

# ANNUAL FINANCIAL STATEMENTS

2023  
2024



Mossel Bay  
M U N I C I P A L I T Y

# Mossel Bay Municipality

## Annual Financial Statements for the year ended June 30, 2024

### General Information

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#### Legal form

Category B Local Authority

#### Legislation

The most important legislation governing Mossel Bay Municipality in terms of financial operations are:

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

This list is however not exhaustive.

#### Principal activities

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

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

# Mossel Bay Municipality

## Annual Financial Statements for the year ended June 30, 2024

### General Information

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#### Area of Jurisdiction

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

#### Demarcation code

WC043

# Mossel Bay Municipality

## Annual Financial Statements for the year ended June 30, 2024

### General Information

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#### Mayoral committee:

Executive Mayor

Alderman D Kotzé

Councillors

Alderman C Bayman (Deputy Executive Mayor and Chairperson of Planning & Economic Development Services Committee)

Alderman N Booisen (Chairperson of Community Services Committee)

Councillor N Le Roux (Chairperson of Corporate and Governance Services Committee)

Councillor M Furness (Chairperson of Financial Services Committee)

Councillor A Dellemijn (Chairperson of Infrastructure Services Committee)

Councillor L Van Dyk (Chairperson of Community Safety Committee)

Speaker

Alderlady V Fortuin

Ward Councillors

1 Clr S Dubula (ANC)

2 Clr N Gwaza (ANC)

3 Clr Z Matyesini (ANC)

4 Clr A Janse van Rensburg (DA)

5 Clr A Dellemijn (DA)

6 Clr M Furness (DA)

7 Clr W Botha (DA)

8 Clr J Coetzee (DA)

9 Clr E Meyer (DA)

10 Clr L Van Dyk (DA)

11 Clr N Le Roux (DA)

12 Clr W Buda (ANC)

13 Ald R H Ruiters (DA)

14 Clr D Claassen (DA)

15 Clr M Mkonto (ANC)

Proportional Representative Councillors

Clr E Baron (VF+)

Clr J Bavuma (DA)

Ald C Bayman (DA)

Clr N Booisen (DA)

Ald V Fortuin (DA)

Clr J Gouws (ACDP)

Clr N Krige (ICOSA)

Ald D Kotzé (DA)

Clr M Kannemeyer (DA)

Clr W Liebenberg (VF+)

Clr T Mvumvu (DA)

Clr R Sethuntsha (DA)

Clr M Welman (DA)

Clr V Porter (PA)



# **Mossel Bay Municipality**

## **Annual Financial Statements for the year ended June 30, 2024**

### **General Information**

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

# **Mossel Bay Municipality**

## **Annual Financial Statements for the year ended June 30, 2024**

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The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

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# Mossel Bay Municipality

## Annual Financial Statements for the year ended June 30, 2024

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#### Abbreviations:

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

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# **Mossel Bay Municipality**

## **Annual Financial Statements for the year ended June 30, 2024**

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

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

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

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

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

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

In terms of Section 13G, read with regulation 12 of the B-BBEE Regulations, all spheres of government, public entities and organs of state must report on their compliance with broad-based black empowerment in their audited annual financial statements and annual reports. Please refer to Note 57.

The accounting officer has reviewed the municipality's cash flow forecast for the year to June 30, 2025 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

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

The annual financial statements set out from page 8, which have been prepared on the going concern basis, were approved by the accounting officer on November 29, 2024 and were signed on its behalf by:

  

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

**Mossel Bay**  
**Friday, November 29, 2024**

# Mossel Bay Municipality

## Annual Financial Statements for the year ended June 30, 2024

### Chief Financial Officer's Report

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#### 1. INTRODUCTION

It gives me great pleasure to present the financial position of Mossel Bay Municipality at 30 June 2024 and the results of its operations and cash flows for the year then ended.

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

#### 2. KEY FINANCIAL INDICATORS

The following are some of the key financial indicators, comparing the 2024 financial year's performance of the Municipality to the 2023 comparative figures:

| Ratio Description                                    | 2024     | 2023     |
|------------------------------------------------------|----------|----------|
| <b>Revenue Management</b>                            |          |          |
| Level of reliance on Government grants               | 13.4 %   | 15.1 %   |
| Actual income vs Budgeted Income*                    | 4.7 %    | (1.7)%   |
| <b>Expenditure Management</b>                        |          |          |
| Employee related costs to total expenditure          | 26.6 %   | 26.4 %   |
| Actual expenditure vs Budgeted expenditure*          | (2.1)%   | (5.6)%   |
| Finance costs as a percentage of total expenditure   | 1.8 %    | 1.0 %    |
| Repairs and Maintenance / PPE (carry amount)         | 5.2 %    | 4.6 %    |
| Repairs and Maintenance / Total expenditure          | 9.5 %    | 8.3 %    |
| <b>Asset Management</b>                              |          |          |
| Actual Expenditure vs Budgeted Expenditure*          | (24.7)%  | (14.9)%  |
| Stockholding period (days)                           | 12 days  | 11 days  |
| <b>Debt Management</b>                               |          |          |
| Creditor payment period (days)                       | 56 days  | 58 days  |
| Debtors collection period (days)                     | 47 days  | 51 days  |
| <b>Liquidity</b>                                     |          |          |
| Current ratio                                        | 2.00 : 1 | 2.30 : 1 |
| Acid Test ratio                                      | 2.00 : 1 | 2.20 : 1 |
| Turnover of accounts receivable                      | 9.9 : 1  | 8.9 : 1  |
| Cash to interest                                     | 8.86 : 1 | 3.84 : 1 |
| Debt to cash                                         | 1.60 : 1 | 1.30 : 1 |
| Cash to Income (Cash divided by Net surplus/deficit) | 1.09 : 1 | 0.47 : 1 |
| Total Liabilities / Total Assets                     | 0.21 : 1 | 0.20 : 1 |

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

#### 2.1 Borrowing, funding and reserves policy

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

##### Finance costs to total expenditure

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

# Mossel Bay Municipality

## Annual Financial Statements for the year ended June 30, 2024

### Chief Financial Officer's Report

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|                                          | 2024          | 2023          |
|------------------------------------------|---------------|---------------|
| <b>Finance cost to total expenditure</b> | <b>1.8 %</b>  | <b>1.0 %</b>  |
| Total Finance cost                       | 26 641 709    | 13 592 954    |
| Total operating expenditure              | 1 503 954 604 | 1 399 204 740 |

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

#### Total long term debt to total operating revenue

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

|                                                                                                          | 2024          | 2023          |
|----------------------------------------------------------------------------------------------------------|---------------|---------------|
| <b>Total % of long term debt to total operating revenue (excluding conditional grants and transfers)</b> | <b>16.8 %</b> | <b>13.8 %</b> |
| Total Long-term debt                                                                                     | 245 944 919   | 173 506 365   |
| Total Operating Revenue (excluding conditional grants and transfers)                                     | 1 467 669 388 | 1 253 177 327 |

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

#### Cash generation from operating activities

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

|                                                                                               | 2024        | 2023        |
|-----------------------------------------------------------------------------------------------|-------------|-------------|
| <b>Coverage of Annual loan repayments by cash generated from operating activities (Times)</b> | <b>11</b>   | <b>15</b>   |
| Cash generated from operating activities                                                      | 217 241 147 | 261 001 616 |
| Annual loan repayments                                                                        | 19 776 036  | 17 206 908  |

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

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

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

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

|                                                                 | 2024          | 2023          |
|-----------------------------------------------------------------|---------------|---------------|
| <b>Percentage of annual loan repayment to total expenditure</b> | <b>2.6 %</b>  | <b>2.2 %</b>  |
| Annual loan repayments (Interest & capital)                     | 38 605 882    | 31 246 510    |
| Total Operating expenditure                                     | 1 503 954 604 | 1 399 204 740 |

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

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

# Mossel Bay Municipality

## Annual Financial Statements for the year ended June 30, 2024

### Chief Financial Officer's Report

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#### 2.2 Liquidity policy

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

#### Cash/Cost Coverage Ratio

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

|                                           | 2024        | 2023        |
|-------------------------------------------|-------------|-------------|
| <b>Cash / Cost Coverage ratio (Times)</b> | <b>5.5</b>  | <b>6.5</b>  |
| Cash and cash equivalents                 | 564 212 652 | 586 391 255 |
| Monthly Fixed Operational Expenditure     | 102 238 333 | 89 726 732  |

#### **Cash and cash equivalents**

|                                                  |              |              |
|--------------------------------------------------|--------------|--------------|
| Petty cash and bank balances                     | 112 944 395  | 53 759 880   |
| (Unspent)/Unpaid conditional grants and receipts | (21 542 777) | (34 492 352) |
| (Unspent)/Unpaid contract advances               | 5 039 915    | 7 160 318    |
| Short-term deposits                              | 20 377 778   | -            |
| Short term investments                           | 447 393 341  | 559 963 409  |
|                                                  | 564 212 652  | 586 391 255  |

#### **Monthly Fixed Operational Expenses**

|                                                |              |              |
|------------------------------------------------|--------------|--------------|
| Total average monthly expenditure for the year | 125 329 550  | 116 600 395  |
| Less:                                          |              |              |
| Depreciation & Amortisation                    | (12 540 666) | (11 596 701) |
| Provision for Bad Debts                        | (1 615 229)  | (6 575 625)  |
| Impairment and loss on disposal of assets      | (8 935 322)  | (8 701 337)  |
|                                                | 102 238 333  | 89 726 732   |

The cash/cost coverage ratio is above the norm of 3 times as per liquidity policy and has slightly decreased from the previous year mainly due to a decrease in short term investments and increase in monthly operational expenses.

#### Current ratio

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

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

|                     | 2024        | 2023        |
|---------------------|-------------|-------------|
|                     | <b>2.0</b>  | <b>2.3</b>  |
| Current assets      | 814 854 925 | 828 644 516 |
| Current liabilities | 400 203 194 | 364 107 697 |

The municipality operates above the norm set by Council. The ratio has remained favourable although slightly lower than the previous year.

# Mossel Bay Municipality

## Annual Financial Statements for the year ended June 30, 2024

### Chief Financial Officer's Report

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#### 2.3 Other ratio's of importance

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

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

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

|                                                   | 2024           | 2023           |
|---------------------------------------------------|----------------|----------------|
| <b>Debtors collection period (days)</b>           | <b>47.0</b>    | <b>50.7</b>    |
| Consumer debtors * 365                            | 56 964 817 127 | 54 944 841 121 |
| Rates revenue + Services revenue + Debtors income | 1 212 413 641  | 1 083 893 576  |

The municipality operates outside the norm. The collection period in days has decreased against the result of the previous financial year.

Debtors income includes Interest received on outstanding debtor accounts.

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

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

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

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

|                                               | 2024                 | 2023                 |
|-----------------------------------------------|----------------------|----------------------|
| <b>Level of reliance on government grants</b> | <b>13.4 %</b>        | <b>15.1 %</b>        |
| Government grants and subsidies               | 226 300 535          | 223 750 921          |
| <b>Total revenue</b>                          | <b>1 693 969 923</b> | <b>1 476 928 248</b> |

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

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

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

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



# Mossel Bay Municipality

## Annual Financial Statements for the year ended June 30, 2024

### Chief Financial Officer's Report

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

|                                                           | 2024           | 2023           |
|-----------------------------------------------------------|----------------|----------------|
| <b>Actual versus Budgeted Capital Expenditure</b>         | <b>(24.7)%</b> | <b>(14.9)%</b> |
| Actual capital expenditure - Budgeted capital expenditure | (116 700 568)  | (42 308 681)   |
| Budgeted Capital Expenditure                              | 471 716 289    | 284 841 231    |

The municipality is functioning outside the norm. The main reasons for underspending on capital expenditure are due to underspending on ISUP grant housing projects, no Tender award could be made for the Mounting mast for 3rd party antennas project due to bids exceeding the budgeted amounts and a R19m recognition of decrease in the Restoration cost of Landfill sites.

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

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

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

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

|                                           | 2024          | 2023          |
|-------------------------------------------|---------------|---------------|
| <b>Actual revenue vs Budgeted revenue</b> | <b>4.7 %</b>  | <b>(1.7)%</b> |
| Actual revenue - Budgeted revenue         | 75 974 271    | (25 877 488)  |
| Budgeted revenue                          | 1 622 369 766 | 1 502 805 742 |

The municipality is functioning within the norm.

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

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

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

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

|                                                                       | 2024          | 2023          |
|-----------------------------------------------------------------------|---------------|---------------|
| <b>Actual operating expenditure vs Budgeted operating expenditure</b> | <b>(2.1)%</b> | <b>(5.6)%</b> |
| Actual expenditure - Budgeted expenditure                             | (34 508 125)  | (80 667 481)  |
| Budgeted expenditure                                                  | 1 610 894 664 | 1 443 673 128 |

The municipality is functioning inside the norm.

# Mossel Bay Municipality

## Annual Financial Statements for the year ended June 30, 2024

### Chief Financial Officer's Report

#### 3. LIQUIDITY POSITION OF THE MUNICIPALITY

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

The calculations of these ratios are as follows:

| Ratio Description               | Formula                                                          | 2024                      | 2023                      |
|---------------------------------|------------------------------------------------------------------|---------------------------|---------------------------|
| Current ratio                   | Current assets                                                   | 814 854 925               | 828 644 516               |
|                                 | Current liabilities                                              | 400 203 194<br><b>2.0</b> | 364 107 697<br><b>2.3</b> |
| Acid Test Ratio                 | Current assets - Inventory                                       | 783 647 584               | 802 249 960               |
|                                 | Current liabilities                                              | 400 203 194<br><b>2.0</b> | 364 107 697<br><b>2.2</b> |
| Turnover of accounts receivable | Revenue (credit)                                                 | 1 571 674 850             | 1 363 098 395             |
|                                 | Accounts receivable                                              | 158 333 507<br><b>9.9</b> | 153 639 278<br><b>8.9</b> |
| Debt to cash                    | Total liabilities                                                | 903 906 152               | 815 739 489               |
|                                 | Cash and Short term investments balance at the end of the period | 580 715 514<br><b>1.6</b> | 613 723 289<br><b>1.3</b> |

The above ratios show that the municipality is in a liquid position, with current assets of double the current liabilities. The Turnover of accounts receivable ratio for the year under review slightly improved compared to the previous year. The municipality generates 9.9 times more revenue than what the outstanding accounts are.

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

|               | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|---------------|------|------|------|------|------|------|
| Current ratio | 2.5  | 2.4  | 2.3  | 2.4  | 2.3  | 2.0  |

#### 4. OPERATING RESULTS

##### Summary of results

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

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

| Revenue                            | Actual<br>2024 | Actual<br>2023 | Variance | Adjusted<br>budget<br>2024 | Variance |
|------------------------------------|----------------|----------------|----------|----------------------------|----------|
| Operating surplus / (deficit)      | 2 831 021 798  | 2 781 555 650  | 1.8 %    | -                          | -        |
| Operating income for the year      | 1 698 344 037  | 1 476 928 248  | 15.0 %   | 1 622 369 766              | 4.7 %    |
| Appropriations for the year        | 34 786 849     | (64 456 428)   | -        | -                          | -        |
|                                    | 4 564 152 684  | 4 194 027 470  | 8.8 %    | 1 622 369 766              |          |
| Expenditure                        | Actual<br>2024 | Actual<br>2023 | Variance | Adjusted<br>budget<br>2024 | Variance |
| Operating expenditure for the year | 1 576 386 539  | 1 435 403 833  | 9.8 %    | 1 610 894 664              | (2.1)%   |

# Mossel Bay Municipality

## Annual Financial Statements for the year ended June 30, 2024

### Chief Financial Officer's Report

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The accumulated surplus at 30 June 2024 amounted to R2 988 million. The accumulated surplus of R2 831 million at 30 June 2023 was restated with previous year corrections. Refer to note 49 for more detail.

The operating income increased by 15.0% to R1698.3 million from the previous financial year's income of R1476.9 million. The operating expenditure increased by 9.8% to R1576.4 million.

The municipality's financial statements ended on a surplus of R122.0 million for the year.

#### Operating revenue and expenditure

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

| Operating revenue as a percentage of total revenue | 2024   | 2023   |
|----------------------------------------------------|--------|--------|
| Service charges                                    | 56.5 % | 58.3 % |
| Construction contracts                             | 0.1 %  | 0.1 %  |
| Rental of facilities and equipment                 | 0.7 %  | 0.9 %  |
| Agency services - Provincial Traffic               | 0.5 %  | 0.6 %  |
| Interest received - outstanding debtors            | 0.7 %  | 0.5 %  |
| Interest received - external investments           | 3.9 %  | 3.7 %  |
| Other income                                       | 3.3 %  | 4.0 %  |
| Property rates                                     | 12.9 % | 13.0 % |
| Availability charges                               | 1.5 %  | 1.6 %  |
| Government grants & subsidies recognised           | 13.4 % | 15.1 % |
| Public contributions and donations                 | 5.0 %  | 0.3 %  |
| Fines, Penalties and Forfeits                      | 1.4 %  | 1.8 %  |
|                                                    | 100 %  | 100 %  |

# Mossel Bay Municipality

## Annual Financial Statements for the year ended June 30, 2024

### Chief Financial Officer's Report

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

| <b>Operating expenditure as a percentage of total expenditure</b> | <b>2024</b> | <b>2023</b> |
|-------------------------------------------------------------------|-------------|-------------|
| Employee related costs                                            | 26.6 %      | 26.4 %      |
| Remuneration of councillors                                       | 1.0 %       | 1.0 %       |
| Depreciation, amortisation and asset impairment                   | 10.0 %      | 9.9 %       |
| Bad debts written off                                             | 1.3 %       | 5.6 %       |
| Finance costs                                                     | 1.8 %       | 1.0 %       |
| Bulk purchases                                                    | 34.8 %      | 31.2 %      |
| Contracted services                                               | 12.1 %      | 12.0 %      |
| Inventory consumed                                                | 7.1 %       | 7.5 %       |
| General Expenses                                                  | 4.7 %       | 4.6 %       |
| Transfers and subsidies paid                                      | 0.7 %       | 0.8 %       |
|                                                                   | 100 %       | 100 %       |

#### 5. CAPITAL EXPENDITURE AND FINANCE

The capital expenditure for the year as stated in the financial statements amounted to R355 015 722 and is broken down as follows:

|                                         | 2024         |        | 2023        |        |
|-----------------------------------------|--------------|--------|-------------|--------|
| <b>Capital expenditure per function</b> |              |        |             |        |
| Community services / facilities         | 8 315 247    | 2.3 %  | 12 365 383  | 5.1 %  |
| Electricity                             | 54 666 697   | 15.4 % | 48 812 973  | 20.1 % |
| Housing                                 | 89 058 782   | 25.1 % | 29 479 770  | 12.2 % |
| Refuse                                  | (14 301 230) | (4.0)% | 10 788 254  | 4.4 %  |
| Sanitation                              | 93 859 052   | 26.4 % | 33 537 667  | 13.8 % |
| Streets and Storm water                 | 52 093 563   | 14.7 % | 36 813 423  | 15.2 % |
| Water                                   | 33 416 818   | 9.4 %  | 26 106 580  | 10.8 % |
| Community Safety                        | 5 626 029    | 1.6 %  | 18 063 376  | 7.4 %  |
| Other                                   | 32 280 764   | 9.1 %  | 26 565 124  | 11.0 % |
|                                         | 355 015 722  | 100 %  | 242 532 550 | 100 %  |

The negative spending amount for Refuse services is due to the decreased restoration costs of landfill sites of R19m which were recognised in the current year with the provision for rehabilitation of landfill sites. The discount rate used to calculate the provision has increased dramatically, hence the decreased restoration costs.

The capital expenditure was financed as follows:

|                             | 2024         |        | 2023        |        |
|-----------------------------|--------------|--------|-------------|--------|
| <b>Sources of finance</b>   |              |        |             |        |
| Capital Replacement Reserve | 136 749 534  | 38.5 % | 130 720 107 | 53.9 % |
| Self Insurance Reserve      | 14 556 041   | 4.1 %  | 124 717     | 0.1 %  |
| Grants and Subsidies        | 50 575 252   | 14.2 % | 73 415 155  | 30.3 % |
| External loans              | 89 531 111   | 25.2 % | 35 173 722  | 14.5 % |
| Donated assets              | 83 213 956   | 23.4 % | 3 098 849   | 1.3 %  |
| Provision                   | (19 610 172) | (5.5)% | -           | - %    |
|                             | 355 015 722  | 100 %  | 242 532 550 | 100 %  |

Property, plant and equipment is funded to a large extent from the Capital Replacement Reserve. It must further be noted that the Restoration costs for Landfill sites are funded from a Provision. The year under review amount is negative due to a decrease in the restoration cost asset.

#### 6. FINANCIAL SUSTAINABILITY

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

**Mossel Bay Municipality**  
**Annual Financial Statements for the year ended June 30, 2024**  
**Chief Financial Officer's Report**

|               | Liquidity     | Liquidity                           | Activity                    | Solvency                       | Cash Flow                          | Cash Flow                          |
|---------------|---------------|-------------------------------------|-----------------------------|--------------------------------|------------------------------------|------------------------------------|
|               | Current ratio | Debtors<br>payment period<br>(days) | Inventory<br>turnover ratio | Total assets to<br>liabilities | Current<br>liabilities<br>coverage | Capital<br>expenditure<br>coverage |
| 2015          | 2.39          | 51                                  | 20.00                       | 7.36                           | 1.05                               | 1.60                               |
| 2016          | 2.66          | 12                                  | 13.00                       | 7.63                           | 0.99                               | 1.22                               |
| 2017          | 2.50          | 20                                  | 18.00                       | 7.45                           | 0.96                               | 1.41                               |
| 2018          | 2.70          | 41                                  | 30.00                       | 7.67                           | 0.72                               | 1.11                               |
| 2019          | 2.50          | 47                                  | 10.00                       | 6.91                           | 0.82                               | 1.18                               |
| 2020          | 2.40          | 55                                  | 10.00                       | 6.01                           | 0.84                               | 1.03                               |
| 2021          | 2.30          | 42                                  | 12.00                       | 5.74                           | 0.86                               | 1.18                               |
| 2022          | 2.40          | 45                                  | 9.00                        | 5.17                           | 0.66                               | 1.13                               |
| 2023          | 2.30          | 51                                  | 11.00                       | 4.96                           | 0.72                               | 1.08                               |
| 2024          | 2.00          | 47                                  | 12.00                       | 4.71                           | 0.54                               | 0.61                               |
| 2025 (budget) | 1.70          | 40                                  | 13.00                       | 3.95                           | 0.99                               | 1.51                               |
| 2026 (budget) | 1.90          | 41                                  | 12.00                       | 4.05                           | 1.13                               | 2.41                               |
| 2027 (budget) | 1.70          | 41                                  | 11.00                       | 4.13                           | 1.00                               | 2.99                               |

  

|               | Debt ratio   | Income &<br>Expenditure<br>Trends       | Income &<br>Expenditure<br>Trends                  | Income &<br>Expenditure<br>Trends                  | Income &<br>Expenditure<br>Trends                 |
|---------------|--------------|-----------------------------------------|----------------------------------------------------|----------------------------------------------------|---------------------------------------------------|
|               | Debt to cash | Government<br>Grants as % of<br>Revenue | Employee<br>related cost as<br>% of<br>expenditure | Repairs &<br>maintenance<br>as % of<br>expenditure | Debt<br>impairment<br>cost as % of<br>expenditure |
| 2015          | 1.19         | 15.80                                   | 29.20                                              | 5.40                                               | 4.80                                              |
| 2016          | 1.12         | 15.60                                   | 28.90                                              | 6.50                                               | 3.50                                              |
| 2017          | 1.00         | 15.50                                   | 26.69                                              | 9.50                                               | 3.00                                              |
| 2018          | 1.00         | 16.70                                   | 30.00                                              | 10.12                                              | 2.00                                              |
| 2019          | 1.00         | 14.80                                   | 31.10                                              | 10.04                                              | 1.88                                              |
| 2020          | 1.20         | 15.70                                   | 27.80                                              | 10.41                                              | 2.61                                              |
| 2021          | 1.30         | 16.20                                   | 29.10                                              | 10.20                                              | 1.40                                              |
| 2022          | 1.30         | 13.80                                   | 22.20                                              | 7.42                                               | 1.10                                              |
| 2023          | 1.30         | 15.10                                   | 26.40                                              | 8.34                                               | 5.60                                              |
| 2024          | 1.60         | 13.40                                   | 26.60                                              | 9.50                                               | 1.30                                              |
| 2025 (budget) | 2.28         | 18.49                                   | 25.82                                              | 8.21                                               | 1.65                                              |
| 2026 (budget) | 1.86         | 14.68                                   | 25.26                                              | 8.39                                               | 1.97                                              |
| 2027 (budget) | 2.02         | 15.83                                   | 24.02                                              | 7.85                                               | 1.74                                              |

**7. CAPITAL REPLACEMENT RESERVE**

The Capital Replacement Reserve balance as at 30 June 2024 amounted to R245 798 577 (R224 989 068 as at 30 June 2023).

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

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

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

# Mossel Bay Municipality

## Annual Financial Statements for the year ended June 30, 2024

### Chief Financial Officer's Report

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

On 30 June 2024 the external loans amounted to R245 944 919 (R173 506 365 on 30 June 2023). The municipality has taken up loans to the amount of R 92 214 590 and repaid loans to the amount of R19 776 036 during the year.

The municipality's cashbook showed a positive balance of R112 923 309 (R53 742 926 on 30 June 2023) and Petty Cash to the amount of R21 086 (R16 954 on 30 June 2023) on 30 June 2024. The external investments shorter than 3 months amounted to R20 377 778 against the R- of the previous year. The Short term deposits has been withdrawn and reflects mostly in the cash and cash equivalents amount. The Short term investments longer than 3 months but shorter than 12 months amounted to R447 393 341 against the R559 963 409 of the previous year. The municipality also has a long term investment of R197 174 000 (R167 174 000 on 30 June 2023) as at 30 June 2024.

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

#### 9. PROVISIONS

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

Provisions amounted to R143 776 673 as at 30 June 2024 (R155 422 430 as at 30 June 2023) and are made up as follows:

|                                  | 2024        | 2023        |
|----------------------------------|-------------|-------------|
| Other Provisions                 | 6 456 391   | 5 100 914   |
| Rehabilitation of Landfill Sites | 137 320 282 | 150 321 516 |
|                                  | 143 776 673 | 155 422 430 |

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

Other Provisions above refers to the Provision for VAT on Library grants.

# Mossel Bay Municipality

## Annual Financial Statements for the year ended June 30, 2024

### Chief Financial Officer's Report

#### 10. LIQUIDITY REQUIREMENTS

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

|                                                                                                                                                                                                              | 2024               | 2023               |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|--------------------|
| <b>Liquidity Requirement Calculation (as stipulated in paragraph 4)</b>                                                                                                                                      |                    |                    |
| All earmarked and / or conditional grants received but not yet utilised                                                                                                                                      | 21 542 777         | 34 492 352         |
| All earmarked and / or construction contracts revenue received but not yet utilised                                                                                                                          | (5 039 915)        | (7 160 318)        |
| Value of the provisions held in cash to the extent that these funds are required within the following 5 years                                                                                                | 143 776 673        | 155 422 430        |
| Value of legally entrenched short term rights and benefits of employees related to medical benefits and retirement benefits plus two fifths of the non-current liability regarding post-retirement benefits* | 107 907 440        | 74 669 910         |
| Unspent Loan Funds                                                                                                                                                                                           | -                  | -                  |
| Funds held for agency services not yet performed                                                                                                                                                             | -                  | -                  |
| Reserve funds reflected in Statement of Financial Position that are assumed to be held in cash:                                                                                                              |                    |                    |
| - Capital Replacement Reserve                                                                                                                                                                                | 245 798 576        | 224 989 068        |
| - Self Insurance Reserve                                                                                                                                                                                     | 117 843 726        | 173 440 082        |
| Capital redemption and interest payments on external loans not reflected as part of normal operating expenditure                                                                                             | 47 173 642         | 33 349 501         |
| 1 months operational expenditure excluding non-cash items                                                                                                                                                    | 102 238 333        | 89 726 732         |
| Consumer deposits                                                                                                                                                                                            | 41 601 674         | 38 583 083         |
| Other Deposits and Other Advance Payments                                                                                                                                                                    |                    |                    |
| - Retentions                                                                                                                                                                                                 | 26 876 062         | 14 070 268         |
| - Payments received in advance                                                                                                                                                                               | 50 389 903         | 38 167 953         |
| - Other deposits                                                                                                                                                                                             | 8 671 833          | 10 550 597         |
| Non-current deposit: Pavilion                                                                                                                                                                                | 372 718            | 344 472            |
| Reserve funds for Landfill site provision                                                                                                                                                                    | 15 000 000         | 15 000 000         |
| <b>Total liquidity requirements</b>                                                                                                                                                                          | <b>924 153 442</b> | <b>895 646 130</b> |

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

|                                                                                     |                    |                    |
|-------------------------------------------------------------------------------------|--------------------|--------------------|
| Bank balances at e.g.                                                               |                    |                    |
| - ABSA, FNB, Standard Bank, Nedbank, Investec, Money Market                         |                    |                    |
| Bank balances sub total                                                             | 112 944 395        | 53 759 880         |
| All other term deposits with banks                                                  | 20 377 778         | -                  |
| All Short term investments with banks                                               | 447 393 341        | 559 963 409        |
| All Long term investments with banks                                                | 197 174 000        | 167 174 000        |
| Consumer debtors (current)                                                          | 151 742 256        | 155 559 152        |
| Other reserves held in cash not reflected in bank balances mentioned above for e.g. |                    |                    |
| - Unspent conditional grants                                                        | -                  | -                  |
| - Payments received for agency functions not yet performed                          | -                  | -                  |
| - The cash value of reserves held                                                   | -                  | -                  |
| - Cash deposits held as part of loan covenant ceded                                 | -                  | -                  |
| - Undrawn bank overdraft facility of committed liquidity lines available            | -                  | -                  |
| <b>Total liquidity available</b>                                                    | <b>929 631 770</b> | <b>936 456 441</b> |

|                                        |                  |                   |
|----------------------------------------|------------------|-------------------|
| <b>Liquidity surplus / (shortfall)</b> | <b>5 478 328</b> | <b>40 810 311</b> |
|----------------------------------------|------------------|-------------------|

\* Liquidity policy for the 2023/24 year differs in relation to retirement benefits liquidity requirement from the previous financial year. 2/5 ths of the Non-current benefits should be cash funded in 2023/24 year and 1/5 th of the Non-current benefits should be cash funded in 2022/23.

# Mossel Bay Municipality

## Annual Financial Statements for the year ended June 30, 2024

### Chief Financial Officer's Report

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#### 11. EMPLOYEE BENEFITS

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

The employee benefits liability amounted to R197 429 151 as at 30 June 2024 (R192 967 557 as at 30 June 2023) and is made up as follows:

|                                               | 2024               | 2023               |
|-----------------------------------------------|--------------------|--------------------|
| Post-Employment Health Care Benefits          | 138 477 076        | 137 355 031        |
| Ex-Gratia Gratuities                          | 493 898            | 1 007 193          |
| Long Service Awards                           | 20 762 998         | 19 178 038         |
| Employee overtime / standby allowance accrual | 2 280 718          | 2 339 131          |
| Employee bonus accrual                        | 10 188 145         | 8 354 514          |
| Staff leave accrual                           | 24 188 369         | 23 818 173         |
| Performance bonus accrual                     | 1 037 947          | 915 477            |
|                                               | <b>197 429 151</b> | <b>192 967 557</b> |

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

#### 12. CURRENT LIABILITIES

Current liabilities are those liabilities of the municipality due and payable in the short term (less than 12 months). No indication is found that the municipality would be unable to meet its obligations. Current liabilities amounted to R400 203 192 as at 30 June 2024 (R364 107 689 as at 30 June 2023) and are made up as follows:

|                                         |         | 2024               | 2023               |
|-----------------------------------------|---------|--------------------|--------------------|
| Other financial liabilities             | Note 20 | 28 931 993         | 19 900 439         |
| Employee benefit obligation             | Note 21 | 48 226 300         | 45 095 499         |
| Provisions                              | Note 22 | 7 061 791          | 6 274 117          |
| Unspent conditional grants and receipts | Note 23 | 21 542 777         | 34 492 352         |
| Consumer deposits                       | Note 24 | 41 601 674         | 38 583 083         |
| Unspent construction contract advances  | Note 4  | -                  | -                  |
| Payables from exchange transactions     | Note 25 | 252 838 657        | 219 762 199        |
|                                         |         | <b>400 203 192</b> | <b>364 107 689</b> |

#### 13. CURRENT ASSETS

Current assets amounted to R814 854 925 as at 30 June 2024 (R828 644 516 as at 30 June 2023) and is made up as follows:

|                                            |         | 2024               | 2023               |
|--------------------------------------------|---------|--------------------|--------------------|
| Inventories                                | Note 3  | 31 207 340         | 26 394 557         |
| Unpaid Construction contract advances      | Note 4  | 5 039 915          | 7 160 319          |
| Current portion of Long term receivables   | Note 5  | 278 604            | 287 813            |
| Receivables from exchange transactions     | Note 6  | 150 305 222        | 142 945 426        |
| Receivables from non-exchange transactions | Note 7  | 22 230 583         | 23 635 253         |
| VAT                                        | Note 11 | 25 077 747         | 14 497 859         |
| Short term Investments                     | Note 12 | 447 393 341        | 559 963 409        |
| Cash and cash equivalents                  | Note 13 | 133 322 173        | 53 759 880         |
|                                            |         | <b>814 854 925</b> | <b>828 644 516</b> |



# Mossel Bay Municipality

## Annual Financial Statements for the year ended June 30, 2024

### Chief Financial Officer's Report

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

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

|                                                               | 2024        | 2023        | Variance |
|---------------------------------------------------------------|-------------|-------------|----------|
| Electricity                                                   | 55 307 803  | 52 183 959  | 5.99 %   |
| Water                                                         | 27 586 086  | 33 680 880  | (18.10)% |
| Sewerage                                                      | 6 661 488   | 8 642 630   | (22.92)% |
| Refuse                                                        | 7 358 583   | 8 958 829   | (17.86)% |
| Land sales                                                    | 890         | 305         | 191.80 % |
| Housing selling schemes                                       | 7 741       | 10 276      | (24.67)% |
| Housing rental                                                | 9 990       | 12 270      | (18.58)% |
| Other (merchandising, jobbing, contracts and service charges) | 43 765 318  | 30 806 381  | 42.07 %  |
| Payments received in advance                                  | 9 607 323   | 8 649 896   | 11.07 %  |
|                                                               | 150 305 222 | 142 945 426 | 5.15 %   |

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

|                                                | 2024       | 2023       | Variance |
|------------------------------------------------|------------|------------|----------|
| Fines                                          | 3 637 485  | 3 381 396  | 7.6 %    |
| Consumer debtors - Rates                       | 15 370 092 | 16 238 281 | (5.3)%   |
| Payments made in advance                       | 128 834    | 128 834    | - %      |
| Other                                          | 828 657    | 781 276    | 6.1 %    |
| Availability charges - Electricity             | 1 072 015  | 1 403 092  | (24)%    |
| Availability charges - Sanitation and Sewerage | 604 032    | 771 643    | (22)%    |
| Availability charges - Water                   | 589 468    | 930 731    | (37)%    |
|                                                | 22 230 583 | 23 635 253 | (5.9)%   |

#### 15. EXPRESSIONS OF APPRECIATION

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



**CHIEF FINANCIAL OFFICER**

**November 29, 2024**

**Mossel Bay Municipality**  
**Annual Financial Statements for the year ended June 30, 2024**  
**Statement of Financial Position as at June 30, 2024**

| Figures in Rand                                                | Notes | 2024                 | 2023<br>Restated*    |
|----------------------------------------------------------------|-------|----------------------|----------------------|
| <b>ASSETS</b>                                                  |       |                      |                      |
| <b>CURRENT ASSETS</b>                                          |       |                      |                      |
| Inventories                                                    | 3     | 31 207 340           | 26 394 557           |
| Unpaid construction contract advances                          | 4     | 5 039 915            | 7 160 319            |
| Long-term receivables                                          | 5     | 278 604              | 287 813              |
| Receivables from exchange transactions                         | 6     | 150 305 222          | 142 945 426          |
| Receivables from non-exchange transactions                     | 7     | 22 230 583           | 23 635 253           |
| VAT receivable                                                 | 11    | 25 077 747           | 14 497 859           |
| Short-term investments                                         | 12    | 447 393 341          | 559 963 409          |
| Cash and cash equivalents                                      | 13    | 133 322 173          | 53 759 880           |
|                                                                |       | <b>814 854 925</b>   | <b>828 644 516</b>   |
| <b>NON-CURRENT ASSETS</b>                                      |       |                      |                      |
| Property, plant and equipment                                  | 14    | 2 757 114 269        | 2 558 135 627        |
| Investment Property                                            | 15    | 372 794 074          | 382 036 790          |
| Intangible assets                                              | 16    | 1 092 965            | 841 548              |
| Heritage assets                                                | 17    | 4 223 599            | 4 223 599            |
| Living resources                                               | 10    | 460 667              | 345 721              |
| Long-term receivables                                          | 5     | 25 508               | 21 637               |
| Operating lease asset                                          | 18    | 107 574 627          | 103 767 024          |
| Investments                                                    | 19    | 197 174 000          | 167 174 000          |
|                                                                |       | <b>3 440 459 709</b> | <b>3 216 545 946</b> |
| <b>TOTAL ASSETS</b>                                            |       | <b>4 255 314 634</b> | <b>4 045 190 462</b> |
| <b>LIABILITIES</b>                                             |       |                      |                      |
| <b>CURRENT LIABILITIES</b>                                     |       |                      |                      |
| Other financial liabilities                                    | 20    | 28 931 993           | 19 900 439           |
| Employee benefit obligation                                    | 21    | 48 226 300           | 45 095 499           |
| Provisions                                                     | 22    | 7 061 791            | 6 274 116            |
| Unspent conditional grants and receipts                        | 23    | 21 542 777           | 34 492 352           |
| Consumer deposits                                              | 24    | 41 601 674           | 38 583 083           |
| Payables from exchange transactions                            | 25    | 252 838 659          | 219 762 208          |
|                                                                |       | <b>400 203 194</b>   | <b>364 107 697</b>   |
| <b>NON-CURRENT LIABILITIES</b>                                 |       |                      |                      |
| Other financial liabilities                                    | 20    | 217 012 926          | 153 605 926          |
| Operating lease liability                                      | 18    | 399 580              | 661 023              |
| Employee benefit obligation                                    | 21    | 149 202 851          | 147 872 058          |
| Provisions                                                     | 22    | 136 714 882          | 149 148 313          |
| Non-current deposits                                           | 26    | 372 718              | 344 472              |
|                                                                |       | <b>503 702 958</b>   | <b>451 631 792</b>   |
| <b>TOTAL LIABILITIES</b>                                       |       | <b>903 906 152</b>   | <b>815 739 489</b>   |
| <b>NET ASSETS ATTRIBUTABLE TO OWNERS OF CONTROLLING ENTITY</b> |       |                      |                      |
| Self-insurance reserve                                         | 27    | 117 843 726          | 173 440 082          |
| Capital replacement reserve                                    | 28    | 245 798 577          | 224 989 068          |
| Accumulated surplus                                            |       | 2 987 766 179        | 2 831 021 823        |
| <b>TOTAL NET ASSETS</b>                                        |       | <b>3 351 408 482</b> | <b>3 229 450 973</b> |

**Mossel Bay Municipality**  
**Annual Financial Statements for the year ended June 30, 2024**  
**Statement of Financial Performance**

| Figures in Rand                                                | Notes    | 2024                 | 2023<br>Restated*    |
|----------------------------------------------------------------|----------|----------------------|----------------------|
| <b>REVENUE</b>                                                 |          |                      |                      |
| <b>Revenue from exchange transactions</b>                      |          |                      |                      |
| Service charges                                                | 29       | 956 380 563          | 860 432 908          |
| Construction contracts                                         | 4        | 1 074 523            | 1 251 298            |
| Rental of facilities and equipment                             | 30       | 12 628 276           | 12 694 951           |
| Agency services - Provincial Traffic                           | 64       | 8 227 836            | 8 148 171            |
| Interest received - outstanding debtors                        |          | 11 170 209           | 6 983 413            |
| Interest received - external investments                       | 31       | 66 215 723           | 55 085 669           |
| Other income                                                   | 32       | 56 079 350           | 58 744 187           |
| <b>Total revenue from exchange transactions</b>                |          | <b>1 111 776 480</b> | <b>1 003 340 597</b> |
| <b>Revenue from non-exchange transactions</b>                  |          |                      |                      |
| <b>Taxation revenue</b>                                        |          |                      |                      |
| Availability charges                                           | 33       | 26 235 510           | 24 354 026           |
| Property rates                                                 | 34       | 218 627 359          | 192 123 229          |
| Interest earned - outstanding property rates                   |          | 1 140 463            | 895 873              |
| Licences and Permits                                           |          | 1 387 858            | 1 317 174            |
| <b>Transfer revenue</b>                                        |          |                      |                      |
| Government grants & subsidies recognised                       | 35       | 226 300 535          | 223 750 921          |
| Public contributions and donations                             | 36       | 84 618 481           | 4 911 124            |
| Fines, Penalties and Forfeits                                  | 37       | 23 883 237           | 26 235 304           |
| <b>Total revenue from non-exchange transactions</b>            |          | <b>582 193 443</b>   | <b>473 587 651</b>   |
| <b>TOTAL REVENUE</b>                                           |          | <b>1 693 969 923</b> | <b>1 476 928 248</b> |
| <b>EXPENDITURE</b>                                             |          |                      |                      |
| Employee related costs                                         | 38       | 399 734 954          | 370 069 039          |
| Remuneration of councillors                                    | 39       | 14 418 812           | 13 413 696           |
| Depreciation, amortisation and asset impairment                | 40       | 150 487 986          | 139 160 416          |
| Bad debts written off                                          | 41       | 19 382 743           | 78 907 504           |
| Finance costs                                                  | 42       | 26 641 709           | 13 592 954           |
| Bulk purchases                                                 | 43       | 523 177 552          | 436 942 993          |
| Contracted services                                            | 44       | 181 431 363          | 167 226 789          |
| Transfers and subsidies paid                                   | 45       | 10 990 258           | 11 528 534           |
| Inventory consumed                                             | 46       | 107 223 867          | 104 416 043          |
| General Expenses                                               | 47       | 70 465 360           | 63 946 772           |
| <b>TOTAL EXPENDITURE</b>                                       |          | <b>1 503 954 604</b> | <b>1 399 204 740</b> |
| <b>Operating surplus / (deficit)</b>                           |          | <b>190 015 319</b>   | <b>77 723 508</b>    |
| Gain / (loss) on disposal of assets and liabilities            | 14&15&16 | (930 826)            | 5 613 253            |
| Inventories losses / write-downs                               | 3        | (11 056 749)         | (8 777 459)          |
| Reversal of impairment loss / (Impairment loss) on receivables | 41       | (56 070 247)         | 39 363 299           |
| <b>SURPLUS / (DEFICIT) FOR THE YEAR</b>                        |          | <b>121 957 497</b>   | <b>113 922 601</b>   |

# Mossel Bay Municipality

## Annual Financial Statements for the year ended June 30, 2024

### Statement of Changes in Net Assets

| Figures in Rand                                                | Self-insurance<br>reserve | Capital<br>replacement<br>reserve | Total reserves     | Accumulated<br>surplus /<br>(deficit) | Total net<br>assets  |
|----------------------------------------------------------------|---------------------------|-----------------------------------|--------------------|---------------------------------------|----------------------|
| Opening balance as previously reported                         | 172 103 209               | 161 869 514                       | 333 972 723        | 2 766 510 081                         | 3 100 482 804        |
| Adjustments                                                    |                           |                                   |                    |                                       |                      |
| Prior year adjustments (Note 49)                               | -                         | -                                 | -                  | 15 045 569                            | 15 045 569           |
| <b>Balance at July 1, 2022 as restated*</b>                    | <b>172 103 209</b>        | <b>161 869 514</b>                | <b>333 972 723</b> | <b>2 781 555 650</b>                  | <b>3 115 528 373</b> |
| Changes in net assets                                          |                           |                                   |                    |                                       |                      |
| Surplus for the year                                           | -                         | -                                 | -                  | 113 922 601                           | 113 922 601          |
| Transfer to Self-insurance reserve                             | 4 922 048                 | -                                 | 4 922 048          | (4 922 048)                           | -                    |
| - Contributions from operating account and other contributions | -                         | 138 607 376                       | 138 607 376        | (138 607 377)                         | -                    |
| - External services contribution                               | -                         | 31 964 932                        | 31 964 932         | (31 964 932)                          | -                    |
| - Land sales contribution                                      | -                         | 21 643 646                        | 21 643 646         | (21 643 646)                          | -                    |
| Less: Expenditure: Funding Capital Projects                    | (3 585 175)               | (129 096 400)                     | (132 681 575)      | 132 681 575                           | -                    |
| Total changes                                                  | 1 336 873                 | 63 119 554                        | 64 456 427         | 49 466 173                            | 113 922 600          |
| Opening balance as previously reported                         | 173 440 082               | 224 989 068                       | 398 429 150        | 2 841 264 765                         | 3 239 693 915        |
| Adjustments                                                    |                           |                                   |                    |                                       |                      |
| Prior year adjustments (Note 49)                               | -                         | -                                 | -                  | (10 242 967)                          | (10 242 967)         |
| <b>Balance at July 1, 2023 as restated*</b>                    | <b>173 440 082</b>        | <b>224 989 068</b>                | <b>398 429 150</b> | <b>2 831 021 798</b>                  | <b>3 229 450 948</b> |
| Changes in net assets                                          |                           |                                   |                    |                                       |                      |
| Surplus for the year                                           | -                         | -                                 | -                  | 121 957 497                           | 121 957 497          |
| Transfer to Self-insurance reserve                             | 5 161 792                 | -                                 | 5 161 792          | (5 161 792)                           | -                    |
| - Contributions from operating account and other contributions | -                         | 122 288 958                       | 122 288 958        | (122 288 958)                         | -                    |
| - External services contribution                               | -                         | 29 419 232                        | 29 419 232         | (29 419 232)                          | -                    |
| - Land sales contribution                                      | -                         | 6 116 862                         | 6 116 862          | (6 116 862)                           | -                    |
| Less: Expenditure: Funding Capital Projects                    | (60 758 149)              | (137 015 544)                     | (197 773 693)      | 197 773 693                           | -                    |
| Total changes                                                  | (55 596 357)              | 20 809 508                        | (34 786 849)       | 156 744 346                           | 121 957 497          |
| <b>Balance at June 30, 2024</b>                                | <b>117 843 725</b>        | <b>245 798 576</b>                | <b>363 642 301</b> | <b>2 987 766 179</b>                  | <b>3 351 408 480</b> |
| Notes                                                          | 27                        | 28                                |                    |                                       |                      |

# Mossel Bay Municipality

## Annual Financial Statements for the year ended June 30, 2024

### Cash Flow Statement

| Figures in Rand                                               | Notes | 2024                 | 2023<br>Restated*    |
|---------------------------------------------------------------|-------|----------------------|----------------------|
| <b>Cash flows from operating activities</b>                   |       |                      |                      |
| <b>Receipts</b>                                               |       |                      |                      |
| Grants                                                        |       | 223 847 778          | 245 806 609          |
| Interest income                                               |       | 64 108 965           | 51 262 836           |
| Ratepayers and Service charges                                |       | 1 152 495 023        | 1 101 200 720        |
| Other                                                         |       | 97 158 436           | 92 450 255           |
|                                                               |       | 1 537 610 202        | 1 490 720 420        |
| <b>Payments</b>                                               |       |                      |                      |
| Employee costs                                                |       | (409 692 162)        | (374 371 277)        |
| Suppliers                                                     |       | (812 397 334)        | (709 320 857)        |
| Transfers and grants                                          |       | (10 990 258)         | (11 528 534)         |
| Finance costs                                                 |       | -                    | -                    |
| Other Payments                                                |       | (83 101 094)         | (130 414 765)        |
| Grants repaid                                                 |       | (4 188 207)          | (4 083 371)          |
|                                                               |       | (1 320 369 055)      | (1 229 718 804)      |
| Total receipts                                                |       | 1 537 610 202        | 1 490 720 420        |
| Total payments                                                |       | (1 320 369 055)      | (1 229 718 804)      |
| <b>Net cash flows from operating activities</b>               | 48    | <b>217 241 147</b>   | <b>261 001 616</b>   |
| <b>Cash flows from investing activities</b>                   |       |                      |                      |
| Purchase of property, plant and equipment                     | 14    | (284 638 088)        | (233 361 941)        |
| Proceeds from sale of property, plant and equipment           | 14    | 1 137 228            | 16 655 444           |
| Purchase of investment property                               | 15    | (1 014 175)          | (1 547 199)          |
| Proceeds from sale of investment property                     | 15    | 11 339 974           | 7 159 061            |
| Purchase of other intangible assets                           | 16    | (413 994)            | 140 334              |
| Purchase of Living resource assets                            | 10    | (273 913)            | (335 565)            |
| Proceeds from sale of other intangible assets                 | 16    | 0                    | (0)                  |
| (Increase) / Decrease in Long-term Receivables                |       | 5 338                | 74 405               |
| (Increase) / Decrease in Non-current investments              |       | (30 000 000)         | (30 000 000)         |
| (Increase) / Decrease in short-term investments               |       | 112 570 068          | (34 418 754)         |
| <b>Net cash flows from / (in) investing activities</b>        |       | <b>(191 287 562)</b> | <b>(275 634 215)</b> |
| <b>Cash flows from financing activities</b>                   |       |                      |                      |
| Proceeds from other financial liabilities                     |       | 92 214 590           | 37 100 000           |
| Repayment of other financial liabilities                      |       | (19 776 036)         | (17 206 908)         |
| Finance costs                                                 |       | (18 829 846)         | (14 039 602)         |
| <b>Net cash flows from / (in) financing activities</b>        |       | <b>53 608 708</b>    | <b>5 853 490</b>     |
| <b>Net increase / (decrease) in cash and cash equivalents</b> |       | <b>79 562 293</b>    | <b>(8 779 109)</b>   |
| Cash and cash equivalents                                     |       | 53 759 880           | 62 538 988           |
| <b>Cash and cash equivalents at the end of the year</b>       | 13    | <b>133 322 173</b>   | <b>53 759 879</b>    |

**Mossel Bay Municipality**  
**Annual Financial Statements for the year ended June 30, 2024**

**Statement of Comparison of Budget and Actual Amounts**

Budget on Accrual Basis

|  | Approved<br>budget | Adjustments | Final Budget | Actual<br>amounts on<br>comparable<br>basis | Difference<br>between final<br>budget and<br>actual | Reasons for material variances |
|--|--------------------|-------------|--------------|---------------------------------------------|-----------------------------------------------------|--------------------------------|
|--|--------------------|-------------|--------------|---------------------------------------------|-----------------------------------------------------|--------------------------------|

Figures in Rand

**STATEMENT OF FINANCIAL PERFORMANCE**

# Mossel Bay Municipality

## Annual Financial Statements for the year ended June 30, 2024

### Budget on Accrual Basis

|                                                     | Approved budget | Adjustments | Final Budget | Actual amounts on comparable basis | Difference between final budget and actual | Reasons for material variances                                                                                                                                           |
|-----------------------------------------------------|-----------------|-------------|--------------|------------------------------------|--------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Figures in Rand</b>                              |                 |             |              |                                    |                                            |                                                                                                                                                                          |
| <b>REVENUE</b>                                      |                 |             |              |                                    |                                            |                                                                                                                                                                          |
| <b>Exchange Revenue</b>                             |                 |             |              |                                    |                                            |                                                                                                                                                                          |
| Service charges - Electricity                       | 621 464 420     | -           | 621 464 420  | 630 694 101                        | 9 229 681                                  | Budgeted conservatively in light of Loadshedding schedules in earlier part of the financial year. Usage increased due to suspension of loadshedding the past few months. |
| Service charges - Water                             | 160 181 293     | -           | 160 181 293  | 167 873 320                        | 7 692 027                                  | Budgeted conservatively for conventional water usage                                                                                                                     |
| Service charges - Waste Water Management            | 92 562 864      | -           | 92 562 864   | 93 943 449                         | 1 380 585                                  | Growth in properties making use of this service. Use amount of consumers as at end of December each year to project income for budget purposes.                          |
| Service charges - Waste management                  | 90 818 164      | -           | 90 818 164   | 90 105 202                         | (712 962)                                  | Actual amounts are reflected under Operational revenue. Refer to variance on that line below.                                                                            |
| Sale of Good and Rendering of Services              | 20 026 693      | -           | 20 026 693   | -                                  | (20 026 693)                               |                                                                                                                                                                          |
| Agency services                                     | 8 723 397       | -           | 8 723 397    | 8 227 836                          | (495 561)                                  | The Municipality budgeted conservatively for interest on investments. The municipality also experienced better investment opportunities than anticipated.                |
| Interest earned from Receivables                    | 11 353 230      | -           | 11 353 230   | 11 170 209                         | (183 021)                                  |                                                                                                                                                                          |
| Interest earned from Current and Non-current Assets | 50 993 759      | -           | 50 993 759   | 66 215 723                         | 15 221 964                                 |                                                                                                                                                                          |
| Rent from fixed assets                              | 9 388 104       | -           | 9 388 104    | 12 628 274                         | 3 240 170                                  | Did not provide for Operating lease smoothing in budget                                                                                                                  |
| Operational Revenue                                 | 39 548 345      | -           | 39 548 345   | 56 079 350                         | 16 531 005                                 | Due to Insurance refunds not realising as per planned budget.                                                                                                            |
| <b>Non-exchange Revenue</b>                         |                 |             |              |                                    |                                            |                                                                                                                                                                          |

# Mossel Bay Municipality

## Annual Financial Statements for the year ended June 30, 2024

### Budget on Accrual Basis

|                                                                      | Approved budget      | Adjustments | Final Budget         | Actual amounts on comparable basis | Difference between final budget and actual | Reasons for material variances                                                                                                                                                                                                                                                                     |
|----------------------------------------------------------------------|----------------------|-------------|----------------------|------------------------------------|--------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Figures in Rand</b>                                               |                      |             |                      |                                    |                                            |                                                                                                                                                                                                                                                                                                    |
| Property rates                                                       | 219 678 910          | -           | 219 678 910          | 218 627 359                        | (1 051 551)                                | Use Valuation roll for December each year to budget for Property Rates. Projected growth were slightly different than actual.                                                                                                                                                                      |
| Fines, penalties and forfeits                                        | 20 202 310           | -           | 20 202 310           | 23 883 237                         | 3 680 927                                  | The municipality realised R3.4m revenue for unclaimed deposits and bigger than anticipated Provincial traffic fines.                                                                                                                                                                               |
| Licences and permits                                                 | 1 368 363            | -           | 1 368 363            | 1 387 858                          | 19 495                                     |                                                                                                                                                                                                                                                                                                    |
| Transfers and subsidies - Operational                                | 190 725 913          | -           | 190 725 913          | 173 622 275                        | (17 103 638)                               | The underspending is mainly due to underspending on Housing grant allocations.                                                                                                                                                                                                                     |
| Interest                                                             | 1 252 160            | -           | 1 252 160            | 1 140 463                          | (111 697)                                  |                                                                                                                                                                                                                                                                                                    |
| Gains on disposal of Assets                                          | 485 854              | -           | 485 854              | 4 374 116                          | 3 888 262                                  | Gains were realised on alienation of municipal sites.                                                                                                                                                                                                                                              |
| Other Gains                                                          | 500 000              | -           | 500 000              | -                                  | (500 000)                                  | Gains on employee benefits is disclosed in AFS under Employee related costs.                                                                                                                                                                                                                       |
| <b>Total revenue (excluding capital transfers and contributions)</b> | <b>1 539 273 779</b> | <b>-</b>    | <b>1 539 273 779</b> | <b>1 559 972 772</b>               | <b>20 698 993</b>                          |                                                                                                                                                                                                                                                                                                    |
| <b>EXPENDITURE</b>                                                   |                      |             |                      |                                    |                                            |                                                                                                                                                                                                                                                                                                    |
| Employee related costs                                               | (417 231 693)        | 113 873     | (417 117 820)        | (399 734 945)                      | 17 382 875                                 | R13.3m Actuarial gain realised on Post employment health care liability. The gain is mainly due to movement in number of participants and changes to data from prior year and variations from demographic assumptions. Vacant positions was a further reason for the underspending of this budget. |
| Remuneration of councillors                                          | (14 878 239)         | -           | (14 878 239)         | (14 418 812)                       | 459 427                                    |                                                                                                                                                                                                                                                                                                    |



