	-
	<b>-</b>	<b>53 246</b>
<b>26 FINANCE COSTS</b>		
Finance Leases	446 108	509 749
Overdue Accounts	3 960	3 120
Total Interest Expense	450 068	512 869
Less: Amounts included in the Cost of qualifying Assets	-	-
<b>Total Finance Cost</b>	<b>450 068</b>	<b>512 869</b>

**ZF MGCAWU DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023**

**27 CONTRACTED SERVICES**

Included in Contracted Services are the following:

Business and Advisory	1 375 202	1 167 916
Catering Services	293 880	314 225
Cleaning Services	182 543	782 304
Clearing and Grass Cutting Services	337 524	-
Graphic Designers	20 780	20 920
Infrastructure and Planning	299 739	1 223 628
Legal Cost	11 232	40 803
Maintenance of Buildings and Facilities: Operational Buildings	1 356 100	1 696 360
Maintenance of Equipment	224 923	191 417
Furniture and Office Equipment	85 203	89 601
Transport Assets	139 719	101 816
Maintenance of Unspecified Assets: Intangible Assets	1 289 684	1 070 274
Photographer	-	4 435
Plants, Flowers and Other Decorations	21 416	32 280
Stage and Sound Crew	-	8 150
Transportation	69 500	14 000
Water Takers	-	28 000
	<b>5 482 523</b>	<b>6 594 714</b>

Prior year amounts have been restated. Refer to Note 33 on 'Correction of Error' for details of the restatement.

**28 INVENTORY CONSUMED**

Consumables	213 987	173 019
Materials and Supplies	185 729	461 164
	<b>399 716</b>	<b>634 183</b>

**29 TRANSFERS AND SUBSIDIES PAID**

<b>Operational Grants</b>	910 863	304 250
Allocations In-kind	-	-
Monetary Allocations	910 863	304 250
<b>Total Transfers and Subsidies Paid</b>	<b>910 863</b>	<b>304 250</b>

**ZF MGCAWU DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023**

**29.1 Operational Grants**

	Allocations In-kind		Monetary Allocations	
	2023	2022	2023	2022
Households	-	-	910 863	304 250
<b>Total Operational Grants Paid</b>	<b>-</b>	<b>-</b>	<b>910 863</b>	<b>304 250</b>
			<b>2023</b>	<b>2022</b>
			<b>R</b>	<b>R</b>

**30 OPERATING LEASES**

Other Assets	-	606 950
<b>Total for Operating Leases</b>	<b>-</b>	<b>606 950</b>

**31 OPERATIONAL COSTS**

Included in Operational Costs are the following:

Achievements and Awards	274 321	236 364
Advertising, Publicity and Marketing	102 328	122 265
External Audit Fees	2 163 617	2 202 845
Bank Charges, Facility and Card Fees	104 629	91 429
Bargaining Council	634 764	601 626
Bursaries (Employees)	209 924	-
Courier and Delivery Services	968	643
Communication	450 557	526 182
Entertainment	23 115	28 949
External Computer Service	608 420	435 390
Insurance Underwriting	316 158	920 995
Learnerships and Internships	947 457	445 519
Licences	11 184	-
Municipal Services	706 741	608 372
Registration Fees	58 995	35 013
Professional Bodies, Membership and Subscription	96 563	89 367
Skills Development Fund Levy	578 595	557 374
Search Fees	5 595	2 000
Storage of Files (Archiving)	-	135 000
Transport Provided as Part of Departmental Activities	-	41 750
Travel and Subsistence	3 320 626	2 201 309
Uniform and Protective Clothing	40 804	255 512
Vehicle Tracking	4 141	8 379
Wet Fuel	368 195	369 941
Workmen's Compensation Fund	288 331	242 321
Samples and Specimens	123 716	82 363
Hire Charges	-	4 348
Fines and Penalties	26 969	6 787
Entrance Fees	58 157	46 550
<b>Total Operational Costs</b>	<b>11 524 872</b>	<b>10 298 596</b>

Prior year amounts have been restated. Refer to Note 33 on 'Correction of Error' for details of the restatement.

**ZF MGCAWU DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023**

	<b>2023</b>	<b>2022</b>
	<b>R</b>	<b>R</b>
<b>31.1 Travel and Subsistence</b>		
Accommodation & Daily Allowance	1 451 287	997 393
Accommodation	1 335 433	890 924
Daily Allowance	115 854	106 169
Transport without Operator	1 742 860	1 115 134
Transport with Operator	5 360	5 064
<b>Domestic</b>	<b>3 199 507</b>	<b>2 117 591</b>
<b>Non-employees</b>	<b>121 118</b>	<b>83 719</b>
<b>Total of Travel and Subsistence</b>	<b>3 320 626</b>	<b>2 201 309</b>

No other extra-ordinary expenses were incurred.

**32 GAINS / (LOSSES) ON DISPOSAL OF CAPITAL ASSETS**

Gains/(Losses) on write-offs of Property, Plant and Equipment	(116 783)	10 667
Gains/(Losses) on write-offs of Intangible Assets	-	-
<b>Total Gains / (Losses) on Disposal of Capital Assets</b>	<b>(116 783)</b>	<b>10 667</b>
<b>Total Gains on Disposal of Capital Assets</b>	<b>-</b>	<b>10 667</b>
<b>Total Losses on Disposal of Capital Assets</b>	<b>116 783</b>	<b>-</b>

**33 CORRECTION OF ERROR**

The District Municipality implemented the Municipal Standard Chart of Accounts (mSCOA) during the year ended 30 June 2018 as required in terms of the Municipal Regulations on Standard Chart of Accounts, announced by Government Gazette No 37577 of 22 April 2014, in section 168 of the Local Government: Municipal Finance Management Act (Act 56 of 2003) and through directives and guidelines from National Treasury.

The implementation of mSCOA as stated above resulted in certain descriptions and figures being restated.

Other corrections were also made during the previous financial years. Details of the corrections are described below:

**33.1 Reclassification of Accumulated Surplus**

The prior year figures of Accumulated Surplus has been restated to correctly disclose the monies held by the District Municipality in terms of the disclosure notes indicated below.

**ZF MGCAWU DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023**

The effect of the changes are as follows:

	<b>Accumulated Surplus R</b>
<b>Balances published as at 30 June 2021</b>	<b>(21 709 961)</b>
Correction of Error:	-
Correction of VAT Receivable	
Correction of Trade and Other Payable Exchange Transactions	
<b>Restated Balances as at 30 June 2021</b>	<b>(21 709 961)</b>
Transactions incurred for the Year 2021/22	2 394 737
Correction of Error:-	(113 338)
Correction of Trade and other Receivables from Exchange Transactions	21 261
Correction of Statutory Receivables from Exchange Transactions	12 771
Correction of VAT Receivable	(12 771)
Correction of Property, Plant and Equipment: Machinery and Equipment	47 795
Correction of Property, Plant and Equipment: Leased Assets	(47 795)
Correction of Trade and Other Payable Exchange Transactions	(134 600)
<b>Restated Balances as at 30 June 2022</b>	<b>(19 428 561)</b>

### 33.2 Reclassification of Revenue

No prior year amounts of items in **Revenue** included in the Statement of Financial Performance have been restated.

### 33.3 Reclassification of Expenditure

The prior year figures of Expenditure Classes have been restated to correctly classify the nature of Expenditure of the District Municipality.

The effect of the Correction of Error is as follows:

	<b>Prior Year 2021/22 Audited</b>	<b>Correction of Error</b>	<b>Restated Amount 2021/22</b>
Employee Related Costs	56 838 028	579 530	57 417 558
Remuneration of Councillors	4 620 087	33 684	4 653 771
Depreciation and Amortisation	1 042 953	-	1 042 953
Impairment Losses	53 246	-	53 246
Finance Costs	512 869	-	512 869
Contracted Services	7 087 439	(492 725)	6 594 714
Inventory Consumed	634 183	-	634 183
Transfers and Subsidies Paid	304 250	-	304 250
Operating Leases	626 900	(19 950)	606 950
Operational Costs	10 285 796	12 800	10 298 596
	<b>82 005 752</b>	<b>113 338</b>	<b>82 119 090</b>

Prior year amounts of items in **Expenditure** included in the Statement of Financial Performance have been restated as indicated below:

#### Employee Related Costs:

During the preparation of the 2022/23 Annual Financial Statements it was noted that ZF Mgcawu District Municipality incorrectly recognised basic salaries for RRAMS as Contracted Services. Therefore Contracted Services were retrospectively decreased by R492 725 and Employee Related Cost were increased by R492 725 on 30 June 2022.

During the preparation of the 2022/23 Annual Financial Statements it was noted that ZF Mgcawu District Municipality did not disclose Senior Management's 2021/22 remuneration according to the Government Gazette dated 18 November 2022. Therefore Trade and Other Payable Exchange Transactions were retrospectively increased by R105 245 and Employee Related Cost were decreased by R105 245 on 30 June 2022.

During the preparation of the 2022/23 Annual Financial Statements it was noted that ZF Mgcawu District Municipality incorrectly calculated the pension payout for an employee. Therefore Trade and other Receivables from Exchange Transactions were retrospectively increased by R14 111, Trade and Other Payable Exchange Transactions were decreased by R4 704 and Employee Related Cost were decreased by R9 408 on 30 June 2022.

**ZF MGCAWU DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023**

**Depreciation and Amortisation:**

During the preparation of the 2022/23 Annual Financial Statements it was noted that ZF Mgcawu District Municipality incorrectly disclosed depreciation between Leased Assets and Machinery and Equipment. Therefore Accumulated Depreciation: Leased Assets were retrospectively increased by R47 795 and Accumulated Depreciation: Machinery and Equipment were decreased by R47 795 on 30 June 2022.

**Contracted Services:**

During the preparation of the 2022/23 Annual Financial Statements it was noted that ZF Mgcawu District Municipality incorrectly recognised basic salaries for RRAMS as Contracted Services. Therefore Contracted Services were retrospectively decreased by R492 725 and Employee Related Cost were increased by R492 725 on 30 June 2022.

**Remuneration of Councillors:**

During the preparation of the 2022/23 Annual Financial Statements it was noted that ZF Mgcawu District Municipality did not disclose a Councillor's back pay as Trade and Other Payable Exchange Transactions. Therefore Trade and Other Payable Exchange Transactions were retrospectively increased by R33 684 and Remuneration of Councillors were increased by R33 684 on 30 June 2022.

**Transfers and Subsidies Paid:**

During the preparation of the 2022/23 Annual Financial Statements it was noted that ZF Mgcawu District Municipality did not allocate the expenditures correctly according to mSCOA. Therefore Operational Cost was retrospectively increased by R19 950, Operating Leases were decreased by R19 950, Transfers and Subsidies: Monetary Allocations were increased by R304 250, Transfers and Subsidies: Allocations In-kind were decreased by R304 250 on 30 June 2022.

**Operating Leases:**

During the preparation of the 2022/23 Annual Financial Statements it was noted that ZF Mgcawu District Municipality did not allocate the expenditures correctly according to mSCOA. Therefore Operational Cost was retrospectively increased by R19 950, Operating Leases were decreased by R19 950, Transfers and Subsidies: Monetary Allocations were increased by R304 250, Transfers and Subsidies: Allocations In-kind were decreased by R304 250 on 30 June 2022.

**Operational Costs:**

During the preparation of the 2022/23 Annual Financial Statements it was noted that ZF Mgcawu District Municipality did not disclose an employee's travel and subsistence as Trade and other Receivables from Exchange Transactions. Therefore Trade and other Receivables from Exchange Transactions were retrospectively increased by R7 150 and Operational Cost were increased by R7 150 on 30 June 2022.

During the preparation of the 2022/23 Annual Financial Statements it was noted that ZF Mgcawu District Municipality did not allocate the expenditures correctly according to mSCOA. Therefore Operational Cost was retrospectively increased by R19 950, Operating Leases were decreased by R19 950, Transfers and Subsidies: Monetary Allocations were increased by R304 250, Transfers and Subsidies: Allocations In-kind were decreased by R304 250 on 30 June 2022.

**33.4 Reclassification of Statement of Financial Position**

The prior year figures of Classes in the Statement of Financial Position have been restated to correctly classify the nature of Assets, Liabilities and Net Assets of the Municipality.

**The effect of the Correction of Error is as follows:**

	Prior Year 2021/22 Audited	Correction of Error	Restated Amount 2021/22
<b>Current Assets</b>			
Receivables from Exchange Transactions	197 928	21 261	219 189
Statutory Receivables from Exchange Transactions	-	12 771	12 771
VAT Receivable	553 633	(12 771)	540 862
Cash and Cash Equivalents	2 126 406	-	2 126 406
Current Portion of Long-term Receivables	17 718	-	17 718
<b>Non-Current Assets</b>			
Property, Plant and Equipment	21 429 126	-	21 429 126
Intangible Assets	112 354	-	112 354
Long-term Receivables	108 585	-	108 585

**ZF MGCAWU DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023**

	Prior Year 2021/22 Audited	Correction of Error	Restated Amount 2021/22
<b>Current Liabilities</b>			
Provisions	2 887 376	-	2 887 376
Payables from Exchange Transactions	8 144 410	134 600	8 279 010
Unspent Conditional Grants and Receipts	-	-	-
Current Portion of Long-term Liabilities	496 885	-	496 885
<b>Non-Current Liabilities</b>			
Long-Term Liabilities	803 350	-	803 350
Retirement Benefit Liabilities	32 041 000	-	32 041 000
<b>Net Assets</b>			
Accumulated Surplus / (Deficit)	(19 315 223)	(113 338)	(19 428 561)
	<u>-</u>	<u>-</u>	<u>-</u>

Prior year amounts of items in the Statement of Financial Position have been restated as indicated below:

**Receivables from Exchange Transactions:**

During the preparation of the 2022/23 Annual Financial Statements it was noted that ZF Mgcawu District Municipality incorrectly calculated the pension payout for an employee. Therefore Trade and other Receivables from Exchange Transactions were retrospectively increased by R14 111, Trade and Other Payable Exchange Transactions were decreased by R4 704 and Employee Related Cost were decreased by R9 408 on 30 June 2022.

During the preparation of the 2022/23 Annual Financial Statements it was noted that ZF Mgcawu District Municipality did not disclose an employee's travel and subsistence as Trade and other Receivables from Exchange Transactions. Therefore Trade and other Receivables from Exchange Transactions were retrospectively increased by R7 150 and Operational Cost were increased by R7 150 on 30 June 2022.

**Statutory Receivables from Exchange Transactions**

During the preparation of the 2022/23 Annual Financial Statements it was noted that ZF Mgcawu District Municipality did not disclose Statutory Receivables from Exchange Transactions as VAT Receivables. Therefore Statutory Receivables from Exchange Transactions were retrospectively increased by R12 771 and VAT Receivables were decreased by R12 771 on 30 June 2022.

**VAT Receivable:**

During the preparation of the 2022/23 Annual Financial Statements it was noted that ZF Mgcawu District Municipality did not disclose Statutory Receivables from Exchange Transactions as VAT Receivables. Therefore Statutory Receivables from Exchange Transactions were retrospectively increased by R12 771 and VAT Receivables were decreased by R12 771 on 30 June 2022.

**Property, Plant and Equipment**

During the preparation of the 2022/23 Annual Financial Statements it was noted that ZF Mgcawu District Municipality incorrectly disclosed depreciation between Leased Assets and Machinery and Equipment. Therefore Accumulated Depreciation: Leased Assets were retrospectively increased by R47 795 and Accumulated Depreciation: Machinery and Equipment were decreased by R47 795 on 30 June 2022.

**Payables from Exchange Transactions:**

During the preparation of the 2022/23 Annual Financial Statements it was noted that ZF Mgcawu District Municipality did not disclose Senior Management's 2021/22 remuneration according to the Government Gazette dated 18 November 2022. Therefore Trade and Other Payable Exchange Transactions were retrospectively increased by R105 245 and Employee Related Cost were decreased by R105 245 on 30 June 2022.

During the preparation of the 2022/23 Annual Financial Statements it was noted that ZF Mgcawu District Municipality incorrectly calculated the pension payout for an employee. Therefore Trade and other Receivables from Exchange Transactions were retrospectively increased by R14 111, Trade and Other Payable Exchange Transactions were decreased by R4 704 and Employee Related Cost were decreased by R9 408 on 30 June 2022.

During the preparation of the 2022/23 Annual Financial Statements it was noted that ZF Mgcawu District Municipality did not disclose a Councillor's back pay as Trade and Other Payable Exchange Transactions. Therefore Trade and Other Payable Exchange Transactions were retrospectively increased by R33 684 and Remuneration of Councillors were increased by R33 684 on 30 June 2022.

