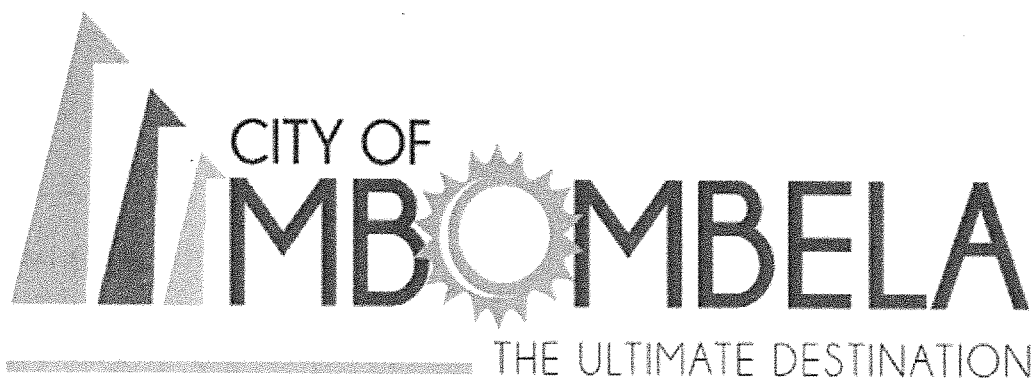


**City of Mbombela**

(Registration number MP326)

Audited Annual Financial Statements for the year ended 30 June 2021



City of Mbombela  
Audited annual financial statements  
for the year ended 30 June 2021

Audited  
By  
2021 -12- / 7  
Auditor General South Africa  
Mpumalanga Business Unit

\* See Note 50

# City of Mbombela

(Registration number MP326)

Audited Annual Financial Statements for the year ended 30 June 2021

## General Information

### Nature of business and principal activities

The City of Mbombela was established as a Category B municipality determined by the Demarcation Board in terms of Section 4 of the Municipal Demarcation Act and the Provincial Gazette No 2721. The principal activities of the City are to provide services to communities in a sustainable manner, promoting social and economic development and encouraging the involvement of communities and community organizations in the matters of local government in accordance with Section 152 of the Constitution.

### Members of Council

ClIr SP Mathonsi	Executive Mayor
ClIr GS Siwela	Speaker
ClIr ME Nsimbini	Chief Whip

### Members of the Mayoral Committee (MMC) and their portfolios

Councillor	Portfolio
ClIr BN Mdhluji	MMC City Planning and Development
ClIr AS Mthunywa	MMC Corporate Services
ClIr PP Nyalunga	MMC Public Safety
ClIr PV Mashego	MMC Energy
ClIr C Maseko	MMC Public Works, Roads and Transport and Leader of Government Business
ClIr LT Mlombo (deceased)	MMC Strategic Management Services
ClIr NE Gecelo - Mkhabela	MMC Financial Management
ClIr A Kumba	MMC Regional Centre Co-ordination
ClIr LE Nyalungu	MMC Water and Sanitation
ClIr MM Mlimi	MMC Community Services

### Councillors and their respective wards

Councillor	Ward	Councillor	Ward
ClIr EA Fankomo	1	ClIr MC Mhlanga	25
ClIr JJ Mhlanga	2	ClIr TM Bulunga	26
ClIr DJ Nkosi	3	ClIr DB Nkosi	27
ClIr DD Ngwenyama	4	ClIr SR Masuku	28
ClIr MJ Malomane	5	ClIr TK Nyathi	29
ClIr HB Fakude	6	ClIr R Torr	30
ClIr SM Banda	7	ClIr BA Nyalunga	31
ClIr SE Mbuyane	8	Vacant	32
ClIr EM Sebashe	9	ClIr EK Manzini	33
ClIr DDT Ngobe	10	ClIr RF Mgwanya	34
ClIr EM Mutobvu	11	ClIr RQ Seepsop	35
ClIr BP Nkhoma	12	ClIr JJ Khoza	36
ClIr A Thabethe	13	ClIr NM Maganga	37
ClIr KM Mkhonto	14	ClIr ST Masha	38
ClIr T Marshall	15	ClIr SI Mokoena	39
ClIr KA Oliver	16	ClIr LM Sikonela	40

Audited  
By  
2021 -12- / 1  
Auditor General South Africa  
Mpumalanga Business Unit

# City of Mbombela

(Registration number MP326)

Audited Annual Financial Statements for the year ended 30 June 2021

## General Information

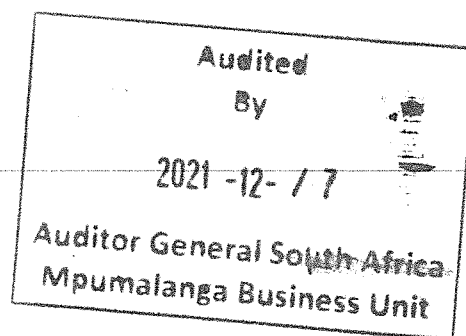
Cllr S Van Der Merwe	17	Cllr LM Bhembe	41
Cllr JB Mashaba	18	Cllr MC Nkosi	42
Cllr DB Mkhathshwa	19	Cllr HL Shongwe	43
Cllr LC Sibiya	20	Cllr JJ Mkhabela	44
Cllr NA Mokoena	21	Cllr LB Nkosi	45
Cllr TM Pila	22		
Cllr ME Mhawule	23		
Cllr NL Lukhele	24		

## Proportional Representative Councillors (PR) and thier respective wards

Councillor	Ward	Councillor	Ward
Cllr PP Mbowane	1	Cllr DA Nyundu	25
Cllr MC Mhlanga	2	Cllr ME Nsimbini	26
Cllr SR Schorman	3	Cllr AS Mthunywa	27
Vacant	4	Cllr MJ Hlophe	28
Vacant	5	Cllr JV Mhlaba	29
Cllr K Mdhuli	6	Cllr PV Mashego	30
Cllr JM Mazibane	7	Cllr PCW Minaar	31
Vacant	8	Cllr MG Moyana	32
Cllr MM Mlimi	9	Cllr GM Nkambule	33
Cllr EN Sibambo	10	Cllr FS Nkosi	34
Cllr WW Motha	11	Cllr VS Gwebu	35
Cllr HP Celliers	12	Cllr SP Mathonsi	36
Cllr NE Gecelo - Mkhabela	13	Cllr WP Sibiya	37
Cllr BP Mhlanga	14	Cllr SE Makushe	38
Cllr EG Janse van Rensburg	15	Cllr L Maseko	39
Cllr GCB Anthony	16	Cllr BN Mdlhuli	40
Cllr C Maseko	17	Cllr TG Mabuza	41
Cllr TM Charles	18	Cllr ME Jacobs	42
Cllr LE Nyalungu	19	Cllr A Kumba	43
Cllr LE Siboza	20	Cllr MS Mashele	44
Cllr L Ngwenyama	21	Vacant	45
Cllr PP Nyalunga	22		
Cllr GS Siwela	23		
Cllr DE Shongwe	24		

## Audit and Performance Committee

Mrs TH Mbatha	Chairperson
Ms LWS Ngwenya	Member
Mr SM Ndukuya	Member
Ms SL Lubisi	Member
Municipal Manager	WJ Khumalo
Chief Financial Officer	ZP Malaza



# City of Mbombela

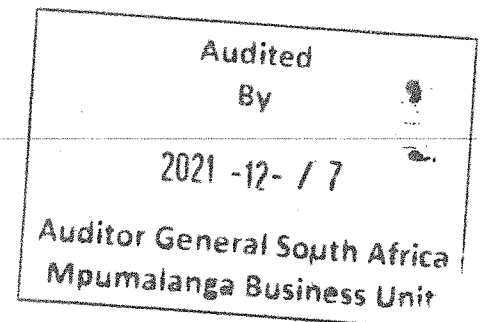
(Registration number MP326)

Audited Annual Financial Statements for the year ended 30 June 2021

## General Information

---

<b>Registered office</b>	Mbombela Civic Centre
<b>Physical address</b>	Civic Centre 1 Nel Street Mbombela 1200
<b>Postal address</b>	P.O. Box 45 Mbombela 1200
<b>Bankers</b>	ABSA bank Mbombela 2nd Floor, ABSA Square 20 Paul Kruger Street Mbombela 1201
<b>Auditors</b>	Auditor General South Africa - Mpumalanga 10 Nel Street Mbombela 1200
<b>Telephone number</b>	(013) 759 9111
<b>Fax number</b>	(013) 759 2002
<b>Website address</b>	<a href="http://www.mbombela.gov.za">www.mbombela.gov.za</a>
<b>Enquiries:</b>	
Building plans	(013) 759 2184
Electricity	(013) 759 2231
Water and sewerage	(013) 759 2580
Customer care	(013) 759 2025 / 2064
<b>Pay points:</b>	
White River	(013) 751 1176
KaNyamazane	(013) 794 1254
Matsulu	(013) 778 9061
Kabokweni	(013) 796 0227
Hazyview	(013) 737 7346
Mbombela Civic Centre	(013) 759 2025 / 2064
Mbombela - The Groove	(013) 759 9912 / 9913
Barberton	(013) 712 8800 / 2121
<b>Libraries:</b>	
Kabokweni	(013) 796 1082 / 0590
Matsulu	(013) 778 9864 / 9000
Mbombela	(013) 759 2077
Nelsville	(013) 755 4788



# City of Mbombela

(Registration number MP326)

Audited Annual Financial Statements for the year ended 30 June 2021

## General Information

---

White River	(013) 750 9125 / 6039
Victory Park	(013) 759 2089
Hazyview	(013) 737 7220 / 7346
Barberton - Town Library	(013) 712 8800 / 2121
Barberton - Emjindini Library	(013) 712 8800 / 2121

### Municipal entity

City of Mbombela Development Agency

The City holds 100% shares of the City of Mbombela Development Agency which is a wholly owned municipal entity. The municipal entity is entrusted with the responsibility to lead and drive local economic development initiatives to realise job creation and poverty alleviation as per the National Development Plan. The entity is also responsible for promoting investment appetite as well as Small, Medium and Micro Enterprise (SMME) development.

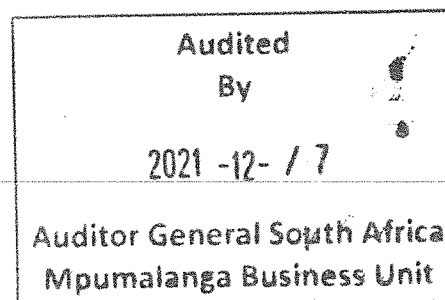
### The details of the entity are as follows:

#### Registered Name:

City of Mbombela Development Agency  
1 Nel Street  
Civic Centre  
Mbombela  
1200

#### Telephone number:

013 759 9111



# City of Mbombela

(Registration number MP326)

Audited Annual Financial Statements for the year ended 30 June 2021

## Index

The reports and statements set out below comprise the audited annual financial statements for the year ended 30 June 2021:

	Page
Approval and certification of Annual Financial Statements	7
Statement of Financial Position	8
Statement of Financial Performance	9
Statement of Changes in Net Assets	10
Cash Flow Statement	11
Statement of Comparison of Budget and Actual Amounts	12 - 16
Appropriation Statement	17 - 21
Accounting Policies	22 - 54
Notes to the Audited Annual Financial Statements	55 - 121

The following supplementary information does not form part of the annual financial statements and is unaudited:

Appendixes:

Appendix A: Schedule of Interest Bearing Borrowings	122
---	-----

### Acronyms

DBSA	Development Bank of Southern Africa
EPWP	Expanded Public Works Programme
FMG	Financial Management Grant
GRAP	Generally Recognised Accounting Practice
INEP	Integrated National Electrification Programme
MFMA	Municipal Finance Management Act No 56 of 2003
MIG	Municipal Infrastructure Grant
MSIG	Municipal System Improvement Grant
PAYE	Pay as You Earn
PR Councillor	Proportional Representative Councillor
PPE	Property, Plant and Equipment
PTNG	Public Transport Network Grant
R	Rand
RUL	Remaining Useful Life
SARS	South African Revenue Services

Audited

By

2021 -12- / 7

Auditor General South Africa  
Mpumalanga Business Unit

## City of Mbombela

(Registration number MP326)

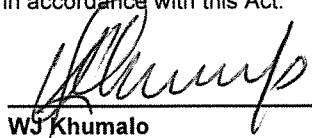
Audited Annual Financial Statements for the year ended 30 June 2021

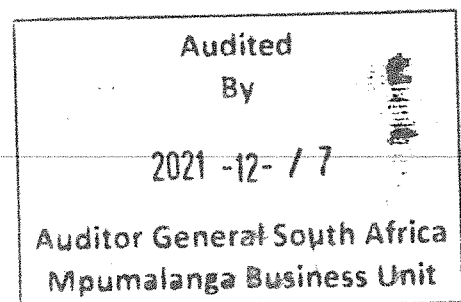
### Approval and certification of Annual Financial Statements

---

I am responsible for the preparation of these audited annual financial statements, which are set out on page 8, in terms of Section 126(1) of the Municipal Finance Management Act No 56 of 2003 and which I have signed on behalf of the Municipality. The audited annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP), other applicable accounting standards and reporting framework approved by the Accounting Standards Board and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates. audited annual financial statements fairly presents the state of affairs of the municipality, its management of revenue, expenditure, assets and liabilities, its business activities, its financial results, and its financial position as at 30 June 2021.

I certify that the salaries, allowances and benefits of Councillors, as disclosed in note 38 to these audited annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Co-operative Governance and Traditional Affairs determination in accordance with this Act:

  
\_\_\_\_\_  
WJ Khumalo  
Municipal Manager



# City of Mbombela

(Registration number MP326)

Audited Annual Financial Statements for the year ended 30 June 2021

## Statement of Financial Position

Figures in Rand

	Note(s)	2021	2020 Restated*
<b>Assets</b>			
<b>Current Assets</b>			
Inventories	2	49,732,894	35,060,021
Operating lease asset	3	72,683	18,896
Other receivables from exchange transactions	4	78,345,143	31,719,945
Statutory receivables	5	106,614,667	116,013,456
VAT receivable	6	142,991,612	121,737,501
Trade receivables from exchange transactions	7	193,220,706	323,743,429
Deposits made	8	6,608,455	5,569,965
Current portion of long-term receivables from non-exchange transactions	9	1,923,058	430,746
Cash and cash equivalents	10	62,333,726	73,019,665
		<b>641,842,944</b>	<b>707,313,624</b>
<b>Non-Current Assets</b>			
Investment property	11	326,386,654	328,136,959
Property, plant and equipment	12	7,258,852,714	7,320,652,955
Intangible assets	13	13,304,714	14,467,706
Heritage assets	14	2,301,970	2,301,970
Investments	15	100	100
Long-term receivables from non-exchange transactions	9	1,741,581	2,585,925
		<b>7,602,587,733</b>	<b>7,668,145,615</b>
<b>Total Assets</b>		<b>8,244,430,677</b>	<b>8,375,459,239</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Current portion of borrowings	16	47,520,316	57,408,514
Trade and other payables from exchange transactions	17	2,211,810,377	1,990,930,451
Other payables from non-exchange transactions	18	15,758,078	20,130,332
Consumer deposits	19	44,991,295	42,874,702
Current portion of post employment benefit liability	20	4,258,000	4,408,000
Unspent conditional grants and receipts	21	29,327	72,083,882
Current portion of provisions	22	14,567,982	14,932,875
Other financial liabilities	23	5,695,283	4,363,967
		<b>2,344,630,658</b>	<b>2,207,132,723</b>
<b>Non-Current Liabilities</b>			
Non-current portion of borrowings	16	253,253,539	195,845,025
Operating lease liability	3	145,920	100,184
Non-current portion of post employment benefit liability	20	178,470,999	150,942,999
Non-current portion of provisions	22	270,704,064	240,387,216
		<b>702,574,522</b>	<b>587,275,424</b>
<b>Total Liabilities</b>		<b>3,047,205,180</b>	<b>2,794,408,147</b>
<b>Net Assets</b>		<b>5,197,225,497</b>	<b>5,581,051,092</b>
Accumulated surplus		5,197,225,497	5,581,051,092
<b>Net Assets</b>		<b>5,197,225,497</b>	<b>5,581,051,092</b>

\* See Note 50

Audited  
By  
2021 -12- / 7

Auditor General South Africa  
Mpumalanga Business Unit



# City of Mbombela

(Registration number MP326)

Audited Annual Financial Statements for the year ended 30 June 2021

## Statement of Financial Performance

Figures in Rand	Note(s)	2021	2020 Restated*
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Sale of goods and rendering of services	24	13,137,549	12,258,405
Service charges	25	1,400,772,342	1,303,946,246
Rental of facilities and equipment	26	8,316,056	9,510,077
Agency services	27	37,770,715	40,108,580
Licences and permits	28	46,261	2,991,873
Other income	29	32,816,406	40,940,989
Finance income	30	55,305,712	50,308,123
Gain on liability write-off	31	-	233,020,104
Gain or on impairment	32	61,788,415	115,993,629
<b>Total revenue from exchange transactions</b>		<b>1,609,953,456</b>	<b>1,809,078,026</b>
<b>Revenue from non-exchange transactions</b>			
<b>Taxation revenue</b>			
Property rates	33	708,139,708	651,716,932
<b>Transfer revenue</b>			
Government grants & subsidies	34	1,414,459,353	1,351,323,161
Public contributions and donations	35	2,416,625	34,000,000
Fines, Penalties and Forfeits	36	5,633,489	14,400,814
<b>Total revenue from non-exchange transactions</b>		<b>2,130,649,175</b>	<b>2,051,440,907</b>
<b>Total revenue</b>		<b>3,740,602,631</b>	<b>3,860,518,933</b>
<b>Expenditure</b>			
Employee related costs	37	(1,147,640,891)	(1,010,462,003)
Remuneration of councillors	38	(59,255,918)	(58,537,188)
Inventory consumed	39	(54,657,463)	(52,130,010)
Depreciation and amortisation	40	(540,367,352)	(542,737,164)
Finance costs	41	(85,678,468)	(66,171,735)
Lease rentals on operating lease	42	(6,528,612)	(8,041,324)
Bad debts written off	43	(298,900,044)	(229,885,128)
Bulk purchases	44	(959,633,478)	(853,257,171)
Contracted services	45	(685,290,693)	(684,937,248)
Transfers and subsidies	46	(4,849,971)	(12,397,093)
Loss on disposal of property, plant and equipment		(2,347,359)	(1,382,170)
Inventories losses/write-off		(299,659)	(112,410)
Operational costs	47	(278,978,318)	(239,198,408)
<b>Total expenditure</b>		<b>(4,124,428,226)</b>	<b>(3,759,249,052)</b>
<b>(Deficit) /surplus for the year</b>		<b>(383,825,595)</b>	<b>101,269,881</b>

\* See Note 50

Audited  
By  
2021 -12- / 7  
Auditor General South Africa  
Mpumalanga Business Unit

2427  
3148

9459 7842

300  
2020 (6176212790

# City of Mbombela

(Registration number MP326)

Audited Annual Financial Statements for the year ended 30 June 2021

## Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	5,414,003,486	5,414,003,486
Correction of errors	65,777,725	65,777,725
<b>Balance at 01 July 2019 as restated*</b>	<b>5,479,781,211</b>	<b>5,479,781,211</b>
Surplus for the year	101,269,881	101,269,881
Total changes	101,269,881	101,269,881
Opening balance (Restated )	5,581,051,092	5,581,051,092
<b>Balance at 01 July 2020</b>	<b>5,581,051,092</b>	<b>5,581,051,092</b>
Deficit for the year	(383,825,595)	(383,825,595)
Total changes	(383,825,595)	(383,825,595)
<b>Balance at 30 June 2021</b>	<b>5,197,225,497</b>	<b>5,197,225,497</b>

See note 50 for accounting error adjustments disclosure.

Audited  
By  
2021-12- / 7  
Auditor General South Africa  
Mpumalanga Business Unit

\* See Note 50

# City of Mbombela

(Registration number MP326)

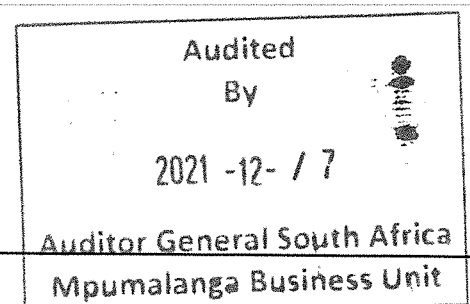
Audited Annual Financial Statements for the year ended 30 June 2021

## Cash Flow Statement

Figures in Rand

	Note(s)	2021	2020 Restated*
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Property rates		715,741,568	649,860,556
Sale of goods and services		1,347,435,945	1,076,174,547
Government grants and subsidies		1,342,404,836	1,321,494,143
Finance income		2,053,205	6,542,282
Other income		51,853,677	356,265,584
		<u>3,459,489,231</u>	<u>3,410,337,112</u>
<b>Payments</b>			
Employee costs		(1,213,331,366)	(1,068,222,511)
Bulk purchases		(721,726,933)	(634,992,034)
Finance costs		(35,438,024)	(62,336,008)
Other payments		(1,027,439,131)	(1,131,520,527)
Transfers and Subsidies		(4,849,971)	(12,397,097)
		<u>(3,002,785,425)</u>	<u>(2,909,468,177)</u>
<b>Net cash flows from operating activities</b>	49	<b><u>456,703,806</u></b>	<b><u>500,868,935</u></b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	12	(466,800,925)	(536,712,365)
Proceeds from sale of property, plant and equipment	12	108,471	169,333
Purchase of other intangible assets	13	(49,323)	(556,069)
Decrease/(increase) in non - current portion of receivables		(647,968)	(335,937)
<b>Net cash flows utilised in investing activities</b>		<b><u>(467,389,745)</u></b>	<b><u>(537,435,038)</u></b>
<b>Cash flows from financing activities</b>			
Repayment of borrowings		-	(13,127,501)
Finance lease payments		-	(2,983,548)
<b>Net cash flows utilised in financing activities</b>		<b><u>-</u></b>	<b><u>(16,111,049)</u></b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(10,685,939)</b>	<b>(52,677,152)</b>
Cash and cash equivalents at the beginning of the year		73,019,665	125,696,817
<b>Cash and cash equivalents at the end of the year</b>	10	<b><u>62,333,726</u></b>	<b><u>73,019,665</u></b>

\* See Note 50



# City of Mbombela

(Registration number MP326)

Audited Annual Financial Statements for the year ended 30 June 2021

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Audited  
By  
2021-12-17  
Auditor General of South Africa  
Mpumalanga Business Unit

	Original budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference note
--	-----------------	-------------	--------------	------------------------------------	--	----------------

Figures in Rand

### Statement of Financial Performance

#### Revenue

##### Revenue from exchange transactions

Sale of goods and rendering of services	11,358,641	-	11,358,641	13,137,549	1,778,908	
Service charges	1,470,537,602	574,256	1,471,111,858	1,400,772,342	(70,339,516)	
Rental of facilities and equipment	8,971,531	(5,100,000)	3,871,531	8,316,056	4,444,525	63.1
Agency services	-	45,000,000	45,000,000	37,770,715	(7,229,285)	63.2
Licences and permits	6,631,360	-	6,631,360	46,261	(6,585,099)	63.3
Other income	46,242,212	-	46,242,212	32,816,406	(13,425,806)	63.4
Finance income	45,914,251	(4,500,000)	41,414,251	55,305,712	13,891,461	63.5
<b>Total revenue from exchange transactions</b>	<b>1,589,655,597</b>	<b>35,974,256</b>	<b>1,625,629,853</b>	<b>1,548,165,041</b>	<b>(77,464,812)</b>	