# Mossel Bay Municipality

## Annual Financial Statements for the year ended June 30, 2024

### Budget on Accrual Basis

|                                   | Approved budget | Adjustments | Final Budget         | Actual amounts on comparable basis | Difference between final budget and actual | Reasons for material variances                                                                                                                                                |
|-----------------------------------|-----------------|-------------|----------------------|------------------------------------|--------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Figures in Rand</b>            |                 |             |                      |                                    |                                            |                                                                                                                                                                               |
| Bulk purchases - electricity      | (517 000 000)   | 80 000      | <b>(516 920 000)</b> | (523 177 552)                      | <b>(6 257 552)</b>                         | Budgeted conservatively in light of Loadshedding schedules in earlier part of the financial year. Usage increased due to suspension of loadshedding the past few months.      |
| Inventory consumed                | (109 353 798)   | (2 545 192) | <b>(111 898 990)</b> | (107 223 867)                      | <b>4 675 123</b>                           | Less Fuel and Oil costs realised than anticipated as well as saving on Water consumption                                                                                      |
| Debt impairment                   | (40 721 967)    | -           | <b>(40 721 967)</b>  | (56 070 247)                       | <b>(15 348 280)</b>                        | Anticipated a smaller impairment based on projected debtor payment percentage.                                                                                                |
| Depreciation and asset impairment | (156 913 001)   | (262 810)   | <b>(157 175 811)</b> | (150 487 986)                      | <b>6 687 825</b>                           | Difference due to more projects under construction finalisation than anticipated.                                                                                             |
| Interest                          | (27 981 180)    | -           | <b>(27 981 180)</b>  | (26 641 709)                       | <b>1 339 471</b>                           | Interest cost on Provision for Landfill site rehabilitation is less than anticipated in previous year expert report.                                                          |
| Contracted Services               | (212 850 702)   | 3 982 264   | <b>(208 868 438)</b> | (181 431 363)                      | <b>27 437 075</b>                          | The underspending is mainly due to underspending on Housing grant allocations to the amount of R17.8m. Savings on Legal costs, debt collection costs and consultant services. |
| Transfers and Subsidies           | (11 062 939)    | -           | <b>(11 062 939)</b>  | (10 990 259)                       | <b>72 680</b>                              |                                                                                                                                                                               |
| Irrecoverable debts written off   | (19 460 739)    | -           | <b>(19 460 739)</b>  | (19 382 743)                       | <b>77 996</b>                              | Write-offs of Traffic fines still to be processed.                                                                                                                            |
| Operational costs                 | (80 507 827)    | (1 658 145) | <b>(82 165 968)</b>  | (70 465 365)                       | <b>11 700 603</b>                          | Due to savings on operational costs, e.g. insurance costs and computer services.                                                                                              |
| Loss on disposal of Assets        | (2 169 769)     | -           | <b>(2 169 769)</b>   | (5 304 942)                        | <b>(3 135 173)</b>                         | Disposal losses on Fixed assets, mainly on Investment property                                                                                                                |
| Other Losses                      | (762 810)       | 290 010     | <b>(472 804)</b>     | (11 056 749)                       | <b>(10 583 945)</b>                        | Water losses recognised were not included in the final adjustments budget.                                                                                                    |

# Mossel Bay Municipality

## Annual Financial Statements for the year ended June 30, 2024

### Budget on Accrual Basis

|                                                          | Approved budget        | Adjustments | Final Budget             | Actual amounts on comparable basis | Difference between final budget and actual | Reasons for material variances                                                                                                   |
|----------------------------------------------------------|------------------------|-------------|--------------------------|------------------------------------|--------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------|
| <b>Figures in Rand</b>                                   |                        |             |                          |                                    |                                            |                                                                                                                                  |
| <b>TOTAL EXPENDITURE</b>                                 | <b>(1 610 894 664)</b> |             | <b>- (1 610 894 664)</b> | <b>(1 576 386 539)</b>             | <b>34 508 125</b>                          |                                                                                                                                  |
| <b>Operating surplus / (deficit)</b>                     | <b>(71 620 885)</b>    | <b>-</b>    | <b>(71 620 885)</b>      | <b>(16 413 767)</b>                | <b>55 207 118</b>                          |                                                                                                                                  |
| Transfers and subsidies - capital (monetary allocations) | 83 095 987             | -           | 83 095 987               | 58 026 215                         | (25 069 772)                               | The main reason for underspending is due to expenditure not realised on Upgrading of informal settlements grant funded projects. |
| Transfers and subsidies - capital (in-kind - all)        | -                      | -           | -                        | 80 345 050                         | 80 345 050                                 |                                                                                                                                  |
|                                                          | 83 095 987             | -           | 83 095 987               | 138 371 265                        | 55 275 278                                 |                                                                                                                                  |
| <b>SURPLUS / (DEFICIT) FOR THE YEAR</b>                  | <b>11 475 102</b>      | <b>-</b>    | <b>11 475 102</b>        | <b>121 957 498</b>                 | <b>110 482 396</b>                         |                                                                                                                                  |

### Reconciliation

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

|                                                      |               |                                                                                                                                                                                                                                                              |
|------------------------------------------------------|---------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Statement of Financial Performance                   | 1 693 969 923 |                                                                                                                                                                                                                                                              |
| Statement of Comparison of Budget and Actual Amounts | 1 698 344 037 |                                                                                                                                                                                                                                                              |
| Difference                                           | 4 374 114     | The difference is due to the Gain on Disposal of PPE which is classified as part of Operational Revenue on the Approved Budget format, whereas on the Statement of Financial Performance, the Gain on Disposal of PPE is presented as a below the line item. |

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

|                                                      |                 |
|------------------------------------------------------|-----------------|
| Statement of Financial Performance                   | (1 503 954 604) |
| Statement of Comparison of Budget and Actual Amounts | (1 576 386 539) |

# Mossel Bay Municipality

## Annual Financial Statements for the year ended June 30, 2024

### Budget on Accrual Basis

|                        | Approved<br>budget | Adjustments | Final Budget | Actual<br>amounts on<br>comparable<br>basis | Difference<br>between final<br>budget and<br>actual | Reasons for material variances                                                                                                                                                                                                                                                          |
|------------------------|--------------------|-------------|--------------|---------------------------------------------|-----------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Figures in Rand</b> |                    |             |              |                                             |                                                     |                                                                                                                                                                                                                                                                                         |
| Difference             |                    |             |              | (72 431 935)                                |                                                     | The difference is due to the Loss on Disposal of PPE as well as the Inventories losses / write-downs which is classified as part of Operational Expenditure on the Approved Budget format, whereas on the Statement of Financial Performance it is presented as a below the line items. |

# Mossel Bay Municipality

## Annual Financial Statements for the year ended June 30, 2024

### Budget on Accrual Basis

|                                                        | Approved budget    | Adjustments | Final Budget       | Actual amounts on comparable basis | Difference between final budget and actual | Reasons for material variances                                                                                                                                                                                                                                                                                                    |
|--------------------------------------------------------|--------------------|-------------|--------------------|------------------------------------|--------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Figures in Rand</b>                                 |                    |             |                    |                                    |                                            |                                                                                                                                                                                                                                                                                                                                   |
| <b>STATEMENT OF FINANCIAL POSITION</b>                 |                    |             |                    |                                    |                                            |                                                                                                                                                                                                                                                                                                                                   |
| <b>ASSETS</b>                                          |                    |             |                    |                                    |                                            |                                                                                                                                                                                                                                                                                                                                   |
| <b>Current Assets</b>                                  |                    |             |                    |                                    |                                            |                                                                                                                                                                                                                                                                                                                                   |
| Cash and cash equivalents                              | 373 852 173        | -           | 373 852 173        | 580 715 514                        | 206 863 341                                | Mainly due to underspending on Capital projects and Housing grant allocations. With the Feb adjustments budget it was foreseen that a lot of investments will have to be withdrawn to accommodate for fewer income due to Loadshedding and for increased budgets for operational expenses. These did not realise as budgeted for. |
| Trade and other receivables from exchange transactions | 145 023 440        | -           | 145 023 440        | 150 305 223                        | 5 281 783                                  | Anticipated a smaller impairment based on projected debtor payment percentage plus availability charges not available under non-exchange on chart of accounts.                                                                                                                                                                    |
| Receivables from non-exchange transactions             | 16 015 246         | -           | 16 015 246         | 22 230 583                         | 6 215 337                                  | Anticipated a smaller impairment based on projected debtor payment percentage plus availability charges not available under non-exchange on chart of accounts.                                                                                                                                                                    |
| Current portion of non-current receivables             | 257 813            | -           | 257 813            | 278 604                            | 20 791                                     |                                                                                                                                                                                                                                                                                                                                   |
| Inventories                                            | 30 266 830         | -           | 30 266 830         | 31 207 340                         | 940 510                                    |                                                                                                                                                                                                                                                                                                                                   |
| VAT                                                    | 13 513 319         | -           | 13 513 319         | 25 077 747                         | 11 564 428                                 | Did not anticipate such VAT receivable amount at year end with budget process.                                                                                                                                                                                                                                                    |
|                                                        | <b>578 928 821</b> | <b>-</b>    | <b>578 928 821</b> | <b>809 815 011</b>                 | <b>230 886 190</b>                         |                                                                                                                                                                                                                                                                                                                                   |
| <b>Non-Current Assets</b>                              |                    |             |                    |                                    |                                            |                                                                                                                                                                                                                                                                                                                                   |
| Investments                                            | 197 174 000        | -           | 197 174 000        | 197 174 000                        | -                                          |                                                                                                                                                                                                                                                                                                                                   |

# Mossel Bay Municipality

## Annual Financial Statements for the year ended June 30, 2024

### Budget on Accrual Basis

|                                                         | Approved budget      | Adjustments | Final Budget         | Actual amounts on comparable basis | Difference between final budget and actual | Reasons for material variances                                                                                                                                                                                                                                  |
|---------------------------------------------------------|----------------------|-------------|----------------------|------------------------------------|--------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Figures in Rand</b>                                  |                      |             |                      |                                    |                                            |                                                                                                                                                                                                                                                                 |
| Investment property                                     | 389 073 488          | -           | 389 073 488          | 372 794 074                        | (16 279 414)                               | Disposals not anticipated with budget.                                                                                                                                                                                                                          |
| Property, plant and equipment                           | 2 844 520 668        | -           | 2 844 520 668        | 2 757 114 269                      | (87 406 399)                               | The main reason for underspending is due to expenditure not realised on Upgrading of informal settlements grant funded projects. Further reasons is that no suitable bidders could be found for certain projects and a delay in a Water infrastructure project. |
| Living and non-living resources                         | 609 814              | -           | 609 814              | 460 667                            | (149 147)                                  |                                                                                                                                                                                                                                                                 |
| Heritage assets                                         | 4 223 599            | -           | 4 223 599            | 4 223 599                          | -                                          |                                                                                                                                                                                                                                                                 |
| Intangible assets                                       | 664 840              | -           | 664 840              | 1 092 965                          | 428 125                                    |                                                                                                                                                                                                                                                                 |
| Non-current receivables from non-exchange transactions  | 103 810 161          | -           | 103 810 161          | 107 600 134                        | 3 789 973                                  | Did not provide for Operating lease smoothing in budget                                                                                                                                                                                                         |
|                                                         | <b>3 540 076 570</b> | <b>-</b>    | <b>3 540 076 570</b> | <b>3 440 459 708</b>               | <b>(99 616 862)</b>                        |                                                                                                                                                                                                                                                                 |
| <b>TOTAL ASSETS</b>                                     | <b>4 119 005 391</b> | <b>-</b>    | <b>4 119 005 391</b> | <b>4 250 274 719</b>               | <b>131 269 328</b>                         |                                                                                                                                                                                                                                                                 |
| <b>LIABILITIES</b>                                      |                      |             |                      |                                    |                                            |                                                                                                                                                                                                                                                                 |
| <b>Current Liabilities</b>                              |                      |             |                      |                                    |                                            |                                                                                                                                                                                                                                                                 |
| Financial liabilities                                   | 22 081 605           | -           | 22 081 605           | 28 931 993                         | 6 850 388                                  | Split between current and Non-current portion of loans was different with budget process.                                                                                                                                                                       |
| Consumer deposits                                       | 40 884 267           | -           | 40 884 267           | 41 601 674                         | 717 407                                    |                                                                                                                                                                                                                                                                 |
| Trade and other payables from exchange transactions     | 216 288 738          | -           | 216 288 738          | 252 838 657                        | 36 549 919                                 | Additional retentions on infrastructure projects and amounts received in advance for services                                                                                                                                                                   |
| Trade and other payables from non-exchange transactions | -                    | -           | -                    | 16 502 862                         | 16 502 862                                 | Due to unspent grants and public contributions at year-end (Mainly Human settlements development grant. Funds were motivated to be rolled-over to next financial year.                                                                                          |
| Provisions                                              | 45 158 316           | -           | 45 158 316           | 55 288 090                         | 10 129 774                                 |                                                                                                                                                                                                                                                                 |

# Mossel Bay Municipality

## Annual Financial Statements for the year ended June 30, 2024

### Budget on Accrual Basis

|                                 | Approved budget      | Adjustments | Final Budget         | Actual amounts on comparable basis | Difference between final budget and actual | Reasons for material variances                                                                                                            |
|---------------------------------|----------------------|-------------|----------------------|------------------------------------|--------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Figures in Rand</b>          |                      |             |                      |                                    |                                            |                                                                                                                                           |
|                                 | 324 412 926          | -           | 324 412 926          | 395 163 276                        | 70 750 350                                 |                                                                                                                                           |
| <b>Non-Current Liabilities</b>  |                      |             |                      |                                    |                                            |                                                                                                                                           |
| Borrowing                       | 232 566 921          | -           | 232 566 921          | 217 785 225                        | (14 781 696)                               | Split between current and Non-current portion of loans was different with budget process.                                                 |
| Provisions                      | 303 835 702          | -           | 303 835 702          | 285 917 733                        | (17 917 969)                               | Mainly due to Actuarial Gain realised in the current financial year of R13.3m and new Provision provided for VAT on Library grant in AFS. |
|                                 | 536 402 623          | -           | 536 402 623          | 503 702 958                        | (32 699 665)                               |                                                                                                                                           |
|                                 | -                    | -           | -                    | -                                  | -                                          |                                                                                                                                           |
| <b>TOTAL LIABILITIES</b>        | <b>860 815 549</b>   | <b>-</b>    | <b>860 815 549</b>   | <b>898 866 234</b>                 | <b>38 050 685</b>                          |                                                                                                                                           |
| <b>Net Assets</b>               |                      |             |                      |                                    |                                            |                                                                                                                                           |
| Accumulated Surplus / (Deficit) | 2 889 354 779        | -           | 2 889 354 779        | 2 987 766 183                      | 98 411 404                                 | Net effect of all comments raised in the Statement of Financial Performance and corrections made on previous and prior years.             |
| Funds and Reserves              | 368 835 063          | -           | 368 835 063          | 363 642 302                        | (5 192 761)                                | Due to underspending on Capital budgets as well as a bigger contribution to CRR than anticipated.                                         |
| <b>TOTAL NET ASSETS</b>         | <b>3 258 189 842</b> | <b>-</b>    | <b>3 258 189 842</b> | <b>3 351 408 485</b>               | <b>93 218 643</b>                          |                                                                                                                                           |

# Mossel Bay Municipality

## Annual Financial Statements for the year ended June 30, 2024

### Budget on Accrual Basis

|                                             | Approved budget      | Adjustments | Final Budget         | Actual amounts on comparable basis | Difference between final budget and actual | Reasons for material variances                                                                                                                                                             |
|---------------------------------------------|----------------------|-------------|----------------------|------------------------------------|--------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Figures in Rand                             |                      |             |                      |                                    |                                            |                                                                                                                                                                                            |
| <b>CASH FLOW STATEMENT</b>                  |                      |             |                      |                                    |                                            |                                                                                                                                                                                            |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b> |                      |             |                      |                                    |                                            |                                                                                                                                                                                            |
| <b>Receipts</b>                             |                      |             |                      |                                    |                                            |                                                                                                                                                                                            |
| Property rates                              | 210 891 754          | -           | <b>210 891 754</b>   | 218 627 358                        | <b>7 735 604</b>                           | Use Valuation roll for December each year to budget for Property Rates. Growth in valuation roll for the last 6 months of the year not taken into account with budget.                     |
| Service charges                             | 926 425 671          | -           | <b>926 425 671</b>   | 933 867 665                        | <b>7 441 994</b>                           | Budgeted conservatively in light of Loadshedding schedules in earlier part of the financial year. Usage increased due to suspension of loadshedding the past few months.                   |
| Other revenue                               | 87 540 344           | -           | <b>87 540 344</b>    | 101 346 632                        | <b>13 806 288</b>                          | Due to more External service contributions for new developments in Mossel Bay Municipal area.                                                                                              |
| Transfers and Subsidies - Operational       | 190 725 913          | -           | <b>190 725 913</b>   | 157 445 150                        | <b>(33 280 763)</b>                        | The underspending is mainly due to underspending on Housing grant allocations. Funds spent on Informal Settlements upgrade project to the value of R11m was claimed, but not yet received. |
| Transfers and Subsidies - Capital           | 83 095 987           | -           | <b>83 095 987</b>    | 58 026 216                         | <b>(25 069 771)</b>                        | The main reason for underspending is due to expenditure not realised on Upgrading of informal settlements grant funded projects.                                                           |
| Interest                                    | 52 391 330           | -           | <b>52 391 330</b>    | 64 108 965                         | <b>11 717 635</b>                          | The Municipality budgeted conservatively for interest on investments. The municipality also experienced better investment opportunities than anticipated.                                  |
|                                             | <b>1 551 070 999</b> | -           | <b>1 551 070 999</b> | <b>1 533 421 986</b>               | <b>(17 649 013)</b>                        |                                                                                                                                                                                            |

# Mossel Bay Municipality

## Annual Financial Statements for the year ended June 30, 2024

### Budget on Accrual Basis

|                                                          | Approved budget    | Adjustments | Final Budget       | Actual amounts on comparable basis | Difference between final budget and actual | Reasons for material variances                                                                                                                                                                                                           |
|----------------------------------------------------------|--------------------|-------------|--------------------|------------------------------------|--------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Figures in Rand</b>                                   |                    |             |                    |                                    |                                            |                                                                                                                                                                                                                                          |
| <b>Payments</b>                                          |                    |             |                    |                                    |                                            |                                                                                                                                                                                                                                          |
| Suppliers and employees                                  | (1 317 284 582)    | -           | (1 317 284 582)    | (1 308 209 169)                    | 9 075 413                                  | The underspending is mainly due to underspending on Housing grant allocations to the amount of R17.8m. Savings on Legal costs, debt collection costs and consultant services. Savings on Employee related costs due to vacant positions. |
| Finance charges                                          | (27 953 622)       | -           | (27 953 622)       | (18 829 846)                       | 9 123 776                                  | The Cashflow budget did not take into consideration that the Finance charges on Provision for landfill sites is a non-cash transaction.                                                                                                  |
| Transfers and Subsidies                                  | (11 062 939)       | -           | (11 062 939)       | (10 990 258)                       | 72 681                                     |                                                                                                                                                                                                                                          |
|                                                          | (1 356 301 143)    | -           | (1 356 301 143)    | (1 338 029 273)                    | 18 271 870                                 |                                                                                                                                                                                                                                          |
| <b>NET CASH FLOWS FROM / (USED) OPERATING ACTIVITIES</b> | <b>194 769 856</b> | <b>-</b>    | <b>194 769 856</b> | <b>195 392 713</b>                 | <b>622 857</b>                             |                                                                                                                                                                                                                                          |



# Mossel Bay Municipality

## Annual Financial Statements for the year ended June 30, 2024

### Budget on Accrual Basis

|                                                          | Approved budget      | Adjustments | Final Budget         | Actual amounts on comparable basis | Difference between final budget and actual | Reasons for material variances                                                                                                                                                                                                                                  |
|----------------------------------------------------------|----------------------|-------------|----------------------|------------------------------------|--------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Figures in Rand</b>                                   |                      |             |                      |                                    |                                            |                                                                                                                                                                                                                                                                 |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>              |                      |             |                      |                                    |                                            |                                                                                                                                                                                                                                                                 |
| <b>Receipts</b>                                          |                      |             |                      |                                    |                                            |                                                                                                                                                                                                                                                                 |
| Proceeds on disposal of PPE                              | 3 500 000            | -           | <b>3 500 000</b>     | 12 477 202                         | <b>8 977 202</b>                           | Did not foresee these disposals with the compilation of budget.                                                                                                                                                                                                 |
| Decrease / (increase) in non-current receivables         | 38 666               | -           | <b>38 666</b>        | 5 338                              | <b>33 328</b>                              |                                                                                                                                                                                                                                                                 |
| Decrease / (increase) in non-current investments         | (144 099 018)        | -           | <b>(144 099 018)</b> | 82 570 068                         | <b>226 669 086</b>                         | With the Feb adjustments budget it was foreseen that a lot of investments will have to be withdrawn to accommodate for fewer income due to Loadshedding and for increased budgets for operational expenses. These did not realise as budgeted for.              |
| <b>Payments</b>                                          |                      |             |                      |                                    |                                            |                                                                                                                                                                                                                                                                 |
| Capital assets                                           | (371 978 574)        | -           | <b>(371 978 574)</b> | (286 340 171)                      | <b>85 638 403</b>                          | The main reason for underspending is due to expenditure not realised on Upgrading of informal settlements grant funded projects. Further reasons is that no suitable bidders could be found for certain projects and a delay in a Water infrastructure project. |
| <b>NET CASH FLOWS FROM / (USED) INVESTING ACTIVITIES</b> | <b>(512 538 926)</b> | <b>-</b>    | <b>(512 538 926)</b> | <b>(191 287 563)</b>               | <b>321 251 363</b>                         |                                                                                                                                                                                                                                                                 |

# Mossel Bay Municipality

## Annual Financial Statements for the year ended June 30, 2024

### Budget on Accrual Basis

|                                                          | Approved budget    | Adjustments | Final Budget         | Actual amounts on comparable basis | Difference between final budget and actual | Reasons for material variances                                                                                                                                                                                                                                                                                                    |
|----------------------------------------------------------|--------------------|-------------|----------------------|------------------------------------|--------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Figures in Rand</b>                                   |                    |             |                      |                                    |                                            |                                                                                                                                                                                                                                                                                                                                   |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>              |                    |             |                      |                                    |                                            |                                                                                                                                                                                                                                                                                                                                   |
| <b>Receipts</b>                                          |                    |             |                      |                                    |                                            |                                                                                                                                                                                                                                                                                                                                   |
| Borrowing long-term / refinancing                        | 92 214 590         | -           | <b>92 214 590</b>    | 92 214 590                         | -                                          |                                                                                                                                                                                                                                                                                                                                   |
| Increase / (Decrease) in Consumer deposits               | 1 929 154          | -           | <b>1 929 154</b>     | 3 018 590                          | <b>1 089 436</b>                           | Growth in town.                                                                                                                                                                                                                                                                                                                   |
| <b>Payments</b>                                          |                    |             |                      |                                    |                                            |                                                                                                                                                                                                                                                                                                                                   |
| Repayment of borrowing                                   | (16 245 784)       | -           | <b>(16 245 784)</b>  | (19 776 036)                       | <b>(3 530 252)</b>                         | % interest on actual borrowing tenders different from what was anticipated.                                                                                                                                                                                                                                                       |
| <b>NET CASH FLOWS FROM / (USED) FINANCING ACTIVITIES</b> | <b>77 897 960</b>  | <b>-</b>    | <b>77 897 960</b>    | <b>75 457 143</b>                  | <b>(2 440 816)</b>                         |                                                                                                                                                                                                                                                                                                                                   |
| Net increase/(decrease) in cash and cash equivalents     | (239 871 110)      | -           | <b>(239 871 110)</b> | 79 562 293                         | <b>319 433 404</b>                         | Mainly due to underspending on Capital projects and Housing grant allocations. With the Feb adjustments budget it was foreseen that a lot of investments will have to be withdrawn to accommodate for fewer income due to Loadshedding and for increased budgets for operational expenses. These did not realise as budgeted for. |
| Cash and cash equivalents at the beginning of the year   | 613 723 282        | -           | <b>613 723 282</b>   | 53 759 880                         | <b>(559 963 402)</b>                       |                                                                                                                                                                                                                                                                                                                                   |
| <b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>  | <b>373 852 172</b> | <b>-</b>    | <b>373 852 172</b>   | <b>133 322 173</b>                 | <b>(240 529 998)</b>                       |                                                                                                                                                                                                                                                                                                                                   |

### Reconciliation

#### Net cash from / (used) operating activities

#### Format and classification differences

Cash Flow Statement

217 241 148

Statement of Comparison of Budget and Actual Amounts

195 392 713

# Mossel Bay Municipality

## Annual Financial Statements for the year ended June 30, 2024

### Budget on Accrual Basis

|                                                      | Approved<br>budget | Adjustments | Final Budget | Actual<br>amounts on<br>comparable<br>basis | Difference<br>between final<br>budget and<br>actual | Reasons for material variances                                                                                                                   |
|------------------------------------------------------|--------------------|-------------|--------------|---------------------------------------------|-----------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Figures in Rand</b>                               |                    |             |              |                                             |                                                     |                                                                                                                                                  |
| Difference                                           |                    |             |              |                                             | (21 848 435)                                        | Reason for variance is due to Finance costs included on Cashflow Statement under Financing activities, but in Budget under Operating activities. |
| <b>Net cash from / (used) investing activities</b>   |                    |             |              |                                             |                                                     |                                                                                                                                                  |
| <b>Format and classification differences</b>         |                    |             |              |                                             |                                                     |                                                                                                                                                  |
| Cash Flow Statement                                  |                    |             |              |                                             | (191 287 563)                                       |                                                                                                                                                  |
| Statement of Comparison of Budget and Actual Amounts |                    |             |              |                                             | (191 287 563)                                       |                                                                                                                                                  |
| <b>Net cash from / (used) financing activities</b>   |                    |             |              |                                             |                                                     |                                                                                                                                                  |
| <b>Format and classification differences</b>         |                    |             |              |                                             |                                                     |                                                                                                                                                  |
| Cash Flow Statement                                  |                    |             |              |                                             | 53 608 708                                          |                                                                                                                                                  |
| Statement of Comparison of Budget and Actual Amounts |                    |             |              |                                             | 75 457 143                                          |                                                                                                                                                  |
| Difference                                           |                    |             |              |                                             | 21 848 435                                          | Reason for variance is due to Finance costs included on Cashflow Statement under Financing activities, but in Budget under Operating activities. |

## Mossel Bay Municipality

### Annual Financial Statements for the year ended June 30, 2024

#### Budget on Accrual Basis

|                                          | Approved<br>budget | Adjustments | Final Budget | Actual<br>amounts on<br>comparable<br>basis | Difference<br>between final<br>budget and<br>actual | Reasons for material variances |
|------------------------------------------|--------------------|-------------|--------------|---------------------------------------------|-----------------------------------------------------|--------------------------------|
| Figures in Rand                          |                    |             |              |                                             |                                                     |                                |
| Actual Amount in the Cash flow statement |                    |             |              |                                             | 292 446 759                                         |                                |

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

# Mossel Bay Municipality

## Annual Financial Statements for the year ended June 30, 2024

### Accounting Policies

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#### 1. Presentation of Annual Financial Statements

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

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

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

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

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

| Reference | Topic                                                           |
|-----------|-----------------------------------------------------------------|
| GRAP 1    | Presentation of Financial Statements                            |
| GRAP 2    | Cash Flow Statements                                            |
| GRAP 3    | Accounting Policies, Changes in Accounting Estimates and Errors |
| GRAP 5    | Borrowing Costs                                                 |
| GRAP 9    | Revenue from Exchange Transactions                              |
| GRAP 11   | Construction Contracts                                          |
| GRAP 12   | Inventories                                                     |
| GRAP 13   | Leases                                                          |
| GRAP 14   | Events After the Reporting Date                                 |
| GRAP 16   | Investment Property                                             |
| GRAP 17   | Property, Plant and Equipment                                   |
| GRAP 18   | Segment Reporting                                               |
| GRAP 19   | Provisions, Contingent Liabilities and Contingent Assets        |
| GRAP 20   | Related Party Disclosures                                       |
| GRAP 21   | Impairment of Non-cash-generating Assets                        |
| GRAP 23   | Revenue from Non-exchange Transactions (Taxes and Transfers)    |
| GRAP 24   | Presentation of Budget Information in Financial Statements      |
| GRAP 25   | Employee Benefits (replaces 2009 version)                       |
| GRAP 26   | Impairment of Cash-generating Assets                            |
| GRAP 31   | Intangible Assets                                               |
| GRAP 32   | Service concession arrangements: Grantor                        |
| GRAP 37   | Joint Arrangements                                              |

# **Mossel Bay Municipality**

## **Annual Financial Statements for the year ended June 30, 2024**

### **Accounting Policies**

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

# Mossel Bay Municipality

## Annual Financial Statements for the year ended June 30, 2024

### Accounting Policies

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

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

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

| <b>Reference</b> | <b>Topic</b>                                                                                         |
|------------------|------------------------------------------------------------------------------------------------------|
| IGRAP 1          | Applying the Probability Test on Initial Recognition of Revenue                                      |
| IGRAP 2          | Changes in Existing Decommissioning, Restoration and Similar Liabilities                             |
| IGRAP 3          | Determining whether an Arrangement Contains a Lease                                                  |
| IGRAP 9          | Distributions of Non-cash Assets to Owners                                                           |
| IGRAP 10         | Assets Received from Customers                                                                       |
| IGRAP 13         | Operating Leases – Incentives                                                                        |
| IGRAP 14         | Evaluating the Substance of Transactions Involving the Legal Form of a Lease                         |
| IGRAP 15         | Revenue – Barter Transactions Involving Advertising Services                                         |
| IGRAP 16         | Intangible Assets – Website Costs                                                                    |
| IGRAP 17         | Service Concession Arrangements Where a Grantor Controls a Significant Residual Interest in an Asset |
| IGRAP 18         | Recognition and Derecognition of Land                                                                |
| IGRAP 19         | Liabilities to Pay Levies                                                                            |
| IGRAP 20         | Accounting for Adjustments to Revenue                                                                |
| IGRAP 21         | The Effect of Past Decisions on Materiality                                                          |

# Mossel Bay Municipality

## Annual Financial Statements for the year ended June 30, 2024

### Accounting Policies

---

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

| Reference | Topic                                                                             |
|-----------|-----------------------------------------------------------------------------------|
| Guideline | Accounting for Arrangements Undertaken in terms of the National Housing Programme |
| Guideline | Accounting for Landfill Sites                                                     |

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

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

| Reference | Topic |
|-----------|-------|
| None      |       |

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

| Reference | Topic                                                  |
|-----------|--------------------------------------------------------|
| Guideline | The Application of Materiality to Financial Statements |

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

#### 1.1 Presentation currency

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

#### 1.2 Going concern assumption

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

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

#### 1.3 Materiality

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

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

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

#### 1.4 Interests in other entities

##### Joint arrangements

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

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



# **Mossel Bay Municipality**

## **Annual Financial Statements for the year ended June 30, 2024**

### **Accounting Policies**

---

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

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

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

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

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

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

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

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

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

A joint arrangement has the following characteristics:

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

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

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

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

# **Mossel Bay Municipality**

## **Annual Financial Statements for the year ended June 30, 2024**

### **Accounting Policies**

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

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

###### **Joint operations**

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

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

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

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

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

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

##### **Impairment testing**

The calculation in respect of the impairment of receivables is based on an assessment of the extent to which debtors have defaulted on payments already due and an assessment of their ability to make payments based on their historical collection trend and council decisions that might impact the recoverability of the receivable. This was performed individually across all debtors by discounting the future cashflows using the interest rate earned on the primary bank account.

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

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

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

# Mossel Bay Municipality

## Annual Financial Statements for the year ended June 30, 2024

### Accounting Policies

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

##### Provisions and Contingent liabilities

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the effect of discounting is material. Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 22 - Provisions.

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

Management referred to the following when making assumptions regarding provisions:

- Professional engineers were utilised to determine the cost of rehabilitation of landfill sites as well as the remaining useful life of each specific landfill site.
- Interest rate (Average interest earned on investment) was used to calculate the effect of the time value of money.

##### Post retirement benefits

The cost of post-retirement medical obligations, long service awards and ex-gratia gratuities are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. Additional information is disclosed in Note 21.

##### Other current Employee Benefit obligations

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

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

##### Componentisation of Infrastructure assets

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

##### Property, Plant and Equipment

The useful lives of property, plant and equipment are based on management's estimation. Infrastructure's useful lives are based on technical estimates of the practical useful lives for the different infrastructure types, given engineering technical knowledge of the infrastructure types and service requirements.

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

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

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

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

# **Mossel Bay Municipality**

## **Annual Financial Statements for the year ended June 30, 2024**

### **Accounting Policies**

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

##### **Intangible Assets**

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

##### **Investment Property**

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

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

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

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

##### **Water inventory**

The estimation of the water stock in the reservoirs is based on the measurement of water via electronic level sensors, where the level indicates the depth of the water in the reservoir, which is then converted into volumes based on the total capacity of the relevant reservoir. Furthermore, the length and width of all pipes are also taken into account in determining the volume of water on hand at year-end.

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

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

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

# Mossel Bay Municipality

## Annual Financial Statements for the year ended June 30, 2024

### Accounting Policies

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

##### Revenue recognition

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

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-Exchange Transactions. Specifically, whether the Municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been performed.

##### Non-living resources

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

##### Living resources

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

##### Segment reporting

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

The seven key functional segments comprise of:

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

##### Budget information

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

#### 1.6 Investment Property

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

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

Investment Property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment Property is initially recognised at cost. Transaction costs are included in the initial measurement.

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

# Mossel Bay Municipality

## Annual Financial Statements for the year ended June 30, 2024

### Accounting Policies

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#### 1.6 Investment Property (continued)

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

Land with undetermined use is recognised as Investment Property.

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

#### Cost model

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

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

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

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

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

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

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

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

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

Considerations for impairment are included under policy 1.23 : Impairment of cash-generating assets and 1.24 : Impairment of non-cash generating assets.

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

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

#### 1.7 Property, plant and equipment

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

# Mossel Bay Municipality

## Annual Financial Statements for the year ended June 30, 2024

### Accounting Policies

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

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

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

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

Infrastructure assets are any assets that are part of a network of similar assets. Infrastructure assets are treated similarly to all other assets of the municipality in terms of the asset management policy. If cost can however not be established, then infrastructure assets will be initially measured and recognised at depreciated replacement cost. Depreciated replacement cost is an accepted fair value calculation for assets where there is no active and liquid market.

Incomplete construction work is stated at historical cost. Depreciation only commences when the asset is available for use. The municipality assesses at each reporting date if there is an indication of impairment.

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

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

# Mossel Bay Municipality

## Annual Financial Statements for the year ended June 30, 2024

### Accounting Policies

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

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

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



# Mossel Bay Municipality

## Annual Financial Statements for the year ended June 30, 2024

### Accounting Policies

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

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

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

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

# Mossel Bay Municipality

## Annual Financial Statements for the year ended June 30, 2024

### Accounting Policies

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

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

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

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

Considerations for impairment are included under policy 1.23 : Impairment of cash-generating assets and 1.24 : Impairment of non-cash generating assets.

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

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

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

#### 1.8 Site restoration and dismantling cost

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

The asset is measured using the cost model:

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

#### 1.9 Intangible assets

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

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

Intangible assets are initially recognised at cost.

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

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

# **Mossel Bay Municipality**

## **Annual Financial Statements for the year ended June 30, 2024**

### **Accounting Policies**

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#### **1.9 Intangible assets (continued)**

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

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

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

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

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date. A change in the estimated useful life is disclosed prospectively as a change in estimate, when there is an indicator of change.

Amortisation shall begin when the asset is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Amortisation shall cease at the date the asset is derecognised.

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

# Mossel Bay Municipality

## Annual Financial Statements for the year ended June 30, 2024

### Accounting Policies

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#### 1.9 Intangible assets (continued)

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

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

Intangible assets are derecognised:

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

Considerations for impairment are included under policy 1.23 : Impairment of cash-generating assets and 1.24 : Impairment of non-cash generating assets.

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

#### 1.10 Heritage assets

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

##### Recognition

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

##### Initial measurement

Heritage assets are measured at cost.

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

##### Subsequent measurement

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

# Mossel Bay Municipality

## Annual Financial Statements for the year ended June 30, 2024

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#### 1.10 Heritage assets (continued)

##### Depreciation and Impairment

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

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

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of impairment is recognised in the Statement of Financial Performance.

Considerations for impairment are included under policy 1.23 : Impairment of cash-generating assets and 1.24 : Impairment of non-cash generating assets.

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

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

##### Derecognition

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

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

#### 1.11 Financial instruments

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

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

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

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

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

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

# Mossel Bay Municipality

## Annual Financial Statements for the year ended June 30, 2024

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#### 1.11 Financial instruments (continued)

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

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

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

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

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

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

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

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

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

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

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

# Mossel Bay Municipality

## Annual Financial Statements for the year ended June 30, 2024

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#### 1.11 Financial instruments (continued)

##### Classification

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

##### Class

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

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

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

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

##### Initial recognition

The municipality recognises a financial asset or a financial liability in its statement of financial position when the municipality becomes a party to the contractual provisions of the instrument.

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

The municipality measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

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

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

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

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

##### Impairment and uncollectibility of financial assets

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

Financial assets measured at amortised cost:

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

# Mossel Bay Municipality

## Annual Financial Statements for the year ended June 30, 2024

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#### 1.11 Financial instruments (continued)

##### Derecognition

##### Financial assets

The municipality derecognises a financial asset only when:

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

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

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

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

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

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

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

##### Financial liabilities

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

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

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



# Mossel Bay Municipality

## Annual Financial Statements for the year ended June 30, 2024

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#### 1.11 Financial instruments (continued)

##### Presentation / Offsetting of Financial Instruments

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

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

#### 1.12 Cash and Cash equivalents and Investments

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

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

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

#### 1.13 Statutory receivables

##### Identification

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

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

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

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

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

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

##### Recognition

The municipality recognises statutory receivables as follows:

- if the transaction is an exchange transaction, using the policy on Revenue from exchange transactions;
- if the transaction is a non-exchange transaction, using the policy on Revenue from non-exchange transactions (Taxes and transfers); or
- if the transaction is not within the scope of the policies listed in the above or another Standard of GRAP, the receivable is recognised when the definition of an asset is met and, when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the transaction amount can be measured reliably.

##### Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

# Mossel Bay Municipality

## Annual Financial Statements for the year ended June 30, 2024

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#### 1.13 Statutory receivables (continued)

##### Subsequent measurement

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

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

##### Impairment losses

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

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

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

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

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

##### Derecognition

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

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

# **Mossel Bay Municipality**

## **Annual Financial Statements for the year ended June 30, 2024**

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#### **1.14 Value Added Tax**

##### **Current tax assets and liabilities**

The Municipality is registered for VAT on the payment basis. Revenue, expenses and assets are recognised net of the amount of value added tax. The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position and shown as a separate line in statement of financial position.

#### **1.15 Consumer Deposits**

Consumer deposits are disclosed as a current liability. Consumer deposits are levied in line with the Council's policy to consumers when services are initially connected. When services are disconnected or terminated, the outstanding deposit is utilised against any arrear accounts the consumer might be liable for on that date. Any excess deposit after all debt is settled is refunded to the specific consumer.

#### **1.16 Unpaid Conditional Grants and Receipts**

Unpaid conditional grants are assets in terms of the GRAP Framework that are separately reflected on the Statement of Financial Position. The asset is recognised when the Municipality has an enforceable right to receive the grant or if it is virtually certain that it will be received based on that grant conditions have been met. They represent unpaid government grants, subsidies and contributions from the public.

#### **1.17 Payables from Exchange Transactions**

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

#### **1.18 Unspent Conditional Grants and Receipts**

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

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

- The cash which backs up the liability is invested until it is utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the liability. If it is the Municipality's interest it is recognised as interest earned in the Statement of Financial Performance.
- Whenever an asset is purchased out of the unspent conditional grant an amount equal to the cost price of the asset purchased is transferred from the Unspent Conditional Grant into the statement of financial performance as revenue.

#### **1.19 Other Financial Liabilities (Borrowings)**

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

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

#### **1.20 Leases**

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

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

# Mossel Bay Municipality

## Annual Financial Statements for the year ended June 30, 2024

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#### 1.20 Leases (continued)

##### Operating leases - lessor

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

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

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

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

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

##### Operating leases - lessee

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

#### 1.21 Inventories

Inventories are assets:

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

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

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

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

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

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

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

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

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

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

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

# Mossel Bay Municipality

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#### 1.21 Inventories (continued)

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs, e.g. land inventory.

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

#### 1.22 Construction contracts and receivables

Construction contract is a contract, or a similar binding arrangement, specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and function or their ultimate purpose or use.

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

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

Fixed price contract is a construction contract in which the contractor agrees to a fixed contract price, or a fixed rate per unit of output, which in some cases is subject to cost escalation clauses.

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

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

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

Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent that contract costs incurred are recoverable. Contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected deficit is recognised as an expense immediately.

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

#### 1.23 Impairment of cash-generating assets

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

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

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

# Mossel Bay Municipality

## Annual Financial Statements for the year ended June 30, 2024

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

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

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

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

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

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

Useful life is either:

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

#### Cash-generating units

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

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

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

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

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

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

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

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

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

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

# Mossel Bay Municipality

## Annual Financial Statements for the year ended June 30, 2024

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

##### Reversal of impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

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

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

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

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

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

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

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

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

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

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

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

Useful life is either:

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

##### Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

##### Restoration cost approach

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

# **Mossel Bay Municipality**

## **Annual Financial Statements for the year ended June 30, 2024**

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

##### **Recognition and measurement**

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

##### **Reversal of an impairment loss**

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

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

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in the Statement of Financial Performance.

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

#### **1.25 Employee benefits**

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

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



# Mossel Bay Municipality

## Annual Financial Statements for the year ended June 30, 2024

### Accounting Policies

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#### 1.25 Employee benefits (continued)

##### Short-term employee benefits

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

Short-term employee benefits include items such as:

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

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

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

##### Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits and short-term employee benefits) that are payable after the completion of employment.

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

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

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

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

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

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

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

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

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

# Mossel Bay Municipality

## Annual Financial Statements for the year ended June 30, 2024

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#### 1.25 Employee benefits (continued)

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

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

#### Service cost comprises:

- Current service cost, which is the increase in the present value of the defined benefit obligation resulting from employee service in the current period;
- Past service cost, which is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting from a plan amendment (the introduction or withdrawal of, or changes to, a defined benefit plan) or a curtailment (a significant reduction by the entity in the number of employees covered by a plan); and
- any gain or loss on settlement.

Net Interest on the net defined benefit liability (asset) is the exchange during the period in the net defined benefit liability (asset) that arises from the passage of time.

#### Remeasurements of the net defined benefit liability (asset) comprise:

- actuarial gains and losses;
- the return on plan assets, excluding amounts included in net interest on the net defined benefit liability (asset); and
- any change in the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability (asset).

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

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

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

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

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

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

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

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

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

# Mossel Bay Municipality

## Annual Financial Statements for the year ended June 30, 2024

### Accounting Policies

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#### 1.25 Employee benefits (continued)

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

##### Staff Leave

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year end and is calculated based on the total remuneration package of the employee.

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

In terms of the Collective Agreement for Local Government, annual leave shall only be accumulated to a maximum of fortyeight (48) working days. The provision for annual leave is limited to a maximum of 48 days per employee.

Accumulated leave is vesting.

##### Staff Bonusses

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

##### Performance Bonusses

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

##### Employee overtime/standby allowance accrual

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

##### Other post retirement obligations

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

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

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

- Contribution made by council and by the municipal official to the medical fund.
- The liability was calculated by means of the projected unit credit actuarial valuation method.
- The liability in respect of current pensioners is regarded as fully accrued and is therefore not split between a past (or accrued) and future inservice element.
- The liability is recognised at the fair value of the obligation.
- Payments made by the Municipality are set-off against the net defined benefit liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation.

# Mossel Bay Municipality

## Annual Financial Statements for the year ended June 30, 2024

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#### 1.25 Employee benefits (continued)

##### (b) Long Service awards

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

Payments are offset against the net defined benefit liability, including notional interest, resulting from the valuation by the actuaries is charged against the Statement of Financial Performance as employee benefits upon valuation.

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

##### (c) Ex gratia Gratuities

Ex gratia gratuities are provided to employees that were not previously members of a pension fund. The Municipality's obligation under these plans is valued by independent qualified actuaries and the corresponding liability is raised. Payments made by the Municipality are offset against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation.

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

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

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

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

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

#### 1.26 Provisions and contingencies

Provisions are recognised when:

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

Refer to accounting policy note 1.5 for any significant judgements made in relation to Provisions and Contingencies.

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

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

Provision for Environmental Rehabilitation: Estimated long-term environmental provisions, comprising rehabilitation and landfill site closure, are based on the municipality's policy, taking into account current technological, environmental and regulatory requirements. The provision for rehabilitation is recognised as and when the environmental liability arises. To the extent that the obligations relate to the asset, they are capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are charged to Surplus or Deficit.

# Mossel Bay Municipality

## Annual Financial Statements for the year ended June 30, 2024

### Accounting Policies

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#### 1.26 Provisions and contingencies (continued)

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

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

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

Provisions are not recognised for future operating deficits.

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

A constructive obligation to restructure arises only when an entity:

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

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

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

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

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

#### 1.27 Commitments

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

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

Capital commitments disclosed in the financial statements represent the balance committed to capital projects on reporting date that will be incurred in the period subsequent to the specific reporting date.

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

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

# Mossel Bay Municipality

## Annual Financial Statements for the year ended June 30, 2024

### Accounting Policies

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#### 1.28 Revenue from exchange transactions

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

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

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

#### Measurement

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

#### Sale of goods

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

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

#### Rendering of services

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

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

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

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

Service charges relating to **electricity and water** are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced.

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

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

Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

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

Revenue from sale of electricity prepaid meter cards are recognised at the point of sale. At year-end the recognition is based on an estimate of the prepaid electricity consumed as at the reporting date. The consumption of pre-paid electricity is calculated by using a trend analysis and other historical data on electricity usage.

# Mossel Bay Municipality

## Annual Financial Statements for the year ended June 30, 2024

### Accounting Policies

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

Service charges relating to **refuse removal** are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly.

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

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

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

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

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

#### Interest received

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

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

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

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

#### 1.29 Revenue from non-exchange transactions

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

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

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

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

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

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

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

#### Recognition

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

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



# **Mossel Bay Municipality**

## **Annual Financial Statements for the year ended June 30, 2024**

### **Accounting Policies**

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#### **1.29 Revenue from non-exchange transactions (continued)**

##### **Measurement**

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

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

##### **Property rates**

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

##### **Grants, transfers and donations**

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

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

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

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

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

##### **Fines**

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

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

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

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

##### **Availability charges**

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



# Mossel Bay Municipality

## Annual Financial Statements for the year ended June 30, 2024

### Accounting Policies

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

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

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

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

**Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure** is based on legislated procedures, including those set out in the Municipal Finance Management Act, Act No.56 of 2003, and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

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

Contributed property, plant and equipment:

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

Interest from non-exchange transactions:

Interest revenue is recognised using the effective interest rate method.

Licences and Permits:

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

#### 1.30 Borrowing costs

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

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

#### 1.31 Accounting by principals and agents

##### Identification

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

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

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

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

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

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

# Mossel Bay Municipality

## Annual Financial Statements for the year ended June 30, 2024

### Accounting Policies

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

##### Binding arrangement

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

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

The municipality assesses whether it is an agent or a principal by assessing the rights and obligations of the various parties established in the binding arrangement. In the assessment reference is made to substance over form. Therefore, the exact wording of the contract is not the only indicator (for example, if reference is made to "agent"). If rights and obligations are substantially transferred, this could indicate a principal/agent arrangement. If not, the arrangement is accounted for as a normal supplier/customer relationship.

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

When the municipality in a principal-agent arrangement concludes that it undertakes transactions with third parties for the benefit of another entity, then it is the agent. If the municipality concludes that it is not the agent, then it is the principal in the transactions.

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

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

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

##### Recognition

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

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

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

#### 1.32 Comparative information

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

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

# Mossel Bay Municipality

## Annual Financial Statements for the year ended June 30, 2024

### Accounting Policies

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#### 1.33 Unauthorised expenditure

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

Unauthorised expenditure includes:

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

A vote is defined as a Directorate.

The municipality has the following Directorates:

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

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

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

#### 1.34 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

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

#### 1.35 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance in the year the expenditure occurred and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

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

#### 1.36 Internal reserves

##### Capital replacement reserve (CRR)

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

# Mossel Bay Municipality

## Annual Financial Statements for the year ended June 30, 2024

### Accounting Policies

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#### 1.36 Internal reserves (continued)

##### Self insurance reserve

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

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

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

#### 1.37 Segment information

A segment is an activity of the Municipality:

- that generates economic benefits or service potential (including economic benefits or service potential relating to transactions between activities of the same entity);
- whose results are regularly reviewed by management to make decisions about resources to be allocated to that activity and in assessing its performance; and
- for which separate financial information is available.

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

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

##### Measurement

The amount of each segment item reported is the measure reported to management for the purposes of making decisions about allocating resources to the segment and assessing its performance. Adjustments and eliminations made in preparing the entity's financial statements and allocations of revenues and expenses are included in determining reported segment surplus or deficit only if they are included in the measure of the segment's surplus or deficit that is used by management.

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

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

#### 1.38 Budget information

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

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

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

The approved budget covers the fiscal period from 01 July 2023 to 30 June 2024.

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

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

# Mossel Bay Municipality

## Annual Financial Statements for the year ended June 30, 2024

### Accounting Policies

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#### 1.38 Budget information (continued)

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

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

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

#### 1.39 Related parties

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

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

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

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

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

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

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

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

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

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

#### 1.40 Events after reporting date

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

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

# **Mossel Bay Municipality**

## **Annual Financial Statements for the year ended June 30, 2024**

### **Accounting Policies**

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#### **1.40 Events after reporting date (continued)**

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

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

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

Changes in accounting policies have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the Municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Detail of changes in accounting policies are disclosed in the notes to the annual financial statements.

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

Prior period errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect or the error.

In such cases the Municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Detail of prior period errors are disclosed in the notes to the annual financial statements.

# Mossel Bay Municipality

## Annual Financial Statements for the year ended June 30, 2024

### Accounting Policies

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#### 1.42 Living and non-living resources

Living resources are those resources that undergo biological transformation.

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

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

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

A bearer plant is a living plant that:

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

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

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

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

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

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

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

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

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

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

#### Recognition

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

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

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

# Mossel Bay Municipality

## Annual Financial Statements for the year ended June 30, 2024

### Accounting Policies

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

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

##### **Measurement at recognition**

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

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

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

##### **Measurement after recognition**

##### **Cost model**

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

##### **Depreciation**

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

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

The municipality assesses at each reporting date whether there is any indication that the entity's expectations about the residual value and the useful life of a living resource have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change(s) is accounted for as a change in an accounting estimate.

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

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

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

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



# Mossel Bay Municipality

## Annual Financial Statements for the year ended June 30, 2024

### Accounting Policies

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

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

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

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

#### Impairment

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

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of impairment is recognised in the Statement of Financial Performance.

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

#### Transfers

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

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

#### Derecognition

The carrying amount of a living resource is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a living resource is included in surplus or deficit when the item is derecognised.

# Mossel Bay Municipality

## Annual Financial Statements for the year ended June 30, 2024

### Notes to the Annual Financial Statements

| Figures in Rand | 2024 | 2023 |
|-----------------|------|------|
|-----------------|------|------|

## 2. New standards and interpretations

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

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

| Standard/ Interpretation:                                                                                  | Effective date:<br>Years beginning on or after | Expected impact:                                                                                                                                                                                         |
|------------------------------------------------------------------------------------------------------------|------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| • iGRAP 21: The Effect of Past Decisions on Materiality                                                    | April 1, 2023                                  | The impact of the interpretation is not material.                                                                                                                                                        |
| • GRAP 25 (as revised): Employee Benefits                                                                  | April 1, 2023                                  | The adoption of this Standard has not had a material impact on the results of the municipality, but has resulted in more disclosure than would have previously been provided in the financial statements |
| • iGRAP 7 (as revised): Limit on defined benefit asset, minimum funding requirements and their interaction | April 1, 2023                                  | The impact of the is not material.                                                                                                                                                                       |
| • GRAP 2020: Improvements to the Standards of GRAP 2020                                                    | April 1, 2023                                  | The impact of the improvements are not material.                                                                                                                                                         |
| • Guideline: Guideline on Accounting for Landfill Sites                                                    | April 1, 2023                                  | The impact of the guideline is not material.                                                                                                                                                             |
| • GRAP 1 (amended): Presentation of Financial Statements (Materiality)                                     | April 1, 2023                                  | The impact of the amendment to the Standard is not material.                                                                                                                                             |

### 2.2 Standards and Interpretations early adopted

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

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

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after July 1, 2024 or later periods:

| Standard/ Interpretation:                                                | Effective date:<br>Years beginning on or after | Expected impact:                                                                        |
|--------------------------------------------------------------------------|------------------------------------------------|-----------------------------------------------------------------------------------------|
| • GRAP 1 (amended): Presentation of Financial Statements (Going Concern) | April 1, 2025                                  | Unlikely there will be a material impact                                                |
| • GRAP 103 (as revised): Heritage Assets                                 | April 1, 2025                                  | Expected change on classification of mixed-use assets and fair value                    |
| • GRAP 104 (as revised): Financial Instruments                           | April 1, 2025                                  | Expected change on classification and will have a big impact on impairment calculations |

# Mossel Bay Municipality

## Annual Financial Statements for the year ended June 30, 2024

### Notes to the Annual Financial Statements

| Figures in Rand                 | 2024              | 2023              |
|---------------------------------|-------------------|-------------------|
| <b>3. Inventories</b>           |                   |                   |
| Consumable stores               | 29 714 807        | 23 745 518        |
| Unsold property held for resale | 703 940           | 1 798 768         |
| Water                           | 788 593           | 850 271           |
|                                 | <b>31 207 340</b> | <b>26 394 557</b> |

Inventory (Consumable Stores) to the value of R 91 496 (2023: R -) was written off during the financial year.

Water inventory to the value of R10 965 253 (2023: R8 777 459) were lost during the financial year. The main reason for these water losses is due to defective meters, breakage in pipelines, leaking valves, vandalism, theft, etc.

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

Water inventory relates to purified water under the control of the municipality. The cost of sale per kilolitre decreased from R7.56 p/kl in 2023 to R7.51 p/kl in 2024 representing a decrease in cost of sale of 0.63%.

Movement in consumable stores between financial years is due to increased stock levels for Electricity maintenance projects as well as normal inflation growth.

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

None of the inventories were pledged as security for liabilities.