**ZF MGCAWU DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023**

	<b>2023</b>	<b>2022</b>
	<b>R</b>	<b>R</b>
<b>34 CHANGE IN ACCOUNTING ESTIMATES</b>		
<b>34.1 Depreciation Expenditure:</b>		
<p>The estimated useful lives and depreciation method were reviewed at 30 June 2023 and no changes were made for the 2022/23 financial year. Adjustments were made to the remaining useful lives and residual values in the current year and affected the amount of depreciation for the 2022/23 financial year. The adjustments are as follows:</p>		
Increase / (Decrease) in Depreciation due to adjustments to Residual Values of PPE	-	-
Increase / (Decrease) in Depreciation due to adjustments to Useful Lives of PPE	(55 211)	(49 864)
<b>Increase / (Decrease) in Depreciation of PPE</b>	<b><u>(55 211)</u></b>	<b><u>(49 864)</u></b>
Depreciation as previously stated	1 318 537	1 092 817
Adjustment due to Change in Accounting Estimate	(55 211)	(49 864)
<b>Depreciation as per Note 24</b>	<b><u>1 263 327</u></b>	<b><u>1 042 953</u></b>
 <b>35 CASH GENERATED BY OPERATIONS</b>		
Surplus / (Deficit) for the Year	3 064 416	2 281 399
Adjustment for:		
Depreciation and Amortisation	1 263 327	1 042 953
Losses / (Gains) on Disposal of Property, Plant and Equipment	116 783	(10 667)
Contribution to Post-retirement Employee Benefits	89 852	(128 056)
Expenditure incurred from Post-retirement Employee Benefits	(1 553 852)	(1 589 944)
Contribution to Long Service Awards Liability	1 677 774	1 223 088
Expenditure incurred from Long Service Awards Liability	(1 038 774)	(864 088)
Contribution to Provisions - Current: Performance Bonus	(524 640)	552 472
Expenditure incurred from Provisions - Current: Performance Bonus	502 860	(524 303)
Bad Debts Written-off: Receivables from Exchange Transactions	-	53 246
<b>Operating surplus before working capital changes</b>	<b><u>3 597 746</u></b>	<b><u>2 036 101</u></b>
Decrease/(Increase) in Receivables from Exchange Transactions	(5 402)	24 068
Decrease/(Increase) in Statutory Receivables from Exchange Transactions	9 166	(12 771)
Decrease/(Increase) in Receivables from Non-exchange Transactions	(20 000)	121 515
Decrease/(Increase) in VAT Receivable	92 627	408 481
Decrease/(Increase) in Current Portion of Long-term Receivables	1 277	(11 316)
Increase/(Decrease) in Payables from Exchange Transactions	(1 630 574)	(758 392)
Increase/(Decrease) in Conditional Grants and Receipts	-	(533 983)
Increase/(Decrease) in Operating Lease Liabilities	-	(33 039)
<b>Cash generated by / (utilised in) Operations</b>	<b><u>2 044 840</u></b>	<b><u>1 240 663</u></b>

**ZF MGCAWU DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023**

	2023 R	2022 R
<b>36 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED</b>		

**36.1 Unauthorised Expenditure**

Reconciliation of Unauthorised Expenditure:

Opening balance	-	-
Unauthorised Expenditure identified in current year	-	1 643 237
Approved by Council	-	(1 643 237)
Transfer to receivables for recovery (see Note 2)	-	-
Unauthorised Expenditure awaiting authorisation	-	-
	-	-

No Unauthorised Expenditures incurred for 2022/23 financial year:

Unauthorised Expenditures incurred for 2021/22 financial year:

Incident	Disciplinary Steps / Criminal Proceedings	Amount R
<b>Budgeted Expenditure votes exceeded:</b>		
- Finance and Administration	<i>Written off by Council during 2021/22</i>	1 643 237
	<b>Total:</b>	<b>1 643 237</b>

The reasons for the unauthorised expenditure during 2021/22 financial year:

- 1) ZFM budgeted for Copiers under operational expenditure but the copiers were recognised as Finance Lease Liabilities. Therefore, ZFM did not budget for Leased Assets (R1 610 000) which were classified as Property, Plant and Equipment.
- 2) ZFM budgeted for the Anti-virus Software License under operational expenditure but the software was recognised as Intangible Assets. Therefore ZFM did not budget for the Software License (R33 237) which was classified as Intangible Assets.

ZFM cannot approve a virement between operational expenditure and capital expenditure according to the virement policy.

Condonement of non-compliance of a regulation:

In terms of section 170 of the MFMA, only the National Treasury may condone non-compliance with a regulation issued in terms of the MFMA or a condition imposed by the Act itself. The Municipal Council therefore has no power in terms of the MFMA to condone any act of non-compliance in terms of the MFMA or any of its regulations.

Recoverability of expenditures:

ZF Mgcawu District Municipality has investigated all unauthorised expenditures. Each instance and reason for the items that lead to unauthorised expenditure were presented to MPAC for further investigation. It was recommended to MPAC that the expenditures are irrecoverable and therefore a debtor could not be created. MPAC has also investigated the expenditures and recommended to Council that the expenditures were irrecoverable and must be written off by Council. Council concluded that no person or entity should be held liable for these unauthorised expenditures and must be written off during the financial year.

	2023 R	2022 R
<b>36.2 Fruitless and Wasteful Expenditure</b>		

Reconciliation of Fruitless and Wasteful expenditure:

Opening balance	9 439	-
Fruitless and Wasteful Expenditure identified in current year	23 608	9 439
Expenditure investigated and approved by Council	(9 439)	-
To be recovered – Receivables from Exchange Transactions (refer Note 2.)	-	-
To be recovered – Long-term Receivables (refer Note 11)	-	-
Recouped from Salaries Payable	-	-
Fruitless and Wasteful Expenditure awaiting condonement	23 608	9 439

Fruitless and Wasteful expenditure summary for 2022/23 financial year:

Incident	Disciplinary Steps / Criminal Proceedings	Amount
Compensation Commissioner: Penalties & Interest on the late payment of 2022/23 assessments.	Under Investigation	3 608
Debit order deducted from bank account without ZFM's approval. This was reported as fraud and the investigation by SAPS & ZFM is still in progress.	To be recovered – Long-term Receivables	20 000.00
	<b>Total:</b>	<b>23 608</b>

**ZF MGCAWU DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023**

Fruitless and Wasteful expenditure summary for 2021/22 financial year:

Incident	Disciplinary Steps / Criminal Proceedings	Amount
Compensation Commissioner: Penalties & Interest on the late payment of 2021/22 assessments.	Written of by Council in 2022/23	8 062
SARS: PAYE, UIF & SDL Penalties & Interest on the late payment of 2021/22 SARS assessments.	Written of by Council in 2022/23	1 377
<b>Total:</b>		<b>9 439</b>

Condonement of non-compliance of a regulation:

In terms of section 170 of the MFMA, only the National Treasury may condone non-compliance with a regulation issued in terms of the MFMA or a condition imposed by the Act itself. The Municipal Council therefore has no power in terms of the MFMA to condone any act of non-compliance in terms of the MFMA or any of its regulations.

Recoverability of expenditures:

ZF Mgcawu District Municipality has investigated all fruitless and wasteful expenditures. Each instance and reason for the items that lead to fruitless and wasteful expenditure were presented to MPAC for further investigation. It was recommended to MPAC that the expenditures are irrecoverable and therefore a debtor could not be created. MPAC has also investigated the expenditures and recommended to Council that the expenditures were irrecoverable and must be written off by Council. Council concluded that no person or entity should be held liable for these fruitless and wasteful expenditures and must be written off during the financial year.

	2023 R	2022 R
<b>36.3 Irregular Expenditure</b>		
Reconciliation of Irregular Expenditure:		
Opening balance	184 406	-
Irregular Expenditure identified in current year	25 422	2 388 047
Written off by Council	-	(2 203 641)
Irregular Expenditure awaiting condonement	<u>209 828</u>	<u>184 406</u>

Irregular Expenditure summary for 2022/23 financial year:

Incident	Disciplinary Steps / Criminal Proceedings	Amount (incl. VAT)
Managers directly accountable to the Municipal Manager exceeded the acting periods in terms of Section 56(1)(a)(ii) of Local Government: Municipal Systems Act. - AK Tieties: Irregular acting period as Municipal Manager from November 2022 to January 2023 and June 2023 (R16 292). - DJ van Zyl: Irregular acting period as Municipal Manager during May 2023 (R9 130).	Under Investigation	25 422
<b>Total:</b>		<b>25 422</b>

Irregular Expenditure summary for 2021/22 financial year:

Incident	Disciplinary Steps / Criminal Proceedings	Amount (incl. VAT)
Supplier with an Overall Tax Status that is non-compliant	Under Investigation	166 800
No signed declaration for a supplier	Under Investigation	17 606
Extension of contract: Non-compliance with SCM Regulation 29(2). Crystal Lagoon - Rental of office for the Executive Mayor and Environmental Health.	Written off by Council during 2021/22	450 983
Non-compliance with SCM Regulation 29(2). Extension of contract: ITEC - Rental of Copier Machines.	Written off by Council during 2021/22	98 079
Extension of contract: Non-compliance with SCM Regulation 29(2). ITEC - Rental of Copier Machines.	Written off by Council during 2021/22	261 544
Extension of contract: Non-compliance with SCM Regulation 29(2). Aganang - Appointment of Engineering Consultants to render implementation and management of the Rural Roads Assets Management System Grant for the ZF Mgcawu District Municipality.	Written off by Council during 2021/22	1 393 036
<b>Total:</b>		<b>2 388 047</b>

**ZF MGCAWU DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023**

Condonement of non-compliance of a regulation:

In terms of section 170 of the MFMA, only the National Treasury may condone non-compliance with a regulation issued in terms of the MFMA or a condition imposed by the Act itself. The Municipal Council therefore has no power in terms of the MFMA to condone any act of non-compliance in terms of the MFMA or any of its regulations.

Recoverability of expenditures:

ZF Mgcawu District Municipality has investigated all irregular expenditures. Each instance and reason for the items that lead to irregular expenditure were presented to MPAC for further investigation. It was recommended to MPAC that the expenditures are irrecoverable and therefore a debtor could not be created. MPAC has also investigated the expenditures and recommended to Council that the expenditures were irrecoverable and must be written off by Council. Council concluded that no person or entity should be held liable for these irregular expenditure and must be written off during the 2022/23 financial year.

	<b>2023</b>	<b>2022</b>
	<b>R</b>	<b>R</b>
<b>37 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT</b>		
<b>37.1 Contributions to organised local government - SALGA (incl. VAT)</b>		
Opening Balance	-	8 250
Council Subscriptions	634 764	593 376
Subscriptions Amount Paid - current year	(639 764)	(601 626)
Subscriptions Amount Paid - previous years	-	-
Council Members Assembly and Levies	5 000	-
<b>Balance Unpaid (included in Payables from Exchange Transactions)</b>	<b>-</b>	<b>-</b>
<b>37.2 Audit Fees (incl. VAT)</b>		
Opening Balance	-	1 712 495
Current year Audit Fee	2 488 159	2 533 272
Amount Paid by National Treasury	(1 947 943)	(1 247 662)
Amount Paid - current year	(540 216)	(1 285 610)
Amount Paid - previous years	-	(1 712 495)
<b>Balance Unpaid (included in Payables from Exchange Transactions)</b>	<b>-</b>	<b>-</b>
<b>37.3 VAT</b>		
The net of VAT input payables and VAT output receivables are shown in Note 5. All VAT returns have been submitted by the due date throughout the year.		
<b>37.4 PAYE, Skills Development Levy and UIF</b>		
Opening Balance	946 645	(114 268)
Current year Payroll Deductions	11 066 761	11 624 960
Amount Paid - current year	(10 851 981)	(10 678 315)
Amount Paid - previous years	(227 188)	114 268
<b>Balance Unpaid (included in Payables from Exchange Transactions)</b>	<b>934 237</b>	<b>946 645</b>
	<b>2023</b>	<b>2022</b>
	<b>R</b>	<b>R</b>
Balance Unpaid - Prior year	719 457	-
Balance Unpaid - June	214 780	946 645
<b>Balance Unpaid (included in Payables from Exchange Transactions)</b>	<b>934 237</b>	<b>946 645</b>
<b>37.5 Pension and Medical Aid Deductions</b>		
Opening Balance	133 689	102 719
Current year Payroll Deductions and Council Contributions	14 154 298	13 383 392
Amount Paid - current year	(14 057 622)	(13 249 703)
Amount Paid - previous years	(133 689)	(102 719)
<b>Balance Unpaid (included in Payables from Exchange Transactions)</b>	<b>96 676</b>	<b>133 689</b>

The unpaid balance refer to June month's outstanding balance and is payable before 7 July 2023.

**ZF MGCAWU DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023**

**37.6 Councillor's arrear Consumer Accounts**

During the financial year under review no Councillor (present or past) was in arrear with the settlement of their municipal accounts.

**37.7 Non-Compliance with the Municipal Finance Management Act**

No known matters existed at reporting date.

**37.8 Deviation from, and ratification of minor breaches of, the Procurement Processes**

In terms of section 36(2) of the Municipal Supply Chain Management Regulations approved by the Council, any deviation from the Supply Chain Management Policy needs to be approved / condoned by the Municipal Manager, noted by Council and bids where the formal procurement processes could not be followed must be noted in the Annual Financial Statements.

Deviations from the tender stipulations in terms of the District Municipality's Supply Chain Management Policy were submitted to Council quarterly, which condoned the various cases.

The following deviations from the tender stipulations in terms of the District Municipality's Supply Chain Management Policy were ratified by the Municipal Manager and reported to Council:

Department	Successful Tenderer	Occasions	Reason	Amount
<b>EXECUTIVE AND COUNCIL</b>	Various	2	Emergency	97 708
	Various	3	Single provider only	46 040
	Various	58	Impractical for procurement processes	671 923
63 Occasions during the year amounts to R815 671				
<b>FINANCE AND ADMINISTRATION</b>	Various	3	Emergency	44 307
	Various	27	Single provider only	3 950 289
	Various	75	Impractical for procurement processes	2 498 087
105 Occasions during the year amounts to R6 492 683				
<b>PLANNING AND DEVELOPMENT</b>	Various	2	Emergency	49 353
	Various	3	Single provider only	31 252
	Various	3	Impractical for procurement processes	65 778
8 Occasions during the year amounts to R146 383				
<b>ENVIRONMENTAL HEALTH</b>	Pathcare	1	Impractical for procurement processes	121 156
1 Occasions during the year amounts to R121 156				
<b>Total:</b>				<b>7 575 892</b>

**37.9 Bulk Electricity and Water Losses in terms of Section 125 (2)(d)(i) of the MFMA**

The Electricity and Water functions were transferred to the Local Municipalities. Thus no material Electricity and Water Losses occurred.

**38 ADDITIONAL DISCLOSURES IN TERMS OF BROAD-BASED BALCK ECONOMIC EMPOWERMENT ACT**

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

**39 COMMITMENTS FOR EXPENDITURE**

**39.1 Capital Commitments**

The District Municipality had no capital commitments at year-end.

**39.2 Operational Commitments**

**- Approved and Contracted for:-**

	<b>2023</b>	<b>2022</b>
	<b>R</b>	<b>R</b>
<i>General Voice Equipment</i>	619 335	1 426 635
<i>LGSETA Learnerships Programmes - TAG443</i>	467 325	1 193 800
<i>LGSETA Learnerships Programmes - Summat Training Institute</i>	-	107 730
<i>Copier Machine Rentals - 2022/23 Contract</i>	776 569	1 168 113
<i>PMS System</i>	-	353 893
<i>Rural Road Management - Phatsimo Management</i>	4 574 909	-
<i>Outstanding orders</i>	-	267 901
	<b>6 438 138</b>	<b>4 518 072</b>

**ZF MGCAWU DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023**

	2023 R	2022 R
<b>- Approved but Not Yet Contracted for:-</b>	-	-
<i>General Voice Equipment</i>	-	-
<b>Total Operational Commitments</b>	<b>6 438 138</b>	<b>4 518 072</b>
This expenditure will be financed from:		
Government Grants	-	-
LGSETA	5 042 234	1 301 530
Own Resources	1 395 904	3 216 542
	<b>6 438 138</b>	<b>4 518 072</b>

**General Voice Equipment:**

The District Municipality has an agreement with ITEC to rent and maintain a telephone system from 1 July 2021 to 30 June 2024. There are only annual escalations on the maintenance contract and the total tender value of R2 423 385 (incl. VAT) was awarded in April 2021.

On 30 June 2023 the outstanding commitment to ITEC was R619 335 (incl. VAT). ITEC was appointed through a tender process and was approved by Council. Council adhered to the requirements of sec 33 of the MFMA.

During the preparation of the 2022/23 Annual Financial Statements it was noted that ZF Mgcawu District Municipality did not include the escalation on the maintenance contract in the Tender Register on 30 June 2022. Therefore, Commitments were retrospectively increased by R31 185 and the Tender Value was retrospectively increased by R31 185 on 30 June 2022.

**LGSETA Skills Programmes and Learnerships - TAG443:**

The District Municipality has a contracted value of R1 332 150 (incl. VAT) with LGSETA which will be payable to ZF Mgcawu District Municipality.

The District Municipality has awarded a tender to TAG443 to implement a skills programme and learnerships in the ZF Mgcawu District. There are no annual escalations and the tender was awarded in April 2018. LGSETA terminated programs and the new approved tender value is R1 332 15 (incl. VAT).

On 30 June 2023 the outstanding commitment to TAG443 was R467 325 (incl. VAT). TAG 443 was appointed through a tender process and was approved by Council. Council adhered to the requirements of sec 33 of the MFMA.

**LGSETA Skills Programmes and Learnerships - Summat Training Institute:**

The District Municipality has a contracted value of R33 516 (incl. VAT) with LGSETA which will be payable to ZF Mgcawu District Municipality.

The District Municipality has awarded a tender to Summat Training Institute to implement a skills programme and learnerships in the ZF Mgcawu District. There are no annual escalations and the tender was awarded in December 2017. LGSETA terminated programs and the new approved tender value is R33 156 (incl. VAT).

On 30 June 2023 the outstanding commitment to Summat Training Institute was R0 (incl. VAT). Summat Training Institute was appointed through a tender process and was approved by Council. Council adhered to the requirements of sec 33 of the MFMA.

**Copier Machines:**

The District Municipality has a rental and maintenance agreement with ITEC for copier machines from 1 June 2022 to 31 May 2025. There are only annual escalations on the maintenance contract and the total tender value of R1 193 206 (incl. VAT) was awarded in June 2022.

On 30 June 2023 the outstanding commitment to ITEC was R776 569 (incl. VAT). ITEC was appointed through a tender process and was approved by Council. Council adhered to the requirements of sec 33 of the MFMA.

During the preparation of the 2022/23 Annual Financial Statements it was noted that ZF Mgcawu District Municipality did not include the maintenance contract in the Tender Register on 30 June 2022. Therefore, Commitments were retrospectively increased by R289 858 and the Tender Value was retrospectively increased by R289 858 on 30 June 2022.

**PMS System:**

The District Municipality has a rental and maintenance agreement with Action IT for a PMS System from 9 February 2021 to 8 February 2022. There are no annual escalations and the total tender value of R943 805 (incl. VAT) was awarded in February 2021.