##### Revenue from non-exchange transactions

##### Taxation revenue

Property rates	680,901,599	20,000,000	700,901,599	708,139,708	7,238,109	
<b>Transfer revenue</b>						
Government grants & subsidies	1,302,437,000	107,706,576	1,410,143,576	1,414,459,353	4,315,777	
Public contributions and donations	-	-	-	2,416,625	2,416,625	
Fines, Penalties and Forfeits	8,585,175	-	8,585,175	5,633,489	(2,951,686)	63.6
<b>Total revenue from non-exchange transactions</b>	<b>1,991,923,774</b>	<b>127,706,576</b>	<b>2,119,630,350</b>	<b>2,130,649,175</b>	<b>11,018,825</b>	

##### Total revenue

<b>Total revenue</b>	<b>3,581,579,371</b>	<b>163,680,832</b>	<b>3,745,260,203</b>	<b>3,678,814,216</b>	<b>(66,445,987)</b>	
----------------------	----------------------	--------------------	----------------------	----------------------	---------------------	--

#### Expenditure

Employee related costs	(1,086,635,464)	1,220,000	(1,085,415,464)	(1,147,640,891)	(62,225,427)	
Remuneration of councillors	(63,592,877)	-	(63,592,877)	(59,255,918)	4,336,959	
Inventory consumed	(40,660,300)	-	(40,660,300)	(54,657,463)	(13,997,163)	63.7
Depreciation and amortisation	(516,566,578)	10,000,000	(506,566,578)	(540,367,352)	(33,800,774)	63.10
Finance costs	(27,978,354)	-	(27,978,354)	(85,678,468)	(57,700,114)	63.8
Lease rentals on operating lease	(6,505,000)	-	(6,505,000)	(6,528,612)	(23,612)	63.9
Bad debts written off	(430,287,840)	90,710,930	(339,576,910)	(298,900,044)	40,676,866	63.11
Bulk purchases	(863,137,457)	10,748,373	(852,389,084)	(959,633,478)	(107,244,394)	63.12
Contracted services	(425,344,466)	(110,446,206)	(535,790,672)	(685,290,693)	(149,500,021)	63.13
Transfers and subsidies	(5,080,000)	1,644,939	(3,435,061)	(4,849,971)	(1,414,910)	63.14
Operational costs	(152,865,000)	(27,990,957)	(180,855,957)	(278,978,318)	(98,122,361)	63.15
<b>Total expenditure</b>	<b>(3,618,653,336)</b>	<b>(24,112,921)</b>	<b>(3,642,766,257)</b>	<b>(4,121,781,208)</b>	<b>(479,014,951)</b>	
<b>Operating deficit</b>	<b>(37,073,965)</b>	<b>139,567,911</b>	<b>102,493,946</b>	<b>(442,966,992)</b>	<b>(545,460,938)</b>	
Gain on disposal of assets	-	-	-	(2,347,359)	(2,347,359)	
Gain on impairment reversal	-	-	-	61,788,415	61,788,415	
Inventories losses/write-downs	-	-	-	(299,659)	(299,659)	
	-	-	-	59,141,397	59,141,397	
<b>(Deficit) /surplus for the year</b>	<b>(37,073,965)</b>	<b>139,567,911</b>	<b>102,493,946</b>	<b>(383,825,595)</b>	<b>(486,319,541)</b>	

# City of Mbombela

(Registration number MP326)

Audited Annual Financial Statements for the year ended 30 June 2021

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Original budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference note 63
Figures in Rand						
	(37,073,965)	139,567,911	102,493,946	(383,825,595)	(486,319,541)	

Audited  
By  
2021 -12- / 7  
Auditor General South Africa  
Mpumalanga Business Unit

**City of Mbombela**

(Registration number MP326)

Audited Annual Financial Statements for the year ended 30 June 2021

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

Budget on Accrual Basis

	Original budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference note
--	-----------------	-------------	--------------	------------------------------------	--	----------------

Figures in Rand

**Statement of Financial Position****Assets****Current Assets**

Inventories	20,425,495	-	20,425,495	49,732,894	29,307,399	63.16
Operating lease asset	-	-	-	72,683	72,683	
Other receivables from exchange transactions	-	-	-	78,345,143	78,345,143	
Statutory receivables	-	-	-	106,614,667	106,614,667	
VAT receivable	228,627,574	-	228,627,574	142,991,612	(85,635,962)	
Trade receivables from exchange transactions	286,473,948	185,481,619	471,955,567	193,220,706	(278,734,861)	
Deposits made	-	-	-	6,608,455	6,608,455	
Current portion of long-term receivables from non-exchange transactions	4,744,765	-	4,744,765	1,923,058	(2,821,707)	
Cash and cash equivalents	215,046,736	71,946,291	286,993,027	62,333,726	(224,659,301)	
	<b>755,318,518</b>	<b>257,427,910</b>	<b>1,012,746,428</b>	<b>641,842,944</b>	<b>(370,903,484)</b>	

**Non-Current Assets**

Investment property	330,446,369	-	330,446,369	326,386,654	(4,059,715)	
Property, plant and equipment	7,251,216,548	119,195,502	7,370,412,050	7,258,852,714	(111,559,336)	
Intangible assets	18,605,845	8,675,385	27,281,230	13,304,714	(13,976,516)	
Heritage assets	2,301,970	-	2,301,970	2,301,970	-	
Investments	-	-	-	100	100	
Long-term receivables from non-exchange transactions	-	-	-	1,741,581	1,741,581	
	<b>7,602,570,732</b>	<b>127,870,887</b>	<b>7,730,441,619</b>	<b>7,602,587,733</b>	<b>(127,853,886)</b>	
<b>Total Assets</b>	<b>8,357,889,250</b>	<b>385,298,797</b>	<b>8,743,188,047</b>	<b>8,244,430,677</b>	<b>(498,757,370)</b>	

**Liabilities****Current Liabilities**

Current portion of borrowings	41,167,953	-	41,167,953	47,520,316	6,352,363	63.17
Trade and other payables from exchange transactions	1,000,000,000	-	1,000,000,000	2,211,810,368	1,211,810,368	
Trade and other payables from non-exchange transactions	-	-	-	15,758,078	15,758,078	
Consumer deposits	39,013,474	-	39,013,474	44,991,295	5,977,821	
Current portion of post employment benefit liability	6,981,080	-	6,981,080	4,258,000	(2,723,080)	
Unspent conditional grants	-	-	-	29,327	29,327	
Current portion of provisions	22,252,736	-	22,252,736	14,567,982	(7,684,754)	
Other financial liabilities	-	-	-	5,695,283	5,695,283	
	<b>1,109,415,243</b>	<b>-</b>	<b>1,109,415,243</b>	<b>2,344,630,649</b>	<b>1,235,215,406</b>	

**Non-Current Liabilities**

Non-current portion of borrowings	207,730,129	-	207,730,129	253,253,539	45,523,410	63.18
Operating lease liability	-	-	-	145,920	145,920	

# City of Mbombela

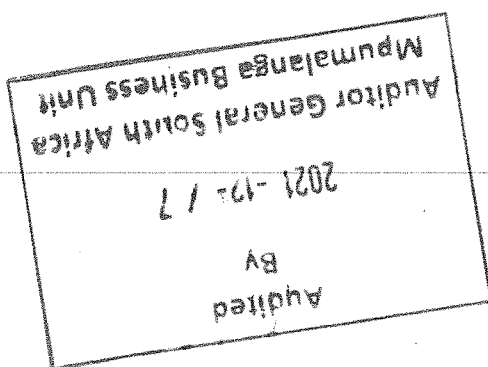
(Registration number MP326)

Audited Annual Financial Statements for the year ended 30 June 2021

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Original budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference note
Figures in Rand						
Non - current portion of post employment benefit liability	72,412,535	-	<b>72,412,535</b>	178,470,999	<b>106,058,464</b>	63
Non - current portion of provisions	248,674,221	-	<b>248,674,221</b>	270,704,064	<b>22,029,843</b>	
	<b>528,816,885</b>	-	<b>528,816,885</b>	<b>702,574,522</b>	<b>173,757,637</b>	
<b>Total Liabilities</b>	<b>1,638,232,128</b>	-	<b>1,638,232,128</b>	<b>3,047,205,171</b>	<b>1,408,973,043</b>	
<b>Net Assets</b>	<b>6,719,657,122</b>	<b>385,298,797</b>	<b>7,104,955,919</b>	<b>5,197,225,506</b>	<b>(1,907,730,413)</b>	
Accumulated surplus	6,719,657,122	385,298,797	<b>7,104,955,919</b>	5,197,225,506	<b>(1,907,730,413)</b>	



# City of Mbombela

(Registration number MP326)

Audited Annual Financial Statements for the year ended 30 June 2021

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Original budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference note 63
Figures in Rand						
<b>Cash Flow Statement</b>						
<b>Cash flows from operating activities</b>						
<b>Receipts</b>						
Property rates	544,721,279	51,045,080	<b>595,766,359</b>	715,741,568	<b>119,975,209</b>	63.19
Sale of goods and services	1,208,098,508	75,994,264	<b>1,284,092,772</b>	1,347,435,945	<b>63,343,173</b>	
Government grants and subsidies	1,302,437,000	-	<b>1,302,437,000</b>	1,342,404,836	<b>39,967,836</b>	
Finance income	45,914,253	(4,500,002)	<b>41,414,251</b>	2,053,205	<b>(39,361,046)</b>	
Other income	65,431,135	38,004,447	<b>103,435,582</b>	51,853,677	<b>(51,581,905)</b>	
	<b>3,166,602,175</b>	<b>160,543,789</b>	<b>3,327,145,964</b>	<b>3,459,489,231</b>	<b>132,343,267</b>	
<b>Payments</b>						
Employee related costs, remuneration of councillors and suppliers	(2,641,740,566)	124,535,451	<b>(2,517,205,115)</b>	(2,962,497,430)	<b>(445,292,315)</b>	
Finance costs	(27,978,351)	-	<b>(27,978,351)</b>	(35,438,024)	<b>(7,459,673)</b>	
Transfers and subsidies paid	(2,080,000)	1,150,000	<b>(930,000)</b>	(4,849,971)	<b>(3,919,971)</b>	
	<b>(2,671,798,917)</b>	<b>125,685,451</b>	<b>(2,546,113,466)</b>	<b>(3,002,785,425)</b>	<b>(456,671,959)</b>	
<b>Net cash flows from operating activities</b>	<b>494,803,258</b>	<b>286,229,240</b>	<b>781,032,498</b>	<b>456,703,806</b>	<b>(324,328,692)</b>	
<b>Cash flows from investing activities</b>						
Purchase of property, plant and equipment	(410,444,000)	(139,100,582)	<b>(549,544,582)</b>	(466,800,925)	<b>82,743,657</b>	63.20
Proceeds from sale of property, plant and equipment	-	-	-	108,471	<b>108,471</b>	
Purchase of intangible assets	-	-	-	(49,323)	<b>(49,323)</b>	
Decrease or (increase) in non-current receivables	-	-	-	(647,968)	<b>(647,968)</b>	
<b>Net cash flows from investing activities</b>	<b>(410,444,000)</b>	<b>(139,100,582)</b>	<b>(549,544,582)</b>	<b>(467,389,745)</b>	<b>82,154,837</b>	
<b>Cash flows from financing activities</b>						
Repayment of borrowings	(17,514,554)	-	<b>(17,514,554)</b>	-	<b>17,514,554</b>	63.21
Net increase/(decrease) in cash and cash equivalents	66,844,704	147,128,658	<b>213,973,362</b>	(10,685,939)	<b>(224,659,301)</b>	
Cash and cash equivalents at the beginning of the year	148,202,032	(75,182,367)	<b>73,019,665</b>	73,019,665	-	
<b>Cash and cash equivalents at the end of the year</b>	<b>215,046,736</b>	<b>71,946,291</b>	<b>286,993,027</b>	<b>62,333,726</b>	<b>(224,659,301)</b>	

Audited  
By  
2021-12-17

Auditor General South Africa  
Mpumalanga Business Unit



**City of Mbombela**  
(Registration number MP326)

Audited Annual Financial Statements for the year ended 30 June 2021

Figures in Rand

	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
<b>2021</b>											
<b>Financial Performance</b>											
Property rates	680,901,599	20,000,000	700,901,599	-	-	700,901,599	708,139,708	-	7,238,109	101 %	104 %
Service charges	1,470,537,602	574,246	1,471,111,848	-	-	1,471,111,848	1,400,772,342	-	(70,339,506)	95 %	95 %
Finance income	45,914,251	(4,500,000)	41,414,251	-	-	41,414,251	55,305,712	-	13,891,461	134 %	120 %
Transfers recognised - operational	934,350,000	-	934,350,000	-	-	934,350,000	946,317,711	-	11,967,711	101 %	101 %
Other own revenue	81,788,919	39,900,000	121,688,919	-	-	121,688,919	159,508,891	-	37,819,972	131 %	195 %
<b>Total revenue (excluding capital transfers and contributions)</b>	<b>3,213,492,371</b>	<b>55,974,246</b>	<b>3,269,466,617</b>	-	-	<b>3,269,466,617</b>	<b>3,270,044,364</b>	-	<b>577,747</b>	<b>100 %</b>	<b>102 %</b>
Employee costs	(1,086,635,464)	1,220,000	(1,085,415,464)	-	-	(1,085,415,464)	(1,147,640,891)	-	(62,225,427)	106 %	106 %
Remuneration of councillors	(63,592,877)	-	(63,592,877)	-	-	(63,592,877)	(59,255,918)	-	4,336,959	93 %	93 %
Bad debts written-off	(430,287,840)	-	(430,287,840)	-	-	(430,287,840)	(298,900,044)	-	131,387,796	69 %	69 %
Depreciation and asset impairment	(516,566,578)	10,000,000	(506,566,578)	-	-	(506,566,578)	(540,367,352)	-	(33,800,774)	107 %	105 %
Finance charges	(27,978,354)	-	(27,978,354)	-	-	(27,978,354)	(85,678,468)	-	(57,700,114)	306 %	306 %
Materials and bulk purchases	(863,137,457)	11,106,708	(852,030,749)	-	(358,335)	(852,389,084)	(959,633,478)	-	(107,244,394)	113 %	111 %
Transfers and grants	(5,080,000)	930,785	(4,149,215)	-	714,154	(3,435,061)	(4,849,971)	-	(1,414,910)	141 %	95 %
Other expenditure	(625,374,766)	(15,488,884)	(640,863,650)	-	(32,237,349)	(673,100,999)	(1,028,102,104)	-	(355,001,105)	153 %	164 %
<b>Total expenditure</b>	<b>(3,618,653,336)</b>	<b>7,768,609</b>	<b>(3,610,884,727)</b>	-	<b>(31,881,530)</b>	<b>(3,642,766,257)</b>	<b>(4,124,428,226)</b>	-	<b>(481,661,969)</b>	<b>113 %</b>	<b>114 %</b>
<b>Surplus/(Deficit)</b>	<b>(405,160,965)</b>	<b>63,742,855</b>	<b>(341,418,110)</b>	-	-	<b>(373,299,640)</b>	<b>(854,383,862)</b>	-	<b>(481,084,222)</b>	<b>229 %</b>	<b>211 %</b>

Audited  
By  
  
 2021 -12- / 7  
 Auditor General South Africa  
Mpumalanga Business Unit

# City of Mbombela

(Registration number MP326)

Audited Annual Financial Statements for the year ended 30 June 2021

## Appropriation Statement

Figures in Rand

	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
Transfers recognised - capital	368,087,000	71,752,576	439,839,576	35,954,000		475,793,576	468,141,642		(7,651,934)	98 %	127 %
Contributions recognised - capital and contributed assets	-	-	-	-		-	2,416,625		2,416,625	DIV/0 %	DIV/0 %
<b>Surplus (Deficit) after capital transfers and contributions</b>	<b>(37,073,965)</b>	<b>135,495,431</b>	<b>98,421,466</b>	<b>35,954,000</b>		<b>102,493,936</b>	<b>(383,825,595)</b>		<b>(486,319,531)</b>	<b>(374)%</b>	<b>1,035 %</b>
<b>Surplus/(Deficit) for the year</b>	<b>(37,073,965)</b>	<b>135,495,431</b>	<b>98,421,466</b>	<b>35,954,000</b>		<b>102,493,936</b>	<b>(383,825,595)</b>		<b>(486,319,531)</b>	<b>(374)%</b>	<b>1,035 %</b>
<b>Capital expenditure and funds sources</b>											
Total capital expenditure	410,187,000	139,357,582	549,544,582	4,071,957		553,616,539	466,850,246		(86,766,293)	84 %	114 %
<b>Sources of capital funds</b>											
Transfers recognised - capital	368,087,000	71,753,127	439,840,127	7,160,710		447,000,837	470,558,267		23,557,430	105 %	128 %
Internally generated funds	42,100,000	67,604,455	109,704,455	(3,088,753)		106,615,702	75,076,052		(31,539,650)	70 %	178 %
<b>Total sources of capital funds</b>	<b>410,187,000</b>	<b>139,357,582</b>	<b>549,544,582</b>	<b>4,071,957</b>		<b>553,616,539</b>	<b>545,634,319</b>		<b>(7,982,220)</b>	<b>99 %</b>	<b>133 %</b>

Audited  
By  
2021-12-17  
Auditor General South Africa  
Mpumalanga Business Unit

**City of Mbombela**  
(Registration number MP326)

Audited Annual Financial Statements for the year ended 30 June 2021

**Appropriation Statement**

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget (i.t.o. s31 of the MFMA)	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
<b>Cash flows</b>											
Net cash from (used) operating	494,803,258	286,229,240	781,032,498	-	-	781,032,498	456,703,806	(324,328,692)		58 %	92 %
Net cash from (used) investing	(410,444,000)	(139,100,582)	(549,544,582)	-	-	(549,544,582)	(467,389,745)	82,154,837		85 %	114 %
Net cash from (used) financing	(17,514,554)	-	(17,514,554)	-	-	(17,514,554)	-	17,514,554		- %	- %
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>66,844,704</b>	<b>147,128,658</b>	<b>213,973,362</b>	<b>-</b>	<b>-</b>	<b>213,973,362</b>	<b>(10,685,939)</b>	<b>(224,659,301)</b>		<b>(5)%</b>	<b>(16)%</b>
Cash and cash equivalents at the beginning of the year	148,202,032	(75,182,367)	73,019,665	-	-	73,019,665	73,019,665	-		100 %	49 %
<b>Cash and cash equivalents at year end</b>	<b>215,046,736</b>	<b>71,946,291</b>	<b>286,993,027</b>	<b>-</b>	<b>-</b>	<b>286,993,027</b>	<b>62,333,726</b>	<b>224,659,301</b>		<b>22 %</b>	<b>29 %</b>

Audited  
By  
2021-12- / 7  
Auditor General South Africa  
Mpumalanga Business Unit

# City of Mbombela

(Registration number MP326)

Audited Annual Financial Statements for the year ended 30 June 2021

## Appropriation Statement

Figures in Rand

	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be Restated audited outcome
<b>2020</b>			
<b>Financial Performance</b>			
Property rates			651,716,932
Service charges			1,303,946,246
Investment revenue			50,308,123
Transfers recognised - operational			838,016,840
Other own revenue			469,224,471
<b>Total revenue (excluding capital transfers and contributions)</b>			<b>3,313,212,612</b>
Employee costs	(31,569)	-	(31,569)
Remuneration of councillors	327,462	-	327,462
Bad debts written off	(229,885,128)	-	(229,885,128)
Depreciation and asset impairment	(41,042,398)	-	(41,042,398)
Finance charges	(29,196,258)	-	(29,196,258)
Materials and bulk purchases	(28,883,405)	-	(28,883,405)
Transfers and grants	(11,537,728)	-	(11,537,728)
Other expenditure	(134,570,224)	-	(134,570,224)
<b>Total expenditure</b>	<b>(474,819,248)</b>	<b>-</b>	<b>(474,819,248)</b>
<b>Surplus/(Deficit)</b>			<b>(446,036,440)</b>
Transfers recognised - capital			513,306,321
Contributions recognised - capital and contributed assets			34,000,000
<b>Surplus (Deficit) after capital transfers and contributions</b>			<b>101,269,881</b>
<b>Surplus/(Deficit) for the year</b>			<b>101,269,881</b>

Audited  
 By  
 2021-12-17  
 Auditor General South Africa  
 Mmamalanga Business Unit

**City of Mbombela**

(Registration number MP326)

Audited Annual Financial Statements for the year ended 30 June 2021

**Appropriation Statement**

Figures in Rand

	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be Restated recovered	audited outcome
<b>Cash flows</b>				
Net cash from (used) operating				500,868,935
Net cash from (used) investing				(537,435,038)
Net cash from (used) financing				(16,111,049)
<b>Net increase/(decrease) in cash and cash equivalents</b>				<b>(52,677,152)</b>
Cash and cash equivalents at the beginning of the year				125,696,817
<b>Cash and cash equivalents at year end</b>				<b>73,019,665</b>

Audited By  2021 -12- / 7  Auditor General South Africa Mpumalanga Business Unit
--

# City of Mbombela

(Registration number MP326)

Audited Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

Figures in Rand	Note(s)	2021	2020
-----------------	---------	------	------

### 1. Presentation of Audited Annual Financial Statements

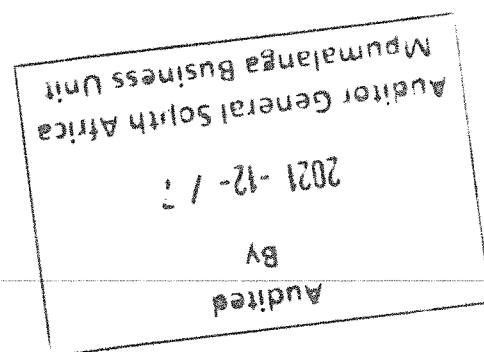
#### Summary of significant accounting policies

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

These audited 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. These are presented in South African Rand.

A summary of the significant accounting policies, which have been applied in the preparation of these annual financial statements, are disclosed below. Details of any changes in accounting policies are explained in the relevant policy. Assets, liabilities, revenues and expenses have not been offset, except when offsetting is either required or permitted by a Standard of GRAP.