# Mossel Bay Municipality

## Annual Financial Statements for the year ended June 30, 2024

### Notes to the Annual Financial Statements

| Figures in Rand | 2024 | 2023 |
|-----------------|------|------|
|-----------------|------|------|

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

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

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

|                                |                    |                    |
|--------------------------------|--------------------|--------------------|
| Asazani / Zinyoka              | (9 622 946)        | (9 622 946)        |
| External Toilet Eradication    | -                  | 2 462 627          |
| Spekboom                       | 3 486 202          | -                  |
| Site K                         | 493 288            | -                  |
| Mossel Bay Erf 19201 and 14702 | 275 082            | -                  |
| Groot Brak Farm 129 and 137    | 138 905            | -                  |
| Sonskynvallei                  | 154 828            | -                  |
| Groot Brak Toekoms             | 34 726             | -                  |
|                                | <b>(5 039 915)</b> | <b>(7 160 319)</b> |

The Municipality has been allocated funds in the 2023/2024 financial year for the Asazani / Zinyoka project, which were again removed with a Provincial Adjustment budget in the 2023/2024 year. Further discussions with Provincial Department of Human Settlements is underway.

##### Movement during the year

|                                         |                    |                    |
|-----------------------------------------|--------------------|--------------------|
| Opening balance                         | (7 160 319)        | (2 342 759)        |
| Receipts                                | 5 657 554          | -                  |
| Conditions met - Transferred to revenue | (1 074 523)        | (1 251 298)        |
| Repayment of unspent grants             | (2 462 627)        | (3 566 261)        |
|                                         | <b>(5 039 915)</b> | <b>(7 160 318)</b> |

As at 30 June 2024, retention of contracts in progress were R - (2023: R 178 859).

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

An amount of R 2 462 627 was paid back to the Department of Infrastructure after the application for Roll-over of grant funding was rejected. The amounts unspent for External Toilet Eradication in the previous year makes up this total. These were funds that was previously approved for roll-over and not spent in the 22/23 year.

# Mossel Bay Municipality

## Annual Financial Statements for the year ended June 30, 2024

### Notes to the Annual Financial Statements

| Figures in Rand | 2024 | 2023 |
|-----------------|------|------|
|-----------------|------|------|

#### 4. Unspent / (unpaid) construction contract advances (continued)

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

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

##### Construction contracts revenue recognised

|                        |                  |                  |
|------------------------|------------------|------------------|
| Construction contracts | 1 074 523        | 1 251 298        |
|                        | <b>1 074 523</b> | <b>1 251 298</b> |

| Contract                       | Total contract cost<br>2024 | Total contract revenue recognised<br>2024 | Total contract cost<br>2023 | Total contract revenue recognised<br>2023 |
|--------------------------------|-----------------------------|-------------------------------------------|-----------------------------|-------------------------------------------|
| External Toilet Eradication    | -                           | -                                         | 1 251 298                   | 1 251 298                                 |
| Spekboom                       | 680 948                     | 680 948                                   | -                           | -                                         |
| Site K                         | 62 332                      | 62 332                                    | -                           | -                                         |
| Mossel Bay Erf 19201 and 14702 | 86 071                      | 86 071                                    | -                           | -                                         |
| Sonskynvallei                  | 245 172                     | 245 172                                   | -                           | -                                         |
|                                | <b>1 074 523</b>            | <b>1 074 523</b>                          | <b>1 251 298</b>            | <b>1 251 298</b>                          |

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

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

| 30 June 2024                   | Aggregate amount of costs incurred and recognised surpluses (less recognised deficits) to date for agreements in progress | Recognised surpluses (less recognised deficits) to date for agreements in progress | Amount of advances received for agreements in progress | Amount of retentions | Roll-'Over not approved and paid back |
|--------------------------------|---------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------|--------------------------------------------------------|----------------------|---------------------------------------|
| Asazani / Zinyoka              | 111 345 758                                                                                                               | -                                                                                  | -                                                      | -                    | -                                     |
| External Toilet Eradication    | 7 905 284                                                                                                                 | -                                                                                  | -                                                      | -                    | 2 462 627                             |
| Sonskynvallei                  | 55 832 689                                                                                                                | -                                                                                  | 400 000                                                | -                    | -                                     |
| Spekboom                       | 680 948                                                                                                                   | -                                                                                  | 4 167 150                                              | -                    | -                                     |
| Site K                         | 62 332                                                                                                                    | -                                                                                  | 555 620                                                | -                    | -                                     |
| Mossel Bay Erf 19201 and 14702 | 86 071                                                                                                                    | -                                                                                  | 361 153                                                | -                    | -                                     |
| Groot Brak Farm 129 and 137    | -                                                                                                                         | -                                                                                  | 138 905                                                | -                    | -                                     |
| Groot Brak Toekoms             | -                                                                                                                         | -                                                                                  | 34 726                                                 | -                    | -                                     |
|                                | <b>175 913 082</b>                                                                                                        | <b>-</b>                                                                           | <b>5 657 554</b>                                       | <b>-</b>             | <b>2 462 627</b>                      |

**Mossel Bay Municipality**  
**Annual Financial Statements for the year ended June 30, 2024**  
**Notes to the Annual Financial Statements**

| Figures in Rand |                                                                                                                           | 2024                                                                               | 2023                                                   |                      |                                      |
|-----------------|---------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------|--------------------------------------------------------|----------------------|--------------------------------------|
| 4.              | Unspent / (unpaid) construction contract advances (continued)                                                             |                                                                                    |                                                        |                      |                                      |
|                 | 30 June 2023                                                                                                              |                                                                                    |                                                        |                      |                                      |
|                 | Aggregate amount of costs incurred and recognised surpluses (less recognised deficits) to date for agreements in progress | Recognised surpluses (less recognised deficits) to date for agreements in progress | Amount of advances received for agreements in progress | Amount of retentions | Roll-Over not approved and paid back |
|                 | Asazani / Zinyoka                                                                                                         | 111 345 758                                                                        | -                                                      | -                    | -                                    |
|                 | Elangeni                                                                                                                  | 6 628 074                                                                          | -                                                      | -                    | 428 308                              |
|                 | External Toilet Eradication                                                                                               | 7 905 284                                                                          | -                                                      | 178 859              | -                                    |
|                 | Khayelitsha                                                                                                               | 12 484 357                                                                         | -                                                      | -                    | 452 187                              |
|                 | Sonskynvallei                                                                                                             | 55 587 517                                                                         | -                                                      | -                    | 2 685 766                            |
|                 |                                                                                                                           | 193 950 990                                                                        | -                                                      | -                    | 3 566 261                            |

# Mossel Bay Municipality

## Annual Financial Statements for the year ended June 30, 2024

### Notes to the Annual Financial Statements

| Figures in Rand                                                   | 2024           | 2023           |
|-------------------------------------------------------------------|----------------|----------------|
| <b>5. Long-term receivables</b>                                   |                |                |
| <b>At amortised cost</b>                                          |                |                |
| Land Sales Debtors                                                | 125            | 1 013          |
| Bursary Obligations                                               | 277 533        | 279 390        |
| Housing Selling Schemes                                           | 70 097         | 106 463        |
|                                                                   | 347 755        | 386 866        |
| Impairments                                                       | (43 643)       | (77 416)       |
|                                                                   | <b>304 112</b> | <b>309 450</b> |
| <b>Non-current assets</b>                                         |                |                |
| At amortised cost                                                 | 25 508         | 21 637         |
| <b>Current assets</b>                                             |                |                |
| At amortised cost                                                 | 278 604        | 287 813        |
| <b>Total</b>                                                      | <b>304 112</b> | <b>309 450</b> |
| <b>Reconciliation of debt impairment of long-term receivables</b> |                |                |
| Balance at the beginning of the year                              | 77 416         | 87 881         |
| Contribution to / (Reversal from) provision                       | (33 773)       | (10 465)       |
|                                                                   | -              | -              |
|                                                                   | <b>43 643</b>  | <b>77 416</b>  |

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

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

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

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

### 6. Receivables from exchange transactions

|                                                               |                    |                    |
|---------------------------------------------------------------|--------------------|--------------------|
| <b>Gross balances</b>                                         |                    |                    |
| Electricity                                                   | 84 464 725         | 59 644 638         |
| Water                                                         | 62 035 819         | 52 089 299         |
| Sewerage                                                      | 27 877 118         | 20 925 252         |
| Refuse                                                        | 24 762 777         | 18 773 304         |
| Land sales                                                    | 8 488              | 7 178              |
| Housing selling schemes                                       | 937 599            | 897 913            |
| Housing rental                                                | 194 796            | 207 173            |
| Other (merchandising, jobbing, contracts and service charges) | 60 869 940         | 44 798 907         |
| Payments received in advance                                  | 9 607 323          | 8 649 896          |
|                                                               | <b>270 758 585</b> | <b>205 993 560</b> |

# Mossel Bay Municipality

## Annual Financial Statements for the year ended June 30, 2024

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#### 6. Receivables from exchange transactions (continued)

##### Less: Allowance for impairment

|                                                               |                      |                     |
|---------------------------------------------------------------|----------------------|---------------------|
| Electricity                                                   | (29 156 922)         | (7 460 679)         |
| Water                                                         | (34 449 733)         | (18 408 419)        |
| Sewerage                                                      | (21 215 630)         | (12 282 622)        |
| Refuse                                                        | (17 404 194)         | (9 814 475)         |
| Land sales                                                    | (7 598)              | (6 873)             |
| Housing selling schemes                                       | (929 858)            | (887 637)           |
| Housing rental                                                | (184 806)            | (194 903)           |
| Other (merchandising, jobbing, contracts and service charges) | (17 104 622)         | (13 992 526)        |
|                                                               | <b>(120 453 363)</b> | <b>(63 048 134)</b> |

##### Net balance

|                                                               |                    |                    |
|---------------------------------------------------------------|--------------------|--------------------|
| Electricity                                                   | 55 307 803         | 52 183 959         |
| Water                                                         | 27 586 086         | 33 680 880         |
| Sewerage                                                      | 6 661 488          | 8 642 630          |
| Refuse                                                        | 7 358 583          | 8 958 829          |
| Land sales                                                    | 890                | 305                |
| Housing selling schemes                                       | 7 741              | 10 276             |
| Housing rental                                                | 9 990              | 12 270             |
| Other (merchandising, jobbing, contracts and service charges) | 43 765 318         | 30 806 381         |
| Payments received in advance                                  | 9 607 323          | 8 649 896          |
|                                                               | <b>150 305 222</b> | <b>142 945 426</b> |

##### Electricity

|                      |                   |                   |
|----------------------|-------------------|-------------------|
| Current (0 -30 days) | 61 154 261        | 50 186 173        |
| 31 - 60 days         | 5 546 117         | 860 082           |
| 61 - 90 days         | 2 484 417         | 950 266           |
| 91 - 120 days        | 1 339 410         | 679 454           |
| 121 - 365 days       | 8 090 407         | 3 535 998         |
| > 365 days           | 5 850 113         | 3 432 665         |
| Less: Impairment     | (29 156 922)      | (7 460 679)       |
|                      | <b>55 307 803</b> | <b>52 183 959</b> |

Electricity receivable that are past due as at 30 June 2024 but not impaired is Rnil (2023: R 1 997 787).

The increase in impairment of debtors is based on current outstanding debtor book and the latest payment percentages.

##### Water

|                      |                   |                   |
|----------------------|-------------------|-------------------|
| Current (0 -30 days) | 27 324 898        | 30 856 447        |
| 31 - 60 days         | 4 403 429         | 1 629 397         |
| 61 - 90 days         | 2 809 619         | 1 427 834         |
| 91 - 120 days        | 1 663 053         | 1 116 433         |
| 121 - 365 days       | 10 396 129        | 6 514 194         |
| > 365 days           | 15 438 691        | 10 544 994        |
| Less: Impairment     | (34 449 733)      | (18 408 419)      |
|                      | <b>27 586 086</b> | <b>33 680 880</b> |

Water receivable that are past due as at 30 June 2024 but not impaired is R 261 187 (2023: R 2 824 432).

The increase in impairment of debtors is based on current outstanding debtor book and the latest payment percentages.



# Mossel Bay Municipality

## Annual Financial Statements for the year ended June 30, 2024

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| <b>6. Receivables from exchange transactions (continued)</b> |                  |                  |
| <b>Sewerage</b>                                              |                  |                  |
| Current (0 -30 days)                                         | 7 833 021        | 6 990 982        |
| 31 - 60 days                                                 | 1 076 019        | 853 167          |
| 61 - 90 days                                                 | 999 309          | 928 582          |
| 91 - 120 days                                                | 945 341          | 669 520          |
| 121 - 365 days                                               | 6 549 435        | 4 265 666        |
| > 365 days                                                   | 10 473 993       | 7 217 335        |
| Less: Impairment                                             | (21 215 630)     | (12 282 622)     |
|                                                              | <b>6 661 488</b> | <b>8 642 630</b> |

Sewerage receivable that are past due as at 30 June 2024 but not impaired is Rnil (2023: R 1 651 648).

The increase in impairment of debtors is based on current outstanding debtor book and the latest payment percentages.

|                      |                  |                  |
|----------------------|------------------|------------------|
| <b>Refuse</b>        |                  |                  |
| Current (0 -30 days) | 8 343 857        | 7 625 542        |
| 31 - 60 days         | 957 851          | 743 937          |
| 61 - 90 days         | 876 092          | 663 921          |
| 91 - 120 days        | 817 555          | 585 692          |
| 121 - 365 days       | 5 516 067        | 3 662 147        |
| > 365 days           | 8 251 355        | 5 492 065        |
| Less: Impairment     | (17 404 194)     | (9 814 475)      |
|                      | <b>7 358 583</b> | <b>8 958 829</b> |

Refuse receivable that are past due as at 30 June 2024 but not impaired is Rnil (2023: R 1 333 287).

The increase in impairment of debtors is based on current outstanding debtor book and the latest payment percentages.

|                      |            |            |
|----------------------|------------|------------|
| <b>Land sales</b>    |            |            |
| Current (0 -30 days) | 149        | 415        |
| 31 - 60 days         | 59         | 114        |
| 61 - 90 days         | 60         | 91         |
| 91 - 120 days        | 59         | 76         |
| 121 - 365 days       | 1 370      | 555        |
| > 365 days           | 6 791      | 5 927      |
| Less: Impairment     | (7 598)    | (6 873)    |
|                      | <b>890</b> | <b>305</b> |

Land Sales receivable that are past due as at 30 June 2024 but not impaired is R 741 (2023: Rnil).

|                                |              |               |
|--------------------------------|--------------|---------------|
| <b>Housing selling schemes</b> |              |               |
| Current (0 -30 days)           | 12 554       | 15 291        |
| 31 - 60 days                   | 6 131        | 6 935         |
| 61 - 90 days                   | 6 156        | 6 743         |
| 91 - 120 days                  | 6 231        | 6 650         |
| 121 - 365 days                 | 62 225       | 52 469        |
| > 365 days                     | 844 302      | 809 825       |
| Less: Impairment               | (929 858)    | (887 637)     |
|                                | <b>7 741</b> | <b>10 276</b> |

Housing Selling Schemes receivable that are past due as at 30 June 2024 but not impaired is Rnil (2023: Rnil).

# Mossel Bay Municipality

## Annual Financial Statements for the year ended June 30, 2024

### Notes to the Annual Financial Statements

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| <b>6. Receivables from exchange transactions (continued)</b> |              |               |
| <b>Housing rental</b>                                        |              |               |
| Current (0 -30 days)                                         | 8 435        | 8 478         |
| 31 - 60 days                                                 | 2 970        | 2 997         |
| 61 - 90 days                                                 | 2 858        | 2 740         |
| 91 - 120 days                                                | 2 790        | 2 781         |
| 121 - 365 days                                               | 28 519       | 21 815        |
| > 365 days                                                   | 149 224      | 168 362       |
| Less: Impairment                                             | (184 806)    | (194 903)     |
|                                                              | <b>9 990</b> | <b>12 270</b> |

Housing rentals receivable that are past due as at 30 June 2024 but not impaired is R 1 555 (2023: R 3 791).

|                                                                      |                   |                   |
|----------------------------------------------------------------------|-------------------|-------------------|
| <b>Other (merchandising, jobbing, contracts and service charges)</b> |                   |                   |
| Current (0 -30 days)                                                 | 47 040 543        | 32 431 095        |
| 31 - 60 days                                                         | 641 206           | 976 150           |
| 61 - 90 days                                                         | 677 165           | 612 249           |
| 91 - 120 days                                                        | 657 741           | 924 515           |
| 121 - 365 days                                                       | 3 851 108         | 4 038 403         |
| > 365 days                                                           | 8 002 177         | 5 816 495         |
| Less: Impairment                                                     | (17 104 622)      | (13 992 526)      |
|                                                                      | <b>43 765 318</b> | <b>30 806 381</b> |

Other Receivables from Exchange transactions includes accruals for Interest on Investments to the amount of R24 149 928 (2023: R13 343 681).

Other receivables that are past due as at 30 June 2024 but not impaired is Rnil (2023: Rnil).

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

No receivables were pledged as security.

#### Summary of exchange receivables by customer classification

|                                    |                    |                    |
|------------------------------------|--------------------|--------------------|
| Residential / Consumers            | 49 566 840         | 52 722 241         |
| Industrial / Commercial            | 43 583 205         | 45 411 817         |
| National and Provincial Government | 2 689 319          | 3 096 658          |
| Other                              | 44 858 535         | 33 064 814         |
|                                    | <b>140 697 899</b> | <b>134 295 530</b> |

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

#### Reconciliation of allowance for impairment

|                                      |                      |                     |
|--------------------------------------|----------------------|---------------------|
| Balance at beginning of the year     | (63 048 134)         | (116 043 065)       |
| Movement in allowance for impairment | (57 405 229)         | 52 994 931          |
|                                      | <b>(120 453 363)</b> | <b>(63 048 134)</b> |

# Mossel Bay Municipality

## Annual Financial Statements for the year ended June 30, 2024

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#### 7. Receivables from non-exchange transactions

|                                                |                   |                   |
|------------------------------------------------|-------------------|-------------------|
| <b>Gross balance</b>                           |                   |                   |
| Rates                                          | 27 597 119        | 23 499 545        |
| Traffic fines                                  | 31 250 881        | 30 864 824        |
| Government grants and subsidies                | 128 834           | 128 834           |
| Other                                          | 968 753           | 1 463 831         |
| Availability charges - Electricity             | 4 102 780         | 3 360 494         |
| Availability charges - Sanitation and Sewerage | 2 013 974         | 1 753 674         |
| Availability charges - Water                   | 2 394 610         | 2 468 646         |
|                                                | <b>68 456 951</b> | <b>63 539 848</b> |

#### Less: Allowance for impairment

|                                                |                     |                     |
|------------------------------------------------|---------------------|---------------------|
| Rates                                          | (12 227 027)        | (7 261 264)         |
| Traffic fines                                  | (27 613 396)        | (27 483 428)        |
| Other                                          | (140 096)           | (682 555)           |
| Availability charges - Electricity             | (3 030 765)         | (1 957 402)         |
| Availability charges - Sanitation and Sewerage | (1 409 942)         | (982 031)           |
| Availability charges - Water                   | (1 805 142)         | (1 537 915)         |
|                                                | <b>(46 226 368)</b> | <b>(39 904 595)</b> |

#### Net balance

|                                                |                   |                   |
|------------------------------------------------|-------------------|-------------------|
| Rates                                          | 15 370 092        | 16 238 281        |
| Traffic fines                                  | 3 637 485         | 3 381 396         |
| Government grants and subsidies                | 128 834           | 128 834           |
| Other                                          | 828 657           | 781 276           |
| Availability charges - Electricity             | 1 072 015         | 1 403 092         |
| Availability charges - Sanitation and Sewerage | 604 032           | 771 643           |
| Availability charges - Water                   | 589 468           | 930 731           |
|                                                | <b>22 230 583</b> | <b>23 635 253</b> |

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

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

No receivables were pledged as security.

#### Rates: Ageing

|                      |                   |                   |
|----------------------|-------------------|-------------------|
| Current (0 -30 days) | 15 794 396        | 13 504 839        |
| 31 - 60 days         | 781 057           | 797 089           |
| 61 - 90 days         | 659 057           | 753 977           |
| 91 - 120 days        | 573 805           | 588 203           |
| 121 - 365 days       | 3 701 666         | 2 951 669         |
| > 365 days           | 6 087 138         | 4 903 768         |
| Less: Impairment     | (12 227 027)      | (7 261 264)       |
|                      | <b>15 370 092</b> | <b>16 238 281</b> |

Rates receivable that are past due as at 30 June 2024 but not impaired is Rnil (2023: R 2 733 441).

The increase in impairment of debtors is based on current outstanding debtor book and the latest payment percentages.

# Mossel Bay Municipality

## Annual Financial Statements for the year ended June 30, 2024

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

##### Availability charges - Electricity: Ageing

|                      |                  |                  |
|----------------------|------------------|------------------|
| Current (0 -30 days) | 1 203 932        | 1 027 616        |
| 31 - 60 days         | 197 995          | 171 645          |
| 61 - 90 days         | 155 476          | 148 868          |
| 91 - 120 days        | 142 743          | 128 938          |
| 121 - 365 days       | 894 708          | 665 116          |
| > 365 days           | 1 507 926        | 1 218 311        |
| Less: Impairment     | (3 030 765)      | (1 957 402)      |
|                      | <b>1 072 015</b> | <b>1 403 092</b> |

Availability charges - Electricity receivable that are past due as at 30 June 2024 but not impaired is Rnil (2023: R 375 475).

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

|                      |                |                |
|----------------------|----------------|----------------|
| Current (0 -30 days) | 642 116        | 550 838        |
| 31 - 60 days         | 83 753         | 89 696         |
| 61 - 90 days         | 71 667         | 79 746         |
| 91 - 120 days        | 67 216         | 68 128         |
| 121 - 365 days       | 410 304        | 343 682        |
| > 365 days           | 738 918        | 621 584        |
| Less: Impairment     | (1 409 942)    | (982 031)      |
|                      | <b>604 032</b> | <b>771 643</b> |

Availability charges - Sanitation and sewerage receivable that are past due as at 30 June 2024 but not impaired is Rnil (2023: R 220 806).

##### Availability charges - Water: Ageing

|                      |                |                |
|----------------------|----------------|----------------|
| Current (0 -30 days) | 631 511        | 651 992        |
| 31 - 60 days         | 90 387         | 111 879        |
| 61 - 90 days         | 75 432         | 98 552         |
| 91 - 120 days        | 69 252         | 85 179         |
| 121 - 365 days       | 445 326        | 444 744        |
| > 365 days           | 1 082 702      | 1 076 300      |
| Less: Impairment     | (1 805 142)    | (1 537 915)    |
|                      | <b>589 468</b> | <b>930 731</b> |

Availability charges - Water receivable that are past due as at 30 June 2024 but not impaired is Rnil (2023: R 278 738).

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

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

|                                    |                   |                   |
|------------------------------------|-------------------|-------------------|
| Residential / Consumers            | 13 381 769        | 14 634 453        |
| Industrial / Commercial            | 2 789 422         | 3 486 458         |
| National and Provincial Government | 816 123           | 530 859           |
| Other                              | 648 293           | 691 977           |
|                                    | <b>17 635 607</b> | <b>19 343 747</b> |

# Mossel Bay Municipality

## Annual Financial Statements for the year ended June 30, 2024

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

##### Reconciliation of allowance for impairment

|                          |                     |                     |
|--------------------------|---------------------|---------------------|
| Opening balance          | (39 904 595)        | (33 453 189)        |
| Provision for impairment | (6 321 773)         | (6 451 406)         |
|                          | <b>(46 226 368)</b> | <b>(39 904 595)</b> |

#### 8. Statutory receivables

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

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

##### Statutory receivables balances

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

|                            |            |            |
|----------------------------|------------|------------|
| VAT (Payable) / Receivable | 25 077 747 | 14 497 859 |
|----------------------------|------------|------------|

# Mossel Bay Municipality

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#### 8. Statutory receivables (continued)

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

|                                 |                   |                   |
|---------------------------------|-------------------|-------------------|
| Property Rates                  | 15 370 092        | 16 238 281        |
| Traffic fines                   | 3 637 485         | 3 381 396         |
| Government grants and subsidies | 128 834           | 128 834           |
|                                 | <b>19 136 411</b> | <b>19 748 511</b> |

##### Statutory receivables transactions

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

##### Property rates:

|                                              |             |             |
|----------------------------------------------|-------------|-------------|
| Property rates revenue                       | 218 627 359 | 192 123 229 |
| Interest earned - outstanding property rates | 1 140 463   | 895 873     |

##### Traffic fines:

|                               |            |            |
|-------------------------------|------------|------------|
| Fines, penalties and forfeits | 18 738 150 | 22 602 880 |
|-------------------------------|------------|------------|

##### Government grants and subsidies:

|                           |                    |                    |
|---------------------------|--------------------|--------------------|
| Disaster Management Grant | -                  | -                  |
|                           | <b>238 505 972</b> | <b>215 621 982</b> |

##### Reconciliation of provision for impairment for statutory receivables

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

|                |   |   |
|----------------|---|---|
| VAT Receivable | - | - |
|----------------|---|---|

##### Provision for impairment included under receivables from non-exchange transactions:

|                                 |                     |                     |
|---------------------------------|---------------------|---------------------|
| Property Rates                  | (12 227 027)        | (7 261 264)         |
| Traffic fines                   | (27 613 396)        | (27 483 428)        |
| Government grants and subsidies | -                   | -                   |
|                                 | <b>(39 840 423)</b> | <b>(34 744 692)</b> |

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

##### Recognition of impairment losses

|                |           |           |
|----------------|-----------|-----------|
| Property Rates | 4 971 052 | 757 518   |
| Traffic Fines  | 347 715   | 6 906 127 |

##### Reversal of impairment losses

|               |                  |                  |
|---------------|------------------|------------------|
| Traffic Fines | (217 747)        | (225 329)        |
|               | <b>5 101 020</b> | <b>7 438 316</b> |

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

# Mossel Bay Municipality

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#### 8. Statutory receivables (continued)

##### Statutory receivables past due but not impaired

##### Statutory receivables

|                                 |                   |                   |
|---------------------------------|-------------------|-------------------|
| Property Rates                  | -                 | 2 733 441         |
| Traffic fines                   | -                 | -                 |
| Government grants and subsidies | 128 834           | 128 834           |
| VAT (Payable) / Receivable      | 25 077 747        | 14 497 859        |
|                                 | <b>25 206 581</b> | <b>17 360 134</b> |

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

##### Transactions arising from statute

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

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

Government grants related transactions arise in terms of the applicable annual Division of Revenue Act as well as the relevant Provincial Gazette. The receivable for Government grants and subsidies to the amount of R128 834 is for the Disaster Management Grant that is due from the Garden Route District Municipality. This grant was allocated to Mossel Bay Municipality in the 2014/15 year and the District Municipality subtracted the amount of R128 834 from the grant payment made to Mossel Bay for outstanding accounts raised by them for Fire services rendered.

VAT transactions arise from the Value Added Tax Act 89 of 1991. VAT is an indirect tax on the consumption of goods and services in the economy. VAT is levied on all goods and services subject to certain exemptions, exceptions, deductions and adjustments provided for in the Value Added Tax Act 89 of 1991.

##### Determination of transaction amounts

Property rates transaction amounts are determined in line with the Annual Tariff List of the municipality approved by Council as part of the Budget Process in terms of the Municipal Finance Management Act, 56 of 2003.

Traffic fines transaction amounts are determined in line with the Traffic Offence Code Book as approved by Senior Magistrate and implemented in the district of Mossel Bay.

Government grants related transaction amounts allocated to the municipality are stipulated in the applicable annual Division of Revenue Act Bill as well as the relevant Provincial Gazette.

VAT transactions amounts are determined in line with the Value Added Tax Act 89 of 1991.

##### Interest or other charges levied / charged

Interest or other charges levied on Property rates balances are in line with the Annual Tariff List of the municipality approved by Council as part of the Budget Process in terms of the Municipal Finance Management Act, 56 of 2003. "Interest" means a charge levied, on all arrear accounts calculated at an interest rate which is one percent higher than the prime interest rate.

Traffic fines: Additional charges includes contempt of court fees / warrant of arrest fee determined in terms of the Criminal Procedure Act. Currently at R200 effected after court date on non/default payment / non appearance.

Interest or other charges levied on Government grants, if applicable, is based on the average investment rate for the applicable year.

# Mossel Bay Municipality

## Annual Financial Statements for the year ended June 30, 2024

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#### 8. Statutory receivables (continued)

The rates and interest charges are determined by the Value Added Tax Act 89 of 1991.

##### **Basis used to assess and test whether a statutory receivable is impaired**

The basis used to assess Property Rates receivables is to look at the extent to which debtors on an individual basis defaulted on payments already due and an assessment of their ability to make payments based on their historical collection trend.

The basis used to assess Traffic fine receivables is to look at the extent to which debtors per group of fines (Municipal fines, Provincial fines) defaulted on payments already due and an assessment of their ability to make payments based on their historical collection trend.

Each individual Grant is assessed for collectability in line with the legislative prescripts or contract arrangements that relates to the specific grant.

No impairment on VAT Receivable, balance expected to be fully recoverable.

##### **Discount rate applied to the estimated future cash flows**

The discount rate applied for all types of Statutory receivables mentioned above is based on the average rate of investments. This rate is seen as risk free as the amount to be paid in interest and capital amount is guaranteed by the Investment institution.



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#### 9. Non-living resources

##### Nature and types of non-living resources

The only non-living resource identified by Mossel Bay Municipality is the water resource as no other natural resources are prevalent within the jurisdiction of Mossel Bay Municipality:

The major portion of water for consumption is provide from Wolwedans dam with a capacity of 24 630 000 m<sup>3</sup> and the Klipheuwel dam with a capacity of 4 450 000 m<sup>3</sup>, both owned and operated by Department of Water and Sanitation. The Municipality does not have any obligations or responsibilities towards the provincial dams to safeguard, maintain or control them. The dams are merely a source from which the municipality purchases water resources as needed for use in providing water services to the community.

Ernest Robertson Dam: The dam is a municipal operated and owned dam with a capacity of 410 000 m<sup>3</sup>.

The Municipality also regards the ocean as a source of a water resource. The reason for this is that the Municipality, together with PETROSA, Jointly controls a desalination plant used to purify sea water. The Municipality does have some seawater extraction requirements. The desalination plant has a capacity of 15m/l water per day of which the Municipality has a right to two thirds of the water produced.

The municipality has various boreholes throughout the jurisdiction area, however the boreholes are insignificant in their supply of water in relation to the total water supply.

The major river water sources for the municipality that needs to be disclosed are the Klein Bos Weir, the Friemersheim Weir and Ruitersbos river. The other rivers, springs and other water sources are considered insignificant in their supply of water in relation to the total water supply.

After extraction the water from the dams, boreholes and sea, the water is purified at various purification works after which it is accounting wise treated as water inventory. See the disclosure note 3 in this regard.

The Ernest Robertson dam, the borehole equipment and the desalination plant are recognised as capital assets and reported as part of the accounting group Property Plant and Equipment.

There is no liability that arise due to the custodianship of the water resource. No resources were given up that resulted in compensation from third parties. The desalination plant arrangement is disclosed in note 66.

# Mossel Bay Municipality

## Annual Financial Statements for the year ended June 30, 2024

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#### 10. Living resources

|                        | 2024                |                                                              |                | 2023                |                                                              |                |
|------------------------|---------------------|--------------------------------------------------------------|----------------|---------------------|--------------------------------------------------------------|----------------|
|                        | Cost /<br>Valuation | Accumulated depreciation<br>and<br>accumulated<br>impairment | Carrying value | Cost /<br>Valuation | Accumulated depreciation<br>and<br>accumulated<br>impairment | Carrying value |
| Dogs and other animals | 644 763             | (184 096)                                                    | 460 667        | 370 850             | (25 129)                                                     | 345 721        |

#### Reconciliation of living resources - 2024

|                        | Opening<br>balance | Additions | Depreciation | Total   |
|------------------------|--------------------|-----------|--------------|---------|
| Dogs and other animals | 345 722            | 273 913   | (158 968)    | 460 667 |

#### Reconciliation of living resources - 2023

|                        | Opening<br>balance | Additions | Transfers<br>received /<br>(made) | Depreciation | Total   |
|------------------------|--------------------|-----------|-----------------------------------|--------------|---------|
| Dogs and other animals | -                  | 335 565   | 15 948                            | (5 792)      | 345 721 |

#### Nature and type of Living resources

The municipality has a K9 dog unit as part of Community Safety initiatives. Dogs have been purchased by the municipality and one dog donated to the municipality for this purpose. There are also various other animals in Harry Giddy Park, kept for recreational purposes.

Other Disclosures:

Refer to note 51 for detail on change in accounting estimates.

Refer to note 59 for detail on contractual commitments.

The Municipality do not have any living resources that are borrowed from other entities, or which are on loan to other entities. There are no restrictions on the realisability of the living resources or the remittance of revenue and proceeds of de-recognition.

No Living resources are pledged as security for liabilities.

None of the living resources carries an impairment.

#### Reconciliation of Work-in-Progress 2024

|                        | Opening<br>balance | Additions /<br>capital<br>expenditure | Finalised<br>during the<br>year | Total |
|------------------------|--------------------|---------------------------------------|---------------------------------|-------|
| Dogs and other animals | -                  | -                                     | -                               | -     |

#### Reconciliation of Work-in-Progress 2023

|                        | Opening<br>balance | Additions /<br>capital<br>expenditure | Finalised<br>during the<br>year | Total |
|------------------------|--------------------|---------------------------------------|---------------------------------|-------|
| Dogs and other animals | -                  | 3 043                                 | (3 043)                         | -     |

# Mossel Bay Municipality

## Annual Financial Statements for the year ended June 30, 2024

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#### 11. VAT (Payable) / Receivable

|                            |            |            |
|----------------------------|------------|------------|
| VAT (Payable) / Receivable | 25 077 747 | 14 497 859 |
|----------------------------|------------|------------|

|                                                 |                   |                   |
|-------------------------------------------------|-------------------|-------------------|
| <b>Reconciliation of Value Added Tax (VAT):</b> | <b>2024</b>       | <b>2023</b>       |
| VAT Control                                     | 530 156           | 929 551           |
| Output VAT Accrual (Payable)                    | (6 189 175)       | (8 008 868)       |
| Input VAT Accrual (Receivable)                  | 30 736 766        | 21 577 176        |
|                                                 | <b>25 077 747</b> | <b>14 497 859</b> |

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

VAT Receivable is a Statutory Receivable in context of GRAP 108. Statutory receivables arise from legislation, supporting regulations, or similar means, and require settlement by another entity in cash or another financial asset. Refer to Note 8 for disclosure notes relating to Statutory receivables.

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

#### 12. Short-term investments

|                     |                    |                    |
|---------------------|--------------------|--------------------|
| ABSA Bank           | 219 272 659        | 65 358 937         |
| First National Bank | 14 548 455         | -                  |
| Nedbank             | 213 572 227        | 368 171 550        |
| Standard Bank       | -                  | 126 432 922        |
|                     | <b>447 393 341</b> | <b>559 963 409</b> |

The average rate of return on Short-term Investments was 9.55% for the year ended 30 June 2024.

The carrying value of Short-term Investments approximate their fair value.

No investments were pledged as security.

#### 13. Cash and cash equivalents

Cash and cash equivalents consist of:

|                     |                    |                   |
|---------------------|--------------------|-------------------|
| Petty cash          | 21 086             | 16 954            |
| Bank balances       | 112 923 309        | 53 742 926        |
| Short-term deposits | 20 377 778         | -                 |
|                     | <b>133 322 173</b> | <b>53 759 880</b> |

# Mossel Bay Municipality

## Annual Financial Statements for the year ended June 30, 2024

### Notes to the Annual Financial Statements

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#### 13. Cash and cash equivalents (continued)

The municipality had the following bank accounts

| Account number /<br>description                                | Bank statement balances |                   |                   | Cash book balances |                   |                   |
|----------------------------------------------------------------|-------------------------|-------------------|-------------------|--------------------|-------------------|-------------------|
|                                                                | June 30, 2024           | June 30, 2023     | June 30, 2022     | June 30, 2024      | June 30, 2023     | June 30, 2022     |
| Primary Bank Account -<br>Standard Bank 251940381              | 156 489 332             | 66 520 821        | -                 | 112 923 309        | 53 742 926        | -                 |
| Primary Bank Account -<br>Nedbank cheque account<br>1134644809 | -                       | -                 | 39 637 783        | -                  | -                 | 42 058 736        |
| <b>Total</b>                                                   | <b>156 489 332</b>      | <b>66 520 821</b> | <b>39 637 783</b> | <b>112 923 309</b> | <b>53 742 926</b> | <b>42 058 736</b> |

| Short-term Deposits                                                | 2024       | 2023 |
|--------------------------------------------------------------------|------------|------|
| Short-term Deposits: Current portion matures within next 12 months | 20 377 778 | -    |

All accounts of Mossel Bay Municipality are currently held with Standard Bank. The balance on the two Traffic fines accounts number 251940411 - Account for Municipal Traffic fines, and number 251940403 - Account for Provincial Traffic fines, are swept to the Primary bank account number 251940381 on a daily basis.

The management of the municipality is of the opinion that the carrying value of Short-term Deposits, Bank Balances and Petty Cash recorded at amortised cost in the Annual Financial Statements approximate their fair values.

The fair value of Short-term Deposits, Bank Balances and Petty Cash was determined after considering the standard terms and conditions of agreements entered into between the municipality and financial institutions.

The average rate of return on Short-term Deposits was 8.9% for the year ended 30 June 2024.

No cash and cash equivalents were pledged as security for liabilities.

No restrictions were placed on the use of cash and cash equivalents.

# Mossel Bay Municipality

## Annual Financial Statements for the year ended June 30, 2024

### Notes to the Annual Financial Statements

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#### 14. Property, plant and equipment

|                                              | 2024                 |                                                              |                      | 2023                 |                                                              |                      |
|----------------------------------------------|----------------------|--------------------------------------------------------------|----------------------|----------------------|--------------------------------------------------------------|----------------------|
|                                              | Cost /<br>Valuation  | Accumulated depreciation<br>and<br>accumulated<br>impairment | Carrying value       | Cost /<br>Valuation  | Accumulated depreciation<br>and<br>accumulated<br>impairment | Carrying value       |
| <b>Infrastructure</b>                        |                      |                                                              |                      |                      |                                                              |                      |
| Coastal Infrastructure                       | 8 049 975            | (2 849 886)                                                  | 5 200 089            | 5 114 771            | (2 570 336)                                                  | 2 544 435            |
| Electrical Infrastructure                    | 538 315 142          | (149 606 488)                                                | 388 708 654          | 469 080 406          | (136 368 027)                                                | 332 712 379          |
| Information and Communication Infrastructure | 17 880 688           | (6 244 705)                                                  | 11 635 983           | 14 641 791           | (5 103 430)                                                  | 9 538 361            |
| Land                                         | 114 359 846          | -                                                            | 114 359 846          | 114 067 573          | -                                                            | 114 067 573          |
| Roads Infrastructure                         | 593 823 080          | (245 196 181)                                                | 348 626 899          | 530 337 435          | (216 477 543)                                                | 313 859 892          |
| Sanitation Infrastructure                    | 662 287 947          | (206 467 993)                                                | 455 819 954          | 547 026 028          | (187 625 953)                                                | 359 400 075          |
| Solid Waste Infrastructure                   | 86 667 150           | (51 631 553)                                                 | 35 035 597           | 104 722 106          | (47 954 095)                                                 | 56 768 011           |
| Storm Water Infrastructure                   | 274 517 217          | (75 374 422)                                                 | 199 142 795          | 240 825 180          | (65 775 874)                                                 | 175 049 306          |
| Water Supply Infrastructure                  | 695 495 609          | (290 726 055)                                                | 404 769 554          | 659 025 158          | (258 813 900)                                                | 400 211 258          |
| <b>Community Assets</b>                      |                      |                                                              |                      |                      |                                                              |                      |
| Community assets                             | 364 088 380          | (103 107 597)                                                | 260 980 783          | 350 103 150          | (92 768 194)                                                 | 257 334 956          |
| Libraries                                    | 13 969 626           | (3 205 962)                                                  | 10 763 664           | 13 961 409           | (2 930 744)                                                  | 11 030 665           |
| Zoo, Marine and Non-biological Animals       | 1 373 456            | (6 397)                                                      | 1 367 059            | 374 250              | (3 916)                                                      | 370 334              |
| Land                                         | 205 553 451          | -                                                            | 205 553 451          | 205 563 625          | -                                                            | 205 563 625          |
| <b>Other Assets</b>                          |                      |                                                              |                      |                      |                                                              |                      |
| Operational and Housing Buildings            | 191 747 950          | (46 128 619)                                                 | 145 619 331          | 182 014 885          | (40 868 277)                                                 | 141 146 608          |
| Machinery and Equipment                      | 36 445 900           | (24 327 881)                                                 | 12 118 019           | 34 903 409           | (21 838 486)                                                 | 13 064 923           |
| Furniture and Office equipment               | 27 558 243           | (18 097 253)                                                 | 9 460 990            | 27 097 021           | (16 046 192)                                                 | 11 050 829           |
| Computer equipment                           | 27 148 471           | (17 935 418)                                                 | 9 213 053            | 28 412 113           | (16 661 077)                                                 | 11 751 036           |
| Transport Assets                             | 122 812 074          | (50 821 628)                                                 | 71 990 446           | 118 498 853          | (41 657 673)                                                 | 76 841 180           |
| Land                                         | 71 750 324           | (5 002 222)                                                  | 66 748 102           | 70 832 403           | (5 002 222)                                                  | 65 830 181           |
| <b>Total</b>                                 | <b>4 053 844 529</b> | <b>(1 296 730 260)</b>                                       | <b>2 757 114 269</b> | <b>3 716 601 566</b> | <b>(1 158 465 939)</b>                                       | <b>2 558 135 627</b> |

# Mossel Bay Municipality

## Annual Financial Statements for the year ended June 30, 2024

### Notes to the Annual Financial Statements

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#### 14. Property, plant and equipment (continued)

##### Reconciliation of property, plant and equipment - 2024

|                                              | Opening<br>balance   | Additions          | Disposals          | Depreciation         | Impairment<br>loss | Impairment<br>reversal | Total                |
|----------------------------------------------|----------------------|--------------------|--------------------|----------------------|--------------------|------------------------|----------------------|
| <b>Infrastructure</b>                        |                      |                    |                    |                      |                    |                        |                      |
| Coastal Infrastructure                       | 2 544 435            | 2 935 203          | -                  | (279 549)            | -                  | -                      | 5 200 089            |
| Electrical Infrastructure                    | 332 712 379          | 72 496 069         | (1 341 808)        | (15 156 361)         | (1 625)            | -                      | 388 708 654          |
| Information and Communication Infrastructure | 9 538 361            | 3 982 371          | (108 669)          | (1 776 080)          | -                  | -                      | 11 635 983           |
| Land                                         | 114 067 573          | 293 338            | (1 065)            | -                    | -                  | -                      | 114 359 846          |
| Roads Infrastructure                         | 313 859 892          | 64 354 695         | (374 164)          | (29 196 469)         | (17 055)           | -                      | 348 626 899          |
| Sanitation Infrastructure                    | 359 400 075          | 115 350 828        | (24 489)           | (18 906 460)         | -                  | -                      | 455 819 954          |
| Solid Waste Infrastructure                   | 56 768 011           | (18 022 460)       | (14 284)           | (3 642 828)          | (52 842)           | -                      | 35 035 597           |
| Storm Water Infrastructure                   | 175 049 306          | 33 692 037         | -                  | (9 598 548)          | -                  | -                      | 199 142 795          |
| Water Supply Infrastructure                  | 400 211 258          | 38 102 585         | (843 127)          | (32 643 653)         | (57 509)           | -                      | 404 769 554          |
| <b>Community Assets</b>                      |                      |                    |                    |                      |                    |                        |                      |
| Community assets                             | 257 334 956          | 14 515 314         | (146 321)          | (9 988 521)          | (734 645)          | -                      | 260 980 783          |
| Libraries                                    | 11 030 665           | 8 217              | -                  | (275 218)            | -                  | -                      | 10 763 664           |
| Zoo, Marine and Non-biological Animals       | 370 334              | 999 206            | -                  | (2 481)              | -                  | -                      | 1 367 059            |
| Land                                         | 205 563 625          | -                  | (10 173)           | -                    | -                  | -                      | 205 553 452          |
| <b>Other Assets</b>                          |                      |                    |                    |                      |                    |                        |                      |
| Operational and Housing Buildings            | 141 146 608          | 10 644 255         | (221 586)          | (4 597 236)          | (1 362 120)        | 9 410                  | 145 619 331          |
| Machinery and Equipment                      | 13 064 923           | 3 076 274          | (202 143)          | (3 821 035)          | -                  | -                      | 12 118 019           |
| Furniture and Office equipment               | 11 050 829           | 1 357 547          | (163 784)          | (2 783 602)          | -                  | -                      | 9 460 990            |
| Computer equipment                           | 11 751 036           | 2 141 398          | (198 060)          | (4 481 321)          | -                  | -                      | 9 213 053            |
| Transport Assets                             | 76 841 180           | 6 423 844          | (618 644)          | (10 655 934)         | -                  | -                      | 71 990 446           |
| Land                                         | 65 830 182           | 962 921            | (45 000)           | -                    | -                  | -                      | 66 748 103           |
|                                              | <b>2 558 135 628</b> | <b>353 313 642</b> | <b>(4 313 317)</b> | <b>(147 805 296)</b> | <b>(2 225 796)</b> | <b>9 410</b>           | <b>2 757 114 271</b> |

The negative amount of R 19 610 172 under Solid Waste Infrastructure additions for the current year, is due to the decreased restoration costs of landfill sites which were recognised in the current year with the provision for rehabilitation of landfill sites.

# Mossel Bay Municipality

## Annual Financial Statements for the year ended June 30, 2024

### Notes to the Annual Financial Statements

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#### 14. Property, plant and equipment (continued)

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

|                                              | Opening<br>balance   | Additions          | Disposals           | Transfers<br>received /<br>(made) | Depreciation         | Impairment<br>loss | Impairment<br>reversal | Total                |
|----------------------------------------------|----------------------|--------------------|---------------------|-----------------------------------|----------------------|--------------------|------------------------|----------------------|
| <b>Infrastructure</b>                        |                      |                    |                     |                                   |                      |                    |                        |                      |
| Coastal Infrastructure                       | 2 509 488            | 279 003            | (3 137)             | -                                 | (240 919)            | -                  | -                      | 2 544 435            |
| Electrical Infrastructure                    | 296 101 100          | 53 258 208         | (2 875 282)         | -                                 | (13 766 047)         | (5 600)            | -                      | 332 712 379          |
| Information and Communication Infrastructure | 2 863 537            | 7 665 581          | (10 012)            | -                                 | (980 745)            | -                  | -                      | 9 538 361            |
| Land                                         | 114 738 884          | 843 071            | (1 514 382)         | -                                 | -                    | -                  | -                      | 114 067 573          |
| Roads Infrastructure                         | 310 810 451          | 31 569 918         | (1 540)             | -                                 | (28 494 207)         | (24 730)           | -                      | 313 859 892          |
| Sanitation Infrastructure                    | 342 290 586          | 35 364 781         | (55 973)            | (55 350)                          | (18 143 969)         | -                  | -                      | 359 400 075          |
| Solid Waste Infrastructure                   | 62 498 693           | 7 525 899          | (220 341)           | -                                 | (13 036 240)         | -                  | -                      | 56 768 011           |
| Storm Water Infrastructure                   | 176 456 025          | 7 236 337          | (183 950)           | -                                 | (8 459 106)          | -                  | -                      | 175 049 306          |
| Water Supply Infrastructure                  | 409 593 072          | 21 779 007         | (434 684)           | 44 650                            | (30 747 167)         | (23 620)           | -                      | 400 211 258          |
| <b>Community Assets</b>                      |                      |                    |                     |                                   |                      |                    |                        |                      |
| Community assets                             | 246 326 823          | 20 969 161         | (1 313 976)         | -                                 | (8 722 826)          | (24 556)           | 100 330                | 257 334 956          |
| Libraries                                    | 10 970 149           | 308 997            | -                   | -                                 | (248 481)            | -                  | -                      | 11 030 665           |
| Zoo, Marine and Non-biological Animals       | 88 755               | 300 000            | -                   | (15 948)                          | (2 473)              | -                  | -                      | 370 334              |
| Land                                         | 211 299 645          | 39 478             | (5 775 498)         | -                                 | -                    | -                  | -                      | 205 563 625          |
| <b>Other Assets</b>                          |                      |                    |                     |                                   |                      |                    |                        |                      |
| Operational and Housing Buildings            | 126 040 264          | 18 592 945         | (64 707)            | -                                 | (3 442 647)          | (13 811)           | 34 564                 | 141 146 608          |
| Machinery and Equipment                      | 11 044 494           | 4 412 912          | (166 985)           | -                                 | (2 225 498)          | -                  | -                      | 13 064 923           |
| Furniture and Office equipment               | 9 761 200            | 2 843 932          | (75 228)            | -                                 | (1 479 075)          | -                  | -                      | 11 050 829           |
| Computer equipment                           | 7 496 022            | 7 378 622          | (36 833)            | 10 700                            | (3 097 475)          | -                  | -                      | 11 751 036           |
| Transport Assets                             | 62 213 121           | 20 089 071         | (61 861)            | -                                 | (5 399 151)          | -                  | -                      | 76 841 180           |
| Land                                         | 67 669 457           | (39 478)           | (1 799 798)         | -                                 | -                    | -                  | -                      | 65 830 181           |
|                                              | <b>2 470 771 766</b> | <b>240 417 445</b> | <b>(14 594 187)</b> | <b>(15 948)</b>                   | <b>(138 486 026)</b> | <b>(92 317)</b>    | <b>134 894</b>         | <b>2 558 135 627</b> |

# Mossel Bay Municipality

## Annual Financial Statements for the year ended June 30, 2024

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#### 14. Property, plant and equipment (continued)

##### Reconciliation of Depreciation Charge for Property, Plant and Equipment

The depreciation charge for the year i.r.o. the Water Treatment Plant is reallocated to water inventory consumed.

The depreciation charge for Property, Plant and Equipment was recognised as follows:

|                                               |                    |                    |
|-----------------------------------------------|--------------------|--------------------|
| Included in the depreciation expense          | 146 867 424        | 137 983 111        |
| Included in water inventory consumed          | 937 872            | 502 915            |
| <b>Total depreciation charge for the year</b> | <b>147 805 296</b> | <b>138 486 026</b> |

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

##### Carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected

|                                                                                                                                                                                                                                                                                                                                                                                                                                          |                  |          |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|----------|
| New Great Brak River Reservoir project: Water supply infrastructure                                                                                                                                                                                                                                                                                                                                                                      | 3 325 865        | -        |
| The project for construction of the Great Brak River Reservoir has been delayed. The land on which the project was to be constructed were sold and the new owner has stopped the project because he wants certain conditions to be fulfilled. The issue was referred to the Legal Services department of the Municipality to handle the land expropriation process. The project will continue as soon as the legal process is finalized. |                  |          |
|                                                                                                                                                                                                                                                                                                                                                                                                                                          | <b>3 325 865</b> | <b>-</b> |

##### Reconciliation of Work-in-Progress 2024

|                                               | Opening balance    | Additions / capital expenditure | Finalised during the year | Total              |
|-----------------------------------------------|--------------------|---------------------------------|---------------------------|--------------------|
| <b>Infrastructure</b>                         |                    |                                 |                           |                    |
| Coastal infrastructure                        | -                  | 2 253 560                       | -                         | 2 253 560          |
| Electrical infrastructure                     | 50 687 302         | 76 413 435                      | (59 996 517)              | 67 104 220         |
| Information and communications infrastructure | 428 720            | 939 132                         | (254 634)                 | 1 113 218          |
| Road infrastructure                           | 39 788 936         | 70 424 577                      | (68 544 946)              | 41 668 567         |
| Sanitation infrastructure                     | 23 681 564         | 110 252 331                     | (32 514 926)              | 101 418 969        |
| Solid waste infrastructure                    | 426 448            | (18 084 819)                    | 19 610 172                | 1 951 801          |
| Storm-water infrastructure                    | 5 407 834          | 22 770 408                      | (15 991 374)              | 12 186 868         |
| Water supply infrastructure                   | 15 482 637         | 41 183 695                      | (30 588 093)              | 26 078 239         |
| <b>Community Assets</b>                       |                    |                                 |                           |                    |
| Community Assets                              | 9 533 156          | 20 303 482                      | (27 594 273)              | 2 242 365          |
| Zoo Marine and Non-biological Animals         | 300 000            | 1 273 119                       | (273 913)                 | 1 299 206          |
| <b>Other assets</b>                           |                    |                                 |                           |                    |
| Other Assets Land                             | -                  | 1 338 979                       | (376 059)                 | 962 920            |
| Operational & Housing Buildings               | 5 617 716          | 6 857 289                       | (8 743 392)               | 3 731 613          |
|                                               | <b>151 354 313</b> | <b>335 925 188</b>              | <b>(225 267 955)</b>      | <b>262 011 546</b> |



**Mossel Bay Municipality**  
**Annual Financial Statements for the year ended June 30, 2024**  
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**14. Property, plant and equipment (continued)**

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

|                                               | Opening<br>balance | Additions /<br>capital<br>expenditure | Finalised<br>during the<br>year | Total              |
|-----------------------------------------------|--------------------|---------------------------------------|---------------------------------|--------------------|
| <b>Infrastructure</b>                         |                    |                                       |                                 |                    |
| Coastal infrastructure                        | -                  | 219 030                               | (219 030)                       | -                  |
| Electrical Infrastructure                     | 50 537 333         | 31 317 345                            | (31 167 376)                    | 50 687 302         |
| Information and Communications Infrastructure | -                  | 4 864 398                             | (4 435 678)                     | 428 720            |
| Road Infrastructure                           | 13 767 285         | 33 383 237                            | (7 361 586)                     | 39 788 936         |
| Sanitation Infrastructure                     | 9 755 531          | 38 330 641                            | (24 404 608)                    | 23 681 564         |
| Solid Waste Infrastructure                    | 34 980             | 5 922 429                             | (5 530 961)                     | 426 448            |
| Storm Water Infrastructure                    | 2 376 849          | 6 035 067                             | (3 004 082)                     | 5 407 834          |
| Water Supply Infrastructure                   | 21 107 379         | 35 666 733                            | (41 291 475)                    | 15 482 637         |
| <b>Community Assets</b>                       |                    |                                       |                                 |                    |
| Community Assets                              | 2 624 117          | 11 696 640                            | (4 787 601)                     | 9 533 156          |
| Community Assets Land                         | -                  | 39 478                                | (39 478)                        | -                  |
| Zoo Marine and Non-biological Animals         | -                  | 632 522                               | (332 522)                       | 300 000            |
| <b>Other Assets</b>                           |                    |                                       |                                 |                    |
| Other Assets Land                             | 217 391            | -                                     | (217 391)                       | -                  |
| Operational & Housing Buildings               | 14 321 584         | 28 530 914                            | (37 234 782)                    | 5 617 716          |
|                                               | <b>114 742 449</b> | <b>196 638 434</b>                    | <b>(160 026 570)</b>            | <b>151 354 313</b> |

# Mossel Bay Municipality

## Annual Financial Statements for the year ended June 30, 2024

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#### 14. Property, plant and equipment (continued)

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

|                         |                    |                    |
|-------------------------|--------------------|--------------------|
| Contracted services     | 61 446 320         | 48 047 835         |
| Employee related costs  | 66 555 979         | 54 707 455         |
| Sale of goods/Inventory | 12 725 324         | 13 053 322         |
| General expenses        | 2 217 637          | 888 741            |
|                         | <b>142 945 260</b> | <b>116 697 353</b> |

There are no restrictions on the realisability of Property, Plant and Equipment or the remittance of revenue and proceeds of de-recognition.

No Property, Plant and Equipment are pledged as security for liabilities.

There were no significant delays on projects or any construction halted for the reporting period.

Refer to Note 51 for detail regarding the change in accounting estimates relating to change in useful lives and residual value of PPE assets.

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

Refer to Note 59 for the amount of contractual commitment for the acquisition of PPE. The amount of R246 429 994 for contracted commitments is approved and contracted.

