



# Quarterly Budget Statement

MFMA Section 52 Report

31 MARCH 2022

Govan Mbeki Municipality

# Introduction

## **Purpose**

To comply with section 52(d) of the Municipal Finance Management Act (MFMA), by submission of a report in a prescribed format to the Council on the implementation of the budget and financial state of affairs of the municipality.

The quarterly Budget Statement also aims to provide an update on indicators critical to the municipality's viability and serve as an early warning indicator where remedial action is required. The consolidated performance is a high-level overview of the municipality's viability and sustainability.

The report is tabled to council to in order to ensure good governance and financial viability and to provide council with the necessary information to make informed decisions

## **Background**

The Municipal Budget and Reporting Regulations (MBRR) are designed to achieve a range of objectives, including improving the local government sphere's ability to deliver basic services by facilitating sustainability and better medium term planning and policy choices on service delivery.

The report has been prepared in terms of the following legislative framework:

- i. The Municipal Finance Management Act – No.56 of 2003, Section 52 and Section 75(1)k
- ii. And the Municipal Budget and Reporting Regulations

The MBRR highlights the format of the monthly budget statements.

*"28. the monthly budget statement of a municipality must be in the format specified in Schedule C and includes all the required tables, charts and explanatory information, taking into account any guidelines issued by the Minister in terms of Section 168 (1) of the Act."*

The objective of these Regulations is to ensure sound and sustainable management of the budgeting and reporting practices of Municipalities by establishing uniform norms and standards and other requirements for ensuring transparency, accountability and appropriate lines of responsibility in the budgeting and reporting process and other relevant matters as required by the Act.

**QUALITY CERTIFICATE**

I, **E.K. Tshabalala** , the acting municipal of **Govan Mbeki Municipality**, hereby certify that:-

The Quarterly budget statement report

And supporting documentation for the quarter of **March 2022** has been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act.