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GRAP 4	The Effects of Changes in Foreign Exchange Rates
GRAP 5	Borrowing Costs
GRAP 9	Revenue from Exchange Transactions
GRAP 10	Financial Reporting in Hyperinflationary Economies
GRAP 11	Construction Contracts
GRAP 12	Inventories
GRAP 13	Leases
GRAP 14	Events After Reporting Date
GRAP 16	Investment Properties
GRAP 17	Property, Plant and Equipment
GRAP 18	Segment Reporting
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets
GRAP 20	Related Party Disclosures
GRAP 21	Impairment of non-cash generating Assets
GRAP 23	Revenue from non-exchange Transactions (Taxes and Transfers)
GRAP 24	Presentation of Budget Information in Financial Statements
GRAP 25	Employee Benefits
GRAP 26	Impairment of Cash generating Assets
GRAP 31	Intangible Assets
GRAP 32	Service Concession Arrangements: Grantor
GRAP 34	Separate Financial Statements
GRAP 35	Consolidated Financial Statements
GRAP 36	Investments in Associates and Joint Ventures
GRAP 37	Joint Arrangements
GRAP 38	Disclosure of Interests in Other Entities
GRAP 100	Discontinued Operations
GRAP 103	Heritage Assets
GRAP 104	Financial Instruments
GRAP 105	Transfer of Functions Between Entities Under Common Control
GRAP 106	Transfer of Functions Between Entities Not Under Common Control
GRAP 107	Mergers



## City of Mbombela

(Registration number MP326)

Audited Annual Financial Statements for the year ended 30 June 2021

Audited

By

2021 -12- / 7

Auditor General South Africa  
Mpumalanga Business Unit

### Accounting Policies

GRAP 108	Statutory Receivables
GRAP 109	Accounting by Principals and Agents
GRAP 110	Living and Non-living Resources

#### List of effective Interpretations of the Standards of GRAP

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 4	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
IGRAP 5	Applying the Restatement Approach under the Standard of GRAP on Financial Reporting in Hyperinflationary Economies
IGRAP 6	Loyalty Programmes
IGRAP 7	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
IGRAP 8	Agreements for the Construction of Assets from Exchange Transactions
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

#### Transitional provisions

GRAP 18 Segment Reporting

In accordance with directive 3, transitional provisions for high capacity municipalities, on initial adoption of GRAP 18 comparative segment information need not be presented.

##### 1.1 Presentation currency

These audited annual financial statements are presented in South African Rand, which is the functional currency of the municipality. The figures are rounded off to the nearest Rand.

##### 1.2 Going concern assumption

These audited 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.

##### 1.3 Comparative information

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where 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. If a change in accounting policy results from initial application of a standard of GRAP that has specific transitional provisions, the municipality account for the change in accordance with the specific transitional provisions of that accounting standard.

Reclassifications of certain accounts were made in order to comply with the requirements of Municipal Standard Charts of Accounts (mSCOA). The reclassifications have no impact on the net assets value of the municipality.

# City of Mbombela

(Registration number MP326)

Audited Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

---

### 1.4 Property, plant and equipment

#### Initial recognition and measurement

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. While there is no universally accepted definition of infrastructure assets, these assets usually display some or all of the following characteristics:

- (a) they are parts of a system or network;
- (b) they are specialised in nature and do not have alternative uses;
- (c) they are immovable; and
- (d) they may be subject to constraints on disposal.

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.

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

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

Audited  
By  
2021-12-17  
Auditor General South Africa  
Mpumalanga Business Unit

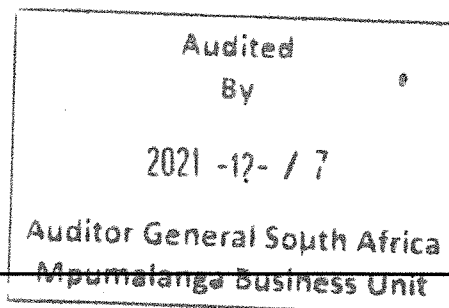


# City of Mbombela

(Registration number MP326)

Audited Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies



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

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

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. Costs incurred in using or redeploying an item are not included in the carrying amount of that item.

The cost of an item of property, plant and equipment is the cash price equivalent at the recognition date. If the payment is deferred beyond normal credit terms, the difference between the cash price equivalent and the total payment is recognised as interest over the period of credit unless such interest is recognised in the carrying amount of the item in accordance with the Standard of GRAP on Borrowing Costs.

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 Municipality 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.

#### Subsequent measurement

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses in accordance with the cost model. Land is not depreciated as it is deemed to have an indefinite useful life.

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

Where the Municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an item of Property, Plant and Equipment is capitalised when it meets the definition and recognition criteria of an asset.

Where the Municipality has an obligation to dismantle, remove and restore items of property, plant and equipment and the initial estimate was initially included in the cost of an item of property, plant and equipment, any changes in the liability are added to or deducted from, the cost of the related asset in the current period. If there is a decrease in the liability and it exceeds the carrying amount of the asset, the excess is recognised immediately in the statement of financial performance.

If there is a change in a provision for which the asset relates, and the change results in 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 an indication, the related 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 or non-cash generating assets. If the related asset has reached the end of its useful life, any subsequent changes in the liability will be recognised in the statement of financial performance.

#### Depreciation

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The depreciation charge for each period shall be recognised in the statement of financial performance unless it is included in the carrying amount of another asset. The annual depreciation rates are based on the following estimated useful lives:

Item	Average useful life
Land and buildings	
• Land	Indefinite
• Buildings	30-100
• Landfill sites	10-100

# City of Mbombela

(Registration number MP326)

Audited Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

---

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

#### Infrastructure assets

• Roads, pavement, bridges, and storm water	3-100
• Electricity	3-80
• Water	5-100
• Waste water	5-100
• Information and communications	3-20
• Waste management	10-50

#### Community assets

• Sport and Recreational facilities	10-100
• Parks	Indefinite
• Halls	10-100
• Libraries	10-100

#### Movable assets

• Specialised vehicles	5-25
• Transport assets	5-25
• Office equipment	5-25
• Furniture and equipment	5-25
• Bins and containers	5-30
• Specialised plant and equipment	5-20
• Other items of plant and equipment	5-25
• Emergency equipment	5-10
• Computer equipment	3-20

Audited  
By

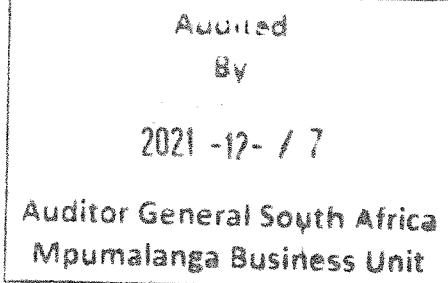
2021-12-17

Auditor General South Africa  
Mpumalanga Business Unit

## City of Mbombela

(Registration number MP326)

Audited Annual Financial Statements for the year ended 30 June 2021



### Accounting Policies

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

Further detail on the useful lives of the categories of assets is detailed on the assets management policy, available for inspection at our offices.

The depreciation method applied to an asset 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 asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate in accordance with Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

The municipality assesses at each reporting date whether there is any indication that the municipality's expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revise the expected useful life and/or residual value accordingly.

The residual value of an intangible asset with a finite useful life is assumed to be zero unless:

- (a) there is a commitment by a third party to acquire the asset at the end of its useful life; or
- (b) there is an active market for the asset and:
- (c) residual value can be determined by reference to that market; and
- (d) it is probable that such a market will exist at the end of the asset's useful life

The change(s) are accounted for as a change in an accounting estimate in accordance with the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

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

- (a) The composition of the asset changed during the reporting period, i.e. the significant components of the asset changed.
- (b) The use of the asset has changed, because of the following:
  - The municipality has changed the manner in which the asset is used.
  - The municipality has changed the utilisation rate of the asset.
  - The municipality has made a decision to dispose of the asset in a future reporting period(s) such that this decision changes the expected period over which the asset will be used.
  - Technological, environmental, commercial or other changes that occurred during the reporting period that have, or will, change the use of the asset.
  - Legal or similar limits placed on the use of the asset have changed.
  - The asset was idle or retired from use during the reporting period.
- (c) The asset is approaching the end of its previously expected useful life.
- (d) Planned repairs and maintenance on, or refurbishments of, the asset and/or its significant components either being undertaken or delayed.
- (e) Environmental factors, e.g. increased rainfall or humidity, adverse changes in temperatures or increased exposure to pollution.
- (f) There is evidence that the condition of the asset improved or declined based on assessments undertaken during the reporting period.
- (g) The asset is assessed as being impaired in accordance with the Standards of GRAP on Impairment of Cash-generating Assets and Impairment of Non-cash-generating Assets.

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

#### Derecognition

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.

# City of Mbombela

(Registration number MP326)

Audited Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

---

### 1.5 Intangible assets

#### Initial recognition and measurement

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

An intangible asset is recognised 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.

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:

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Intangible assets are initially recognised at cost. Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

#### Subsequent measurement

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test, and the useful life is reviewed at each reporting date, if the useful life has changed from indefinite and definite, it is treated as a change in accounting estimate in Statement of Financial Performance.

#### Amortisation

The municipality assesses whether the useful life of an intangible asset is finite or indefinite and, if finite, the length of, or number of production or similar units constituting, that useful life. An intangible asset shall be regarded as having an indefinite useful life when, based on an analysis of all of the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for, or provide service potential to the municipality.

The useful life of an intangible asset that arises from binding arrangements (including rights from contracts) shall not exceed the period of the binding arrangement, but may be shorter depending on the period over which the entity expects to use the asset. If the binding arrangements (including rights from contracts) are conveyed for a limited term that can be renewed, the useful life of the intangible asset shall include the renewal period(s) only if there is evidence to support renewal by the municipality without significant cost.

Amortisation is charged so as to write off the cost of intangible assets over their estimated useful lives using the straight line method. The amortisation rates are based on the following estimated average asset lives.

Item	Useful life
Servitudes	Not depreciated
Licenses and franchises	1 - 5 years
Computer software	5 - 20 years

Audited By  2021 -12- / 7
Auditor General South Africa Mpumalanga Business Unit

## City of Mbombela

(Registration number MP326)

Audited Annual Financial Statements for the year ended 30 June 2021

### Accounting Policies

Audited  
By  
2021 -12- / 7  
Auditor General South Africa  
Mpumalanga Business Unit

#### 1.5 Intangible assets (continued)

Further details on the useful lives of the categories of assets can be obtained from the assets management policy, available for inspection at our offices.

Each item of intangible asset is amortised separately. Rights consist mainly of servitudes. Rights are not amortised as they have an indefinite useful life. A servitude right is granted to the Municipality for an indefinite period. The life of the servitude will remain in force as the Municipality exercises its rights under such servitudes.

The depreciable amount of an intangible asset with a finite useful life is allocated on a systematic basis over its useful life. Amortisation begins 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 that 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.

The residual value of an intangible asset with a finite useful life is assumed to be zero unless:

- (a) there is a commitment by a third party to acquire the asset at the end of its useful life; or
- (b) there is an active market for the asset and:
  - (i) residual value can be determined by reference to that market; and
  - (ii) it is probable that such a market will exist at the end of the asset's useful life

The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at each reporting date and any changes are recognised prospectively as a change in accounting estimate in the Statement of Financial Performance.

An intangible asset with an indefinite useful life shall not be amortised. The useful life of an intangible asset that is not being amortised shall be reviewed each reporting period to determine whether events and circumstances continue to support an indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite shall be accounted for as a change in an accounting estimate in accordance with the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

#### Derecognition

Intangible assets 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 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 position.

#### 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.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

#### Initial recognition and measurement

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.

At initial recognition, the Municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition. The cost of self-constructed investment property is the cost at date of completion.

# City of Mbombela

(Registration number MP326)

Audited Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

---

### 1.6 Investment property (continued)

#### Subsequent measurement

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.

Investment property is subsequently measured using the cost model. Under the cost model, Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

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

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

#### Depreciation

Depreciation is calculated on the depreciable amount, using the straight line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives.

Item	Useful life
Property - land	indefinite
Property - buildings	15 - 100 years

Further details on the useful lives of the categories of assets is detailed on the assets management policy, available for inspection at our offices.

#### Derecognition

An investment property is derecognised on disposal including disposal through non-exchange transactions or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

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

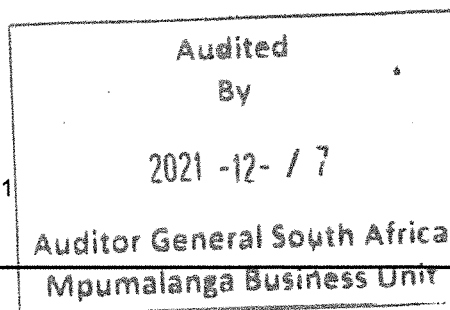
Audited  
By  
2021 -12- / 7  
Auditor General South Africa  
Mpumalanga Business Unit

## City of Mbombela

(Registration number MP326)

Audited Annual Financial Statements for the year ended 30 June 2021

### Accounting Policies



#### 1.7 Heritage assets

##### Initial recognition and measurement

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

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.

The Municipality holds an asset that might be regarded as a heritage asset but on initial recognition, it does not meet the recognition criteria of a heritage asset because it cannot be reliably measured, relevant and useful information about the asset should be disclosed in the notes to the financial statements.

The municipality uses judgment to assess the degree of certainty attached to the flow of future economic benefits or service potential that are attributable to the heritage asset on the basis of the evidence available at the time of initial recognition.

An asset that has met the recognition requirement criteria for heritage assets shall be measured at its cost if such an asset has been acquired through an exchange transaction. 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.

The cost of the heritage asset is the cash price equivalent at the recognition date. If the payment is deferred beyond normal credit terms, the difference between the cash price equivalent and the total payment is recognised as interest over the period of credit, unless such interest is recognised in the carrying amount of the heritage asset in accordance with the standard of GRAP on borrowing costs.

Costs incurred to enhance or restore the heritage asset to preserve its indefinite useful life is capitalised as part of its cost. Such costs is recognised in the carrying amount of the heritage asset as incurred, when the recognition criteria is met.

An asset that has met the recognition requirement criteria for heritage assets shall be measured at its cost if such an asset has been acquired through an exchange transaction.

##### Subsequent measurement

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses. Heritage assets are not depreciated due to its nature however the municipality assess at each reporting date whether there are indications of impairment and, if any, impairment exists, the municipality estimates the recoverable amount or recoverable service amount of the heritage asset.

##### Impairment

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

##### Transfers

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset. Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

##### Derecognition

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

The gain or loss arising from the derecognition of a heritage asset is included in surplus or deficit when the item is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

Compensation from third parties for heritage assets that have been impaired, lost or given up, shall be included in surplus or deficit when the compensation becomes receivable.

# City of Mbombela

(Registration number MP326)

Audited Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

---

### 1.8 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.
- (d) in the process of production for sale or distribution

#### Initial recognition and measurement

Inventories are recognised as an asset if it is probable that future economic benefits or service potential associated with the item will flow to the Municipality and the cost of the inventories can be measured reliably.

Inventories that qualify for recognition as assets are initially recognised at cost. The cost of inventories comprises of all costs purchase cost of conversion and other costs incurred in bringing the inventories to its present location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

When inventories are acquired through a non-exchange transaction, its cost shall be measured at its fair value as at the date of acquisition.

#### Subsequent measurement

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are measured at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge or to be consumed in the production process of goods to be distributed at no charge or for a nominal charge, in which case they are measured at the 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.

Redundant and slow-moving inventories are identified and written down in this way. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

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

### 1.9 Financial instruments

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

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A concessionary loan is a loan granted to or received by the municipality on terms that are not market related.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Audited By
2021 -12- / 7
Auditor General South Africa Mpumalanga Business Unit



## City of Mbombela

(Registration number MP326)

Audited Annual Financial Statements for the year ended 30 June 2021

### Accounting Policies

Audited

By

2021 -12- / 7

Auditor General South Africa  
Mpumalanga Business Unit

#### 1.9 Financial instruments (continued)

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the municipality shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the municipality shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

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.

A financial asset is:

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

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

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

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

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

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

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 the municipality 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 the municipality's net assets, either before the contribution occurs or at the time of the contribution; or

# City of Mbombela

(Registration number MP326)

Audited Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

---

### 1.9 Financial instruments (continued)

- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of the municipality.

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 municipality 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 municipality 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.

#### 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. Financial assets are recognised through the application of trade date accounting.

Upon initial recognition the Municipality classifies financial instruments or their component parts as financial liabilities, financial assets or residual interests in conformity with the substance of the contractual arrangement and to the extent that the instrument satisfies the definitions of a financial liability, a financial asset or a residual interest.

The Municipality measures financial instruments that are designated at fair value on recognition at its fair value at the date of recognition. Financial Instruments designated at amortised cost and those designated at cost are initially measured, at the date of recognition, at its fair value plus transaction costs directly attributable to the acquisition or issue of the instrument.

The classification of financial assets depends on their nature and purpose, and is determined at the date of initial recognition.

#### 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.

The municipality measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value].

The municipality first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the municipality analyses a concessionary loan into its component parts and accounts for each component separately. The municipality accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

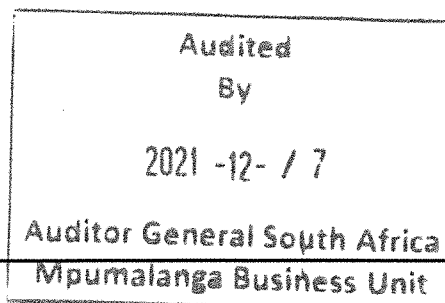
Audited By
2021 -12- / 7
Auditor General South Africa Mpumalanga Business Unit

## City of Mbombela

(Registration number MP326)

Audited Annual Financial Statements for the year ended 30 June 2021

### Accounting Policies



#### 1.9 Financial instruments (continued)

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

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

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

##### Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the municipality establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique.

The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, the municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

##### Financial assets

###### Financial assets at fair value

These comprise of non-derivative financial assets with fixed or determinable payments. Subsequent to initial recognition such assets are measured at amortised cost using the effective interest method less any impairment and/or plus reversal of impairment.

###### Financial assets at amortised cost

These comprise of financial assets held for trading, derivative financial assets, non-derivative financial assets designated at fair value and investments in residual interest for which fair value can be measured reliably. Subsequent to initial recognition all changes to fair value are recognised through the statement of financial performance.

###### Financial assets at cost

These comprise of investments in residual interest that does not have a quoted market price in an active market and the fair value cannot be measured reliably. Subsequent to initial recognition such investments are measured at its carrying amount less any impairment.

##### Impairment of financial assets

Financial assets other than those held at fair value are assessed for impairment at the end of each reporting period. Impairment is considered when there is objective evidence that, as a result of events occurred after initial recognition of the asset, the expected value to be derived from the asset have been materially reduced. The Municipality recognise impairment losses or impairment reversals in the statement of financial performance during the financial year in which the loss or reversal occurred.

Financial assets are derecognised when rights to receive cash flows from an asset have expired or have been transferred to another party or the Municipality loses control of contractual rights such that the Municipality no longer retain significant risks and rewards associated with ownership.

# City of Mbombela

(Registration number MP326)

Audited Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

---

### 1.9 Financial instruments (continued)

#### Accounts receivables

Receivables are initially recognised at its fair value. Bad debts are written off in the year in which they are identified as irrecoverable, subject to approval by appropriate delegated authority. Amounts receivable within 12 months from the date of reporting are classified as current. A provision for impairment of receivables is established when there is objective evidence that the Municipality will not be able to collect all amounts due according to the initial terms receivables. The amount of the provision is that difference between the asset's carrying amount and its present value of estimated future cash flows, discounted at the initial effective interest rate. An estimate of doubtful debts is made at the end of each reporting period taking into consideration past default experiences. Interest is charged on overdue amounts.

#### Cash and cash equivalents

Cash and cash equivalents are measured at amortised cost. Cash includes cash on hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand and deposits held on call with banks.

#### Financial liabilities

After initial recognition, the Municipality measures all financial liabilities, including payables at amortised cost using the effective interest rate method. Financial liabilities include borrowings, other non-current liabilities and payables and exclude provisions. Finance charges, including premiums payable, are accounted for on an accrual basis.

#### Gains and losses

The municipality recognise gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit. For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

#### Derecognition

##### Financial assets

Financial assets are derecognised when rights to receive cash flows from an asset have expired or have been transferred to another party or the Municipality loses control of contractual rights such that the Municipality no longer retain significant risks and rewards associated with ownership.

##### Financial liabilities

Financial liabilities are derecognised when the obligation specified in the contract is discharged or cancelled or when it expires.

### 1.10 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.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date. 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.

## City of Mbombela

(Registration number MP326)

Audited Annual Financial Statements for the year ended 30 June 2021

### Accounting Policies

Audited

By

2021 -12- / 7

Auditor General South Africa

Mpumalanga Business Unit

#### 1.10 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.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

Subsequent changes in the measurement of provisions relating to rehabilitation of landfill sites as a result of change in estimated cash flows required to settle the obligation will result in increased carrying amounts of the landfill sites to which the provision relates. The adjusted depreciable amount of the landfill sites will be depreciated over the remaining useful life of the landfill site. Once the landfill site has reached the end of its useful life, all subsequent changes in the value of the liability will be recognised in the statement of financial performance.

#### Decommissioning, restoration and similar liability

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

Since the related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity test the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.22 and 1.23.

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur. This applies under both the cost model and the revaluation model.

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

A contingent liability is a possible obligation whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Municipality

#### 1.11 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.

Lease classification is made at the inception of the lease.

#### Finance leases - lessor

The municipality recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the municipality's net investment in the finance lease.

# City of Mbombela

(Registration number MP326)

Audited Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

---

### 1.11 Leases (continued)

#### Finance leases - lessee

The Municipality recognise assets acquired under finance leases as assets and the associated lease obligations as liabilities in the statement of financial position. The assets and liabilities are recognised at amounts equal to the fair value of the leased property or if lower the present value of the minimum lease payments as determined at inception of the lease. The discount rate to be used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease, if it is practicable to determine however if not, the incremental borrowing rate shall be used. Any initial direct costs of the Municipality are added to the amount recognised as an asset.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance expenses and the capital repayment using the effective interest rate method. Lease finance expenses are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

#### Operating leases - lessor

Assets subject to operating leases are presented in the statement of financial position according to the nature of the asset.

Lease revenue from operating leases is recognised as revenue on a straight-line basis over the lease term.

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

#### 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.

### 1.12 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.

Revenue from exchange transactions refers to revenue that accrued to the Municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

#### 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 shall be recognised when all the following conditions have been satisfied:

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

Revenue from the sale of erven is recognised when all conditions associated with the deed of sale have been met.

Audited  
By  
2021 -12- / 7  
Auditor General S.A. Africa  
Mpumalanga Business Unit

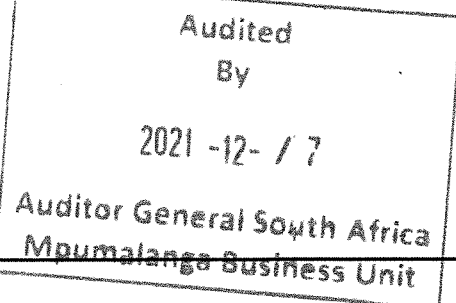
## City of Mbombela

(Registration number MP326)

Audited Annual Financial Statements for the year ended 30 June 2021

### Accounting Policies

---



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

##### Service charges

Service charges relating to electricity and water which are based on consumption are metered and an estimate of consumption between the latest meter reading and the reporting date shall be recognised when:

- 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.

Meters are read on a monthly basis and the revenue is recognised when invoiced. Provisional estimates of consumptions are made monthly when meter readings have not been performed and are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made then recognised in the statement of financial performance in the invoicing period in which meters have been read. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on based on the average monthly consumption of consumers.

Revenue from the sale of electricity prepaid meter credit is recognised at the point of sale. An adjustment for an unutilised portion is made at year-end, based on average consumption history.

Service charges relating to refuse removal are recognised on a monthly basis by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage and are levied monthly based on the number of refuse containers on each property, regardless of whether or not containers are emptied during the month.

Service charges from sewerage and sanitation are based on the size of the property, number of dwellings on each property and connection, using the tariffs approved by Council and are levied monthly.