Finance lease liabilities are secured over the items of computer equipment and office equipment leased. The total carrying value of leased assets at 30 June 2024 is R153. All the leased assets were finance leases which have been fully redeemed, but the assets are still used by the Municipality. The monthly payments regarding these leased assets are treated as operating leases.

Included in the carrying value of Water supply infrastructure is an amount of R 77 120 691 for Seawater Desalination Plant which was completed during the 2012/13 year and is the Municipality's portion of the capital expenditure for the construction of a jointly-owned 15 Mega litres per day Seawater Desalination facility. There are no budgeted capital commitments toward the seawater Desalination facility for the following year.

##### Impairment information:

Various assets carry impairments, such as operational buildings, community facilities, sport and recreation facilities, including the donated newly built Mountain View sport field, as well as coastal infrastructure due to due damage at reporting date. Social Housing is carry an impairment due to the houses being built within the flood lines. Site 3345 carry an impairment as a result in the market value decrease as per the valuation roll, with a valuation date of 1 July 2021. The Louis Fourie landfill also carries a impairment due to theft of the fence, whilst the water, roads and electrical and sanitation infrastructure carry impairments due to construction to Louis Fourie as well as the landslip of 2023, mostly caused due to heavy rainfalls with the repair projects not yet finalised.

The impairment on information and communication infrastructure were reversed.

##### **Land appointed in terms of legislation which entity controls without legal ownership or custodianship**

In some instances the municipality is not the legal owner or the custodian of land appointed in terms of legislation, but assessed that it controls such land. Key judgements made and assumptions applied to conclude that it controls such land, are disclosed in Note 1.5.

|                                                                                        |            |             |
|----------------------------------------------------------------------------------------|------------|-------------|
| Carrying value of land included in the carrying value of Property, Plant and Equipment | 70 382 108 | 115 721 312 |
|----------------------------------------------------------------------------------------|------------|-------------|

There are 376 pieces of land where the Municipality is the legal owner according to the deed office records. The Municipality has assessed that it does not have control over the land as its individual housing subsidies has been approved and control has either been handed over to the developer or the beneficiary. This assessment has been made in terms of iGRAP 18 paragraph 16.

# Mossel Bay Municipality

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#### 15. Investment Property

|                     | 2024                |                                                              |                | 2023                |                                                              |                |
|---------------------|---------------------|--------------------------------------------------------------|----------------|---------------------|--------------------------------------------------------------|----------------|
|                     | Cost /<br>Valuation | Accumulated depreciation<br>and<br>accumulated<br>impairment | Carrying value | Cost /<br>Valuation | Accumulated depreciation<br>and<br>accumulated<br>impairment | Carrying value |
| Investment property | 628 380 571         | (255 586 497)                                                | 372 794 074    | 641 269 665         | (259 232 875)                                                | 382 036 790    |

#### Reconciliation of investment property - 2024

|                     | Opening<br>balance | Additions | Disposals   | Depreciation | Total       |
|---------------------|--------------------|-----------|-------------|--------------|-------------|
| Investment property | 382 036 790        | 1 014 175 | (9 094 156) | (1 162 735)  | 372 794 074 |

#### Reconciliation of investment property - 2023

|                     | Opening<br>balance | Additions | Disposals   | Depreciation | Total       |
|---------------------|--------------------|-----------|-------------|--------------|-------------|
| Investment property | 385 226 064        | 1 547 199 | (3 606 816) | (1 129 657)  | 382 036 790 |

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of derecognition.

There were no construction or development of Investment Property that took significantly longer during the current or previous financial years.

There are no Contractual obligations to purchase, construct or develop Investment Property or for repairs, maintenance or enhancements.

# Mossel Bay Municipality

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#### 15. Investment Property (continued)

##### Amounts recognised in surplus or deficit

|                                         |           |           |
|-----------------------------------------|-----------|-----------|
| Rental revenue from Investment Property | 9 636 926 | 5 560 324 |
|-----------------------------------------|-----------|-----------|

##### Expenditure incurred to repair and maintain investment property

|                         |              |            |
|-------------------------|--------------|------------|
| General expenses        | 3 374        | -          |
| Sale of goods/Inventory | 683          | 205        |
|                         | <b>4 057</b> | <b>205</b> |

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

##### Impairment information:

Various Land and Buildings classified as Investment Property carries an impairment as a result of a market value decrease as per the valuation roll, with a valuation date of 1 July 2021. No other impairments for Investment Property was recorded.

##### Land appointed in terms of legislation which entity controls without legal ownership or custodianship

In some instances the municipality is not the legal owner or the custodian of land appointed in terms of legislation, but assessed that it controls such land. Key judgements made and assumptions applied to conclude that it controls such land, are disclosed in Note 1.5.

|                                                                              |            |             |
|------------------------------------------------------------------------------|------------|-------------|
| Carrying value of land included in the carrying value of Investment Property | 56 637 592 | 100 783 659 |
|------------------------------------------------------------------------------|------------|-------------|

##### Reconciliation of Work-in-Progress 2024

|           | Opening balance | Additions / capital expenditure | Finalised during the year | Total     |
|-----------|-----------------|---------------------------------|---------------------------|-----------|
| Buildings | 1 587 363       | 2 436 274                       | (1 444 208)               | 2 579 429 |

##### Reconciliation of Work-in-Progress 2023

|           | Opening balance | Additions / capital expenditure | Finalised during the year | Total     |
|-----------|-----------------|---------------------------------|---------------------------|-----------|
| Buildings | 901 850         | 3 633 408                       | (2 947 895)               | 1 587 363 |

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**16. Intangible assets**

|                   | 2024                |                                                              |                | 2023                |                                                              |                |
|-------------------|---------------------|--------------------------------------------------------------|----------------|---------------------|--------------------------------------------------------------|----------------|
|                   | Cost /<br>Valuation | Accumulated amortisation<br>and<br>accumulated<br>impairment | Carrying value | Cost /<br>Valuation | Accumulated amortisation<br>and<br>accumulated<br>impairment | Carrying value |
| Computer software | 2 964 105           | (1 871 140)                                                  | 1 092 965      | 2 554 802           | (1 713 254)                                                  | 841 548        |

**Reconciliation of intangible assets - 2024**

|                   | Opening<br>balance | Additions | Disposals | Amortisation | Total     |
|-------------------|--------------------|-----------|-----------|--------------|-----------|
| Computer software | 841 548            | 413 994   | (551)     | (162 026)    | 1 092 965 |

**Reconciliation of intangible assets - 2023**

|                   | Opening<br>balance | Additions | Disposals | Amortisation | Total   |
|-------------------|--------------------|-----------|-----------|--------------|---------|
| Computer software | 1 095 123          | (140 334) | (252)     | (112 989)    | 841 548 |

**Reconciliation of Amortisation Charge for Intangible Assets**

The amortisation charge for the year i.r.o. the Water Treatment Plant is reallocated to water inventory consumed.

The amortisation charge for Intangible assets was recognised as follows:

|                                        |         |         |
|----------------------------------------|---------|---------|
| Included in the amortisation expense   | 82 473  | 84 432  |
| Included in water inventory consumed   | 79 553  | 28 557  |
| Total amortisation charge for the year | 162 026 | 112 989 |

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

|                   | Opening<br>balance | Additions /<br>capital<br>expenditure | Finalised<br>during the<br>year | Total   |
|-------------------|--------------------|---------------------------------------|---------------------------------|---------|
| Computer Software | 171 057            | 623 396                               | (209 403)                       | 585 050 |

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

|                   | Opening<br>balance | Additions /<br>capital<br>expenditure | Finalised<br>during the year | Total   |
|-------------------|--------------------|---------------------------------------|------------------------------|---------|
| Computer Software | 311 390            | 793 155                               | (933 488)                    | 171 057 |

**Other information**

The amortisation expense is included in the line item "Depreciation and amortisation " (Note 40) in the Statement of Financial Performance.

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#### 16. Intangible assets (continued)

The Municipality does not have any internally generated intangible assets.

No restrictions are placed on intangible assets.

No intangible assets were pledged as security for liabilities.

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

#### **Expenditure incurred to repair and maintain intangible assets**

No repairs and maintenance were incurred during the current or previous year.

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#### 17. Heritage assets

|                      | 2024                |                                     |                  | 2023                |                                     |                  |
|----------------------|---------------------|-------------------------------------|------------------|---------------------|-------------------------------------|------------------|
|                      | Cost /<br>Valuation | Accumulated<br>impairment<br>losses | Carrying value   | Cost /<br>Valuation | Accumulated<br>impairment<br>losses | Carrying value   |
| Historical monuments | 95 003              | -                                   | 95 003           | 95 003              | -                                   | 95 003           |
| Conservation areas   | 730 200             | (2 000)                             | 728 200          | 730 200             | (2 000)                             | 728 200          |
| Historical buildings | 3 397 827           | -                                   | 3 397 827        | 3 397 827           | -                                   | 3 397 827        |
| Other                | 2 569               | -                                   | 2 569            | 2 569               | -                                   | 2 569            |
| <b>Total</b>         | <b>4 225 599</b>    | <b>(2 000)</b>                      | <b>4 223 599</b> | <b>4 225 599</b>    | <b>(2 000)</b>                      | <b>4 223 599</b> |

#### Reconciliation of heritage assets 2024

|                      | Opening<br>balance | Additions | Total            |
|----------------------|--------------------|-----------|------------------|
| Historical monuments | 95 003             | -         | 95 003           |
| Conservation areas   | 728 200            | -         | 728 200          |
| Historical buildings | 3 397 827          | -         | 3 397 827        |
| Other                | 2 569              | -         | 2 569            |
|                      | <b>4 223 599</b>   | <b>-</b>  | <b>4 223 599</b> |

#### Reconciliation of heritage assets 2023

|                      | Opening<br>balance | Additions | Total            |
|----------------------|--------------------|-----------|------------------|
| Historical monuments | 95 003             | -         | 95 003           |
| Conservation areas   | 728 200            | -         | 728 200          |
| Historical buildings | 3 397 827          | -         | 3 397 827        |
| Other                | 2 569              | -         | 2 569            |
|                      | <b>4 223 599</b>   | <b>-</b>  | <b>4 223 599</b> |

There is no restrictions on title and disposal of heritage assets and no heritage assets are pledged as securities.

The Heritage assets reporting group has no under construction assets for the past two years.

Heritage Assets are not depreciated owing to uncertainty regarding to their estimated useful lives. The municipality assess at each reporting date if there is an indication of impairment.

#### Impairment information:

Sites 3478 and 3481 carries an impairment as a result of a market value decrease as per the valuation roll, with a valuation date of 1 July 2021.

# Mossel Bay Municipality

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#### 17. Heritage assets (continued)

**Heritage assets which fair values cannot be reliably measured due to impracticability as there is no active market for these assets:**

##### **Site 3791, Mossel Bay - Cave at the Point**

The Cape St. Blaize Cave at the point in Mosselbay, situated on site 3791, is classified as a heritage asset controlled by the Municipality. The Cape St. Blaize Cave yield artifacts dating back 80 000 years. The artifacts itself are housed at the Culture Museum which is not controlled or owned by the Municipality.

##### **Sites 2573 and 2938 Mossel Bay - Harry Giddey Park & Historical fresh water fountain**

The Harry Giddey Park situated on sites 2938 and 2573 is classified as a heritage asset of the Municipality. The park was erected in 1887 and originally named after Queen Victoria of England to commemorate her 50th year as Queen. The park was renamed later in 1939 as the Harry Giddey Park in honour of Mr Harry Giddey, a wealthy person of Mossel Bay, for all the efforts to upgrade the park.

##### **Site 3794, 3626 and 3419 Mossel Bay - War Memorial**

The War Memorial at the Point of Mossel Bay situated on sites 3794, 3626 and 3419, is classified as a heritage asset controlled and owned by the Municipality. The War memorial was designed by WJ Delbridge, it was built in 1924 to commemorate the townsfolk who lost their lives in the World War I, a panel was added with the names of those killed in World War II.

##### **Site 129/134 Great Brak River - Old Hydro Power station in Great Brak**

The hydro-electric power station on site 129/134 is classified as a heritage asset of the Municipality. The hydro-electric power station was built by the Searle Brothers in 1924, and generated 350kVA of power for their tannery and the village. It uses a bucket Pelton wheel operating under a 160m head, fed by a 25km long water channel.



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#### 17. Heritage assets (continued)

##### Heritage assets used for more than one purpose

The following heritage assets are used for more than one purpose:

| Asset no                                       | Asset Description                                                     | Bookvalue         | Alternative use description                                                                                                                                                                                                                                                                                                     |
|------------------------------------------------|-----------------------------------------------------------------------|-------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 45382                                          | Cave at the Point                                                     | 100               | The Cape St.Blaize Cave itself can be classified as a heritage asset. Site 3419 is however classified as PPE due to the fact that a significant portion of the site is used as a parking area.                                                                                                                                  |
| 48383                                          | War Memorial                                                          | 4 344 828         | The War Memorial itself can be classified as a heritage asset. Site 3749 is however classified as PPE due to the fact that a significant portion of the site is used as road and pavement reserves.                                                                                                                             |
| 510784, 508072, 508074, 508075, 508076, 508077 | Brick Building (Old Municipal offices), 6 & 7 Market street           | 13 971 348        | Site 3070 host the 1st Municipal office, but is not registered in the name of the Municipality. Site 3069 is classified as Investment Property due to the fact that a significant portion of the site is leased out and the rest is used as parking area. Both the 1st & 2nd Municipal offices are declared national monuments. |
| 44866                                          | Harry Giddey Park & Historical freshwater fountain                    | 395 000           | Harry Giddey park itself can be classified as a heritage asset. Site 2938 is however classified as PPE due to the fact that a significant portion of the site is used as sport and recreational facilities.                                                                                                                     |
| 495106                                         | Great Brak river Museum                                               | 525 000           | The building used as the Museum is classified as a heritage asset. Site 129/144 is however classified as PPE due to the fact that a significant portion of the site is used as a creche and parking area for both the Museum and the creche.                                                                                    |
| 47290, 507671                                  | Info Centrum (Old Power station building), Munro avenue, Santos beach | 8 212 451         | Site 2165 and the building is classified as PPE due to the fact that a significant portion of this property is used for administrative purposes (used as a parking area, administrative offices and as an Info centrum).                                                                                                        |
| 495105                                         | Old Hydro-electric power station and pumpstation                      | 150 000           | The Old Hydro-electric power station itself can be classified as a Heritage asset. Site 129 portion 134 is however classified as PPE due to the fact that a significant portion of the site is used as a pumpstation and electrical infrastructure.                                                                             |
|                                                |                                                                       | <b>27 598 727</b> |                                                                                                                                                                                                                                                                                                                                 |

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|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------|---------|
| <b>17. Heritage assets (continued)</b>                                                                                                                                                                                                                                        |         |         |
| <b>Expenditure incurred to repair and maintain heritage assets</b>                                                                                                                                                                                                            |         |         |
| No repairs and maintenance were incurred during the current or previous year.                                                                                                                                                                                                 |         |         |
| <b>Land appointed in terms of legislation which entity controls without legal ownership or custodianship</b>                                                                                                                                                                  |         |         |
| In some instances the municipality is not the legal owner or the custodian of land appointed in terms of legislation, but assessed that it controls such land. Key judgements made and assumptions applied to conclude that it controls such land, are disclosed in Note 1.5. |         |         |
| Carrying value of land included in the carrying value of Heritage assets                                                                                                                                                                                                      | 650 000 | 650 000 |

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#### 18. Operating leases

##### The Municipality as lessor

Operating leases relate to Property owned by the Municipality with lease terms of between one to one hundred years. The lessee does not have an option to purchase the property at the expiry of the lease period.

##### **Non-cancelable Operating Lease assets recognised in the Statement of Financial Performance**

|                                  |                    |                    |
|----------------------------------|--------------------|--------------------|
| Balance at the beginning of year | 103 767 024        | 99 941 298         |
| Movement for the year            | 3 807 603          | 3 825 726          |
|                                  | <b>107 574 627</b> | <b>103 767 024</b> |

##### **The following receipts have been recognised as an income in the Statement of Financial Performance**

|               |            |            |
|---------------|------------|------------|
| Rental income | 11 825 409 | 12 038 556 |
|---------------|------------|------------|

##### **At the reporting date the Municipality had lease receipts receivable under non-cancelable operating leases for Investment Property, which fall due as follows:**

|                   |                    |                    |
|-------------------|--------------------|--------------------|
| Up to 1 year      | 5 746 231          | 8 224 440          |
| 1 to 5 years      | 15 016 008         | 14 514 523         |
| More than 5 years | 413 396 278        | 416 477 168        |
|                   | <b>434 158 517</b> | <b>439 216 131</b> |

Operating leases are recognised on the straight-line basis as per the requirement of GRAP 13. Rental revenue from Operating Leases is recognised on a Straight-line Basis over the term of the relevant lease.

Lease receipts receivable for the 22/23 financial year has been restated due to contracts included in current year register, which had an effect in previous year. The amount has been restated / increased with total future lease receipts of R79 506.

##### The Municipality as lessee

Operating leases relate to buildings with lease terms of between one to ten years, with an option to extend for a further period. The Municipality does not have an option to purchase the leased asset at the expiry of the lease period. No restrictions are imposed by these lease arrangements.

##### **Non-cancelable Operating Lease liabilities recognised in the Statement of Financial Performance**

|                                      |                |                |
|--------------------------------------|----------------|----------------|
| Balance at the beginning of the year | 661 023        | 802 824        |
| Movement for the year                | (261 443)      | (141 801)      |
|                                      | <b>399 580</b> | <b>661 023</b> |

##### **The following payments have been recognised as an expenditure in the Statement of Financial Performance**

|                                          |           |           |
|------------------------------------------|-----------|-----------|
| Lease rentals on operating lease - Other | 3 850 710 | 3 642 225 |
|------------------------------------------|-----------|-----------|

##### **At the reporting date the Municipality had outstanding commitments under non-cancelable operating leases for buildings, which fall due as follows:**

|              |                  |                  |
|--------------|------------------|------------------|
| Up to 1 year | 1 512 197        | 1 687 965        |
| 1 to 5 years | 315 045          | 1 827 242        |
|              | <b>1 827 242</b> | <b>3 515 207</b> |

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#### 18. Operating leases (continued)

Operating leases are recognised on the straight-line basis as per the requirement of GRAP 13. Lease expenditure from Operating Leases is recognised on a Straight-line Basis over the term of the relevant lease.

#### 19. Investments

|                       |             |             |
|-----------------------|-------------|-------------|
| Long-term Investments | 197 174 000 | 167 174 000 |
|-----------------------|-------------|-------------|

No investments were written off during the year.

The rate of return on the two Long-term Investments were 6.7% and 7% for the year ended 30 June 2024.

Investments are made in accordance with the Municipality's Cash Management and Investment policy as follows:

- That the broad investment policy framework be applicable
- Investments not be placed with foreign banks
- Council's total investment portfolio be invested with banks according to the investment policy
- Not more than 50% of the total Short and Long term investments placed with one institution, measured at inception without accrued interest.

No investments were pledged as security.

#### 20. Other financial liabilities

##### At amortised cost

|                 |             |             |
|-----------------|-------------|-------------|
| Long term loans | 245 944 919 | 173 506 365 |
|-----------------|-------------|-------------|

##### Long term loans:

Long term loans are repaid over periods varying from 5 to 15 years (2023: 5 to 15 years) and at interest rates varying from 9.923% to 11.54% (2023: 5.54% to 10.55%)

The main reason for movement between years is that new loans have been taken up in die current financial year to fund Alternative energy solutions and to increase capacity at Waste Water plants.

The loans are redeemed bi-annually.

Refer to Appendix A for more detail on other financial liabilities.

Split between Non-current and Current liabilities:

##### Non-current liabilities

|                   |             |             |
|-------------------|-------------|-------------|
| At amortised cost | 217 012 926 | 153 605 926 |
|-------------------|-------------|-------------|

##### Current liabilities

|                   |            |            |
|-------------------|------------|------------|
| At amortised cost | 28 931 993 | 19 900 439 |
|-------------------|------------|------------|

|                                          |                    |                    |
|------------------------------------------|--------------------|--------------------|
| <b>Total Other financial liabilities</b> | <b>245 944 919</b> | <b>173 506 365</b> |
|------------------------------------------|--------------------|--------------------|

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#### 21. Employee benefit obligations

The amounts recognised in the statement of financial position are as follows:

##### Non-current net liabilities

|                                                |                    |                    |
|------------------------------------------------|--------------------|--------------------|
| Post-Retirement Medical Aid benefits liability | 130 447 743        | 130 181 432        |
| Post-Retirement Ex-gratia Gratuities           | 425 631            | 832 495            |
| Post-Retirement Long-service awards            | 18 329 477         | 16 858 131         |
|                                                | <b>149 202 851</b> | <b>147 872 058</b> |

##### Current liabilities

|                                                |                   |                   |
|------------------------------------------------|-------------------|-------------------|
| Post-Retirement Medical Aid benefits liability | 8 029 333         | 7 173 599         |
| Post-Retirement Ex-gratia Gratuities           | 68 267            | 174 698           |
| Post-Retirement Long-service awards            | 2 433 521         | 2 319 907         |
| Performance bonus accrual                      | 1 037 947         | 915 477           |
| Staff leave accrual                            | 24 188 369        | 23 818 173        |
| Employee bonus accrual                         | 10 188 145        | 8 354 514         |
| Employee overtime / Standby allowance accrual  | 2 280 718         | 2 339 131         |
|                                                | <b>48 226 300</b> | <b>45 095 499</b> |

##### Total liabilities

|                                                |                    |                    |
|------------------------------------------------|--------------------|--------------------|
| Post-Retirement Medical Aid benefits liability | 138 477 076        | 137 355 031        |
| Post-Retirement Ex-gratia Gratuities           | 493 898            | 1 007 193          |
| Post-Retirement Long-service awards            | 20 762 998         | 19 178 038         |
| Performance bonus accrual                      | 1 037 947          | 915 477            |
| Staff leave accrual                            | 24 188 369         | 23 818 173         |
| Employee bonus accrual                         | 10 188 145         | 8 354 514          |
| Employee overtime / Standby allowance accrual  | 2 280 718          | 2 339 131          |
|                                                | <b>197 429 151</b> | <b>192 967 557</b> |

#### 21.1 POST EMPLOYMENT HEALTH CARE BENEFITS

Medical Scheme arrangements:

The employer offers in-service members and continuation members the opportunity of belonging to one of several medical schemes, most of which offer a range of options pertaining to levels of cover.

Upon retirement, an employee may continue membership of the medical scheme. Upon a member's death-in-service or death-in-retirement, the surviving dependants may continue membership of the medical scheme.

##### Post-employment Subsidy policy:

All new continuation pensioners (that are currently still in service) and their dependants will receive a 60% subsidy subject to the maximum (CAP) amount of R5 535.97 (per month per member) for the financial period from 1 July 2022 subject to the following minimum services conditions:

- If appointed after 01/07/2013, but before or on 01/09/2014, the in-service member must have at least 10 years' uninterrupted service.
- If appointed after 01/09/2014, but before or on 01/03/2017, the in-service member must have at least 15 years' uninterrupted service. In this scenario, if the in-service member was appointed after 01/05/2015 and meets the stipulated minimum service, then receipt of the post-employment medical aid subsidy may commence from age 65 only.
- In-service members appointed after 01/03/2017 do not qualify for a post-employment medical aid subsidy.

All existing continuation members and their eligible dependants receive a subsidy of 70% subject to the maximum (CAP) amount of R 5 535.97 (per month per member) for the financial period from 1 July 2024. However, there are two members who receive a subsidy of 100%.

It is assumed that the subsidy would increase by 75% of the long-term CPI.

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#### 21. Employee benefit obligations (continued)

Upon a member's death-in-service, surviving dependants are allowed to commence receipt of the same post-employment subsidy. The minimum service and membership conditions mentioned above do not apply to death-in-service benefits. Upon a member's death-in-retirement, surviving dependants are allowed to continue to receive the same subsidy.

##### Valuation method:

In accordance with the requirements of GRAP 25, the Projected Unit Credit method has been applied. The valuation has been made with reference to the Actuarial Society of South Africa (ASSA) guidelines and in particular the Advisory Practice Note 207, which meets the requirements of GRAP 25.4.

The Post Employment Health Care Benefit Plan is a defined benefit plan, of which the members are made up as follows:

|                                          |            |            |
|------------------------------------------|------------|------------|
| In-service (employee) members            | 329        | 360        |
| Continuation (retiree and widow) members | 150        | 144        |
|                                          | <b>479</b> | <b>504</b> |

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

|                                          |                    |                    |
|------------------------------------------|--------------------|--------------------|
| In-service (employee) members            | 49 435 476         | 50 567 499         |
| Continuation (retiree and widow) members | 89 041 599         | 86 787 531         |
|                                          | <b>138 477 075</b> | <b>137 355 030</b> |

##### **Summary of the in-service membership**

|                                       |       |       |
|---------------------------------------|-------|-------|
| Number of principal members           | 329   | 360   |
| Average age (years)                   | 46    | 46    |
| Average past service (years)          | 16    | 15    |
| Average employer monthly contribution | 3 723 | 3 225 |
| Average number of dependants          | 1     | 1     |

##### **Summary of the continuation membership**

|                                       |       |       |
|---------------------------------------|-------|-------|
| Number of principal members           | 150   | 144   |
| Average age (years)                   | 68    | 68    |
| Average employer monthly contribution | 4 970 | 4 507 |
| Portion with a spouse dependant       | 45 %  | 44 %  |

The municipality contributes monthly for health care arrangements, to the following medical aid schemes:

- Bonitas
- LA Health
- Hosmed
- Key Health
- Samwumed

##### Results of valuations:

##### **Accrued Liability**

|                      |                    |                    |
|----------------------|--------------------|--------------------|
| In-service members   | 49 435 476         | 50 567 499         |
| Continuation members | 89 041 599         | 86 787 531         |
|                      | <b>138 477 075</b> | <b>137 355 030</b> |

# Mossel Bay Municipality

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#### 21. Employee benefit obligations (continued)

##### All members

|                            |             |             |
|----------------------------|-------------|-------------|
| Total value of liabilities | 138 477 076 | 137 355 031 |
| Value of assets            | -           | -           |

|                                      |                    |                    |
|--------------------------------------|--------------------|--------------------|
| <b>Net defined benefit liability</b> | <b>138 477 076</b> | <b>137 355 031</b> |
|--------------------------------------|--------------------|--------------------|

##### Service cost and net interest on net defined liability

|                                                             |                   |                   |
|-------------------------------------------------------------|-------------------|-------------------|
| Service cost (Active employees)                             | 4 088 924         | 3 197 009         |
| Net Interest on net defined benefit liability (All members) | 17 858 520        | 15 495 788        |
|                                                             | <b>21 947 444</b> | <b>18 692 797</b> |

##### Actuarial gains and losses

|                                        |              |             |
|----------------------------------------|--------------|-------------|
| Actuarial (Gain) / Loss for the period | (12 878 668) | (1 382 730) |
|----------------------------------------|--------------|-------------|

The total net liability has increased by 0.82% (R 1.122 million) since the last valuation.

##### The main reasons for the movement in the liability:

- service cost increased the liability by R 4 088 924;
- interest cost over the valuation period results in an increase in the liability by R 17 858 520;
- benefit payments towards continuation pensioners currently being subsidised for medical contributions for the 2023/24 year amount to R 7 946 731;
- the net discount rate changed from 4.09% to 4.11% during the valuation period. This decreased the accrued liability;
- the movements in the number of participants resulted in a decrease in the accrued liability;
- 136 members included in last year's valuation were excluded in this year's valuation. The data received indicated that they were not entitled to benefits. This reduced the accrued liability by R 2 935 669;
- increases in the medical contributions increased the accrued liability by R 2 287 945; and
- the miscellaneous items in the data resulted in an increase in the liability by R 1 654 555. Factors that make up the miscellaneous items are changes to data from the prior year and variations from demographic assumptions (i.e. rates of withdrawal).

##### Past and future changes in the accrued liability

|                                                      | Year ending<br>30/06/2022 | Year ending<br>30/06/2023 | Year ending<br>30/06/2024 | Year ending<br>30/06/2025 | Year ending<br>30/06/2026 |
|------------------------------------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| Opening accrued liability                            | 134 432 000               | 127 405 516               | 137 355 032               | 138 477 076               | 149 643 806               |
| Service cost                                         | 3 024 000                 | 3 197 009                 | 4 088 924                 | 3 109 825                 | 3 596 315                 |
| Interest Expense                                     | 13 030 000                | 15 495 788                | 17 858 520                | 16 086 238                | 16 707 282                |
| Payments to the plan                                 | (7 221 612)               | (7 360 552)               | (7 946 731)               | (8 029 333)               | (7 083 830)               |
|                                                      | 143 264 388               | 138 737 761               | 151 355 745               | 149 643 806               | 162 863 573               |
| Actuarial (gain) / loss from demographic assumptions | (15 858 872)              | 15 168 225                | (14 615 301)              | -                         | -                         |
| Actuarial (gain) / loss from financial assumptions   | -                         | (16 550 954)              | 1 736 632                 | -                         | -                         |
|                                                      | <b>127 405 516</b>        | <b>137 355 032</b>        | <b>138 477 076</b>        | <b>149 643 806</b>        | <b>162 863 573</b>        |

##### \*Notes to the above table:

- The projections assume that the employer's health care arrangements and subsidy policy will remain as outlined, and that the actuarial assumptions made are borne out in practice. In addition, it is assumed that no contributions are made by the employer towards prefunding its liability via an off-balance sheet vehicle.
- Contributions or benefits paid refer to medical scheme contributions made by the employer with respect to its subsidy of current continuation members.
- There are no Past Service Costs, Curtailments or Settlements to reflect.

# Mossel Bay Municipality

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#### 21. Employee benefit obligations (continued)

##### Key actuarial assumptions used:

In estimating the unfunded liability for post-employment health care benefits a number of assumptions are required. GRAP 25 requires the actuarial assumptions to be unbiased and mutually compatible.

##### Financial assumptions:

It is difficult to predict future investment returns and health care cost increase rates. The relationship between them is more stable and therefore easier to predict. GRAP 25 requires that financial assumptions be based on market expectations at the valuation date for the period over which the liability obligations are to be settled.

The key assumptions used in the valuation, with the prior years' assumptions shown for comparison, are summarised below:

| Assumption                                      | 2024    | 2023    |
|-------------------------------------------------|---------|---------|
| Discount rate (D)                               | 11.96 % | 12.88 % |
| Consumer price inflation                        | 6.04 %  | 6.94 %  |
| Net-of-health-care-cost-inflation discount rate | 7.54 %  | 8.44 %  |
| Maximum subsidy inflation rate                  | 4.53 %  | 5.21 %  |
| Net-of-maximum-subsidy-inflation discount rate  | 4.11 %  | 4.09 %  |

##### Methodology of setting the financial assumptions:

The methodology of setting the financial assumptions has been updated to be more duration specific. At the previous valuation date, 30 June 2023 the duration of liabilities was 9.18 years. At this duration, the discount rate determined by using the Bond Exchange Zero Coupon Yield Curve as at 30 June 2024 is 11.96% per annum, and the yield on the inflation-linked bonds of a similar term was about 5.11% per annum, implying an underlying expectation of inflation of 6.04% per annum  $([1 + 11.96\% - 0.05\%] / [1 + 5.11\%] - 1)$ .

A healthcare cost inflation rate of 7.54% was assumed. This is 1.50% in excess of the expected inflation over the expected term of the liability, consistent with the previous actuary.

However, it is the relative levels of the discount rate and healthcare inflation to one another that are important, rather than the nominal values. We have thus assumed a net discount factor of 4.11% per annum  $([1 + 11.96\%] / [1 + 7.54\%] - 1)$ . This year's valuation basis is therefore stronger than previous year's basis from a discount rate perspective.

##### Demographic and Decrement Assumptions:

| Assumption                                       | 2024                                                    | 2023                                                    |
|--------------------------------------------------|---------------------------------------------------------|---------------------------------------------------------|
| Normal retirement age                            | 65                                                      | 65                                                      |
| Average retirement age                           | 63                                                      | 63                                                      |
| Mortality during employment                      | SA 85-90                                                | SA 85-90                                                |
| Mortality post-employment                        | PA(90)-1 with a 1% mortality improvement p.a. from 2010 | PA(90)-1 with a 1% mortality improvement p.a. from 2010 |
| Proportion with a spouse dependant at retirement | 80%                                                     | 80%                                                     |
| Continuation of membership at retirement         | 90%                                                     | 90%                                                     |
| Age difference between spouses - active          | 5 years                                                 |                                                         |
| Age difference between spouses - active          | actual ages                                             |                                                         |

The normal retirement age of employees is 65 years. It has been assumed that in-service members will retire at age 63 on average, which then implicitly allows for expected rates of ill-health and early retirement. In-service members who have passed the assumed retirement age have been assumed to retire at their next birthday.

It has been assumed that 90% of in-service members will remain on the employer's health care arrangement should they stay until retirement.



# Mossel Bay Municipality

## Annual Financial Statements for the year ended June 30, 2024

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#### 21. Employee benefit obligations (continued)

It has been assumed that female spouses will be five years younger than their male counterparts. Furthermore, it has been assumed that 80% of eligible in-service members on a health care arrangement at retirement will have a spouse dependant on their medical aid. For current retiree members, actual medical aid dependants were used and the potential for remarriage was ignored.

It is recognised that a contingent liability may exist in respect of employees who have not joined a medical aid scheme, but would be entitled to this benefit should they join a medical aid in the future and satisfy the eligibility requirements. It was assumed that these employees will not join a medical aid scheme.

#### Withdrawal rates over the current valuation period:

| Age band | Withdrawal rate - males | Withdrawal rate - females |
|----------|-------------------------|---------------------------|
| 20 - 24  | 9 %                     | 9 %                       |
| 25 - 29  | 8 %                     | 8 %                       |
| 30 - 34  | 6 %                     | 6 %                       |
| 35 - 39  | 5 %                     | 5 %                       |
| 40 - 44  | 5 %                     | 5 %                       |
| 45 - 49  | 4 %                     | 4 %                       |
| 50 - 54  | 3 %                     | 3 %                       |
| 55+      | 0 %                     | 0 %                       |

#### Amounts recognised in the Statement of Financial Position are as follows:

|                                       | 2024               | 2023               |
|---------------------------------------|--------------------|--------------------|
| Present value of fund obligations     | 138 477 076        | 137 355 031        |
| Fair value of plan assets             | -                  | -                  |
| Unfunded accrued liability            | 138 477 076        | 137 355 031        |
| Unrecognised past service cost        | -                  | -                  |
| Unrecognised actuarial gains (losses) | -                  | -                  |
| Miscellaneous item                    | -                  | -                  |
| <b>Net defined benefit liability</b>  | <b>138 477 076</b> | <b>137 355 031</b> |

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

|                                                                   |                  |                   |
|-------------------------------------------------------------------|------------------|-------------------|
| Service cost                                                      | 4 088 924        | 3 197 009         |
| Net interest on net defined benefit liability                     | 17 858 520       | 15 495 788        |
| Actuarial (gains) / loss                                          | (12 878 668)     | (1 382 730)       |
| <b>Total included in employee related cost - Refer to note 38</b> | <b>9 068 776</b> | <b>17 310 067</b> |

The service cost for the ensuing year is expected to be R 3 109 825. The interest cost for the ensuing year is expected to be R 16 086 238.

#### History of Liabilities, Assets and Experience Adjustments

#### Present value of accrued liability and Fair value of plan assets

|                                                | Year ended<br>30/06/2020 | Year ended<br>30/06/2021 | Year ended<br>30/06/2022 | Year ended<br>30/06/2023 | Year ended<br>30/06/2024 |
|------------------------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| Present value of net defined benefit liability | 117 276 000              | 134 432 000              | 127 406 000              | 137 355 000              | 138 477 075              |
| Fair value of plan assets                      | -                        | -                        | -                        | -                        | -                        |
| <b>Surplus / (deficit)</b>                     | <b>(117 276 000)</b>     | <b>(134 432 000)</b>     | <b>(127 406 000)</b>     | <b>(137 355 000)</b>     | <b>(138 477 075)</b>     |

# Mossel Bay Municipality

## Annual Financial Statements for the year ended June 30, 2024

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#### 21. Employee benefit obligations (continued)

##### Experience adjustments:

Experience adjustments are the effects of differences between the previous actuarial assumptions and what has actually occurred. The experience adjustments for the current period is as follows:

|                                | Year ended<br>30/06/2020 | Year ended<br>30/06/2021 | Year ended<br>30/06/2022 | Year ended<br>30/06/2023 | Year ended<br>30/06/2024 |
|--------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| Plan liabilities (gain) / loss | 2 045 000                | 1 197 000                | (13 351 424)             | (1 382 730)              | (12 878 669)             |

##### Sensitivity analysis:

The accrued liability is a function of the valuation assumptions, and which may or may not be borne out in practice. Variations from these assumptions will emerge in future years as experience gains or losses recognised immediately in the income statement by Mossel Bay Municipality.

The valuation results are sensitive to changes in the underlying assumptions. The effects of varying these assumptions are illustrated below.

|                                                                            | Decrease    | 30 June 2024<br>Valuation<br>basis | Increase    |
|----------------------------------------------------------------------------|-------------|------------------------------------|-------------|
| <b>Health care inflation rate:</b>                                         |             |                                    |             |
| Effect of a 1% change in the health care inflation rate on total liability | 123 673 123 | 138 477 075                        | 156 140 013 |
| Effect of a 1% change in the health care inflation rate on service cost    | 2 614 335   | 4 088 924                          | 3 730 785   |
| Effect of a 1% change in the health care inflation rate on interest cost   | 14 317 425  | 17 858 520                         | 18 197 093  |
| <b>Discount rate:</b>                                                      |             |                                    |             |
| Effect of a 1% change in the discount rate on total liability              | 155 339 216 | 138 477 075                        | 124 529 697 |
| Effect of a 1% change in the discount rate on service cost                 | 3 692 810   | 4 088 924                          | 2 647 452   |
| Effect of a 1% change in the discount rate on interest cost                | 16 590 273  | 17 858 520                         | 15 622 812  |

As per the table above, a 1% increase in the healthcare inflation rate results in a 12.76% increase in the accrued liability whilst a 1% decrease in the healthcare inflation rate will result in a 10.69% decrease in the accrued liability.

As per the table above, a 1% increase in the long-term discount rate results in a 10.1% decrease in the accrued liability whilst a 1% decrease in the long-term discount rate will result in a 12.2% increase in the accrued liability.

##### Mortality

The table that follow shows the impact of a change in the mortality assumption from the base assumption of PA(90)-1. It shows the effect of a decrease in the post-employment mortality, average retirement age and continuation of membership at retirement, respectively.

|                                                                                   | Decrease    | 30 June 2024<br>Valuation<br>basis | Increase    |
|-----------------------------------------------------------------------------------|-------------|------------------------------------|-------------|
| <b>Post-employment mortality</b>                                                  |             |                                    |             |
| Effect of a 1-year change in the post-employment mortality on the total liability | 134 639 635 | 138 477 075                        | 142 290 235 |
| Effect of a 1-year decrease in the post-employment mortality on service cost      | 3 034 842   | 4 088 924                          | 3 183 858   |
| Effect of a 1-year decrease in the post-employment mortality on interest cost     | 15 627 755  | 17 858 520                         | 16 541 882  |
| <b>Average retirement age:</b>                                                    |             |                                    |             |
| Effect of a 1-year decrease in the average retirement age on the total liability  | 143 510 577 | 138 477 075                        | -           |

# Mossel Bay Municipality

## Annual Financial Statements for the year ended June 30, 2024

### Notes to the Annual Financial Statements

| Figures in Rand                                                                                 | 2024        | 2023        |
|-------------------------------------------------------------------------------------------------|-------------|-------------|
| <b>21. Employee benefit obligations (continued)</b>                                             |             |             |
| Effect of a 1-year decrease in the average retirement age on service cost                       | 3 337 285   | 4 088 924   |
| Effect of a 1-year decrease in the average retirement age on interest cost                      | 16 688 415  | 17 858 520  |
| <b>Continuation of membership:</b>                                                              |             |             |
| Effect of a 10% decrease in the continuation of membership at retirement on the total liability | 132 984 245 | 138 477 075 |
| Effect of a 10% decrease in the continuation of membership at retirement on service cost        | 3 516 659   | 4 088 924   |
| Effect of a 10% decrease in the continuation of membership at retirement on interest cost       | 15 429 111  | 17 858 520  |

\*The post-employment mortality adjustment assumed that to each beneficiary we assigned a mortality rate of an individual two years younger than that beneficiary, i.e lighter mortality implying that the individual lives longer than expected in the valuation basis

Therefore, the above change in the mortality assumptions would result in a 2.75% increase and a 2.77% decrease in the accrued liability for PA((90)-2 and PA(90) respectively

The above change in the average retirement age would result in a 3.63% increase in accrued liability.

The above change in the membership continuation percentage would result in a 3.97% decrease in the accrued liability.

| <b>Maturity analysis</b> | <b>Accrued liability</b> | <b>Expected benefits</b> |
|--------------------------|--------------------------|--------------------------|
| 2024                     | 138 477 075              | 8 029 333                |
| 2025                     | 149 643 805              | 7 083 830                |
| 2026                     | 162 863 572              | 8 265 081                |
| 2027                     | 153 416 895              | 8 721 121                |
| 2028                     | 153 982 441              | 8 923 752                |
| 2029                     | 154 147 402              | 9 104 862                |
| 2034                     | 147 863 651              | 10 892 026               |
| 2039                     | 161 075 147              | 13 733 949               |
| 2044                     | 169 846 240              | 16 159 595               |

Risk analysis:

Price inflation:

Benefits increases are usually set to cover the increasing cost of living. Should the rate of inflation (as measured by the Consumer Price Index) increase at a faster rate than expected, the municipality might be compelled to increase the level of benefits to offset the impact of rising prices. This would increase the cost of providing such a benefit beyond levels expected when valuing the defined benefit obligation

Longevity risk:

This is the risk of beneficiaries and their spouses living longer than expected in the valuation basis. The valuation basis has used the PA (90)-1 tables for post-retirement base mortality. In keeping with industry standard, we have assumed that mortality would improve by 1% per annum from 2010. Should the actual mortality experience of the beneficiaries improve at a faster rate, benefits would be paid for longer.

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21. Employee benefit obligations (continued)
Operational risk:

The credibility and reliability of post-employment healthcare valuation results are determined by the completeness and accuracy of the employee data provided by Mossel Bay. Any errors or omissions in the data could lead to inaccurate valuation results and potential financial implications. For example, if the medical option is recorded incorrectly, it could have a significant impact on how the post-employment healthcare liability is determined. If an employee's medical option is lower than it should be, the municipality's liability for that employee's benefit would be understated, this would give a misleading impression that the municipality's liability is lower. In Contrast, the municipality's liability would be inflated if an employee's medical option was recorded higher than it should be as the employee would be credited with a higher benefit.

Similarly, if an employee's employment status changes, such as from full-time to part-time or vice versa, the impact on the post-medical health care liability can be significant. The valuation assumptions and calculations must be adjusted to reflect the correct employment status. To reduce these operational risks, Mossel Bay should implement robust data management and validation processes to ensure that the employee data used in the actuarial valuation is accurate and up to date. Regular data audits and reconciliations will help the Municipality in identifying and addressing any discrepancies or inconsistencies in the data.

# Mossel Bay Municipality

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#### 21. Employee benefit obligations (continued)

##### 21.2 EX-GRATIA GRATUITIES

The employer's ex-gratia pensions liability consists of a commitment to pay pensions to eligible employees upon meeting the condition admissible for an ex-gratia pension. This liability is also generated in respect of spouse dependants who are offered continued ex-gratia pensions on the death of the primary ex-gratia pensioner.

Mossel Bay is committed to pay ex-gratia pensions as follows:

- The ex-gratia pensions are paid by the Municipality from its revenue and are therefore not funded or paid from any of the Municipality's pension funds. The revenue pensions are also referred to as "ex-gratia" pensions. Ex-gratia pensioners receive a monthly ex-gratia pension, increased annually and payable for life.
- There is a 60% contingent pension payable to a spouse upon the ex-gratia pensioner's death.
- Pension amounts are fixed.

##### Valuation method:

In accordance with the requirements of GRAP 25, the Projected Unit Credit method has been used to value the liabilities. The valuation has been made with reference to the Actuarial Society of South Africa (ASSA) guidelines, in particular, the Advisory Practice Note 207, and meets the requirements of GRAP 25.

| Statistics on eligible retirees:           | 2024  | 2023  |
|--------------------------------------------|-------|-------|
| Number of pensioners                       | 2     | 5     |
| Employer's average monthly pension payment | 2 869 | 2 957 |
| Pension-weighted average age (years)       | 80    | 85    |
| Portion married                            | 50 %  | 40 %  |

##### Results of Valuation:

|                                   |                |                  |
|-----------------------------------|----------------|------------------|
| <b>Accrued liability</b>          |                |                  |
| Total value of liabilities        | 493 898        | 1 007 193        |
| Value of assets                   | -              | -                |
| <b>Unfunded accrued liability</b> | <b>493 898</b> | <b>1 007 193</b> |

The total liability decreased by 50.96% over the accounting period.

|                                                 |               |               |
|-------------------------------------------------|---------------|---------------|
| <b>Interest Costs and Current-Service Costs</b> |               |               |
| Total interest cost                             | 91 077        | 84 000        |
| Current-Service Costs                           | -             | -             |
|                                                 | <b>91 077</b> | <b>84 000</b> |

The net interest cost represents the accrual of interest on the Accrued Liability, allowing for benefit payments, over the corresponding year. This arises because all future ex-gratia benefits are one year closer to payment.

The net interest for the next financial year are expected to be R 44 970.

The current-service cost is nil as there are no current employees entitled to an ex-gratia pension benefit.

|                                        |           |        |
|----------------------------------------|-----------|--------|
| <b>Actuarial gains and losses</b>      |           |        |
| Actuarial (gain) / loss for the period | (497 819) | 56 086 |

##### The main reasons for the movement in the liability:

The average liability has decreased by 51% (or R 513 295) since the last valuation due to:

- a decrease in the net discount rate from 9.90% to 9.78%;
- movement in members over the accounting period resulted in decrease in accrued liability; and
- variations in demographic assumptions (e.g. withdrawal rates)

# Mossel Bay Municipality

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#### 21. Employee benefit obligations (continued)

| Past and future changes in the accrued liability<br>Liability History | Year ending<br>30/06/2022 | Year ending<br>30/06/2023 | Year ending<br>30/06/2024 | Year ending<br>30/06/2025 | Year ending<br>30/06/2026 |
|-----------------------------------------------------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| Opening accrued liability                                             | 1 169 900                 | 1 044 545                 | 1 007 193                 | 493 898                   | 470 601                   |
| Service cost                                                          |                           |                           |                           |                           |                           |
| Interest expense                                                      | 84 000                    | 84 000                    | 91 077                    | 44 970                    | 42 753                    |
| Payments to the plan                                                  | (177 438)                 | (177 438)                 | (106 553)                 | (68 267)                  | (67 001)                  |
| Actuarial (gain) / loss from demographic                              | (31 917)                  | 56 086                    | (500 992)                 | -                         | -                         |
| Actuarial (gain) / loss from financial assumptions                    | -                         | -                         | 3 173                     | -                         | -                         |
| <b>Surplus / (Deficit)</b>                                            | <b>1 044 545</b>          | <b>1 007 193</b>          | <b>493 898</b>            | <b>470 601</b>            | <b>446 353</b>            |

Notes to the above table:

- There are no assets set aside for Ex-Gratia pensions that qualify as plan assets in terms of the requirements of GRAP 25. Thus the fair value of plan assets is Rnil.
- There are no Past Service Costs, Curtailments or Settlements to reflect.

#### Key actuarial assumptions used:

In estimating the unfunded liability for the ex-gratia liability, a number of assumptions are required. GRAP 25 requires the actuarial assumptions to be unbiased and mutually compatible.

#### Financial assumptions:

It is difficult to predict future investment returns and pension increase rates. The relationship between them is more stable and therefore easier to predict. GRAP 25 requires that financial assumptions be based on market expectations at the valuation date for the period over which the liability obligations are to be settled.

The key assumptions used in the valuation, with the prior years' assumptions shown for comparison, are summarised below:

| Net discount rate                   | 2024   | 2023   |
|-------------------------------------|--------|--------|
| Discount rate (D)                   | 9.78 % | 9.90 % |
| Net discount rate $((1+D)/(1+H)-1)$ | 9.78 % | 9.90 % |

#### The methodology of setting the financial assumptions:

GRAP 25 defines the determination of the investment return assumption to be used as the rate that can be determined by reference to market yields (at the balance sheet date) on government bonds. The currency and term of the government bonds should be consistent with the currency and estimated term of the obligation.

The methodology of setting the financial assumptions has been updated to be more duration-specific. At the previous valuation date, 30 June 2023 the duration of liabilities was 4.43 years. At this duration, the discount rate determined by using the Bond Exchange Zero Coupon Yield Curve as at 30 June 2024 is 9.78% per annum.

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## Annual Financial Statements for the year ended June 30, 2024

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#### 21. Employee benefit obligations (continued)

##### Demographic Assumptions:

We have assumed continuation of the ex-gratia pension would be at 60% of the principal ex-gratia pension.

|                                |                                                                              |
|--------------------------------|------------------------------------------------------------------------------|
| Age difference between spouses | Males 5 years older than females                                             |
| Proportion married             | Actual marital status                                                        |
| Mortality in retirement        | PA (90) - 1 in addition to a mortality improvement of 1% per year since 2010 |

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

|                                         |                |                  |
|-----------------------------------------|----------------|------------------|
| Present value of fund obligations       | 493 898        | 1 007 193        |
| Fair value of plan assets               | -              | -                |
|                                         | 493 898        | 1 007 193        |
| Unrecognised transitional liability     | -              | -                |
| Unrecognised past service cost          | -              | -                |
| Unrecognised actuarial gains / (losses) | -              | -                |
| Miscellaneous items                     | -              | -                |
| <b>Net defined benefit liability</b>    | <b>493 898</b> | <b>1 007 193</b> |

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

|                                                                   |                  |                |
|-------------------------------------------------------------------|------------------|----------------|
| Service cost                                                      | -                | -              |
| Net interest on net defined benefit liability                     | 91 077           | 84 000         |
| Actuarial (gains) / losses                                        | (497 819)        | 56 086         |
| <b>Total included in employee related cost - Refer to note 38</b> | <b>(406 742)</b> | <b>140 086</b> |

The service cost for the ensuing year is expected to be Rnil. The net interest cost for the ensuing year is expected to be R 44 970.

#### History of Liabilities, Assets and Experience Adjustments:

##### Present value of accrued liability and Fair value of plan assets

|                                                | Year ending<br>30/06/2020 | Year ending<br>30/06/2021 | Year ending<br>30/06/2022 | Year ending<br>30/06/2023 | Year ending<br>30/06/2024 |
|------------------------------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| Present value of net defined benefit liability | 1 385 947                 | 1 169 900                 | 1 044 545                 | 1 007 193                 | 493 898                   |
| Fair value of plan assets                      | -                         | -                         | -                         | -                         | -                         |
| <b>Surplus / (deficit)</b>                     | <b>(1 385 947)</b>        | <b>(1 169 900)</b>        | <b>(1 044 545)</b>        | <b>(1 007 193)</b>        | <b>(493 898)</b>          |

##### Experience adjustments:

Experience adjustments are the effects of differences between the previous actuarial assumptions and what has actually occurred. The experience adjustments is as follows:

|                                | Year ending<br>30/06/2020 | Year ending<br>30/06/2021 | Year ending<br>30/06/2022 | Year ending<br>30/06/2023 | Year ending<br>30/06/2024 |
|--------------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| Plan liabilities (gain) / loss | 18 415                    | (109 632)                 | (31 917)                  | 56 086                    | (497 819)                 |
| Plan assets                    | -                         | -                         | -                         | -                         | -                         |

# Mossel Bay Municipality

## Annual Financial Statements for the year ended June 30, 2024

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#### 21. Employee benefit obligations (continued)

##### Sensitivity analysis:

The valuation results are sensitive to changes in the underlying assumptions. The effects of varying these assumptions are illustrated below.

| Discount Rate                                                     | 1% decrease | 30 June 2024<br>Valuation<br>basis | 1% increase |
|-------------------------------------------------------------------|-------------|------------------------------------|-------------|
| Effect of a 1% change in the discount rate on the total liability | 521 820     | 493 898                            | 468 642     |
| Effect of a 1% change in the discount rate on the interest cost   | 42 824      | 91 077                             | 46 845      |

As per the table above, a 1% increase in the net discount rate resulted in a 5.11% decrease in the accrued liability whilst a 1% decrease in the discount rate will result in a 5.65% increase in the accrued liability.

##### Mortality:

The table that follow shows the impact of a change in the mortality assumption:

|                                                                                   | PA(90)-1 | 30 June 2024<br>Valuation<br>basis |
|-----------------------------------------------------------------------------------|----------|------------------------------------|
| Effect of a 2-year change in the post-retirement mortality on the total liability | 506 195  | 493 898                            |
| Effect of a 2-year decrease in the post-retirement mortality on the interest cost | 46 170   | 91 077                             |

PA(90)-1 (PA(90) with a one-year age adjustment) means that to each beneficiary we assign a mortality rate of an individual two years younger than that beneficiary, i.e. lighter mortality implying that the individual lives longer than expected in the valuation basis.

The mortality sensitivity also includes a mortality improvement of 1% per year since 2010.

The above table highlights the effects of a two-year adjustment to the mortality assumption as at 30 June 2024. The adjustment would result in a 2.5% increase in the accrued liability.

##### **Maturity Analysis** **Valuation date**

|            | Accrued<br>liability | Expected<br>benefit<br>payments |
|------------|----------------------|---------------------------------|
| 30/06/2024 | 493 898              | 68 267                          |
| 30/06/2025 | 470 601              | 67 001                          |
| 30/06/2026 | 446 354              | 67 716                          |
| 30/06/2027 | 406 546              | 67 462                          |
| 30/06/2028 | 378 238              | 67 315                          |
| 30/06/2029 | 364 009              | 66 979                          |
| 30/06/2030 | 335 615              | 66 787                          |
| 30/06/2031 | 321 536              | 66 578                          |
| 30/06/2032 | 307 954              | 66 350                          |



# Mossel Bay Municipality

## Annual Financial Statements for the year ended June 30, 2024

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#### 21. Employee benefit obligations (continued)

Risk Analysis:

Longevity risk:

This is the risk of beneficiaries and their spouses living longer than expected in the valuation basis. The valuation basis has used the PA(90)-1 tables for post-retirement base mortality. In keeping with industry standards, we have assumed that mortality would improve by 1% per annum from 2010. Should the actual mortality experience of the beneficiaries improve at a faster rate, benefits would be paid for longer. Also, given that there are only 2 members, the random error of our valuation basis is increased. This increases the likelihood of actual experience departing significantly from expected experience.

Price inflation risk:

Benefits increases are usually set to cover the increasing cost of living. Should the rate of inflation (as measured by the Consumer Price Index) increase at a faster rate than expected, the municipality might be compelled to increase the level of benefits to offset the impact of rising prices. This would increase the cost of providing such a benefit beyond the levels expected when valuing the defined benefit obligation.

Operational risk:

The credibility and reliability of Ex-Gratia Pension valuation results are determined by the completeness and accuracy of the employee data provided by Mossel Bay. Any errors or omissions in the data could lead to inaccurate valuation results and potential financial implications. For example, if a member's pension were recorded wrongly, our estimate of the member's defined benefit obligation would be incorrect. Until this is corrected, we will have an unstable actuarial gain/loss from one valuation to the other.

#### **21.3 LONG SERVICE AWARDS**

The long service bonus awards are accumulated leave days allocated for years of service by the employee to the Municipality. The long service bonus awards are allocated in the form of annual leave days and is convertible into cash in the year the employee attains the service eligible for an award. As a result, the award is also a function of the employee's annual salary. The annual salary is converted into a daily salary by dividing the annual salary by 249.