On 30 June 2023 the outstanding commitment to Action IT was R0 (incl. VAT). Action IT was appointed through a tender process and was approved by Council. Council adhered to the requirements of sec 33 of the MFMA.

**Outstanding Orders:**

The District Municipality has outstanding orders at year-end for services and goods not yet delivered. Therefore the District Municipality has a commitment with suppliers to render services or goods after year-end.

**ZF MGCAWU DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023**

	<b>2023</b>	<b>2022</b>
	<b>R</b>	<b>R</b>
<b>40 FINANCIAL INSTRUMENTS</b>		
<b>40.1 Classification</b>		
<b>FINANCIAL ASSETS:</b>		
In accordance with GRAP 104.13 the Financial Assets of the District Municipality are classified as follows:		
<b><u>Financial Assets</u></b>	<b><u>Classification</u></b>	
<b>Non-current Investments</b>		
Fixed Deposits	Amortised cost	1 070 386
		512 048
<b>Long-term Receivables</b>		
Finance Lease Receivable	Amortised cost	7 016
		8 833
Staff Related Long Term Receivables	Amortised cost	86 917
		99 753
CPMD Debtors	Amortised cost	83 400
		90 600
SCM Debtors	Amortised cost	3 517
		8 029
Maternity Leave Debtors	Amortised cost	(0)
		1 123
<b>Receivables from Exchange Transactions</b>		
Merchandising, Jobbing and Contracts	Amortised cost	224 591
		219 189
Prepayments and Advances	Amortised cost	-
		-
<b>Receivables from Non-exchange Transactions</b>		
Unauthorised, Irregular, Fruitless and Wasteful Expenditure	Amortised cost	20 000
		-
<b>Cash and Cash Equivalents</b>		
Call Deposits	Amortised cost	54 770
		24 278
Bank Balances	Amortised cost	1 650 965
		2 100 512
Cash Floats and Advances	Fair value	7
		1 616
<b>Current Portion of Long-term Receivables</b>		
Finance Lease Receivable	Amortised cost	3 600
		3 600
Staff Related Long Term Receivables	Amortised cost	12 841
		14 118
CPMD Debtors	Amortised cost	7 200
		7 200
SCM Debtors	Amortised cost	4 518
		4 518
Maternity Leave Debtors	Amortised cost	1 123
		2 400
<b>SUMMARY OF FINANCIAL ASSETS</b>		
<b>Financial Assets at Amortised Cost:</b>		
Non-current Investments	Fixed Deposits	1 070 386
		512 048
Long-term Receivables	Finance Lease Receivable	7 016
		8 833
Long-term Receivables	Staff Related Long Term Receivables	86 917
		99 753
Receivables from Exchange Transactions	Property Rental Debtors	224 591
		219 189
Receivables from Exchange Transactions	Prepayments and Advances	-
		-
Receivables from Non-exchange Transactions	Unauthorised, Irregular, Fruitless and	20 000
		-
Current Portion of Long-term Receivables	Finance Lease Receivable	3 600
		3 600
Current Portion of Long-term Receivables	Staff Related Long Term Receivables	12 841
		14 118
Cash and Cash Equivalents	Call Deposits	54 770
		24 278
Cash and Cash Equivalents	Bank Balances	1 650 965
		2 100 512
		<u>3 131 086</u>
		<u>2 982 330</u>
<b>Financial Assets at Fair Value:</b>		
Cash and Cash Equivalents	Cash Floats and Advances	7
		1 616
		<u>7</u>
		<u>1 616</u>
<b>Total Financial Assets</b>		<u><b>3 131 093</b></u>
		<u><b>2 983 946</b></u>

**ZF MGCAWU DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023**

		2023 R	2022 R
<b>FINANCIAL LIABILITIES:</b>			
In accordance with GRAP 104.13 the Financial Liabilities of the District Municipality are classified as follows:			
<b><u>Financial Liabilities</u></b>	<b><u>Classification</u></b>		
<b>Long-term Liabilities</b>			
Finance Lease Liabilities	Amortised cost	276 895	803 350
<b>Payables from Exchange Transactions</b>			
Advance Payments	Amortised cost	-	50 550
Other Payables: Salary Clearing and Control	Amortised cost	261 924	904 744
Salary Related Payables	Amortised cost	934 237	907 937
Trade Creditors	Amortised cost	189 222	843 254
<b>Payables from Non-exchange Transactions</b>			
<b>Current Portion of Long-term Liabilities</b>			
Finance Lease Liabilities	Amortised cost	651 106	496 885
<b>SUMMARY OF FINANCIAL LIABILITIES</b>			
<b>Financial Liabilities at Amortised Cost:</b>			
Long-term Liabilities	Finance Lease Liabilities	276 895	803 350
Payables from Exchange Transactions	Advance Payments	-	50 550
Payables from Exchange Transactions	Other Payables	261 924	904 744
Payables from Exchange Transactions	Salary Related Payables	934 237	907 937
Payables from Exchange Transactions	Trade Creditors	189 222	843 254
Current Portion of Long-term Liabilities	Finance Lease Liabilities	651 106	496 885
		2 393 348	4 006 721
<b>Total Financial Liabilities</b>		<b>2 393 348</b>	<b>4 006 721</b>

**40.2 Fair Value**

The following methods and assumptions were used to estimate the Fair Value of each class of Financial Instrument for which it is practical to estimate such value:

**Cash**

The carrying amount approximates the Fair Value because of the short maturity of these instruments.

**Long-term Investments**

The Fair Value of some Investments are estimated based on quoted market prices of those or similar investments. Unlisted Equity Investments are estimated using the discounted cash flow method.

**Loan Receivables/Payables**

Interest-bearing Borrowings and Receivables are generally at interest rates in line with those currently available in the market on a floating-rate basis, and therefore the Fair Value of these Financial Assets and Liabilities closely approximates their carrying values. Fixed interest-rate instruments are fair valued based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

**ZF MGCAWU DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023**

**Trade and Other Receivables/Payables**

The Fair Value of Trade and Other Payables is estimated at the present value of future cash flows.

The management of the District Municipality is of the opinion that the carrying value of Trade and Other Receivables recorded at amortised cost in the Annual Financial Statements approximate their fair values. The Fair Value of Trade Receivables were determined after considering the standard terms and conditions of agreements entered into between the District Municipality and other parties as well as the current payment ratio's of the District Municipality's debtors.

**Other Financial Assets and Liabilities**

The Fair Value of Other Financial Assets and Financial Liabilities (excluding Derivative Instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

**Long-term Liabilities**

The Fair Value of Long-term Liabilities was determined after considering the standard terms and conditions of agreements entered into between the District Municipality and the relevant financing institutions.

Management considers the carrying amounts of Financial Assets and Financial Liabilities recorded at amortised cost in the Annual Financial Statements to approximate their Fair Values on 30 June 2023, as a result of the short-term maturity of these assets and liabilities.

The Fair Values of Financial Assets and Financial Liabilities, together with the carrying amounts shown in the Statement of Financial Position, are as follows:

	30 June 2023		30 June 2022	
	Carrying Amount R	Fair Value R	Carrying Amount R	Fair Value R
<b>FINANCIAL ASSETS</b>				
<b>Measured at Amortised Cost:</b>	3 131 086	3 131 086	2 982 330	2 982 330
Fixed Deposits	1 070 386	1 070 386	512 048	512 048
Call Deposits	54 770	54 770	24 278	24 278
Bank Balances	1 650 965	1 650 965	2 100 512	2 100 512
Short-term Portion of Investments	-	-	-	-
Long-term Receivables	93 933	93 933	108 585	108 585
Trade Receivables from Exchange Transactions	224 591	224 591	219 189	219 189
Trade Receivables from Non-exchange Transactions	20 000	20 000	-	-
Current Portion of Long-term Receivables	16 441	16 441	17 718	17 718
	<hr/>	<hr/>	<hr/>	<hr/>
	30 June 2023	Fair Value	30 June 2022	Fair Value
	Carrying Amount R	R	Carrying Amount R	R
<b>Measured at Fair Value</b>	7	7	1 616	1 616
Cash and Cash Equivalents	7	7	1 616	1 616
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Total Financial Assets</b>	<hr/> <b>3 131 093</b> <hr/>	<hr/> <b>3 131 093</b> <hr/>	<hr/> <b>2 983 946</b> <hr/>	<hr/> <b>2 983 946</b> <hr/>
<b>FINANCIAL LIABILITIES</b>				
<b>Measured at Amortised Cost:</b>	2 393 348	2 393 348	4 006 721	4 006 721
Finance Lease Liabilities	276 895	276 895	803 350	803 350
Trade and Other Payables:				
- Payables from Exchange Transactions	1 465 347	1 465 347	2 706 485	2 706 485
- Current Portion of Long-term Liabilities	651 106	651 106	496 885	496 885
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Total Financial Liabilities</b>	<hr/> <b>2 393 348</b> <hr/>	<hr/> <b>2 393 348</b> <hr/>	<hr/> <b>4 006 721</b> <hr/>	<hr/> <b>4 006 721</b> <hr/>
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Total Financial Instruments</b>	<hr/> <b>737 746</b> <hr/>	<hr/> <b>737 746</b> <hr/>	<hr/> <b>(1 022 774)</b> <hr/>	<hr/> <b>(1 022 774)</b> <hr/>
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Unrecognised Gain / (Loss)</b>		-		-

**ZF MGCAWU DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023**

No Financial Instruments of the District Municipality have been reclassified during the year.

**Assumptions used in determining Fair Value of Financial Assets and Financial Liabilities**

The table below analyses Financial Instruments carried at Fair Value at the end of the reporting period by the level of fair-value hierarchy as required by GRAP 104. The different levels are based on the extent to which quoted prices are used in the calculation of the Fair Value of the Financial Instruments. The levels have been defined as follows:

Level 1:-

Fair Values are based on quoted market prices (unadjusted) in active markets for an identical instrument.

Level 2:-

Fair Values are calculated using valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments, quoted prices for identical or similar instruments in markets that are considered less than active, or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3:-

Fair Values are based on valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. Also, this category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

**30 June 2023**

	Level 1 R	Level 2 R	Level 3 R	Total R
<b>FINANCIAL ASSETS</b>				
<b>Financial Instruments at Fair Value:</b>				
Cash and Cash Equivalents	-	7	-	7
<b>Total Financial Assets</b>	<u>-</u>	<u>7</u>	<u>-</u>	<u>7</u>
<b>Total Financial Instruments</b>	<u>-</u>	<u>7</u>	<u>-</u>	<u>7</u>

**30 June 2022**

	Level 1 R	Level 2 R	Level 3 R	Total R
<b>FINANCIAL ASSETS</b>				
<b>Financial Instruments at Fair Value:</b>				
Cash and Cash Equivalents	-	1 616	-	1 616
<b>Total Financial Assets</b>	<u>-</u>	<u>1 616</u>	<u>-</u>	<u>1 616</u>
<b>Total Financial Instruments</b>	<u>-</u>	<u>1 616</u>	<u>-</u>	<u>1 616</u>

**40.3 Capital Risk Management**

The District Municipality manages its capital to ensure that the District Municipality will be able to continue as a going concern while delivering sustainable services to consumers through the optimisation of the debt and equity balance. The District Municipality's overall strategy remains unchanged from 2022.

The capital structure of the District Municipality consists of debt, which includes Cash and Cash Equivalents and Equity, comprising Funds, Reserves and Accumulated Surplus as disclosed in the Statement of Changes in Net Assets.

**ZF MGCAWU DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023**

**Gearing Ratio**

	<b>2023</b>	<b>2022</b>
	<b>R</b>	<b>R</b>
The gearing ratio at the year-end was as follows:		
Debt	928 001	1 300 236
Cash and Cash Equivalents	(1 705 742)	(2 126 406)
Net Debt	<u>(777 741)</u>	<u>(826 170)</u>
Equity	<u>(16 364 146)</u>	<u>(19 428 561)</u>
<b>Net debt to equity ratio</b>	<u><b>4.75%</b></u>	<u><b>4.25%</b></u>

Debt is defined as Long-term Liabilities, together with its Short-term Portion.

Equity includes all Funds and Reserves of the District Municipality, disclosed as Net Assets in the Statement of Financial Performance and Net Debt as described above.

**40.4 Financial Risk Management Objectives**

The Accounting Officer has overall responsibility for the establishment and oversight of the District Municipality's Risk Management Framework. The District Municipality's Risk Management policies are established to identify and analyse the risks faced by the District Municipality, to set appropriate risk limits and controls and to monitor risks and adherence to limits.

Due to the largely non-trading nature of activities and the way in which they are financed, Municipalities are not exposed to the degree of financial risk faced by business entities. Financial Instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IAS's mainly apply. Generally, Financial Assets and Liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the District Municipality in undertaking its activities.

The Department Financial Services monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Compliance with policies and procedures is reviewed by the internal auditors on a continuous basis, and annually by external auditors. The District Municipality does not enter into or trade financial instruments for speculative purposes.

Internal Audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports periodically to the District Municipality's Audit & Performance Committee, an independent body that monitors the effectiveness of the internal audit function.

Further quantitative disclosures are included throughout these Annual Financial Statements.

**40.5 Significant Risks**

It is the policy of the District Municipality to disclose information that enables the user of its Annual Financial Statements to evaluate the nature and extent of risks arising from Financial Instruments to which the District Municipality is exposed on the reporting date.

The District Municipality has exposure to the following risks from its operations in Financial Instruments:

- Credit Risk;
- Liquidity Risk; and
- Market Risk.

Risks and exposures are disclosed as follows:

**Market Risk**

Market Risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the District Municipality's income or the value of its holdings in Financial Instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

**ZF MGCAWU DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023**

**Credit Risk**

Credit Risk is the risk of financial loss to the District Municipality if a customer or counterparty to a Financial Instrument fails to meet its contractual obligations and arises principally from the District Municipality's receivables from customers and investment securities.

**Liquidity Risk**

Liquidity Risk is the risk that the District Municipality will encounter difficulty in meeting the obligations associated with its Financial Liabilities that are settled by delivering cash or another financial asset. The District Municipality's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the District Municipality's reputation.

Liquidity Risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

A maturity analysis for Financial Liabilities (where applicable) that shows the remaining undiscounted contractual maturities is disclosed in Note 40.8 to the Annual Financial Statements.

***40.6 Market Risk***

The District Municipality's activities expose it primarily to the financial risks of changes in interest rates (see Note 40.7 below). No formal policy exists to hedge volatilities in the interest rate market.

***40.6.1 Foreign Currency Risk Management***

The District Municipality's activities do not expose it to the financial risks of foreign currency and therefore has no formal policy to hedge volatilities in the interest rate market.

***40.6.2 Interest Rate Risk Management***

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

Potential concentrations of interest rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

**Interest Rate Sensitivity Analysis**

The sensitivity analysis has been determined based on the exposure to interest rates at the Statement of Financial Position date. The analysis is prepared by averaging the amount of the investment at the beginning of the financial year and the amount of the investment at the end of the financial year. A 100 basis point increase or decrease was used, which represents management's assessment of the reasonably possible change in interest rates. The short and long-term financial instruments at year-end with variable interest rates are set out in Note 40.8 below:

***40.7 Credit Risk Management***

Credit Risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the District Municipality. The District Municipality has a sound credit control and debt collection policy and obtains sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The District Municipality uses its own trading records to assess its major customers. The District Municipality's exposure of its counterparties are monitored regularly.

Potential concentrations of credit rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

**Investments/Bank, Cash and Cash Equivalents**

The District Municipality limits its counterparty exposures from its money market investment operations (financial assets that are neither past due nor impaired) by only dealing with Absa Bank, First National Bank, Nedbank and Standard Bank. No investments with a tenure exceeding twelve months are made.

**ZF MGCAWU DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023**

**Trade and Other Receivables**

Trade and Other Receivables are amounts owed by consumers and are presented net of impairment losses.

Trade Receivables consist of a large number of customers, spread across diverse industries in the geographical area of the District Municipality. Periodic credit evaluation is performed on the financial condition of accounts receivable and, where appropriate, credit guarantee is increased accordingly.

Consumer Debtors were transferred to the Local Municipalities.

There were no material changes in the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the year under review. The District Municipality's maximum exposure to credit risk is represented by the carrying value of each financial asset in the Statement of Financial Position, without taking into account the value of any collateral obtained. The District Municipality has no significant concentration of credit risk, with exposure spread over a large number of consumers, and is not concentrated in any particular sector or geographical area.

The District Municipality establishes an allowance for impairment that represents its estimate of anticipated losses in respect of trade and other receivables.

Long-term Receivables and Other Debtors are individually evaluated annually at reporting date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The District Municipality does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The District Municipality defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings.

	<b>2023</b>	<b>2022</b>
	<b>R</b>	<b>R</b>
<p>Except as detailed in the following table, the carrying amount of financial assets recorded in the Annual Financial Statements, which is net of impairment losses, represents the District Municipality's maximum exposure to credit risk without taking account of the value of any collateral obtained:</p> <p>The maximum credit and interest risk exposure in respect of the relevant financial instruments is as follows:</p>		
Fixed Deposit Investments	1 070 386	512 048
Long-term Receivables	110 374	126 303
Receivables from Exchange Transactions	224 591	219 189
Receivables from Non-exchange Transactions	20 000	-
Bank, Cash and Cash Equivalents	1 705 742	2 126 406
<b>Maximum Credit and Interest Risk Exposure</b>	<b>3 131 093</b>	<b>2 983 946</b>

**ZF MGCAWU DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023**

**40 FINANCIAL INSTRUMENTS (Continued)**

**40.8 Liquidity Risk Management**

Ultimate responsibility for liquidity risk management rests with the Council, which has built an appropriate liquidity risk management framework for the management of the District Municipality's short, medium and long-term funding and liquidity management requirements. The District Municipality manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in Note N/A C67's is a listing of additional undrawn facilities that the District Municipality has at its disposal to further reduce liquidity risk (cash).

**Liquidity and Interest Risk Tables**

The District Municipality ensures that it has sufficient cash on demand or access to facilities to meet expected operational expenses through the use of cash flow forecasts.