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

##### Interest

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends 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.

##### Agency services

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The revenue recognised by the Municipality is in terms of the agency agreement and is limited to the amount of any fee or commission payable to the Municipality as compensation for executing the agreed services.

Collection charges are recognised when such amounts are incurred.

#### 1.13 Revenue from non-exchange transactions

Revenue from non-exchange transactions refers to transactions between one or more parties where the Municipality received revenue from another Municipality without directly giving approximately equal value in exchange. Revenue from non-exchange transaction is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and satisfy the recognition criteria.

An inflow of resources from non-exchange transaction that meets the definition of an asset is recognised as an asset when it is probable that future economic benefits or service potential associated with the asset will flow to the Municipality and the fair value of the asset can be measured reliably.

Revenue from non-exchange transactions is measured at the amount of the increase in net assets recognised.

An asset acquired through a non-exchange transaction is initially measured at fair value as at the date of acquisition.

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

# City of Mbombela

(Registration number MP326)

Audited Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

---

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

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

#### Taxes

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

The Municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

#### Property rates

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Rebates are respectively granted, to owners of land on which not more than two dwelling units are erected provided that such dwelling units are solely used for residential purposes. Additional relief is granted to needy, aged and/or disabled owners, based on income. The rebates granted are deducted from revenue.

Property rates revenue is recognised once a rates account has been issued to ratepayers. Adjustments or interim rates are recognised once the municipal valuer has valued the change to properties.

#### Transfers

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

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.

#### Fines

Fines are economic benefits or service potential received or receivable to the Municipality from an individual or another Municipality, as determined by a court or other law enforcement body, as a consequence of the individual or another Municipality breaching the requirements of laws and regulations. Control of the traffic fine is demonstrated through the existence of an enforceable claim.

Fines constitute notices of intended prosecution- section 341 spot fines and written notices (summonses- section 56 of the Criminal Procedures Act, 51 of 1977 ).

#### Initial recognition and measurement

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

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

#### Subsequent measurement

Subsequently assets arising from the receivables from traffic fines are impaired based on the collection trends of the previous financial years.

Audited  
By  
2021 -12- / 7  
Auditor General South Africa  
Mpumalanga Business Unit



# City of Mbombela

(Registration number MP326)

Audited Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

---

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

#### Government grants and donations

Government Grants can be in the form of subsidy to acquire or construct fixed assets (capital), grants for the furtherance of national and provincial government policy objectives and general grants to subsidise the cost incurred by municipalities rendering services.

Capital grants and general grants for the furtherance of government policy objectives are usually restricted revenue in that stipulations are imposed in their use.

Conditional grants, donations and funding were recognised as revenue in the Statement of Financial Performance to the extent that the Municipality has complied with any criteria, conditions or obligations embodied in the agreement/arrangement. To the extent that the criteria, conditions and obligations have not been met a liability is raised in the Statement of Financial Position. Unconditional grants, donations and funding are recognised as revenue in the Statement of Financial Position at the earlier of the date of receipt or when the amount is receivable.

Contributed assets are recognised at fair value when the risks and rewards associated with such asset transfer to the Municipality.

#### Services in-kind

Except for financial guarantee contracts, the municipality recognise services in-kind that are significant to its operations and/or service delivery objectives as assets and recognise the related 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.

Where services in-kind are not significant to the municipality's operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, the municipality disclose the nature and type of services in-kind received during the reporting period.

#### Concessionary loans

Concessionary loans are loans received by entities at below market terms. The portion of the loan that is repayable, along with any interest payments, is an exchange transaction and is accounted for in accordance with the Standard of GRAP on Financial Instruments. The off-market portion of the loan is a non-exchange transaction and is accounted for in accordance with this Standard.

The off-market portion of the loan that is recognised as non-exchange revenue is calculated as the difference between the proceeds received from the loan, and the present value of the contractual cash flows of the loan, discounted using a market related rate of interest. The recognition of revenue is determined by the nature of any conditions that exist in the loan agreement that may give rise to a liability. Where a liability exists the municipality recognises revenue as and when it satisfies the conditions of the loan agreement.

### 1.14 Borrowing costs

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

The municipality recognise all borrowing costs as an expense in the period in which they are incurred.

### 1.15 Employee benefits

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

Termination benefits are employee benefits payable as a result of either:

- the Municipality's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

Audited  
By  
2021-12-17  
Auditor General South Africa  
Mpumalanga Business Unit

# City of Mbombela

(Registration number MP326)

Audited Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

---

### 1.15 Employee benefits (continued)

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from the Municipality's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the Municipality has indicated to other parties that it will accept certain responsibilities and as a result, the Municipality has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

#### Short-term employee benefits

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

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 Municipality 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.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The Municipality measure the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The Municipality recognise the expected cost of bonus, incentive and performance related payments when the Municipality has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

The cost of short-term employee benefits, which include salaries and wages, short-term compensated absences, non-monetary benefits such as medical aid and performance plans, are expensed in the Statement of Financial Performance in the financial year during which the payment is made.

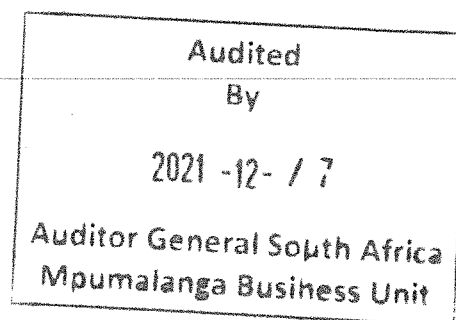
Liabilities for short-term employee benefits that are unpaid at year-end are measured at the undiscounted amount that the Municipality is expected to pay in exchange for that service that had accumulated at the reporting date.

#### Post-employment benefits

The Municipality provides post employment benefits for its employees and councillors. These benefits are provided as either defined contribution plans or defined benefit plans.

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

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



# City of Mbombela

(Registration number MP326)

Audited Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

---

### 1.15 Employee benefits (continued)

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

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

The Municipality provide post employment medical care benefits to retired employees and their legitimate spouses. The entitlement to post employment medical benefits is based on employees remaining in service up to retirement age and the completion of a minimum service period. The expected cost, of these benefits is accrued over the period of employment.

Pursuant to the Municipality's obligation to fund the post-employment benefits provided through a defined benefit plan, the Municipality recognises a defined benefit obligation or asset with reference to the fund's financial position. To the extent that the future benefits payable under the fund exceeds the value assets held to finance those benefits, the Municipality recognises as defined benefit obligation. To the extent that the value of plan assets exceeds the future benefits payable by the fund the Municipality recognises as defined benefit asset.

The defined benefit asset or obligation recognised is recognised as the net difference between the value of the plan assets and plan liabilities and also taking past service cost into consideration.

Actuarial valuations are conducted on an annual basis by independent actuaries for each plan.

Actuarial gains and losses comprise experience adjustments (the effect of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in the actuarial assumptions. Actuarial gains and losses are recognised in full in the Statement of Financial Performance in the year that they occur.

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

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

Where the Municipality reduces benefits payable under an existing defined benefit plan , the resulting reduction in the defined benefit liability is recognised as (negative) past service cost in the reporting period in which the plan is amended.

Where the Municipality reduces certain benefits payable under an existing defined benefit plan and, at the same time, increases other benefits payable under the plan for the same employees , the Municipality treats the change as a single net change.

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

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 Municipality recognises the net total of the following amounts in surplus or deficit, 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 rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability)

The Municipality uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost.

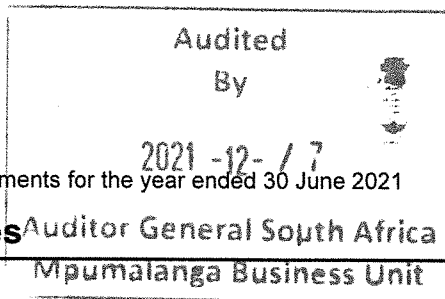
Audited  
By  
2021 -12- / 7  
Auditor General South Africa  
Mpumalanga Business Unit

## City of Mbombela

(Registration number MP326)

Audited Annual Financial Statements for the year ended 30 June 2021

**Accounting Policies** Auditor General South Africa  
Mpumalanga Business Unit



### 1.15 Employee benefits (continued)

#### Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect 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 post-employment benefit obligations.

#### 1.16 Construction contracts

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 a Municipality 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 a Municipality that enters into a contract to build structures, construct facilities, produce goods, or render services to the specifications of another Municipality 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 Municipality 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, a Municipality 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 completion of a physical proportion of the contract work.

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

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

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

Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent that contract costs incurred are recoverable. Contract costs are recognised as an expense in the period in which they are incurred.

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

#### 1.17 Unauthorised expenditure

Unauthorised expenditure means overspending of a vote, expenditure that has not been budgeted for and expenditure not in terms of the conditions of an allocation received from another sphere of government, Municipality or organ of state. Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and when recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

# City of Mbombela

(Registration number MP326)

Audited Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

---

### 1.17 Unauthorised expenditure (continued)

Unauthorised expenditure has been incurred during the reporting period.

### 1.18 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 economic entity's supply chain management policy. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

Irregular expenditure has been incurred during the reporting period.

### 1.19 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. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and when recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

Fruitless and wasteful expenditure has been incurred during the period.

### 1.20 Value Added Tax (VAT)

The municipality accounts for value added tax on the payment basis.

### 1.21 Budget information

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

The annual budget figures have been presented in accordance with the GRAP reporting framework. A separate statement of comparison of budget and actual amounts, which forms part of the annual financial statements has been prepared. The comparison of budget and actual amount will be presented on the same accounting basis, same classification basis and for the same Municipality and period as for the approved budget. The budget is prepared on the accrual basis. The budget of the Municipality is taken for a stakeholder consultative process and upon approval, the approved budget is made publicly available.

Material differences in terms of the basis, timing or entity have been disclosed in the notes to the annual financial statements.

The most recent approved budget by Council is the final budget for the purpose of comparison with the actual amounts.

The approved budget relates to the fiscal period of 01 July 2020 to 30 June 2021.

### 1.22 Impairment of cash-generating assets

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

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

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

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

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

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

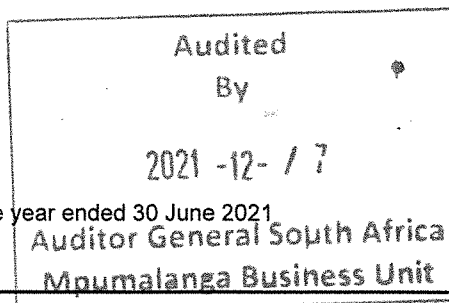
Audited  
By  
2021-12-17  
Auditor General South Africa  
Mpumalanga Business Unit

## City of Mbombela

(Registration number MP326)

Audited Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies



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

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.

Judgements made by management in applying the criteria to designate assets as cash-generating assets or non-cash-generating assets, are as follows:

#### Reversal of impairment loss

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

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

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

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

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

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.

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

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

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

A cash-generating unit is the smallest identifiable group of assets managed 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 and 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 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.

## City of Mbombela

(Registration number MP326)

Audited Annual Financial Statements for the year ended 30 June 2021

### Accounting Policies

---

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

Judgements made by management in applying the criteria to designate assets as non-cash-generating assets or cash-generating assets, are as follows:

- The current profitability of the asset, as well as management's assessment of the profitability of the asset becoming profitable.

Audited  
By  
2021 -12- / 7  
Auditor General South Africa  
Mpumalanga Business Unit

# City of Mbombela

(Registration number MP326)

Audited Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

---

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

#### Value in use

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

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

#### Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the current reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

#### 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.

Audited By 2021-12- / 7 Auditor General South Africa Mpumalanga Business Unit
---



# City of Mbombela

(Registration number MP326)

Audited Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

---

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

#### Service units approach

The present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform to the reduced number of service units expected from the asset in its impaired state. The current cost of replacing the remaining service potential of the asset before impairment is determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

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 to the statement of financial performance.

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

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

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

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

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

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

#### Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

### 1.24 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.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

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.

Audited
By
2021-12-17
Auditor General South Africa Mpumalanga Business Unit

# City of Mbombela

(Registration number MP326)

Audited Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

---

### 1.24 Related parties (continued)

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

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

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 audited annual financial statements.

### 1.25 Grant in aid

The Municipality transfers funds to individuals, organisations, societies and other sectors of government from time to time in accordance with the local government prescripts.

When the transfers are made, the Municipality does not:

- receive any goods or services directly in return, as would be expected in an acquisition or sale transaction;
- expect to be repaid in future; or
- expect a financial return, as would be expected from an investment.

The transfers are recognised in the Statement of Financial Performance as expenses in the period that the event giving rise to the transfer occurred.

### 1.26 Changes in accounting policy, accounting estimates and correction of error

Changes in accounting policies are applied retrospectively in accordance with the requirements of Generally Recognised Accounting Practice (GRAP 3), except to the extent that it is impractical to determine the period specific effects or the cumulative effect of the change in accounting policy. In such instances the Municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which the retrospective restatement is practical.

Changes in accounting estimates are applied prospectively in accordance with the requirements of Generally Recognised Accounting Practice (GRAP 3). The detailed information of the change in accounting estimates is disclosed in the notes to the annual financial statements

Correction of errors is applied retrospectively in the period to which the error has occurred in accordance with the requirements of Generally Recognised Accounting Practice (GRAP 3), except to the extent that it is impractical to determine the period specific effects or the cumulative effect of the error. In such instances the Municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which the retrospective restatement is practical.

### 1.27 Events after reporting date

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

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

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

Audited By
2021 -12- / 7
Auditor General South Africa Mpumalanga Business Unit

# City of Mbombela

(Registration number MP326)

Audited Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

---

The Municipality does not adjust the amounts recognised in the audited annual financial statements to reflect non-adjusting events after the reporting date. If the Municipality receives information after the reporting date but before the financial statements are authorised for issue, about conditions that existed at the reporting date, the disclosure that relate to those conditions shall be updated in light of the new information.

### 1.28 Capital commitments

Capital commitments disclosed in the notes to the audited annual financial statements represents the balance committed to capital projects as at the reporting date which will be incurred in the period subsequent to the reporting period.

The municipality discloses commitments inclusive of VAT per the commitments register.

### 1.29 Key sources of estimation uncertainty and judgements

The following areas involve a significant degree of estimation uncertainty:

- Useful lives and residual values of property, plant, and equipment
- Recoverable amounts and/ recoverable service amounts of property, plant and equipment
- Provision for rehabilitation of landfill sites (discount rate used)
- Present value of defined benefit obligation
- Impairment allowance/ Debt impairment
- Impairment of cash-generating and non cash-generating assets
- Provision for long service awards

The following areas involved judgements, apart from those involving estimations disclosed above, that management has made in the process of applying the Municipality's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

- Impairment of cash-generating and non cash-generating assets
- Provisions

Audited
By
2021 -12- / 7
Auditor General South Africa
Mpumalanga Business Unit

# City of Mbombela

(Registration number MP326)

Audited Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

---

### 1.30 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.

Statutory receivables constitute revenue receivable from property rates, fines, penalties, grants and fees charged in terms of legislation.

The municipality recognises statutory receivables as follows:

- if the transaction is an exchange transaction, using GRAP 9;
- if the transaction is a non-exchange transaction, using GRAP 23;
- if the transaction is not within the scope of either GRAP 9 or GRAP 23, the receivable is recognised when:
  - the definition of an asset is met; and
  - it is probable that future economic benefits or service potential associated with the asset will flow to the municipality and the transaction amount can be measured reliably.

The municipality measures a statutory receivable initially at its transaction amount.

The municipality measures all statutory receivables after initial recognition using the cost method.

Under the cost method the amount recognised initially is only changed subsequently to reflect any:

- interest or other charges that may have accrued on the receivable;
- impairment loss; and
- amounts derecognised.

The municipality assesses at the end of each reporting period whether there is objective evidence that a statutory receivable or group of statutory receivables is impaired.

For amounts due to the municipality, significant financial difficulties of the receivable, probability that the receivable will enter bankruptcy and default payments are all considered indicators of impairment.

If there is objective evidence that an impairment loss on statutory receivables has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the estimated future cash flows - discounted if the effect of discounting is material - 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.

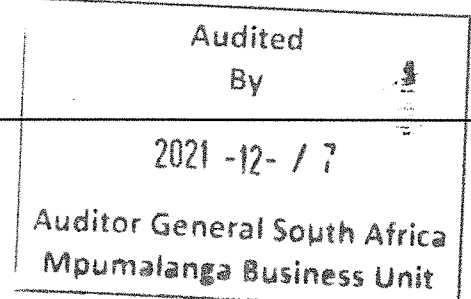
The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. The reversal does not result in a carrying amount of the statutory receivable that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Where statutory receivables are impaired through the use of an allowance account, the amount of the loss is recognised in surplus or deficit within operating expenses. When such receivables are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

The municipality derecognises a statutory receivable when:

- the rights to the cash flows from the statutory 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
- the municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of 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 municipality:
  - derecognises the receivable;
  - recognises separately any rights and obligations created or retained in the transfer.



# City of Mbombela

(Registration number MP326)

Audited Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

---

### 1.30 Statutory receivables (continued)

The carrying amount of the transferred asset is 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 considered for inclusion within the scope of GRAP 104 or another standard of GRAP. Any difference between the consideration received and amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

### 1.31 Service concession arrangements: Grantor

A service concession arrangement is a contractual arrangement between a grantor (the municipality) and an operator in which:

- the operator uses the service concession asset to provide a mandated function on behalf of the municipality for a specified period of time; and
- the operator is compensated for its services over the period of the service concession arrangement.

A service concession asset is an asset used to provide a mandated function in a service concession arrangement that:

- is provided by the operator which:
- the operator constructs, develops, or acquires from a third party; or
- is an existing asset of the operator.
- is provided by the grantor (municipality) which:
- is an existing asset of the municipality; or
- is an upgrade to an existing asset of the municipality.

An asset is provided by the operator, or an upgrade to an existing asset of the municipality is recognised as a service concession asset if:

- the municipality controls or regulates what services the operator must provide with the asset, to whom it must provide them, and at what price;
- the municipality controls, through ownership, beneficial entitlement or otherwise, any significant residual interest in the asset at the end of the arrangement.

The municipality measures initially a service concession asset at its fair value.

The municipality recognises a liability where a service concession asset is recognised.

The liability is initially recognised at the same amount as the service concession asset, adjusted by the amount for any consideration from the municipality to the operator, or from the operator to the municipality.

Where the municipality has an unconditional obligation to pay cash or another financial asset to the operator for the construction, development, acquisition or upgrade of a service concession asset, the liability is accounted for as a financial liability in accordance with GRAP 104.

The payments made to the operator are accounted for according to their substance as:

- a reduction in the liability recognised;
- a finance charge; and
- charges for services provided by the operator.

Where the asset and service components of a service concession arrangement are separately identifiable, the service components of payments are allocated by reference to the relative fair values of the service concession asset and the services. If not, the service component of payments is determined using valuation techniques.

Where the municipality does not have an unconditional obligation to pay cash or another financial asset to the operator, and grants the operator the right to earn revenue from third-party users or another revenue-generating asset, the liability is accounted for as the unearned portion of revenue arising from the exchange of assets between the municipality and the grantor.

The liability is reduced and revenue recognised according to the substance of the service concession arrangement.

Audited By  2021 -12- / 7
Auditor General South Africa Mpumalanga Business Unit

# City of Mbombela

(Registration number MP326)

Audited Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

---

### 1.32 Investment in Associates and Joint Ventures

An interest in a joint venture is carried at .

Surpluses and surplus (deficit) resulting from contributions or sale of assets to joint ventures are only recognised to the extent of other venturers' interests in the joint venture.

The municipality's share of surpluses or surplus (deficit), resulting from purchase of assets from joint ventures are recognised only when the assets are resold to an independent party.

In respect of its interests in jointly controlled operations, the municipality recognises in its audited annual financial statements:

- the assets that it controls and the liabilities that it incurs; and
- the expenses that it incurs and its share of the revenue that it earns from the sale or provision of goods or services by the joint venture.

In respect of its interest in jointly controlled assets, the municipality recognises in its audited annual financial statements:

- its share of the jointly controlled assets, classified according to the nature of the assets;
- any liabilities that it has incurred;
- its share of any liabilities incurred jointly with the other venturers in relation to the joint venture;
- any revenue from the sale or use of its share of the output of the joint venture, together with its share of any expenses incurred by the joint venture; and
- any expenses that it has incurred in respect of its interest in the joint venture.

An investment in an associate is carried at cost less any accumulated impairment.

### 1.33 Accumulated surplus

The municipality's surplus or deficit for the year is accounted in the accumulated surplus in the statement of changes in net assets.

### 1.34 Share capital / contributed capital

An equity instrument is any contract that evidences a residual interest in the assets of an municipality after deducting all of its liabilities.

### 1.35 Segment information

A segment is an activity of an entity:

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

Reportable segments are the actual segments which are reported on in the segment report. They are the segments identified above or alternatively an aggregation of two or more of those segments where the aggregation criteria are met.

### Measurement

The amount of each segment item reported is the measure reported to management for the purposes of making decisions about allocating resources to the segment and assessing its performance. Adjustments and eliminations made in preparing the entity's financial statements and allocations of revenues and expenses are included in determining reported segment surplus or deficit only if they are included in the measure of the segment's surplus or deficit that is used by management. Similarly, only those assets and liabilities that are included in the measures of the segment's assets and segment's liabilities that are used by management are reported for that segment. If amounts are allocated to reported segment surplus or deficit, assets or liabilities, those amounts are allocated on a reasonable basis.

Audited By
2021-12- / 7
Auditor General South Africa Mpumalanga Business Unit

# City of Mbombela

(Registration number MP326)  
Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements

Figures in Rand

2021

2020

### 2. Inventories

Consumable stores	41,595,027	26,888,737
Water in the reservoirs and reticulation system	252,730	122,955
Land held for sale	8,149,240	8,149,240
Inventories (write-downs)	49,996,997	35,160,932
	(264,103)	(100,911)
	<b>49,732,894</b>	<b>35,060,021</b>

### Inventories recognised as an expense

The amount of inventory recognised as an expense during the period is disclosed in Note 39.

### Inventory pledged as security

There were no inventories pledged as security during the reporting period.