**Print Name: V. Nkhata**

**Acting Chief Financial Officer of Govan Mbeki Municipality (MP307)**

**Signature:**

**Date:**

**Print Name: E.K. Tshabalala**

**Acting Municipal Manager of Govan Mbeki Municipality (MP307)**

**Signature:**

**Date:**

## 1. DISCUSSION:

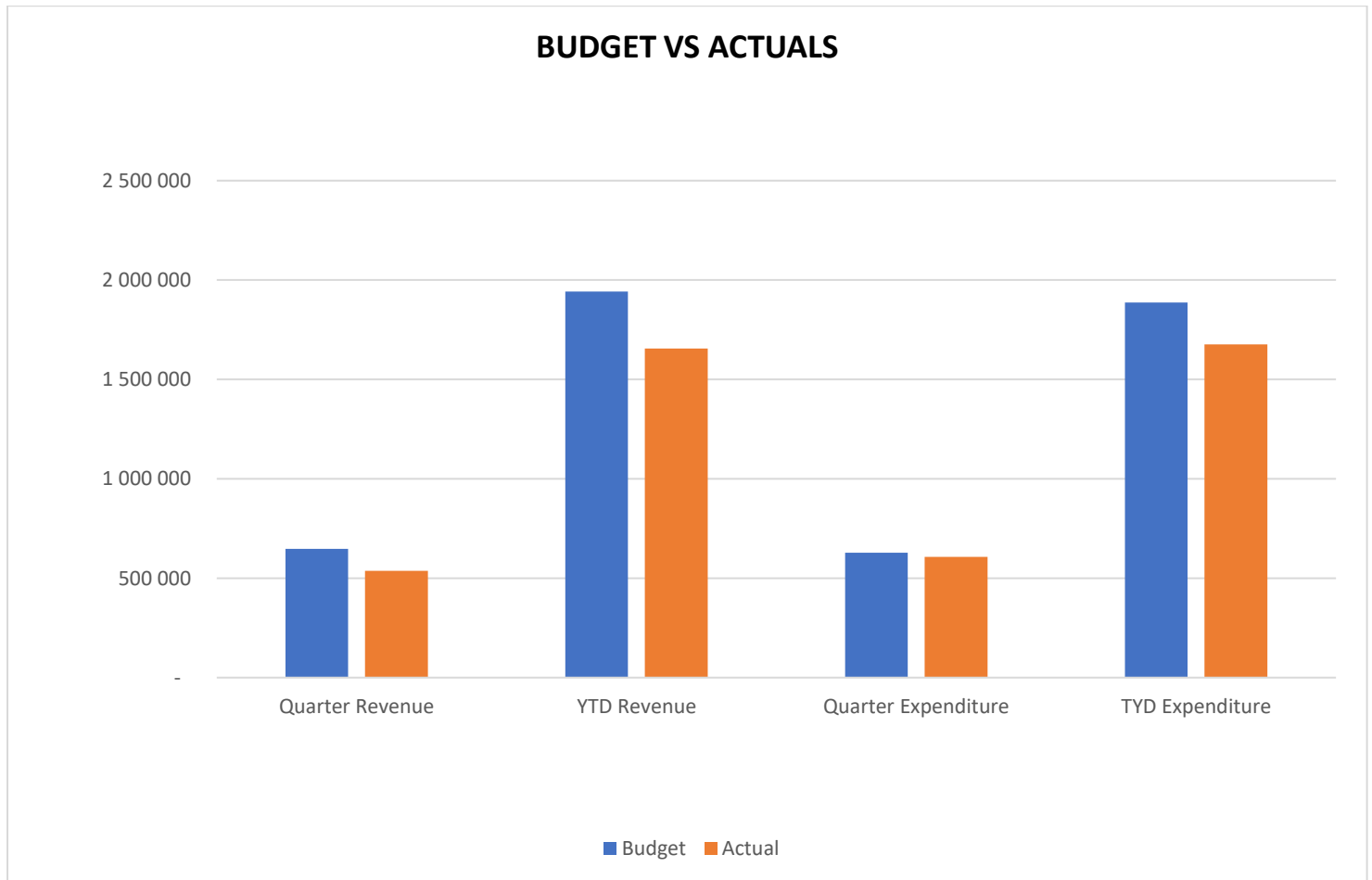
The overall financial performance indicators for the period under review are attached as **ANNEXURE "A"**.

### EXECUTIVE SUMMARY:

#### Operating Results:

The table below shows the Operational Revenue of 1 655 Million and Operating Expenditure of R1 676 Million which resulted in a deficit of R20 million before capital transfer of R34 million which resulted in overall surplus of R13 million.

Description	Original Budget 2020/2021	Adjustment Budget 2020/2021	Actual (Q2)	Actual (Q3)	Year to Date Budget	Variance	YTD Variance
	R'000		R'000	R'000	R'000	R'000	R'000
Total Operating Revenue	2 589 362	2 589 741	1 118 755	1 655 803	1 938 220	(282 417)	-15%
Total Operating Expenditure	2 492 629	2 515 424	1 124 610	1 676 267	1 878 647	(202 380)	-11%
Surplus /( Deficit) for the year before grant capital revenue	96 733	74 318	-5 855	-20 464	59 573	-80 038	-
Grant capital revenue	124 693	193 167	67 767	34 240	110 638	-76 399	-
Surplus /( Deficit) for the year	221 426	267 485	61 912	13 775			
Total Capital Expenditure	264 380	290 725	37 448	53 798	231 330	-177 532	-77%



The following table provides a summary of the municipality's performance on the Capital and Operational budget as at **31 March 2022**