The following tables detail the District Municipality's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the District Municipality can be required to pay. The table includes both interest and principal cash flows.

Description	Note ref in AFS	Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
	#	%	R	R	R	R		R
<b>30 June 2023</b>								
Non-interest Bearing		0%	6 648 436	6 648 436	-	-	-	-
- Payables from Exchange transactions	13	0%	6 648 436	6 648 436	-	-	-	-
Fixed Interest Rate Instruments		35%	928 001	372 930	278 176	276 895	-	-
- Long-term Liabilities	15	35%	928 001	372 930	278 176	276 895	-	-
			<b>7 576 437</b>	<b>7 021 366</b>	<b>278 176</b>	<b>276 895</b>	-	-
<b>30 June 2022</b>								
Non-interest Bearing		0%	8 279 010	8 279 010	-	-	-	-
- Payables from Exchange transactions	13	0%	8 279 010	8 279 010	-	-	-	-
Fixed Interest Rate Instruments		43%	1 300 236	243 893	252 993	577 566	225 784	-
- Long-term Liabilities	15	43%	1 300 236	243 893	252 993	577 566	225 784	-
			<b>9 579 245</b>	<b>8 522 902</b>	<b>252 993</b>	<b>577 566</b>	<b>225 784</b>	-

**ZF MGCAWU DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023**

The following table details the District Municipality's expected maturity for its non-derivative financial assets. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the District Municipality anticipates that the cash flow will occur in a different period.

Description	Note ref in AFS	Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
	#	%	R	R	R	R		R
<b>30 June 2023</b>								
Non-interest Bearing		0%	354 965	252 812	8 221	16 441	77 491	-
- Long-term Receivables			110 374	8 221	8 221	16 441	77 491	-
- Trade Receivables from Exchange Transactions			224 591	224 591	-	-	-	-
- Trade Receivables from Non-exchange Transactions			20 000	20 000	-	-	-	-
Variable Interest Rate Instruments		<b>2.6%</b>	1 705 735	1 705 735	-	-	-	-
- Call Deposits		5.0%	54 770	54 770	-	-	-	-
- Bank Account		2.5%	1 650 965	1 650 965	-	-	-	-
Fixed Interest Rate Instruments		<b>8.2%</b>	1 070 386	1 070 386	-	-	-	-
- Fixed Deposits		8.2%	1 070 386	1 070 386	-	-	-	-
			<b>3 131 086</b>	<b>3 028 933</b>	<b>8 221</b>	<b>16 441</b>	<b>77 491</b>	<b>-</b>
<b>30 June 2022</b>								
Non-interest Bearing		0%	345 492	228 048	8 859	17 718	90 867	-
- Long-term Receivables			126 303	8 859	8 859	17 718	90 867	-
- Trade Receivables from Exchange Transactions			219 189	219 189	-	-	-	-
- Trade Receivables from Non-exchange Transactions			-	-	-	-	-	-
Variable Interest Rate Instruments		<b>2.5%</b>	2 124 789	2 124 789	-	-	-	-
- Call Deposits		5.0%	24 278	24 278	-	-	-	-
- Bank Account		2.5%	2 100 512	2 100 512	-	-	-	-
Fixed Interest Rate Instruments		<b>8.2%</b>	512 048	512 048	-	-	-	-
- Fixed Deposits		8.2%	512 048	512 048	-	-	-	-
			<b>2 982 330</b>	<b>2 864 886</b>	<b>8 859</b>	<b>17 718</b>	<b>90 867</b>	<b>-</b>

**40.9 Other Price Risks**

The District Municipality is not exposed to equity price risks arising from equity investments as the District Municipality does not trade these investments.

**ZF MGCAWU DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023**

**41 MULTI-EMPLOYER RETIREMENT BENEFIT INFORMATION**

The District Municipality makes provision for post-retirement benefits to eligible councillors and employees, who belong to different pension schemes.

Employees belong to a variety of approved Pension and Provident Funds as described below.

These funds are governed by the Pension Funds Act and include both defined benefit and defined contribution schemes.

All of these afore-mentioned funds are multi-employer plans and 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:-

- (i) The assets of each fund are held in one portfolio and are not notionally allocated to each of the participating employers.
- (ii) One set of financial statements are compiled for each fund and financial statements are not drafted for each participating employer.
- (iii) The same rate of contribution applies to all participating employers and no regard is paid to differences in the membership distribution of the participating employers.

It is therefore seen that each fund operates as a single entity and is not divided into sub-funds for each participating employer.

The only obligation of the District Municipality with respect to the retirement benefit plans is to make the specified contributions. Where councillors / employees leave the plans prior to full vesting of the contributions, the contributions payable by the District Municipality are reduced by the amount of forfeited contributions.

The total expense recognised in the Statement of Financial Performance of R1 553 852 (2022: R1 589 944) represents contributions payable to these plans by the District Municipality at rates specified in the rules of the plans. These contributions have been expensed.

The Retirement Funds have been valued by making use of the Discounted Cash Flow method of valuation.

**DEFINED CONTRIBUTION SCHEMES**

**LA Retirement Fund/Cape Joint Pension Fund:**

The scheme is subject to an annual actuarial valuation which is not the responsibility of the District Municipality. The contribution rate payable is under the defined benefit section is 27%, 9% by the members and 18% by their councils. The actuarial valuation report at 30 June 2021 indicated that the defined benefit scheme of the fund is in a sound financial position, with assets amounting to R1 486 (2020: R1 421) million, with a funding level of 104,9% (2020: 100,0%).

**Consolidated Retirement Fund::**

The scheme is subject to actuarial valuations at intervals not exceeding three years, which is not the responsibility of the Municipality. Each valuation report is forwarded to the Registrar in accordance with statutory requirements.

The actuarial valuation report at 30 June 2021 revealed that the net assets of the fund amounted to R34 148 (30 June 2020: R28 424) million with a funding level of 100,5% (30 June 2020: 101,0%). The contribution rate paid by the members (7,5% or 9,0%) and the employer (19,5% or 18,0%) is sufficient to fund the benefits accruing from the fund in the future.

The fund is in a sound financial condition at the valuation date.

**ZF MGCAWU DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023**

**Municipal Councillors Pension Fund:**

The scheme is subject to a tri-annual actuarial valuation. The last statutory valuation was performed as at 30 June 2015.

The Municipal Councillors Pension Fund operates as a defined contribution scheme. The statutory valuation performed as at 30 June 2015 revealed that the assets of the fund amounted to R2,551,861,000 (30 June 2014 : R2,229,410,000), with funding levels of 101.08% (30 June 2014: 98.83%). The contribution rate paid by the members (13,75 %) and council (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 2015, in that the assets of the fund were sufficient to cover the accrued service liabilities including the recommended contingency reserves in full.

The appointment of a Curator in terms of section 5(1) of the Financial Institutions (protection of funds) Act 2001 for the whole of the business of the Municipal Councillors Pension Fund was done in December 2017. Due to the provisional curatorship, a short moratorium has been placed on the payment of benefits to members/beneficiaries. In terms of the curatorship order, the Court ordered as follows: 1. The provisional Curatorship order of the 19th December 2017 is made a final; 2. The Curator shall furnish the Registrar of the Pension Fund with progress report; 3. The Curator must deliver a further progress report to the Court by no later than 31st October 2018 which report deals with the status of curatorship as at the 30th September 2018; on the curatorship once every two months;.

**National Fund for Municipal Workers - Provident Fund:**

The scheme is subject to actuarial valuations at intervals not exceeding three years, which is not the responsibility of the Municipality. Each valuation report is forwarded to the Registrar in accordance with statutory requirements.

Members contribute at a rate of not less than 7,5% of salaries, as required by the Rules. Employers contribute at a total rate of not less than 18,0%. The statutory valuation performed as at 30 June 2019 revealed that the net assets of the fund amounted to R17 107 (30 June 2018 : R15 394) million, with funding levels of 100,40% (30 June 2018: 100,46%).

The fund is in the process of amending its rules to give the ability to self-insure all or part of the risk benefits, which is not inappropriate given the membership structure of the fund. Consideration must, however, be given to both the financial and operational implications for the Fund, it's administrator as well as the various participating employers.

The assets of the fund are sufficient to cover the members' liabilities and the fund is hence financially sound.

None of the above mentioned plans are State Plans.

**42 RELATED PARTY TRANSACTIONS**

All Related Party Transactions are conducted at arm's length, unless stated otherwise.

**42.1 Interest of Related Parties**

Councillors and/or Management of the District Municipality have relationships with businesses as indicated below:

<b>Name of Related Person</b>	<b>Designation</b>	<b>Description of Related Party Relationship</b>
S Sandlana	Councillor	Director at K2020861781 Director at UCEDO 4+1 Organization Primary Co-operative LTD Director at ZFM Meter district Taxi organization
T Van Der Steen	Councillor	Director at Loodgieter Van Der Steen Member at Van Der Steen Pomp en Pyp Member at Jesu Nkosi Monuments
P Mgcera	Councillor	Director at Phathilizwe Enterprise
H De Koker	Councillor	Member at Tumelo Youth Farm
M Louw	Councillor	Director at Mawele Konstruksie
A Ruiters	Councillor	Director at Tsansabane Local football association
J Esau	Councillor	Director at Green Bird Construction and General Director at Jacks enterprise services Director at On Spot Construction and General
A Matshimo	Councillor	Member at Inyakmeko Trading 1154

**ZF MGCAWU DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023**

<b>Name of Related Person</b>	<b>Designation</b>	<b>Description of Related Party Relationship</b>
W Peterson	Speaker	Director at China South Africa Mining International development Director at Exclusive Access Trading 519 Director at Khoisan Heritage Member at Temla 107 Director at Xiri Holdings
GB Cloete	Middle Manager	Member at BC2S Construction Consulting and trading services
CM Mathe	Middle Manager	Director at O Mogolo Homes Director at Our Solid Foundation
M Manye	Middle Manager	Director at Brownsugar Communications
M Wolfe	Middle Manager	Director at GFTM Service and Advisory Director at Save a Child
E Van Der Westhuizen	Middle Manager	Director at Second Home Hostel
JA Kitching	Middle Manager	Director at Ablaze Trading 258
J Linden	Middle Manager	Director at Hazfree Waste Management
FJ Strauss	Middle Manager	Member at W J P Strauss Boerdery
EE Job	Managers Spouse	Director at Zwanofe Contractors
K Kitching	Manager's Spouse	Director at ANSEC 133 Director at Hemiprox
A Van Zyl	Manager's Spouse	Director at ANSEC 133 Director at Hemiprox
J Van Der Westhuizen	Manager's Spouse	Director at Second Home Hostel
L Lankalebalela	Audit & Performance Committee	Director at Access Information Management Services Member at Final Score Member at Fita Consultancy Member at Halala Driving School Director at King Golfers Director at Xabiso Consulting
M Venter	Audit & Performance Committee	Director at Inkqbelo
K Nkoe	Audit & Performance Committee	Director at Nkoe and Associates chartered certified accountants
M Phillips	SCM Learnership	Director at Baleka Recruitment Agency
D Pienaar	Councillor	Director at Wonderers Youth Academy Director at Halala enterprise Director at Denha Cash loans Director at DRP Property Investments Director at Futu Holdings Director at Futu Investments Director at Phutanang Recycling Primary Corporative Limited Director at Kgatelopele Business forum Director at Likade trading Director at Phatsimo
U Thys	Audit & Performance Committee	Director at Aspen Hills home owners association Director at Mpamot Africa Director at PDNA DA Vinci Academy Director at Superlane 140
P Matthys	Councillor	Director at CFH Solutions
G Booysen	SCM Official	Member at GSNF Construction
L Willemse	Middle Manager	Member at Brainwave Projects 1567
L De Klerk	SCM Intern	Director at SKKY Holdings

The following Councillors and/or Management of the District Municipality was in businesses but resigned from the business:

<b>Name of Related Person</b>	<b>Designation</b>	<b>Description of Related Party Relationship</b>
D Pienaar	Councillor	Director at Futu Renewal Energy park Director at JHD Enterprise Director at Kgosi Engineers Director at Vision Valley Technologies Director at Adonai Enterprize

**ZF MGCAWU DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023**

<b>Name of Related Person</b>	<b>Designation</b>	<b>Description of Related Party Relationship</b>
U Thys	Audit & Performance Committee	Director at Abothipo Investment Director at Merz and Mclellan Director at Mott Macdonald Contracting Director at Mott Macdonald South Africa Director at PDNA Academy Director at Phambili Merz Director Superlane 140
J Nengome	Middle Manager	Member at Sedzaphanda Building Construction
L Langalebalela	Audit & Performance Committee	Director at Definada Trading Member at EL Computers Director at Numbersecure Director at Zamori 63 Director at Regucom Director at Blue rose investments
PJ George	Councillor	Director at Doods and George Trading Director at Philander and George Trading
J Willemse	Councillor	Member at Black Sparrow Trading
A Van Zyl	Directors Spouse	Member of Strauss Van Zyl

The following Councillors and/or Management of the District Municipality have no relationships with businesses:

<b>Name of Related Person</b>	<b>Designation</b>	<b>Description of Related Party Relationship</b>
JG Lategan	Director	No relationship with businesses
S Abel	Councillor	No relationship with businesses
I De Waal	Director	No relationship with businesses
A Kotzee	Councillor	No relationship with businesses
MC Basson	Executive Mayor	No relationship with businesses
J Balies	Councillor	No relationship with businesses
Kotzee	Councillor	No relationship with businesses
K Kearomotswe	Councillor	No relationship with businesses
D De Koker	Councillor	No relationship with businesses
A Johnson	Councillor	No relationship with businesses
MHB Van Zyl	Councillor	No relationship with businesses
F Basson	Councillor	No relationship with businesses
CFP Bezuidenhout-Maasdorp	Councillor	No relationship with businesses
J Silo	Councillor	No relationship with businesses
DJ Van Zyl	Director	No relationship with businesses
E Britz/Isaacs	Director	No relationship with businesses
A Viljoen	Audit & Performance Committee	No relationship with businesses
A Phete	Middle Manager	No relationship with businesses
R Snyders	Middle Manager	No relationship with businesses
T Galloway	Middle Manager	No relationship with businesses
B Feris	Middle Manager	No relationship with businesses
B Van Kradenburg	Middle Manager	No relationship with businesses
B Knouwds	Middle Manager	No relationship with businesses
F Ruppig	Middle Manager	No relationship with businesses
J Shorty	Middle Manager	No relationship with businesses
G Present	Middle Manager	No relationship with businesses
T Job	Middle Manager	No relationship with businesses
H Theron	Middle Manager	No relationship with businesses
S Berend	Middle Manager	No relationship with businesses
A Tieties	Acting Municipal Manager	No relationship with businesses
J Maasdorp/Visagie	Middle Manager	No relationship with businesses
G Kuun	Middle Manager	No relationship with businesses

**ZF MGCAWU DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023**

Name of Related Person	Designation	Description of Related Party Relationship
T Louw	Middle Manager	No relationship with businesses
H Mchlauli	Middle Manager	No relationship with businesses
C Swarts	SCM Official	No relationship with businesses
M Mmereki	SCM Learnership	No relationship with businesses
S Botha	Middle Manager	No relationship with businesses
M Bosman	Learnership	No relationship with businesses
L Drawer	SCM Learnership	No relationship with businesses
M Theron	Managers Spouse	No relationship with businesses
A Lategan	Director's Spouse	No relationship with businesses
R Galloway	Manager's Spouse	No relationship with businesses
JM Snyders	Manager's Spouse	No relationship with businesses
LG Cloete	Manager's Spouse	No relationship with businesses
JP Berend	Manager's Spouse	No relationship with businesses
B Feris	Managers Spouse	No relationship with businesses
NE Mclauli	Managers Spouse	No relationship with businesses
ND Isaacs	Manager's Spouse	No relationship with businesses
T Linden	Manager's Spouse	No relationship with businesses
AM Shorty	Manager's Spouse	No relationship with businesses

**42.2 Services rendered to Related Parties**

The District Municipality did not render any services during the year to anyone that can be considered as a related party.

**42.3 Loans granted to Related Parties**

In terms of the MFMA, the Municipality may not grant loans to its Councillors, Management, Staff and Public with effect from 1 July 2004. No loans were granted to Councillors, Management, Staff and Public by ZF Mgcawu District Municipality.

**42.4 Compensation of Related Parties**

Compensation of Key Management Personnel and Councillors is set out in Appendix G, to the Annual Financial Statements.

**42.5 Purchases from Related Parties**

The District Municipality did not purchase goods from anyone during the year that can be considered as a related party.

**42.6 Related Parties of Spouses**

The District Municipality performed CIPC checks on spouses of senior- and middle managers during the year to identify related party transactions but none were identified..

	2023 R	2022 R
<b>43 CONTINGENT LIABILITIES</b>		
<b>43.1 Court Proceedings:</b>	-	<b>115 000</b>
(i) April Jacobs:	-	115 000
Claim against the District Municipality handled by Becker, Bergh & More regarding an unfair dismissal. Commissioner found no unfair dismissal and application for rescission is pending. Possible obligation to the District Municipality.		
<b>43.2 Disputes:</b>	-	-
<b>Total Contingent Liabilities</b>	<b>-</b>	<b>115 000</b>

**ZF MGCAWU DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023**

**44 CONTINGENT ASSETS**

The District Municipality was not engaged in any transaction or event during the year under review involving Contingent Assets.

**45 IN-KIND DONATIONS AND ASSISTANCE**

The District Municipality did not receive any In-kind Donations and Assistance during the year under review.

**46 PRIVATE PUBLIC PARTNERSHIPS**

The District Municipality was not a party to any Private Public Partnerships during the year under review.

**47 EVENTS AFTER THE REPORTING DATE**

No events having financial implications requiring disclosure occurred subsequent to 30 June 2023.

**48 COMPARATIVE FIGURES**

The comparative figures were restated as a result of the effect of Prior Period Errors (Note 33).