### 3. Operating lease asset (accrual)

Current assets	72,683	18,896
Non-current liabilities	(145,920)	(100,184)
	<b>(73,237)</b>	<b>(81,288)</b>

### 4. Other receivables from exchange transactions

Property rental	352,856	333,738
Recoveries	375,580	457,330
Agency services	47,019,121	-
Job costing	30,597,586	30,928,877
	<b>78,345,143</b>	<b>31,719,945</b>

Audited  
By  
2021 -12- / 7  
Auditor General South Africa  
Mpumalanga Business Unit

# City of Mbombela

(Registration number MP326)

Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements

Figures in Rand	2021	2020
<b>5. Statutory receivables</b>		
Traffic fines	4,645,523	6,442,453
Property rates	101,969,144	109,571,003
	<b>106,614,667</b>	<b>116,013,456</b>
<b>Gross balances</b>		
Property rates	213,596,318	216,533,344
Traffic fines	66,364,615	76,390,990
	<b>279,960,933</b>	<b>292,924,334</b>
<b>Less: Allowance for impairment</b>		
Property rates	(111,627,174)	(106,962,341)
Traffic fines	(61,719,092)	(69,948,537)
	<b>(173,346,266)</b>	<b>(176,910,878)</b>
<b>Net balance</b>		
Property rates	101,969,144	109,571,003
Traffic fines	4,645,523	6,442,453
	<b>106,614,667</b>	<b>116,013,456</b>
<b>Property rates</b>		
Current (0 -30 days)	34,011,698	37,158,486
31 - 60 days	16,464,631	17,216,152
61 - 90 days	14,439,152	15,048,401
91 - 120 days	13,617,699	13,670,471
121 - 365 days	42,125,647	43,061,759
> 365 days	89,739,115	90,377,807
	<b>210,397,942</b>	<b>216,533,076</b>
<b>Reconciliation of allowance for impairment</b>		
Balance at beginning of the year	176,910,878	129,499,400
Contribution and (reversal) of allowance	(3,564,613)	47,411,478
	<b>173,346,265</b>	<b>176,910,878</b>
<b>6. Value Added Tax (VAT) receivable</b>		
VAT	142,991,612	121,737,501
<b>7. Trade receivables from exchange transactions</b>		
<b>Gross balances</b>		
Electricity	168,027,740	247,412,188
Water	53,651,998	52,175,921
Waste water	8,800,832	9,978,827
Refuse	40,801,037	42,177,357
Other	5,073,002	69,591,987
	<b>276,354,609</b>	<b>421,336,280</b>

Audited  
By  
2021 -12- / 7  
Auditor General South Africa  
Mpumalanga Business Unit



# City of Mbombela

(Registration number MP326)

Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements

Figures in Rand	2021	2020
<b>Less: Allowance for impairment</b>		
Electricity	(21,161,472)	(28,766,984)
Water	(27,241,680)	(29,706,509)
Waste water	(4,728,651)	(6,155,674)
Refuse	(28,301,008)	(29,265,878)
Other	(1,701,092)	(3,697,806)
	<b>(83,133,903)</b>	<b>(97,592,851)</b>
<b>Net balance</b>		
Electricity	146,866,268	218,645,204
Water	26,410,318	22,469,412
Waste water	4,072,181	3,823,153
Refuse	12,500,029	12,911,479
Other	3,371,910	65,894,181
	<b>193,220,706</b>	<b>323,743,429</b>
<b>Electricity</b>		
Current (0 -30 days)	111,515,102	97,319,023
31 - 60 days	19,037,005	16,670,614
61 - 90 days	10,239,803	19,392,044
91 - 120 days	6,300,124	16,102,351
121 - 365 days	14,012,043	38,888,329
> 365 days	6,923,663	59,039,827
	<b>168,027,740</b>	<b>247,412,188</b>
<b>Water</b>		
Current (0 -30 days)	18,378,311	13,548,967
31 - 60 days	7,796,413	6,705,813
61 - 90 days	5,776,934	6,504,004
91 - 120 days	5,401,689	5,295,310
121 - 365 days	10,274,862	13,027,914
> 365 days	6,023,789	7,093,913
	<b>53,651,998</b>	<b>52,175,921</b>
<b>Waste water</b>		
Current (0 -30 days)	1,905,543	1,513,988
31 - 60 days	1,224,806	1,021,407
61 - 90 days	1,095,905	1,282,328
91 - 120 days	980,918	970,463
121 - 365 days	2,112,232	2,379,249
> 365 days	1,481,429	2,811,393
	<b>8,800,833</b>	<b>9,978,828</b>
<b>Refuse</b>		
Current (0 -30 days)	9,706,066	9,487,384
31 - 60 days	6,061,828	5,776,073
61 - 90 days	5,584,941	5,153,037
91 - 120 days	5,093,079	4,840,455
121 - 365 days	10,257,153	11,229,388
> 365 days	4,097,970	5,691,020
	<b>40,801,037</b>	<b>42,177,357</b>

Audited  
By  
2021-12-17  
Auditor General South Africa  
Mpumalanga Business Unit

# City of Mbombela

(Registration number MP326)

Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements

Figures in Rand	2021	2020
<b>Other</b>		
Current (0 -30 days)	310,868	2,711,914
31 - 60 days	601,488	1,952,202
61 - 90 days	209,740	1,878,945
91 - 120 days	314,855	3,158,430
121 - 365 days	727,246	11,362,607
> 365 days	2,908,804	48,527,890
	<b>5,073,001</b>	<b>69,591,988</b>
<b>Summary of debtors by customer classification</b>		
<b>Consumers</b>		
Current (0 -30 days)	70,143,463	90,113,402
31 - 60 days	31,273,890	23,188,416
61 - 90 days	20,276,903	25,151,230
91 - 120 days	17,252,399	23,678,840
121 - 365 days	35,242,610	36,461,851
> 365 days	27,602,624	29,700,858
	<b>201,791,889</b>	<b>228,294,597</b>
<b>Industrial/ commercial</b>		
Current (0 -30 days)	90,997,610	49,350,671
31 - 60 days	12,646,394	16,053,216
61 - 90 days	10,212,362	16,557,730
91 - 120 days	9,038,101	14,290,125
121 - 365 days	18,949,764	60,468,507
> 365 days	16,288,880	121,749,680
	<b>158,133,111</b>	<b>278,469,929</b>
<b>National and provincial government</b>		
Current (0 -30 days)	14,686,626	22,275,686
31 - 60 days	7,265,888	10,100,629
61 - 90 days	6,857,211	7,549,798
91 - 120 days	5,417,862	6,068,784
121 - 365 days	25,316,809	23,018,888
> 365 days	67,283,157	62,091,313
	<b>126,827,553</b>	<b>131,105,098</b>
<b>Total</b>		
Current (0 -30 days)	175,827,699	161,739,760
31 - 60 days	51,186,172	49,342,261
61 - 90 days	37,346,476	49,258,758
91 - 120 days	31,708,362	44,037,750
121 - 365 days	79,509,183	119,949,246
> 365 days	111,174,661	213,541,850
	<b>486,752,553</b>	<b>637,869,625</b>
<b>Reconciliation of allowance for impairment</b>		
Balance at beginning of the year	97,592,850	86,525,882
Contributions to allowance	-	11,066,970
Reversal of allowance	(14,458,947)	-
	<b>83,133,903</b>	<b>97,592,852</b>

Audited  
By

2021-12-17

Auditor General South Africa  
Mpumalanga Business Unit

# City of Mbombela

(Registration number MP326)

Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements

Figures in Rand 2021      2020

### Trade receivables from exchange transactions pledged as security

There were no trade receivables from exchange transactions pledged as security during the reporting period.

### 8. Deposits made

Other deposits	582,477	582,477
Deposits - Eskom	6,025,978	4,987,488
	<u>6,608,455</u>	<u>5,569,965</u>

### 9. Total receivables from non-exchange transactions

Current portion of long-term receivables	1,923,058	430,746
Non-current receivables	1,741,581	2,585,925
	<u>3,664,639</u>	<u>3,016,671</u>

### 10. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	88,085	87,085
Bank balances	62,245,641	72,932,580
<b>Total cash</b>	<u>62,333,726</u>	<u>73,019,665</u>

Audited  
By  
2021 -12- / 7  
Auditor General South Africa  
Mpumalanga Business Unit

Audited

By

2021 -12- / 7

**City of Mbombela**

(Registration number MP326)

Audited Annual Financial Statements for the year ended 30 June 2021

Auditor General South Africa

**Notes to the Audited Annual Financial Statements**

Figures in Rand

2021

2020

**The municipality had the following bank accounts**

Account number / description	Bank statement balances			Cash book balances		
	30 June 2021	30 June 2020	30 June 2019	30 June 2021	30 June 2020	30 June 2019
Primary Bank Acc - ABSA Mbombela: Account Number: 40-90003-9447	56,319,597	78,006,875	83,919,761	55,600,525	48,104,389	102,624,928
Call Account (Water Deposits) - Bank: ABSA Mbombela: Account Number: 90-6983-8617	4,718	4,702	4,668	4,718	4,702	4,668
Call Account (Service Contribution) - Bank: ABSA Mbombela: Account Number: 90-7568-1173	311,866	306,151	301,800	645,133	639,418	631,169
Call Account (Grants) - Bank: ABSA Mbombela - Account Number: 40-8341-7222	7,447	7,214	6,811	7,429	7,213	6,811
Primary Bank Acc - ABSA Mbombela: Account Number: 40-5321-5785	200,000	200,000	200,000	901,185	(2,915,233)	(24,342)
Call Account (Lottery Distribution Trust Fund Mbombela) - 40-6856-1426	10,394	10,240	10,023	10,276	10,121	9,905
Cheque Account - Bank: ABSA, Prime Link Account: Account Number: 40-6653-7243	5,125,733	26,706,909	21,760,912	5,125,733	26,706,909	21,762,206
* Bank: ABSA Mbombela - Account Number: 20-7400-3363	-	-	-	(5,560)	(5,560)	(5,561)
Petty cash	-	-	-	88,085	87,085	87,085
First National Bank - Barberton - Account number: 5160026441	9,749	370,530	552,283	(49,793)	370,530	552,283
* ABSA Bank - Mbombela Traffic Account - 10-7000-0209	-	-	-	(4,400)	-	37,665
* First National Bank - Barberton - Account number: 62305845995	-	-	41	41	41	41
* First National Bank - Barberton - Account number: 62305846612	-	-	113	114	114	114
* First National Bank - Barberton - Account number: 62305846935	-	-	728	728	728	728
* First National Bank - Barberton - Account number: 62305847222	-	-	24	24	24	24
* First National Bank - Barberton - Account number: 62000772229	-	-	268	44	44	44
* First National Bank - Barberton - Account number: 62000774704	-	-	117	(1,407)	(1,407)	(1,407)
ABSA Bank - Barbeton - 40-7085-2360	-	9,320	9,320	10,400	10,400	10,400
* First National Bank - Barberton - Account Number: 6227140826	-	-	56	56	56	56
<b>Total</b>	<b>61,989,504</b>	<b>105,621,941</b>	<b>106,766,925</b>	<b>62,333,331</b>	<b>73,019,574</b>	<b>125,696,817</b>

\*These municipal bank accounts have since been closed due to being inactive. The bank accounts are disclosed for comparison purposes.

# City of Mbombela

(Registration number MP326)  
Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements

Figures in Rand

### 11. Investment property

Cost	2021		2020		
	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	
358,827,926	(32,441,272)	326,386,654	355,215,226	(27,078,267)	328,136,959

Investment property

### Reconciliation of investment property - 2021

Opening balance	Transfers in	Depreciation	Total
328,136,959	504,343	(2,254,648)	326,386,654

Investment property

### Reconciliation of investment property - 2020

Opening balance	Transfers received	Depreciation	Total
330,446,369	-	(2,309,410)	328,136,959

Investment property

The amount under transfers received were transfers out from property, plant and equipment.

### Pledged as security

There were no investment property(ies) pledged as security during the reporting period.

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.

Audited  
By  
2021-12-17  
Auditor General South Africa  
Mpumalanga Business Unit

# City of Mbombela

(Registration number MP326)

Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements

Figures in Rand	2021	2020
<b>Amounts recognised in surplus or deficit</b>		
Rental revenue from Investment Property	3,429,330	1,414,591
There were no repairs and maintenance expenses incurred for investment property during the reporting period.		

Audited  
By  
2021-12-17  
Auditor General South Africa  
Molomalanga Business Unit

# City of Mbombela

(Registration number MP326)  
Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements

Figures in Rand

### 12. Property, plant and equipment

	2021			2020		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Land	664,978,085	-	664,978,085	664,978,085	-	664,978,085
Buildings	1,582,526,416	(810,189,038)	772,337,378	1,559,206,282	(741,293,983)	817,912,299
Equipment and machinery	49,669,965	(20,331,511)	29,338,454	47,456,215	(17,268,069)	30,188,146
Furniture and equipment	76,321,353	(43,399,485)	32,921,868	74,522,043	(39,094,894)	35,427,149
Transport assets	213,990,886	(107,835,148)	106,155,738	207,114,304	(96,328,741)	110,785,563
Computer equipment	59,215,476	(24,612,840)	34,602,636	54,066,831	(21,052,573)	33,014,258
Roads, pavements and stormwater	3,766,317,954	(2,222,935,140)	1,543,382,814	3,641,044,581	(1,994,186,053)	1,646,858,528
Construction Work-in-progress	1,091,053,848	-	1,091,053,848	1,012,301,002	-	1,012,301,002
Waste management	55,438,170	(13,386,946)	42,051,224	46,595,398	(12,563,084)	34,032,314
Electricity	1,341,801,933	(823,415,564)	518,386,369	1,291,290,454	(771,125,308)	520,165,146
Waste water	769,157,884	(351,183,410)	417,974,474	735,584,194	(310,809,519)	424,774,675
Water	1,456,899,113	(543,565,463)	913,333,650	1,448,974,930	(494,874,399)	954,100,531
Service concession assets - Grantor	1,884,230,360	(855,584,239)	1,028,646,121	1,769,869,119	(808,084,650)	961,784,469
Library	98,791,110	(35,101,055)	63,690,055	98,791,110	(24,460,320)	74,330,790
<b>Total</b>	<b>13,110,392,553</b>	<b>(5,851,539,839)</b>	<b>7,258,852,714</b>	<b>12,651,794,548</b>	<b>(5,331,141,593)</b>	<b>7,320,652,955</b>

Audited  
By  
2021 -12- / 7  
Auditor General South Africa  
Mpumalanga Business Unit

# City of Mbombela

(Registration number MP326)

Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements

Figures in Rand

### Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Disposals	Transfers in	Transfers out	Donations	Change in accounting estimates	Depreciation	Total
Land	664,978,085	-	-	-	-	-	-	-	664,978,085
Buildings	817,912,299	16,828,308	(27,639)	7,863,357	(504,343)	2,416,625	-	(72,151,229)	772,337,378
Equipment and machinery	30,188,146	2,213,750	-	-	-	-	-	(3,063,442)	29,338,454
Furniture and equipment	35,427,149	1,675,802	-	-	-	-	-	(4,181,083)	32,921,868
Transport assets	110,785,563	7,461,929	(430,301)	-	-	-	-	(11,661,453)	106,155,738
Computer equipment	33,014,258	5,627,502	(265,821)	-	-	-	-	(3,773,303)	34,602,636
Roads, pavements and stormwater	1,646,858,528	25,814,724	(1,723,432)	114,145,341	-	-	-	(241,712,347)	1,543,382,814
Construction Work-in-progress	1,012,301,002	322,649,358	-	-	(243,896,512)	-	-	-	1,091,053,848
Waste management	34,032,314	-	-	-	-	-	8,842,772	(823,862)	42,051,224
Electricity	520,165,146	46,500,682	-	4,010,797	-	-	-	(52,290,256)	518,386,369
Waste water	424,774,675	22,995,832	(8,637)	10,624,631	-	-	-	(40,412,027)	417,974,474
Water	954,100,531	6,517,845	-	1,406,338	-	-	-	(48,691,064)	913,333,650
Service concession assets - Grantor	961,784,469	8,515,193	-	105,846,048	-	-	-	(47,499,589)	1,028,646,121
Library	74,330,790	-	-	-	-	-	-	(10,640,735)	63,690,055
	<b>7,320,652,955</b>	<b>466,800,925</b>	<b>(2,455,830)</b>	<b>243,896,512</b>	<b>(244,400,855)</b>	<b>2,416,625</b>	<b>8,842,772</b>	<b>(536,900,390)</b>	<b>7,258,852,714</b>

Audited  
By  
2021 -12- / 7  
Auditor General South Africa  
Mpumalanga Business Unit



# City of Mbombela

(Registration number MP326)

Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements

Figures in Rand.

### Reconciliation of property, plant and equipment - 2020

	Opening balance	Additions	Disposals	Transfers received	Transfers out	Donations	Change in accounting estimates	Depreciation	Impairment loss	Total
Land	631,419,320	-	(441,235)	-	-	34,000,000	-	-	-	664,978,085
Buildings	868,361,820	9,043,330	(493,937)	12,297,587	-	-	-	(70,849,022)	(447,479)	817,912,299
Equipment and machinery	32,606,690	538,732	(3,906)	-	-	-	-	(2,953,370)	-	30,188,146
Furniture and equipment	38,971,151	736,246	(71,880)	-	-	-	-	(4,208,368)	-	35,427,149
Transport assets	118,225,854	4,872,608	(285,253)	-	-	-	-	(12,027,646)	-	110,785,563
Computer equipment	32,768,109	4,103,000	(102,664)	-	-	-	-	(3,754,187)	-	33,014,258
Roads, pavements and stormwater	1,784,574,502	49,189,606	-	56,313,675	-	-	-	(243,219,255)	-	1,646,858,528
Construction Work-in-progress	661,513,490	442,357,394	-	-	(91,569,882)	-	-	-	-	1,012,301,002
Waste management	43,713,602	-	-	-	-	-	(8,610,382)	(1,070,906)	-	34,032,314
Electricity	553,481,582	14,518,458	-	5,483,695	-	-	-	(53,318,589)	-	520,165,146
Waste water	464,114,445	-	-	499,980	-	-	-	(39,839,750)	-	424,774,675
Water	968,650,757	11,352,991	(129,341)	14,435,571	-	-	-	(40,209,447)	-	954,100,531
Service concession assets - Grantor	1,015,988,498	-	-	2,539,373	-	-	-	(56,743,402)	-	961,784,469
Library	84,963,090	-	-	-	-	-	-	(10,632,300)	-	74,330,790
	<b>7,299,352,910</b>	<b>536,712,365</b>	<b>(1,528,216)</b>	<b>91,569,881</b>	<b>(91,569,882)</b>	<b>34,000,000</b>	<b>(8,610,382)</b>	<b>(538,826,242)</b>	<b>(447,479)</b>	<b>7,320,652,955</b>

### Pledged as security

There were no property, plant and equipment assets pledged as security during the reporting period

### Compensation received for losses on property, plant and equipment - included in operating profit.

Transport assets	100,943
Computer equipment	68,390
	<u>108,471</u>
	<u>108,471</u>
	<u>169,333</u>

Auditor General South Africa  
 City of Mbombela  
 2021-21-1202  
 Audited  
 BY

# City of Mbombela

(Registration number MP326)

Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements

Figures in Rand	2021	2020
<b>Property, plant and equipment in the process of being constructed or developed</b>		
<b>Cumulative expenditure recognised in the carrying value of property, plant and equipment</b>		
Roads, Pavements, Bridges and Stormwater Infrastructure	520,816,395	446,008,855
Water Reservoirs and Reticulation Infrastructure	380,486,336	385,224,896
Electricity Infrastructure	71,078,316	43,942,287
Buildings	51,391,058	29,388,839
Waste Water Infrastructure	67,281,743	107,736,125
	<b>1,091,053,848</b>	<b>1,012,301,002</b>

### Carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected

The COVID-19 pandemic together with the national lockdown emanating from the declared National State of Disaster has significantly disrupted the implementation of most service delivery related projects.

Waste Water Infrastructure	5,548,352	-
----------------------------	-----------	---

The projects were mainly delayed due to various factors including but not limited to one appointment made by the Department of Co-Operative Governance and Traditional Affairs which was declared as irregular expenditure and the City has communicated with the Department requesting withdrawal of the project in order to follow the normal Supply Chain Management processes internally, community unrests, environmental compliance assessments and the internal inefficiencies which has caused a gap between appointment of consultants and contractors.

Water Reservoirs and Reticulation Infrastructure	2,185,389	10,007,126
--	-----------	------------

The projects were mainly delayed due to various factors including but not limited to commissioning of projects due to water rights application challenges, land disputes where the project must be implemented, delay on the electricity (power) connection, community unrests, environmental compliance assessments and the internal inefficiencies which has caused a gap between appointment of consultants and contractors.

<b>7,733,741</b>	<b>10,007,126</b>
------------------	-------------------

### Reconciliation of Work-in-Progress 2021

	Included within Infrastructure	Included within Other PPE	Total
Opening balance	982,912,163	29,388,839	1,012,301,002
Additions/capital expenditure	292,783,782	29,865,577	322,649,359
Transferred to completed items	(236,033,156)	(7,863,357)	(243,896,513)
	<b>1,039,662,789</b>	<b>51,391,059</b>	<b>1,091,053,848</b>

### Reconciliation of Work-in-Progress 2020

	Included within Infrastructure	Included within Other PPE	Total
Opening balance	627,673,436	33,840,053	661,513,489
Additions/capital expenditure	434,167,796	8,189,598	442,357,394
Transferred to completed items	(79,272,295)	(12,297,587)	(91,569,882)
	<b>982,568,937</b>	<b>29,732,064</b>	<b>1,012,301,001</b>

Audited By
2021 -12- /66 <sup>9</sup>
Auditor General South Africa Mpumalanga Business Unit

# City of Mbombela

(Registration number MP326)

Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements

Figures in Rand	2021	2020
<b>Expenditure incurred to repair and maintain property, plant and equipment</b>		
<b>Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance</b>		
Contracted services	317,557,373	258,190,801
Inventory consumed	54,657,463	52,130,010
	<b>372,214,836</b>	<b>310,320,811</b>

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.

### Service concession arrangements

The former Mbombela Local Municipality signed a 30 year concession agreement in April 1999 with SembCorp Silulumanzi (Proprietary) Limited previously known as the Greater Nelspruit Utility Company (GNUC) for provision of water and sanitation services as well as servicing the growing expectations of the communities on behalf of the municipality. The concession agreement became effective from 1 November 1999 and is subjected to review every five years through the supplementary agreements. The concession areas boundaries are the municipal boundaries of the previous Nelspruit Transitional Council and any extension of services outside the developed areas are dealt with on a case by case basis.

Supplementary agreement number five (5) effective from 1 July 2021 until 30 June 2026 was approved by Council at its meeting held 30 June 2021 under item A(25) in accordance with the five year review process.

The Concessionaire is obligated to ensure that the communities within the concession area have access to a 24 - hour water supply to all formal households and to use best efforts to improve the number of households in informal areas with 24 - hour water supply. It is also a requirement that the Concessionaire must provide portable water and effluent quality in compliance with the National Water Quality Standards.

The concessionaire leases and operates water services delivery assets within the concession area at a rental of R 189 666.25 per month for the remainder of the term of the Concession agreement. The assets are controlled by the Municipality and are recorded in the assets register of the Municipality as Property, Plant and Equipment. The Concessionaire recognises the right to use those assets as intangible assets in accordance with IFRIC 12. The assets leased to and operated by the concessionaire have been separately disclosed as part of property, plant and equipment.

The concession agreements provides for the concessionaire to maintain, refurbish, rehabilitate and improve the assets within its operations and collection of water and sanitation revenue within the Concession area. The water and sanitation tariffs for the Concessionaire are approved by Council for implementation in terms of section 24 of the Municipal Finance Management Act No.56 of 2003. The concessionaire acts as a project manager for construction of new infrastructure within the concession area which is funded by the Municipality. The Concessionaire is obligated to ensure that the assets are adequately maintained each year with adequate maintenance budget provision.

The concession agreement may be terminated by either party with effect from any date after the natural end of the concession contract in the year 2029 or the date of termination of the concession agreement, whichever is earlier, provided that at least 24 months prior written notice has been given by the party intending to cancel the concession agreement to the other party.

All assets operated by the Concessionaire will be transferred back to the Municipality in good condition upon termination of the concession agreement.