Nature of the liability:

The employer's long service bonus awards consist of an obligation to pay out a bonus in the year the employee attains the required service. This obligation represents a liability to the employer and the value is represented by the present value of the total long service bonus awards expected to become payable under the employer's current policy.

Mossel Bay Municipality offers bonuses for every 5 years of completed service from 10 years to 45 years. In addition, a 14th Cheque is awarded from 30 years of service onwards to 45 years.

Valuation method:

In accordance with the requirements of GRAP 25, the Projected Unit Credit method has been used to value the liabilities. The valuation has been made with reference to the Actuarial Society of South Africa (ASSA) guidelines, in particular, the Advisory Practice Note 207, and is consistent with the requirement of GRAP 25.

Funding:

The long service award liability is not a funded arrangement, i.e. no separate assets have been set aside to meet this liability that qualify as plan assets in terms of the requirements of GRAP 25. As such a nil value has been ascribed to the fair value of plan assets.

#### **Statistics on eligible employees**

|                                                |         |         |
|------------------------------------------------|---------|---------|
| Number of eligible employees                   | 1 035   | 1 003   |
| Average annual earnings (Rand)                 | 249 114 | 238 910 |
| Earnings-weighted average age (years)          | 42.7    | 42.9    |
| Earnings-weighted average past service (years) | 10.4    | 10.6    |

\*The average annual salary includes a 4.9% expected salary increase as at 1 July 2024.

# Mossel Bay Municipality

## Annual Financial Statements for the year ended June 30, 2024

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#### 21. Employee benefit obligations (continued)

##### Results of valuation:

##### **Accrued liability**

|                            |            |            |
|----------------------------|------------|------------|
| Total value of liabilities | 20 762 998 | 19 178 038 |
| Value of assets            | -          | -          |

|                                      |                   |                   |
|--------------------------------------|-------------------|-------------------|
| <b>Net defined benefit liability</b> | <b>20 762 998</b> | <b>19 178 038</b> |
|--------------------------------------|-------------------|-------------------|

|                                |        |        |
|--------------------------------|--------|--------|
| Average liability per employee | 20 061 | 19 121 |
|--------------------------------|--------|--------|

The total liability increased by 8.3% over the accounting period.

The main reasons for the movement in liability:

- Mossel Bay employees accrued an extra year of service and as a result, the liability increased by R 1 528 259;
- Interest cost over the valuation period results in an increase in the liability by R 2 320 075;
- Some employees attained milestones during the valuation period and this resulted in a bonus payment of R 2 354 959, which reduced the accrued liability with the same margin;
- The net discount rate changed from 4.18% to 4.33% during the valuation period. This has decreased the accrued liability;
- Movements in the staff employed by Mossel Bay during the valuation period. This has increased the accrued liability;
- The salary increase expectation of 4.9% as at 1 July 2024 decreased the accrued liability further; and
- The miscellaneous items in the data resulted in a decrease in the liability by R 577 004. Factors that make up the miscellaneous items are changes to membership composition, data changes from previous valuation and variations from demographic assumptions (i.e. rates of withdrawal).

| <b>Past and Future Changes in the Accrued Liability:</b> | <b>Year ending 30/06/2021</b> | <b>Year ending 30/06/2022</b> | <b>Year ending 30/06/2023</b> | <b>Year ending 30/06/2024</b> | <b>Year ending 30/06/2025</b> |
|----------------------------------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| Opening Accrued Liability                                | 18 129 000                    | 18 749 000                    | 21 066 809                    | 19 178 038                    | 20 762 999                    |
| Service cost                                             | 1 570 000                     | 1 652 000                     | 1 671 745                     | 1 528 259                     | 1 662 807                     |
| Interest expense                                         | 1 308 000                     | 1 713 000                     | 2 149 954                     | 2 320 075                     | 2 058 219                     |
| Payments to the plan                                     | (1 605 792)                   | (1 873 068)                   | (2 944 387)                   | (2 354 959)                   | (2 433 521)                   |
| Actuarial (gain) / loss from demographic assumptions     | (652 208)                     | 825 877                       | 821 577                       | (302 894)                     | -                             |
| Actuarial (gain) / loss from financial assumptions       | -                             | -                             | (3 587 660)                   | 394 480                       | -                             |
|                                                          | <b>18 749 000</b>             | <b>21 066 809</b>             | <b>19 178 038</b>             | <b>20 762 999</b>             | <b>22 050 504</b>             |

\*Notes to the above table:

- These projections assume that the long service awards arrangements remain as outlined, and that all the actuarial assumptions made are borne out in practice. Variations from these assumptions will emerge in future years as experience gains or losses are recognised immediately in the income statement by Mossel Bay.
- There are no Past Service Costs, Curtailments or settlements to reflect.

##### Key actuarial assumptions used:

In estimating the unfunded liability for long service awards a number of assumptions are required. GRAP 25 requires the actuarial assumptions to be unbiased and mutually compatible.

##### Financial Variables:

GRAP25 defines the determination of the investment return assumption to be used as the rate that can be determined by reference to market yields (at the balance sheet date) on government bonds. The currency and term of the government bonds should be consistent with the currency and estimated term of the obligation.

# Mossel Bay Municipality

## Annual Financial Statements for the year ended June 30, 2024

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#### 21. Employee benefit obligations (continued)

The key assumptions used in the valuation, with the prior years' assumptions shown for comparison, are summarised below:

|                          | 2024    | 2023    |
|--------------------------|---------|---------|
| <b>Net discount rate</b> |         |         |
| Discount rate            | 10.53 % | 10.99 % |
| Salary increase          | 5.94 %  | 6.53 %  |
| CPI                      | 4.94 %  | 5.53 %  |
| Net discount rate        | 4.33 %  | 4.18 %  |

The methodology of setting the financial assumptions:

The methodology of setting financial assumptions has been updated to be more duration specific. At the previous valuation report, 30 June 2023 the duration of liabilities was 6.03 years. At this duration, the discount rate determined by using the Bond Exchange Zero Coupon Yield Curve as at 30 June 2024 is 10.53% per annum, and the yield on inflation-linked bonds of a similar term was about 4.85% per annum. This implies an underlying expectation of inflation of 4.94% per annum ( $[1 + 10.53\% - 0.5\%] / [1 + 4.85\%] - 1$ ).

We have assumed that salary inflation would exceed general inflation by 1.00% per annum, i.e. 5.94% per annum. However, it is the relative levels of the discount rate and salary inflation to one another that is important, rather than the nominal values. We have thus assumed a net discount factor of 4.33% per annum ( $[1 + 10.53\%] / [1 + 5.94\%] - 1$ ).

#### Demographic and Mortality assumptions:

|                               | 2024    | 2023    |
|-------------------------------|---------|---------|
| Normal retirement age (years) | 65      | 65      |
| Average retirement age*       | 63      | 63      |
| Pre-retirement mortality      | SA85-90 | SA85-90 |

\*The average retirement age for all active employees was assumed to be 63 years to implicitly allow for ill-health and early retirements.

| <b>Withdrawal table:</b> | <b>Males</b> | <b>Females</b> |
|--------------------------|--------------|----------------|
| 20                       | 9%           | 9%             |
| 25                       | 8%           | 8%             |
| 30                       | 6%           | 6%             |
| 35                       | 5%           | 5%             |
| 40                       | 5%           | 5%             |
| 45                       | 4%           | 4%             |
| 50                       | 3%           | 3%             |
| 55+                      | 0%           | 0%             |

# Mossel Bay Municipality

## Annual Financial Statements for the year ended June 30, 2024

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#### 21. Employee benefit obligations (continued)

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

|                                         |                   |                   |
|-----------------------------------------|-------------------|-------------------|
| Present value of fund obligations       | 20 762 998        | 19 178 038        |
| Fair value of plan assets               | -                 | -                 |
|                                         | 20 762 998        | 19 178 038        |
| Unrecognised transitional liability     | -                 | -                 |
| Unrecognised past service cost          | -                 | -                 |
| Unrecognised actuarial gains / (losses) | -                 | -                 |
| Miscellaneous items                     | -                 | -                 |
| <b>Net defined benefit liability</b>    | <b>20 762 998</b> | <b>19 178 038</b> |

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

|                                                                   |                  |                  |
|-------------------------------------------------------------------|------------------|------------------|
| Service cost                                                      | 1 528 259        | 1 671 745        |
| Net interest on net defined benefit liability                     | 2 320 075        | 2 149 954        |
| Actuarial losses / (gains)                                        | 91 585           | (2 766 083)      |
| <b>Total included in employee related cost - Refer to note 38</b> | <b>3 939 919</b> | <b>1 055 616</b> |

The current service cost for the ensuing year is expected to be R 1 662 807. The interest cost for the ensuing year is expected to be R 2 058 219.

#### HISTORY OF LIABILITIES, ASSETS AND EXPERIENCE ADJUSTMENTS:

##### Present value of accrued liability and Fair value of plan assets

|                                    | Year ending<br>30/06/2020 | Year ending<br>30/06/2021 | Year ending<br>30/06/2022 | Year ending<br>30/06/2023 | Year ending<br>30/06/2024 |
|------------------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| Present value of accrued liability | 18 129 000                | 18 749 000                | 21 066 809                | 19 178 038                | 20 762 998                |
| Fair value of plan assets          | -                         | -                         | -                         | -                         | -                         |
| <b>Surplus / (deficit)</b>         | <b>(18 129 000)</b>       | <b>(18 749 000)</b>       | <b>(21 066 809)</b>       | <b>(19 178 038)</b>       | <b>(20 762 998)</b>       |

##### Experience adjustments

Experience adjustments are the effects of differences between the previous actuarial assumptions and what has actually occurred. The experience adjustments is as follows:

|                                | Year ending<br>30/06/2020 | Year ending<br>30/06/2021 | Year ending<br>30/06/2022 | Year ending<br>30/06/2023 | Year ending<br>30/06/2024 |
|--------------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| Plan liabilities (gain) / loss | 991 581                   | (235 208)                 | 825 877                   | (2 766 083)               | 91 585                    |
| Plan assets gain / (loss)      | -                         | -                         | -                         | -                         | -                         |

##### Sensitivity Analysis:

The liability derived by this valuation is dependent on the assumptions set out, which may or may not be borne out in practice. Variations from these assumptions will emerge in future years as experience gains or losses and will be recognised by Mossel Bay Municipality in accordance with a consistently applied amortisation process.

# Mossel Bay Municipality

## Annual Financial Statements for the year ended June 30, 2024

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#### 21. Employee benefit obligations (continued)

The valuation results are sensitive to changes in the underlying assumptions. The effects of varying these assumptions are illustrated below:

|                                                                       | 1% decrease | 30 June 2024<br>Valuation<br>basis | 1% increase |
|-----------------------------------------------------------------------|-------------|------------------------------------|-------------|
| <b>General inflation rate:</b>                                        |             |                                    |             |
| Effect of a 1% change in the salary increase on total liability       | 19 438 774  | 20 762 998                         | 22 179 990  |
| Effect of a 1% change in the salary increase on the service cost      | 1 533 492   | 1 528 259                          | 1 804 881   |
| Effect of a 1% change in the salary increase on the interest cost     | 1 918 778   | 2 320 075                          | 2 207 428   |
| <b>Discount rate:</b>                                                 |             |                                    |             |
| Effect of a 1% change in the net discount rate on the total liability | 22 130 270  | 20 762 998                         | 19 500 795  |
| Effect of a 1% change in the net discount rate on service cost        | 1 799 874   | 1 528 259                          | 1 539 524   |
| Effect of a 1% change in the net discount rate on interest cost       | 2 202 193   | 2 320 075                          | 1 925 309   |

As per the table above, a 1% increase in the salary increase rate results in a 6.82% increase in the accrued liability whilst a 1% decrease in the salary increase rate will result in a 6.38% decrease in the accrued liability.

Inversely, a 1% increase in the discount rate results in a 6.08% decrease in the accrued liability whilst a 1% decrease in the discount rate will result in a 6.59% increase in the accrued liability.

#### Mortality

The table that follow shows the impact of a change in the mortality assumption:

|                                                                                                                     | decrease   | 30 June 2024<br>Valuation<br>basis | Increase   |
|---------------------------------------------------------------------------------------------------------------------|------------|------------------------------------|------------|
| <b>Average retirement age:</b>                                                                                      |            |                                    |            |
| Effect of a 2-year change in the average retirement age on total liability                                          | 17 755 580 | 20 762 998                         | 23 487 525 |
| Effect of a 2-year change in the average retirement age on service cost                                             | 1 482 221  | 1 528 259                          | 1 833 140  |
| Effect of a 2-year change in the average retirement age on interest cost                                            | 1 759 097  | 2 320 075                          | 2 339 571  |
| <b>Withdrawal rate:</b>                                                                                             |            |                                    |            |
| Effect of a two-fold increase, 50% decrease in the withdrawal rate and 200% withdrawal rate on total liability      | 17 920 887 | 20 762 998                         | 23 398 836 |
| Effect of a two-fold increase, 50% decrease in the withdrawal rate and 200% withdrawal rate on current service cost | 1 322 030  | 1 528 259                          | 1 980 357  |
| Effect of a two-fold increase, 50% decrease in the withdrawal rate and 200% withdrawal rate on interest cost        | 1 760 244  | 2 320 075                          | 2 335 123  |

The above table highlights the effects of a 2-year decrease and increases in the average retirement age assumptions as at 30 June 2024. The adjustment would result in a 14.48% decrease and a 13.12% increase in the accrued liability respectively.

The above table highlights the effects of a 200% and 50% multiple of the withdrawal rates as at 30 June 2024. The adjustment would result in a 13.69% decrease and a 12.7% increase in accrued liability, respectively.

# Mossel Bay Municipality

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#### 21. Employee benefit obligations (continued)

| Maturity analysis     | Accrued liability | Expected benefit payments |
|-----------------------|-------------------|---------------------------|
| <b>Valuation date</b> |                   |                           |
| 30/06/2024            | 20 762 998        | 2 433 521                 |
| 30/06/2025            | 22 050 503        | 2 097 735                 |
| 30/06/2026            | 25 445 487        | 2 352 434                 |
| 30/06/2027            | 28 364 741        | 4 141 947                 |
| 30/06/2028            | 29 738 933        | 3 552 558                 |
| 30/06/2029            | 32 053 395        | 4 100 884                 |
| 30/06/2030            | 34 145 128        | 3 109 531                 |
| 30/06/2031            | 37 778 660        | 4 496 705                 |
| 30/06/2032            | 40 424 315        | 5 603 535                 |
| 30/06/2033            | 42 185 958        | 5 200 385                 |

Risk analysis:

Longevity risk:

The long service bonus awards offered by Mossel Bay are provided for completed years of service. As employees live longer and work for longer periods, the municipality's liability for these awards increases, posing a longevity risk. This implies that the municipality may be required to pay out more in long service bonus awards than initially anticipated, as employees continue to work and accrue additional years of service. The municipality should closely monitor changes in the life expectancy and retirement patterns of its employees and adjust the actuarial assumptions accordingly to ensure that the long service bonus awards liability is accurately reflected in the financial statements.

Regulatory / Legislative risk:

The long service awards of Mossel Bay valued in this report are subject to legislative and regulatory risks, as changes in the relevant accounting standards, labour laws, or municipal regulations can affect the valuation methodology and the municipality's obligations. For example, if the eligibility criteria, vesting conditions, or the calculation of the bonus amounts were to be modified, the municipality would need to revise its valuation methodology to comply with the new requirements. Currently, only permanent employees are entitled to the long service awards benefits and if the regulations are to change such that contract employees are entitled to the benefits, this will lead to an increase in the accrued liability for Mossel Bay. Thus, any changes in the account standards, labour laws and municipality regulations will lead to changes in the projected benefit obligations and the associated accounting treatment.

Operational risk:

The accuracy of the long service awards valuation results is dependent on the completeness and accuracy of the employee data provided by Mossel Bay. Any errors or omissions in the data could lead to inaccurate valuation results and potential financial implications. For example, if the date of employment for an employee is recorded incorrectly, it could significantly impact the calculation of the long service bonus awards liability. If an employee's date of employment is shown as two years earlier than it should be, the municipality's liability for that employee's long service bonus awards would be overstated, as the employee would be credited with two additional years of service. Conversely, if an employee's date of employment is recorded as later than it should be, the municipality's liability would be understated, as the employee would be credited with fewer years of service.

Similarly, if an employee's employment status changes, such as from full-time to part-time or vice versa, the impact on the long service bonus awards liability can be significant. The valuation assumptions and calculations must be adjusted to reflect the correct employment status and service history of each employee. To reduce these operational risks, Mossel Bay should implement robust data management and validation processes to ensure that the employee data used in the actuarial valuation is accurate and up to date. Regular data audits and reconciliations will help the Municipality in identifying and addressing any discrepancies or inconsistencies in the data.

# Mossel Bay Municipality

## Annual Financial Statements for the year ended June 30, 2024

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#### 21. Employee benefit obligations (continued)

##### Economic risk:

The valuation of the long service bonus awards liability is sensitive to the discount rate used, which is influenced by the broader economic conditions and market interest rates. In this report, the discount which was used for calculation purpose was determined using the Bond Exchange Zero Coupon Yield Curve. The yield curve is a widely used benchmark for determining the appropriate discount rate in South Africa as it represents the yield curve for zero-coupon government bonds, which are considered low-risk investments and are often used as a proxy for the risk-free rate. The shape and level of the yield curve reflect the prevailing market conditions and investor expectations about future economic and interest rate developments. The performance of the bonds has an impact on the present value of the long service bonus awards accrued liability of Mossel Bay. If the South African economy performs well, the yield increases and this increases the discount rate used to value long service awards, thus decreasing the net present value of the benefits. However, if the performance of the zero bonds decreases during these financial years, ceteris paribus, the discount rate which will be used to value accrued liabilities will be low, thus resulting in a higher net present value for the accrued liabilities greater than the one which was forecasted in this report.

#### 21.4 INFORMATION ABOUT THE MUNICIPALITY'S OTHER RETIREMENT FUNDS

The personnel of Mossel Bay Municipality are members of the funds as set out below. These schemes are subject to either a tri-annual, bi-annual or annual actuarial valuation, details which are provided below. Sufficient information is not available to use defined benefit accounting for the pension and retirement funds, due to the following reasons:

- The assets of each fund are held in one portfolio; these assets are not notionally allocated to each of the participating employers.
- One set of financial statements are compiled for each fund and financial statements are not drafted for each participating employer.
- The same rate of contributions applies to all participating employers, and no regard is paid to differences in the membership distribution of the participating employers.

It is therefore seen that each fund operates as a single entity and is not divided into sub-funds for each participating employer.

##### 21.4.1 Consolidated Retirement Fund (previously Cape Joint Retirement Fund)

The most recent valuation for the Consolidated Retirement Fund was performed for the year ended 30 June 2023. As at the valuation date, the total value of net assets of the Fund was R42.710 billion (2022: R36.503 billion).

An effective investment return of 15% (2022: 5.9%) per annum was awarded for the Growth Portfolio.

A pension increase of 8% (2022: 6%) was granted to pensioners effective 01 March 2023. A special pensioner bonus of 200% of annual pension was granted in December 2022. Another special bonus of 300% of monthly pension was granted in June 2023.

The funding level for the Member Share Account, Preservation Pension Account and Living Annuity Account were 100% as at valuation date. The Processing Reserve Account represents -R40.9 million or -0.1% of the sum of the Members' Shares and Living Annuitants accounts. The funding level of the Fund overall was at 100.2% as of the valuation date.

##### 21.4.2 SALA Pension Fund

The SALA Pension Fund operates both as a defined benefit and defined contribution scheme. It is a multi-employer plan and the contribution rate payable is 9%, by the members and 18% by Council. The most recent valuation statement available for SALA Pension Fund was the monthly report as at 30 September 2023.

The total market value of the investments held by the Fund on the valuation date was R 12.077 billion.

# Mossel Bay Municipality

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#### 21. Employee benefit obligations (continued)

##### 21.4.3 Municipal Councillors' Pension Fund

The Municipal Councillors Pension Fund operates as a defined contribution scheme. The statutory valuation performed as at 30 June 2018 revealed that the assets of the fund amounted to R1 798.03 million (30 June 2017 : R1 480.55 million), with funding levels of 100% (30 June 2017: 100%).

The contribution rate paid by the members (elected 7.5 % or 13.75 %) and council (either 7.5 % or 15 %) is sufficient to fund the benefits accruing from the fund in the future. The Actuary certified that the Fund was in a sound financial condition as at 30 June 2018, in that the assets of the fund were sufficient to cover the accrued service liabilities including the recommended contingency reserves in full.

Due to concerns on the governance and financial stability of the Fund, the Financial Sector Conduct Authority appointed a Section 26 Board of Trustees on 15 February 2017. The purpose of the Section 26 Trustees was to bring about stability within the Fund. Following a court order, Curators were then appointed to take control and management of the Fund in terms of Section 5 (1) of the Financial Institutions (Protection of Funds Act, 2001) effective 19 December 2017.

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

The Municipal Workers Retirement Fund is a defined contribution scheme. Members contribute at a rate of not less than 7.5% of salaries, as required by the Rules. The employers contribute at a total rate of not less than 18%.

The most recent valuation for the Municipal Workers Retirement Fund was performed for the year ended 30 June 2023. As at the valuation date, the total value of net assets of the Fund were R27.543 billion (2022: R23.161 billion).

The Fund was in a sound financial position at the valuation date. The actuarial valuation as at 30 June 2023 confirmed that the fund was financially sound at a funding level of 100%.



# Mossel Bay Municipality

## Annual Financial Statements for the year ended June 30, 2024

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#### 21. Employee benefit obligations (continued)

##### **21.5 OTHER CURRENT EMPLOYEE BENEFIT OBLIGATIONS:**

##### **21.5.1 PERFORMANCE BONUS ACCRUAL**

Performance bonuses accrue to employees on an annual basis, subject to certain conditions. The accrual is an estimate of the amount due to staff as at the financial year end.

The movement on the performance bonus accrual consist of the following:

|                                      |                  |                |
|--------------------------------------|------------------|----------------|
| Balance at the beginning of the year | 915 477          | 868 430        |
| Contributions to provision           | 982 631          | 958 990        |
| Expenditure incurred                 | (860 161)        | (911 943)      |
|                                      | <b>1 037 947</b> | <b>915 477</b> |

##### **21.5.2 STAFF LEAVE ACCRUAL**

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year-end and the total remuneration package of the employee.

The movement on the staff leave accrual consist of the following:

|                                      |                   |                   |
|--------------------------------------|-------------------|-------------------|
| Balance at the beginning of the year | 23 818 173        | 23 068 357        |
| Contributions to provision           | 2 321 143         | 1 604 388         |
| Expenditure incurred                 | (1 950 947)       | (854 572)         |
|                                      | <b>24 188 369</b> | <b>23 818 173</b> |

##### **21.5.3 EMPLOYEE BONUS ACCRUAL**

Annual bonuses accrue to employees on an annual basis, based on the employee contract. These accruals are an estimate of the amount due to staff as at the financial year end.

The movement on the employee bonus accrual consist of the following:

|                                      |                   |                  |
|--------------------------------------|-------------------|------------------|
| Balance at the beginning of the year | 8 354 515         | 8 457 333        |
| Contributions to provision           | 21 651 469        | 18 101 480       |
| Expenditure incurred                 | (19 817 839)      | (18 204 299)     |
|                                      | <b>10 188 145</b> | <b>8 354 514</b> |

##### **21.5.4 EMPLOYEE OVERTIME / STANDBY ALLOWANCES**

An accrual is done for the overtime / standby allowances that accrued to employees with regards to the financial year.

The movement on the employee overtime / standby allowance accrual consist of the following:

|                                               |                  |                  |
|-----------------------------------------------|------------------|------------------|
| Balance at the beginning of the year          | 2 339 131        | 1 945 104        |
| Employee overtime / Standby allowance accrual | 2 280 718        | 2 339 131        |
| Expenditure incurred                          | (2 339 131)      | (1 945 104)      |
|                                               | <b>2 280 718</b> | <b>2 339 131</b> |

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#### 22. Provisions

##### Reconciliation of provisions - 2024

|                                  | Opening Balance    | Additions           | Utilised during the year | Total              |
|----------------------------------|--------------------|---------------------|--------------------------|--------------------|
| Rehabilitation of Landfill sites | 150 321 516        | (11 826 557)        | (1 174 677)              | 137 320 282        |
| Other provisions                 | 5 100 914          | 1 355 477           | -                        | 6 456 391          |
|                                  | <b>155 422 430</b> | <b>(10 471 080)</b> | <b>(1 174 677)</b>       | <b>143 776 673</b> |

The negative amount under Additions for the year is due to the decreased restoration costs of landfill sites which were recognised in the current year with the provision for rehabilitation of landfill sites. The discount rate used to calculate the provision has increased dramatically, hence the decreased restoration costs

##### Reconciliation of provisions - 2023

|                                  | Opening Balance    | Additions | Utilised during the year | Total       |
|----------------------------------|--------------------|-----------|--------------------------|-------------|
| Rehabilitation of Landfill sites | 146 479 773        | 6 647 761 | (2 806 018)              | 150 321 516 |
| Other provisions                 | 3 790 957          | 1 309 957 | -                        | 5 100 914   |
|                                  | <b>150 270 730</b> |           |                          |             |

##### Detail movement of additions as per reconciliation:

|                                                                    | 2024                | 2023             |
|--------------------------------------------------------------------|---------------------|------------------|
| Cost Increase / (Decrease) as per estimated cost on reporting date | 9 984 570           | 9 667 406        |
| Unwinding of interest                                              | 7 783 615           | 288 247          |
| Change in Discount Rate                                            | (29 594 742)        | (3 307 892)      |
|                                                                    | <b>(11 826 557)</b> | <b>6 647 761</b> |

Split between Non-current and current liabilities:

|                         |                    |                    |
|-------------------------|--------------------|--------------------|
| Non-current liabilities | 136 714 882        | 149 148 313        |
| Current liabilities     | 7 061 791          | 6 274 116          |
|                         | <b>143 776 673</b> | <b>155 422 429</b> |

##### Rehabilitation of Landfill sites

Provision is made in terms of the Municipality's licensing stipulations for the rehabilitation of landfill sites. It includes the closure activities of Great Brak; Herbertsdale and Louis Fourie landfill sites, but exclude post closure monitoring cost when the conditions thereof cannot be reliably estimated. As soon as these costs can be reliably determined, it will be included in the provision calculation. The provision has been determined by consulting engineers. The payment dates for the total closure and rehabilitation are uncertain, but are expected to all be finalised by November 2029.

The key assumptions used in the valuation are as follows:

| Rates used     | 2024   | 2023   |
|----------------|--------|--------|
| Discount rate  | 8.63 % | 6.60 % |
| Inflation rate | 5.02 % | 5.17 % |

The average interest rate earned on Investments were used as a result of the fact that the provision is made good by funds set aside for this purpose.

The inflation rate used is the average of the past 10 years as published on the StatsSA website.

# Mossel Bay Municipality

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#### 22. Provisions (continued)

##### Other provision

The separation of funding and implementation responsibilities often results in unfunded mandates being imposed on municipalities. Mossel Bay Municipality is not assigned a Library function, and is also not acting formally in terms of an SLA as agent of the province, but it is also expected to contribute financially to provision of library services.

The Municipality is therefore unclear on the VAT treatment on all contributions received from SARS and has requested a SARS ruling in this regard. Until such time that clarity is obtained it will be disclosed as a Provision and the interest and penalties if payable, will be disclosed as a contingent liability. The calculation is based on all receipts for the past 5 years, with interest and penalties as per the latest rates of SARS.

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

**Mossel Bay Municipality**  
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|----------------------------------------------------|-------------------|-------------------|
| <b>23. Unspent conditional grants and receipts</b> |                   |                   |
| <b>Unspent grants and receipts comprises of:</b>   |                   |                   |
| <b>Unspent grants and receipts</b>                 |                   |                   |
| National Grants                                    | 295 406           | -                 |
| Provincial Grants                                  | 7 028 983         | 22 190 590        |
| District Municipality                              | 434 734           | 592 917           |
| <b>Other unspent receipts</b>                      |                   |                   |
| Public contributions                               | 13 783 654        | 11 708 845        |
|                                                    | <b>21 542 777</b> | <b>34 492 352</b> |
| <b>Movement during the year</b>                    |                   |                   |
| Opening balance                                    | 34 492 353        | 15 785 848        |
| Receipts                                           | 85 226 258        | 127 787 917       |
| Conditions met - Transferred to revenue            | (96 450 254)      | (104 998 042)     |
| Re-payment of unspent grants                       | (1 725 580)       | (4 083 371)       |
|                                                    | <b>21 542 777</b> | <b>34 492 352</b> |

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#### 23. Unspent conditional grants and receipts (continued)

The detailed movement per conditional grant is as follows:

##### National: LG Financial Management Grant

##### Operational:

|                                         |             |             |
|-----------------------------------------|-------------|-------------|
| Opening balance                         | -           | -           |
| Receipts                                | 1 566 000   | 1 550 000   |
| Conditions met - Transferred to revenue | (1 566 000) | (1 550 000) |
|                                         | -           | -           |

The Financial Management Grant is paid by National Treasury to municipalities to promote and support reforms in financial management by building capacity in municipalities to implement the Municipal Finance Management Act (MFMA).

Other than the amounts unspent, the conditions of the grants have been met. No funds were delayed during the financial year.

##### National: Municipal Infrastructure Grant

##### Capital:

|                                         |              |              |
|-----------------------------------------|--------------|--------------|
| Opening balance                         | -            | -            |
| Receipts                                | 26 219 000   | 27 046 000   |
| Conditions met - Transferred to revenue | (26 219 000) | (27 046 000) |
|                                         | -            | -            |

The Municipal Infrastructure Grant is given to municipalities to provide specific capital finance for eradicating basic municipal infrastructure backlogs for poor households, microenterprises and social institutions servicing poor communities.

Other than the amounts unspent, the conditions of the grants have been met. No funds were delayed during the financial year.

##### National: Integrated National Electrification Programme Grant

##### Capital:

|                                         |              |              |
|-----------------------------------------|--------------|--------------|
| Opening balance                         | -            | -            |
| Receipts                                | 11 000 000   | 17 061 000   |
| Conditions met - Transferred to revenue | (11 000 000) | (17 061 000) |
|                                         | -            | -            |

The Integrated National Electrification Programme Grant is given to municipalities to implement the Integrated National Electrification Programme (INEP) by providing capital subsidies to municipalities to address the electrification backlog of all existing and planned residential dwellings (including upgrade of informal settlements, new, and normalisation), and the installation of relevant bulk infrastructure.

Other than the amounts unspent, the conditions of the grants have been met. No funds were delayed during the financial year.

# Mossel Bay Municipality

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#### 23. Unspent conditional grants and receipts (continued)

##### National: Expanded Public Works Programme Grant

###### Operational:

|                                         |                |             |
|-----------------------------------------|----------------|-------------|
| Opening balance                         | -              | -           |
| Receipts                                | 2 901 959      | 1 935 000   |
| Conditions met - Transferred to revenue | (2 606 553)    | (1 935 000) |
|                                         | <b>295 406</b> | <b>-</b>    |

###### Capital:

|                                         |             |          |
|-----------------------------------------|-------------|----------|
| Receipts                                | 1 431 041   | -        |
| Conditions met - Transferred to revenue | (1 431 041) | -        |
|                                         | <b>-</b>    | <b>-</b> |

The Expanded Public Works Programme Grant is incentive funding given to municipalities to expand job creation efforts in specific focus areas, where labour intensive delivery methods can be maximised.

During the financial year the municipality received communication from National Government informing the municipality of the intention to withhold the 2nd tranche payment of EPWP funding in terms of section 17(1)(a) of the 2023 DORA. The municipality immediately responded and the funds were paid to the municipality in the same month.

##### Provincial: Integrated Housing & Human Settlement and Development Grant

###### Operational:

|                                         |                  |                  |
|-----------------------------------------|------------------|------------------|
| Opening balance                         | 5 607 311        | 1 483 413        |
| Receipts                                | 12 849 869       | 14 384 055       |
| Conditions met - Transferred to revenue | (17 037 264)     | (6 327 412)      |
| Re-payment of unspent grant             | (5 956)          | (3 932 744)      |
|                                         | <b>1 413 960</b> | <b>5 607 312</b> |

# Mossel Bay Municipality

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#### 23. Unspent conditional grants and receipts (continued)

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

Other than the amounts unspent, the conditions of the grants have been met. No funds were delayed during the financial year.

An amount of R 5 956 was repaid to the Department of Infrastructure after the application for Roll-over of grant funding was rejected. This amount was savings on the project for Land slip Botha Street in Great Brak River.

#### Provincial: Informal Settlements Upgrading Partnership Grant

##### Operational:

|                                         |           |   |
|-----------------------------------------|-----------|---|
| Opening balance                         | -         | - |
| Receipts                                | 898 657   | - |
| Conditions met - Transferred to revenue | (142 846) | - |

##### Capital:

|                                         |                |                  |
|-----------------------------------------|----------------|------------------|
| Opening balance                         | 4 854 546      | 5 771 938        |
| Receipts                                | 4 883 098      | 32 618 918       |
| Conditions met - Transferred to revenue | (9 764 040)    | (33 536 310)     |
|                                         | <b>729 415</b> | <b>4 854 546</b> |

This grant is given to municipalities to provide funding to facilitate a programmatic and inclusive approach to upgrading informal settlements.

Other than the amounts unspent, the conditions of the grants have been met. No funds were delayed during the financial year.

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#### 23. Unspent conditional grants and receipts (continued)

##### Provincial: Community Development Workers Grant

##### Operational:

|                                         |          |               |
|-----------------------------------------|----------|---------------|
| Opening balance                         | 42 973   | 197 105       |
| Receipts                                | 57 000   | 63 992        |
| Conditions met - Transferred to revenue | (99 973) | (78 020)      |
| Re-payment of unspent grant             | -        | (140 104)     |
|                                         | <b>-</b> | <b>42 973</b> |

This grant is given to provide financial assistance to municipalities to cover the operational costs pertaining to the functions of the community development workers programme.

Other than the amounts unspent, the conditions of the grants have been met. No funds were delayed during the financial year.

##### Provincial: WC Financial Management Capability Grant

##### Operational:

|                                         |           |                |
|-----------------------------------------|-----------|----------------|
| Opening balance                         | 213 949   | -              |
| Receipts                                | 150 000   | 307 084        |
| Conditions met - Transferred to revenue | (150 000) | (93 135)       |
| Re-payment of unspent grant             | (213 949) | -              |
|                                         | <b>-</b>  | <b>213 949</b> |

The Financial Management Capability Grant is given to municipalities to support municipalities to improve their financial management capabilities. The outcome of this grant is effective local governance, efficient infrastructure investment, strategic Supply Chain Management and Integrated Provincial Governance.

Other than the amounts unspent, the conditions of the grants have been met. No funds were delayed during the financial year.

An amount of R 213 949 was repaid to the Provincial Treasury after the application for Roll-over of grant funding was rejected due to lack of evidence that the funds were prior committed.

##### Provincial: Financial Management Capacity Building Grant

##### Operational:

|                                         |           |                |
|-----------------------------------------|-----------|----------------|
| Opening balance                         | 143 953   | 236 672        |
| Receipts                                | -         | 15 131         |
| Conditions met - Transferred to revenue | -         | (107 850)      |
| Re-payment of unspent grant             | (143 953) | -              |
|                                         | <b>-</b>  | <b>143 953</b> |

The Financial Management Capacity Building Grant is given to municipalities to develop financial human capacity within municipal areas to enable a sustainable local financial skills pipeline that is responsive to municipalities' requirements to enable sound and sustainable financial management and good financial governance.

Other than the amounts unspent, the conditions of the grants have been met. No funds were delayed during the financial year.

An amount of R 143 953 was repaid to the Provincial Treasury after the application for Roll-over of grant funding was rejected. These were funds that was previously approved for roll-over and not spent in the 22/23 year.



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#### 23. Unspent conditional grants and receipts (continued)

##### Provincial: Community Library Services Grant

##### Operational:

|                                         |             |             |
|-----------------------------------------|-------------|-------------|
| Opening balance                         | 69 027      | 303 807     |
| Receipts                                | 9 036 522   | 8 751 905   |
| Conditions met - Transferred to revenue | (9 036 522) | (8 986 685) |
| Re-payment of unspent grant             | (69 027)    | -           |

##### Capital:

|                                         |          |          |
|-----------------------------------------|----------|----------|
| Opening balance                         | 26 178   | 80 885   |
| Receipts                                | -        | 4 700    |
| Conditions met - Transferred to revenue | -        | (59 407) |
| Re-payment of unspent grant             | (26 178) | -        |

**- 95 205**

This grant is given to municipalities to transform urban and rural public library infrastructure, facilities and services (primarily targeting previously disadvantaged communities) through a recapitalised programme at provincial level in support of local government and national initiatives.

Other than the amounts unspent, the conditions of the grants have been met. No funds were delayed during the financial year.

An amount of R 95 205 was repaid to the Department of Cultural Affairs and Sport as all relevant projects were completed and the savings were returned to Province.

##### Provincial: Financial assistance to Municipality for Maintenance & Construction of Transport Infrastructure Grant

##### Operational:

|                                         |             |           |
|-----------------------------------------|-------------|-----------|
| Opening balance                         | -           | 10 523    |
| Receipts                                | 6 076 389   | 341 335   |
| Conditions met - Transferred to revenue | (6 076 389) | (341 335) |
| Re-payment of unspent grant             | -           | (10 523)  |

**- -**

This grant is given to financially assist / subsidise municipalities with the maintenance / construction of proclaimed municipal main roads, where the municipality is the Road Authority (Section 50 of Ordinance 19 of 1976).

Other than the amounts unspent, the conditions of the grants have been met. No funds were delayed during the financial year.

##### Provincial: Municipal Fire Service Capacity Building Grant:

##### Capital:

|                                         |           |         |
|-----------------------------------------|-----------|---------|
| Opening balance                         | 879 246   | -       |
| Receipts                                | -         | 879 246 |
| Conditions met - Transferred to revenue | (879 246) | -       |

**- 879 246**

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

Other than the amounts unspent, the conditions of the grants have been met. No funds were delayed during the financial year.

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#### 23. Unspent conditional grants and receipts (continued)

##### Provincial: Development of Sport & Recreation Facilities Grant

###### Capital:

|                                         |                |           |
|-----------------------------------------|----------------|-----------|
| Opening balance                         | -              | 311 725   |
| Receipts                                | 204 782        | -         |
| Conditions met - Transferred to revenue | (100 191)      | (311 725) |
|                                         | <b>104 591</b> | <b>-</b>  |

This grant is given to municipalities for the provision of sport and recreation facilities in especially previous disadvantaged communities.

Other than the amounts unspent, the conditions of the grants have been met. No funds were delayed during the financial year.

##### Provincial: Municipal Service Delivery & Capacity Building Grant

###### Operational:

|                                         |          |          |
|-----------------------------------------|----------|----------|
| Opening balance                         | 106 065  | -        |
| Receipts                                | 8 057    | 148 442  |
| Conditions met - Transferred to revenue | (11 511) | (42 377) |

###### Capital:

|                                         |                |                |
|-----------------------------------------|----------------|----------------|
| Opening balance                         | 26 089         | 6 323          |
| Receipts                                | 2 036          | 158 396        |
| Conditions met - Transferred to revenue | (5 190)        | (138 630)      |
| Re-payment of unspent grant             | (1 243)        | -              |
|                                         | <b>124 303</b> | <b>132 154</b> |

The Municipal Service Delivery and Capacity Building Grant is given to municipalities to provide financial assistance to municipalities to improve infrastructure, systems, structures, corporate governance and service delivery.

The project for Laptops/desktops and software programmes for the embroidery machines was completed during the prior year and the conditions met. The remaining balance of R 1243 have thus been paid back to the Provincial Department during the current year under review.

Other than the amounts unspent, the conditions of the grants have been met. No funds were delayed during the financial year.

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#### 23. Unspent conditional grants and receipts (continued)

##### Provincial: Regional Socio-economic programme (RSEP) Grant

###### Capital:

|                                         |           |               |
|-----------------------------------------|-----------|---------------|
| Opening balance                         | 33 363    | -             |
| Receipts                                | 700 000   | 1 080 000     |
| Conditions met - Transferred to revenue | (733 363) | (1 046 637)   |
|                                         | <b>-</b>  | <b>33 363</b> |

This grant is to implement and enhance programmes to interact with stakeholders and empower communities to partner with government in implementing socio-economic and urban upgrading programmes.

Other than the amounts unspent, the conditions of the grants have been met. No funds were delayed during the financial year.

##### Provincial: Municipal Accreditation & Capacity Building Grant

###### Operational:

|                                         |               |                 |
|-----------------------------------------|---------------|-----------------|
| Opening balance                         | (62 961)      | (65 017)        |
| Receipts                                | 255 064       | 256 000         |
| Conditions met - Transferred to revenue | (163 054)     | (253 944)       |
|                                         | <b>29 049</b> | <b>(62 961)</b> |

This grant is to contribute to capacity building efforts by funding the monthly salaries of Capacity Building Clerks who are responsible for educating housing scheme beneficiaries and promoting different housing subsidy schemes that are available to communities.

Other than the amounts unspent, the conditions of the grants have been met. No funds were delayed during the financial year.

##### Provincial: DEDAT SMME Booster Fund

###### Capital:

|                                         |           |                |
|-----------------------------------------|-----------|----------------|
| Opening balance                         | 348 828   | 2 343 804      |
| Receipts                                | -         | 84 175         |
| Conditions met - Transferred to revenue | -         | (2 079 151)    |
| Re-payment of unspent grant             | (348 828) | -              |
|                                         | <b>-</b>  | <b>348 828</b> |

This grant is provided in assistance to SMMEs and specifically a contribution towards the Mayixhale Business Hub and Wolwedans Business Space.

Other than the amounts unspent, the conditions of the grants have been met. No funds were delayed during the financial year.

An amount of R 348 828 was repaid to the Provincial Treasury after the application for Roll-over of grant funding was rejected. These were funds that was previously approved for roll-over and not spent in the 22/23 year.

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#### 23. Unspent conditional grants and receipts (continued)

##### Provincial: Municipal Electrical Master Plan Grant

###### Operational:

|                                         |          |               |
|-----------------------------------------|----------|---------------|
| Opening balance                         | 16 604   | 226 208       |
| Receipts                                | -        | 3 345         |
| Conditions met - Transferred to revenue | -        | (212 949)     |
| Re-payment of unspent grant             | (16 604) | -             |
|                                         | <b>-</b> | <b>16 604</b> |

This grant is a contribution to ensure effective functioning of municipal electrical infrastructure and to maximise the provision of basic electricity to citizens.

The project for Compilation of Electrical Master plan was completed during the prior year and the conditions met. The remaining balance of R 16 604 have thus been paid back to the Provincial Department during the current year under review.

Other than the amounts unspent, the conditions of the grants have been met. No funds were delayed during the financial year.

##### Provincial: Establishment and Support of a K9 Unit Grant

###### Operational:

|                                         |           |           |
|-----------------------------------------|-----------|-----------|
| Opening balance                         | 633 623   | -         |
| Receipts                                | 965 301   | 909 710   |
| Conditions met - Transferred to revenue | (486 081) | (276 087) |
| Re-payment of unspent grant             | (633 623) | -         |

###### Capital:

|                                         |                |                |
|-----------------------------------------|----------------|----------------|
| Opening balance                         | 240 219        | -              |
| Receipts                                | 2 589 416      | 2 212 869      |
| Conditions met - Transferred to revenue | (2 343 265)    | (1 972 650)    |
| Re-payment of unspent grant             | (266 219)      | -              |
|                                         | <b>699 371</b> | <b>873 842</b> |

This grant is provided for resource funding in support of established K9 unit.

Other than the amounts unspent, the conditions of the grants have been met. No funds were delayed during the financial year.

An amount of R 899 842 was repaid to the Provincial Treasury after the application for Roll-over of grant funding was rejected. These were funds that could not be spent in the 22/23 year and could not be motivated to be rolled forward.

##### Provincial: Title-Deeds Restoration Grant

###### Operational:

|                                         |                  |                  |
|-----------------------------------------|------------------|------------------|
| Opening balance                         | 3 882 908        | -                |
| Receipts                                | 309 512          | 4 012 861        |
| Conditions met - Transferred to revenue | (264 128)        | (129 953)        |
|                                         | <b>3 928 292</b> | <b>3 882 908</b> |

This grant is provided for the eradication of the title-deeds registration backlog and professional fees associated with it, including beneficiary verification.

Other than the amounts unspent, the conditions of the grants have been met. No funds were delayed during the financial year.

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#### 23. Unspent conditional grants and receipts (continued)

##### Provincial: WC Municipal Interventions Grant

##### Capital:

|                                         |   |           |
|-----------------------------------------|---|-----------|
| Receipts                                | - | 250 000   |
| Conditions met - Transferred to revenue | - | (250 000) |
|                                         | - | -         |

This grant is provided in assistance to Municipalities to improve infrastructure, systems, structures, corporate governance, service delivery and compliance with executive obligations. The grant for 2022/23 financial year was specifically used for provision of safety area High Mast lighting for KwaNonqaba area in Mossel Bay.

Other than the amounts unspent, the conditions of the grants have been met. No funds were delayed during the financial year.

##### Provincial: Emergency Municipal Load Shedding Relief Grant

##### Capital:

|                                         |             |                  |
|-----------------------------------------|-------------|------------------|
| Opening balance                         | 5 128 669   | -                |
| Receipts                                | -           | 5 128 669        |
| Conditions met - Transferred to revenue | (5 128 669) | -                |
|                                         | -           | <b>5 128 669</b> |

This grant is provided for implementation of emergency measure to mitigate the impact of load-shedding on municipal services, businesses and the economy. The grant for 2022/23 financial year will be used for purchasing of standby generators for critical water pumpstations in Mossel Bay area.

Other than the amounts unspent, the conditions of the grants have been met. No funds were delayed during the financial year.

##### District: Community Safety

##### Capital:

|                                         |                |                |
|-----------------------------------------|----------------|----------------|
| Opening balance                         | 592 917        | 1 403 525      |
| Receipts                                | 264 028        | 84 057         |
| Conditions met - Transferred to revenue | (422 211)      | (894 665)      |
|                                         | <b>434 734</b> | <b>592 917</b> |

The amounts transferred to Mossel Bay Municipality in the current and previous financial years was from the Garden Route District Municipality to be used for Community safety initiatives in Mossel Bay.

##### Public Contributions and Other Receipts

##### Operational:

|                                         |         |           |
|-----------------------------------------|---------|-----------|
| Opening balance                         | 23 900  | 17 577    |
| Receipts                                | 215 783 | 273 443   |
| Conditions met - Transferred to revenue | -       | (267 120) |

##### Capital

|                                         |                   |                   |
|-----------------------------------------|-------------------|-------------------|
| Opening balance                         | 11 684 944        | 3 457 361         |
| Receipts                                | 2 642 744         | 8 227 584         |
| Conditions met - Transferred to revenue | (783 717)         | -                 |
|                                         | <b>13 783 654</b> | <b>11 708 845</b> |

Mossel Bay Municipality received various public contributions. The current year contributions include funds received for the Relief Charitable Fund as well as amounts for contributions to Capital projects as part of development contracts for Renosterbos, Hartland, Outeniquabosch and Rotary Village estates.

**Mossel Bay Municipality**  
**Annual Financial Statements for the year ended June 30, 2024**  
**Notes to the Annual Financial Statements**

| Figures in Rand              | 2024              | 2023              |
|------------------------------|-------------------|-------------------|
| <b>24. Consumer deposits</b> |                   |                   |
| Electricity                  | 23 990 592        | 21 924 843        |
| Water                        | 17 611 082        | 16 658 240        |
|                              | <b>41 601 674</b> | <b>38 583 083</b> |

No Guarantees are held in lieu of electricity and water. No interest accrues on consumer deposits.

**25. Payables from exchange transactions**

|                                 |                    |                    |
|---------------------------------|--------------------|--------------------|
| Trade payables                  | 165 632 746        | 155 745 750        |
| Payments received in advanced   | 50 389 903         | 38 167 953         |
| Accrued expenditure             | 182 968            | 157 339            |
| Retentions                      | 26 876 062         | 14 070 268         |
| Other payables                  | 1 081 288          | 1 070 301          |
| Other deposits                  | 8 671 833          | 10 550 597         |
| Auditor-General of South Africa | 3 859              | -                  |
|                                 | <b>252 838 659</b> | <b>219 762 208</b> |

The fair value of trade and other payables approximates their carrying amounts. Trade and other payables are normally settled on 30-day terms in accordance with the MFMA. No interest is charged for the first 30 days from the date of receipt of the invoice / statement. Thereafter interest is charged in accordance with the credit policies of the various individual creditors.

Increased retention funds due to new housing, roads and electricity infrastructure projects. Increased payments received in advance is on debtor accounts in anticipation of increased tariffs in the new financial year, apart from this a debtor tried to pay upfront for development charges in order to avoid the increase in tariffs. These development charges were not yet calculated and due at 30 June 2024.

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

# Mossel Bay Municipality

## Annual Financial Statements for the year ended June 30, 2024

### Notes to the Annual Financial Statements

| Figures in Rand | 2024 | 2023 |
|-----------------|------|------|
|-----------------|------|------|

#### 26. Non-current deposits

##### Santos Pavillion Repair Fund

|                              |                |                |
|------------------------------|----------------|----------------|
| Balance at beginning of year | 344 472        | 322 827        |
| Interest on investment       | 28 246         | 21 645         |
|                              | <b>372 718</b> | <b>344 472</b> |

This fund was created after the Pavilion burnt down a number of years ago. An entrepreneur restored the pavilion to its original form in exchange for a 93-year lease at a reasonable rent. It was also a condition that he should make available an amount of R100 000 to Council as an investment. Interest earned may be used by Council for the maintenance of the building, should he fail to do it himself.

#### 27. Self-insurance reserve

|                                                                 |                    |                    |
|-----------------------------------------------------------------|--------------------|--------------------|
| Balance at the beginning of the year                            | 173 440 082        | 172 103 209        |
| Contributions from Operating account and other contributions    | 1 959 685          | 1 461 590          |
| Funding Capital Projects                                        | (14 556 041)       | (124 717)          |
| Contribution from Self-insurance reserve to Accumulated surplus | (43 000 000)       | -                  |
|                                                                 | <b>117 843 726</b> | <b>173 440 082</b> |

The Self-insurance Reserve is fully funded and invested in financial instruments.

Decreased contribution to Self-insurance reserve in accordance with Liquidity requirement calculation.

#### 28. Capital replacement reserve

|                                                              |                    |                    |
|--------------------------------------------------------------|--------------------|--------------------|
| Balance at the beginning of the year                         | 224 989 068        | 161 869 514        |
| Contributions from Operating account and other contributions | 122 288 959        | 138 607 377        |
| External Services contribution                               | 29 419 232         | 31 964 932         |
| Land Sales contribution                                      | 6 116 862          | 21 643 646         |
| Funding Capital Projects                                     | (137 015 544)      | (129 096 401)      |
|                                                              | <b>245 798 577</b> | <b>224 989 068</b> |

The Capital Replacement Reserve is fully funded and invested in financial instruments.

All contributions to the Capital Replacement Reserve (CRR) is made in terms of Council approved Funding and Reserves Policy. An increase in development contributions and land sales was experienced during the financial year.

Decreased contribution to Capital Replacement reserve in accordance with Liquidity requirement calculation.

#### 29. Service charges

|                                 |                    |                    |
|---------------------------------|--------------------|--------------------|
| Sale of electricity             | 617 999 989        | 549 549 633        |
| Sale of water                   | 161 107 029        | 148 142 824        |
| Refuse removal                  | 90 105 202         | 83 497 150         |
| Sewerage and sanitation charges | 87 168 343         | 79 243 301         |
|                                 | <b>956 380 563</b> | <b>860 432 908</b> |

The service charges revenue are in respect of services rendered to consumers and billed in terms of Council's approved tariffs. Reason for change from previous year is due to Council approved tariff increases and no loadshedding for the past 3 months.

These service charges revenues are the net amounts after taking into account revenue foregone of R137 801 863 (2023: R128 087 086). The reason for the change from previous year is due to Council approved policy changes in regards to Indigent assistance.

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

# Mossel Bay Municipality

## Annual Financial Statements for the year ended June 30, 2024

### Notes to the Annual Financial Statements

| Figures in Rand | 2024 | 2023 |
|-----------------|------|------|
|-----------------|------|------|

#### 30. Rent of facilities and equipment

|                          |                   |                   |
|--------------------------|-------------------|-------------------|
| Premises                 | 11 825 409        | 12 038 556        |
| Facilities and equipment | 802 867           | 656 395           |
|                          | <b>12 628 276</b> | <b>12 694 951</b> |

Included in above Rental revenue - Premises is the rent billed for renting out of the Point and Santos / De Bakke Caravan Parks.

#### 31. Interest received - external investments

|                         |                   |                   |
|-------------------------|-------------------|-------------------|
| <b>Interest revenue</b> |                   |                   |
| Current bank account    | 3 706 024         | 3 035 083         |
| Long-term investments   | 13 276 967        | 10 806 247        |
| Short-term investments  | 49 232 732        | 41 244 339        |
|                         | <b>66 215 723</b> | <b>55 085 669</b> |

Increased investment interest due to better yields on investments.

#### 32. Other income

|                             |                   |                   |
|-----------------------------|-------------------|-------------------|
| Building Plan Approval Fees | 12 314 133        | 14 379 933        |
| Collection charges          | 3 285 076         | 3 138 778         |
| Development charges         | 29 419 232        | 31 964 932        |
| Land usage fees             | 3 339 786         | 2 987 782         |
| Other                       | 5 276 532         | 6 019 495         |
| Sale of Redundant inventory | 2 444 593         | 253 269           |
|                             | <b>56 079 352</b> | <b>58 744 189</b> |

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

Reason for movement in Sale of redundant inventory is due to inventory sold on auction during current financial year. No audition was held the previous year.

#### 33. Availability charges

|                                 |                   |                   |
|---------------------------------|-------------------|-------------------|
| Sale of Electricity             | 12 694 112        | 11 101 900        |
| Sale of Water                   | 6 766 292         | 7 281 862         |
| Sewerage and Sanitation charges | 6 775 106         | 5 970 264         |
|                                 | <b>26 235 510</b> | <b>24 354 026</b> |



# Mossel Bay Municipality

## Annual Financial Statements for the year ended June 30, 2024

### Notes to the Annual Financial Statements

| Figures in Rand                          | 2024               | 2023               |
|------------------------------------------|--------------------|--------------------|
| <b>34. Property rates</b>                |                    |                    |
| <b>Rates received</b>                    |                    |                    |
| Agricultural                             | 3 339 647          | 3 005 390          |
| Assessment Rate: Letting                 | 1 256              | 1 294              |
| Business and commercial                  | 30 531 787         | 26 098 532         |
| Industrial properties                    | 9 327 466          | 8 541 995          |
| Public benefit organisations             | 240 069            | 212 504            |
| Public service infrastructure properties | 304 296            | 274 166            |
| Residential properties                   | 180 951 861        | 156 416 649        |
| Residential properties - vacant land     | 12 435 683         | 11 980 117         |
| Special rated area - CID                 | 698 822            | 707 095            |
| State-owned properties                   | 545 592            | 484 707            |
| Less: Income forgone                     | (19 749 120)       | (15 599 220)       |
|                                          | <b>218 627 359</b> | <b>192 123 229</b> |

The reason for change from previous year is due to Council approved tariff increases and the interim valuations based on approved building plans.