**49 SEGMENT REPORTING**

For management purposes the District Municipality is broadly organised into business units based on the nature of operations and the services they provide. The Municipality has the following primary reportable segments:

- ***The segment for Executive and Council***  
This segment consists of services such as executive services and support services.
- ***The segment for Finance and Administration***  
This segment consists of all services for the financial management corporate and communication services of all the municipal services.
- ***The segment for Internal Audit***  
This segment consists of all services to provide assurance that internal controls in place are adequate to mitigate the risks, governance processes are effective and efficient, and organizational goals and objectives are met.
- ***The segment for Public Safety***  
This segment consists of all services for disaster management to effectively prepare for and responding to disasters.
- ***The segment for Health***  
This segment consists of all services for environmental health and safety regulations.
- ***The segment for Planning and Development***  
This segment consists of infrastructure services such as engineering services, SPLUM regulations and housing services.
- ***The segment for Tourism***  
This segment consists of services such as tourism services.

No individually material operating segments have been aggregated to form the above reportable operating segments. The Municipality does not monitor segments geographically.

Management does not monitor the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. However, the Municipality's financing (including finance costs and finance income) and revenue from taxes are managed on a group basis and are not allocated to operating segments.

Inter-business unit services are not valued and are deemed to have been supplied for no consideration, and are therefore not eliminated. However, the quality of services provided internally is monitored as part of the non-financial service performance information.

The segmental information for Capital Assets of the Municipality is disclosed in Note 51. It is not practical to segmentise Financial Position and Cash Flow operations.

**ZF MGCAWU DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023**

**50 GOING CONCERN ASSESSMENT**

Management considered the following matters in relation to the Going Concern position of ZF Mgcawu:

(i) On 31 May 2023 Council adopted the 2023/24 to 2025/26 annual final budget. This three-year Medium Term Revenue and Expenditure Framework (MTREF) fund the elementary operations of the District Municipality to perform its legal mandate and reflected that the budget was unfunded for 2023/24, 2024/25 and 2025/26. The second adjustments budget for the financial year 2022/23 was tabled to Council on 23 June 2023.

(ii) The District Municipality's draft budget of 2023/24 was subjected to an independent assessment process by Provincial Treasury to assess its cash-backing status and other budgetary key performance indicators. The outcome of the cash back assessment was negative for 2023/24 as well as negative for the two outer years 2024/25 and 2025/26.

(iii) Strict daily cash management processes are embedded in the District Municipality's operations to manage and monitor all actual cash inflows and cash outflows in terms of the cash flow forecast supporting the budget. The cash management processes is complemented by regular reporting, highlighting the actual cash position, including the associated risks and remedial actions to be instituted. Cash flow reporting has been refined by building in cash back figures to portray the net cash flow positions on a bi-weekly basis.

(iv) The District Municipality developed a cost containment and budget monitoring yardstick in order to measure operational and capital budget performance on a monthly basis. The cost containment policy had been adopted by Council on 31 May 2023. Cash flow challenges are experienced because cash flow projections are compiled for the payment sequences of the equitable share which is our largest portion of operational revenue source.

(v) The District Municipality is in a material sense grant dependent and renders mainly mandatory support to local municipalities in the ZF Mgcawu district. Certain key financial ratios, such as liquidity, cost coverage, debtors' collection rates and creditors' payment terms are closely monitored and the necessary corrective actions are instituted.

(vi) An operational efficiency plan has been developed by management to ensure that operations are effected in the most cost-effective manner possible whilst still ensuring that quality is not compromised.

(vii) Business plans have been compiled by management to obtain funds from external parties to increase our revenue resources in order to fund the operations and to render municipal support services on a shared services basis to the local municipalities in the district.

(viii) Alternative sourcing of funding and the attainment of projects by ZF Mgcawu District Municipality is a high priority to address the shortage of funding that is a legacy challenge of the past.

(ix) Innovative strategic management is deployed to better the financial health of ZF Mgcawu District Municipality in the long term.

(x) All outstanding creditors up to 30 June 2023 were included in ZFM's 2023/24 cash management report.

(xi) Council has also adopted an implementation plan on how to get from an unfunded budget to a funded budget.

(xii) To address above mentioned challenges a budget implementation plan was adopted by Council and the recommendations are implemented.

(xiii) Political intervention and strategic direction is given to the municipal administration by the Executive Mayor of ZF Mgcawu District Municipality to sustain the financial health of the District Municipality.

Taking the aforementioned into account, management has prepared the Annual Financial Statements on a going concern basis.

**ZF MGCAWU DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023**

**51 SEGMENTAL ANALYSIS OF CAPITAL ASSETS AS AT 30 JUNE 2023**

Description	Cost / Revaluation					Accumulated Depreciation / Impairment					Carrying
	Opening Balance	Additions	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance	Value
	R	R	R	R	R	R	R	R	R	R	R
<b>Executive and Council</b>											
<i>Council Administration</i>	110 820	9 565	-	(4 928)	115 457	(79 767)	(6 412)	-	4 534	(81 645)	33 812
<i>Council Services</i>	1 510 053	-	-	(49 797)	1 460 257	(794 394)	(177 489)	-	42 170	(929 713)	530 543
<i>Municipal Manager</i>	313 119	18 478	-	(29 802)	301 795	(261 401)	(13 832)	-	26 428	(248 804)	52 991
<b>Finance and Administration</b>											
<i>Administration</i>	186 556	6 604	-	(4 001)	189 160	(128 921)	(20 845)	-	3 612	(146 154)	43 005
<i>Asset Management Unit</i>	32 781	-	-	(17 539)	15 241	(30 130)	(24)	-	16 132	(14 022)	1 219
<i>Budget &amp; Treasury Office</i>	14 985	-	-	-	14 985	(7 788)	(3 000)	-	-	(10 788)	4 197
<i>Expenditure Unit</i>	18 136	1 575	-	(231)	19 479	(4 688)	(6 129)	-	205	(10 611)	8 868
<i>Financial Services</i>	777 404	4 543	-	(13 372)	768 576	(606 197)	(53 770)	-	12 245	(647 723)	120 853
<i>Human Resources</i>	145 244	9 565	-	(3 213)	151 596	(119 658)	(7 310)	-	2 916	(124 052)	27 543
<i>Information Technology</i>	3 723 643	674 236	-	(444 889)	3 952 991	(2 021 978)	(835 046)	-	429 501	(2 427 523)	1 525 468
<i>Property Services</i>	20 369 252	-	-	(16 660)	20 352 592	(1 820 233)	(84 645)	-	14 884	(1 889 993)	18 462 599
<i>Risk Management</i>	3 832	9 565	-	-	13 398	(3 458)	(1 266)	-	-	(4 724)	8 674
<i>Supply Chain Management</i>	15 761	-	-	(5 166)	10 595	(8 504)	(2 998)	-	4 751	(6 750)	3 845
<i>Vehicles</i>	195 600	-	-	(195 600)	-	(139 900)	(1 105)	-	141 005	0	0
<b>Health</b>											
<i>Environmental Health</i>	85 461	33 621	-	(3 536)	115 546	(76 350)	(4 708)	-	3 221	(77 836)	37 710
<b>Planning and Development</b>											
<i>Communication &amp; Liaison</i>	10 426	9 565	-	-	19 991	(5 812)	(2 473)	-	-	(8 285)	11 706
<i>Engineering Services</i>	147 271	719 063	-	(16 899)	849 435	(116 905)	(12 557)	-	15 530	(113 932)	735 503
<i>Housing Accreditation</i>	48 594	9 995	-	(2 802)	55 787	(44 032)	(764)	-	2 560	(42 236)	13 551
<i>LED</i>	1 444	-	-	-	1 444	(1 296)	(2)	-	-	(1 298)	146
<i>PIMMS</i>	9 957	-	-	-	9 957	(8 587)	(244)	-	-	(8 831)	1 126
<i>Performance Management</i>	255 575	33 642	-	(182 527)	106 690	(224 259)	(6 640)	-	157 991	(72 908)	33 782
<i>Technical Support Services</i>	56 017	-	-	(450)	55 567	(50 615)	(31)	-	404	(50 241)	5 326
<b>Internal Audit</b>											
<i>Internal Audit</i>	158 306	-	-	(2 087)	156 219	(108 569)	(17 724)	-	1 902	(124 391)	31 828
<b>Other</b>											
<i>Tourism</i>	73 242	-	-	(33 059)	40 183	(65 903)	(60)	-	29 783	(36 179)	4 003
<b>Public Safety</b>											
<i>Disaster Management</i>	16 822	9 565	-	-	26 388	(9 478)	(4 255)	-	-	(13 733)	12 655
<b>Total Asset Register</b>	<b>28 280 301</b>	<b>1 549 584</b>	<b>-</b>	<b>(1 026 558)</b>	<b>28 803 327</b>	<b>(6 738 821)</b>	<b>(1 263 327)</b>	<b>-</b>	<b>909 775</b>	<b>(7 092 373)</b>	<b>21 710 954</b>

**ZF MGCAWU DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023**

**52 SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2023**

2022 Actual Income	2022 Budgeted Income	2022 Actual Expenditure	2022 Budgeted Expenditure	2022 Surplus/ (Deficit)	Description	2023 Actual Income	2023 Budgeted Income	2023 Actual Expenditure	2023 Budgeted Expenditure	2023 Surplus/ (Deficit)
R	R	R	R	R		R	R	R	R	R
					<b>Municipal Governance and Administration</b>					
533 983	500 000	16 108 606	16 614 854	(15 574 623)	Executive and Council	500 000	500 000	18 885 082	18 893 289	(18 385 082)
78 525 840	80 121 000	39 088 854	40 902 882	39 436 986	Finance and Administration	83 860 495	83 743 000	39 796 793	40 768 517	44 063 702
-	-	3 466 161	3 602 140	(3 466 161)	Internal Audit	-	-	3 660 966	3 774 429	(3 660 966)
					<b>Community and Public Safety</b>					
-	-	3 161 975	3 356 155	(3 161 975)	Public Safety	-	-	3 050 842	3 105 127	(3 050 842)
-	-	6 940 816	7 051 482	(6 940 816)	<b>Health</b>	-	-	6 915 224	7 022 900	(6 915 224)
					<b>Economic and Environmental Services</b>					
5 330 000	5 330 000	12 190 283	12 313 862	(6 860 283)	Planning and Development	4 390 000	4 160 000	12 033 971	12 051 219	(7 643 971)
-	-	1 162 396	1 228 385	(1 162 396)	<b>Other</b>	-	-	1 226 417	1 281 374	(1 226 417)
<b>84 389 823</b>	<b>85 951 000</b>	<b>82 119 090</b>	<b>85 069 760</b>	<b>2 270 732</b>	Sub-Total	<b>88 750 495</b>	<b>88 403 000</b>	<b>85 569 296</b>	<b>86 896 855</b>	<b>3 181 199</b>
10 667	381 000	-	154 000	10 667	Gains and Losses	-	-	116 783	117 658	(116 783)
<b>84 400 490</b>	<b>86 332 000</b>	<b>82 119 090</b>	<b>85 223 760</b>	<b>2 281 399</b>	<b>Total</b>	<b>88 750 495</b>	<b>88 403 000</b>	<b>85 686 079</b>	<b>87 014 513</b>	<b>3 064 416</b>

**APPENDIX A**  
**ZF MGCAWU DISTRICT MUNICIPALITY**  
**SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2023**

Details	Original Loan Amount	Interest Rate	Loan Number	Redeemable	Balance at 30 June 2022	Received during the Period	Redeemed/ Written Off during Period	Balance at 30 June 2023	Carrying Value of Property, Plant & Equip	Other Costs in accordance with MFMA
	R				R	R	R	R	R	R
<b>CAPITAL LEASE LIABILITIES</b>										
COPIERS - 2021/22	660 000	12.4%	-	01/05/2025	644 672	-	(195 539)	449 133	421 667	-
TELEPHONE SYSTEM - 2021/22	950 000	73.1%	-	01/06/2024	655 564	-	(275 280)	380 284	316 667	-
COPIERS - 2022/23	130 889	20.6%	-	01/05/2025	-	130 889	(1 520)	129 368	91 226	-
<b>Total Capital Lease Liabilities</b>	<b>1 740 889</b>				<b>1 300 236</b>	<b>130 889</b>	<b>(472 338)</b>	<b>958 786</b>	<b>829 559</b>	<b>-</b>

**Copier Machine Leases:**

Finance Lease Liabilities relate to Copier Machines with a lease term of 36 months with a fair value of R660 000 as at 1 June 2022, ending 31 May 2025. The effective interest rate on Finance Leases is 12.4%.

Finance Lease Liabilities relate to Telephone System with a lease term of 36 months with a fair value of R950 000 as at 1 July 2021, ending 30 June 2024. The effective interest rate on Finance Leases is 73.1%.

Finance Lease Liabilities relate to Copier Machines with a lease term of 33 months with a fair value of R130 889 as at 1 August 2022, ending 31 May 2025. The effective interest rate on Finance Leases is 20.6%.

The District Municipality does not have an option to purchase the leased Property, Plant and Equipment at the conclusion of the lease agreements. The District Municipality's obligations under Finance Leases are secured by the lessors' title to the leased assets.

The lease is classified as a finance lease due to the substance of the transaction; The lease term is for the major part of the economic life of the asset and at the inception of the lease the present value of the minimum lease payments exceeded the fair value of the leased assets.

**APPENDIX B**  
**ZF MGCAWU DISTRICT MUNICIPALITY**  
**ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2023**

Description	Cost / Revaluation					Accumulated Depreciation / Impairment					Carrying Value
	Opening Balance	Additions	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	R	R
<b>Land:</b>											
<i>Land</i>	17 976 000	-	-	-	17 976 000	-	-	-	-	-	17 976 000
<b>Other Assets:</b>											
<i>Buildings</i>	2 056 000	-	-	-	2 056 000	(1 521 612)	(82 213)	-	-	(1 603 826)	452 174
<b>Land and Buildings</b>	<b>20 032 000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>20 032 000</b>	<b>(1 521 612)</b>	<b>(82 213)</b>	<b>-</b>	<b>-</b>	<b>(1 603 826)</b>	<b>18 428 174</b>
<b>Computer Equipment</b>											
<i>Computer Hardware</i>	2 396 590	318 134	-	(333 291)	2 381 434	(1 731 831)	(251 626)	-	292 256	(1 691 201)	690 233
<b>Furniture and Office Equipment</b>											
<i>Cabinets And Cupboards</i>	282 730	-	-	(25 150)	257 580	(254 103)	(216)	-	22 633	(231 686)	25 895
<i>Chairs</i>	328 841	7 382	-	(14 057)	322 166	(290 325)	(3 837)	-	12 637	(281 525)	40 641
<i>Furniture</i>	12 164	-	-	-	12 164	(10 755)	(195)	-	-	(10 949)	1 215
<i>Office Machines &amp; Other</i>	279 848	6 604	-	(8 203)	278 250	(246 360)	(4 564)	-	7 546	(243 377)	34 873
<i>Other Furniture</i>	497 981	28 575	-	(46 352)	480 204	(408 287)	(16 779)	-	41 667	(383 399)	96 805
<i>Printer, Fax, Copier</i>	161 229	4 696	-	(144 693)	21 232	(146 766)	(1 872)	-	133 114	(15 524)	5 708
<i>Tables And Desks</i>	459 846	-	-	(2 699)	457 147	(412 441)	(975)	-	2 429	(410 987)	46 160
<b>Machinery and Equipment</b>											
<i>Fire Fighting Equipment</i>	1 200	-	-	-	1 200	(1 080)	-	-	-	(1 080)	120
<i>Medical Equipment</i>	6 300	-	-	-	6 300	(5 669)	(1)	-	-	(5 670)	630
<i>Other Equipment</i>	1 391	297 437	-	(231)	298 597	(1 241)	(850)	-	205	(1 886)	296 711
<i>Radio Equipment</i>	3 000	-	-	-	3 000	(2 700)	-	-	-	(2 700)	300
<i>Security Equipment</i>	187 909	6 773	-	-	194 682	(140 314)	(13 037)	-	-	(153 351)	41 332
<i>Leased Assets</i>	1 610 000	130 889	-	-	1 740 889	(334 749)	(673 007)	-	-	(1 007 756)	733 133
<b>Transport Assets</b>											
<i>Motor Cars</i>	1 109 072	699 933	-	(195 600)	1 613 405	(432 744)	(161 352)	-	141 005	(453 091)	1 160 314
	<b>7 338 103</b>	<b>1 500 423</b>	<b>-</b>	<b>(770 276)</b>	<b>8 068 250</b>	<b>(4 419 364)</b>	<b>(1 128 310)</b>	<b>-</b>	<b>653 492</b>	<b>(4 894 182)</b>	<b>3 174 068</b>
<b>Total PPE</b>	<b>27 370 103</b>	<b>1 500 423</b>	<b>-</b>	<b>(770 276)</b>	<b>28 100 250</b>	<b>(5 940 977)</b>	<b>(1 210 523)</b>	<b>-</b>	<b>653 492</b>	<b>(6 498 008)</b>	<b>21 602 242</b>
<b>Intangible Assets</b>											
<i>Computer Software</i>	910 198	49 162	-	(256 283)	703 077	(797 844)	(52 803)	-	256 283	(594 365)	108 712
<b>Total Intangible Assets</b>	<b>910 198</b>	<b>49 162</b>	<b>-</b>	<b>(256 283)</b>	<b>703 077</b>	<b>(797 844)</b>	<b>(52 803)</b>	<b>-</b>	<b>256 283</b>	<b>(594 365)</b>	<b>108 712</b>
<b>Total Asset Register</b>	<b>28 280 301</b>	<b>1 549 584</b>	<b>-</b>	<b>(1 026 558)</b>	<b>28 803 327</b>	<b>(6 738 821)</b>	<b>(1 263 327)</b>	<b>-</b>	<b>909 775</b>	<b>(7 092 373)</b>	<b>21 710 954</b>

**APPENDIX E(1)**  
**ZF MGCAWU DISTRICT MUNICIPALITY**  
**RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE BY STANDARD CLASSIFICATION FOR THE YEAR ENDED 30 JUNE 2023**