Audited  
By  
2021 -12- / 7  
Auditor General South Africa  
Mpumalanga Business Unit

# City of Mbombela

(Registration number MP326)

Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements

Figures in Rand

2021

2020

### 13. Intangible assets

	2021			2020		
	Cost	Accumulated amortisation and accumulated impairment	Carrying value	Cost	Accumulated amortisation and accumulated impairment	Carrying value
Licenses and franchises	799,130	(777,805)	21,325	799,130	(777,805)	21,325
Computer software	18,124,976	(9,432,155)	8,692,821	18,075,653	(8,219,840)	9,855,813
Servitudes	4,590,568	-	4,590,568	4,590,568	-	4,590,568
<b>Total</b>	<b>23,514,674</b>	<b>(10,209,960)</b>	<b>13,304,714</b>	<b>23,465,351</b>	<b>(8,997,645)</b>	<b>14,467,706</b>

#### Reconciliation of intangible assets - 2021

	Opening balance	Additions	Disposals	Transfers	Amortisation	Total
Licenses and franchises	21,325	-	-	-	-	21,325
Computer software	9,855,813	49,323	-	-	(1,212,315)	8,692,821
Servitudes	4,590,568	-	-	-	-	4,590,568
	<b>14,467,706</b>	<b>49,323</b>	<b>-</b>	<b>-</b>	<b>(1,212,315)</b>	<b>13,304,714</b>

#### Reconciliation of intangible assets - 2020

	Opening balance	Additions	Disposals	Transfers	Amortisation	Total
Licenses and franchises	21,325	-	-	-	-	21,325
Computer software	10,893,952	556,069	-	-	(1,594,208)	9,855,813
Servitudes	4,590,568	-	-	-	-	4,590,568
	<b>15,505,845</b>	<b>556,069</b>	<b>-</b>	<b>-</b>	<b>(1,594,208)</b>	<b>14,467,706</b>

A register containing the information required by section 63 of the MFMA is available for inspection at the registered office of the municipality. No Intangible assets were pledged as security for liabilities.

#### Pledged as security

There were no intangible assets pledged as security during the reporting period

Audited

By

2021 -12- / 7

Auditor General South Africa  
Mpumalanga Business Unit

# City of Mbombela

(Registration number MP326)

Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements

Figures in Rand 2021 2020

### 14. Heritage assets

	2021			2020		
	Cost	Accumulated impairment losses	Carrying value	Cost	Accumulated impairment losses	Carrying value
Historical monuments	485,639	-	485,639	485,639	-	485,639
Historical buildings	436,805	(235,147)	201,658	436,805	(235,147)	201,658
Stamp collections, military insignia, medals, coin	186,585	-	186,585	186,585	-	186,585
Recreational parks	1,428,088	-	1,428,088	1,428,088	-	1,428,088
<b>Total</b>	<b>2,537,117</b>	<b>(235,147)</b>	<b>2,301,970</b>	<b>2,537,117</b>	<b>(235,147)</b>	<b>2,301,970</b>

#### Reconciliation of heritage assets 2021

	Opening balance	Additions	Disposals	Transfers in	Impairment losses recognised	Total
Historical monuments	485,639	-	-	-	-	485,639
Historical buildings	201,658	-	-	-	-	201,658
Stamp collections, military insignia, medals, coin	186,585	-	-	-	-	186,585
Recreational parks	1,428,088	-	-	-	-	1,428,088
<b>Total</b>	<b>2,301,970</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,301,970</b>

#### Reconciliation of heritage assets 2020

	Opening balance	Additions	Disposals	Transfers in	Impairment losses recognised	Total
Historical monuments	485,639	-	-	-	-	485,639
Historical buildings	201,658	-	-	-	-	201,658
Stamp collections, military insignia, medals, coin	186,585	-	-	-	-	186,585
Recreational parks	1,428,088	-	-	-	-	1,428,088
<b>Total</b>	<b>2,301,970</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,301,970</b>

A register containing the information required by section 63 of the MFMA is available for inspection at the registered office of the municipality. No Heritage assets were pledged as security for liabilities.

#### Pledged as security

There were no heritage assets pledged as security during the reporting period.

Audited  
By  
2021 -12- / 7  
Auditor General South Africa  
Mpumalanga Business Unit

**City of Mbombela**

(Registration number MP326)  
Audited Annual Financial Statements for the year ended 30 June 2021

**Notes to the Audited Annual Financial Statements**

Figures in Rand

**Maintenance of heritage assets**

**Maintenance of heritage assets by condition - 2021**

There were no repair and maintenance costs incurred to maintain heritage assets during the reporting period.

Audited  
By  
2021 -12- / 7  
Auditor General South Africa  
Mpumalanga Business Unit

# City of Mbombela

(Registration number MP326)

Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements

Figures in Rand	2021	2020
<b>15. Investments</b>		
<b>At amortised cost</b>		
Investments	100	100
<b>Non-current assets</b>		
At amortised cost	100	100
<p>The City holds 100% shares of the City of Mbombela Development Agency which is a wholly owned municipal entity. The objectives and functions of the agency (entity) is to drive and champion local economic development initiatives in order to achieve job creation and poverty alleviation as per the National Development Plan and also to promote investment attraction and SMME development.</p>		
<b>16. Interest Bearing Borrowings</b>		
<b>At amortised cost</b>		
Development Bank of South Africa R200 million	138,682,767	117,509,911
This loan bears interest at 11.09% and is payable bi-annually installments		
Development Bank of South Africa R138.6 million	162,088,088	135,740,628
This loan bears interest at 11.73% and is payable bi-annually installments		
Stock Loans@ 11.60%	3,000	3,000
This loan bears interest at 16.5 % and is repayable in bi-annual installments		
	<b>300,773,855</b>	<b>253,253,539</b>
<b>Total interest bearing borrowings</b>	<b>300,773,855</b>	<b>253,253,539</b>
<b>Non-current liabilities</b>		
At amortised cost	253,253,539	195,845,025
<b>Current liabilities</b>		
At amortised cost	47,520,316	57,408,514

The City concluded a payment holiday arrangement with the Development Bank of Southern Africa on loans payable during the year. The payment relief was afforded to the City given the impact of the Covid-19 pandemic. The interest payable during the payment holiday was recapitalized to the debt.

Audited By
2021 -12- / 7
Auditor General South Africa Mpumalanga Business Unit

# City of Mbombela

(Registration number MP326)

Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements

Figures in Rand	2021	2020
<b>17. Trade and other payables from exchange transactions</b>		
Trade payables and accruals	571,744,555	652,868,856
Payments made in advance	147,368,681	129,063,381
Salaries - employee related costs	96,399,981	94,861,685
Retentions	87,746,127	76,526,268
Accrued leave pay	92,458,874	75,945,851
Bulk water	185,849,846	179,216,945
Agency Fees Payable	218,448,931	217,895,119
Unallocated deposits	42,591,827	33,392,147
Bulk electricity - Eskom	743,318,203	512,044,560
Bonus accrual	20,494,758	19,115,639
Compensation of Commission (COID)	5,388,594	-
	<b>2,211,810,377</b>	<b>1,990,930,451</b>
<b>18. Other payables from non - exchange transactions</b>		
Transfers payable	185,088	5,220,818
Service contributions	15,572,990	14,909,514
	<b>15,758,078</b>	<b>20,130,332</b>
<b>19. Consumer deposits</b>		
Sewerage	10,295,009	9,735,234
Electricity	31,018,473	29,780,980
Water	3,467,482	3,167,481
Housing rental	210,331	191,007
	<b>44,991,295</b>	<b>42,874,702</b>
<b>20. Post employment benefits</b>		
<b>Post employment health care employee benefit</b>		
The municipality provides for employees and continuation members to subscribe to a South African Local Government Association accredited medical aid scheme. Upon retirement an employee has the option of continued membership to the medical aid scheme. The municipality provides a 60% subsidy of medical scheme contribution to eligible in service and continuation members upon retirement.		
The amounts recognised in the statement of financial position are as follows:		
Opening balance	155,350,999	169,634,005
Current service costs	7,630,000	9,071,454
Interest costs	16,515,000	16,017,542
Actuarial loss/(gain)	7,420,245	(35,327,251)
Actual post-retirement health care benefits payment	(4,187,245)	(4,044,751)
	<b>182,728,999</b>	<b>155,350,999</b>
Non-current liabilities	178,470,999	150,942,999
Current liabilities	4,258,000	4,408,000
	<b>(182,728,999)</b>	<b>155,350,999</b>

The post employment benefit plan is wholly unfunded.

Audited  
By  
2021 -12- / 7  
Auditor General South Africa  
Mpumalanga Business Unit



# City of Mbombela

(Registration number MP326)

Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements

Figures in Rand	2021	2020
<b>Net expense recognised in the statement of financial performance</b>		
Current service costs	7,630,000	9,071,454
Interest costs	16,515,000	16,017,542
Actuarial loss/(gain)	7,420,245	(35,327,251)
Actual post-retirement health care benefits payment	(4,187,245)	(4,044,751)
	<b>27,378,000</b>	<b>(14,283,006)</b>

Audited  
By  
2021-12-17  
Auditor General South Africa  
Mpumalanga Business Unit

# City of Mbombela

(Registration number MP326)

Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements

Figures in Rand

2021

2020

### Assumptions for actuarial valuation

Assumptions made from the actuarial valuation as at 30 June 2021 were as follows:

Discount rate	10.32 %	10.78 %
Consumer inflation	5.47 %	5.29 %
Medical inflation	6.97 %	6.79 %
Maximum subsidy inflation rate	4.85 %	4.72 %
Expected retirement age (years)	62	62

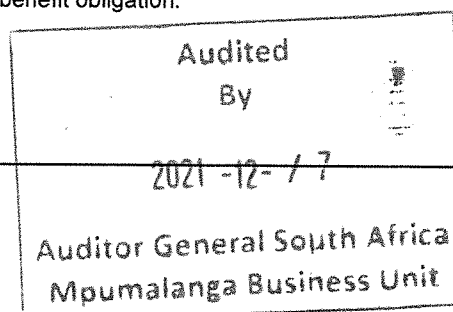
### Discount rate

GRAP 25 requires that the discount rate be set based on the yields government bonds of appropriate term. The expected inflation assumption of 5.47% was obtained from the differential between market yields on index-linked bonds consistent with the estimated term of the liabilities (4.12%) and those of fixed interest bonds (10.32%) with a risk premium adjustment for the uncertainty implicit in guaranteeing real increases (0.50%). This was therefore determined as follows:  $((1+10.32\%-0.50\%)/(1+4.12\%))-1$ .

A 1% change effect as included on the actuarial valuation reports.

	2021 Decrease	2020 Decrease
Health cost inflation effect on the current service cost	6,510,000	7,679,800
Health cost inflation effect on the defined benefit liability	162,796,000	97,645,000
Discount rate effect on the current service cost	9,266,000	11,209,400
Discount rate effect on the health care benefit liability	214,063,000	133,697,000
Health cost inflation effect on the current interest cost	14,710,000	14,193,000
Discount rate effect on the current service interest cost	17,460,000	16,969,600
	<b>Increase</b>	<b>Increase</b>
Health cost inflation effect on the current service cost	8,563,000	10,176,500
Health cost inflation effect on the defined benefit liability	199,127,000	124,152,000
Discount rate effect on the current service cost	6,366,000	7,441,400
Discount rate effect on the health care benefit liability	157,847,000	94,911,000
Health cost inflation effect on the current interest cost	18,041,000	17,493,100
Discount rate effect on the current interest cost	15,663,000	15,147,300
	<b>2019 Decrease</b>	<b>2018 Decrease</b>
Health cost inflation effect on the current service cost	6,962,400	6,953,600
Health cost inflation effect on the defined benefit liability	106,805,000	134,914,000
Discount rate effect on the current service cost	9,918,500	9,837,200
Discount rate effect on the health care benefit liability	149,873,000	175,439,000
Health cost inflation effect on the current interest cost	12,802,800	12,399,700
Discount rate effect on the current service interest cost	14,974,800	14,494,000
	<b>Increase</b>	<b>Increase</b>
Health cost inflation effect on the current service cost	8,818,300	8,619,100
Health cost inflation effect on the defined benefit liability	136,911,000	159,520,000
Discount rate effect on the current service cost	6,594,500	6,486,400
Discount rate effect on the health care benefit liability	102,965,000	128,292,000
Health cost inflation effect on the current interest cost	15,172,800	14,502,800
Discount rate effect on the current service interest cost	13,425,700	12,857,300

The amounts disclosed above represent a wholly unfunded defined benefit obligation.



# City of Mbombela

(Registration number MP326)

Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements

Figures in Rand

2021

2020

### 21. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Public Transport Network Grant (PTNG)	-	71,752,576
Finance Management Grant (FMG)	-	35,794
Donations Taxi Disaster Grant	29,327	29,327
Energy Efficiency Demand Side Management Grant (EEDSM)	-	263,215
Expanded Public Works Programme (EPWP)	-	2,970
	<b>29,327</b>	<b>72,083,882</b>

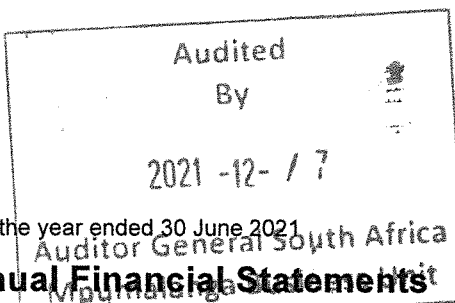
Audited  
By  
2021-12- / 7  
Auditor General South Africa  
Mpumalanga Business Unit

# City of Mbombela

(Registration number MP326)

Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements



Figures in Rand

2021

2020

### 22. Provisions

#### Reconciliation of provisions - 2021

	Opening Balance	Additions	Change due to unwinding of interest	Total
Landfill site environmental rehabilitation	176,018,091	25,718,828	2,720,127	204,457,046
Long service awards	79,302,000	1,513,000	-	80,815,000
	<b>255,320,091</b>	<b>27,231,828</b>	<b>2,720,127</b>	<b>285,272,046</b>

#### Reconciliation of provisions - 2020

	Opening Balance	Additions	Change due to unwinding of interest	Total
Landfill site environmental rehabilitation	175,050,855	3,670,595	(2,703,359)	176,018,091
Long service awards	77,309,376	1,992,624	-	79,302,000
	<b>252,360,231</b>	<b>5,663,219</b>	<b>(2,703,359)</b>	<b>255,320,091</b>

Non-current liabilities  
Current liabilities

270,704,064	240,387,216
14,567,982	14,932,875
<b>285,272,046</b>	<b>255,320,091</b>

#### Environmental rehabilitation

The provision for rehabilitation of landfill sites relates to the legal obligation to rehabilitate landfill sites used for waste disposal in accordance with the National Environmental Management Act 107 of 1998 and the Environment Conservation Act No 73 of 1989. The landfill sites are rehabilitated at the end of each useful life. It is calculated as the present value of the expenditure expected to settle the future obligation to rehabilitate the landfill sites.

The discount rate used reflect the current market assessment of the time value of money and the risks specific to the liability. The valuation for the provision of the landfill sites was reviewed by an independent landfill site and environmental expert.

#### Financial Assumptions used for the provision of landfill site

The financial assumptions used for the provision of landfill site rehabilitation at 30 June were as follows:

Adjustments of unit costs	4.82 %	2.41 %
Consumer Price Index (CPI)	4.82 %	2.41 %

#### Discount rate

Tekwane West and Barberton landfill sites	8.82 %	7.41 %
Mbombela and Mbonisweni landfill sites	7.07 %	5.91 %
Hazyview landfill site	7.07 %	5.91 %

#### Net effective discount rate (inflation linked bond rates) above Consumer Price Index (CPI)

Tekwane West and Barberton landfill sites	4.00 %	5.00 %
Mbombela and Mbonisweni landfill sites	2.25 %	3.50 %
Hazyview landfill site	2.25 %	3.50 %

#### Long service awards

In accordance with the bargaining collective agreement on conditions of service for the Mpumalanga division and municipal policy, the municipality makes provision for long service awards where employees have uninterrupted service of at least five (5) years.

# City of Mbombela

(Registration number MP326)

Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements

Figures in Rand

2021

2020

The amounts recognised in the statement of financial position are as follows:

Opening balance	79,302,000	77,309,376
Current service costs	6,626,000	7,202,892
Interest costs	5,210,000	5,926,163
Actuarial (gain) / loss	1,101,244	(2,585,187)
Expenditure incurred	(11,424,244)	(8,551,244)
	<b>80,815,000</b>	<b>79,302,000</b>

Net expense recognised in the statement of financial performance

Current service cost	6,626,000	7,202,892
Interest cost	5,210,000	5,926,163
Actuarial (gains) losses	1,101,244	(2,585,187)
Expenditure incurred	(11,424,244)	(8,551,244)
	<b>1,513,000</b>	<b>1,992,624</b>

Assumptions for actuarial valuation

Assumptions made from the actuarial valuation as at 30 June 2021 were as follows:

Discount rate	9.13 %	7.07 %
Consumer inflation	4.77 %	2.78 %
Salary inflation	5.77 %	3.78 %

Discount rate

GRAP 25 requires that the discount rate be set based on the yields government bonds of appropriate term. The expected CPI inflation assumption of 4.77% was obtained from the differential between market yields on index-linked bonds (3.69%) consistent with the estimated terms of the liabilities and those of nominal bonds (9.13%) with a risk premium adjustment for the uncertainty implicit in guaranteeing real increases (0.50%). Therefore, expected inflation is determined as  $((1+9.13\%-0.50\%)/(1+3.69\%))-1$ .

A 1% change effect as included on the actuarial valuation report.

	2021 Decrease	2020 Decrease
Discount rate effect on the current service cost	7,057,000	7,739,100
Discount rate effect on the unfunded accrued liability	86,103,000	84,146,000
Discount rate effect on the interest cost	4,766,000	5,588,900
	<b>Increase</b>	<b>Increase</b>
Discount rate effect on the current service cost	6,240,000	6,732,000
Discount rate effect on the unfunded accrued liability	76,096,000	74,963,000
Discount rate effect on the interest cost	5,597,000	6,211,800
	<b>2019 Decrease</b>	<b>2018 Decrease</b>
Discount rate effect on the current service cost	6,474,200	6,474,200
Discount rate effect on the unfunded accrued liability	82,753,400	73,559,000
Discount rate effect on the interest cost	4,936,400	4,936,400
	<b>Increase</b>	<b>Increase</b>
Discount rate effect on the current service cost	5,628,100	5,628,100
Discount rate effect on the unfunded accrued liability	72,488,000	64,501,000
Discount rate effect on the interest cost	5,495,900	5,495,900

Audited By 2021-12-17 Auditor General South Africa Mpumalanga Business Unit	2019 Decrease	2018 Decrease
	6,474,200	6,474,200
	82,753,400	73,559,000
	4,936,400	4,936,400
	Increase	Increase
	5,628,100	5,628,100
	72,488,000	64,501,000
	5,495,900	5,495,900

# City of Mbombela

(Registration number MP326)

Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements

Figures in Rand	2021	2020
<b>23. Other financial liabilities</b>		
Job costing	5,695,283	4,363,967
<b>24. Sale of goods and rendering of services</b>		
Advertisements	714,004	4,727,037
Amendments fees	5,710,550	3,583,780
Application fees for land usage	4,703,917	2,523,837
Burial fees	1,760,392	1,039,800
Entrance fees	19,526	160,134
Fire services	153,409	65,636
Photocopies and faxes	75,751	158,181
	<b>13,137,549</b>	<b>12,258,405</b>
<b>25. Service charges</b>		
Sale of electricity	1,137,108,487	1,048,364,433
Sale of water	102,311,533	102,897,572
Solid waste	138,650,856	130,203,228
Sewerage and sanitation charges	22,701,466	22,481,013
	<b>1,400,772,342</b>	<b>1,303,946,246</b>
<b>26. Rental of facilities and equipment</b>		
Facilities and Equipment	8,316,056	9,510,077
<b>27. Agency services</b>		
<b>Department of Community Safety, Security and Liaison</b>		
Agency fees	37,770,715	40,108,580
Revenue received on behalf of the Department	207,903,415	215,001,294
Less: Licence card fees	-	(2,944,373)
Less: VAT on agency fees	(5,665,600)	(6,016,287)
Less: Accruals and payments to the Departments	(164,467,100)	(165,932,054)
	<b>37,770,715</b>	<b>40,108,580</b>
<b>28. Licences and permits</b>		
Trading	46,261	47,500
Drivers' licence application fees	-	2,944,373
	<b>46,261</b>	<b>2,991,873</b>

The Department of Community Safety, Security and Liaison rescinded the cash collection aspect of the principal-agent relationship through mutual consent given the persistent cash flow constraint faced by the municipality. During the transition phase from July 2020 to February 2021, the municipality still rendered the service and carried the costs thereof. The agency fee which comprises of a percentage of the fees collected was raised as a debtor against the Department of Community Safety, Security and Liaison.

Audited  
By  
2021-12-17  
78  
Auditor General South Africa  
Mpumalanga Business Unit

# City of Mbombela

(Registration number MP326)

Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements

Figures in Rand	2021	2020
<b>29. Other income</b>		
Collection fees	121,782	5,689,533
Bad debts recovered	18,088,981	19,883,879
Municipal information and statistics	6,559	1,249,007
Insurance refunds	58,198	3,029
Administration and management fees received	4,624,814	4,535,061
Commission received	4,376,812	4,355,393
Revenue recognised from service contributions	3,439,882	3,462,094
Sale of property	665,650	-
Skills Development Levy refund	1,395,477	1,667,765
Staff recoveries - Bursaries	-	31,584
Accident reports	38,251	63,644
	<b>32,816,406</b>	<b>40,940,989</b>
<b>30. Finance income</b>		
<b>Interest revenue</b>		
Cash and cash equivalents	2,053,205	6,542,282
Receivables from exchange transactions	53,252,507	43,765,841
	<b>55,305,712</b>	<b>50,308,123</b>
<b>31. Gain on liability write-off</b>		
Gain on liability write-off	-	233,020,104
<b>32. Gain or (loss) on impairment</b>		
Gain or (loss) on impairment-receivables	61,788,415	115,993,629

Audited

By

2021-12-17

Auditor General South Africa  
Mpumalanga Business Unit

# City of Mbombela

(Registration number MP326)

Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements

Figures in Rand 2021 2020

### 33. Property rates

#### Rates revenue

Residential	297,000,516	273,236,935
Commercial	317,630,118	295,594,451
State	126,536,094	116,910,187
Agriculture	19,598,572	19,804,706
Other	5,484,941	2,414,092
Less: Income forgone	(58,110,533)	(56,243,439)
	<b>708,139,708</b>	<b>651,716,932</b>

#### Valuations

Residential	40,704,937,499	40,003,903,896
Commercial	20,086,297,952	19,837,712,138
State	5,668,199,800	5,482,862,400
Municipal	1,461,321,691	26,399,000
Agriculture	10,990,165,614	11,622,346,400
Other	2,411,133,283	571,882,206
	<b>81,322,055,839</b>	<b>77,545,106,040</b>

Valuations on land and buildings are performed every four years. The latest general valuation compiled in accordance with the Municipal Property Rates Act, 2004 came into effect from 1 July 2018. Supplementary valuations are processed on a regular basis as in terms of section 78 of the Municipal Property Rates Act.