#### Valuations

|                                             |                       |                       |
|---------------------------------------------|-----------------------|-----------------------|
| Business and commercial                     | 3 874 056 000         | 3 837 296 000         |
| Agricultural / Farming                      | 3 671 328 000         | 3 670 563 000         |
| Industrial properties                       | 1 287 976 000         | 1 302 996 000         |
| Mining properties                           | 3 451 000             | 3 451 000             |
| Municipal properties                        | 859 160 000           | 881 186 000           |
| National monuments                          | 35 619 000            | 35 619 000            |
| Public benefit organisations                | 264 102 000           | 264 102 000           |
| Place of worship - Church                   | 328 743 000           | 328 638 000           |
| Place of worship - Parsonage                | 26 990 000            | 26 990 000            |
| Protected areas                             | 29 756 000            | 29 756 000            |
| Less: Income forgone                        | 455 250 000           | 455 250 000           |
| Public service infrastructure impermissible | 22 972 000            | 22 968 000            |
| State-owned properties                      | 600 399 000           | 600 024 000           |
| Residential properties                      | 51 081 101 000        | 49 575 561 000        |
| Vacant - Business                           | 225 689 000           | 196 294 000           |
| Vacant - Industrial                         | 71 010 000            | 67 390 000            |
| Vacant - Residential                        | 2 625 784 000         | 2 739 368 000         |
|                                             | <b>65 463 386 000</b> | <b>64 037 452 000</b> |

The valuation of properties takes place every five years in terms of the Municipal Property Rates Act, No.6 of 2004. The last General Valuation Date was 1 July 2021, and was implemented 1 July 2022. Generally there are 2 Supplementary Valuation Rolls per year. The basic rate for land and buildings range between R0.000819 and R0.007860 respectively. Qualifying pensioners receive an additional rebate of either 50% or 30% on property rates depending on their monthly income. The first R15 000 valuation on all residential properties are impermissible. A rebate is allowed on the valuation of residential properties up to R110 000 valuation. With regards to indigent households, where the joint income of the household amount to less than four times or two times the monthly government old age pension or where the valuation of the property is less than R125 000, a rebate is allowed on the valuation up to R125 000 of the property's valuation plus 100% rebate for Level 1 Indigent Households and Households housing a person with a disability or 50% rebate for Level 2 Indigent Household.

# Mossel Bay Municipality

## Annual Financial Statements for the year ended June 30, 2024

### Notes to the Annual Financial Statements

| Figures in Rand | 2024 | 2023 |
|-----------------|------|------|
|-----------------|------|------|

#### 35. Government grants and subsidies recognised

##### Operating grants

|                                                                                                                              |                    |                    |
|------------------------------------------------------------------------------------------------------------------------------|--------------------|--------------------|
| National Government: Equitable share                                                                                         | 130 634 000        | 119 020 001        |
| National Government: LG Financial Management Grant                                                                           | 1 566 000          | 1 549 999          |
| National Government: Expanded Public Works Programme                                                                         | 2 606 553          | 1 935 000          |
| Provincial Government: Integrated Housing & Human Settlement Development and Development                                     | 17 037 264         | 6 327 412          |
| Provincial Government: Informal Settlements Upgrading Partnership Grant                                                      | 142 846            | -                  |
| Provincial Government: Community Library Services Grant                                                                      | 9 036 521          | 8 986 685          |
| Provincial Government: Title-Deeds Restoration Grant                                                                         | 264 128            | 129 953            |
| Provincial Government: Financial Management Capacity Building Grant                                                          | -                  | 107 850            |
| Provincial Government: Community Development Workers Grant                                                                   | 99 973             | 78 020             |
| Provincial Government: WC Financial Management Capability Grant                                                              | 150 000            | 93 135             |
| Provincial Government: Financial assistance to Municipality for Maintenance & Construction of Transport Infrastructure Grant | 6 076 389          | 341 335            |
| Provincial Government: Municipal Accreditation and Capacity Building Grant                                                   | 163 054            | 253 944            |
| Provincial Government: Municipal Electrical Master Plan Grant                                                                | -                  | 212 949            |
| Provincial Government: Municipal Service Delivery and Capacity Building Grant                                                | 11 511             | 42 377             |
| Provincial Government: Establishment and Support of A K9 Unit Grant                                                          | 486 081            | 276 087            |
|                                                                                                                              | <b>168 274 320</b> | <b>139 354 747</b> |

##### Capital grants

|                                                                               |                   |                   |
|-------------------------------------------------------------------------------|-------------------|-------------------|
| National Government: Municipal Infrastructure Grant                           | 26 219 000        | 27 046 000        |
| National Government: Integrated National Electrification Programme            | 11 000 000        | 17 061 000        |
| National Government: Expanded Public Works Programme                          | 1 431 041         | -                 |
| Provincial Government: Informal Settlements Upgrading Partnership Grant       | 9 764 040         | 33 536 310        |
| Provincial Government: Regional Socio-economic programme (RSEP)               | 733 362           | 1 046 637         |
| Provincial Government: Community Library Services Grant                       | -                 | 59 407            |
| Provincial Government: Municipal Fire Service Capacity Building Grant         | 879 246           | -                 |
| Provincial Government: Development of Sport and Recreation Facilities Grant   | 100 191           | 311 725           |
| Provincial Government: Municipal Service Delivery and Capacity Building Grant | 5 190             | 138 630           |
| Provincial Government: DEDAT SMME Booster Fund                                | -                 | 2 079 151         |
| Provincial Government: Establishment and Support of a K9 Unit                 | 2 343 265         | 1 972 650         |
| Provincial Government: Emergency Municipal Loadshedding Relief                | 5 128 669         | -                 |
| Provincial Government: Municipal Interventions Grant                          | -                 | 250 000           |
| District Municipality: Community Safety                                       | 422 211           | 894 664           |
|                                                                               | <b>58 026 215</b> | <b>84 396 174</b> |

|                                           |                    |                    |
|-------------------------------------------|--------------------|--------------------|
| <b>Total Operating and Capital grants</b> | <b>226 300 535</b> | <b>223 750 921</b> |
|-------------------------------------------|--------------------|--------------------|

Refer to Note 49 for more detail on the prior period correction on the Community Library Services Grant.

#### Government Grants and Subsidies spent per vote

|                                         |                    |                    |
|-----------------------------------------|--------------------|--------------------|
| Municipal Manager and Executive Council | 9 714 937          | 6 473 000          |
| Corporate Services                      | 1 461 550          | 279 005            |
| Financial Services                      | 1 566 000          | 1 550 000          |
| Infrastructure Services                 | 134 183 349        | 130 742 568        |
| Community Services                      | 39 365 027         | 38 889 981         |
| Planning and Economic Development       | 36 953 394         | 43 924 265         |
| Community Safety                        | 4 130 803          | 3 143 402          |
|                                         | <b>227 375 060</b> | <b>225 002 221</b> |

# Mossel Bay Municipality

## Annual Financial Statements for the year ended June 30, 2024

### Notes to the Annual Financial Statements

| Figures in Rand | 2024 | 2023 |
|-----------------|------|------|
|-----------------|------|------|

#### 35. Government grants and subsidies recognised (continued)

Included in the above summary of Grants and subsidies spent per Vote are Construction contract revenue as these are all Housing Topstructure projects for which the Municipality received a Grant from Provincial Government. Refer to note 4 for total construction contract revenue amount of R1 074 523 (2023: R 1 251 298) included.

#### 36. Public contributions and donations

|                     |                   |                  |
|---------------------|-------------------|------------------|
| Donated assets      | 80 345 050        | 3 098 848        |
| Public corporations | 4 273 431         | 1 812 276        |
|                     | <b>84 618 481</b> | <b>4 911 124</b> |

##### Donated Assets:

During the 2023/2024 year the municipality recognised the following donated assets:

- Electrical infrastructure at Zandhoogte Estate to the value of R975 715,
- Water supply line, connection and water meter at Diaz Museum to the value of R498 576,
- Donated vehicles for the K9 unit from Province to the value of R360 000, and
- Donated assets from the Mountain view housing development project to the value of R78m.

During the 2022/2023 year the municipality recognised donated Electricity infrastructure to the amount of R2 508 112 which was received from various developers and includes donated street lights, minisubs and reticulation assets. The Municipality also recognised donated ICT equipment received at our libraries to the amount of R352 432. These are the biggest portion of the donated assets recognised above.

##### Public corporations amount includes:

- An amount of R1 594 151 recognised for PetroSA portion of contribution towards the Desalination plant.

#### 37. Fines, Penalties and Forfeits

|                                     |                   |                   |
|-------------------------------------|-------------------|-------------------|
| Traffic fines                       | 18 738 150        | 22 602 880        |
| Tender withdrawal penalties         | -                 | 180 000           |
| Illegal connection fines            | 838 060           | 1 738 254         |
| Forfeits                            | 3 931 137         | 1 538 031         |
| Other fines, penalties and forfeits | 375 890           | 176 139           |
|                                     | <b>23 883 237</b> | <b>26 235 304</b> |

Other fines, penalties and forfeits includes Pound fees, Library penalties and fines for Councillors.

Reason for movement in Forfeits is that all forfeits are performed in terms of Council policies and was a focus area for the financial year under review.

Refer to Note 51 for detail regarding the change in accounting estimates relating to change in estimate regarding iGRAP20 reduction of traffic fines.

# Mossel Bay Municipality

## Annual Financial Statements for the year ended June 30, 2024

### Notes to the Annual Financial Statements

| Figures in Rand                                                                     | 2024               | 2023               |
|-------------------------------------------------------------------------------------|--------------------|--------------------|
| <b>38. Employee related costs</b>                                                   |                    |                    |
| Basic salaries and wages                                                            | 253 597 035        | 230 925 034        |
| Annual bonuses                                                                      | 20 952 415         | 17 374 300         |
| Social contributions - Medical aid                                                  | 19 078 671         | 17 797 957         |
| Social contributions - Pension fund                                                 | 43 847 761         | 40 000 757         |
| Social contributions - UIF                                                          | 2 003 584          | 1 876 091          |
| Other social contributions - Industrial council and Group life insurance            | 7 143 854          | 6 534 536          |
| Allowances - Acting                                                                 | 1 738 900          | 1 997 413          |
| Allowances - Housing benefits                                                       | 1 390 854          | 1 208 317          |
| Allowances - Overtime payments                                                      | 20 081 077         | 18 861 328         |
| Allowances - Standby                                                                | 6 603 735          | 5 655 260          |
| Allowances - Travel or motor vehicle usage                                          | 7 842 304          | 7 159 150          |
| Allowances - Other                                                                  | 4 809 358          | 4 322 585          |
| Post-retirement benefit contributions - Healthcare                                  | 21 947 444         | 18 692 797         |
| Post-retirement benefit contributions - Long service awards                         | 3 848 334          | 3 821 699          |
| Post-retirement benefit contributions - Pension                                     | 91 077             | 84 000             |
| Post-retirement benefits - Actuarial losses / (gains) on Employee Benefit Provision | (13 284 902)       | (4 092 727)        |
| Contribution to leave gratuity provision                                            | 2 321 143          | 1 604 388          |
| Less: Employee costs capitalised to PPE/Inventory                                   | (15 888 860)       | (14 133 976)       |
| <b>Total employee related costs excluding key management positions</b>              | <b>388 123 784</b> | <b>359 688 909</b> |

The remuneration of key management positions consists of the following:

#### Municipal Manager

|                                                 |                  |                  |
|-------------------------------------------------|------------------|------------------|
| Annual remuneration                             | 1 022 891        | 1 333 488        |
| Performance bonuses                             | 120 196          | 263 130          |
| Contributions to UIF, Medical and Pension Funds | 220 866          | 270 680          |
| Car allowance                                   | 102 000          | 102 000          |
| Cellular or Telephone allowance                 | 37 206           | 36 000           |
| Industrial council                              | 137              | 130              |
|                                                 | <b>1 503 296</b> | <b>2 005 428</b> |

#### Chief Finance Officer

|                                                 |                  |                  |
|-------------------------------------------------|------------------|------------------|
| Annual remuneration                             | 1 207 344        | 1 204 917        |
| Performance bonuses                             | 190 185          | 186 751          |
| Contributions to UIF, Medical and Pension Funds | 99 321           | 97 566           |
| Car allowance                                   | 72 000           | 72 000           |
| Cellular or Telephone allowance                 | 37 206           | 36 000           |
| Industrial council                              | 137              | 130              |
|                                                 | <b>1 606 193</b> | <b>1 597 364</b> |

# Mossel Bay Municipality

## Annual Financial Statements for the year ended June 30, 2024

### Notes to the Annual Financial Statements

| Figures in Rand | 2024 | 2023 |
|-----------------|------|------|
|-----------------|------|------|

#### 38. Employee related costs (continued)

##### Remuneration of individual executive director positions:

##### Director Planning and Development

|                                                 |                  |                  |
|-------------------------------------------------|------------------|------------------|
| Annual Remuneration                             | 1 392 689        | 1 292 790        |
| Performance Bonuses                             | 151 334          | 141 368          |
| Contributions to UIF, Medical and Pension Funds | 315 914          | 296 175          |
| Car Allowance                                   | 108 000          | 108 000          |
| Cellular or Telephone allowance                 | 37 206           | 36 000           |
| Industrial council                              | 137              | 130              |
|                                                 | <b>2 005 280</b> | <b>1 874 463</b> |

##### Director Community Safety

|                                                 |                |              |
|-------------------------------------------------|----------------|--------------|
| Annual Remuneration                             | 512 007        | -            |
| Performance Bonuses                             | 93 241         | 1 179        |
| Contributions to UIF, Medical and Pension Funds | 113 920        | -            |
| Car Allowance                                   | 40 065         | -            |
| Cellular or Telephone allowance                 | 19 617         | -            |
| Group insurance                                 | 4 179          | -            |
| Industrial council                              | 80             | -            |
|                                                 | <b>783 109</b> | <b>1 179</b> |

##### Director Corporate Services

|                                                 |                  |                |
|-------------------------------------------------|------------------|----------------|
| Annual Remuneration                             | 1 241 211        | 691 446        |
| Performance Bonuses                             | 113 160          | 63 901         |
| Contributions to UIF, Medical and Pension Funds | 65 454           | 36 466         |
| Car Allowance                                   | 72 000           | 42 000         |
| Cellular or Telephone allowance                 | 36 371           | 19 067         |
| Industrial council                              | 137              | 76             |
|                                                 | <b>1 528 333</b> | <b>852 956</b> |

##### Director Technical Services

|                                                 |                  |                  |
|-------------------------------------------------|------------------|------------------|
| Annual Remuneration                             | 1 803 909        | 1 705 787        |
| Performance Bonuses                             | 186 101          | 176 566          |
| Contributions to UIF, Medical and Pension Funds | 320 897          | 304 565          |
| Car Allowance                                   | 102 000          | 102 000          |
| Cellular or Telephone allowance                 | 37 206           | 36 000           |
| Group insurance                                 | 7 164            | 7 164            |
| Industrial council                              | 137              | 130              |
|                                                 | <b>2 457 414</b> | <b>2 332 212</b> |

##### Director Community Services

|                                                 |                  |                  |
|-------------------------------------------------|------------------|------------------|
| Annual Remuneration                             | 1 167 221        | 1 166 754        |
| Performance Bonuses                             | 128 414          | 126 095          |
| Contributions to UIF, Medical and Pension Funds | 274 566          | 267 546          |
| Car Allowance                                   | 120 000          | 120 000          |
| Cellular or Telephone allowance                 | 37 206           | 36 000           |
| Industrial council                              | 137              | 130              |
|                                                 | <b>1 727 544</b> | <b>1 716 525</b> |

# Mossel Bay Municipality

## Annual Financial Statements for the year ended June 30, 2024

### Notes to the Annual Financial Statements

| Figures in Rand                                                                                                                                                                                                          | 2024               | 2023               |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|--------------------|
| <b>38. Employee related costs (continued)</b>                                                                                                                                                                            |                    |                    |
| <b>Total employee related costs</b>                                                                                                                                                                                      |                    |                    |
| Employee costs - municipal staff                                                                                                                                                                                         | 388 123 785        | 359 688 922        |
| Employee costs - senior managers & municipal manager                                                                                                                                                                     | 11 611 169         | 10 380 117         |
|                                                                                                                                                                                                                          | <b>399 734 954</b> | <b>370 069 039</b> |
| <b>39. Remuneration of councillors</b>                                                                                                                                                                                   |                    |                    |
| Executive Mayor                                                                                                                                                                                                          | 1 003 681          | 934 685            |
| Deputy Executive Mayor                                                                                                                                                                                                   | 812 867            | 757 349            |
| Mayoral Committee Members                                                                                                                                                                                                | 3 825 824          | 3 563 795          |
| Speaker                                                                                                                                                                                                                  | 812 867            | 757 349            |
| Councillors                                                                                                                                                                                                              | 7 668 744          | 7 123 124          |
| Councillors' Pension Contributions                                                                                                                                                                                       | 242 989            | 225 554            |
| Councillors' Medical Aid Contributions                                                                                                                                                                                   | 51 840             | 51 840             |
|                                                                                                                                                                                                                          | <b>14 418 812</b>  | <b>13 413 696</b>  |
| <b>In-kind benefits</b>                                                                                                                                                                                                  |                    |                    |
| The Executive Mayor, Deputy Executive Mayor, Speaker and Mayoral Committee Members are employed on a full-time basis. Each is provided with an office and administrative secretarial support at the cost of the Council. |                    |                    |
| The Mayor and the Deputy Mayor have access to council-owned vehicles for ceremonial and official functions.                                                                                                              |                    |                    |
| Full-time Councillors are equipped with computers.                                                                                                                                                                       |                    |                    |
| <b>40. Depreciation, amortisation and asset impairment</b>                                                                                                                                                               |                    |                    |
| <b>Depreciation</b>                                                                                                                                                                                                      |                    |                    |
| Property, plant and equipment                                                                                                                                                                                            | 146 867 424        | 137 983 111        |
| Investment property                                                                                                                                                                                                      | 1 162 734          | 1 129 657          |
| Living Resources                                                                                                                                                                                                         | 158 969            | 5 792              |
| <b>Amortisation</b>                                                                                                                                                                                                      |                    |                    |
| Intangible assets                                                                                                                                                                                                        | 82 473             | 84 432             |
| <b>Asset impairment</b>                                                                                                                                                                                                  |                    |                    |
| Impairments                                                                                                                                                                                                              | 2 225 796          | 92 317             |
| Reversal of impairments                                                                                                                                                                                                  | (9 410)            | (134 893)          |
|                                                                                                                                                                                                                          | <b>150 487 986</b> | <b>139 160 416</b> |

The depreciation charge for the year relating to the Water Treatment Plants is reallocated to water inventory consumed. Refer to notes 14 and 16 for reconciliations of all Depreciation for the year.

Refer to Note 14 for detail regarding asset impairments.

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

# Mossel Bay Municipality

## Annual Financial Statements for the year ended June 30, 2024

### Notes to the Annual Financial Statements

| Figures in Rand                                      | 2024              | 2023              |
|------------------------------------------------------|-------------------|-------------------|
| <b>41. Debt impairment and Bad Debts written off</b> |                   |                   |
| Debt impairment                                      | 56 878 841        | 11 938 682        |
| Reversal of debt impairment                          | (808 594)         | (51 301 981)      |
|                                                      | 56 070 247        | (39 363 299)      |
| Bad debts written off                                | 19 382 743        | 78 907 504        |
|                                                      | <b>75 452 990</b> | <b>39 544 205</b> |

Traffic fines written off is included in the total for Bad debts written off and amounted to R 11 564 550 as at 30 June 2024 (2023: R 8 325 900).

The increase in impairment of debtors is based on current outstanding debtor book and the latest payment percentages.

Bad debts written off to the amount of R78m during the previous financial year is mainly due to the write-off of irrecoverable indigent debtor accounts following a change in Council's policy on the criteria of indigent households.

#### 42. Finance costs

|                               |                   |                   |
|-------------------------------|-------------------|-------------------|
| Other financial liabilities   | 18 241 650        | 13 449 061        |
| Landfill Sites (Provisions)   | 7 783 616         | (468 292)         |
| Non-Current deposits / Grants | 616 443           | 612 185           |
|                               | <b>26 641 709</b> | <b>13 592 954</b> |

The negative amount reflected in the Landfill Site (Provisions) for the previous year is the result of a change in the provision that exceeded the carrying value of the assets. The increased amount of finance costs to the current year is due to amended licence dates for the three landfill sites currently in operation (Great Brak, Herbertsdale and Louis Fourie landfill sites).

#### 43. Bulk purchases

|                     |             |             |
|---------------------|-------------|-------------|
| Electricity - Eskom | 523 177 552 | 436 942 993 |
|---------------------|-------------|-------------|

Bulk purchases are the cost of commodities not generated by the Municipality, but which the Municipality distributes to consumers. The Municipality purchases electricity in bulk from Eskom and then redistributes it to consumers.

Movement between financial years due to Eskom increase in Bulk tariffs as well as due to no loadshedding for the last three months of the year purchases increased.

# Mossel Bay Municipality

## Annual Financial Statements for the year ended June 30, 2024

### Notes to the Annual Financial Statements

| Figures in Rand                              | 2024               | 2023               |
|----------------------------------------------|--------------------|--------------------|
| <b>44. Contracted services</b>               |                    |                    |
| <b>Consultants and Professional Services</b> |                    |                    |
| Business and Advisory                        | 1 721 989          | 1 332 740          |
| Infrastructure and Planning                  | 6 538 256          | 5 552 970          |
| Legal cost                                   | 5 023 683          | 13 420 956         |
| Other                                        | 112 857            | 123 602            |
| <b>Contractors</b>                           |                    |                    |
| Building                                     | 15 719 227         | 6 653 132          |
| Maintenance of buildings and facilities      | 7 429 912          | 6 677 111          |
| Maintenance of unspecified assets            | 51 449 998         | 38 872 024         |
| Safeguard and security                       | 10 950 851         | 9 150 583          |
| Tracing agents and debt collectors           | 4 808 405          | 5 477 743          |
| Transportation                               | 2 658 694          | 2 326 374          |
| Other                                        | 9 260 070          | 12 077 847         |
| <b>Outsourced Services</b>                   |                    |                    |
| Administrative and Support staff             | 3 225 966          | 3 588 335          |
| Business and Advisory                        | 3 370 163          | 3 717 538          |
| Cleaning services                            | 14 374 626         | 15 463 250         |
| Clearing and Grass cutting services          | 12 694 355         | 11 708 996         |
| Organic and building refuse removal          | 8 184 918          | 7 010 213          |
| Refuse removal                               | 10 374 412         | 10 390 888         |
| Removal of structures and illegal signs      | 4 088 478          | 3 212 980          |
| Swimming supervision                         | 2 184 655          | 2 816 257          |
| Other                                        | 7 259 848          | 7 653 250          |
|                                              | <b>181 431 363</b> | <b>167 226 789</b> |

It must be noted that based on materiality of the amount individual classification might differ year on year.

Consultants - Legal Cost: The decrease from previous year is due to settlement cost of legal cases in the previous year.

Contractors - Building: All Housing Topstructure expenditure is indicated under this item. The expenditure per year will vary depending on the amount of Grants and expenditure thereof in the specific year.

Contractors - Maintenance of Unspecified assets: The Municipality received grant funding for specific Transport assets maintenance in the current financial year to the amount of R6m.

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

#### 45. Transfers and subsidies paid

|                                  |                   |                   |
|----------------------------------|-------------------|-------------------|
| Bursary Scheme                   | 150 000           | 200 985           |
| Sport Council                    | 131 330           | 131 330           |
| SPCA                             | 1 253 384         | 1 253 384         |
| Subsidy: Benefit Discount Scheme | 25 844            | 111 978           |
| District Municipality            | -                 | 102 300           |
| Tourism                          | 6 249 600         | 6 358 924         |
| Public Protection and Safety     | 3 050 000         | 3 050 000         |
| Boggoms Bay Golf Club            | 20 100            | -                 |
| Other                            | 110 000           | 319 633           |
|                                  | <b>10 990 258</b> | <b>11 528 534</b> |



# Mossel Bay Municipality

## Annual Financial Statements for the year ended June 30, 2024

### Notes to the Annual Financial Statements

| Figures in Rand | 2024 | 2023 |
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|-----------------|------|------|

#### 45. Transfers and subsidies paid (continued)

##### Other Donations:

As at 30 June 2024 Other Donations were made in the financial year to the amount of R110 000 (2023: R319 633). This is made up by the following donations: R12 500 was donated to each of the following: iKhaya community development, ACVV, Zettie Jonker hulpsentrum, Marlin lifesaving club, Education and Training hub for Autism, Khaya Nkanyezi academy, Garden Route Boxing club academy, Nokuthula baby and disabled care center and Mossel Bay Community soup drive received R10 000).

#### 46. Inventory consumed

|                       |                    |                    |
|-----------------------|--------------------|--------------------|
| Consumables           | 24 544 678         | 23 286 226         |
| Material and supplies | 23 819 029         | 23 124 867         |
| Land                  | 1 094 827          | -                  |
| Water                 | 57 765 333         | 58 004 950         |
|                       | <b>107 223 867</b> | <b>104 416 043</b> |

Increase in Water inventory consumed is mainly due to the cost of sale per kilolitre decreased from R7.56 in 2023 to R7.51 in 2024.

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

#### 47. General expenses

|                                     |                   |                   |
|-------------------------------------|-------------------|-------------------|
| Advertising                         | 2 143 981         | 2 143 457         |
| Auditors remuneration               | 5 255 751         | 5 349 141         |
| Commission paid                     | 8 597 846         | 7 656 307         |
| Communication - Telephone & Postage | 2 866 295         | 3 361 426         |
| Dumping fees                        | 6 751 319         | 5 710 784         |
| External computer expenses          | 13 705 002        | 12 058 948        |
| Insurance                           | 7 034 682         | 4 775 232         |
| Lease rentals                       | 4 178 757         | 4 182 360         |
| Municipal expenses                  | 3 741 116         | 3 176 332         |
| Other expenses                      | 6 181 971         | 6 390 495         |
| Skills Development Fund Levy        | 3 343 304         | 3 041 305         |
| Subscriptions and membership fees   | 4 422 864         | 3 933 670         |
| Workmen's Compensation Fund         | 2 242 472         | 2 167 315         |
|                                     | <b>70 465 360</b> | <b>63 946 772</b> |

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

There was a major increase in insurance claims cost, mostly as result of storm damage to the coastal infrastructure.

# Mossel Bay Municipality

## Annual Financial Statements for the year ended June 30, 2024

### Notes to the Annual Financial Statements

| Figures in Rand                                                     | 2024               | 2023               |
|---------------------------------------------------------------------|--------------------|--------------------|
| <b>48. Cash generated from operations</b>                           |                    |                    |
| Surplus                                                             | 121 957 497        | 113 922 601        |
| <b>Adjustments for:</b>                                             |                    |                    |
| Depreciation and amortisation                                       | 148 271 581        | 139 202 989        |
| Depreciation and amortisation - Water Treatment Plants              | 1 017 425          | 531 472            |
| Gain and Loss on sale of assets and liabilities                     | 11 987 575         | 3 164 206          |
| Investment Income - external investments                            | (13 276 967)       | (10 806 247)       |
| Finance costs                                                       | 26 641 709         | 13 592 954         |
| Impairment of Assets / Reversal of impairment                       | 2 216 386          | (42 576)           |
| Debt impairment / Reversal of impairment                            | 56 070 247         | (39 363 298)       |
| Bad debts written off                                               | 19 382 743         | 78 907 504         |
| Movements in operating lease assets and accruals                    | (4 069 046)        | (3 967 526)        |
| Movements in retirement benefit assets and liabilities / Provisions | 17 746 495         | 13 204 189         |
| Movements in provisions                                             | 1 355 478          | 1 309 957          |
| Inventory land derecognition                                        | 1 094 827          | -                  |
| Donated Assets                                                      | (80 345 050)       | (3 098 849)        |
| Actuarial loss / (gain)                                             | (13 284 902)       | (4 092 727)        |
| <b>Changes in working capital:</b>                                  |                    |                    |
| Inventories                                                         | (16 964 360)       | (14 171 346)       |
| Receivables from exchange transactions                              | (65 966 841)       | (42 813 192)       |
| Other receivables from non-exchange transactions                    | (2 164 309)        | (11 803 753)       |
| Payables from exchange transactions                                 | 23 961 127         | 12 393 210         |
| VAT                                                                 | (10 579 888)       | (1 472 314)        |
| Unspent conditional grants and receipts                             | (10 829 171)       | 13 888 944         |
| Consumer deposits                                                   | 3 018 590          | 2 515 419          |
|                                                                     | <b>217 241 147</b> | <b>261 001 616</b> |

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

# Mossel Bay Municipality

## Annual Financial Statements for the year ended June 30, 2024

### Notes to the Annual Financial Statements

Figures in Rand

2024

2023

#### 49. Prior period errors and reclassifications

| STATEMENT OF FINANCIAL POSITION                | 2023<br>previously<br>reported | Reclassifi-<br>cations | Prior period<br>errors /<br>Change in<br>Accounting<br>policy | 2023 restated        |
|------------------------------------------------|--------------------------------|------------------------|---------------------------------------------------------------|----------------------|
| <b>ASSETS</b>                                  |                                |                        |                                                               |                      |
| <b>Current Assets</b>                          |                                |                        |                                                               |                      |
| Inventories                                    | 26 394 524                     | -                      | -                                                             | 26 394 524           |
| Unpaid construction contract advances          | 7 160 319                      | -                      | -                                                             | 7 160 319            |
| Current portion of long-term receivables       | 287 813                        | -                      | -                                                             | 287 813              |
| Receivables from exchange transactions         | 149 389 820                    | -                      | (6 444 393)                                                   | 142 945 427          |
| Receivables from non-exchange transactions     | 23 635 253                     | -                      | -                                                             | 23 635 253           |
| VAT receivable                                 | 13 513 319                     | -                      | 984 540                                                       | 14 497 859           |
| Short term investments                         | 559 963 409                    | -                      | -                                                             | 559 963 409          |
| Cash and cash equivalents                      | 53 759 880                     | -                      | -                                                             | 53 759 880           |
|                                                | <b>834 104 337</b>             | <b>-</b>               | <b>(5 459 853)</b>                                            | <b>828 644 484</b>   |
| <b>Non-current Assets</b>                      |                                |                        |                                                               |                      |
| Property, plant and equipment                  | 2 539 635 186                  | -                      | 18 500 439                                                    | 2 558 135 625        |
| Investment property                            | 384 553 406                    | -                      | (2 516 622)                                                   | 382 036 784          |
| Intangible assets                              | 715 126                        | -                      | 126 423                                                       | 841 549              |
| Heritage assets                                | 4 223 599                      | -                      | -                                                             | 4 223 599            |
| Living resources                               | 345 721                        | -                      | -                                                             | 345 721              |
| Long term receivables                          | 21 637                         | -                      | -                                                             | 21 637               |
| Operating lease asset                          | 103 767 024                    | -                      | -                                                             | 103 767 024          |
| Investments                                    | 167 174 000                    | -                      | -                                                             | 167 174 000          |
|                                                | <b>3 200 435 699</b>           | <b>-</b>               | <b>16 110 240</b>                                             | <b>3 216 545 939</b> |
| <b>TOTAL ASSETS</b>                            | <b>4 034 540 036</b>           | <b>-</b>               | <b>10 650 387</b>                                             | <b>4 045 190 423</b> |
| <b>LIABILITIES</b>                             |                                |                        |                                                               |                      |
| <b>Current Liabilities</b>                     |                                |                        |                                                               |                      |
| Current portion of Other financial liabilities | 19 900 439                     | -                      | -                                                             | 19 900 439           |
| Current Employee benefit obligations           | 45 095 499                     | -                      | -                                                             | 45 095 499           |
| Current Provisions                             | 1 173 203                      | -                      | 5 100 913                                                     | 6 274 116            |
| Unspent conditional grants and receipts        | 34 492 352                     | -                      | -                                                             | 34 492 352           |
| Consumer deposits                              | 38 583 083                     | -                      | -                                                             | 38 583 083           |
| Payables from exchange transactions            | 219 015 282                    | -                      | 746 917                                                       | 219 762 199          |
|                                                | <b>358 259 858</b>             | <b>-</b>               | <b>5 847 830</b>                                              | <b>364 107 688</b>   |
| <b>Non-current Liabilities</b>                 |                                |                        |                                                               |                      |
| Other financial liabilities                    | 153 605 926                    | -                      | -                                                             | 153 605 926          |
| Operating lease liability                      | 661 023                        | -                      | -                                                             | 661 023              |
| Employee benefits                              | 147 872 058                    | -                      | -                                                             | 147 872 058          |
| Provisions                                     | 149 148 313                    | -                      | -                                                             | 149 148 313          |
| Non-current deposits                           | 344 472                        | -                      | -                                                             | 344 472              |
|                                                | <b>451 631 792</b>             | <b>-</b>               | <b>-</b>                                                      | <b>451 631 792</b>   |
| <b>TOTAL LIABILITIES</b>                       | <b>809 891 650</b>             | <b>-</b>               | <b>5 847 830</b>                                              | <b>815 739 480</b>   |
| <b>TOTAL NET ASSETS</b>                        | <b>3 224 648 386</b>           | <b>-</b>               | <b>4 802 557</b>                                              | <b>3 229 450 943</b> |

# Mossel Bay Municipality

## Annual Financial Statements for the year ended June 30, 2024

### Notes to the Annual Financial Statements

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#### 49. Prior period errors and reclassifications (continued)

##### NET ASSETS

|                             |                      |          |          |                      |
|-----------------------------|----------------------|----------|----------|----------------------|
| Self-insurance reserve      | 173 440 082          | -        | -        | 173 440 082          |
| Capital replacement reserve | 224 989 069          | -        | -        | 224 989 069          |
| Accumulated surplus         | 2 826 219 235        | -        | -        | 2 826 219 235        |
|                             | <b>3 224 648 386</b> | <b>-</b> | <b>-</b> | <b>3 224 648 386</b> |

##### STATEMENT OF FINANCIAL PERFORMANCE

|                                               | 2023<br>previously<br>reported | Reclassifi-<br>cations | Prior period<br>errors | 2023 restated        |
|-----------------------------------------------|--------------------------------|------------------------|------------------------|----------------------|
| <b>Revenue from exchange transactions</b>     |                                |                        |                        |                      |
| Service charges                               | 866 036 728                    | -                      | (5 603 820)            | 860 432 908          |
| Construction contracts                        | 1 251 298                      | -                      | -                      | 1 251 298            |
| Rental of facilities and equipment            | 12 694 951                     | -                      | -                      | 12 694 951           |
| Agency services - Provincial Traffic          | 8 148 171                      | -                      | -                      | 8 148 171            |
| Interest received - outstanding debtors       | 6 983 413                      | -                      | -                      | 6 983 413            |
| Interest received - external investments      | 55 085 669                     | -                      | -                      | 55 085 669           |
| Other income                                  | 59 604 143                     | -                      | (859 957)              | 58 744 186           |
| <b>Revenue from non-exchange transactions</b> |                                |                        |                        |                      |
| Taxation revenue                              |                                |                        |                        |                      |
| Availability charges                          | 24 354 026                     | -                      | -                      | 24 354 026           |
| Property rates                                | 192 123 229                    | -                      | -                      | 192 123 229          |
| Interest earned - outstanding property rates  | 895 873                        | -                      | -                      | 895 873              |
| Licences and permits                          | 1 317 174                      | -                      | -                      | 1 317 174            |
| Transfer revenue                              |                                |                        |                        |                      |
| Government grants and subsidies               | 225 060 878                    | -                      | (1 309 956)            | 223 750 922          |
| Public contributions and donations            | 4 911 124                      | -                      | -                      | 4 911 124            |
| Fines, Penalties and Forfeits                 | 26 235 304                     | -                      | -                      | 26 235 304           |
| <b>TOTAL REVENUE</b>                          | <b>1 484 701 981</b>           | <b>-</b>               | <b>(7 773 733)</b>     | <b>1 476 928 248</b> |

**Mossel Bay Municipality**  
**Annual Financial Statements for the year ended June 30, 2024**  
**Notes to the Annual Financial Statements**

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**49. Prior period errors and reclassifications (continued)**

|                                                                | 2023<br>previously<br>reported | Reclassifi-<br>cations | Prior period<br>errors /<br>Change in<br>accounting<br>policy | 2023 restated        |
|----------------------------------------------------------------|--------------------------------|------------------------|---------------------------------------------------------------|----------------------|
| <b>EXPENDITURE</b>                                             |                                |                        |                                                               |                      |
| Employee related cost                                          | 370 069 039                    | -                      | -                                                             | 370 069 039          |
| Remuneration of councillors                                    | 13 413 696                     | -                      | -                                                             | 13 413 696           |
| Depreciation, amortisation and asset impairment                | 137 954 241                    | -                      | 1 206 173                                                     | 139 160 414          |
| Bad debts written off                                          | 78 907 504                     | -                      | -                                                             | 78 907 504           |
| Finance cost                                                   | 13 592 954                     | -                      | -                                                             | 13 592 954           |
| Bulk purchases                                                 | 436 942 993                    | -                      | -                                                             | 436 942 993          |
| Contracted services                                            | 167 046 389                    | -                      | 180 400                                                       | 167 226 789          |
| Transfers and subsidies paid                                   | 11 528 534                     | -                      | -                                                             | 11 528 534           |
| Inventory consumed                                             | 103 739 052                    | -                      | 676 988                                                       | 104 416 040          |
| General Expenses                                               | 63 950 448                     | -                      | (3 676)                                                       | 63 946 772           |
| <b>TOTAL EXPENDITURE</b>                                       | <b>1 397 144 850</b>           | <b>-</b>               | <b>2 059 885</b>                                              | <b>1 399 204 735</b> |
| <br>OPERATING SURPLUS / (DEFICIT)                              | <br>87 557 131                 | <br>-                  | <br>(9 833 618)                                               | <br>77 723 513       |
| Gain / (loss) on disposal of assets and liabilities            | 6 022 600                      | -                      | (409 349)                                                     | 5 613 251            |
| Inventories losses / write-downs                               | (8 777 459)                    | -                      | -                                                             | (8 777 459)          |
| Reversal of impairment loss / (Impairment loss) on receivables | 39 363 299                     | -                      | -                                                             | 39 363 299           |
| <b>SURPLUS / (DEFICIT) FOR THE YEAR</b>                        | <b>124 165 571</b>             | <b>-</b>               | <b>(10 242 967)</b>                                           | <b>113 922 604</b>   |
| <br><b>CASH FLOW STATEMENT</b>                                 |                                |                        |                                                               |                      |
|                                                                | 2023<br>previously<br>reported | Reclassifi-<br>cations | Prior period<br>errors /<br>Change in<br>accounting<br>policy | 2023 restated        |
| Net cash from operating activities                             | 266 508 135                    | -                      | (5 506 519)                                                   | 261 001 616          |
| Net cash from investing activities                             | (281 140 731)                  | -                      | 5 506 516                                                     | (275 634 215)        |
| Net cash from financing activities                             | 5 853 490                      | -                      | -                                                             | 5 853 490            |
| Total cash movement for the year                               | (8 779 106)                    | -                      | (3)                                                           | (8 779 109)          |
| Cash and cash equivalents at the beginning of the year         | 62 538 988                     | -                      | -                                                             | 62 538 988           |
|                                                                | <b>53 759 882</b>              | <b>-</b>               | <b>(3)</b>                                                    | <b>53 759 879</b>    |

# Mossel Bay Municipality

## Annual Financial Statements for the year ended June 30, 2024

### Notes to the Annual Financial Statements

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#### 49. Prior period errors and reclassifications (continued)

The reclassifications and correction of the error(s) are as follows:

##### 49.1 Reclassifications

No reclassifications were done during the year under review.

##### 49.2 Correction of Error 1 - Finalisation of Cost

Finalisation of projects completed, disposals and correction of review of useful life as on or before 30 June 2023.

| Affected line items                                 | 2023        |
|-----------------------------------------------------|-------------|
| Property, plant and equipment                       | 210 273     |
| Investment Property                                 | (2 516 622) |
| Intangible assets                                   | 126 423     |
| Payables from exchange transactions                 | 356 828     |
| Depreciation, amortisation and asset impairment     | 688 925     |
| Contracted services                                 | 180 400     |
| Inventory consumed                                  | 676 988     |
| General expenses                                    | (3 676)     |
| (Gain) / loss on disposal of assets and liabilities | (44 448)    |
| Accumulated surplus - 2022 and prior                | 324 909     |
|                                                     | -           |

##### 49.3 Correction of Error 2 - Wayleave deposits

There was an error in the recognition of wayleave deposits, where for a period of time, wayleave deposits were recognised as part of the wayleave service fees revenue on which VAT was also declared. Wayleave deposits moved from Other Revenue and VAT output to the Wayleave deposit liability control account.

| Affected line items                  | 2023        |
|--------------------------------------|-------------|
| VAT Receivable / (Payable)           | 143 967     |
| Payables from exchange transactions  | (1 103 745) |
| Other income                         | 859 957     |
| Accumulated surplus - 2022 and prior | 99 821      |
|                                      | -           |

##### 49.4 Correction of Error 3 - Finalisation of Cost (Movable assets)

New moveable additions due to incorrect or missed finalisation entries and re-instate previously disposed assets missing during asset counts.

| Affected line items                                 | 2023     |
|-----------------------------------------------------|----------|
| Property, plant and equipment                       | 19 377   |
| Depreciation, amortisation and asset impairment     | 3 696    |
| (Gain) / loss on disposal of assets and liabilities | (22 040) |
| Accumulated surplus - 2022 and prior                | (1 033)  |
|                                                     | -        |

# Mossel Bay Municipality

## Annual Financial Statements for the year ended June 30, 2024

### Notes to the Annual Financial Statements

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#### 49. Prior period errors and reclassifications (continued)

##### 49.5 Correction of Error 4 - Fencing at Landfill Sites not found in Asset Register

Landfill site fences to Asset register which were erected before 30 June 2023.

| Affected line items                             | 2023        |
|-------------------------------------------------|-------------|
| Property, plant and equipment                   | 3 121 159   |
| Depreciation, amortisation and asset impairment | 124 778     |
| Accumulated surplus - 2022 and prior            | (3 245 937) |
|                                                 | -           |

##### 49.6 Correction of Error 5 - Finalisation of Cost

Adjusting the installation dates of service connections (Water; Electricity and Sewerage).

| Affected line items                                 | 2023         |
|-----------------------------------------------------|--------------|
| Property, plant and equipment                       | 15 149 630   |
| Depreciation, amortisation and asset impairment     | 388 774      |
| (Gain) / loss on disposal of assets and liabilities | 475 837      |
| Accumulated surplus - 2022 and prior                | (16 014 241) |
|                                                     | -            |

##### 49.7 Correction of Error 6 - VAT on Libraries shifted to Provisions

Mossel Bay Municipality has in line with the Communication of Audit Finding 10 raised in the 2022/23 year on the output tax treatment of library funding, raised a Provision for the VAT on Library Grants received for the past 5 years. The Municipality has requested a SARS ruling in this regard. Until such time that clarity is obtained it will be disclosed as a Provision and the interest and penalties, if payable, will be disclosed as a contingent liability.

| Affected line items                     | 2023        |
|-----------------------------------------|-------------|
| Current provisions                      | (5 100 913) |
| Government grants and subsidies revenue | 1 309 956   |
| Accumulated surplus - 2022 and prior    | 3 790 957   |
|                                         | -           |

##### 49.8 Correction of Error 7 - Adjustment of back-billing of factor 10 water meters to food security tariff

During debt collection meetings with Nestle regarding back-billing of factor 10 water meters, it was found that the billing was done on the incorrect tariff, which meant that they were billed on punitive tariffs and not the alternative tariff for industrial consumers contributing to food security.

| Affected line items                    | 2023        |
|----------------------------------------|-------------|
| Receivables from exchange transactions | (6 444 393) |
| VAT                                    | 840 573     |
| Service charges revenue                | 5 603 820   |
|                                        | -           |

#### 50. Changes in accounting policy

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice on a basis consistent with the prior year, except for the following new / revised standards and guidelines:

- GRAP 25 : Employee Benefits

# Mossel Bay Municipality

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#### 51. Change in accounting estimates

##### Change in Useful lives

The Municipality has reassessed the useful lives and residual values of Property, plant and equipment (including the restoration cost of landfill sites based on the estimated closure date of each landfill site), Investment Property and Intangible assets which resulted in changes in depreciation and amortisation charges. The effect of the change in accounting estimate has resulted in the following movements for the current and future periods on the affected capital assets:

| Movement in depreciation and amortisation        | 2024             | 2025             | 2026                | 2027             |
|--------------------------------------------------|------------------|------------------|---------------------|------------------|
| Before change in estimate                        | 27 979 329       | 27 074 174       | 32 131 437          | 9 561 640        |
| After change in estimate                         | 31 098 408       | 30 173 225       | 18 729 089          | 11 909 744       |
| <b>Net effect (Decrease) / Increased charges</b> | <b>3 119 079</b> | <b>3 099 051</b> | <b>(13 402 348)</b> | <b>2 348 104</b> |

##### Change in estimate of Rehabilitation costs

No disclosure required for 2023/2024, as there is no major change in estimates apart from the useful life changes already included in the rest of the note as part of the change in estimate regarding depreciation charges.

##### Change in estimate regarding iGRAP20 reduction of traffic fines

During each financial year, representations are done for the reduction in traffic fines, which are approved by the prosecutor, and needs to be accounted for as an adjustment to revenue as a change in accounting estimate in the period of the outcome of the appeal.

Traffic fine revenue has been reduced with R3 260 300 during the period ending 30 June 2024 (2023: R 2 330 630).

#### 52. Comparison with budget

| Reconciliation of budget surplus / (deficit) with the surplus / (deficit) in the Statement of Financial Performance: | 2024<br>R            |
|----------------------------------------------------------------------------------------------------------------------|----------------------|
| Net surplus / (deficit) per the statement of financial performance                                                   | 121 957 497          |
| Net surplus / (deficit) as per final budget                                                                          | 11 475 102           |
| <b>Variance to be explained (refer to Statement of Comparison of Budget and Actual amounts for detail)</b>           | <b>(110 482 395)</b> |

Budget information is presented on the accrual basis and is based on the same period as the actual amounts, i.e. 1 July 2023 to 30 June 2024. The budget information is therefore on a comparable basis to the actual amounts.

| Expenditure per VOTE: OPERATIONAL                | Budget:              | Actuals:             | Variance:         |
|--------------------------------------------------|----------------------|----------------------|-------------------|
| Vote 1 - Municipal Manager and Executive Council | 52 085 183           | 49 462 326           | 2 622 857         |
| Vote 2 - Corporate Services                      | 97 298 747           | 81 927 790           | 15 370 957        |
| Vote 3 - Financial Services                      | 79 403 958           | 68 830 342           | 10 573 616        |
| Vote 4 - Infrastructure Services                 | 815 406 494          | 813 687 502          | 1 718 992         |
| Vote 5 - Community Services                      | 215 473 505          | 202 459 404          | 13 014 101        |
| Vote 6 - Planning and Economic Development       | 191 066 521          | 173 283 236          | 17 783 285        |
| Vote 7 - Community Safety                        | 116 795 716          | 114 303 971          | 2 491 745         |
|                                                  | <b>1 567 530 124</b> | <b>1 503 954 571</b> | <b>63 575 553</b> |

| Below the line items                       | Budget            | Actual            | Variance            |
|--------------------------------------------|-------------------|-------------------|---------------------|
| Loss on disposal of assets and liabilities | 2 169 769         | 5 304 942         | (3 135 173)         |
| Inventories losses/write-downs             | -                 | 11 056 749        | (11 056 749)        |
| Impairment loss on receivables             | 41 194 771        | 56 070 247        | (14 875 476)        |
|                                            | <b>43 364 540</b> | <b>72 431 938</b> | <b>(29 067 398)</b> |



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**52. Comparison with budget (continued)**

| <b>Grand total</b>                  | <b>Budget</b> | <b>Actual</b> | <b>Variance</b> |
|-------------------------------------|---------------|---------------|-----------------|
| Exp per VOTE + Below the line items | 1 610 894 664 | 1 576 386 509 | 34 508 155      |

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#### 52. Comparison with budget (continued)

##### Detail of Material Variances:

Municipal Manager & Executive Council: The underspending was mainly due to savings on Audit fees, Depreciation cost and Publicity fees.

Corporate Services: The underspending is mainly due to savings on Depreciation cost and the realisation of a R13m Actuarial Gain in the current financial year.

Financial Services: The underspending was mainly due to savings Computer services and Insurance costs.

Infrastructure Services: The underspending was mainly due to savings on depreciation charges.

Community Services: The underspending is mainly due to savings on finance cost on Landfill site provision. Further underspending on Cleaning services and Employee related costs.

Planning & Economic Development: The underspending is mainly due to underspending on Housing grant allocations. Savings also realised on Employee related costs and Depreciation charges was less than anticipated with budget process.

Community Safety: The underspending was mainly due to savings on Employee related costs and Traffic fine write offs.

##### **Expenditure per VOTE: CAPITAL**

|                                                  | <b>Budget:</b>     | <b>Actual:</b>     | <b>Variance:</b>   |
|--------------------------------------------------|--------------------|--------------------|--------------------|
|                                                  | <b>R</b>           | <b>R</b>           | <b>R</b>           |
| Vote 1 - Municipal Manager and Executive Council | 301 840            | 222 772            | 79 068             |
| Vote 2 - Corporate Services                      | 15 295 123         | 9 217 142          | 6 077 981          |
| Vote 3 - Financial Services                      | 22 527 409         | 10 745 048         | 11 782 361         |
| Vote 4 - Infrastructure Services                 | 207 266 222        | 188 887 685        | 18 378 537         |
| Vote 5 - Community Services                      | 25 768 231         | (5 985 983)        | 31 754 214         |
| Vote 6 - Planning and Economic Development       | 194 540 869        | 146 303 028        | 48 237 841         |
| Vote 7 - Community Safety                        | 6 016 595          | 5 626 029          | 390 566            |
|                                                  | <b>471 716 289</b> | <b>355 015 721</b> | <b>116 700 568</b> |

##### Detail of Material Variances:

Corporate Services: The main reason in underspending is due to not being able to find suitable bidder for the Mounting mast for antennas.

Financial Services: The main reason in underspending is due to savings on budgets for replacement of assets relating to insurance claims.

Infrastructure Services: The underspending is mainly due to in year processes delayed for some construction processes, but are on the way and CRR funds has been motivated to be rolled over to next financial year. There were delay in delivery of minisubs.

Community Services: The underspending is due to the decreased restoration costs of landfill sites of R19m which were recognised in the current year with the provision for rehabilitation of landfill sites. The discount rate used to calculate the provision has increased dramatically, hence the decreased restoration costs.

Planning & Integrated Services: The main reason for underspending is due to expenditure not realised on Upgrading of informal settlements grant funded projects as well as costs incurred being recognised as operational expenditure and not capital expenditure as was budgeted. An application will be done to Provincial Treasury for the roll-over of grant funding. The department is further awaiting donation letter from Provincial government in order to recognise more assets on the Mountain View Housing Development project.

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

|                                               |               |               |
|-----------------------------------------------|---------------|---------------|
| Long-term liabilities raised (Refer note 20)  | 245 944 919   | 173 506 365   |
| Used to finance property, plant and equipment | (245 944 919) | (173 506 365) |
|                                               | -             | -             |

Sufficient cash has been set aside to ensure that long-term liabilities can be repaid on redemption date (See Note 13 for Cash and Cash Equivalents and to Note 12 for Short-term Investments).

#### 54. Unauthorised expenditure

##### Reconciliation of unauthorised expenditure

|                                                        |               |                    |
|--------------------------------------------------------|---------------|--------------------|
| Opening balance                                        | 239 229 585   | 237 074 760        |
| Unauthorised expenditure current year                  | -             | 2 154 825          |
| Written off by council                                 | (239 229 585) | -                  |
| Transfer to receivables for recovery - not condoned    | -             | -                  |
| <b>Unauthorised expenditure awaiting authorisation</b> | <b>-</b>      | <b>239 229 585</b> |

No unauthorised expenditure is recognised for the year under review.

The overspending of R2 154 825 under the Community Services vote in the 2022/23 year is due to the recognition of the Landfill site asset as per the report by management expert on the Provision for the Rehabilitation of Landfill sites.

In line with Council decision E310-11/2024 the unauthorised expenditure for 2021/22 and 2022/23 years are written off as it is deemed to be irrecoverable as no expenditure has been incurred nor has any commitment been made to a supplier.

##### Disciplinary steps/criminal proceedings:

2023/24 : No unauthorised expenditure is recognised for the year under review.

2022/23 : Investigated by Disciplinary board Committee and referred to Council for approval. No financial loss due to unauthorised expenditure. The Disciplinary board Committee found that no official acted negligently.

2021/22 : Investigated by Disciplinary board Committee and referred to Council for approval. No financial loss due to unauthorised expenditure. The Disciplinary board Committee found that no official acted negligently.

|          |   |           |
|----------|---|-----------|
| Non-cash | - | 2 154 825 |
|----------|---|-----------|

##### **Non-cash analysed as follows:**

|                                                   |   |           |
|---------------------------------------------------|---|-----------|
| Capital additions - Landfill site provision asset | - | 2 154 825 |
|---------------------------------------------------|---|-----------|

# Mossel Bay Municipality

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| <b>55. Irregular expenditure</b>                |                   |                  |
| <b>Reconciliation of irregular expenditure</b>  |                   |                  |
| Opening balance                                 | 3 951 416         | 1 214 491        |
| Irregular expenditure current year              | 10 704 414        | 1 896 960        |
| Written off by Council                          | (12 559 580)      | -                |
| Recovered                                       | -                 | -                |
| To be recovered - contingent asset              | -                 | -                |
| Adjustment of prior year disclosure             | 14 758 129        | 839 965          |
| <b>Irregular expenditure awaiting write-off</b> | <b>16 854 379</b> | <b>3 951 416</b> |

#### 2024

##### Incident

Irregular Expenditure relating to the payments made to Mossel Bay Tourism in respect of the 2023/2024 Financial Year (R6 149 600)

Irregular expenditure relating to Section 67 transfers in respect of the 2023/2024 Financial Year (R4 554 814)

##### **Adjustment of prior year disclosure: 2023 - Total R14 758 129**

Expenditure related to the payments made to Mossel Bay Tourism in respect of 2022/23 year (R6 358 924)+ Irregular expenditure relating to payments made to persons in the service of the state i.r.t. 2021/2022 financial year (Comaf 2 of 2022) (R51 056) + Irregular Expenditure relating to Non-Compliance with the PPP (4) (1) - quotations below the value of R30 000 for the 2022/2023 Financial year (COMAF 21 of 2023) (R3 913 435) + Irregular expenditure relating to Section 67 transfers in respect of the 2022/2023 Financial Year (R4 434 714)

Written off by Council: 2024 - Total R12 559 580

Irregular Expenditure relating to the payments made to Mossel Bay Tourism in respect of the 2022/2023 Financial Year - R6 358 924 + Irregular Expenditure relating to the payments made to Mossel Bay Tourism in respect of the 2023/2024 Financial Year - R6 149 600 + Irregular Expenditure relating to payments made to persons in the service of the state in respect of the 2021/2022 Financial Year (COMAF 2 of 2022) - R51 056 - Refer Council resolution E76/04/2024

#### 2023

##### Incident

Irregular Expenditure regarding the excess payments made with regards to contractors for Open Space Management and Collection of Refuse. (E115-05/2023)

Irregular Expenditure regarding the excess payments made with regards to contractors for Open Space Management and Collection of Refuse in relation to the entire TDR109/2020/2021. (E201-08/2023)

##### **Adjustment of prior year disclosure: 2022 - Total R839 965**

In the 2020 irregular expenditure listed below was decreased from the note as Council resolved that the funds had to be recovered and was subsequently listed as and contingent assets was increased by the same. Guidance was however received that the disclosed amount of irregular expenditure can only be decreased once the amounts have actually been recovered or written-off.

##### **Disciplinary steps/criminal proceedings**

Investigated by Disciplinary board Committee and referred to Council. Council resolved irregular expenditure be certified as irrecoverable and written off (E76-04/2024)

Was reported to the Accounting Officer and will be taken to the Disciplinary Board for Investigation.