**MP307 Govan Mbeki - Table C1 Monthly Budget Statement Summary – M08 March**

Description	2020/2021	Budget Year 2021/2022									
	Audited Outcome	Original Budget	Adjusted Budget	Quarter1 Actual	Quarter2 Actual	Quarter3 Actual	Year TD Actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
<b>R thousands</b>											
<b>Financial Performance</b>											
Property rates	354 093	371 135	371 135	95 327	94 272	94 235	283 834	278 351	5 483	2%	378 445
Service charges	1 257 564	1 580 076	1 580 076	284 292	311 714	318 665	914 671	1 185 057	(270 386)	-23%	1 219 561
Investment revenue	7 608	14 146	14 146	2 518	1 646	2 312	6 476	10 610	(4 134)	-39%	8 635
Transfers and subsidies	384 519	363 505	363 505	153 448	85 298	87 710	326 456	272 724	53 732	20%	363 505
Other own revenue	89 229	260 500	260 500	38 980	51 260	34 125	124 365	195 375	(71 010)	-36%	165 820
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>2 093 013</b>	<b>2 589 362</b>	<b>2 589 362</b>	<b>574 565</b>	<b>544 190</b>	<b>537 047</b>	<b>1 655 802</b>	<b>1 942 117</b>	<b>(286 315)</b>	<b>-15%</b>	<b>2 135 966</b>
Employee costs	563 548	649 552	634 759	135 439	95 031	188 384	418 854	476 069	(57 215)	-12%	558 472
Remuneration of Councillors	24 873	30 591	30 591	6 366	3 916	8 005	18 287	22 943	(4 656)	-20%	24 383
Depreciation & asset impairment	236 355	154 535	154 535	44 291	44 499	38 282	127 072	115 901	11 171	10%	169 429
Finance charges	103 385	129 058	128 652	31 454	22 213	33 074	86 741	96 489	(9 748)	-10%	115 655
Materials and bulk purchases	1 078 175	959 467	961 415	332 198	205 615	268 214	806 027	721 061	84 966	12%	1 074 703
Transfers and subsidies	44 000	6 243	25 233	4 891	8 132	8 833	21 856	18 925	2 931	15%	29 141
Other expenditure	757 604	563 182	579 238	46 789	87 482	63 160	197 431	434 429	(236 998)	-55%	263 241
<b>Total Expenditure</b>	<b>2 807 940</b>	<b>2 492 628</b>	<b>2 514 423</b>	<b>601 428</b>	<b>466 888</b>	<b>607 952</b>	<b>1 676 268</b>	<b>1 885 817</b>	<b>(209 549)</b>	<b>-11%</b>	<b>2 235 024</b>
<b>Surplus/(Deficit)</b>	<b>(714 927)</b>	<b>96 734</b>	<b>74 939</b>	<b>(26 863)</b>	<b>77 302</b>	<b>(70 905)</b>	<b>(20 466)</b>	<b>56 300</b>	<b>(76 766)</b>	<b>-136%</b>	<b>(99 058)</b>
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	104 206	124 693	193 167	14 593	14 342	5 305	34 240	193 167	(158 927)	-82%	45 653
Contributions & Contributed assets	2 442	–	–	–	–	–	–	–	–	–	–
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	<b>(608 279)</b>	<b>221 427</b>	<b>268 106</b>	<b>(12 270)</b>	<b>91 644</b>	<b>(65 600)</b>	<b>13 774</b>	<b>249 467</b>	<b>(315 067)</b>	<b>-126%</b>	<b>(53 404)</b>

## **Analysis of the performance**

### **Operating Revenue**

The overall performance variance on the revenue for the quarter decreased from 13 % to 12 % compared to quarter 2. The 12 % performance is below the budget target on the third quarter. The performance is mainly due to negative performance on service charges, Investment revenue and other income.

#### **Reason for revenue decline**

- Poor Enforcement of credit control and debt collection policy
- Cut off action not done continuously
- Insourcing of services that was being done by external service providers on meter reading and meter installation
- Pre-paid meters inspection not done on a continuous bases, based on Low purchases (to Identify ghost vending) and zero purchases (identify meter tempering);
- Ghost vending and broken and faulty meters not replaced in time.
- Adjustment of accounts due to Inaccurate billing data
- Loss of revenue through vending

### **Operating Expenditure**

The operating expenditure is expected to be sitting at 75% of the budget in the third quarter; however the overall performance on the expenditure is at 66 % which is 9% below target. Though the expenditure is spending within the budget, Bulk purchases (Electricity and inventory consumed (water) are above target by 5% and 22% respectively, careful monitoring will take place as unauthorized expenditure might occur in these line items.