Description	2022/23												2021/22
	Original Budget	Budget Adjustments	Adjustment Budget	Special Budget Adjustments	Special Adjustment Budget	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Outcome
	R	R	R	R	R	R	R	R	R	R	R	R	R
<b>REVENUE - STANDARD</b>													
<b>Municipal Governance and Administration</b>													
Executive and Council	500 000	(250 000)	250 000	250 000	500 000	-	500 000	500 000	-	-	100.00	100.00	533 983
Finance and Administration	83 243 000	900 000	84 143 000	(400 000)	83 743 000	-	83 743 000	83 860 495		117 495	100.14	100.74	78 525 840
<b>Community and Public Safety</b>													
Public Safety	-	-	-	-	-	-	-	-	-	-	0.00	0.00	-
<b>Economic and Environmental Services</b>													
Planning and Development	4 390 000	(230 000)	4 160 000	-	4 160 000	-	4 160 000	4 390 000		230 000	105.53	100.00	5 330 000
<b>Total Revenue - Standard</b>	<b>88 133 000</b>	<b>420 000</b>	<b>88 553 000</b>	<b>(150 000)</b>	<b>88 403 000</b>	<b>-</b>	<b>88 403 000</b>	<b>88 750 495</b>	<b>-</b>	<b>347 495</b>	<b>0.00</b>	<b>100.70</b>	<b>84 389 823</b>
<b>EXPENDITURE - STANDARD</b>													
<b>Municipal Governance and Administration</b>													
Executive and Council	18 097 598	(187 622)	17 909 976	877 636	18 787 612	105 677	18 893 289	18 885 082	-	(8 207)	99.96	104.35	16 108 606
Finance and Administration	41 463 699	(181 733)	41 281 966	(124 810)	41 157 156	(388 639)	40 768 517	39 796 793	-	(971 724)	97.62	95.98	39 088 854
Internal Audit	3 985 330	75 287	4 060 617	(286 188)	3 774 429	-	3 774 429	3 660 966	-	(113 463)	96.99	91.86	3 466 161
<b>Community and Public Safety</b>													
Public Safety	3 627 780	(519 305)	3 108 475	(3 348)	3 105 127	-	3 105 127	3 050 842	-	(54 285)	98.25	84.10	3 161 975
Health	7 466 561	(160 396)	7 306 165	(283 265)	7 022 900	-	7 022 900	6 915 224	-	(107 676)	98.47	92.62	6 940 816
<b>Economic and Environmental Services</b>													
Planning and Development	11 136 899	468 361	11 605 260	280 655	11 885 915	165 304	12 051 219	12 033 971	-	(17 248)	99.86	108.05	12 190 283
<b>Other</b>	<b>522 491</b>	<b>751 101</b>	<b>1 273 592</b>	<b>7 782</b>	<b>1 281 374</b>	<b>-</b>	<b>1 281 374</b>	<b>1 226 417</b>	<b>-</b>	<b>(54 957)</b>	<b>95.71</b>	<b>234.73</b>	<b>1 162 396</b>
<b>Total Expenditure - Standard</b>	<b>86 300 358</b>	<b>245 693</b>	<b>86 546 051</b>	<b>468 462</b>	<b>87 014 513</b>	<b>(117 658)</b>	<b>86 896 855</b>	<b>85 569 296</b>	<b>-</b>	<b>(1 327 559)</b>	<b>0.00</b>	<b>99.15</b>	<b>82 119 090</b>
<b>Gains and Losses</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>117 658</b>	<b>117 658</b>	<b>116 783</b>	<b>-</b>	<b>(875)</b>	<b>99.26</b>	<b>0.00</b>	<b>(10 667)</b>
<b>Surplus/(Deficit) for the year</b>	<b>1 832 642</b>	<b>174 307</b>	<b>2 006 949</b>	<b>(618 462)</b>	<b>1 388 487</b>	<b>117 658</b>	<b>1 388 487</b>	<b>3 064 416</b>	<b>-</b>	<b>1 675 054</b>	<b>2 604.51</b>	<b>167.21</b>	<b>2 281 399</b>

**APPENDIX E(2)**  
**ZF MGCAWU DISTRICT MUNICIPALITY**  
**RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE BY MUNICIPAL VOTE FOR THE YEAR ENDED 30 JUNE 2023**

Description	2022/23												2021/22
	Original Budget	Budget Adjustments	Adjustment Budget	Special Budget Adjustments	Special Adjustment Budget	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Outcome
	R	R	R	R	R	R		R	R	R	R	R	R
<b>REVENUE - STANDARD</b>													
Executive & Council	500 000	(250 000)	250 000	250 000	500 000	-	500 000	500 000	-	-	100.00	100.00	533 983
Council Services	500 000	(250 000)	250 000	250 000	500 000	-	500 000	500 000	-	-	100.00	100.00	533 983
Internal Audit	-	-	-	-	-	-	-	-	-	-	0.00	0.00	-
Budget and treasury office	82 343 000	900 000	83 243 000	(400 000)	82 843 000	-	82 843 000	83 164 299	-	321 299	100.39	101.00	78 017 006
Budget & Treasury Office	1 500 000	-	1 500 000	(1 300 000)	200 000	-	200 000	414 333	-	214 333	207.17	27.62	299 776
Financial Services	80 843 000	900 000	81 743 000	900 000	82 643 000	-	82 643 000	82 749 966	-	106 966	100.13	102.36	77 717 231
Corporate services	900 000	-	900 000	-	900 000	-	900 000	696 196	-	(203 804)	77.36	77.36	508 834
Human Resources	900 000	-	900 000	-	900 000	-	900 000	696 196	-	(203 804)	77.36	77.36	508 834
Planning & Development	4 390 000	(230 000)	4 160 000	-	4 160 000	-	4 160 000	4 390 000	-	230 000	105.53	100.00	5 330 000
Disaster Mangement	-	-	-	-	-	-	-	-	-	-	0.00	0.00	-
Engineering Services	4 140 000	(230 000)	3 910 000	-	3 910 000	-	3 910 000	4 140 000	-	230 000	105.88	100.00	5 080 000
Housing Accreditation	250 000	-	250 000	-	250 000	-	250 000	250 000	-	-	100.00	100.00	250 000
<b>Total Revenue - Standard</b>	<b>88 133 000</b>	<b>420 000</b>	<b>88 553 000</b>	<b>(150 000)</b>	<b>88 403 000</b>	<b>-</b>	<b>88 403 000</b>	<b>88 750 495</b>	<b>-</b>	<b>347 495</b>	<b>0.00</b>	<b>100.70</b>	<b>84 389 823</b>

**APPENDIX E(2)**  
**ZF MGCAWU DISTRICT MUNICIPALITY**  
**RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE BY MUNICIPAL VOTE FOR THE YEAR ENDED 30 JUNE 2023**

Description	2022/23												2021/22
	Original Budget	Budget Adjustments	Adjustment Budget	Special Budget Adjustments	Special Adjustment Budget	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Outcome
	R	R	R	R	R	R		R	R	R	R	R	R
<b>EXPENDITURE - STANDARD</b>													
Executive & Council	21 774 809	125 371	21 900 180	4 537 566	22 470 817	250 000	22 720 817	22 660 613	-	(60 204)	99.74	104.07	19 767 849
Council Administration	6 317 725	(5 370 373)	947 352	5 671 696	6 619 048	120 000	6 739 048	7 250 853	-	511 805	107.59	114.77	5 220 842
Council Services	6 426 571	3 297 860	9 724 431	(1 704 767)	8 019 664	130 000	8 149 664	7 707 243	-	(442 421)	94.57	119.93	6 637 103
Internal Audit	3 985 330	75 287	4 060 617	(286 188)	3 774 429	-	3 774 429	3 660 966	-	(113 463)	96.99	91.86	3 466 161
Municipal Manager	3 698 001	2 062 479	5 760 480	(3 089 293)	2 671 187	-	2 671 187	2 669 377	-	(1 810)	99.93	72.18	3 163 546
Risk Management	1 347 182	60 118	1 407 300	(20 811)	1 386 489	-	1 386 489	1 372 173	-	(14 316)	98.97	101.86	1 280 197
Budget and treasury office	17 861 733	(1 256 053)	16 605 680	689 415	17 295 095	(481 849)	16 813 246	16 087 335	-	(725 911)	95.68	90.07	16 834 334
Asset Management Unit	2 537 766	(145 862)	2 391 904	744 454	3 136 358	(216 524)	2 919 834	2 954 012	-	34 178	101.17	116.40	4 265 400
Budget & Treasury Office	1 676 939	(27 058)	1 649 881	(37 940)	1 611 941	-	1 611 941	1 706 644	-	94 703	105.88	101.77	1 581 996
Expenditure Unit	2 126 257	(199 776)	1 926 481	(225 002)	1 701 479	-	1 701 479	1 801 111	-	99 632	105.86	84.71	1 757 577
Financial Services	8 946 980	(146 859)	8 800 121	160 247	8 960 368	(136 838)	8 823 530	7 887 065	-	(936 465)	89.39	88.15	7 524 696
Supply Chain Management	2 573 791	(736 498)	1 837 293	47 656	1 884 949	(128 487)	1 756 462	1 738 503	-	(17 959)	98.98	67.55	1 704 664
Corporate services	21 021 252	1 236 553	22 257 805	(709 433)	21 548 372	58 210	21 606 582	21 376 596	-	(229 986)	98.94	101.69	20 000 813
Administration	7 186 255	(501 539)	6 684 716	(214 749)	6 469 967	-	6 469 967	6 566 698	-	96 731	101.50	91.38	6 809 103
Human Resources	4 260 707	1 245 463	5 506 170	360 096	5 866 266	268 283	6 134 549	6 756 191	-	621 642	110.13	158.57	5 563 251
Information Technology	5 397 852	673 902	6 071 754	(668 219)	5 403 535	(160 073)	5 243 462	4 305 099	-	(938 363)	82.10	79.76	3 572 486
Property Services	1 450 000	(127 000)	1 323 000	(79 970)	1 243 030	(50 000)	1 193 030	1 106 001	-	(87 029)	92.71	76.28	1 417 590
Security Services	2 726 438	(54 273)	2 672 165	(106 591)	2 565 574	-	2 565 574	2 642 608	-	77 034	103.00	96.93	2 638 382
Planning & Development	25 642 564	139 822	25 782 386	(82 157)	25 700 229	55 981	25 756 210	25 444 752	-	(311 458)	98.79	99.23	25 516 095
Communication & Liaison	1 233 532	(232 351)	1 001 181	(73 981)	927 200	35 000	962 200	960 688	-	(1 512)	99.84	77.88	973 510
Disaster Mangement	3 627 780	(519 305)	3 108 475	(3 348)	3 105 127	-	3 105 127	3 050 842	-	(54 285)	98.25	84.10	3 161 975
Engineering Services	6 781 986	(685 770)	6 096 216	349 383	6 445 599	123 631	6 569 230	6 533 034	-	(36 196)	99.45	96.33	7 896 296
Environmental Health	7 466 561	(160 396)	7 306 165	(283 265)	7 022 900	-	7 022 900	6 915 224	-	(107 676)	98.47	92.62	6 940 816
Housing Accreditation	2 224 830	524 313	2 749 143	(78 728)	2 670 415	15 000	2 685 415	2 706 317	-	20 902	100.78	121.64	2 155 192
LED	752 984	166 449	919 433	1 500	920 933	26 673	947 606	960 226	-	12 620	101.33	127.52	899 291
PIMMS	1 377 099	473 369	1 850 468	-	1 850 468	-	1 850 468	1 834 494	-	(15 974)	99.14	133.21	1 239 504
PMS	1 655 301	(177 588)	1 477 713	-	1 477 713	(144 323)	1 333 390	1 257 609	-	(75 781)	94.32	75.97	1 087 115
Tourism	522 491	751 101	1 273 592	6 282	1 279 874	-	1 279 874	1 226 317	-	(53 557)	95.82	234.71	1 162 396
<b>Total Expenditure - Standard</b>	<b>86 300 358</b>	<b>245 693</b>	<b>86 546 051</b>	<b>4 435 391</b>	<b>87 014 513</b>	<b>(117 658)</b>	<b>86 896 855</b>	<b>85 569 296</b>	<b>-</b>	<b>(1 327 559)</b>	<b>0.00</b>	<b>99.15</b>	<b>82 119 090</b>
<b>Gains and Losses</b>	<b>-</b>	<b>-</b>	<b>-</b>			<b>117 658</b>	<b>117 658</b>	<b>116 783</b>	<b>-</b>	<b>(875)</b>	<b>99.26</b>	<b>0.00</b>	<b>(10 667)</b>
<b>Surplus/(Deficit) for the year</b>	<b>1 832 642</b>	<b>174 307</b>	<b>2 006 949</b>	<b>(4 585 391)</b>	<b>1 388 487</b>	<b>-</b>	<b>1 388 487</b>	<b>3 064 416</b>	<b>-</b>	<b>1 675 929</b>	<b>(99.26)</b>	<b>1.55</b>	<b>2 281 399</b>

**APPENDIX E (3)**  
**ZF MGCAWU DISTRICT MUNICIPALITY**  
**RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2023**

Description	2022/23												2021/22
	Original Budget	Budget Adjustments	Adjustment Budget	Special Budget Adjustments	Special Adjustment Budget	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Outcome
	R	R	R	R	R	R		R	R	R	R	R	R
<b>Revenue from Non-exchange Transactions</b>													
Transfers and Subsidies	85 508 000	420 000	85 928 000	1 150 000	87 078 000	-	87 078 000	86 401 864	-	(676 136)	99	101	82 846 906
Impairment Gains	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Revenue from Exchange Transactions</b>													
Rental from Fixed Assets	10 000	-	10 000	-	10 000	-	10 000	776	-	(9 224)	8	8	8 730
Finance Income	950 000	-	950 000	-	950 000	-	950 000	1 234 722	-	284 722	130	130	699 566
Operational Revenue	1 665 000	-	1 665 000	(1 300 000)	365 000	-	365 000	1 113 132	-	748 132	305	67	834 620
Gains on Disposal of Capital Assets	-	-	-	-	-	-	-	-	-	-	-	-	10 667
<b>Total Revenue (excluding Capital Transfers &amp; Grants)</b>	<b>88 133 000</b>	<b>420 000</b>	<b>88 553 000</b>	<b>(150 000)</b>	<b>88 403 000</b>	<b>-</b>	<b>88 403 000</b>	<b>88 750 495</b>	<b>-</b>	<b>347 495</b>	<b>-</b>	<b>101</b>	<b>84 400 490</b>
<b>EXPENDITURE</b>													
Employee Related Costs	62 070 555	(2 943 874)	59 126 681	(93 200)	59 033 481	1 542 862	60 576 343	60 477 724	-	(98 619)	100	97	57 417 558
Remuneration of Councillors	4 827 921	(56 000)	4 771 921	193 000	4 964 921	150 000	5 114 921	5 060 204	-	(54 717)	99	105	4 653 771
Depreciation and Amortisation	577 240	-	577 240	669 454	1 246 694	18 000	1 264 694	1 263 327	-	(1 367)	100	219	1 042 953
Impairment Losses	20 000	-	20 000	-	20 000	-	20 000	-	-	(20 000)	-	-	53 246
Finance Costs	140 000	364 000	504 000	3 700	507 700	(56 000)	451 700	450 068	-	(1 632)	100	321	512 869
Contracted Services	6 701 537	(1 162 390)	5 539 147	585 447	6 124 594	204 951	6 329 545	5 482 523	-	(847 022)	87	82	6 594 714
Inventory Consumed	476 000	(31 250)	444 750	50 249	494 999	(13 026)	481 973	399 716	-	(82 257)	83	84	634 183
Transfers and Subsidies Paid	315 000	580 000	895 000	162 543	1 057 543	4	1 057 547	910 863	-	(146 684)	86	289	304 250
Operating Leases	-	-	-	-	-	-	-	-	-	-	-	-	606 950
Operational Costs	11 172 105	3 495 207	14 667 312	(1 102 731)	13 564 581	(1 964 449)	11 600 132	11 524 872	-	(75 260)	99	103	10 298 596
Loss on Disposal of Capital Assets	-	-	-	-	-	117 658	117 658	116 783	-	(875)	99	-	-
<b>Total Expenditure</b>	<b>86 300 358</b>	<b>245 693</b>	<b>86 546 051</b>	<b>468 462</b>	<b>87 014 513</b>	<b>-</b>	<b>87 014 513</b>	<b>85 686 079</b>	<b>-</b>	<b>(1 328 434)</b>	<b>98</b>	<b>99</b>	<b>82 119 090</b>
<b>Surplus/(Deficit) for the Year</b>	<b>1 832 642</b>	<b>-</b>	<b>2 006 949</b>	<b>-</b>	<b>1 388 487</b>	<b>-</b>	<b>1 388 487</b>	<b>3 064 416</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>167</b>	<b>2 281 399</b>

**APPENDIX E(4)**  
**ZF MGCAWU DISTRICT MUNICIPALITY**  
**RECONCILIATION OF BUDGETED CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2023**