##### **Disciplinary steps/criminal proceedings**

Investigated by Disciplinary board Committee and referred to Council. Council resolved irregular expenditure of R35 124 was incurred and the possible negligence to be investigated. (E115-05/2023)

Investigated by Disciplinary board Committee and referred to Council. Council resolved irregular expenditure of R1 861 835,91) was incurred and the possible negligence to be investigated. (E201-08/2023)

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| <b>55. Irregular expenditure (continued)</b>                   |          |          |
| <b>56. Fruitless and wasteful expenditure</b>                  |          |          |
| <b>Reconciliation of fruitless and wasteful expenditure</b>    |          |          |
| Opening balance                                                | -        | -        |
| Fruitless and wasteful expenditure current year                | -        | -        |
| Written off by Council                                         | -        | -        |
| To be recovered - contingent asset                             | -        | -        |
| <b>Fruitless and wasteful expenditure awaiting condonement</b> | <b>-</b> | <b>-</b> |

Expenditure was assessed and no fruitless expenditure found in current or previous financial years.

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#### 57. Additional disclosure in terms of the Municipal Finance Management Act (MFMA), (Act No. 56 of 2003)

##### Non-compliance with Municipal Finance Management Act

No material non-compliance to the MFMA to report for the year under review, however below is cases of minor non-compliance with the MFMA and related regulations during the financial year:

##### Non-compliance with provisions in MFMA concerning submission of a quarterly report on withdrawals from municipal bank accounts

In terms of Section 11(4)(b) of the MFMA the Accounting Officer must submit within 30 days after the end of each quarter a copy of the report to the relevant provincial treasury and the Auditor-General(AG). For the quarter ended 30 June 2023, this report was sent to the AG and Provincial Treasury on 3 August 2023, which was submitted 4 days late. For the quarter ended 30 September 2023, this report was sent to the AG and Provincial Treasury on 9 November 2023, which was submitted 10 days late.

##### Non-compliance with provisions in MFMA and MBRR concerning tabling of an Adjustment Budget

In terms of Section 23(3) of the Municipal Budget and Reporting Regulations (MBRR) the Municipality must at the next available council meeting, but within 60 days of the approval of the relevant provincial adjustments budget, table an adjustments budget referred to in section 28(2)(b) of the Act in Municipal Council.

Provincial Governments has communicated a Provincial Adjustments budget on 28 November 2023 with Municipalities in Western Cape. According to legislation, the Municipality must table an adjustments budget within 60 days, which is then in effect 26 January 2024.

The municipality has revised its budget for the February Adjustments budget in terms of section 28(2) (a, b, d, f, g) and combined the two different adjustments budgets to relieve capacity issues. An application for extension of deadlines was sent in terms of the MFMA and MBRR to the Minister of Finance in Western Cape, which was approved.

##### Contributions to SALGA

|                                 |             |             |
|---------------------------------|-------------|-------------|
| Opening balance                 | -           | -           |
| Current year subscription / fee | 4 288 337   | 4 149 043   |
| Amount paid - current year      | (4 288 337) | (4 149 043) |
| Amount paid - previous years    | -           | -           |
|                                 | -           | -           |

##### Audit fees

##### External audit fees

|                              |             |             |
|------------------------------|-------------|-------------|
| Opening balance              | -           | 2 230       |
| Current year fee             | 6 044 114   | 5 349 141   |
| Amount paid - current year   | (6 040 255) | (5 349 141) |
| Amount paid - previous years | -           | (2 230)     |
|                              | 3 859       | -           |

##### Internal audit fees

|                              |             |             |
|------------------------------|-------------|-------------|
| Opening balance              | 544 474     | 79 838      |
| Current year fee             | 1 742 262   | 1 603 243   |
| Amount paid - current year   | (2 286 736) | (1 058 769) |
| Amount paid - previous years | -           | (79 838)    |
|                              | -           | 544 474     |

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#### 57. Additional disclosure in terms of the Municipal Finance Management Act (MFMA), (Act No. 56 of 2003) (continued)

##### PAYE and UIF

|                                 |              |              |
|---------------------------------|--------------|--------------|
| Opening balance                 | -            | -            |
| Current year subscription / fee | 58 090 157   | 52 018 614   |
| Amount paid - current year      | (58 090 157) | (52 018 614) |
| Amount paid - previous years    | -            | -            |
|                                 | -            | -            |

##### Pension, Provident and medical aid contributions, Group insurance

|                                 |               |               |
|---------------------------------|---------------|---------------|
| Opening balance                 | -             | -             |
| Current year subscription / fee | 121 157 264   | 111 202 010   |
| Amount paid - current year      | (121 157 264) | (111 202 010) |
| Amount paid - previous years    | -             | -             |
|                                 | -             | -             |

##### VAT

|                            |            |            |
|----------------------------|------------|------------|
| VAT (payable) / receivable | 25 077 747 | 14 497 859 |
|----------------------------|------------|------------|

All VAT returns have been submitted by the due date throughout the year.

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

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#### 57. Additional disclosure in terms of the Municipal Finance Management Act (MFMA), (Act No. 56 of 2003) (continued)

##### Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at June 30, 2024:

| June 30, 2024 | Outstanding less than 90 days | Outstanding more than 90 days | Total  |
|---------------|-------------------------------|-------------------------------|--------|
| M Welman      | 2 204                         | 7 138                         | 9 342  |
| WT Buda       | 3 801                         | 4 043                         | 7 844  |
|               | 6 005                         | 11 181                        | 17 186 |

| June 30, 2023 | Outstanding less than 90 days | Outstanding more than 90 days | Total |
|---------------|-------------------------------|-------------------------------|-------|
| None          | -                             | -                             | -     |

During the year the following Councillors' had arrear accounts outstanding for more than 90 days:

| 2024       | Highest outstanding amount | Aging (in days) |
|------------|----------------------------|-----------------|
| M Welman   | 7 138                      | 90+ days        |
| WT Buda    | 4 043                      | 90+ days        |
| ME Furness | 4 235                      | 90+ days        |
| N Gwaza    | 77                         | 90+ days        |
| TB Mvumvu  | 628                        | 90+ days        |

| 2023       | Highest outstanding amount | Aging (in days) |
|------------|----------------------------|-----------------|
| ME Furness | 5 956                      | 90+ days        |

##### Supply chain management regulations

The following deviations and ratifications of minor breaches of procurement processes are reported to council in terms of Paragraph 36(2) of the SCM Policy:

##### Types of deviations

|                                                                                                 |            |            |
|-------------------------------------------------------------------------------------------------|------------|------------|
| Sole Supplier                                                                                   | 3 703 405  | 8 069 212  |
| Emergency                                                                                       | 6 083 219  | 5 842 340  |
| Exceptional case and it is impractical or impossible to follow the official procurement process | 55 375 450 | 38 837 393 |
| Expansions and Variations                                                                       | 993 491    | -          |
|                                                                                                 | 66 155 565 | 52 748 945 |

##### Awards to close family members of persons in the service of the state

Particulars of awards of more than R2 000 to a person who is a spouse, child or parent of a person in the service of the state, or has been in the services of the state in the previous 12 months:



# Mossel Bay Municipality

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| <b>57. Additional disclosure in terms of the Municipal Finance Management Act (MFMA), (Act No. 56 of 2003) (continued)</b> |                               |                                                                                        |             |             |
| <b>Awarded to:</b>                                                                                                         | <b>Connected person</b>       | <b>Position held in state</b>                                                          | <b>2024</b> | <b>2023</b> |
| 3rd Generation Trading PTY LTD                                                                                             | Renay Pillay                  | Environmental officer - PetroSA                                                        | 3 680 866   | 2 845 047   |
| Afezekiswa Mining and Construction CC                                                                                      | SN Kolwapi                    | Intern - Gauteng Housing department                                                    | -           | 421 600     |
| Alveo Water (Pty) Ltd                                                                                                      | Yazeed Daniels                | School Finance and Record Officer at Western Cape Education Department                 | -           | 171 429     |
| Amandle/Khubeka JV                                                                                                         | John Emanuel Jacobs           | Principal Inspector - National Government Employmen and Labour                         | 3 871 115   | 8 663 116   |
|                                                                                                                            | Unita Frazenburg              | Registrar of Deeds - National Government Kimberley Deeds Office                        | -           | -           |
|                                                                                                                            | Eben Frazenburg               | Teacher - WC Education Department                                                      | -           | -           |
|                                                                                                                            | Jacqueline Frazenburg         | Teacher - WC Education Department                                                      | -           | -           |
|                                                                                                                            | Bruay Frazenburg              | Municipal Prosecutor - City of Cape Town (Traffic Department)                          | -           | -           |
| Ayanda Mbanga Communications (Pty) Ltd                                                                                     | SMM Mbanga                    | CEO - SALGA                                                                            | 778 468     | -           |
| Beneatas (Pty) Ltd                                                                                                         | Marulyn Kannemeyer            | Councillor - Mossel Bay Municipality                                                   | 227 556     | 57 845      |
| CH Fire Services CC                                                                                                        | Unchin Kannemeyer             | Snr SCM Practitioner: Compliance and Contract Administration - Mossel Bay Municipality | 310 849     | 151 922     |
| Chumani Architects (Pty) Ltd                                                                                               | Mareen Williams               | Nurse - Mossel Bay Provincial Hospital                                                 | -           | 545 138     |
| CML Civil Construction                                                                                                     | Z van Wyk                     | Teacher - WC Education Department                                                      | -           | 24 800      |
| DG Incentives (Pty) Ltd                                                                                                    | Nonhlanhla Kumalo             | Manager - Ports Regulator of SA                                                        | -           | 86 415      |
| Diphororo Consulting (Pty) Ltd                                                                                             | Ntombana Del Sekgaphane       | Official - Sector Education and Training Authority (SETA)                              | -           | 222 120     |
| Drs Dietrich Voigt Mia Partners                                                                                            | Christene Maas-Loftus         | Senior Medical officer - Department of Health                                          | -           | 451         |
| Emakozeni Trading Enterprises CC                                                                                           | RS Zikode                     | Official - Department of Trade and Industry                                            | 234 709     | 203 684     |
| Trading as Harvey World Travel Engineering Advice Services Western Cape (PTY) LTD                                          | Shaun Westerberg              | Manager: Building Development - Mossel Bay Municipality                                | -           | 343 213     |
|                                                                                                                            | Erlene Westerberg             | Personal Assistant: Municipal Manager - Mossel Bay Municipality                        | -           | -           |
| Falcon Safety Academy (Pty) Ltd                                                                                            | Zona Van Greunen              | Project Manager: Human Settlements - Nelson Mandela Metropolitan Municipality          | 118 210     | -           |
| GIBB (PTY) LTD                                                                                                             | Various employees : See Below |                                                                                        | 431 413     | 750 162     |
|                                                                                                                            | Dianne Alderman               | Teacher - EC Dept of Education                                                         | -           | -           |
|                                                                                                                            | Rajiv Beharie                 | Senior Engineer - Eskom                                                                | -           | -           |

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**57. Additional disclosure in terms of the Municipal Finance Management Act (MFMA), (Act No. 56 of 2003)**  
**(continued)**

|                     |                                                                        |   |   |
|---------------------|------------------------------------------------------------------------|---|---|
| Ian Bowker          | Head of Dept - Dept of Asset Mngmnt and Maintenance in Transport       | - | - |
| Irma Brink          | Teacher - FS Dept of Education                                         | - | - |
| Sonnika Cilliers    | Teacher - Dept of Education                                            | - | - |
| Liezel Cloete       | Lecturer - Dept of Higher Education and Training                       | - | - |
| Dolerencia Davids   | Admin officer - City of Cape Town                                      | - | - |
| Hilton Davids       | Admin officer - City of Cape Town                                      | - | - |
| Jacqueline Gooch    | Head of Dept - Dept of Transport and Public Works                      | - | - |
| Thando Gqobo        | Civil Engineering Technician - Ethekeweni Municipality                 | - | - |
| MB Haq              | Town Planner -City Engineers                                           | - | - |
| Conrad Hering       | Electrical Engineer - Dept of Transport and Public Works               | - | - |
| Siyamthanda Jafta   | Assistant Mngr - EC Dept of Transport                                  | - | - |
| Heinrich Jaskolka   | Magistrate - Dept of Justice                                           | - | - |
| Yvette Joubert      | Teacher - WC Education Department                                      | - | - |
| Tebho Kabi          | Senior Technician - Eskom                                              | - | - |
| Douglas Kiewiet     | Area Mngr - Dept of Water Affairs                                      | - | - |
| Unathi Lekonyana    | Deputy Director - National Treasury                                    | - | - |
| Gerda Magnus        | Acting Deputy Director General - Dept of Higher Education and Training | - | - |
| Nokuzola Mandla     | Control Works inspector - EC Dept of Human Settlements                 | - | - |
| Nokuthula Mkhize    | Accounting Clerk - National Dept of Water Affairs                      | - | - |
| Londani Mkhumbuzi   | Senior Clerk - KwaDukuza Municipality                                  | - | - |
| David Moffett       | Director Spatial Planning - Dept of Rural Development and Land Reform  | - | - |
| Alan Moon           | Head: Business Continuity - City of Cape Town                          | - | - |
| K Naidoo            | Head of Dept Maths- Dept of Education                                  | - | - |
| Herbert Netzhikweta | Senior Inspector - Dept of Minerals Resource                           | - | - |
| Phumlani Ngcamu     | Snr Civils Technician - Ethekeweni Municipality                        | - | - |
| Donovan O'Reilly    | Warrant Officer - SAPS                                                 | - | - |
| Fawizia Peer        | Deputy Mayor - Ethekeweni Municipality                                 | - | - |
| Funanani Phidza     | Director ICT - Economic Development                                    | - | - |

# Mossel Bay Municipality

## Annual Financial Statements for the year ended June 30, 2024

### Notes to the Annual Financial Statements

| Figures in Rand                                                                                                            |                                | 2024                                                                                | 2023       |
|----------------------------------------------------------------------------------------------------------------------------|--------------------------------|-------------------------------------------------------------------------------------|------------|
| <b>57. Additional disclosure in terms of the Municipal Finance Management Act (MFMA), (Act No. 56 of 2003) (continued)</b> |                                |                                                                                     |            |
|                                                                                                                            | Rendani Phidza                 | Snr Control Officer - Sports and Recreation                                         | -          |
|                                                                                                                            | Thendo Phidza                  | Jnr Service Engineer - Eskom                                                        | -          |
|                                                                                                                            | Vuyokazi Sicwebu               | PMU Manager - Ndlambe Municipality                                                  | -          |
|                                                                                                                            | Sadra Singh                    | HR Officer - Dept of Education                                                      | -          |
|                                                                                                                            | F Strampe                      | Chief Accounting Clerk - SAPS                                                       | -          |
| Gouws N.E Transport                                                                                                        | MH Pongolo                     | Parks Supervisor - Mossel Bay Municipality                                          | 193 328    |
| Ikapa Reticulation and Flow CC                                                                                             | Sophia Davids                  | WCED - Special needs teacher                                                        | 381 634    |
| Indecon (Pty) Ltd                                                                                                          | Lizette Barnard                | Teacher - Dept of Education De Hoop Primary                                         | 2 803 055  |
| Improchem (Pty) Ltd                                                                                                        | Dr Mokhele                     | Special Advisor - Minister of Science                                               | 2 711 464  |
| Just-Breeze General Trading CC                                                                                             | Dr Matshidiso Mphahlele-Ntladi | Dentist: Department of Health (Limpopo)                                             | 111 298    |
| Leanco Business Services & Training Centre CC                                                                              | C Neethling                    | Councillor - George Municipality                                                    | 19 280 770 |
| Legendary Caterers (Pry) Ltd                                                                                               | L M Daniels                    | Official - Dept of Social Development                                               | 3 055 337  |
| Lifesaving Medical Rescue                                                                                                  | C Klaasen                      | First respondent - Department of Health                                             | -          |
| Lowveld Venom Suppliers                                                                                                    | C A Hobkirk                    | Ranger - Mpumalanga Tourism and Parks Agency                                        | 2 816 257  |
| Manho's Funerals (Pry) Ltd                                                                                                 | KR Moolman                     | Senior Process Controller - PetroSA                                                 | 19 100     |
| NCC Environmental Services (PTY) LTD                                                                                       | Chandre Rhoda                  | Invasive species programme manager - City of Cape Town                              | -          |
| Nedbank Limited                                                                                                            | Venussha Subramoney            | Teacher - Department of Education                                                   | 11 720     |
| Poongavanum General Cleaning Services T/A Rig Marketing                                                                    | Renay Pillay                   | Environmental officer - PetroSA                                                     | 932 983    |
| Prima Part                                                                                                                 | Vicky Basson                   | Manager: Budget and Reporting - Mossel Bay Municipality                             | 29 700     |
| RS Rose Enterprises (Pry) Ltd                                                                                              | R Rose                         | Senior Process Controller - Petro SA                                                | -          |
| Red Ant Security Relocation Eviction Services (Pty) Ltd                                                                    | Noxolo Lesiela                 | Organisational Design and Development Practitioner - Mogale City Local Municipality | 1 400 969  |
| Setlatlapi Business Enterprise                                                                                             | P C Lerefolo                   | Official - Eskom                                                                    | 253 891    |
| Signage Guys                                                                                                               | Enrico Claassens               | Warrant Officer - SAPS                                                              | 113 260    |
| South Cape Fire Services CC                                                                                                | Merlin Carl Seconds            | Electrical Attendant - Mossel Bay Municipality                                      | 2 437 698  |
| Swannie's Auto Clinic                                                                                                      | Rudi Swanepoel                 | Sergeant Detective - KwaNonqaba Police Station                                      | 1 625 616  |
|                                                                                                                            | Benita Swanepoel               | Sergeant - SAPS (Uniform Division)                                                  | -          |
| Zutari (Pty) Ltd                                                                                                           | Various employees: see below   |                                                                                     | 91 464     |
|                                                                                                                            | HC Ahlschiager                 | Legal representative - Special Investigation Unit                                   | 18 525     |
|                                                                                                                            |                                |                                                                                     | 88 560     |
|                                                                                                                            |                                |                                                                                     | 531 600    |
|                                                                                                                            |                                |                                                                                     | 543 360    |
|                                                                                                                            |                                |                                                                                     | -          |
|                                                                                                                            |                                |                                                                                     | 8 190 482  |
|                                                                                                                            |                                |                                                                                     | 6 368 545  |
|                                                                                                                            |                                |                                                                                     | -          |



# Mossel Bay Municipality

## Annual Financial Statements for the year ended June 30, 2024

### Notes to the Annual Financial Statements

| Figures in Rand                                        | 2024               | 2023               |
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| <b>59. Commitments</b>                                 |                    |                    |
| <b>Authorised capital expenditure</b>                  |                    |                    |
| <b>Already approved and contracted for</b>             |                    |                    |
| • Infrastructure                                       | 239 358 009        | 220 086 111        |
| • Community                                            | 2 087 504          | 4 180 359          |
| • Other                                                | 4 984 481          | 1 152 038          |
|                                                        | <b>246 429 994</b> | <b>225 418 508</b> |
| <b>Approved but not yet contracted</b>                 |                    |                    |
| • Infrastructure                                       | -                  | 6 059 713          |
| • Community                                            | -                  | -                  |
| • Other                                                | -                  | -                  |
|                                                        | <b>-</b>           | <b>6 059 713</b>   |
| <b>Total capital commitments will be financed from</b> |                    |                    |
| Borrowing                                              | 117 388 896        | 64 935 817         |
| Capital replacement reserve                            | 54 112 315         | 47 258 653         |
| Capital replacement reserve / Government grants        | 45 061 739         | 73 610 606         |
| Government grants                                      | 29 625 663         | 45 673 146         |
| Public contributions / donations                       | 241 381            | -                  |
|                                                        | <b>246 429 994</b> | <b>231 478 222</b> |

The commitments presented above are inclusive of VAT.

# Mossel Bay Municipality

## Annual Financial Statements for the year ended June 30, 2024

### Notes to the Annual Financial Statements

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#### 60. Related parties

Parties are considered to be related if:

- One party has the ability to control the other party; or
- Exercise significant influence over the other party in making financial and operating decisions.

#### Related party balances

None to disclose at year-end.

#### Related party transactions

##### Other Related Parties

|                        |           |           |
|------------------------|-----------|-----------|
| Mossel Bay Tourism     | 6 249 600 | 6 318 924 |
| Joint Operation Centre | 3 050 000 | 3 050 000 |

One Director and two councillors of Mossel Bay Municipality are board members of the Mossel Bay Tourism Bureau (Mr Carel Venter, Ms Venolea Fortuin and Mr Mark Furness).

Councillor Leon Van Dyk is one of the Directors of the Joint Operation Centre NPC.

##### Administration fees paid to / (received from) related parties

|           |          |          |
|-----------|----------|----------|
| Porter, F | (41 111) | (12 500) |
|-----------|----------|----------|

Fine paid by Councillor Porter to Mossel Bay Municipality in terms of Item 2 of the Code of Conduct for Councillors. Two fines in relation to Breach of Code of Conduct are being paid monthly.

#### Related Party Loans

Loans to Councillors and senior management employees are no longer permitted since 1 July 2004.

# Mossel Bay Municipality

## Annual Financial Statements for the year ended June 30, 2024

### Notes to the Annual Financial Statements

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#### 60. Related parties (continued)

##### Remuneration of management

##### Councillors/Mayoral committee members

2024

| Name                                   | Basic salary     | Medical Aid Contributions | Pension Fund Contributions | Other benefits received | Total             |
|----------------------------------------|------------------|---------------------------|----------------------------|-------------------------|-------------------|
| Barker, Anco                           | 7 375            | -                         | -                          | 4 860                   | 12 235            |
| Baron, Elroy Absolom                   | 285 448          | -                         | -                          | 144 757                 | 430 205           |
| Bavuma, Joseph Johannes                | 290 606          | -                         | -                          | 146 477                 | 437 083           |
| Bayman, John Clifford                  | 485 122          | -                         | 87 322                     | 240 423                 | 812 867           |
| Booisen, Niklaas Cedric                | 440 159          | 17 280                    | 79 228                     | 228 497                 | 765 164           |
| Botha, Willem Stephanus                | 299 396          | -                         | -                          | 149 407                 | 448 803           |
| Buda, Witness Thembeni                 | 196 910          | -                         | 29 537                     | 125 090                 | 351 537           |
| Claassen, Donovan Chavei               | 191 904          | -                         | 34 543                     | 125 090                 | 351 537           |
| Coetzee, Lodewyk Juan                  | 289 882          | -                         | -                          | 146 235                 | 436 117           |
| Dellemijn, Anton                       | 536 668          | -                         | -                          | 228 497                 | 765 165           |
| Dubula, Sibobalo                       | 196 910          | -                         | 29 537                     | 125 090                 | 351 537           |
| Fortuin, Venolia                       | 555 164          | 17 280                    | -                          | 240 423                 | 812 867           |
| Furness, Mark Edgar                    | 536 668          | -                         | -                          | 228 497                 | 765 165           |
| Gouws J                                | 226 447          | -                         | -                          | 125 090                 | 351 537           |
| Gwaza, Noxolo                          | 196 910          | -                         | 29 537                     | 125 090                 | 351 537           |
| Janse van Rensburg, Anna Susanna Maria | 226 447          | -                         | -                          | 125 090                 | 351 537           |
| Jansen, C                              | -                | -                         | -                          | -                       | -                 |
| Kamfer, Davie                          | 85 062           | -                         | -                          | 47 540                  | 132 602           |
| Kannemeyer, Marulyn                    | 231 633          | 17 280                    | 41 694                     | 146 477                 | 437 084           |
| Kotzé, Dirk                            | 715 555          | -                         | -                          | 288 126                 | 1 003 681         |
| Krige, NN                              | 138 655          | -                         | -                          | 74 943                  | 213 598           |
| Le Roux, Nicky                         | 440 159          | 17 280                    | 79 228                     | 228 497                 | 765 164           |
| Liebenberg, Willem Hendrik             | 226 447          | -                         | -                          | 125 090                 | 351 537           |
| Matyesini, Zitulele Nelson             | 196 910          | -                         | 29 537                     | 125 090                 | 351 537           |
| Meyer, Erica                           | 254 257          | 17 280                    | 19 069                     | 146 477                 | 437 083           |
| Mkonto, Mzini Andile                   | 226 447          | -                         | -                          | 125 090                 | 351 537           |
| Mvumvu, Thabo President                | 290 606          | -                         | -                          | 146 477                 | 437 083           |
| Porter, Faizell Baselero               | 171 835          | -                         | -                          | 95 135                  | 266 970           |
| Porter, VR                             | 43 690           | -                         | -                          | 23 964                  | 67 654            |
| Ruiters, Rosina Henrietta              | 209 167          | 17 280                    | -                          | 125 090                 | 351 537           |
| Sethuntsha, Rethabile Jabulile Grace   | 196 910          | -                         | 29 537                     | 125 090                 | 351 537           |
| Van Dyk, Leon                          | 536 668          | -                         | -                          | 228 498                 | 765 166           |
| Welman, M                              | 219 663          | -                         | -                          | 120 486                 | 340 149           |
|                                        | <b>9 145 680</b> | <b>103 680</b>            | <b>488 769</b>             | <b>4 680 683</b>        | <b>14 418 812</b> |

# Mossel Bay Municipality

## Annual Financial Statements for the year ended June 30, 2024

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#### 60. Related parties (continued)

2023

| Name                                   | Basic salary     | Medical Aid Contribution | Pension Fund Contribution | Other benefits received | Total             |
|----------------------------------------|------------------|--------------------------|---------------------------|-------------------------|-------------------|
| Barker, Anco                           | 198 034          | -                        | -                         | 109 278                 | 307 312           |
| Baron, Elroy Absolom                   | 277 325          | -                        | -                         | 140 442                 | 417 767           |
| Bavuma, Joseph Johannes                | 277 325          | -                        | -                         | 139 162                 | 416 487           |
| Bayman, John Clifford                  | 465 370          | -                        | 81 745                    | 230 372                 | 777 487           |
| Bobelo, Nosiphiwo Veronica             | 2 797            | -                        | -                         | 932                     | 3 729             |
| Booisen, Niklaas Cedric                | 421 615          | 17 280                   | 74 370                    | 219 088                 | 732 353           |
| Botha, Willem Stephanus                | 283 467          | -                        | -                         | 141 209                 | 424 676           |
| Buda, Witness Thembeni                 | 188 332          | -                        | 28 250                    | 120 194                 | 336 776           |
| Claassen, Donovan Chavei               | 182 066          | -                        | 32 337                    | 118 188                 | 332 591           |
| Coetzee, Lodewyk Juan                  | 254 956          | -                        | -                         | 131 705                 | 386 661           |
| Dellemijn, Anton                       | 513 265          | -                        | -                         | 219 088                 | 732 353           |
| Dubula, Sibobalo                       | 186 752          | -                        | 27 650                    | 118 188                 | 332 590           |
| Fipaza, Wineka Primrose                | 2 179            | -                        | -                         | 726                     | 2 905             |
| Fortuin, Venolia                       | 509 242          | 17 280                   | 20 615                    | 230 379                 | 777 516           |
| Furness, Mark Edgar                    | 513 265          | -                        | -                         | 219 088                 | 732 353           |
| Gouws J                                | 216 582          | -                        | -                         | 120 194                 | 336 776           |
| Groenewald, Barend Hendrik Jacobus     | 2 179            | -                        | -                         | 726                     | 2 905             |
| Gwaza, Noxolo                          | 186 752          | -                        | 27 650                    | 118 188                 | 332 590           |
| Janse van Rensburg, Anna Susanna Maria | 216 582          | -                        | -                         | 120 194                 | 336 776           |
| Jansen, C                              | 2 179            | -                        | -                         | 726                     | 2 905             |
| Kamfer, Davie                          | 216 281          | -                        | -                         | 119 917                 | 336 198           |
| Kannemeyer, Marulyn                    | 220 982          | 17 280                   | 39 063                    | 140 442                 | 417 767           |
| Kotzé, Dirk                            | 682 969          | -                        | -                         | 275 657                 | 958 626           |
| Le Roux, Nicky                         | 415 949          | 17 280                   | 74 871                    | 216 087                 | 724 187           |
| Levendal, Harry Joseph                 | 6 887            | -                        | -                         | 2 296                   | 9 183             |
| Liebenberg, Willem Hendrik             | 214 402          | -                        | -                         | 118 188                 | 332 590           |
| Lichaba, Petrus                        | 2 179            | -                        | -                         | 726                     | 2 905             |
| Matyesini, Zitulele Nelson             | 186 619          | -                        | 27 783                    | 118 188                 | 332 590           |
| Mbandezi, Sebenzile Stanford           | 2 179            | -                        | -                         | 726                     | 2 905             |
| Mbolompo, Nobuzwe Julia                | 2 179            | -                        | -                         | 726                     | 2 905             |
| Meyer, Erica                           | 242 179          | 17 280                   | 17 866                    | 140 442                 | 417 767           |
| Mkonto, Mzini Andile                   | 214 402          | -                        | -                         | 118 188                 | 332 590           |
| Mvumvu, Thabo President                | 277 325          | -                        | -                         | 140 442                 | 417 767           |
| Porter, Faizell Baselero               | 214 402          | -                        | -                         | 118 188                 | 332 590           |
| Ruiters, Rosina Henrietta              | 199 302          | 17 280                   | -                         | 120 194                 | 336 776           |
| Sethuntsha, Rethabile Jabulile Grace   | 186 619          | -                        | 27 783                    | 118 188                 | 332 590           |
| Siyoko, Julia                          | 2 179            | -                        | -                         | 726                     | 2 905             |
| Terblanche, Petru                      | 5 510            | -                        | -                         | 1 837                   | 7 347             |
| Van Dyk, Leon                          | 510 897          | -                        | -                         | 218 299                 | 729 196           |
|                                        | <b>8 703 705</b> | <b>103 680</b>           | <b>479 983</b>            | <b>4 467 524</b>        | <b>13 754 892</b> |

Other benefits received includes Travel and Cellphone allowances.

It must be noted that the Related party disclosure differs from the Remuneration of Councillors note due to accrual entries.

The note has been adjusted to remove the Travel and Subsistence expenditure disclosed in previous year Annual Financial Statements due to specific exclusion of reimbursement for expenditure in the applicable GRAP standard.



# Mossel Bay Municipality

## Annual Financial Statements for the year ended June 30, 2024

### Notes to the Annual Financial Statements

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#### 60. Related parties (continued)

##### Executive management

##### 2024

| Name          | Basic salary     | Bonuses and performance related payments | Other benefits received | Total             |
|---------------|------------------|------------------------------------------|-------------------------|-------------------|
| Puren, C      | 1 042 723        | 169 905                                  | 329 666                 | 1 542 294         |
| Naidoo, S     | 1 803 909        | 176 566                                  | 442 299                 | 2 422 774         |
| Lategan, G    | 511 097          | -                                        | 168 728                 | 679 825           |
| Fredericks, O | 1 222 567        | 184 109                                  | 174 198                 | 1 580 874         |
| Potgieter, A  | 1 243 215        | 63 901                                   | 137 591                 | 1 444 707         |
| Nel, E        | 1 184 451        | 124 312                                  | 400 599                 | 1 709 362         |
| Venter, CJ    | 1 392 689        | 141 368                                  | 428 303                 | 1 962 360         |
|               | <b>8 400 651</b> | <b>860 161</b>                           | <b>2 081 384</b>        | <b>11 342 196</b> |

##### 2023

| Name          | Basic salary     | Bonuses and performance related payments | Other benefits received | Total             |
|---------------|------------------|------------------------------------------|-------------------------|-------------------|
| Giliomee, MG  | -                | 37 102                                   | 177                     | 37 279            |
| Puren, C      | 1 252 635        | 134 430                                  | 422 309                 | 1 809 374         |
| Naidoo, S     | 1 705 787        | 168 319                                  | 449 859                 | 2 323 965         |
| Jantjies, E   | -                | 138 871                                  | 177                     | 139 048           |
| Fredericks, O | 1 128 675        | 178 747                                  | 223 295                 | 1 530 717         |
| Potgieter, A  | 666 413          | -                                        | 106 607                 | 773 020           |
| Nel, E        | 1 088 504        | 120 691                                  | 438 119                 | 1 647 314         |
| Venter, CJ    | 1 292 790        | 133 783                                  | 440 305                 | 1 866 878         |
|               | <b>7 134 804</b> | <b>911 943</b>                           | <b>2 080 848</b>        | <b>10 127 595</b> |

Other benefits received includes Motor Vehicle allowance, Telephone allowance, Medical Aid contribution, Post Retirement fund contribution, Group insurance, UIF and Industrial council levies.

It must be noted that the Related Party disclosures differ from the Note on Employee Related Costs due to accrual entries.

The note has been adjusted to remove the Travel and Subsistence expenditure disclosed in previous year Annual Financial Statements due to specific exclusion of reimbursement for expenditure in the applicable GRAP standard.

Key Management and Councillors receive and pay for services from the municipality on the same terms and conditions as other ratepayers / residents. Services rendered to key management personnel occurred within normal supplier and customer relationships on terms and conditions no more or less favourable than those which the municipality is reasonable to expect to have adopted if dealing with the individual persons in the same circumstances. These terms and conditions are within the normal operating parameters established by the municipality's legal mandate.

The amounts outstanding are unsecured and will be settled in cash.

The rates, service charges and other charges are in accordance with approved tariffs that were advertised to the public. No bad debt expenses have been recognised in respect of amounts owed by related parties.

# Mossel Bay Municipality

## Annual Financial Statements for the year ended June 30, 2024

### Notes to the Annual Financial Statements

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#### 60. Related parties (continued)

General information on amounts of outstanding balances in relation to related parties:

The same terms and conditions apply to the outstanding balances as for all consumers of municipal services.

No guarantees are given or received in relation to related party transactions.

No provision for doubtful debts are made in relation to the amounts of outstanding balances and no expense was recognised during the period in respect of bad or doubtful debts due from related parties.

# Mossel Bay Municipality

## Annual Financial Statements for the year ended June 30, 2024

### Notes to the Annual Financial Statements

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#### 61. Contingencies

##### Contractual disputes

Below is a list of possible liability claims where the outcome was unknown at 30 June 2024 with the maximum unforeseen liability for the Municipality:

|                                                                                                                                                                                                                          | 2024               | 2023               |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|--------------------|
| Stonetrade Trust v Mossel Bay Municipality: claim with regard to Mid-Income housing.                                                                                                                                     | 129 941 953        | 64 220 976         |
| Delict JF van Niekerk and Other v Mossel Bay Municipality: letter of demand was received from 53 registered owners in the Municipal Jurisdiction who were affected by the landslip in the Seemeeu Park residential area. | 92 000 000         | 89 562 000         |
| A summons was received for a public liability claim which could not be settled with the insurance brokers. Damages due to injuries is claimed.                                                                           | 250 000            | 250 000            |
| Sala Pension fund Claim - outstanding employer contributions                                                                                                                                                             | 3 349 738          | -                  |
| Uhlaza Group (PTY) LTD vs Mossel Bay Municipality: Basis of the claim is in respect of the Municipality's cancellation of Tender 366/2022/2023                                                                           | 5 100 000          | -                  |
|                                                                                                                                                                                                                          | <b>230 641 691</b> | <b>154 032 976</b> |

The increase in contingency amount for the Stonetrade case is due to the accumulation of interest mora tore.

##### Guarantees of employees housing loans:

Guarantees have been issued to various financial institutions on behalf of officials in respect of housing loans.

This is covered by individual cumulated pensions depending on the years of service. Collateral investments were made in certain cases.

Note: Council has received the funds on one of the guarantees, but are awaiting confirmation of cancellation of the guarantee.

|                                                                                | 2024   | 2023   |
|--------------------------------------------------------------------------------|--------|--------|
| The maximum amount of the guarantees to which council has a right to recovery. | 18 841 | 31 285 |

# Mossel Bay Municipality

## Annual Financial Statements for the year ended June 30, 2024

### Notes to the Annual Financial Statements

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#### 61. Contingencies (continued)

##### Other contingent liabilities:

##### Arbitration cases:

There is currently three disputes under arbitration where three employees have been dismissed. An amount based on the the heaviest sanction from a financial point of view of R421 602 is estimated for the claim, but the outcome and timing is not available.

##### Insurance claims:

At year end there were 15 Insurance claims against the municipality of which the outcome and probable amount to be paid were unknown.

##### VAT on Library Grant funds:

The separation of funding and implementation responsibilities often results in unfunded mandates being imposed on municipalities. Mossel Bay Municipality is not assigned a Library function, and is also not acting formally in terms of an SLA as agent of the province, but it is also expected to contribute financially to provision of library services. The Municipality is therefore unclear on the VAT treatment on all contributions received from SARS and has requested a SARS ruling in this regard. Until such time that clarity is obtained it will be disclosed as a Provision and the interest and penalties if payable, will be disclosed as a contingent liability. The calculation is based on all receipts for the past 5 years, with interest and penalties as per the latest rates of SARS.

|                                                             | 2024      | 2023      |
|-------------------------------------------------------------|-----------|-----------|
| VAT on Library grant funds including interest and penalties | 2 612 816 | 1 782 610 |

#### 62. Risk management

##### Financial risk management

Credit risk is defined as the risk that one party to a financial instrument will fail to honour their obligation, thus causing the other party to incur a financial loss.

Potential concentrations of credit risk and interest rate risk consist mainly of fixed deposit investments, long term debtors, consumer debtors, other debtors, short term investment deposits and bank and cash balances.

The Municipality limits its counterparty exposures from its money market investment operations by only dealing with well-established financial institutions of high-quality credit standing. The credit exposure to any single counterparty is managed by setting transaction/exposure limits, which are included in the Municipality's investment policy. These limits are reviewed annually by the CFO and authorised by Council.

Consumer debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Consumer debtors are presented net of an allowance for doubtful debt. Outstanding accounts are followed up monthly and the supply of electricity accounts not paid on due date are put on auxiliary.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate or currency risk, whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

##### Liquidity risk

Liquidity risk is the risk that the Municipality will encounter difficulty in raising funds to meet commitments associated with financial liabilities. The financial liabilities of the Municipality are backed by appropriate assets and it has adequate liquid resources. Council has an approved Long-term financial plan which brought policies and procedures in place to monitor the cash projections and by ensuring that borrowing facilities are available to meet its cash requirements.

# Mossel Bay Municipality

## Annual Financial Statements for the year ended June 30, 2024

### Notes to the Annual Financial Statements

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#### 62. Risk management (continued)

##### Exposure to financial risks

Financial assets exposed to credit risk at year end were as follows:

##### Maximum Credit Risk of Financial instrument

|                                            |                    |                    |
|--------------------------------------------|--------------------|--------------------|
| Long term receivables                      | 304 112            | 309 450            |
| Unpaid Construction contract advances      | 5 039 915          | 7 160 318          |
| Receivables from exchange transactions     | 140 697 899        | 134 295 530        |
| Receivables from non-exchange transactions | 3 094 172          | 3 886 742          |
| Investments                                | 197 174 000        | 167 174 000        |
| Short-term investments                     | 447 393 341        | 559 963 409        |
| Cash and cash equivalents                  | 133 322 173        | 53 759 880         |
| <b>Maximum Credit Risk Exposure</b>        | <b>927 025 612</b> | <b>926 549 329</b> |

No collateral held as security or other credit enhancements.

##### Market risk

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

##### Interest rate risk

Interest rate risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest rate changes. The possible impact on financial instruments is disclosed in note 67.

#### 63. Events after the reporting date

No events having financial implications requiring disclosure occurred subsequent to June 30, 2024.

#### 64. Accounting by principals and agents

Details of the arrangements are as follows:

# Mossel Bay Municipality

## Annual Financial Statements for the year ended June 30, 2024

### Notes to the Annual Financial Statements

| Figures in Rand                                     |                                            | 2024                                                                             | 2023                                                                                                                                                                                                                                                                                                                                                                                        |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
|-----------------------------------------------------|--------------------------------------------|----------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 64. Accounting by principals and agents (continued) |                                            |                                                                                  |                                                                                                                                                                                                                                                                                                                                                                                             |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| Municipality as Agent / Principal                   | Other Party in agreement                   | Purpose of Arrangement                                                           | Description of Arrangement                                                                                                                                                                                                                                                                                                                                                                  | Significant Terms and Conditions of Arrangement                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| Agent                                               | Provincial Department of Transport         | Motor Vehicle registration                                                       | The Municipality undertakes to handle Motor vehicle license issuing on behalf of the Department of Transport and collects a commission of 12% plus VAT.                                                                                                                                                                                                                                     | The municipality collect motor registration fees on behalf of Provincial Administration. Payment is made weekly based on the e-Natis reports. Agency fees to the value of 12% plus VAT is withhold from the payment to the Province                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| Agent                                               | Provincial Department of Transport         | Drivers Licence applications                                                     | The Municipality undertakes to handle Driver's licence applications on behalf of the Department of Transport.                                                                                                                                                                                                                                                                               | The value of application fees is determined by the Provincial administration. The Municipality recognise all fees collected as agency fees.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| Agent                                               | Provincial Department of Transport         | Administration of Drivers licence cards - RTMC (Road Traffic Management Company) | The Municipality undertakes to issue Driver's licence cards on behalf of the Department of Transport.                                                                                                                                                                                                                                                                                       | The municipality collect all application fees on behalf of Provincial Administration and recognise the revenue as agency fees. The cost for the production of a drivers licence card, for each successful applicant, is paid by the Municipality to the service provider appointed by Provincial Administration based on an invoice of RTMC (Road Traffic Management Company)                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| Agent                                               | Department of Justice                      | Administration of Court fees                                                     | The Municipality undertakes to collect Court Fines on behalf of the Department of Justice and get no commission for this service.                                                                                                                                                                                                                                                           | The municipality collect content of court fees on behalf of the Dept of Justice, which is paid over on a monthly basis. The Municipality has no rights to an administration fee on the content of court fees.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| Agent                                               | Provincial Department of Human Settlements | Administration of the Building of Houses                                         | The Human settlements Department has an agreement with the municipality to administer the process for building of houses for third parties in terms of Chapter 3 of the National Housing Code. For the year under review and previous financial year Mossel Bay Municipality was the Agent for the following housing projects: Wolwedans Housing project and Mountain View Housing project. | A) Mossel Bay Municipality does not have the power to determine the significant terms and conditions of the transactions, Department of Human Settlements is responsible for the construction of houses and is responsible for preparing contracts and project agreements and Appointing contractors for housing development.<br><br>B) Mossel Bay Municipality, is only the fund administrator, therefore Mossel Bay Municipality does not have the ability to use resources from the transactions substantially for its own benefit.<br><br>C) Department of Human Settlement is responsible for fulfilling the rights and obligations under the contractual arrangement entered into with contractors and/or other service providers. Thus, Mossel Bay Municipality is not exposed to variability in the result of the transactions. |

# Mossel Bay Municipality

## Annual Financial Statements for the year ended June 30, 2024

### Notes to the Annual Financial Statements

| Figures in Rand                                            |                                 |                               | 2024                                                                                                                                                                                                                                                                        | 2023                                                                                                                                                                                                                      |
|------------------------------------------------------------|---------------------------------|-------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>64. Accounting by principals and agents (continued)</b> |                                 |                               |                                                                                                                                                                                                                                                                             |                                                                                                                                                                                                                           |
| <b>Municipality as Agent / Principal</b>                   | <b>Other Party in agreement</b> | <b>Purpose of Arrangement</b> | <b>Description of Arrangement</b>                                                                                                                                                                                                                                           | <b>Significant Terms and Conditions of Arrangement</b>                                                                                                                                                                    |
| Principal                                                  | Utilities                       | Prepaid electricity vendor    | Mossel Bay Municipality requires a prepayment vending and management system, which includes inspection of pre-paid meters and tamper management.                                                                                                                            | The system must provide for all types of payment methods. System must be operation on a 24 hour per day, 7 days a week, 365 days a year basis. No changes during the reporting period.                                    |
| Principal                                                  | EasyPay                         | Municipal account payment     | That the Municipality's accounts for services owed to it by customers be paid at various Collectors and Easypay will accept payments on the Municipality's behalf and pay over to Municipality at a collection cost.                                                        | Funds shall be transferred daily in a consolidated total via ACM transfer to the Municipality's nominated bank account. No changes during the reporting period                                                            |
| Principal                                                  | Pay@                            | Municipal account payment     | That the Municipality make use of the Pay@ account payment system available in retail and other networks and Pay@ shall provide the required systems to interface with Networks to enable the Data to be presented and payments to be made by the Municipality's customers. | Data of municipal accounts shall be updated regularly. Systems shall be maintained and commission, supply and install systems necessary for provisioning of the Payment solution. No Changes during the reporting period. |

#### Municipality as agent

#### Resources held on behalf of the principal(s), but recognised in the municipality's own financial statements

The resources regarding the Licensing Department, Dept of Justice and Department of Human Settlements remain their own and do not form part of the Municipality's financial statements.

#### Revenue recognised

The aggregate amount of revenue that the entity recognised as compensation for the transactions carried out on behalf of the principal is R8 227 836 (2022: R8 148 171 ).

|                                                       |                  |                  |
|-------------------------------------------------------|------------------|------------------|
| Motor Vehicle registration - Dept of Transport        | 4 450 310        | 4 447 486        |
| Drivers Licence applications - Dept of Transport      | 3 777 526        | 3 700 685        |
| RTMC - Dept of Transport                              | -                | -                |
| Court Fees - Dept of Justice                          | -                | -                |
| Administration of Housing - Dept of Human Settlements | -                | -                |
|                                                       | <b>8 227 836</b> | <b>8 148 171</b> |

# Mossel Bay Municipality

## Annual Financial Statements for the year ended June 30, 2024

### Notes to the Annual Financial Statements

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

##### Liabilities and corresponding rights of reimbursement recognised as assets

Liabilities incurred on behalf of the principal(s) that have been recognised by the entity have a net effect of R54 880 that is still owed by the Municipality and will be paid over to the Department of Transport / Department of Justice in the new financial year.

Corresponding rights of reimbursement that have been recognised as assets have a net effect of R6 098 and relates to Drivers licence applications.

##### Category(ies) of revenue received / expenses paid on behalf of the principal, are:

The two categories of revenue received on behalf of the principal is Licensing fees (includes Vehicle licences, Drivers licences and Drivers licence cards) and Court fees.

##### Amount of revenue received /expenses paid on behalf of the principal during the reporting period

| Agent Principal arrangement                           | 2024              | 2023              |
|-------------------------------------------------------|-------------------|-------------------|
| Motor Vehicle registration - Dept of Transport        | 42 648 870        | 42 626 405        |
| Drivers Licence applications - Dept of Transport      | 887 486           | 880 506           |
| RTMC - Dept of Transport                              | 4 220 208         | 4 277 160         |
| Court Fees - Dept of Justice                          | 1 320 030         | 889 850           |
| Administration of Housing - Dept of Human Settlements | -                 | -                 |
|                                                       | <b>49 076 594</b> | <b>48 673 921</b> |

##### Receivables and / or payables recognised based on the rights and obligations established in the binding arrangement(s)

| Name of Receivables / Payable recognised | Receivables / Payable | 2024          | 2023          |
|------------------------------------------|-----------------------|---------------|---------------|
| Motor Vehicle registration               | Payable               | -             | -             |
| Drivers licence applications             | Receivable            | (6 098)       | (5 308)       |
| Court fees                               | Payable               | 54 880        | 56 850        |
|                                          |                       | <b>-</b>      | <b>48 782</b> |
|                                          |                       | <b>48 782</b> | <b>51 542</b> |

##### Reconciliation of the carrying amount of receivables

| Drivers licence applications          | 2024           | 2023           |
|---------------------------------------|----------------|----------------|
| Opening balance                       | (5 308)        | 29 480         |
| Revenue that principal is entitled to | 887 486        | 880 506        |
| Amounts transferred to the Principal  | (888 276)      | (915 294)      |
|                                       | <b>(6 098)</b> | <b>(5 308)</b> |

##### Reconciliation of the carrying amount of payables

| Payables (Motor Vehicles registrations, RTMC and Court Fees) | 2024          | 2023          |
|--------------------------------------------------------------|---------------|---------------|
| Opening balance                                              | 56 850        | 58 800        |
| Revenue that principal is entitled to                        | 48 189 108    | 47 793 415    |
| Amounts transferred to the principal                         | (43 073 221)  | (42 680 735)  |
| Commission                                                   | (5 117 857)   | (5 114 630)   |
|                                                              | <b>54 880</b> | <b>56 850</b> |



# Mossel Bay Municipality

## Annual Financial Statements for the year ended June 30, 2024

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

##### Municipality as principal

##### Resources (including assets and liabilities) of the municipality under the custodianship of the agent

No assets or liabilities of Mossel Bay Municipality are under the custodianship of Utilities, Easy pay or Pay@.

##### Fees paid as compensation to the agent

| Commission paid                        | 2024             | 2023             |
|----------------------------------------|------------------|------------------|
| Utilities - Prepaid electricity vendor | 6 950 063        | 6 247 038        |
| Easy pay - Municipal account payment   | 872 770          | 684 874          |
| Pay@ - Municipal account payment       | 775 012          | 724 395          |
|                                        | <b>8 597 845</b> | <b>7 656 307</b> |

##### Resource(s) and / or cost implications for the municipality if the principal-agent arrangement is terminated

There are no resource or cost implications for the municipality if the arrangements are terminated.

#### 65. Going concern

We draw attention to the fact that at June 30, 2024, the municipality had an accumulated surplus of R2 987 766 179 and that the municipality's total assets exceed its liabilities by R3 351 408 482.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors. In assessment whether the going concern assumption is appropriate under the current economic climate, management considered a wide range of factors including the current and expected performance of the municipality, the likelihood of continued government funding and, if necessary, potential sources of replacement funding.

Further to that the Municipality has put in place cost containment measures to curb unnecessary spending. All stakeholders are referred to the Municipal Budget as well as Long Term Financial Plan which is used to assess whether the going concern assumption is appropriate.

# Mossel Bay Municipality

## Annual Financial Statements for the year ended June 30, 2024

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#### 66. Interests in other entities

##### Interests in joint arrangements

##### Material joint arrangements

##### Joint arrangement

Name of the joint arrangement:

Nature of the entity's relationship with the joint arrangement:

Domicile and legal form of the joint arrangement:

Proportion of ownership interest or participating share held by the entity:

Proportion of voting rights held:

Construction and operations of a jointly-owned 15 Mega litres per day Seawater Desalination facility

Contract with PetroSA on Construction and operations of a jointly-owned 15 Mega litres per day Seawater Desalination facility

Contract signed between Mossel Bay Municipality and PetroSA for Construction and Operations of Desalination plant.

Title and ownership of the Desalination facility shall vest in the Municipality and PetroSA proportional to their respective funding contributions.

The Municipality accounts for its share of the jointly controlled assets, any liabilities it has incurred, its share of any liabilities jointly incurred, income from the sale or use of its share of the Desalination plant, together with its share of the expenses incurred on the Desalination plant, and any expenses it incurs in relation to its interest in the asset.

# Mossel Bay Municipality

## Annual Financial Statements for the year ended June 30, 2024

### Notes to the Annual Financial Statements

| Figures in Rand                                               | 2024               | 2023               |
|---------------------------------------------------------------|--------------------|--------------------|
| <b>67. Financial instruments disclosure</b>                   |                    |                    |
| <b>Categories of financial instruments at amortised cost</b>  |                    |                    |
| <b>FINANCIAL ASSETS</b>                                       |                    |                    |
| <b>Investments</b>                                            |                    |                    |
| Long-term investments                                         | 197 174 000        | 167 174 000        |
| <b>Short-term investments</b>                                 |                    |                    |
| Standard Bank                                                 | -                  | 126 432 922        |
| ABSA Bank                                                     | 219 272 659        | 65 358 937         |
| Nedbank                                                       | 213 572 227        | 368 171 550        |
| First National Bank                                           | 14 548 455         | -                  |
| <b>Cash and cash equivalents</b>                              |                    |                    |
| Bank balances                                                 | 112 923 309        | 53 742 926         |
| Cash on hand                                                  | 21 086             | 16 954             |
| Short-term deposits                                           | 20 377 778         | -                  |
| <b>Long-term receivables</b>                                  |                    |                    |
| Land Sales Debtors                                            | 125                | 1 013              |
| Bursary Obligations                                           | 277 533            | 279 390            |
| Housing Selling Schemes                                       | 26 454             | 29 047             |
| <b>Unpaid Construction contract advances</b>                  |                    |                    |
| Unpaid Construction contract advances                         | 5 039 915          | 7 160 318          |
| <b>Receivables from exchange transactions</b>                 |                    |                    |
| Electricity                                                   | 55 307 803         | 52 183 959         |
| Water                                                         | 27 586 086         | 33 680 880         |
| Sewerage                                                      | 6 661 488          | 8 642 630          |
| Refuse                                                        | 7 358 583          | 8 958 829          |
| Land sales                                                    | 890                | 305                |
| Housing selling schemes                                       | 7 741              | 10 276             |
| Housing rental                                                | 9 990              | 12 270             |
| Other (Merchandising, Jobbing, Contracts and Service charges) | 43 765 318         | 30 806 381         |
| <b>Other receivables from non-exchange transactions</b>       |                    |                    |
| Other                                                         | 828 657            | 781 276            |
| Availability charges - Electricity                            | 1 072 015          | 1 403 092          |
| Availability charges - Sanitation and Sewerage                | 604 032            | 771 643            |
| Availability charges - Water                                  | 589 468            | 930 731            |
|                                                               | <b>927 025 612</b> | <b>926 549 329</b> |

# Mossel Bay Municipality

## Annual Financial Statements for the year ended June 30, 2024

### Notes to the Annual Financial Statements

| Figures in Rand                                         | 2024               | 2023               |
|---------------------------------------------------------|--------------------|--------------------|
| <b>67. Financial instruments disclosure (continued)</b> |                    |                    |
| <b>FINANCIAL LIABILITIES</b>                            |                    |                    |
| <b>Other financial liabilities</b>                      |                    |                    |
| Long term loan                                          | 245 944 919        | 173 506 365        |
| <b>Payables from exchange transactions</b>              |                    |                    |
| Trade payables                                          | 165 632 744        | 155 745 741        |
| Accrued Expenditure                                     | 182 968            | 157 339            |
| Retentions                                              | 26 876 062         | 14 070 268         |
| Other payables                                          | 1 081 288          | 1 070 301          |
| Other deposits                                          | 8 671 833          | 10 550 597         |
| Auditor-General of South Africa                         | 3 859              | -                  |
| <b>Consumer deposits</b>                                |                    |                    |
| Electricity                                             | 23 990 592         | 21 924 843         |
| Water                                                   | 17 611 082         | 16 658 240         |
| <b>Non-current deposits</b>                             |                    |                    |
| Santos Pavillion Repair Fund                            | 372 718            | 344 472            |
| <b>Unspent conditional grants and receipts</b>          |                    |                    |
| Unspent conditional grants and receipts                 | 7 759 123          | 22 783 507         |
| <b>Cash and cash equivalents</b>                        |                    |                    |
| Bank overdraft                                          | -                  | -                  |
|                                                         | <b>498 127 188</b> | <b>416 811 673</b> |

Comparatives have been restated due to correction of prior period errors. Refer to Note 49.

Employee benefits has been removed from Financial instruments note in line with GRAP 25 exclusion thereof.

#### Methods and assumptions are used to determine the amortised cost of each class of financial instrument

Cash and Cash Equivalents: The carrying amount approximates the amortised cost due to the relatively short-term nature of these financial assets.

Trade and Other receivables / payables: The carrying amount of trade and other receivables (net of provision for debt impairment) / payables approximates amortised cost due to the relatively short-term nature of these assets / liabilities.

Long-term Receivables / payables: Subsequent to initial recognition, interest bearing borrowings and receivables are stated at amortised cost. Fixed interest rate instruments are at amortised cost based on the present value of future principal and interest cash flows, discounted at the market-related interest rates at the reporting date.

#### Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on financial instruments exposure to interest rates at reporting date. For floating rate instruments, the analysis is prepared assuming the amount of the instrument outstanding at the reporting date was outstanding for the whole year.

The basis point increases or decreases, as detailed in the table below, were determined by management and represent management's assessment of the reasonably possible change in interest rates.

A positive number below indicates an increase in surplus. A negative number below indicates a decrease in surplus.