### **Expenditure of Staff Benefits for the quarter**

Salary bill for Councilors R 6 057 366

Salary bill for employee's R 140 101 555

Total staff complement total to 1248 as of 31 March 2022

## Capital Expenditure

Total Capital Expenditure to date is R 53 345 122 of this amount R 20 717 456 relates to MIG funding, R 1 355 930 for Water Service Infrastructure, R 14 371 380 for Regional Bulk Infrastructure, R 13 688 624 relates to INEP whilst R 3 211 732 is from internally generated funds.

Description	Funding	Total budget Including rollover	YTD Expenditure (Quarter 2)	YTD Expenditure (Quarter 3)	Available as at 31 March 2022
Municipal Infrastructure Grant	MIG	67 761 470	14 300 238	20 717 456	47 044 014
Water Services Infrastructure Grant	WSIG	20 228 729	1 355 930	1 355 930	18 872 799
Regional Bulk Infrastructure Grant	RBIG	86 596 277	10 548 660	14 371 380	72 224 897
Gert Sibande District	GSDM	900 000	0	0	900 000
Sasol	Sasol	15 116 475	0	0	15 116 475
Integrated National Electrification Programme Grant	INEP	18 580 668	13 688 624	13 688 624	4 892 044
Own Funding	Revenue	129 775 150	3 171 996	3 211 732	126 563 418
<b>Total</b>		<b>336 851 877</b>	<b>43 065 448</b>	<b>53 345 122</b>	<b>283 506 755</b>

## GRANTS INCOME VS EXPENDITURE

Grants	Allocated 2021/2022	Actual Received 2021/2022	Rollover 2021/2022	Actual Received Including Rollover 2021/2022	Expenditure as at 31 MARCH 2022	Unspent 2021/2022	YTD %
Extended Public works Programme	1 677 000	1 677 000		1 677 000	1 677 000	0	100%
Financial Management	2 100 000	2 100 000	379 674	2 479 674	870 393	1 609 281	35%
Integrated National Electrification Programme Grant	7 650 000	17 743 000	10 930 668	28 673 668	13 688 624	14 985 044	48%
Infrastructure Skills Development Grant	24 500 000	24 500 000		24 500 000	24 500 000	0	100%
Municipal Infrastructure Grant	61 043 000	51 526 000	6 718 470	58 244 470	20 717 456	37 527 014	36%
Water Services Infrastructure Grant	16 000 000	16 000 000	4 228 729	20 228 729	1 355 930	18 872 799	7%
Regional Bulk Infrastructure Grant	40 000 000	0	46 596 277	46 596 277	14 371 380	32 224 897	31%
Gert Sibande Grant			900 000	900 000		900 000	0%
Sasol Grant-Electrification			15 116 475	15 116 475		15 116 475	0%
Energy Efficiency Demand Grant	4 200 000	4 200 000		4 200 000	262 080	3 937 920	6%
<b>Total</b>	<b>157 170 000</b>	<b>117 746 000</b>	<b>84 870 293</b>	<b>202 616 293</b>	<b>77 442 862</b>	<b>125 173 431</b>	<b>38%</b>

## Repairs and Maintenance Analysis

Repairs and maintenance spending to date (with percentage of budget spent)

Description	Total Budget	Total Actual	Total Unspent	% Spent
Community and Social Services	12 776 315.00	2 243 009.00	10 533 306.00	17.56

Energy Sources	15 197 227.00	6 596 828.00	8 600 399.00	43.41
Environmental Protection	-	-	-	0%
Executive and Council	-	-	-	0.0%
Finance and Administration	692 164.00	-	692 164.00	0.00
Planning and Development	68 076.00	36 808.00	31 268.00	0
Public Safety	1 994 042.00	21 600.00	1 972 442.00	1.08
Road Transport	12 516 780.00	4 710 029.00	7 806 751.00	37.63
Waste Management	7 686 588.00	3 977 225.00	3 709 363.00	51.74
Waste Water Management	5 156 426.00	584 790.00	4 571 636.00	11.34
Water Management	7 944 989.00	7 912 688.00	32 301.00	99.59
	63 964 531.00	26 046 169.00	37 918 362.00	40.72