Description	2022/23											2021/22
	Original Budget	Budget Adjustments	Adjustment Budget	Special Budget Adjustments	Special Adjustment Budget	Virement	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Outcome
	R	R	R	R	R	R				R	R	R
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>												
<b>Receipts</b>												
Transfers and Subsidies	85 008 000	(230 000)	84 778 000	-	84 778 000	-	84 778 000	86 401 864	1 623 864	101.92	101.64	82 312 923
Rental from Fixed Assets	-	-	-	-	-	-	-	776	776	0.00	0.00	8 730
External Interest and Dividends Received	150 000	-	150 000	-	150 000	-	150 000	1 234 722	1 084 722	823.15	823.15	699 566
Other Receipts	175 000	-	175 000	-	175 000	-	175 000	1 190 800	1 015 800	680.46	680.46	1 364 597
<b>Payments</b>												
Employee Related Costs	(83 757 245)	6 106 287	(77 650 958)	(2 208 628)	(79 859 586)	-	(79 859 586)	(61 302 724)	18 556 862	0.00	0.00	(58 776 558)
Remuneration of Councillors	-	-	-	-	-	-	-	(5 060 204)	(5 060 204)	0.00	0.00	(4 653 771)
External Interest and Dividends Paid	(140 000)	140 000	-	-	-	-	-	(450 068)	(450 068)	0.00	0.00	(512 869)
Suppliers Paid	-	-	-	-	-	-	-	(7 512 813)	(7 512 813)	0.00	0.00	(8 594 239)
Other Payments	(100 000)	-	(100 000)	100 000	-	-	-	(12 457 514)	(12 457 514)	0.00	0.00	(10 607 716)
<b>NET CASH FROM / (USED) OPERATING ACTIVITIES</b>	<b>1 335 755</b>	<b>6 016 287</b>	<b>7 352 042</b>	<b>(2 108 628)</b>	<b>5 243 414</b>	<b>-</b>	<b>5 243 414</b>	<b>2 044 840</b>	<b>(3 198 574)</b>	<b>0.00</b>	<b>392.54</b>	<b>1 240 663</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>												
Purchase of Property, Plant and Equipment	(1 450 000)	(263 000)	(1 713 000)	48 900	(1 664 100)	-	(1 664 100)	(1 369 534)	294 566	0.00	0.00	(512 678)
Purchase of Intangible Assets	-	-	-	-	-	-	-	(49 162)	(49 162)	0.00	0.00	(41 609)
Proceeds on Disposal of Property, Plant and Equipment	-	-	-	-	-	-	-	0	0	0.00	0.00	157 519
Decrease / (Increase) in Non-current Investments	(250 000)	-	(250 000)	(250 000)	(500 000)	-	(500 000)	(558 338)	(58 338)	0.00	0.00	(512 048)
Decrease / (Increase) in Long-term Receivables	-	-	-	-	-	-	-	14 652	14 652	0.00	0.00	(94 288)
<b>NET CASH FROM / (USED) INVESTING ACTIVITIES</b>	<b>(1 700 000)</b>	<b>(263 000)</b>	<b>(1 963 000)</b>	<b>(201 100)</b>	<b>(2 164 100)</b>	<b>-</b>	<b>(2 164 100)</b>	<b>(1 962 380)</b>	<b>201 720</b>	<b>0.00</b>	<b>0.00</b>	<b>(1 003 104)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>												
Proceeds from Borrowings	-	-	-	-	-	-	-	-	-	0.00	0.00	-
Repayment of Borrowings	-	-	-	-	-	-	-	(503 124)	(503 124)	0.00	0.00	(392 357)
<b>NET CASH FROM / (USED) FINANCING ACTIVITIES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(503 124)</b>	<b>(503 124)</b>	<b>0.00</b>	<b>0.00</b>	<b>(392 357)</b>
<b>NET INCREASE / (DECREASE) IN CASH HELD</b>	<b>364 245</b>	<b>(5 753 287)</b>	<b>(5 389 042)</b>	<b>2 309 728</b>	<b>(3 079 314)</b>	<b>-</b>	<b>(3 079 314)</b>	<b>420 664</b>	<b>3 499 978</b>	<b>0.00</b>	<b>0.00</b>	<b>154 798</b>
Cash / Cash Equivalents at the Year begin:	3 367 113	(3 367 113)	-	-	-	-	-	2 126 406	2 126 406	0.00	63.15	2 281 203
Cash / Cash Equivalents at the Year end:	3 002 868	2 386 174	5 389 042	(2 309 728)	3 079 314	-	3 079 314	1 705 742	(1 373 572)	55.39	56.80	2 126 406

**APPENDIX F**  
**ZF MGCAWU DISTRICT MUNICIPALITY**  
**DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA**

**Grants and Subsidies Received**

Name of Grant	Name of Organ of State or Municipal Entity	Quarterly Receipts				Quarterly Expenditure				Grants and Subsidies Delayed / Withheld				Reason for Delay / Withholding of Funds	Compliance to Revenue Act (*) See below	Reason for Non-compliance
		Sept	Dec	March	June	Sept	Dec	March	June	Sept	Dec	March	June			
		R	R	R	R	R	R	R	R	R	R	R	R			
<b>Monetary Allocations:</b>																
Financial Management Grant	National Treasury	1 200 000	-	-	-	236 322	85 680	306 005	571 993	-	-	-	-	N/A	Yes	N/A
Rural Roads Asset Management Systems Grant	National Treasury	2 146 000	-	921 000	-	230 767	388 177	222 715	2 225 342	-	-	-	-	N/A	Yes	N/A
Housing Accreditation DPLG National	COGHSTA - Provincial	-	250 000	-	-	25 586	29 205	42 290	152 919	-	-	-	-	N/A	Yes	N/A
EPWP Incentive Grant	National Treasury	269 000	483 000	321 000	-	703 610	369 390	-	-	-	-	-	N/A	Yes	N/A	
<b>In-kind Allocations:</b>																
Aids Health	Department of Health Provincial	-	250 000	250 000	-	229 898	30 952	(82 633)	321 783	-	-	-	-	N/A	Yes	N/A
<b>Total Grants and Subsidies Received</b>		<b>3 615 000</b>	<b>983 000</b>	<b>1 492 000</b>	<b>-</b>	<b>1 426 183</b>	<b>903 403</b>	<b>488 377</b>	<b>3 272 037</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>			

(\*) Did your District Municipality comply with the grant conditions in terms of "Grant Framework" in the latest Division of Revenue Act?

**APPENDIX G**  
**ZF MGCAWU DISTRICT MUNICIPALITY**  
**STATEMENT OF REMUNERATION OF COUNCILLORS & MANAGEMENT**

30 June 2023

Incumbent	Basic Salaries	Scarce Skills Allowance	Annual Bonuses	Performance Bonuses	Sitting Allowances	Travel Allowances	Cellphone Allowances	Housing Allowances	Company Contr. to Medical and Pension Funds	Acting Allowances	Total Remuneration
	R	R	R	R	R	R	R	R	R	R	R
<b>Executive Mayor</b>											
PM MGCERA	-	-	-	-	-	-	-	-	-	-	-
MC BASSON	691 596	-	-	-	-	230 532	-	-	-	-	922 127
MM LOUW	-	-	-	-	-	-	-	-	-	-	-
<b>Speaker</b>											
MC BASSON	-	-	-	-	-	-	-	-	-	-	-
WRS PETERSON	334 414	-	-	-	-	111 471	-	-	-	-	445 885
<b>Executive Committee</b>											
A MATSHIMO	289 368	-	-	-	-	96 456	40 865	-	-	-	426 689
J SILO	289 368	-	-	-	-	96 456	40 865	-	-	-	426 689
J LODEWYK	-	-	-	-	-	-	-	-	-	-	-
PM MGCERA	289 368	-	-	-	-	96 456	40 865	-	-	-	426 689
MM Louw	218 866	-	-	-	-	72 955	-	-	-	-	291 822
K ESAU	-	-	-	-	-	-	-	-	-	-	-
J ESAU	218 866	-	-	-	-	72 955	40 865	-	-	-	332 687
A DE BRUIN	-	-	-	-	-	-	-	-	-	-	-
H DE KOKER	218 866	-	-	-	-	72 955	40 865	-	-	-	332 687
FL WITBOOI	218 866	-	-	-	-	72 955	40 865	-	-	-	332 687
PH MATTHYS	36 769	-	-	-	-	12 256	40 865	-	-	-	89 890
MHB VAN ZYL	218 866	-	-	-	-	72 955	40 865	-	-	-	332 687
EE PHETE	-	-	-	-	-	-	-	-	-	-	-
A JOHNSON	91 995	-	-	-	-	30 665	-	-	-	-	122 660
N PRINCE	-	-	-	-	-	-	-	-	-	-	-
M BOSMAN/MAASDORP	-	-	-	-	-	-	-	-	-	-	-
<b>Councillors Section 79</b>											
MC BASSON	-	-	-	-	-	-	-	-	-	-	-
PH MATTHYS	233 693	-	-	-	-	77 898	-	-	-	-	311 590
<b>Other Councillors</b>											
M DANIELS	-	-	-	-	-	-	-	-	-	-	-
D ESAU	-	-	-	-	-	-	-	-	-	-	-
KG KEOROMETSWE	21 493	-	-	-	-	7 164	-	-	-	-	28 658
AJ RUITERS	21 493	-	-	-	-	7 164	-	-	-	-	28 658

**APPENDIX G**  
**ZF MGCAWU DISTRICT MUNICIPALITY**  
**STATEMENT OF REMUNERATION OF COUNCILLORS & MANAGEMENT**

30 June 2023

Incumbent	Basic Salaries	Scarce Skills Allowance	Annual Bonuses	Performance Bonuses	Sitting Allowances	Travel Allowances	Cellphone Allowances	Housing Allowances	Company Contr. to Medical and Pension Funds	Acting Allowances	Total Remuneration
	R	R	R	R	R	R	R	R	R	R	R
<b>Other Councillors (cont.)</b>											
E FRITZ	-	-	-	-	-	-	-	-	-	-	-
CFP MAASDORP/BEZUIDENHOUT	21 493	-	-	-	-	7 164	-	-	-	-	28 658
AC KOTZEE	21 493	-	-	-	-	7 164	-	-	-	-	28 658
J BALIES	21 493	-	-	-	-	7 164	-	-	-	-	28 658
<b>Other Councillors (Sitting)</b>											
DR PIENAAR	-	-	-	-	16 979	-	-	-	-	-	16 979
S ESAU	-	-	-	-	-	-	-	-	-	-	-
B BOCK	-	-	-	-	-	-	-	-	-	-	-
PT VAN DER STEEN	-	-	-	-	20 421	-	-	-	-	-	20 421
H ROSS	-	-	-	-	-	-	-	-	-	-	-
S SANDLANA	-	-	-	-	18 291	-	-	-	-	-	18 291
S ABEL	-	-	-	-	22 395	-	-	-	-	-	22 395
ML SEPTEMBER	-	-	-	-	-	-	-	-	-	-	-
PJ GEORGE	-	-	-	-	20 719	-	-	-	-	-	20 719
F BASSON	-	-	-	-	23 322	-	-	-	-	-	23 322
F OLIFANT	-	-	-	-	-	-	-	-	-	-	-
<b>Total for Councillors</b>	<b>3 458 366</b>	-	-	-	<b>122 127</b>	<b>1 152 789</b>	<b>326 922</b>	-	-	-	<b>5 060 204</b>

**APPENDIX G**  
**ZF MGCAWU DISTRICT MUNICIPALITY**  
**STATEMENT OF REMUNERATION OF COUNCILLORS & MANAGEMENT**

30 June 2023

Incumbent	Basic Salaries	Scarce Skills Allowance	Annual Bonuses	Performance Bonuses	Sitting Allowances	Travel Allowances	Cellphone Allowances	Housing Allowances	Company Contr. to Medical and Pension Funds	Acting Allowances	Total Remuneration
	R	R	R	R	R	R	R	R	R	R	R
<b>Municipal Manager</b>											
J.G. Lategan	75 584	-	-	154 329	-	31 589	-	-	-	-	261 501
A. Tieties	-	-	-	-	-	-	-	-	-	36 480	36 480
D. Van Zyl	-	-	-	-	-	-	-	-	-	38 984	38 984
	75 584	-	-	154 329	-	31 589	-	-	-	75 464	336 965
<b>Director: Financial Services</b>											
E. Isaacs	752 772	-	57 096	105 593	-	125 534	15 600	-	172 548	-	1 229 143
<b>Director: Planning &amp; Development</b>											
I.G.A De Waal	752 772	-	57 096	126 712	-	131 048	30 000	-	166 386	-	1 264 014
<b>Director: Corporate Services</b>											
D. Van Zyl	685 149	-	25 000	159 786	-	503 233	7 000	-	183 411	-	1 563 578
H. Mchlauli	-	-	-	-	-	-	-	-	-	18 041	18 041
	685 149	-	25 000	159 786	-	503 233	7 000	-	183 411	18 041	1 581 620
<b>Total for Senior Managers</b>	<b>2 266 277</b>	<b>-</b>	<b>139 192</b>	<b>546 419</b>	<b>-</b>	<b>791 404</b>	<b>52 600</b>	<b>-</b>	<b>522 345</b>	<b>93 505</b>	<b>4 411 742</b>
<b>Total for Management</b>	<b>5 724 644</b>	<b>-</b>	<b>139 192</b>	<b>546 419</b>	<b>122 127</b>	<b>1 944 193</b>	<b>379 522</b>	<b>-</b>	<b>522 345</b>	<b>93 505</b>	<b>9 471 946</b>

**APPENDIX G**  
**ZF MGCAWU DISTRICT MUNICIPALITY**  
**STATEMENT OF REMUNERATION OF COUNCILLORS & MANAGEMENT**

30 June 2022

Incumbent	Basic Salaries	Scarce Skills Allowance	Annual Bonuses	Performance Bonuses	Sitting Allowances	Travel Allowances	Cellphone Allowances	Housing Allowances	Company Contr. to Medical and Pension Funds	Acting Allowances	Total Remuneration
	R	R	R	R	R	R	R	R	R	R	R
<b>Executive Mayor</b>											
PM MGCERA	353 903	-	-	-	-	117 968	23 586	-	-	-	495 457
MC BASSON	15 134	-	-	-	-	5 045	12 693	-	-	-	32 872
MM LOUW	276 197	-	-	-	-	92 066	-	-	-	-	368 262
<b>Speaker</b>											
MC BASSON	198 258	-	-	-	-	66 086	-	-	-	-	264 344
WRS PETERSON	180 765	-	-	-	-	67 662	-	-	-	-	248 427
<b>Executive Committee</b>											
A MATSHIMO	282 156	-	-	-	-	94 052	40 800	-	-	-	417 008
J SILO	178 467	-	-	-	-	59 489	26 157	-	-	-	264 112
J LODEWYK	103 690	-	-	-	-	34 563	14 643	-	-	-	152 896
PM MGCERA	121 895	-	-	-	-	40 632	17 214	-	-	-	179 740
MM Louw	4 789	-	-	-	-	1 596	-	-	-	-	6 386
K ESAU	112 110	-	-	-	-	26 142	14 643	-	-	-	152 896
J ESAU	140 090	-	-	-	-	46 697	26 157	-	-	-	212 944
A DE BRUIN	78 427	-	-	-	-	26 142	14 643	-	-	-	119 212
H DE KOKER	140 090	-	-	-	-	46 697	26 157	-	-	-	212 944
FL WITBOOI	218 517	-	-	-	-	72 839	40 800	-	-	-	332 156
PH MATTHYS	140 090	-	-	-	-	46 697	26 157	-	-	-	212 944
MHB VAN ZYL	218 517	-	-	-	-	72 839	40 800	-	-	-	332 156
EE PHETE	51 823	-	-	-	-	17 274	8 272	-	-	-	77 369
A JOHNSON	52 134	-	-	-	-	17 378	-	-	-	-	69 512
N PRINCE	12 926	-	-	-	-	4 309	-	-	-	-	17 235
M BOSMAN/MAASDORP	3 042	-	-	-	-	1 014	-	-	-	-	4 056
<b>Councillors Section 79</b>											
MC BASSON	167 700	-	-	-	-	55 900	-	-	-	-	223 600
SD DUBENI	22 221	-	-	-	-	7 407	-	-	-	-	29 628
<b>Other Councillors</b>											
M DANIELS	7 702	-	-	-	-	2 567	-	-	-	-	10 269
D ESAU	7 702	-	-	-	-	2 567	-	-	-	-	10 269
KG KEOROMETSWE	13 757	-	-	-	-	4 586	-	-	-	-	18 343
AJ RUITERS	13 757	-	-	-	-	4 586	-	-	-	-	18 343

**APPENDIX G**  
**ZF MGCAWU DISTRICT MUNICIPALITY**  
**STATEMENT OF REMUNERATION OF COUNCILLORS & MANAGEMENT**

30 June 2022

Incumbent	Basic Salaries	Scarce Skills Allowance	Annual Bonuses	Performance Bonuses	Sitting Allowances	Travel Allowances	Cellphone Allowances	Housing Allowances	Company Contr. to Medical and Pension Funds	Acting Allowances	Total Remuneration
	R	R	R	R	R	R	R	R	R	R	R
<b>Other Councillors (cont.)</b>											
E FRITZ	7 231	-	-	-	-	2 410	-	-	-	-	9 642
CFP MAASDORP	21 459	-	-	-	-	7 153	-	-	-	-	28 612
AC KOTZEE	13 757	-	-	-	-	4 586	-	-	-	-	18 343
J BALIES	13 757	-	-	-	-	4 586	-	-	-	-	18 343
<b>Other Councillors (Sitting)</b>											
DR PIENAAR	-	-	-	-	6 818	-	-	-	-	-	6 818
S ESAU	-	-	-	-	1 136	-	-	-	-	-	1 136
B BOCK	-	-	-	-	4 545	-	-	-	-	-	4 545
PT VAN DER STEEN	-	-	-	-	19 317	-	-	-	-	-	19 317
H ROSS	-	-	-	-	4 545	-	-	-	-	-	4 545
S SANDLANA	-	-	-	-	12 500	-	-	-	-	-	12 500
S ABEL	-	-	-	-	11 363	-	-	-	-	-	11 363
ML SEPTEMBER	-	-	-	-	1 136	-	-	-	-	-	1 136
PJ GEORGE	-	-	-	-	13 636	-	-	-	-	-	13 636
F BASSON	-	-	-	-	15 909	-	-	-	-	-	15 909
F OLIFANT	-	-	-	-	4 545	-	-	-	-	-	4 545
<b>Total for Councillors</b>	<b>3 172 064</b>	-	-	-	<b>95 451</b>	<b>1 053 534</b>	<b>332 722</b>	-	-	-	<b>4 653 771</b>