The sensitivity analysis shows reasonable expected change in the interest rate, either an increase or decrease in the interest percentage. The equal but opposite % adjustment to the interest rate would result in an equal but opposite effect on surplus and therefore has not been separately disclosed below.

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67. Financial instruments disclosure (continued)

As the entity does not have any instruments that effect net assets directly, the disclosure only indicates the effect of the change in interest rates on surplus. There were no changes in the methods and assumptions used in preparing the sensitivity analysis from one year to the next.

Adjustment in interest rates: The effect of a 1% increase / decrease in interest rate would have the following effect:

# Mossel Bay Municipality

## Annual Financial Statements for the year ended June 30, 2024

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| 67. Financial instruments disclosure (continued)      |               |                 |                  |                         |                                            |
| 2024                                                  |               |                 |                  |                         |                                            |
| Net effect of interest-bearing instruments on surplus | Balance       | Interest income | Interest expense | Effective interest rate | Effect of a 1% adjustment in interest rate |
|                                                       | -             | -               | -                | - %                     | -                                          |
| Financial assets                                      |               |                 |                  |                         |                                            |
| Cash and cash equivalents                             | 133 322 172   | 11 348 686      | -                | 12.13 %                 | 935 410                                    |
| Receivables from exchange transactions                | 140 697 900   | 10 906 777      | -                | 7.93 %                  | 1 374 967                                  |
| Receivables from non-exchange transactions            | 3 094 173     | -               | -                | - %                     | -                                          |
| Short-term investments                                | 447 393 341   | 38 083 137      | -                | 7.56 %                  | 5 036 784                                  |
| Investments                                           | 197 174 000   | 16 783 899      | -                | 9.21 %                  | 1 821 740                                  |
| Long-term receivables                                 | 304 112       | 23 574          | -                | 7.68 %                  | 3 068                                      |
| Unpaid Construction contract advances                 | 5 039 915     | -               | -                | - %                     | -                                          |
|                                                       | -             | -               | -                | - %                     | -                                          |
| Financial liabilities                                 |               |                 |                  |                         |                                            |
| Trade and other payables from exchange transactions   | 165 632 744   | -               | -                | - %                     | -                                          |
| Non-current deposits                                  | 372 718       | -               | 28 247           | 7.88 %                  | (3 586)                                    |
| Consumer deposits                                     | -             | -               | -                | - %                     | -                                          |
| Unspent conditional grants and receipts               | 7 759 123     | -               | 588 196          | 3.85 %                  | (152 713)                                  |
| Other financial liabilities                           | 245 944 919   | -               | 18 241 650       | 8.70 %                  | (2 097 256)                                |
| Finance lease obligation                              | -             | -               | -                | - %                     | -                                          |
| Subtotal                                              | 1 346 735 117 | 77 146 073      | 18 858 093       | 65                      | 6 918 414                                  |
|                                                       | 1 346 735 117 | 77 146 073      | 18 858 093       | 64.94 %                 | 6 918 414                                  |

#### 2023

| Net effect of interest-bearing instruments on surplus | Balance              | Interest income   | Interest expense  | Effective interest rate | Effect of a 1% adjustment in interest rate |
|-------------------------------------------------------|----------------------|-------------------|-------------------|-------------------------|--------------------------------------------|
|                                                       | -                    | -                 | -                 | - %                     | -                                          |
| <b>Financial assets</b>                               |                      |                   |                   |                         |                                            |
| Cash and cash equivalents                             | 53 759 880           | 3 792 303         | -                 | 6.52 %                  | 581 494                                    |
| Receivables from exchange transactions                | 134 295 530          | 6 771 822         | -                 | 5.40 %                  | 1 253 022                                  |
| Receivables from non-exchange transactions            | 3 886 742            | -                 | -                 | - %                     | -                                          |
| Short-term investments                                | 559 963 409          | 39 500 661        | -                 | 7.28 %                  | 5 427 540                                  |
| Investments                                           | 167 174 000          | 11 792 705        | -                 | 7.75 %                  | 1 521 740                                  |
| Long-term receivables                                 | 309 450              | 15 604            | -                 | 4.50 %                  | 3 467                                      |
| Unpaid Construction contract advances                 | 7 160 319            | -                 | -                 | - %                     | -                                          |
|                                                       | -                    | -                 | -                 | - %                     | -                                          |
| <b>Financial liabilities</b>                          |                      |                   |                   |                         |                                            |
| Trade and other payables from exchange transactions   | 155 745 741          | -                 | -                 | - %                     | -                                          |
| Non-current deposits                                  | 344 472              | -                 | 21 644            | 6.49 %                  | (3 336)                                    |
| Consumer deposits                                     | -                    | -                 | -                 | - %                     | -                                          |
| Unspent conditional grants and receipts               | 22 783 507           | -                 | 590 540           | 3.37 %                  | (175 472)                                  |
| Other financial liabilities                           | 173 506 365          | -                 | 13 449 062        | 8.22 %                  | (1 635 598)                                |
| <b>Subtotal</b>                                       | <b>1 278 929 415</b> | <b>61 873 095</b> | <b>14 061 246</b> | <b>49.53 %</b>          | <b>6 972 857</b>                           |

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

# Mossel Bay Municipality

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#### 68. Segment information

##### General information

##### Identification of segments

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

The seven key functional segments comprise of:

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

Management does not at present have reliable separate financial information of assets and liabilities for the different segments, except for the capital additions as disclosed. Processes are in process of being put in place to generate this information at transaction level and in the most cost effective manner.

# Mossel Bay Municipality

## Annual Financial Statements for the year ended June 30, 2024

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#### 68. Segment information (continued)

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

2024

|                                               | Municipal<br>Manager and<br>Executive<br>Council | Corporate<br>Services | Financial<br>Services | Technical /<br>Infrastructure<br>Services | Community<br>Services | Planning and<br>Economic<br>Development | Community<br>Safety | Total                |
|-----------------------------------------------|--------------------------------------------------|-----------------------|-----------------------|-------------------------------------------|-----------------------|-----------------------------------------|---------------------|----------------------|
| <b>Revenue</b>                                |                                                  |                       |                       |                                           |                       |                                         |                     |                      |
| <b>Revenue from exchange transactions</b>     |                                                  |                       |                       |                                           |                       |                                         |                     |                      |
| Service charges                               | -                                                | -                     | -                     | 866 275 360                               | 90 105 203            | -                                       | -                   | 956 380 563          |
| Construction contracts                        | -                                                | -                     | -                     | -                                         | -                     | 1 074 523                               | -                   | 1 074 523            |
| Rental of facilities and equipment            | -                                                | 540 092               | -                     | 102 091                                   | 1 501 909             | 10 484 185                              | -                   | 12 628 277           |
| Agency services - Provincial Traffic          | -                                                | -                     | -                     | -                                         | -                     | -                                       | 8 227 836           | 8 227 836            |
| Interest received - outstanding debtors       | 1 538 151                                        | -                     | -                     | 8 017 179                                 | 1 613 557             | 1 322                                   | -                   | 11 170 209           |
| Interest received - external investments      | -                                                | -                     | 66 215 722            | -                                         | -                     | -                                       | -                   | 66 215 722           |
| Other income                                  | 32 286 195                                       | 72                    | 4 550 658             | 299 715                                   | 1 411 621             | 17 151 365                              | 379 726             | 56 079 352           |
| <b>Revenue from non-exchange transactions</b> |                                                  |                       |                       |                                           |                       |                                         |                     |                      |
| <b>Taxation revenue</b>                       |                                                  |                       |                       |                                           |                       |                                         |                     |                      |
| Availability charges                          | -                                                | -                     | -                     | 26 235 508                                | -                     | -                                       | -                   | 26 235 508           |
| Property rates                                | 698 822                                          | -                     | 217 928 536           | -                                         | -                     | -                                       | -                   | 218 627 358          |
| Interest earned - outstanding property rates  | -                                                | -                     | 1 140 463             | -                                         | -                     | -                                       | -                   | 1 140 463            |
| Licences and Permits                          | -                                                | -                     | -                     | -                                         | 29 733                | -                                       | 1 358 125           | 1 387 858            |
| <b>Transfer revenue</b>                       |                                                  |                       |                       |                                           |                       |                                         |                     |                      |
| Government grants & subsidies recognised      | 9 714 935                                        | 1 461 550             | 1 566 000             | 134 183 349                               | 39 365 027            | 35 878 871                              | 4 130 806           | 226 300 538          |
| Public contributions and donations            | -                                                | 1 867 797             | -                     | 3 068 442                                 | -                     | 79 322 242                              | 360 000             | 84 618 481           |
| Fines, penalties and forfeits                 | 3 970 517                                        | -                     | -                     | 838 060                                   | 24 160                | -                                       | 19 050 501          | 23 883 238           |
| Internal recoveries                           | 47 971 394                                       | 69 305 049            | (8 327 470)           | 79 721 222                                | 4 655 380             | 5 704 275                               | 4 049 458           | 203 079 308          |
| <b>Total segment revenue</b>                  | <b>96 180 014</b>                                | <b>73 174 560</b>     | <b>283 073 909</b>    | <b>1 118 740 926</b>                      | <b>138 706 590</b>    | <b>149 616 783</b>                      | <b>37 556 452</b>   | <b>1 897 049 234</b> |



# Mossel Bay Municipality

## Annual Financial Statements for the year ended June 30, 2024

### Notes to the Annual Financial Statements

Figures in Rand

|                                                                | Municipal<br>Manager and<br>Executive<br>Council | Corporate<br>Services | Financial<br>Services | Technical /<br>Infrastructure<br>Services | Community<br>Services | Planning and<br>Economic<br>Development | Community<br>Safety | Total                |
|----------------------------------------------------------------|--------------------------------------------------|-----------------------|-----------------------|-------------------------------------------|-----------------------|-----------------------------------------|---------------------|----------------------|
| <b>68. Segment information (continued)</b>                     |                                                  |                       |                       |                                           |                       |                                         |                     |                      |
| <b>Expenditure</b>                                             |                                                  |                       |                       |                                           |                       |                                         |                     |                      |
| Employee related costs                                         | 11 843 298                                       | 52 780 933            | 42 549 371            | 91 787 853                                | 84 744 758            | 53 482 268                              | 62 546 466          | 399 734 947          |
| Remuneration of councillors                                    | 14 418 811                                       | -                     | -                     | -                                         | -                     | -                                       | -                   | 14 418 811           |
| Depreciation, amortisation and asset impairment                | 229 249                                          | 3 994 820             | 1 484 699             | 70 303 485                                | 19 461 455            | 47 932 555                              | 7 081 719           | 150 487 982          |
| Bad debts written off                                          | 1 213 585                                        | -                     | 180 375               | 4 840 603                                 | 1 583 630             | -                                       | 11 564 550          | 19 382 743           |
| Finance costs                                                  | 616 443                                          | -                     | -                     | 17 601 987                                | 8 423 278             | -                                       | -                   | 26 641 708           |
| Bulk purchases                                                 | -                                                | -                     | -                     | 523 177 552                               | -                     | -                                       | -                   | 523 177 552          |
| Contracted services                                            | 6 800 484                                        | 3 766 035             | 8 728 569             | 18 518 924                                | 59 054 507            | 62 835 496                              | 21 727 351          | 181 431 366          |
| Transfers and subsidies paid                                   | 110 000                                          | 6 399 600             | -                     | -                                         | 151 430               | 25 844                                  | 4 303 384           | 10 990 258           |
| Inventory consumed                                             | 300 521                                          | 645 110               | 337 606               | 75 026 992                                | 18 521 868            | 6 589 204                               | 5 802 572           | 107 223 873          |
| General expenses                                               | 13 929 934                                       | 14 341 292            | 15 549 722            | 12 430 105                                | 10 518 480            | 2 417 869                               | 1 277 968           | 70 465 370           |
| Internal charges                                               | 61 428                                           | 1 514 200             | 121 819               | 128 958 160                               | 37 128 938            | 23 851 004                              | 11 443 759          | 203 079 308          |
| <b>Total segment expenditure</b>                               | <b>49 523 753</b>                                | <b>83 441 990</b>     | <b>68 952 161</b>     | <b>942 645 661</b>                        | <b>239 588 344</b>    | <b>197 134 240</b>                      | <b>125 747 769</b>  | <b>1 707 033 918</b> |
| Gain / (loss) on disposal of assets and liabilities            | (2 163)                                          | (154 794)             | (283 443)             | (2 000 776)                               | (52 419)              | 1 605 034                               | (42 262)            | (930 823)            |
| Inventories losses / write-downs                               | -                                                | -                     | (91 496)              | (10 965 253)                              | -                     | -                                       | -                   | (11 056 749)         |
| Reversal of impairment loss / (Impairment loss) on receivables | (2 288 152)                                      | -                     | (4 960 812)           | (42 120 927)                              | (6 599 755)           | 29 368                                  | (129 968)           | (56 070 246)         |
| <b>Total segmental surplus / (deficit)</b>                     | <b>44 365 946</b>                                | <b>(10 422 224)</b>   | <b>208 785 997</b>    | <b>121 008 309</b>                        | <b>(107 533 928)</b>  | <b>(45 883 055)</b>                     | <b>(88 363 547)</b> | <b>121 957 498</b>   |
| <b>Assets</b>                                                  |                                                  |                       |                       |                                           |                       |                                         |                     |                      |
| Capital additions during the year                              | 222 772                                          | 9 217 142             | 10 745 048            | 188 887 685                               | (5 985 983)           | 146 303 028                             | 5 626 029           | 355 015 721          |

# Mossel Bay Municipality

## Annual Financial Statements for the year ended June 30, 2024

### Notes to the Annual Financial Statements

Figures in Rand

#### 68. Segment information (continued)

2023

|                                               | Municipal<br>Manager and<br>Executive<br>Council | Corporate<br>Services | Financial<br>Services | Technical /<br>Infrastructure<br>Services | Community<br>Services | Planning and<br>Economic<br>Development | Community<br>Safety | Total                |
|-----------------------------------------------|--------------------------------------------------|-----------------------|-----------------------|-------------------------------------------|-----------------------|-----------------------------------------|---------------------|----------------------|
| <b>Revenue</b>                                |                                                  |                       |                       |                                           |                       |                                         |                     |                      |
| <b>Revenue from exchange transactions</b>     |                                                  |                       |                       |                                           |                       |                                         |                     |                      |
| Service charges                               | -                                                | -                     | -                     | 776 935 760                               | 83 497 149            | -                                       | -                   | 860 432 909          |
| Construction contracts                        | -                                                | -                     | -                     | -                                         | -                     | 1 251 298                               | -                   | 1 251 298            |
| Rental of facilities and equipment            | -                                                | -                     | -                     | 104 269                                   | 1 333 621             | 11 257 060                              | -                   | 12 694 950           |
| Agency service - Provincial Traffic           | -                                                | -                     | -                     | -                                         | -                     | -                                       | 8 148 171           | 8 148 171            |
| Interest received - outstanding debtors       | 695 040                                          | -                     | -                     | 5 153 483                                 | 1 123 306             | 11 583                                  | -                   | 6 983 412            |
| Interest received - external investments      | -                                                | -                     | 55 085 669            | -                                         | -                     | -                                       | -                   | 55 085 669           |
| Other income                                  | 32 521 768                                       | 11 516                | 5 119 637             | 1 125 065                                 | 1 512 106             | 18 129 829                              | 324 267             | 58 744 188           |
| <b>Revenue from non-exchange transactions</b> |                                                  |                       |                       |                                           |                       |                                         |                     |                      |
| <b>Taxation revenue</b>                       |                                                  |                       |                       |                                           |                       |                                         |                     |                      |
| Availability charges                          | -                                                | -                     | -                     | 24 354 026                                | -                     | -                                       | -                   | 24 354 026           |
| Property rates                                | 707 095                                          | -                     | 191 416 131           | -                                         | -                     | -                                       | -                   | 192 123 226          |
| Interest earned - outstanding property rates  | -                                                | -                     | 895 873               | -                                         | -                     | -                                       | -                   | 895 873              |
| Licences and permits                          | -                                                | -                     | -                     | -                                         | 28 059                | -                                       | 1 289 116           | 1 317 175            |
| <b>Transfer revenue</b>                       |                                                  |                       |                       |                                           |                       |                                         |                     |                      |
| Government grants & subsidies recognised      | 6 473 002                                        | 279 005               | 1 550 000             | 130 742 568                               | 38 889 981            | 42 672 966                              | 3 143 403           | 223 750 925          |
| Public contributions and donations            | 438 060                                          | -                     | -                     | 4 041 590                                 | 428 432               | -                                       | 3 043               | 4 911 125            |
| Fines, penalties and forfeits                 | 1 548 045                                        | -                     | -                     | 1 918 254                                 | 16 831                | -                                       | 22 752 174          | 26 235 304           |
| Internal recoveries                           | 54 601 436                                       | 63 703 612            | (12 656 352)          | 63 117 549                                | 4 434 701             | 4 308 621                               | 71 765              | 177 581 332          |
| <b>Total segment revenue</b>                  | <b>96 984 446</b>                                | <b>63 994 133</b>     | <b>241 410 958</b>    | <b>1 007 492 564</b>                      | <b>131 264 186</b>    | <b>77 631 357</b>                       | <b>35 731 939</b>   | <b>1 654 509 583</b> |

# Mossel Bay Municipality

## Annual Financial Statements for the year ended June 30, 2024

### Notes to the Annual Financial Statements

Figures in Rand

|                                                                | Municipal<br>Manager and<br>Executive<br>Council | Corporate<br>Services | Financial<br>Services | Technical /<br>Infrastructure<br>Services | Community<br>Services | Planning and<br>Economic<br>Development | Community<br>Safety | Total                |
|----------------------------------------------------------------|--------------------------------------------------|-----------------------|-----------------------|-------------------------------------------|-----------------------|-----------------------------------------|---------------------|----------------------|
| <b>68. Segment information (continued)</b>                     |                                                  |                       |                       |                                           |                       |                                         |                     |                      |
| <b>Expenditure</b>                                             |                                                  |                       |                       |                                           |                       |                                         |                     |                      |
| Employee related costs                                         | 11 691 933                                       | 49 798 316            | 38 411 133            | 107 964 114                               | 76 784 829            | 29 785 613                              | 55 633 112          | 370 069 050          |
| Remuneration of councillors                                    | 13 413 696                                       | -                     | -                     | -                                         | -                     | -                                       | -                   | 13 413 696           |
| Depreciation, amortisation and asset impairment                | 78 468                                           | 3 113 564             | 749 640               | 102 717 464                               | 24 059 496            | 4 744 647                               | 3 697 138           | 139 160 417          |
| Bad debts written off                                          | 5 626 384                                        | -                     | 913 121               | 46 414 029                                | 17 628 070            | -                                       | 8 325 900           | 78 907 504           |
| Finance costs                                                  | 612 183                                          | -                     | -                     | 12 800 225                                | 180 546               | -                                       | -                   | 13 592 954           |
| Bulk purchases                                                 | -                                                | -                     | -                     | 436 942 993                               | -                     | -                                       | -                   | 436 942 993          |
| Contracted services                                            | 15 255 345                                       | 2 784 496             | 9 384 226             | 46 451 068                                | 59 172 742            | 11 801 203                              | 22 377 715          | 167 226 795          |
| Transfers and subsidies paid                                   | 319 633                                          | 200 985               | -                     | -                                         | 233 630               | 6 470 902                               | 4 303 384           | 11 528 534           |
| Inventory consumed                                             | 297 739                                          | 514 136               | 1 107 667             | 80 135 988                                | 16 853 058            | 356 645                                 | 5 150 809           | 104 416 042          |
| General expenses                                               | 13 602 312                                       | 12 743 615            | 12 716 858            | 11 488 390                                | 9 168 965             | 2 637 973                               | 1 588 645           | 63 946 758           |
| Internal charges                                               | 68 060                                           | 20 128                | 132 141               | 115 260 589                               | 39 709 181            | 10 056 553                              | 12 334 680          | 177 581 332          |
| <b>Total segment expenditure</b>                               | <b>60 965 753</b>                                | <b>69 175 240</b>     | <b>63 414 786</b>     | <b>960 174 860</b>                        | <b>243 790 517</b>    | <b>65 853 536</b>                       | <b>113 411 383</b>  | <b>1 576 786 075</b> |
| Gain / (loss) on disposal of assets and liabilities            | -                                                | (130 917)             | (15 527)              | (24 344)                                  | (7 046 154)           | 12 847 442                              | (17 247)            | 5 613 253            |
| Inventories losses / write-downs                               | -                                                | -                     | -                     | (8 777 459)                               | -                     | -                                       | -                   | (8 777 459)          |
| Reversal of impairment loss / (Impairment loss) on receivables | (1 086 303)                                      | -                     | (237 018)             | 33 809 056                                | 13 549 262            | 9 100                                   | (6 680 798)         | 39 363 299           |
| <b>Total segmental surplus/(deficit)</b>                       | <b>34 932 390</b>                                | <b>(5 312 024)</b>    | <b>177 743 627</b>    | <b>72 324 957</b>                         | <b>(106 023 223)</b>  | <b>24 634 363</b>                       | <b>(84 377 489)</b> | <b>113 922 601</b>   |
| <b>Assets</b>                                                  |                                                  |                       |                       |                                           |                       |                                         |                     |                      |
| Capital additions during the year                              | 500 316                                          | 9 582 758             | 1 035 581             | 147 437 705                               | 23 006 367            | 42 533 774                              | 18 063 376          | 242 159 877          |

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

# Mossel Bay Municipality

## Annual Financial Statements for the year ended June 30, 2024

### Notes to the Annual Financial Statements

| Figures in Rand | 2024 | 2023 |
|-----------------|------|------|
|-----------------|------|------|

#### 68. Segment information (continued)

##### Measurement of segment surplus or deficit, assets and liabilities

##### Basis of accounting for transactions between reportable segments

The accounting policies of the segments are the same as those described in the summary of significant accounting policies.

##### The nature of differences between the measurements of the reportable segments' surplus or deficit and the entity's surplus or deficit and discontinued operations

Inter-segment transfers: segment revenue and segment expense include revenue and expense arising from internal charges and recoveries between segments. Such transfers are usually accounted for at cost and are eliminated on consolidation. The amount of these transfers was R 203 079 308 (2023: R 177 581 332).

##### Information about geographical areas

Management does not at present have reliable separate financial information of geographical areas for decision making purposes. Processes are in process of being put in place to generate this information at transaction level and in the most cost effective manner.

Mossel Bay Municipality  
Annual Financial Statements for the year ended 30 JUNE 2024

APPENDIX A

| SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2024 |                                  |               |            |                         |                            |                                          |                               |                  |                         |                       |                                         |
|-----------------------------------------------|----------------------------------|---------------|------------|-------------------------|----------------------------|------------------------------------------|-------------------------------|------------------|-------------------------|-----------------------|-----------------------------------------|
| External loans                                | Institution                      | Interest rate | Redeemable | Balance at 30 JUNE 2023 | Received during the period | Redeemed / written off during the period | Unamortised discount on loans | Accrued interest | Balance at 30 JUNE 2024 | Carrying value of PPE | Other costs in accordance with the MFMA |
| <b>LONG-TERM LOANS</b>                        |                                  |               |            |                         |                            |                                          |                               |                  |                         |                       |                                         |
| DBSA loan R30m                                | Development Bank of South Africa | 10.55%        | 30/06/2027 | 8 000 000               |                            | 2 000 000                                | -                             | 3 740            | 6 003 740               | -                     | -                                       |
| ABSA loan R4.8m                               | ABSA Bank                        | 9.00%         | 01/07/2026 | 1 850 938               |                            | 554 395                                  |                               | 746              | 1 297 289               |                       |                                         |
| ABSA loan R6.5m                               | ABSA Bank                        | 9.50%         | 2027/07/01 | 3 241 644               |                            | 683 817                                  |                               | 1 542            | 2 559 369               |                       |                                         |
| Nedbank loan R5.6m                            | Nedbank                          | 9.10%         | 01/07/2028 | 3 311 400               |                            | 543 697                                  |                               | 2 427            | 2 770 131               |                       |                                         |
| DBSA loan R10m                                | Development Bank of South Africa | 9.47%         | 30/06/2029 | 6 003 262               |                            | 1 000 544                                |                               | 2 964            | 5 005 682               |                       |                                         |
| DBSA loan R35m                                | Development Bank of South Africa | 9.47%         | 30/06/2029 | 23 333 333              |                            | 3 888 889                                | -                             | 11 520           | 19 455 964              |                       |                                         |
| DBSA loan R12m                                | Development Bank of South Africa | 9.47%         | 30/06/2029 | 8 000 000               |                            | 1 333 333                                |                               | 3 950            | 6 670 617               |                       |                                         |
| DBSA loan R7.8m                               | Development Bank of South Africa | 9.47%         | 30/06/2029 | 5 200 000               |                            | 866 667                                  | -                             | 2 567            | 4 335 900               |                       |                                         |
| Nedbank loan R2.2m                            | Nedbank                          | 7.36%         | 30/06/2025 | 966 380                 |                            | 460 150                                  | -                             | 447              | 506 677                 |                       |                                         |
| Nedbank loan R1.35m                           | Nedbank                          | 5.54%         | 30/06/2031 | 1 154 864               |                            | 104 151                                  |                               | 864              | 1 051 577               |                       |                                         |
| Nedbank loan R13.68m                          | Nedbank                          | 5.54%         | 30/06/2031 | 11 702 623              |                            | 1 055 396                                |                               | 11 518           | 10 658 746              |                       |                                         |
| Nedbank loan R18m                             | Nedbank                          | 5.54%         | 30/06/2031 | 15 398 189              |                            | 1 388 679                                |                               | 8 754            | 14 018 264              |                       |                                         |
| Nedbank loan R10.6m                           | Nedbank                          | 5.87%         | 30/06/2031 | 9 014 318               |                            | 791 298                                  |                               | 12 394           | 8 235 414               |                       |                                         |
| Nedbank loan R17.8m                           | Nedbank                          | 5.87%         | 30/06/2031 | 15 137 964              |                            | 1 328 845                                |                               | 7 380            | 13 816 499              |                       |                                         |
| Nedbank loan R6m                              | Nedbank                          | 5.93%         | 30/06/2032 | 5 598 352               |                            | 394 207                                  |                               | 4 437            | 5 208 581               |                       |                                         |
| Nedbank loan R5m                              | Nedbank                          | 5.93%         | 30/06/2032 | 4 665 293               |                            | 328 506                                  |                               | 3 697            | 4 340 484               |                       |                                         |
| Nedbank loan R14.8m                           | Nedbank                          | 5.93%         | 30/06/2032 | 13 827 805              |                            | 973 683                                  |                               | 10 959           | 12 865 081              |                       |                                         |
| Nedbank loan R14.5m                           | Nedbank                          | 10.33%        | 30/06/2033 | 14 500 000              |                            | 889 050                                  |                               | 11 556           | 13 622 506              |                       |                                         |
| Nedbank loan R18.1m                           | Nedbank                          | 10.33%        | 30/06/2033 | 18 100 000              |                            | 1 109 780                                |                               | 14 425           | 17 004 646              |                       |                                         |
| Nedbank loan R4.5m                            | Nedbank                          | 10.33%        | 30/06/2033 | 4 500 000               |                            | 275 912                                  |                               | 3 586            | 4 227 674               |                       |                                         |
| 1023-Ned0014-2024.34-6,9                      | Nedbank                          | 9.92%         | 30/06/2034 |                         | 6 854 590                  |                                          |                               | 5 591            | 6 860 181               |                       |                                         |
| 1024-Ned0015-2024.34-59                       | Nedbank                          | 9.96%         | 30/06/2034 |                         | 58 410 000                 |                                          |                               | 47 831           | 58 457 831              |                       |                                         |
| 1025-Ned0016-2024.34-22                       | Nedbank                          | 9.94%         | 30/06/2034 |                         | 13 950 000                 |                                          |                               | 11 400           | 13 961 400              |                       |                                         |
| 1026-Ned0017-2024.34-237                      | Nedbank                          | 9.98%         | 30/06/2034 |                         | 13 000 000                 |                                          |                               | 10 667           | 13 010 667              |                       |                                         |
| <b>Total long-term loans</b>                  |                                  |               |            | <b>173 506 366</b>      | <b>92 214 590</b>          | <b>19 970 998</b>                        | <b>-</b>                      | <b>194 962</b>   | <b>245 944 920</b>      | <b>-</b>              | <b>-</b>                                |
| <b>TOTAL EXTERNAL LOANS</b>                   |                                  |               |            | <b>173 506 366</b>      | <b>92 214 590</b>          | <b>19 970 998</b>                        | <b>-</b>                      | <b>194 962</b>   | <b>245 944 920</b>      | <b>-</b>              | <b>-</b>                                |

APPENDIX B

APPROPRIATION STATEMENT AS AT 30 JUNE 2024

|                                                                      | Original budget      | Budget adjustments (i.t.o. s28 and s31 of the MFMA) | Final adjustments budget | Shifting of funds (i.t.o. s31 of the MFMA) | Virement (i.t.o. council approved policy) | Final budget         | Actual outcome       | Unauthorised expenditure | Variance           | Actual outcome as % of final budget | Actual outcome as % of original budget |
|----------------------------------------------------------------------|----------------------|-----------------------------------------------------|--------------------------|--------------------------------------------|-------------------------------------------|----------------------|----------------------|--------------------------|--------------------|-------------------------------------|----------------------------------------|
|                                                                      | R                    | R                                                   | R                        | R                                          | R                                         | R                    | R                    | R                        | R                  | R                                   | R                                      |
| <b>2024</b>                                                          |                      |                                                     |                          |                                            |                                           |                      |                      |                          |                    |                                     |                                        |
| <b>FINANCIAL PERFORMANCE</b>                                         |                      |                                                     |                          |                                            |                                           |                      |                      |                          |                    |                                     |                                        |
| <b>Revenue</b>                                                       |                      |                                                     |                          |                                            |                                           |                      |                      |                          |                    |                                     |                                        |
| <b>Exchange Revenue</b>                                              |                      |                                                     |                          |                                            |                                           |                      |                      |                          |                    |                                     |                                        |
| Service charges - Electricity                                        | 616 247 524          | 5 216 896                                           | 621 464 420              | -                                          | -                                         | 621 464 420          | 630 694 101          | -                        | 9 229 681          | 101%                                | 102%                                   |
| Service charges - Water                                              | 165 339 076          | -5 157 783                                          | 160 181 293              | -                                          | -                                         | 160 181 293          | 167 873 320          | -                        | 7 692 027          | 105%                                | 102%                                   |
| Service charges - Waste Water Management                             | 90 045 615           | 2 517 249                                           | 92 562 864               | -                                          | -                                         | 92 562 864           | 93 943 449           | -                        | 1 380 585          | 101%                                | 104%                                   |
| Service charges - Waste Management                                   | 90 269 657           | 548 507                                             | 90 818 164               | -                                          | -                                         | 90 818 164           | 90 105 202           | -                        | -712 962           | 99%                                 | 100%                                   |
| Sale of Goods and Rendering of Services                              | 57 054 858           | -37 028 165                                         | 20 026 693               | -                                          | -                                         | 20 026 693           | -                    | -                        | -20 026 693        | 0%                                  | 0%                                     |
| Agency services                                                      | 9 206 875            | -483 478                                            | 8 723 397                | -                                          | -                                         | 8 723 397            | 8 227 836            | -                        | -495 561           | 94%                                 | 89%                                    |
| Interest                                                             | -                    | -                                                   | -                        | -                                          | -                                         | -                    | -                    | -                        | -                  | #DIV/0!                             | #DIV/0!                                |
| Interest earned from Receivables                                     | 7 113 600            | 4 239 630                                           | 11 353 230               | -                                          | -                                         | 11 353 230           | 11 170 209           | -                        | -183 021           | 98%                                 | 157%                                   |
| Interest earned from Current and Non Current Assets                  | 50 313 000           | 680 759                                             | 50 993 759               | -                                          | -                                         | 50 993 759           | 66 215 723           | -                        | 15 221 964         | 130%                                | 132%                                   |
| Dividends                                                            | -                    | -                                                   | -                        | -                                          | -                                         | -                    | -                    | -                        | -                  | #DIV/0!                             | #DIV/0!                                |
| Rent on Land                                                         | -                    | -                                                   | -                        | -                                          | -                                         | -                    | -                    | -                        | -                  | #DIV/0!                             | #DIV/0!                                |
| Rental from Fixed Assets                                             | 9 509 997            | -121 893                                            | 9 388 104                | -                                          | -                                         | 9 388 104            | 12 628 274           | -                        | 3 240 170          | 135%                                | 133%                                   |
| Licence and permits                                                  | -                    | -                                                   | -                        | -                                          | -                                         | -                    | -                    | -                        | -                  | #DIV/0!                             | #DIV/0!                                |
| Operational Revenue                                                  | 5 629 066            | 33 919 279                                          | 39 548 345               | -                                          | -                                         | 39 548 345           | 56 079 350           | -                        | 16 531 005         | 142%                                | 996%                                   |
| <b>Non-exchange Revenue</b>                                          |                      |                                                     |                          |                                            |                                           |                      |                      |                          |                    |                                     |                                        |
| Property rates                                                       | 223 787 544          | -4 108 634                                          | 219 678 910              | -                                          | -                                         | 219 678 910          | 218 627 359          | -                        | -1 051 551         | 100%                                | 98%                                    |
| Surcharges and Taxes                                                 | -                    | -                                                   | -                        | -                                          | -                                         | -                    | -                    | -                        | -                  | #DIV/0!                             | #DIV/0!                                |
| Fines, penalties and forfeits                                        | 18 522 984           | 1 679 326                                           | 20 202 310               | -                                          | -                                         | 20 202 310           | 23 883 237           | -                        | 3 680 927          | 118%                                | 129%                                   |
| Licences or permits                                                  | 1 370 898            | -2 535                                              | 1 368 363                | -                                          | -                                         | 1 368 363            | 1 387 858            | -                        | 19 495             | 101%                                | 101%                                   |
| Transfer and subsidies - Operational                                 | 225 965 000          | -35 239 087                                         | 190 725 913              | -                                          | -                                         | 190 725 913          | 173 622 275          | -                        | -17 103 638        | 91%                                 | 77%                                    |
| Interest                                                             | 904 700              | 347 460                                             | 1 252 160                | -                                          | -                                         | 1 252 160            | 1 140 463            | -                        | -111 697           | 91%                                 | 126%                                   |
| Fuel Levy                                                            | -                    | -                                                   | -                        | -                                          | -                                         | -                    | -                    | -                        | -                  | #DIV/0!                             | #DIV/0!                                |
| Operational Revenue                                                  | -                    | -                                                   | -                        | -                                          | -                                         | -                    | -                    | -                        | -                  | #DIV/0!                             | #DIV/0!                                |
| Gains on disposal of Assets                                          | -                    | 485 854                                             | 485 854                  | -                                          | -                                         | 485 854              | 4 374 117            | -                        | 3 888 263          | 900%                                | #DIV/0!                                |
| Other Gains                                                          | 500 000              | -                                                   | 500 000                  | -                                          | -                                         | 500 000              | -                    | -                        | -500 000           | 0%                                  | 0%                                     |
| Discontinued Operations                                              | -                    | -                                                   | -                        | -                                          | -                                         | -                    | -                    | -                        | -                  | #DIV/0!                             | #DIV/0!                                |
| <b>Total Revenue (excluding capital transfers and contributions)</b> | <b>1 571 780 394</b> | <b>-32 506 615</b>                                  | <b>1 539 273 779</b>     | <b>-</b>                                   | <b>-</b>                                  | <b>1 539 273 779</b> | <b>1 559 972 772</b> | <b>-</b>                 | <b>20 698 993</b>  | <b>101%</b>                         | <b>99%</b>                             |
| <b>Expenditure</b>                                                   |                      |                                                     |                          |                                            |                                           |                      |                      |                          |                    |                                     |                                        |
| Employee related costs                                               | 458 202 677          | -40 970 984                                         | 417 231 693              | -                                          | -113 873                                  | 417 117 820          | 399 734 945          | -                        | -17 382 875        | 96%                                 | 87%                                    |
| Remuneration of councillors                                          | 14 798 127           | 80 112                                              | 14 878 239               | -                                          | -                                         | 14 878 239           | 14 418 812           | -                        | -459 427           | 97%                                 | 97%                                    |
| Bulk purchases - electricity                                         | 500 532 600          | 16 467 400                                          | 517 000 000              | -                                          | -80 000                                   | 516 920 000          | 523 177 552          | -                        | 6 257 552          | 101%                                | 105%                                   |
| Inventory consumed                                                   | 112 606 585          | -3 252 787                                          | 109 353 798              | -                                          | 2 545 192                                 | 111 898 990          | 107 223 867          | -                        | -4 675 123         | 96%                                 | 95%                                    |
| Debt impairment                                                      | 31 074 200           | 9 647 767                                           | 40 721 967               | -                                          | -                                         | 40 721 967           | 56 070 247           | -                        | 15 348 280         | 138%                                | 180%                                   |
| Depreciation & asset impairment                                      | 144 367 784          | 12 545 217                                          | 156 913 001              | -                                          | 262 810                                   | 157 175 811          | 150 487 986          | -                        | -6 687 825         | 96%                                 | 104%                                   |
| Interest                                                             | 22 028 156           | 5 953 024                                           | 27 981 180               | -                                          | -                                         | 27 981 180           | 26 641 709           | -                        | -1 339 471         | 95%                                 | 121%                                   |
| Contracted services                                                  | 250 071 143          | -37 220 441                                         | 212 850 702              | -                                          | -3 982 264                                | 208 868 438          | 181 431 363          | -                        | -27 437 076        | 87%                                 | 73%                                    |
| Transfers and subsidies                                              | 11 230 714           | -167 775                                            | 11 062 939               | -                                          | -                                         | 11 062 939           | 10 990 259           | -                        | -72 680            | 99%                                 | 98%                                    |
| Irrecoverable debts written off                                      | 23 724 905           | -4 264 166                                          | 19 460 739               | -                                          | -                                         | 19 460 739           | 19 382 743           | -                        | -77 996            | 100%                                | 82%                                    |
| Operational costs                                                    | 73 331 420           | 7 176 407                                           | 80 507 827               | -                                          | 1 658 141                                 | 82 165 968           | 70 465 366           | -                        | -11 700 602        | 86%                                 | 96%                                    |
| Losses on disposal of Assets                                         | -                    | 2 169 769                                           | 2 169 769                | -                                          | -                                         | 2 169 769            | 5 304 942            | -                        | 3 135 173          | 244%                                | #DIV/0!                                |
| Other Losses                                                         | 511 474              | 251 336                                             | 762 810                  | -                                          | -290 006                                  | 472 804              | 11 056 749           | -                        | 10 583 945         | 2339%                               | 2162%                                  |
| <b>Total Expenditure</b>                                             | <b>1 642 479 785</b> | <b>-31 585 121</b>                                  | <b>1 610 894 664</b>     | <b>-</b>                                   | <b>-</b>                                  | <b>1 610 894 664</b> | <b>1 576 386 539</b> | <b>-</b>                 | <b>-34 508 125</b> | <b>98%</b>                          | <b>96%</b>                             |
| <b>Operating Surplus/(Deficit)</b>                                   | <b>-70 699 391</b>   | <b>-921 494</b>                                     | <b>-71 620 885</b>       | <b>-</b>                                   | <b>-</b>                                  | <b>-71 620 885</b>   | <b>-16 413 767</b>   | <b>-</b>                 | <b>55 207 118</b>  | <b>23%</b>                          | <b>23%</b>                             |
| Transfers and subsidies - capital (monetary allocations)             | 79 242 400           | 3 853 587                                           | 83 095 987               | -                                          | -                                         | 83 095 987           | 58 026 215           | -                        | -25 069 772        | 70%                                 | 73%                                    |
| Transfers and subsidies - capital (in-kind - all)                    | -                    | -                                                   | -                        | -                                          | -                                         | -                    | 80 345 050           | -                        | 80 345 050         | #DIV/0!                             | #DIV/0!                                |
| <b>Surplus/(Deficit) before taxation</b>                             | <b>8 543 009</b>     | <b>2 932 093</b>                                    | <b>11 475 102</b>        | <b>-</b>                                   | <b>-</b>                                  | <b>11 475 102</b>    | <b>121 957 498</b>   | <b>-</b>                 | <b>110 482 396</b> | <b>1063%</b>                        | <b>1428%</b>                           |
| Income Tax                                                           | -                    | -                                                   | -                        | -                                          | -                                         | -                    | -                    | -                        | -                  | #DIV/0!                             | #DIV/0!                                |
| <b>Surplus/(Deficit) for the year</b>                                | <b>8 543 009</b>     | <b>2 932 093</b>                                    | <b>11 475 102</b>        | <b>-</b>                                   | <b>-</b>                                  | <b>11 475 102</b>    | <b>121 957 498</b>   | <b>-</b>                 | <b>110 482 396</b> | <b>1063%</b>                        | <b>1428%</b>                           |

APPENDIX B

| APPROPRIATION STATEMENT AS AT 30 JUNE 2024             |                 |                                                     |                          |                                            |                                           |              |                |                          |              |                                     |                                        |
|--------------------------------------------------------|-----------------|-----------------------------------------------------|--------------------------|--------------------------------------------|-------------------------------------------|--------------|----------------|--------------------------|--------------|-------------------------------------|----------------------------------------|
|                                                        | Original budget | Budget adjustments (i.t.o. s28 and s31 of the MFMA) | Final adjustments budget | Shifting of funds (i.t.o. s31 of the MFMA) | Virement (i.t.o. council approved policy) | Final budget | Actual outcome | Unauthorised expenditure | Variance     | Actual outcome as % of final budget | Actual outcome as % of original budget |
|                                                        | R               | R                                                   | R                        | R                                          | R                                         | R            | R              | R                        | R            | R                                   | R                                      |
| CAPITAL EXPENDITURE AND FUNDS SOURCES                  |                 |                                                     |                          |                                            |                                           |              |                |                          |              |                                     |                                        |
| Total capital expenditure                              | 381 703 743     | 90 012 546                                          | 471 716 289              |                                            | -                                         | 471 716 289  | 355 015 721    |                          | -116 700 568 | 75%                                 | 93%                                    |
| CASH FLOWS                                             |                 |                                                     |                          |                                            |                                           |              |                |                          |              |                                     |                                        |
| Net cash from / (used) in operating activities         | 176 717 947     | 18 051 910                                          | 194 769 856              |                                            | -                                         | 194 769 856  | 217 241 148    |                          | 22 471 292   | 112%                                | 123%                                   |
| Net cash from / (used) in investing activities         | -196 393 060    | -316 145 866                                        | -512 538 926             |                                            | -                                         | -512 538 926 | -191 287 563   |                          | 321 251 363  | 37%                                 | 97%                                    |
| Net cash from / (used) in financing activities         | 111 499 428     | -33 601 467                                         | 77 897 961               |                                            | -                                         | 77 897 961   | 53 608 708     |                          | -24 289 252  | 69%                                 | 48%                                    |
| Net increase / (decrease) in cash and cash equivalents | 91 824 315      | -331 695 424                                        | -239 871 109             | -                                          | -                                         | -239 871 109 | 79 562 293     |                          | -24 289 252  | -33%                                | 87%                                    |
| Cash and cash equivalents at the beginning of the year | 8 098 398       | 605 624 884                                         | 613 723 282              |                                            |                                           | 613 723 282  | 53 759 880     |                          |              |                                     |                                        |
| Cash and cash equivalents at year end                  | 99 922 712      | 273 929 461                                         | 373 852 173              | -                                          | -                                         | 373 852 173  | 133 322 173    | -                        | -24 289 252  | 36%                                 | 133%                                   |

**Mossel Bay Municipality**  
**Annual Financial Statements for the year ended 30 JUNE 2024**

**APPENDIX B**

**APPROPRIATION STATEMENT AS AT 30 JUNE 2024**

|                                                                                                                                                                                                                        | Original budget      | Budget adjustments (i.t.o. s28 and s31 of the MFMA) | Final adjustments budget | Shifting of funds (i.t.o. s31 of the MFMA) | Virement (i.t.o. council approved policy) | Final budget         | Actual outcome       | Unauthorised expenditure | Variance           | Actual outcome as % of final budget | Actual outcome as % of original budget |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------|-----------------------------------------------------|--------------------------|--------------------------------------------|-------------------------------------------|----------------------|----------------------|--------------------------|--------------------|-------------------------------------|----------------------------------------|
|                                                                                                                                                                                                                        | R                    | R                                                   | R                        | R                                          | R                                         | R                    | R                    | R                        | R                  | R                                   | R                                      |
| <b>2023</b>                                                                                                                                                                                                            |                      |                                                     |                          |                                            |                                           |                      |                      |                          |                    |                                     |                                        |
| <b>FINANCIAL PERFORMANCE</b>                                                                                                                                                                                           |                      |                                                     |                          |                                            |                                           |                      |                      |                          |                    |                                     |                                        |
| <b>Revenue</b>                                                                                                                                                                                                         |                      |                                                     |                          |                                            |                                           |                      |                      |                          |                    |                                     |                                        |
| Property rates                                                                                                                                                                                                         | 187 231 481          | 3 764 013                                           | 190 995 494              | -                                          | -                                         | 190 995 494          | 192 123 228          |                          | 1 127 734          | 101%                                | 103%                                   |
| Service charges                                                                                                                                                                                                        | 902 005 650          | -16 260 300                                         | 885 745 350              | -                                          | -                                         | 885 745 350          | 884 786 935          |                          | -958 415           | 100%                                | 98%                                    |
| Rental of facilities and equipment                                                                                                                                                                                     | 8 572 239            | 1 080 475                                           | 9 652 714                | -                                          | -                                         | 9 652 714            | 12 694 951           |                          | 3 042 237          | 132%                                | 148%                                   |
| Interest earned - external investments                                                                                                                                                                                 | 36 590 684           | 13 291 470                                          | 49 882 154               | -                                          | -                                         | 49 882 154           | 55 085 669           |                          | 5 203 515          | 110%                                | 151%                                   |
| Interest earned - outstanding debtors                                                                                                                                                                                  | 8 189 450            | -928 050                                            | 7 261 400                | -                                          | -                                         | 7 261 400            | 7 879 287            |                          | 617 887            | 109%                                | 96%                                    |
| Dividends received                                                                                                                                                                                                     | -                    | -                                                   | -                        | -                                          | -                                         | -                    | -                    |                          | -                  | #DIV/0!                             | #DIV/0!                                |
| Fines, penalties and forfeits                                                                                                                                                                                          | 4 964 827            | 13 295 141                                          | 18 259 968               | -                                          | -                                         | 18 259 968           | 26 235 303           |                          | 7 975 335          | 144%                                | 528%                                   |
| Licences and permits                                                                                                                                                                                                   | 1 315 737            | -1 266                                              | 1 314 471                | -                                          | -                                         | 1 314 471            | 1 317 174            |                          | 2 703              | 100%                                | 100%                                   |
| Agency services                                                                                                                                                                                                        | 8 528 104            | 290 743                                             | 8 818 847                | -                                          | -                                         | 8 818 847            | 8 148 171            |                          | -670 676           | 92%                                 | 96%                                    |
| Transfers recognised - operational                                                                                                                                                                                     | 157 889 720          | 583 153                                             | 158 472 873              | -                                          | -                                         | 158 472 873          | 142 418 320          |                          | -16 054 553        | 90%                                 | 90%                                    |
| Other revenue                                                                                                                                                                                                          | 33 555 723           | 23 676 547                                          | 57 232 270               | -                                          | -                                         | 57 232 270           | 58 744 190           |                          | 1 511 920          | 103%                                | 175%                                   |
| Gains                                                                                                                                                                                                                  | 500 000              | -                                                   | 500 000                  | -                                          | -500 000                                  | -                    | 16 211 336           |                          | 16 211 336         | #DIV/0!                             | 3242%                                  |
| <b>Total revenue (excluding capital transfers and contributions)</b>                                                                                                                                                   | <b>1 349 343 615</b> | <b>38 791 926</b>                                   | <b>1 388 135 541</b>     | <b>-</b>                                   | <b>-500 000</b>                           | <b>1 387 635 541</b> | <b>1 405 644 565</b> |                          | <b>18 009 024</b>  | <b>101%</b>                         | <b>104%</b>                            |
| <b>Expenditure</b>                                                                                                                                                                                                     |                      |                                                     |                          |                                            |                                           |                      |                      |                          |                    |                                     |                                        |
| Employee related costs                                                                                                                                                                                                 | 408 917 455          | -3 785 591                                          | 405 131 864              | -                                          | -305 476                                  | 404 826 388          | 370 069 042          |                          | -34 757 346        | 91%                                 | 90%                                    |
| Remuneration of councillors                                                                                                                                                                                            | 15 638 320           | -1 403 443                                          | 14 234 877               | -                                          | -                                         | 14 234 877           | 13 413 697           |                          | -821 180           | 94%                                 | 86%                                    |
| Debt impairment                                                                                                                                                                                                        | 39 086 764           | 12 745 674                                          | 51 832 438               | -                                          | -                                         | 51 832 438           | 39 544 204           |                          | -12 288 234        | 76%                                 | 101%                                   |
| Depreciation & asset impairment                                                                                                                                                                                        | 122 227 220          | 73 802                                              | 122 301 022              | -                                          | -                                         | 122 301 022          | 139 160 414          |                          | 16 859 392         | 114%                                | 114%                                   |
| Finance charges                                                                                                                                                                                                        | 15 668 614           | -1 191 886                                          | 14 476 728               | -                                          | -                                         | 14 476 728           | 13 592 954           |                          | -883 774           | 94%                                 | 87%                                    |
| Bulk purchases                                                                                                                                                                                                         | 444 610 761          | 12 574 070                                          | 457 184 831              | -                                          | -                                         | 457 184 831          | 436 942 993          |                          | -20 241 838        | 96%                                 | 98%                                    |
| Inventory consumed                                                                                                                                                                                                     | 88 132 456           | 10 512 466                                          | 98 644 922               | -                                          | 3 394 122                                 | 102 039 044          | 104 416 040          |                          | 2 376 996          | 102%                                | 118%                                   |
| Contracted services                                                                                                                                                                                                    | 180 314 270          | 14 951 437                                          | 195 265 707              | -                                          | 865 113                                   | 196 130 820          | 167 226 789          |                          | -28 904 031        | 85%                                 | 93%                                    |
| Transfers and subsidies                                                                                                                                                                                                | 11 220 570           | 821 246                                             | 12 041 816               | -                                          | -                                         | 12 041 816           | 11 528 534           |                          | -513 282           | 96%                                 | 103%                                   |
| Other expenditure                                                                                                                                                                                                      | 76 871 348           | -4 312 425                                          | 72 558 923               | -                                          | -3 953 759                                | 68 605 164           | 72 724 489           |                          | 4 119 325          | 106%                                | 95%                                    |
| Losses                                                                                                                                                                                                                 | 500 000              | -                                                   | 500 000                  | -                                          | -500 000                                  | -                    | 10 597 833           |                          | 10 597 833         | #DIV/0!                             | 2120%                                  |
| <b>Total expenditure</b>                                                                                                                                                                                               | <b>1 403 187 778</b> | <b>40 985 350</b>                                   | <b>1 444 173 128</b>     | <b>-</b>                                   | <b>-500 000</b>                           | <b>1 443 673 128</b> | <b>1 379 216 989</b> | <b>-</b>                 | <b>-64 456 139</b> | <b>96%</b>                          | <b>98%</b>                             |
| <b>Operating Surplus/(Deficit)</b>                                                                                                                                                                                     | <b>-53 844 163</b>   | <b>-2 193 424</b>                                   | <b>-56 037 587</b>       | <b>-</b>                                   | <b>-</b>                                  | <b>-56 037 587</b>   | <b>26 427 576</b>    | <b>-</b>                 | <b>82 465 163</b>  | <b>-47%</b>                         | <b>-49%</b>                            |
| Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)                                                                                                                          | 105 151 000          | 10 019 200                                          | 115 170 200              | -                                          | -                                         | 115 170 200          | 84 396 177           |                          | -30 774 023        | 73%                                 | 80%                                    |
| Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educational Institutions) | -                    | -                                                   | -                        | -                                          | -                                         | -                    | -                    |                          | -                  | #DIV/0!                             | #DIV/0!                                |
| Transfers and subsidies - capital (in-kind - all)                                                                                                                                                                      | -                    | -                                                   | -                        | -                                          | -                                         | -                    | 3 098 849            |                          | 3 098 849          | #DIV/0!                             | #DIV/0!                                |
| <b>Surplus/(Deficit) after capital transfers &amp; contributions</b>                                                                                                                                                   | <b>51 306 837</b>    | <b>7 825 776</b>                                    | <b>59 132 613</b>        | <b>-</b>                                   | <b>-</b>                                  | <b>59 132 613</b>    | <b>113 922 601</b>   |                          | <b>54 789 988</b>  | <b>193%</b>                         | <b>222%</b>                            |
| Taxation                                                                                                                                                                                                               | -                    | -                                                   | -                        | -                                          | -                                         | -                    | -                    |                          | -                  | #DIV/0!                             | #DIV/0!                                |
| <b>Surplus/(Deficit) for the year</b>                                                                                                                                                                                  | <b>51 306 837</b>    | <b>7 825 776</b>                                    | <b>59 132 613</b>        | <b>-</b>                                   | <b>-</b>                                  | <b>59 132 613</b>    | <b>113 922 601</b>   |                          | <b>54 789 988</b>  | <b>193%</b>                         | <b>222%</b>                            |



APPENDIX B

| APPROPRIATION STATEMENT AS AT 30 JUNE 2024             |                 |                                                     |                          |                                            |                                           |              |                |                          |             |                                     |                                        |
|--------------------------------------------------------|-----------------|-----------------------------------------------------|--------------------------|--------------------------------------------|-------------------------------------------|--------------|----------------|--------------------------|-------------|-------------------------------------|----------------------------------------|
|                                                        | Original budget | Budget adjustments (i.t.o. s28 and s31 of the MFMA) | Final adjustments budget | Shifting of funds (i.t.o. s31 of the MFMA) | Virement (i.t.o. council approved policy) | Final budget | Actual outcome | Unauthorised expenditure | Variance    | Actual outcome as % of final budget | Actual outcome as % of original budget |
|                                                        | R               | R                                                   | R                        | R                                          | R                                         | R            | R              | R                        | R           | R                                   | R                                      |
| CAPITAL EXPENDITURE AND FUNDS SOURCES                  |                 |                                                     |                          |                                            |                                           |              |                |                          |             |                                     |                                        |
| Total capital expenditure                              | 284 937 019     | -95 789                                             | 284 841 230              |                                            | -0                                        | 284 841 230  | 242 159 879    |                          | -42 681 351 | 85%                                 | 85%                                    |
| CASH FLOWS                                             |                 |                                                     |                          |                                            |                                           |              |                |                          |             |                                     |                                        |
| Net cash from / (used) in operating activities         | 203 661 875     | -5 001 990                                          | 198 659 885              |                                            | -                                         | 198 659 885  | 261 001 619    |                          | 62 341 734  | 131%                                | 128%                                   |
| Net cash from / (used) in investing activities         | -251 398 519    | -24 359 557                                         | -275 758 076             |                                            | -                                         | -275 758 076 | -275 634 216   |                          | 123 859     | 100%                                | 110%                                   |
| Net cash from / (used) in financing activities         | 45 612 635      | -22 955 036                                         | 22 657 600               |                                            | -                                         | 22 657 600   | 5 853 490      |                          | -16 804 110 | 26%                                 | 13%                                    |
| Net increase / (decrease) in cash and cash equivalents | -2 124 008      | -52 316 582                                         | -54 440 590              | -                                          | -                                         | -54 440 590  | -8 779 107     | -                        | 45 661 483  | 16%                                 | 413%                                   |
| Cash and cash equivalents at the beginning of the year | 15 085 454      | 47 453 534                                          | 62 538 988               |                                            |                                           | 62 538 988   | 62 538 987     |                          |             |                                     |                                        |
| Cash and cash equivalents at year end                  | 12 961 446      | -4 863 048                                          | 8 098 398                | -                                          | -                                         | 8 098 398    | 53 759 880     | -                        | 45 661 483  | 664%                                | 415%                                   |