## CASH MANAGEMENT:

As of 31 March 2022 (Quarter 3), we had a positive bank statement balance of R 20 312 449 and a positive cash book balance of R 2 831 681 compared to a positive bank statement balance of R 29 366 096 and a positive cash book balance of R 8 202 538 in December 2021 (Quarter 2)

## INVESTMENT PORTFOLIO ANALYSIS

Supporting table SC5 displays the Council's investment portfolio and indicates that R 14 million is currently invested. No new investments were made. Accrued interest for the quarter amounts to R 156 thousand.

MP307 Govan Mbeki - Supporting Table SC5 Monthly Budget Statement - investment portfolio - Q3 March

Investments	Period of Investment	Type of Investment	Expiry date of investment	Quarter1	Quarter2	Quarter3	Quarter4
R thousands	Yrs/Months						
<b>Municipality</b>							
ABSA	12 MONTHS	Fixed Deposit	23/06/2023	13 208	13 367	13 523	-
OLD MUTUAL		Shares		436	436	436	-
SANLAM		Shares		150	150	150	-
NEDBANK		Shares		177	177	177	-
<b>TOTAL INVESTMENTS</b>				<b>13 971</b>	<b>14 131</b>	<b>14 286</b>	<b>-</b>



## DEBTORS MANAGEMENT:

### Debtors

Our Debtors book had a total balance of R 2 912 158 942 as at end of March 2022. The debtors' payment rate for the quarter is 64%

The following table indicates the consumer debtors for the quarter:

Category	Actual Cash for Q2	Billing for Q3	Actual Cash for Q3	Billing for Q3
Payment	637 399.41	0.00	227 211.70	0.00
Deposits	-562 304.75	0.00	-653 233.76	0.00
Agreements	-1 895 905.08	0.00	-1 223 766.58	0.00
Indigent Flat Credit	-50 400.81	0.00	-26 964.08	0.00
Water	-75 137 164.27	133 154 007.97	-83 277 675.24	129 660 204.74
Electricity	-85 721 037.27	118 160 107.00	-79 531 845.76	105 065 898.80
Loans/Old Debt	-8 318.96	0.00	-6 713.64	0.00
Rates	-68 135 088.10	95 141 963.68	-70 762 908.55	95 042 313.36
Annual Rates	-170 660.54	0.00	-297 517.04	0.00
Refuse	-13 616 602.88	34 039 263.87	-14 095 774.38	34 079 849.02
Sewerage	-14 526 721.33	34 239 327.88	-13 477 281.59	33 072 014.24
Miscellaneous	-694 596.39	914 845.62	-926 470.11	1 063 762.51
Miscellaneous(No Vat)	-714 001.45	1 247 785.12	-1 101 409.88	1 204 623.85
Vat	-28 619 582.69	48 076 927.50	-28 886 576.83	45 442 057.09
Interest	-825 308.16	31 127 602.50	-906 746.08	31 937 479.67
Payment Advanced	-6 571 764.75	0.00	-7 973 360.05	0.00
<b>TOTAL</b>	<b>-296 612 058.02</b>	<b>496 101 831.14</b>	<b>-302 921 031.86</b>	<b>476 568 203.28</b>

The following table indicates payment rate monthly.