**APPENDIX G**  
**ZF MGCAWU DISTRICT MUNICIPALITY**  
**STATEMENT OF REMUNERATION OF COUNCILLORS & MANAGEMENT**

30 June 2022

Incumbent	Basic Salaries	Scarce Skills Allowance	Annual Bonuses	Performance Bonuses	Sitting Allowances	Travel Allowances	Cellphone Allowances	Housing Allowances	Company Contr. to Medical and Pension Funds	Acting Allowances	Total Remuneration
	R	R	R	R	R	R	R	R	R	R	R
<b>Municipal Manager</b> J.G. Lategan	931 346	-	-	164 719	-	375 066	-	-	-	-	1 471 131
<b>Director: Financial Services</b> E. Isaacs	572 389	-	48 500	94 385	-	133 432	-	13 000	129 572	-	991 279
J.A. Kitching	-	-	-	-	-	-	-	-	-	11 111	11 111
	572 389	-	48 500	94 385	-	133 432	-	13 000	129 572	11 111	1 002 390
<b>Director: Planning &amp; Development</b> I.G.A De Waal	651 605	-	45 000	110 816	-	278 414	26 700	-	101 252	-	1 213 788
<b>Director: Corporate Services</b> D. Van Zyl	638 343	-	60 000	154 382	-	457 125	-	3 900	172 179	-	1 485 929
<b>Total for Senior Managers</b>	<b>2 793 683</b>	-	<b>153 500</b>	<b>524 302</b>	-	<b>1 244 037</b>	<b>26 700</b>	<b>16 900</b>	<b>403 004</b>	<b>11 111</b>	<b>5 173 238</b>
<b>Total for Management</b>	<b>5 965 748</b>	-	<b>153 500</b>	<b>524 302</b>	<b>95 451</b>	<b>2 297 572</b>	<b>359 422</b>	<b>16 900</b>	<b>403 004</b>	<b>11 111</b>	<b>9 827 009</b>

**APPENDIX H**  
**ZF MGCAWU DISTRICT MUNICIPALITY**  
**RATIO ANALYSIS SCHEDULE FOR THE YEAR ENDED 30 JUNE 2023**

Ratio	Formula	Data Source	Norm / Range	Input Description	Data Inputs and Results		Interpretation	Management Comments (#)
					2023 R	2022 R		
<b>1. FINANCIAL POSITION</b>								
<b>A. Asset Management / Utilisation</b>								
1. Capital Expenditure to Total Expenditure	Total Capital Expenditure / Total Expenditure (Total Operating Expenditure + Capital Expenditure) x 100	Statement of Financial Position, Statement of Financial Performance, Notes to the AFS, Budget, In-year Reports, IDP and AR	10% - 20%		1.78%	2.57%	Refer to Page 2 of MFMA Circular No 71	ZFM doesn't have any infrastructure assets and therefore capital expenditure is below 10%.
				Total Operating Expenditure	85 686 079	82 119 090		
				Taxation Expense	-	-		
				Total Capital Expenditure	1 549 584	2 164 287		
2. Impairment of Property, Plant and Equipment, Investment Property and Intangible assets (Carrying Value)	Property, Plant and Equipment + Investment Property + Intangible Assets Impairment / (Total Property, Plant and Equipment + Investment Property + Intangible Assets) x 100	Statement of Financial Position, Notes to the AFS and AR	0%		0.00%	0.00%	Refer to Page 3 of MFMA Circular No 71	No Impairment of PPE during the 2022/23 financial year.
				PPE, Investment Property & Intangible Impairment	-	-		
				PPE at Carrying Value	21 602 242	21 429 126		
				IP at Carrying Value	-	-		
3. Repairs and Maintenance as a % of Property, Plant and Equipment and Investment Property (Carrying Value)	Total Repairs and Maintenance Expenditure / Property, Plant and Equipment and Investment Property (Carrying value) x 100	Statement of Financial Position, Statement of Financial Performance, IDP, Budgets and In-year Reports	8%		6.28%	7.92%	Refer to Page 4 of MFMA Circular No 71	The majority of ZFM's PPE value is Land which has no maintenance on it.
				Total Repairs and Maintenance Expenditure	1 356 100	1 696 360		
				PPE at Carrying Value	21 602 242	21 429 126		
				Investment Property at Carrying Value	-	-		
<b>B. Debtors Management</b>								
1. Collection Rate	(Gross Debtors Closing Balance + Billed Revenue - Gross Debtors Opening Balance - Bad Debts Written-off) / Billed Revenue x 100	Statement of Financial Position, Statement of Financial Performance, Notes to the AFS, Budget, In-year Reports, IDP and AR	95%		101.52%	53.27%	Refer to Page 5 of MFMA Circular No 71	ZFM has written off all former Councillors' debt during 2021/22.
				Gross Debtors Closing Balance	224 591	219 189		
				Gross Debtors Opening Balance	219 189	296 503		
				Bad Debts Written-off	-	53 246		
				Billed Revenue	354 285	279 380		
2. Bad Debts Written-off as % of Provision for Bad Debt	Bad Debts Written-off / Provision for Bad Debts x 100	Statement of Financial Position, Statement of Financial Performance, Notes to the AFS, Budget and AR	100%		0.00%	0.00%	Refer to Page 5 of MFMA Circular No 71	ZFM has written off all former Councillors' debt during 2021/22.
				Debtors Bad Debts Written-off	-	53 246		
				Debtors Current Bad Debt Provision	-	-		
3. Net Debtors Days	((Gross Debtors - Bad Debt Provision) / Actual Billed Revenue) x 365	Statement of Financial Position, Statement of Financial Performance, Notes to the AFS, Budget and AR	30 Days		231 Days	286 Days	Refer to Page 6 of MFMA Circular No 71	ZFM doesn't have any consumer debtors and steps have been taken to recover outstanding debtors.
				Gross Debtors	224 591	219 189		
				Bad Debts Provision	-	-		
				Billed Revenue	354 285	279 380		

**APPENDIX H**  
**ZF MGCAWU DISTRICT MUNICIPALITY**  
**RATIO ANALYSIS SCHEDULE FOR THE YEAR ENDED 30 JUNE 2023**

Ratio		Formula	Data Source	Norm / Range	Input Description	Data Inputs and Results		Interpretation	Management Comments (#)
						2023 R	2022 R		
<b>C. Liquidity Management</b>									
1.	Cash / Cost Coverage Ratio (Excluding Unspent Conditional Grants)	((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)	Statement of Financial Position, Statement of Financial Performance, Notes to the AFS, Budget, In-year Reports and AR	1 - 3 Months		0.2 Months	0.3 Months	Refer to Page 7 of MFMA Circular No 71	ZFM has historic Employment Benefit Liabilities which negatively affects ZFM's cash flow position. Refer to Note 50, Management's Going Concern Assessment for more detail.
					Cash and Cash Equivalents	1 705 742	2 126 406		
					Unspent Conditional Grants	-	-		
					Overdraft	-	-		
					Short-term Investments	-	-		
Total Annual Operational Expenditure	84 305 969	81 022 891							
2.	Current Ratio	Current Assets / Current Liabilities	Statement of Financial Position, Budget, IDP and AR	1.5 - 2:1		0.23	0.25	Refer to Page 7 of MFMA Circular No 71	ZFM has historic Employment Benefit Liabilities which negatively affects ZFM's cash flow position. Refer to Note 50, Management's Going Concern Assessment for more detail.
					Current Assets	2 418 615	2 916 946		
					Current Liabilities	10 421 139	11 663 271		
<b>C. Liability Management</b>									
1.	Capital Cost (Interest Paid and Redemption) as a % of Total Operating Expenditure	Capital Cost (Interest Paid and Redemption) / Total Operating Expenditure x 100	Statement of Financial Position, Statement of Cash Flows, Statement of Financial Performance, Budget, IDP, In-year Reports and AR	6% - 8%		1.11%	1.10%	Refer to Page 8 of MFMA Circular No 71	ZFM leased copier machines and a telephone system during 2021/22 & 2022/23 financial year.
					Interest Paid	450 068	512 869		
					Redemption	503 124	392 357		
					Total Operating Expenditure	85 686 079	82 119 090		
					Taxation Expense	-	-		
2.	Debt (Total Borrowings) / Revenue	(Overdraft + Current Finance Lease Obligation + Non-current Finance Lease Obligation + Short-term Borrowings + Long-term Borrowings) / (Total Operating Revenue - Operational Conditional Grants) x 100	Statement of Financial Position, Statement of Financial Performance, Budget, IDP and AR	45%		39.51%	83.69%	Refer to Page 9 of MFMA Circular No 71	ZFM leased copier machines and a telephone system during 2021/22 & 2022/23 financial year.
					Total Debt	928 001	1 300 236		
					Total Operating Revenue	88 750 495	84 400 490		
					Operational Conditional Grants	86 401 864	82 846 906		

**APPENDIX H**  
**ZF MGCAWU DISTRICT MUNICIPALITY**  
**RATIO ANALYSIS SCHEDULE FOR THE YEAR ENDED 30 JUNE 2023**

Ratio	Formula	Data Source	Norm / Range	Input Description	Data Inputs and Results		Interpretation	Management Comments (#)
					2023 R	2022 R		
<b>C. Sustainability</b>								
1. Level of Cash Backed Reserves (Net Assets - Accumulated Surplus)	(Cash and Cash Equivalents - Bank Overdraft + Short-term Investment + Long-term Investment - Unspent Grants) / (Net Assets - Accumulated Surplus - Non-controlling Interest Share Premium - Share Capital - Fair Value Adjustment - Revaluation Reserve) x 100	Statement Financial Position, Budget and AR	100%		16.96%	13.58%	Refer to Page 9 of MFMA Circular No 71	The level of Cash Backed of Reserves has improved but will be addressed by Management's Going Concern Assessment, refer to Note 50.
				Cash and Cash Equivalents	1 705 742	2 126 406		
				Bank Overdraft	-	-		
				Short Term Investment	-	-		
				Long Term Investment	1 070 386	512 048		
				Unspent Grants	-	-		
				Net Assets	-	-		
				Share Premium	-	-		
				Share Capital	-	-		
				Revaluation Reserve	-	-		
Fair Value Adjustment Reserve	-	-						
Accumulated Surplus	(16 364 146)	(19 428 561)						
<b>2. FINANCIAL PERFORMANCE</b>								
<b>A. Efficiency</b>								
1. Net Operating Surplus Margin	(((Total Operating Revenue - Total Operating Expenditure) / Total Operating Revenue) x 100	Statement of Financial Performance, Budget, In-year Reports, AR, Statement of Comparison of Budget and Actual Amounts and Statement of Changes in Net Assets	= or > 0%		3.45%	2.70%	Refer to Page 10 of MFMA Circular No 71	The Net Operating Surplus Margin is above 0% due to the implementation of cost containment controls.
				Total Operating Revenue	88 750 495	84 400 490		
				Depreciation - Revalued Portion	-	-		
				Total Operating Expenditure	85 686 079	82 119 090		
Taxation Expense	-	-						
<b>B. Distribution Losses</b>								
ZFM has transferred the distribution of water and electricity to Local Municipalities								
<b>C. Revenue Management</b>								
ZFM has transferred the distribution of water and electricity to Local Municipalities								

**APPENDIX H**  
**ZF MGCAWU DISTRICT MUNICIPALITY**  
**RATIO ANALYSIS SCHEDULE FOR THE YEAR ENDED 30 JUNE 2023**

Ratio		Formula	Data Source	Norm / Range	Input Description	Data Inputs and Results		Interpretation	Management Comments (#)
						<b>2023</b>	<b>2022</b>		
						<b>R</b>	<b>R</b>		
<b>D. Expenditure Management</b>									
1.	Creditors Payment Period (Trade Creditors)	(Trade Creditors Outstanding / Credit Purchases (Operating and Capital)) x 365	Statement of Financial Performance, Notes to AFS, Budget, In-year Reports and AR	30 Days		3 Days	16 Days	Refer to Page 16 of MFMA Circular No 71	The Creditors Payment Period has decreased due to savings realised during the 2022/23 financial year and creditors could be paid before year-end. Refer to Note 18.
					Trade Creditors	189 222	843 254		
					Contracted Services	5 482 523	6 594 714		
					Inventory Consumed	399 716	634 183		
					Operational Costs	11 524 872	10 298 596		
					Transfers and Subsidies Paid	910 863	304 250		
					Operating Leases	-	606 950		
Capital Credit Purchases	1 418 695	554 287							
2.	Irregular, Fruitless & Wasteful and Unauthorised Expenditure / Total Operating Expenditure	((Irregular, Fruitless & Wasteful and Unauthorised Expenditure) / Total Operating Expenditure) x100	Statement Financial Performance, Notes to Annual Financial Statements and AR	0%		0.06%	4.92%	Refer to Page 16 of MFMA Circular No 71	Refer to Note 36 for detailed explanations.
					Irregular, Fruitless & Wasteful and Unauthorised Expenditure	49 030	4 040 723		
					Total Operating Expenditure	85 686 079	82 119 090		
					Taxation Expense	-	-		
3.	Remuneration as % of Total Operating Expenditure	(Remuneration (Employee Related Costs and Councillors Remuneration) / Total Operating Expenditure) x 100	Statement of Financial Performance, Budget, IDP, In-year Reports and AR	25% - 40%		76.49%	75.59%	Refer to Page 17 of MFMA Circular No 71	Remuneration (after the annual increase) has decreased due to vacant positions not filled and Post-Employment Benefit Liability actuarial gains. The high remuneration % will be addressed by Management's Going Concern Assessment. Refer to Note 50.
					Employee / Personnel Related Cost	60 477 724	57 417 558		
					Councillors Remuneration	5 060 204	4 653 771		
					Total Operating Expenditure	85 686 079	82 119 090		
					Taxation Expense	-	-		
4.	Contracted Services % of Total Operating Expenditure	(Contracted Services / Total Operating Expenditure) x 100	Statement of Financial Performance, Budget, IDP, In-year Reports and AR	2% - 5%		6.40%	8.03%	Refer to Page 17 of MFMA Circular No 71	Contracted services are affected by grant spending, refer to Note 27 for more detail.
					Contracted Services	5 482 523	6 594 714		
					Total Operating Expenditure	85 686 079	82 119 090		
					Taxation Expense	-	-		
<b>E. Grant Dependency</b>									
1.	(Own funded Capital Expenditure (Internally Generated Funds) + Borrowings) to Total Capital Expenditure	(Own funded Capital Expenditure (Internally Generated Funds) + Borrowings / Total Capital Expenditure) x 100	Statement of Financial Position, Budget, AFS Appendices, Notes to the Annual Financial Statements (Statement of Comparative and Actual Information), Budget, IDP, In-year Reports and AR	None		23.21%	77.54%	Refer to Page 18 of MFMA Circular No 71	Capital Expenditures funded from Borrowings relates to Finance Lease Liabilities.
					Internally Generated Funds	228 766	68 239		
					Borrowings	130 889	1 610 000		
					Total Capital Expenditure	1 549 584	2 164 287		

**APPENDIX H**  
**ZF MGCAWU DISTRICT MUNICIPALITY**  
**RATIO ANALYSIS SCHEDULE FOR THE YEAR ENDED 30 JUNE 2023**

Ratio	Formula	Data Source	Norm / Range	Input Description	Data Inputs and Results		Interpretation	Management Comments (#)	
					2023 R	2022 R			
2.	Own funded Capital Expenditure (Internally Generated Funds) to Total Capital Expenditure	(Own funded Capital Expenditure (Internally Generated Funds) / Total Capital Expenditure) x 100	Statement of Financial Position, Budget, AFS Appendices, Notes to the Annual Financial Statements (Statement of Comparative and Actual Information), Budget, IDP, In-year Reports and AR	None	Internally Generated Funds	14.76% 228 766	3.15% 68 239	Refer to Page 18 of MFMA Circular No 71	The majority of Capital Expenditures were funded from RRAMS funding..
					Total Capital Expenditure	1 549 584	2 164 287		
3.	Own Source Revenue to Total Operating Revenue (Including Agency Revenue)	(Own Source Revenue (Total Revenue - Government Grants and Subsidies - Public Contributions and Donations) / Total Operating Revenue (including Agency Services)) x 100	Statement Financial Performance, Budget, IDP, In-year Reports and AR	None	Total Revenue	2.65% 88 750 495	1.84% 84 400 490	Refer to Page 18 of MFMA Circular No 71	ZFM has limited own sources of revenue as all the functions were transferred to Local Municipalities.
					Government Grant and Subsidies	86 401 864	82 846 906		
					Public Contributions and Donations	-	-		
					Capital Grants	-	-		
<b>3. BUDGET IMPLEMENTATION</b>									
<b>A. Efficiency</b>									
1.	Capital Expenditure Budget Implementation Indicator	(Actual Capital Expenditure / Budgeted Capital Expenditure) x 100	Statement of Financial Position, Budget, AFS Appendices, In-year Reports and AR	95% - 100%		91.20% 1 549 584	415.37% 2 164 287	Refer to Page 19 of MFMA Circular No 71	Refer to Note 35 for detailed explanations.
					Budgeted Capital Expenditure	1 699 100	521 050		
2.	Operating Expenditure Budget Implementation Indicator	(Actual Operating Expenditure / Budgeted Operating Expenditure) x 100	Statement of Financial Position, Budget, AFS Appendices, IDP, In-year Reports and AR	95% - 100%		98.47% 85 686 079	96.36% 82 119 090	Refer to Page 20 of MFMA Circular No 71	Spending was in line with budgeted figures.
					Budgeted Operating Expenditure	87 014 513	85 223 760		
3.	Operating Revenue Budget Implementation Indicator	(Actual Operating Revenue / Budgeted Operating Revenue) x 100	Statement of Financial Position, Budget, AFS Appendices, IDP, In-year Reports and AR	95% - 100%		100.39% 88 750 495	97.76% 84 400 490	Refer to Page 20 of MFMA Circular No 71	Only realistic revenue was included in the budget.
					Budgeted Operating Revenue	88 403 000	86 332 000		

**Interpretation of Results:**

- The green colour indicates that the result is within the norm and is acceptable.
- The red colour indicates that the result is not acceptable and corrective actions/plans should be put in place to improve the results.