Month	2019/20	2020/21	2021/22
July	62%	68%	63%
August	61%	50%	57%
September	68%	69%	65%
October	70%	62%	60%
November	68%	21%	58%
December	61%	61%	61%
January	61%	66%	70%
February	64%	59%	58%
March	67%	59%	63%
April	53%	119%	
May	61%	57%	
June	63%	59%	

### Indigent

Description	March
Indigent applications received	1459
Indigent applications Approved	0
Indigent Amount Written Off	0
Total No. on Database	11520
Indigent Subsidy Granted	3 010 920.81
Indigent Subsidy Granted Water	1 942 110.72
Total Amount EQS	79 728 823.95

### Accounts owed by Councillors

ACCOUNT	INITIALS	SURNAME	TOWN	AMOUNT	COMMENTS
6510278	PD	Mtshali	Bethal	40 389.89	Account in arrears
7000472	ME	Nsibande	Bethal	1 579.80	Account in arrears
7001671	JM	Maluka	Bethal	51 127.44	Account in arrears
7009035	MM	Nkuna	Bethal	93 936.36	Account in arrears
7009206	TM	Maseko	Bethal	4 522.07	Account in arrears
2001414	SE	Nkwanyana	Embalenhle	6 509.89	Account in arrears
2004788	TM	Mazibuko	Embalenhle	74 398.89	Account in arrears
2008379	MA	Kubheka	Embalenhle	3 240.77	Current Account
2010079	TS	Mofokeng	Embalenhle	65 774.68	Account in arrears
2101798	GC	Sierana	Embalenhle	36 851.12	Account in arrears
2103655	L	Ziwele	Embalenhle	34 980.83	Account in arrears
2109271	MM	Masinga	Embalenhle	4 466.53	Account in arrears
2109708	LP	Ngwenya	Embalenhle	22 523.78	Account in arrears
2109867	MS	Sehlalo	Embalenhle	107 516.37	Account in arrears
2204337	TC	Makhado	Embalenhle	48 731.50	Account in arrears
2204708	KS	Thukwane	Embalenhle	80 894.06	Account in arrears
2205558	FF	Magagamela	Embalenhle	8 301.35	Account in arrears
2206183	S	Sindelo	Embalenhle	29 350.77	Account in arrears
2208666	NA	Masina	Embalenhle	538.81	Up to date
2300001	BE	Mthembu	Embalenhle	665.74	Current Account
2301068	TM	Mabizela	Embalenhle	6 242.99	Account in arrears
2601472	SM	Masiteng	Embalenhle	127 748.78	Account in arrears
2601906	P	Vilakazi	Embalenhle	70 346.95	Account in arrears
5504603	HE	Van Marle	Evander	458.25	Account in arrears
5509969	T	Seimela	Evander	-	Up to date
4006463	E R	Nkabinde	Kinross	5 166.01	Account in arrears
8502782	MR	Petterson	Leslie	947.65	Current Account
1003869	YT	Ngxonono	Secunda	-	Current Account
1008650	GR	De Vries	Secunda	4 680.95	Up to date
1200286	AD	Nel Buitendag	Secunda	-	Up to date
				<b>931 892.23</b>	

### Distribution losses

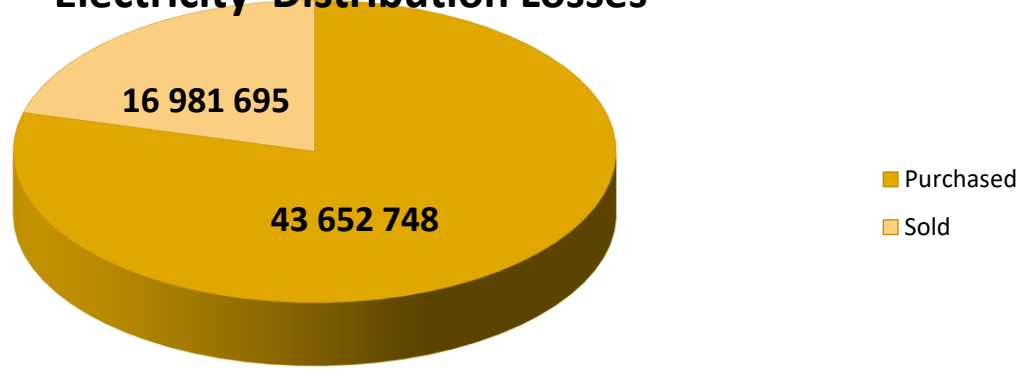
#### Water and Electricity Distribution Losses for March 2022. (KL / Units)

Service	Purchased	Sold	Current % Loss	Average 20/21	Average 19/20
Electricity	43,652,748	16,981,695	-61.10%	-72.60%	-60.50%
Water	2,637,185	1,911,824	-27.51%	-32.15%	-40.18%

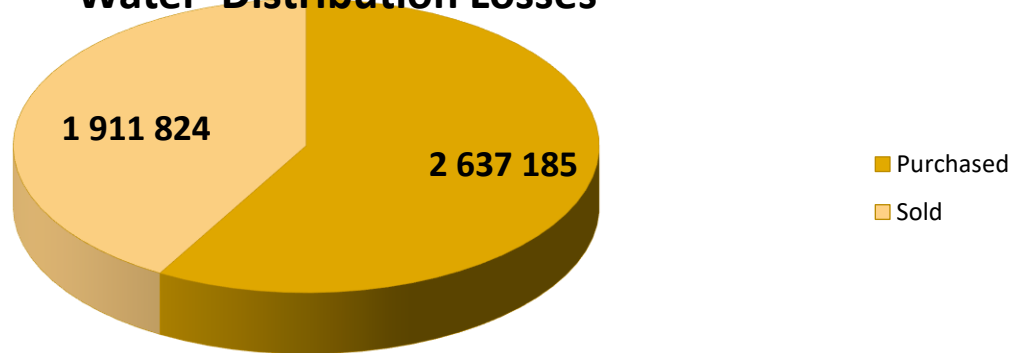
#### Water and Electricity Distribution Losses: Accumulated: July 2021 to March 2022 (KL / Units)

Service	Purchased	Sold	Current % Loss	Average 20/21	Average 19/20
Electricity	435,387,872	149,707,127	-65.62%	-70.15%	-60.50%
Water	25,498,564	16,578,298	-34.98%	-32.38%	-40.18%

## Electricity Distribution Losses



## Water Distribution Losses



The municipality debtor's book is 2.912 billion as at end of 3<sup>rd</sup> quarter. This reflects the inability by the municipality to collect what is due from the consumers.

### MP307 Govan Mbeki - Supporting Table SC3 Monthly Budget Statement - aged debtors - Q 3 March

Description	NT Code	Budget Year 2021/22			
		QUARTER 1	QUARTER 2	QUARTER 3	QUARTER 4
<b>R thousands</b>					
<b>Debtors Age Analysis By Income Source</b>					
Trade and Other Receivables from Exchange Transactions - Water	1200	973 588	1 005 207	1 050 479	-
Trade and Other Receivables from Exchange Transactions - Electricity	1300	381 491	382 508	406 260	-
Receivables from Non-exchange Transactions - Property Rates	1400	254 459	270 868	294 228	-
Receivables from Exchange Transactions - Waste Water Management	1500	365 117	372 217	394 825	-
Receivables from Exchange Transactions - Waste Management	1600	324 547	331 286	352 458	-
Receivables from Exchange Transactions - Property Rental Debtors	1700	8 539	9 152	8 974	-
Interest on Arrear Debtor Accounts	1810	-	-	-	-
Recoverable unauthorised, irregular, fruitless and wasteful expenditure	1820	-	-	-	-
Other	1900	395 691	392 895	404 934	-
<b>Total By Income Source</b>	<b>2000</b>	<b>2 703 433</b>	<b>2 764 133</b>	<b>2 912 159</b>	<b>-</b>
<b>2019/20 - totals only</b>					
<b>Debtors Age Analysis By Customer Group</b>					
Organs of State	2200	292 111	289 930	305 094	-
Commercial	2300	212 017	223 812	240 515	-
Households	2400	2 178 707	2 229 385	2 366 550	-
Other	2500	20 598	21 006	-	-
<b>Total By Customer Group</b>	<b>2600</b>	<b>2 703 433</b>	<b>2 764 133</b>	<b>2 912 159</b>	<b>-</b>

## LIABILITIES

### Creditors

The total creditors balance for the quarter ended March 2022 amounted to R 3 284 038 compared to 3 146 880 in quarter 2

In terms of the MFMA all creditors should be paid within 30 days of receiving the invoice or statement. For the month of March 2022, R 3 284 billion was outstanding and of this 97% is outstanding for more than 30 days. The cash flow challenges continue to affect timeous payments to creditors.

#### MP307 Govan Mbeki - Supporting Table SC4 Monthly Budget Statement - aged creditors - M09 March 2022

Description	NT Code	Budget year 2021/2022			
		Quarter 1	Quarter 2	Quarter 3	Quarter 4
<b>R thousands</b>					
<b>Creditors Age Analysis By Customer Type</b>					
Bulk Electricity	0100	2 569 761	2 625 202	2 730 023	–
Bulk Water	0200	435 530	467 481	502 880	–
PAYE deductions	0300	–	–	–	–
VAT (output less input)	0400	–	–	–	–
Pensions / Retirement deductions	0500	–	–	–	–
Loan repayments	0600	–	–	–	–
Trade Creditors	0700	56 473	53 683	49 732	–
Auditor General	0800	37	515	1 404	–
Other	0900	–	–	–	–
<b>Total By Customer Type</b>	<b>1000</b>	<b>3 061 800</b>	<b>3 146 880</b>	<b>3 284 038</b>	<b>–</b>

## Additional Reports Annexures

- Annexure A: C Schedules

## Supply Chain Management that comprises of the following items

- Annexure B:
    - ✓ Deviation from Supply Chain Management process in terms of Section 36 of the regulation amounting to **R 95 410.33** attached as **Appendix "B"**;
    - ✓ Disclosure of Supply Chain Management purchase above R 100 000.00 amounting to **R 35 750 615.77. Appendix "C"**;
    - ✓ Disclosure of irregular expenditure amounting to **R 10 858 258.80** as attached in **Appendix "D"**
- Disclosure of tenders awarded amounting to **R 25 889 636.39** as **Appendix "E"**

## Insurance Claims

20 insurance has been lodged in the 3<sup>rd</sup> quarter amounting to R 157 161.44. The details of insurance claims are attached as **Appendix "E"**.

## Highest Debtors per Town Appendix "F" and Government Debt Appendix "G"

The table shows the 10 highest Outstanding Debtors per Town at the status as at the period ending 31 March 2022.

## Fruitless and Wasteful Expenditure

For the month under review, details of fruitless and Wasteful expenditure are attached as **Appendix "H"**. This relate to interest and penalty charged by Eskom for late payment

## Capital Expenditure

Disclosure of capital expenditure amounting to R53 345 122 as **Appendix "I"**

## FINANCIAL RATIOS:

### Current Ratio: 0.41

*Formula: Current assets / Current Liabilities*

The municipality will not be able to meet its short-term obligations as they fall due as current liabilities are not covered in full by our current assets. Ideally this ratio should always be greater than one to make sure we pay our creditors as they fall due.

### Debt Ratio: 1.04

*Formula: Total liabilities / Total assets*

A lower debt ratio usually implies a more stable business with the potential of longevity, which means that lower ratio also has lower overall debt. The ratio is indicative of municipality's financial ability to pay loan commitments as they fall due using its assets.

### Debt Service Coverage: 0.01

*Formula: Operating surplus / Total debt service cost*

The debt service coverage ratio is a financial ratio that measures a municipality's ability to service its current debts by comparing its net operating income with its total debt service obligations. The municipality is unable to service its debts when they become due hence the increase in creditors.

**Cost Coverage Ratio: 1.58**

*Formula: Cash and cash equivalents (Available cash + investments) / fixed operating expenditure*

The municipality will encounter difficulties in meeting its monthly obligation even though its cost coverage ratio is above 1. This is an indication that the municipality has cash constraints and that there isn't sufficient cash to cover expenditures.