A general rate of 0.00734 cent in a Rand (2020 : 0.00692) was applied to property valuations to determine property rates. Various rebates are granted to residential, business, agricultural and other properties and/or categories of owners in terms of the approved Property Rates By-Law. Rates are levied on a monthly basis on property owners. Interest at 3.5% per annum (2020 :9.5%) is levied on outstanding rates.

Audited  
By  
2021 -12- / 7  
Auditor General South Africa  
Mpumalanga Business Unit



# City of Mbombela

(Registration number MP326)

Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements

Figures in Rand	2021	2020
<b>34. Government grants and subsidies</b>		
<b>Operating grants</b>		
Equitable share	927,605,979	725,225,000
Financial Management Grant	2,499,999	2,464,685
Expanded Public Works Programme	4,244,000	5,833,030
Disaster Relief Fund	-	1,073,000
Public Transport Network Grant	11,967,733	103,421,125
	<b>946,317,711</b>	<b>838,016,840</b>
<b>Capital grants</b>		
Municipal Infrastructure Grant	327,316,000	333,753,000
Energy Efficiency Demand Side Management	6,300,000	7,736,785
Neighbourhood Development Partnership Grant	22,521,001	19,200,000
Integrated National Electrification Programme	27,904,001	27,010,000
National Lottery Grant	4,315,759	-
Public Transport Network Grant	79,784,881	125,606,536
	<b>468,141,642</b>	<b>513,306,321</b>
	<b>1,414,459,353</b>	<b>1,351,323,161</b>

### Equitable Share

Equitable share	927,605,979	725,225,000
-----------------	-------------	-------------

This grant is unconditional and is partially utilised for the indigent support through provision of free basic services.

### Municipal Infrastructure Grant (MIG)

Current-year receipts	327,316,000	333,753,000
Conditions met - transferred to revenue - capital	(284,622,609)	(288,480,870)
Conditions met - transferred to revenue - operating	-	(1,739,130)
Conditions met - transferred to revenue - VAT	(42,693,391)	(43,533,000)
	-	-

This grant was used to accelerate basic infrastructure backlogs for the benefit of poor households. The amount transferred to operating relates to projects budgeted for as capital and service delivery related but for financial reporting purposes the asset identification and recognition criteria was not met.

### Integrated National Electrification Programme Grant (INEP)

Current-year receipts	27,904,000	27,010,000
Conditions met - transferred to revenue - capital	(24,264,349)	(23,486,956)
Conditions met - transferred to revenue - VAT	(3,639,651)	(3,523,044)
	-	-

The grant was used to address the electrification backlogs of occupied residential dwellings and the installation of bulk infrastructure, rehabilitation and refurbishment of electricity infrastructure in order to improve the quality of supply. The revenue recognised met the conditions of the grant.

Audited  
By  
2021-12-17  
Auditor General South Africa  
Mpumalanga Business Unit

# City of Mbombela

(Registration number MP326)

Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements

Figures in Rand	2021	2020
<b>Public Transport Network Grant (PTNG)</b>		
Balance unspent at beginning of year	71,752,576	101,861,275
Current-year receipts	20,000,000	198,919,000
Conditions met - transferred to revenue - capital	(79,784,882)	(125,606,536)
Conditions met - transferred to revenue - operating	-	(73,547,952)
Conditions met - transferred to revenue - VAT	(11,967,694)	(29,873,211)
	<b>-</b>	<b>71,752,576</b>

The grant was used for accelerated planning, construction and improvement of public and non-motorised transport infrastructure and services. The revenue recognised met the conditions of the grant. The unspent amount of the grant is committed to the completion of the Public Transport Infrastructure projects.

### Neighbourhood Development Partnership Grant (NDPG)

Current-year receipts	22,521,000	19,200,000
Conditions met - transferred to revenue - capital	(19,583,479)	(16,695,652)
Conditions met - transferred to revenue - VAT	(2,937,521)	(2,504,348)
	<b>-</b>	<b>-</b>

The grant was used to plan and invest in targeted locations in order to attract and sustain third party capital investment aimed at spatial transformation in under served neighbourhoods, specifically in townships. The revenue recognised met the conditions of the grant.

### Municipal Systems Improvement Grant (MSIG)

Balance unspent at beginning of year	-	22,020
Transferred to equitable share	-	(22,020)
	<b>-</b>	<b>-</b>

The grant was used for the implementation of revenue enhancement strategy, strengthening administrative systems for effective implementation of ward participation system, financial systems support and improving municipal audit outcome.

### Finance Management Grant (FMG)

Balance unspent at beginning of year	35,794	279
Current-year receipts	2,500,000	2,500,000
Conditions met - transferred to revenue	(2,500,000)	(2,464,485)
Transferred to equitable share	(35,794)	-
	<b>-</b>	<b>35,794</b>

The grant was used to promote and support financial management reforms through financial management internship reforms and in-house capacity building programmes. The revenue recognised met the conditions of the grant.

### Donations Taxi Disaster Grant

Balance unspent at beginning of year	29,327	29,327
--------------------------------------	--------	--------

Audited

By

2021-12-17

Auditor General South Africa  
Mpumalanga Business Unit

# City of Mbombela

(Registration number MP326)

Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements

Figures in Rand	2021	2020
<b>Energy Efficiency Demand Side Management (EEDSM)</b>		
Balance unspent at beginning of year	263,215	-
Current-year receipts	6,300,000	8,000,000
Conditions met - transferred to revenue - operating	(5,478,261)	(6,727,639)
Conditions met - transferred to revenue - VAT	(821,739)	(1,009,146)
Transferred to equitable share	(263,215)	-
	<b>-</b>	<b>263,215</b>

The grant was used to implement energy efficiency and demand side management initiatives in order to reduce electricity consumption and improve energy efficiency. The revenue recognised met the conditions of the grant.

### Disaster Relief Grant

Current-year receipts	-	1,073,000
Conditions met - transferred to revenue	-	(1,073,000)
	<b>-</b>	<b>-</b>

### Expanded Public Works Programme

Balance unspent at beginning of year	2,970	-
Current-year receipts	4,244,000	5,836,000
Conditions met - transferred to revenue	(4,244,000)	(5,833,030)
Transferred to equitable share	(2,970)	-
	<b>-</b>	<b>2,970</b>

The grant was used to expand labour intensive delivery methods in waste management, road maintenance and other programmes in accordance with the grant framework.

### 35. Public contribution and donations

Public contributions and donations	2,416,625	34,000,000
------------------------------------	-----------	------------

2021:

The donation relates to building donated by Barberton mines to the Municipality.

2020:

The donation relates to land procured by Provincial Department of human Settlement on behalf of the Municipality for intergrated human settlement.

### 36. Fines, Penalties and Forfeits

Building Fines	9,565	92,446
Illegal Connection Fines	55,179	96,700
Overdue Books Fines	3,131	8,333
Municipal Traffic Fines	1,753,347	4,825,364
Tender Withdrawal Penalties	2,332,085	-
Unclaimed Money Forfeits	1,480,182	9,377,971
	<b>5,633,489</b>	<b>14,400,814</b>

Audited  
By

2021 -12- / 7

# City of Mbombela

(Registration number MP326)

Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements

Figures in Rand	2021	2020
<b>37. Employee related costs</b>		
Basic salary and wages	567,581,777	534,461,388
Bonus	46,810,588	43,920,573
Social Contributions - Medical Aid	48,811,890	45,373,149
Social Contributions - Unemployment Insurance Fund	3,543,616	3,527,511
Tools allowances	807,170	606,993
Payment in lieu of leave	17,391,014	16,450,161
Overtime	148,049,121	131,072,509
Defined benefit obligation	24,145,000	25,088,996
Long-service awards	12,937,244	10,543,868
Acting and post related allowances	12,807,014	3,803,568
Car allowance	59,919,236	49,859,132
Housing benefits and allowances	6,051,229	5,878,849
Social Contributions - Pension	114,928,486	107,196,724
Standby allowances	24,914,314	20,395,915
Cellular and telephone	5,728,877	5,401,080
Actuarial (loss) or gain on defined benefit liability	7,420,245	(35,327,251)
Social Contributions - Group Life Insurance	6,873,202	6,342,314
Social Contributions - Bargaining Council	232,745	220,843
Remuneration of General Manager - Office of Council	1,682,797	1,637,410
Overtime - Shift additional remuneration	12,573,595	10,794,066
Remuneration of the Municipal Manager	2,533,473	2,061,136
Remuneration of Deputy Municipal Manager - Service Delivery	1,962,631	2,017,760
Remuneration of Deputy Municipal Manager - Institutional Development	1,843,090	1,836,497
Remuneration of General Manager - City Planning	1,703,822	1,637,410
Remuneration of General Manager - Community Services	1,681,419	1,714,101
Remuneration of General Manager - Corporate services	1,769,435	1,696,690
Remuneration of General Manager - Energy	2,101,107	1,991,874
Remuneration of General Manager - Public Safety	1,987,062	1,654,283
Remuneration of General Manager - Public works, Roads and Transport	1,682,797	1,740,387
Remuneration of General Manager - Regional Centre Coordination	1,639,980	1,705,845
Remuneration of General Manager - Strategic Management Services	1,726,047	1,767,486
Remuneration of General Manager - Water and Sanitation	1,710,438	1,637,410
Remuneration of Chief Financial Officer	2,090,430	1,753,326
	<b>1,147,640,891</b>	<b>1,010,462,003</b>

Audited

By

2021 -12- / ?

Auditor General South Africa  
Mpumalanga Business Unit

# City of Mbombela

(Registration number MP326)

Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements

Figures in Rand	2021	2020
<b>Remuneration of Municipal Manager</b>		
Annual remuneration	1,673,455	1,395,519
Contributions to UIF, medical and pension funds	337,122	196,899
Car allowance	336,000	246,000
Cellphone allowance	86,426	61,007
Payment in lieu of leave	100,470	161,711
	<b>2,533,473</b>	<b>2,061,136</b>

The position of the Municipal Manager was filled with effect from 01 October 2019, as per the resolution taken at a special council meeting held 26 September 2019 under item B(1).

### Remuneration of Chief Financial Officer

Annual remuneration	1,305,152	1,099,317
Contributions to UIF, Medical and Pension Funds	331,052	231,899
Car allowance	240,000	235,076
Cellphone allowance	43,205	40,665
Payment in lieu of leave	171,021	146,369
	<b>2,090,430</b>	<b>1,753,326</b>

The Chief Financial Officer was appointed with effect from 1 February 2020, as per the resolution taken at the special council meeting held 31 January 2020 under item B(1).

### Remuneration of General Manager - Strategic Management Services

Annual remuneration	1,354,962	1,354,962
Contributions to UIF, Medical and Pension Funds	1,813	1,785
Cellphone allowance	43,205	40,663
Car allowance	240,000	240,000
Payment in lieu of leave	86,067	130,076
	<b>1,726,047</b>	<b>1,767,486</b>

### Remuneration of Deputy Municipal Manager - Institutional Development

Annual remuneration	1,366,070	1,366,070
Contributions to UIF, Medical and Pension Funds	1,813	1,785
Car allowance	300,000	300,000
Cellphone allowance	86,426	127,512
Payment in lieu of leave	74,150	-
Acting & post related allowance	14,631	41,130
	<b>1,843,090</b>	<b>1,836,497</b>

### Remuneration of Deputy Municipal Manager - Service Delivery

Annual remuneration	1,521,102	1,521,102
Contributions to UIF, Medical and Pension Funds	1,813	1,785
Car Allowance	353,290	353,290
Cellphone allowance	86,426	137,780
Acting & post related allowance	-	3,803

Audited  
By

**1,962,631**      **2,017,760**

2021 -12- / 7

# City of Mbombela

(Registration number MP326)

Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements

Figures in Rand	2021	2020
<b>Remuneration of General Manager - Corporate Services</b>		
Annual remuneration	1,414,242	1,414,242
Contributions to UIF, Medical and Pension Funds	1,785	1,785
Car Allowance	240,000	240,000
Cellphone allowance	43,205	40,663
Payment in lieu of leave	70,203	-
	<b>1,769,435</b>	<b>1,696,690</b>
<b>Remuneration of General Manager - Regional Centre Coordination</b>		
Annual remuneration	1,294,962	1,294,962
Contributions to UIF, Medical and Pension Funds	1,813	1,785
Car allowance	300,000	300,000
Cellphone allowance	43,205	40,663
Payment in lieu of leave	-	68,435
	<b>1,639,980</b>	<b>1,705,845</b>
<b>Remuneration of General Manager - Public Works, Roads and Transport</b>		
Annual remuneration	1,354,962	1,354,962
Contributions to UIF, Medical and Pension Funds	1,813	1,785
Car allowance	240,000	240,000
Cellphone allowance	43,205	40,663
Payment in lieu of leave	42,817	102,977
	<b>1,682,797</b>	<b>1,740,387</b>
<b>Remuneration of General Manager - Energy</b>		
Annual remuneration	1,682,391	1,682,391
Contributions to UIF, Medical and Pension Funds	1,813	1,785
Car allowance	192,000	192,000
Cellphone allowance	43,205	40,663
Payment in lieu of leave	181,698	75,035
	<b>2,101,107</b>	<b>1,991,874</b>
<b>Remuneration of General Manager - Water and Sanitation</b>		
Annual remuneration	1,354,962	1,354,962
Contributions to UIF, Medical and Pension Funds	1,813	1,785
Car allowance	240,000	240,000
Cellphone allowance	43,205	40,663
Payment in lieu of leave	70,458	-
	<b>1,710,438</b>	<b>1,637,410</b>
<b>Remuneration of General Manager - Community Services</b>		
Annual remuneration	1,294,962	1,294,962
Contributions to UIF, Medical and Pension Funds	1,813	1,785
Car allowance	300,000	300,000
Cellphone allowance	43,205	40,663
Payment in lieu of leave	41,439	76,691
	<b>1,681,419</b>	<b>1,714,101</b>

Audited  
By  
2021-12-17  
86  
Auditor General South Africa  
Mpumalanga Business Unit

# City of Mbombela

(Registration number MP326)

Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements

Figures in Rand	2021	2020
<b>Remuneration of General Manager - Public Safety</b>		
Annual remuneration	1,498,215	1,248,513
Contributions to UIF, Medical and Pension Funds	1,813	1,487
Cellphone allowance	43,205	33,886
Car allowance	300,000	250,000
Payment in lieu of leave	143,829	120,397
	<b>1,987,062</b>	<b>1,654,283</b>

General manager - Public safety was appointed with effect from the 5th of September 2019.

### Remuneration of General Manager - City Planning

Annual remuneration	1,450,962	1,450,962
Contributions to UIF, Medical and Pension Funds	1,813	1,785
Car allowance	144,000	144,000
Cellphone allowance	43,205	40,663
Payment in lieu of leave	63,842	-
	<b>1,703,822</b>	<b>1,637,410</b>

### Remuneration of General Manager - Office of Council

Annual remuneration	1,354,962	1,354,962
Contributions to UIF, Medical and Pension Funds	1,813	1,785
Car allowance	240,000	240,000
Cellphone allowance	43,205	40,663
Payment in lieu of leave	42,817	-
	<b>1,682,797</b>	<b>1,637,410</b>

Audited  
By  
2021 -12- / 7  
Auditor General South Africa  
Mpumalanga Business Unit

# City of Mbombela

(Registration number MP326)

Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements

Figures in Rand	2021	2020
<b>38. Remuneration of councillors</b>		
Executive Mayor	1,484,331	1,478,086
Mayoral Committee Members	10,592,048	10,064,363
Speaker	1,178,508	1,178,508
Councillors	40,972,954	40,851,245
Councillors pension and medical aid contributions	3,918,765	3,893,074
Chief whip	1,109,312	1,071,912
	<b>59,255,918</b>	<b>58,537,188</b>

Audited  
By

2021 -12- / 7



# City of Mbombela

(Registration number MP326)

Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements

Figures in Rand

2021

	Basic salary	Motor vehicle allowance	Medical	Pension	In kind benefits	Cellphone allowance	Data allowance	Total
Mr. SP Mathonsi	876,035	351,065	45,754	131,405	35,671	40,800	3,600	1,484,330
Mr. GS Siwela	751,236	283,527	43,002	56,343	-	40,800	3,600	1,178,508
Mr. ME Nsimbini	693,459	270,834	-	104,019	-	37,400	3,600	1,109,312
Mr. A Kumba	745,334	267,078	-	55,900	-	40,800	3,600	1,112,712
Ms. PV Mashego	723,327	267,078	23,657	54,250	-	40,800	3,600	1,112,712
Ms. BN Mdhili	719,331	267,078	27,953	53,950	-	40,800	3,600	1,112,712
Ms. C Maseko	719,331	267,078	27,953	53,950	-	40,800	3,600	1,112,712
Ms NE Mkhabela	716,030	267,078	27,953	53,950	-	37,400	3,600	1,109,312
Mr. PP Nyalunga	745,334	267,078	31,502	53,702	-	40,800	3,600	1,112,712
Ms. MM Mliri	723,327	267,078	-	55,900	-	40,800	3,600	1,112,712
Ms. LE Nyalunga	696,725	267,078	23,657	54,250	-	40,800	3,600	1,112,712
Ms AS Mthunywa	357,953	143,200	-	104,509	-	40,800	1,858	581,034
Mr. LT Mlombo	664,781	259,244	63,091	56,970	-	21,053	3,600	1,081,375
Mr. KM Mkhonto	377,286	144,620	-	56,591	-	40,800	3,600	622,897
Mr. DD Ngwemyama	377,286	144,620	-	56,591	-	40,800	3,600	622,897
Mr. JJ Khoza	377,286	144,620	-	56,591	-	40,800	3,600	622,897
Ms. TG Mabuza	377,286	144,620	-	56,591	-	40,800	3,600	622,897
Mr. EM Motobvu	377,286	144,620	-	56,591	-	40,800	3,600	622,897
Mr. SI Mokoena	377,286	144,620	-	56,591	-	40,800	3,600	622,897
Mr. JM Mazibane	377,286	144,620	-	56,591	-	40,800	3,600	622,897
Mr. DB Mkhatsywa	377,286	144,620	-	56,591	-	40,800	3,600	622,897
Ms. MJ Hlophe	342,981	131,476	-	51,447	-	40,800	3,600	570,304
Mr. TN Bulunga	342,981	131,476	-	51,447	-	40,800	3,600	570,304
Ms. MS Mashele	342,981	131,476	-	51,447	-	40,800	3,600	570,304
Mr. MC Mhlanga	342,981	131,476	-	51,447	-	40,800	3,600	570,304
Mr. JB Mashaba	342,981	131,476	-	51,447	-	40,800	3,600	570,304
Mr. L Maseko	342,981	131,476	-	51,447	-	40,800	3,600	570,304
Ms. RF Mgwanya	342,981	131,476	-	51,447	-	40,800	3,600	570,304
Mr. ME Mhawule	318,162	131,476	28,541	51,447	-	40,800	3,600	570,304
Ms. BA Nyundu	366,910	131,476	-	47,724	-	40,800	3,600	570,304
Mr. SR Schormann	342,981	131,476	-	27,518	-	40,800	3,600	570,304
Mr. EM Sebashe	342,981	131,476	-	51,447	-	40,800	3,600	570,304

Audited  
By  
2021 -12- / 7  
Auditor General South Africa  
Mpumalanga Business Unit

# City of Mbombela

(Registration number MP326)

Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements

Figures in Rand

Mr. SR Masuku	342,981	131,476	-	51,447	40,800	3,600	570,304
Ms. EG Janse Van Rensburg	366,910	131,476	-	27,518	40,800	3,600	570,304
Mr. S Van Der Merwe	366,910	131,476	-	27,518	40,800	3,600	570,304
Mr. GCB Anthony	366,910	131,476	-	27,518	40,800	3,600	570,304
Ms. NM Maganga	342,981	131,476	-	51,447	40,800	3,600	570,304
Ms. BA Nyalunga	342,981	131,476	-	51,447	40,800	3,600	570,304
Mr. A Thabethe	342,981	131,476	-	51,447	40,800	3,600	570,304
Mr. TM Pila	342,981	131,476	-	51,447	40,800	3,600	570,304
Ms. RQ Seepsop	342,981	131,476	-	51,447	40,800	3,600	570,304
Mr. K Mdhluli	360,336	131,476	-	27,518	40,800	3,600	563,730
Mr. ST Mash	342,981	131,476	-	51,447	40,800	3,600	570,304
Mr. JJ Mkhabela	342,981	131,476	-	51,447	40,800	3,600	570,304
Mr. DDT Ngobe	334,216	131,476	-	51,447	40,800	3,600	570,304
Ms. EN Sibambo	342,981	131,476	-	51,447	40,800	3,600	570,304
Mr. MC Nkosi	342,981	131,476	-	51,447	40,800	3,600	570,304
Mr. NL Lukhele	338,598	131,476	-	51,447	40,800	3,600	565,921
Ms. MG Moyane	366,910	131,476	-	27,518	40,800	3,600	570,304
Ms. ME Jacobs	337,509	131,476	31,606	25,313	40,800	3,600	570,304
Ms. MC Mhlanga	342,981	131,476	-	51,447	40,800	3,600	570,304
Mr. KA Oliver	390,045	131,476	-	-	40,800	3,600	565,921
Mr. MJ Mlomane	342,981	131,476	-	51,447	40,800	3,600	570,304
Mr. GM Nkambule	338,598	131,476	-	51,447	40,800	3,600	565,921
Ms. ML Sikonela	342,981	131,476	-	51,447	40,800	3,600	570,304
Mr. JV Mhlaba	366,910	131,476	-	27,518	40,800	3,600	570,304
Mr. HB Fakude	342,981	131,476	-	51,447	40,800	3,600	570,304
Mr. DJ Nkosi	342,981	131,476	-	51,447	40,800	3,600	570,304
Mr. DB Nkosi	342,981	131,476	-	51,447	40,800	3,600	570,304
Mr. AE Fankomo	342,981	131,476	-	51,447	40,800	3,600	570,304
Mr. TK Nyathi	342,981	131,476	-	51,447	40,800	3,600	570,304
Mr. SE Mbuyane	342,981	131,476	-	51,447	40,800	3,600	570,304
Ms. PP Mbowane	318,162	131,476	28,541	47,724	40,800	3,600	570,303
Ms. SE Makushe	342,981	131,476	-	51,447	40,800	3,600	570,304
Ms. DE Shongwe	342,981	131,476	-	51,447	40,800	3,600	570,304
Ms. FS Nkosi	57,163	21,913	-	8,575	6,800	600	95,051
Mr. PCW Minnaar	366,910	131,476	-	27,518	40,800	3,600	570,304
Ms. T Marshall	366,910	131,476	-	27,518	40,800	3,600	570,304
Mr. LM Bhembe	286,822	131,476	59,543	43,681	40,800	3,600	565,922
Mr. HL Shongwe	342,981	131,476	-	51,447	37,400	3,600	566,904

Audited  
By  
2021-12-17  
Auditor General South Africa  
Mpumalanga Business Unit

# City of Mbombela

(Registration number MP326)

Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements

Figures in Rand

Ms. NA Mokoena	308,583	131,476	39,558	46,287	-	40,800	3,600	570,304
Mr. PB Mhlanga	366,910	131,476	-	27,518	-	40,800	3,600	570,304
Mr. EK Manzini	342,981	131,476	-	51,447	-	40,800	3,600	570,304
Mr. LC Sibiya	342,981	131,476	-	51,447	-	40,800	3,600	570,304
Ms. L Ngwenyama	309,950	131,476	37,986	46,493	-	40,800	3,600	570,305
Mr. KG Ndlovu	338,598	131,476	-	51,447	-	40,800	3,600	565,921
Ms SM Banda	342,981	131,476	-	51,447	-	40,800	3,600	570,304
Ms Le Sibozo	342,981	131,476	-	51,447	-	40,800	3,600	570,304
Mr. BP Nkhoma	338,598	131,476	-	51,447	-	40,800	3,600	565,921
Ms. TP Mhkatshwa	342,981	131,476	-	51,447	-	40,800	3,600	570,304
Mr. VL Mlilo	366,910	131,476	-	27,518	-	40,800	3,600	570,304
Mr. LB Nkosi	338,598	131,476	-	51,447	-	40,800	3,600	565,921
Mr. C Peyper	338,598	131,476	-	51,447	-	40,800	3,600	565,921
Mr. VS Gwebu	338,598	131,476	-	51,447	-	40,800	3,600	565,921
Mr. WW Motha	342,981	131,476	-	51,447	-	40,800	3,600	570,304
Mr RC Matola	309,525	131,476	38,474	46,429	-	40,800	3,600	570,304
Mr. R Torr	366,910	131,476	-	27,518	-	40,800	3,600	570,304
Mr JJ Mhlanga	366,910	131,476	-	27,518	-	40,800	3,600	570,304
Ms NM Zulu	314,399	120,520	-	47,160	-	37,400	3,300	522,779
Ms K Maila	258,813	99,153	-	38,585	-	30,763	2,714	430,028
Mr NM Mlambo	87,323	33,395	-	12,862	-	10,363	903	144,846
	<b>36,358,538</b>	<b>13,834,073</b>	<b>578,771</b>	<b>4,480,511</b>	<b>35,671</b>	<b>3,645,779</b>	<b>322,575</b>	<b>59,255,918</b>

2020

Audited  
By  
2021-12-17  
Auditor General South Africa  
Mpumalanga Business Unit

Mr. SP Mathonsi  
Mr. GS Swela  
Mr. ME Nsimbini  
Mr. A Kumba  
Mr. PV Mashego  
Mr. BN Mdhuli  
Ms. C Maseko  
Ms. NE Mkhabela  
Mr. PP Nyalunga  
Ms. MM Mlimi

Basic salary	Motor vehicle allowance	Medical	Pension	In kind benefits	Cellphone allowance	Data allowance	Total
889,928	351,065	29,778	133,489	29,426	40,800	3,600	1,478,086
753,346	283,527	40,734	56,501	-	40,800	3,600	1,178,508
696,181	267,704	-	104,427	-	-	3,600	1,071,912
745,334	267,078	-	56,187	-	40,800	3,600	1,112,999
724,563	267,078	22,329	54,629	-	40,800	3,600	1,112,999
712,878	267,078	34,890	53,753	-	40,800	3,600	1,112,999
720,246	267,078	26,969	54,305	-	40,800	3,600	1,112,998
720,246	267,078	26,969	54,305	-	-	3,600	1,072,198
717,675	267,078	29,733	54,112	-	40,800	3,600	1,112,998
745,334	267,078	-	56,187	-	40,800	3,600	1,112,999

# City of Mbombela

(Registration number MP326)

Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements

Figures in Rand

Ms. LE Nyalunga	724,563	267,078	22,329	54,629	-	40,800	3,600	1,112,999
Mr. SP Nkosi	41,035	15,730	-	6,155	-	3,400	300	66,620
Ms. AS Mthunywa	696,476	267,078	-	105,045	-	40,800	3,600	1,112,999
Mr. AM Mkhonto	656,544	259,244	59,551	61,635	-	40,800	3,600	1,081,374
Mr. DD Ngwenyama	377,270	144,620	-	56,590	-	40,800	3,600	622,880
Mr. JJ Khoza	377,270	144,620	-	56,590	-	40,800	3,600	622,880
Ms. TG Mabuza	377,270	144,620	-	56,590	-	40,800	3,600	622,880
Mr. EM Motobvu	377,270	144,620	-	56,590	-	40,800	3,600	622,880
Mr. SI Mokoena	377,270	144,620	-	56,590	-	40,800	3,600	622,880
Mr. TM Charles	377,270	144,620	-	56,590	-	40,800	3,600	622,880
Mr. JM Mazibane	377,270	144,620	-	56,590	-	40,800	3,600	622,880
Mr. LT Mlombo	398,829	144,620	-	56,590	-	40,800	3,600	644,439
Mr. BD Mkhathshwa	377,270	144,620	-	56,590	-	40,800	3,600	622,880
Ms. MJ Hlophe	377,270	144,620	-	56,590	-	40,800	3,600	622,880
Mr. TN Bulunga	342,981	131,476	-	51,447	-	40,800	3,600	570,304
Ms. MS Mashela	342,981	131,476	-	51,447	-	40,800	3,600	570,304
Mr. MC Mhlanga	342,981	131,476	-	51,447	-	40,800	3,600	570,304
Mr. JB Mashaba	342,981	131,476	-	51,447	-	40,800	3,600	570,304
Mr. L Maseko	342,981	131,476	-	51,447	-	41,470	3,600	570,974
Ms. RF Mgwanya	342,981	131,476	-	51,447	-	40,800	3,600	570,304
Mr. ME Mhawule	342,981	131,476	-	51,447	-	40,800	3,600	570,304
Ms. BA Nyundu	319,999	131,476	26,429	48,000	-	40,800	3,600	570,304
Mr. SR Schormann	366,910	131,476	-	27,518	-	40,800	3,600	570,304
Mr. EM Sebashe	342,981	131,476	-	51,447	-	40,800	3,600	570,304
Mr. SR Masuku	342,981	131,476	-	51,447	-	40,800	3,600	570,304
Ms. EG Janse Van Rensburg	366,910	131,476	-	27,518	-	40,800	3,600	570,304
Ms. S Van Der Merwe	366,910	131,476	-	27,518	-	40,800	3,600	570,304
Mr. GCB Anthony	366,910	131,476	-	27,518	-	40,800	3,600	570,304
Ms. NM Maganga	342,981	131,476	-	51,447	-	40,800	3,600	570,304
Ms. BA Nyalunga	342,981	131,476	-	51,447	-	40,800	3,600	570,304
Mr. A Thabethe	342,981	131,476	-	51,447	-	40,800	3,600	570,304
Mr. TM Pila	342,981	131,476	-	51,447	-	40,800	3,600	570,304
Ms. RQ Seepsop	342,981	131,476	-	51,447	-	40,800	3,600	570,304
Mr. K Mdhuli	366,910	131,476	-	27,518	-	40,800	3,600	570,304
Mr. ST Mash	342,981	131,476	-	51,447	-	40,800	3,600	570,304
Mr. JJ Mkhabela	342,981	131,476	-	51,447	-	40,800	3,600	570,304
Mr. DDT Ngobe	340,326	131,476	-	51,447	-	40,800	3,600	567,649
Ms. EN Sibambo	342,981	131,476	-	51,447	-	40,800	3,600	570,304

Audited  
By  
2021 -12- / 7  
Auditor General South Africa  
Mpumalanga Business Unit

# City of Mbombela

(Registration number MP326)  
Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements

Figures in Rand

Mr. MC Nkosi	342,981	131,476	-	51,447	-	40,800	3,600	570,304
Mr. NL Lukhele	342,981	131,476	-	51,447	-	40,800	3,600	570,304
Ms. MG Moyana	366,910	131,476	-	27,518	-	40,800	3,600	570,304
Ms. ME Jacobs	321,136	131,476	46,182	24,085	-	40,800	3,600	567,279
Ms. MC Mhlanga	342,981	131,476	-	51,447	-	40,800	3,600	570,304
Mr. KA Oliver	377,528	131,476	-	-	-	40,800	3,600	553,404
Mr. MJ Mlormane	342,981	131,476	-	51,447	-	40,800	3,600	570,304
Mr. GM Nkambule	342,981	131,476	-	51,447	-	40,800	3,600	570,304
Ms. ML Sikonela	342,981	131,476	-	51,447	-	40,800	3,600	570,304
Mr. VJ Mhlaba	366,910	131,476	-	27,518	-	40,800	3,600	570,304
Mr. HB Fakude	342,981	131,476	-	51,447	-	40,800	3,600	570,304
MR. DJ Nkosi	342,981	131,476	-	51,447	-	40,800	3,600	570,304
Mr. DB Nkosi	360,296	111,564	-	54,044	-	40,800	3,600	570,304
Mr. AE Fankomo	342,981	131,476	-	51,447	-	40,800	3,600	570,304
Mr. TK Nvathi	342,981	131,476	-	51,447	-	40,800	3,600	570,304
Mr. SE Mbuyane	342,981	131,476	-	51,447	-	40,800	3,600	570,304
Ms. PP Mbowane	319,999	131,476	26,429	48,000	-	40,800	3,600	570,304
Ms. SE Makushe	342,981	131,476	-	51,447	-	40,800	3,600	570,304
Ms. DE Shongwe	342,981	131,476	-	51,447	-	40,800	3,600	570,304
Ms. FS Nkosi	340,326	131,476	-	51,447	-	40,800	3,600	570,304
Mr. PCW Minnaar	366,910	131,476	-	27,518	-	40,800	3,600	567,649
Ms. T Marshall	294,401	131,476	55,867	44,160	-	40,800	3,600	570,304
Mr. LM Bhembe	342,981	131,476	-	51,447	-	40,800	3,600	529,504
Mr. HL Shongwe	310,513	131,476	37,338	46,577	-	40,800	3,600	570,304
Ms. NA Mokoena	366,910	131,476	-	27,518	-	40,800	3,600	570,304
Mr. PB Mhlanga	342,981	131,476	-	51,447	-	40,800	3,600	570,304
Mr. EK Manzini	342,981	131,476	-	51,447	-	40,800	3,600	570,304
Mr. LC Sibiya	342,981	131,476	-	51,447	-	40,800	3,600	570,304
Ms. L Ngenyama	311,550	131,476	36,146	46,732	-	40,800	3,600	570,304
Mr. KG Ndlovu	342,981	131,476	-	51,447	-	40,800	3,600	570,304
Ms. SM Banda	342,981	131,476	-	51,447	-	40,800	3,600	570,304
Ms. LE Siboza	342,981	131,476	-	51,447	-	40,800	3,600	570,304
Mr. BP Nkhoma	342,981	131,476	-	51,447	-	40,800	3,600	570,304
Ms. TP Mkhathshwa	342,981	131,476	-	51,447	-	40,800	3,600	570,304
Mr. VL Mlilo	366,910	131,476	-	27,518	-	40,800	3,600	570,304
Mr. LB Nkosi	342,981	131,476	-	51,447	-	40,800	3,600	570,304
Mr. C Peyper	342,981	131,476	-	51,447	-	40,800	3,600	570,304
Mr. VS Gwebu	340,326	131,476	-	51,447	-	40,800	3,600	567,649

Audited  
By  
2021-12-17  
Auditor General South Africa  
Mpumalanga Business Unit

**City of Mbombela**

(Registration number MP326)

Audited Annual Financial Statements for the year ended 30 June 2021

**Notes to the Audited Annual Financial Statements**

Figures in Rand

Mr. WW Motha	342,981	131,476	-	51,447	-	40,800	3,600	570,304
Mr. RC Matola	341,125	131,476	2,135	51,169	-	40,800	3,600	570,305
Mr. R Torr	327,887	110,643	-	23,158	-	36,448	3,216	501,352
Mr. JJ Mhlanga	327,887	110,643	-	23,158	-	36,448	3,216	501,352
	<b>36,070,138</b>	<b>13,643,010</b>	<b>523,808</b>	<b>4,446,708</b>	<b>29,426</b>	<b>3,504,166</b>	<b>319,932</b>	<b>58,537,188</b>

Remuneration paid to all councillors are within the upper limits set by the Minister for Co-Operative Governance and Traditional Affairs as per his vested power set out in the Remuneration of Public Office Bearers Act no 20 of 1998.

**In-kind benefits**

The Executive Mayor, the Speaker and Members of the Mayoral Committee are full-time. Each is provided with an office and secretarial support at the cost of the Council. The Executive Mayor have the use of a Council leased vehicle for official duties. The Speaker also uses the council procured vehicle for official purposes.

Council provided security at the private residences of the Executive Mayor and several other councillors through private security firms at the cost to Council based on the security risk assessment conducted.

Audited  
By  
2021 -12- / 7  
Auditor General South Africa  
Mpumalanga Business Unit

# City of Mbombela

(Registration number MP326)

Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements

Figures in Rand	2021	2020
<b>39. Inventory consumed</b>		
Material and supplies	5,156,877	4,986,745
Consumables	49,500,586	47,143,265
	<b>54,657,463</b>	<b>52,130,010</b>
<b>40. Depreciation and amortisation</b>		
Property, plant and equipment	536,900,389	538,833,547
Investment property	2,254,648	2,309,409
Intangible assets	1,212,315	1,594,208
	<b>540,367,352</b>	<b>542,737,164</b>
<b>41. Finance costs</b>		
Borrowings	47,520,317	26,321,459
Trade and other payables	35,413,421	35,931,062
Finance leases	-	165,132
Bank	24,603	83,487
Finance charges - provision for landfill site	2,720,127	3,670,595
	<b>85,678,468</b>	<b>66,171,735</b>
<b>42. Operating lease</b>		
Operating lease	6,528,612	8,041,324
<p>The City is leasing various buildings for office accommodation purposes and a fleet vehicle for the official trips of the Executive Mayor. These lease contracts have options for renewal on the terms and conditions agreed by all parties. The escalation rates ranges between 8-10 per cent respectively for the office accommodation leases.</p> <p>There is no contingent rent paid or payable on all the agreements.</p>		
<b>43. Bad debts written off</b>		
Bad debts written off	298,900,044	229,885,128

Council has approved the writing off, of irrecoverable debt for 2020/2021 financial year at its meeting held 31 May 2021 under item A(6).

Audited  
By  
2021 -12- / 7  
Auditor General South Africa  
Mpumalanga Business Unit

# City of Mbombela

(Registration number MP326)

Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements

Figures in Rand	2021	2020
<b>44. Bulk purchases</b>		
Electricity - Eskom	886,815,769	799,439,583
Water	72,817,709	53,817,588
	<b>959,633,478</b>	<b>853,257,171</b>
Material losses incurred during the year under review were as follows:		
<b>Electricity losses</b>		
Electricity purchased (kWh)	757,592,198	725,385,407
Electricity sold (kWh)	(594,423,874)	(590,153,690)
<b>Electricity losses (kWh)</b>	<b>163,168,324</b>	<b>135,231,717</b>
Electricity losses (kWh)	163,168,324	135,231,717
Unit cost per kWh	1.17	1.10
<b>Electricity losses in Rand value</b>	<b>190,906,939</b>	<b>148,754,889</b>
Percentage Loss:	21.54 %	18.64 %
<b>Water losses</b>		
Water pumped and distributed (KL)	4,148,256	5,261,586
Water sold (KL)	(3,231,589)	(4,056,529)
<b>Water distribution losses in KL</b>	<b>916,667</b>	<b>1,205,057</b>
Water distribution losses in KL	916,667	1,205,059
Water losses in KL	5.23	5.05
Average cost per KL		
<b>Water losses in Rand Value</b>	<b>4,794,168</b>	<b>6,085,548</b>
Percentage Loss:	22.10 %	22.90 %

Audited  
By  
2021 -12- / 7  
Auditor General South Africa  
Mpumalanga Business Unit



# City of Mbombela

(Registration number MP326)

Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements

Figures in Rand	2021	2020
<b>45. Contracted services</b>		
<b>Outsourced Services</b>		
Alien Vegetation Control	178,331	316,194
Burial Services	10,075,239	5,042,588
Research and Advisory	9,109,708	5,976,595
Catering Services	951,646	4,335,057
Cleaning Services	2,448,685	3,692,037
Hygiene Services	-	79,811
Internal Auditors	10,000,781	9,703,675
Illegal Dumping	38,772,253	18,750,857
Litter Picking and Street Cleaning	-	544,243
Medical Waste Removal	7,500	32,537
Meter Management	4,450,263	12,727,423
Mini Dumping Sites	33,792,872	27,010,594
Personnel and Labour	-	26,169
Refuse Removal	46,961,863	37,507,460
Security Services	69,314,782	68,567,277
Translators, Scribes and Editors	9,000	4,000
Transport Services	6,390	222,190
Drivers Licence Cards	-	2,348,175
Project management	36,536,857	44,545,622
Organisational	369,514	-
Commissions and Committees	96,602	113,936
Human resources	3,923,435	6,690,672
<b>Consultants and Professional Services</b>		
Business and Advisory	2,031,568	6,113,395
Infrastructure and Planning	8,619,058	5,774,413
Laboratory Services	1,254,886	1,990,631
Legal Cost - Legal advice and Litigation	18,362,094	25,417,452
Legal Costs - Issue of summons	81,828	365,452
Legal Costs - Collection	2,837,175	1,411,548
Accounting and auditing	8,171,484	8,335,118
Business and financial management	11,128,707	9,265,714
<b>Contractors</b>		
Artists and Performers	-	134,400
Audio-visual Services	31,200	200,315
Bore Waterhole Drilling	-	79,230
Electrical	21,738,935	17,232,010
Event Promoters	512,599	2,786,768
Fire Protection	695,472	66,050
Gardening Services	863,152	32,401,934
Gas	-	3,948
Maintenance of Buildings and Facilities	52,470,597	41,062,715
Maintenance of Equipment	16,211,222	15,113,532
Maintenance of Unspecified Assets	166,070,450	108,705,406
Medical Services	386,030	242,039
Pest Control and Fumigation	51,399,982	13,098,178
Traffic and Street Lights	11,659,315	6,210,135
Transportation	11,830	75,554
Water and Sewerage Services	38,038,375	85,190,387
Sports and Recreation	152,889	115,028
Stage and Sound Crew	182,700	599,529
Forestry	595,786	-
Engineering - Civil	4,777,638	54,709,255
	<b>685,290,693</b>	<b>684,937,248</b>

Audited  
By  
2021 -12- / 7  
Auditor General South Africa  
Mpumalanga Business Unit

# City of Mbombela

(Registration number MP326)

Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements

Figures in Rand	2021	2020
<b>46. Transfers and subsidies</b>		
Non-profit institutions	700,000	3,746,309
Social assistance - Grants in aid	-	3,768,129
Poverty relief	435,055	168,637
Scholarship program	-	53,035
Bursaries	3,714,916	4,660,983
	<b>4,849,971</b>	<b>12,397,093</b>
<b>47. Operational costs</b>		
Advertising	1,584,535	2,700,742
Auditors remuneration	10,998,433	7,285,971
Bank charges	2,543,604	3,694,206
Materials and supplies	-	982
Commission - Prepaid electricity	1,680,420	5,801,379
Entertainment	55,594	111,629
Insurance 3rd party payments and excess	28,695,919	14,701,127
Information Technology Services	14,656,544	14,296,954
Workmen's Compensation Fund	5,388,594	3,583,531
Learnerships and Internships	1,755,358	2,736,398
Travel and subsistence	1,385,645	4,958,194
Skills Development Fund Levy	7,931,108	7,439,759
Signage	463,225	567,291
Postage and courier	1,555,699	3,340,238
Uniform and protective clothing	7,934,502	7,933,015
Printing - Publications and books	583,917	527,909
Contribution to provisions - Rehabilitation of Landfill Sites	16,876,056	5,907,023
Honoraria (Voluntarily Workers)	-	30,000
Professional bodies, membership and subscription	5,310,412	10,265,950
Telephone and fax	9,569,504	12,997,680
Transport provided as part of departmental activities	256,074	2,031,039
Travel agency fees	10,951	201,916
Title deed search fees	130,668	128,293
Municipal services	100,659,029	93,786,392
Licences - radio and television	621,739	25,382
Rewards incentives	5,821,054	5,833,413
Registration fees	67,656	382,644
Vehicle tracking	4,804,395	1,701,840
Indigent relief	39,845,289	19,330,562
Remuneration to Ward Committees	5,063,446	4,973,000
Performers and arts	-	15,600
Licences	2,728,948	1,908,349
	<b>278,978,318</b>	<b>239,198,408</b>
<b>48. Auditors' remuneration</b>		
Fees	10,998,433	7,285,971

Audited By 2021 -12- / 7 Auditor General South Africa Mpumalanga Business Unit	10,998,433	7,285,971
--	------------	-----------

# City of Mbombela

(Registration number MP326)

Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements

Figures in Rand	2021	2020
<b>49. Cash generated from operations</b>		
(Surplus or deficit) for the year	(383,825,595)	101,269,881
<b>Adjustments for:</b>		
Depreciation and amortisation	540,367,352	542,737,164
Loss on disposal of property, plant and equipment	2,347,359	1,382,170
Inventory write off	299,659	112,410
Public contributions and donations	(2,416,625)	(34,000,000)
Gain on impairment reversal	(61,788,415)	(115,993,629)
Finance costs - Finance leases	-	165,132
Bad debts written off	298,900,044	229,885,128
Movements in operating lease assets and accruals	(8,051)	(61,680)
Movements in retirement benefit assets and liabilities	(27,378,000)	(14,283,007)
Movements in provisions	29,951,955	11,570,242
Movement in long service award	-	-
Recapitalisation of finance cost	47,520,317	-
<b>Changes in working capital:</b>		
Inventories	(14,672,873)	(7,915,357)
Other receivables from exchange transactions	(46,625,198)	2,281,936
Trade receivables from exchange transactions	(106,588,905)	(271,537,541)
Statutory receivables	9,398,789	(720,421)
Deposits made	(1,038,490)	(383,146)
Trade and other payables from exchange transactions	266,493,494	128,902,317
Value Added Tax	(21,254,111)	(6,537,548)
Other payables from non - exchange transactions	(4,372,254)	(39,279,570)
Unspent conditional grants and receipts	(72,054,555)	(29,829,019)
Consumer deposits	2,116,593	2,592,511
Other financial liabilities	1,331,316	510,962
	<b>456,703,806</b>	<b>500,868,935</b>

Audited

By

2021 -12- / 7

# City of Mbombela

(Registration number MP326)

Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements

Figures in Rand	2021	2020
<b>50. Prior period errors</b>		
Opening Balance as previously reported- Accumulated Surplus	- 5,414,003,486	
Correction of error - Net effect on opening accumulated surplus	- 65,777,725	
	<b>- 5,479,781,211</b>	
Increase in cost due to donated Land - property, plant and equipment: Land	- 34,000,000	
Increase in cost due to completed property plant and equipment: building projects completed in previous financial years	- 16,899,198	
Increase in accumulated depreciation to completed property, plant and equipment: building projects completed in previous financial years	- 52,616	
Decrease in accumulated depreciation - property, plant and equipment: Equipment and machinery	- 10,551,540	
Decrease in accumulated depreciation - property, plant and equipment: furniture and equipment	- 8,094,190	
Decrease in accumulated depreciation - property, plant and equipment: transport assets	- 93,566,504	
Decrease in cost - Property, Plant and equipment: Computer equipment	- (19,191)	
Decrease in accumulated depreciation - property, plant and equipment: computer equipment	- 11,009,420	
Additions to completed property, plant and equipment: roads infrastructure projects completed in previous financial years	- 182,189,781	
Increase in accumulated depreciation - property, plant and equipment: roads, pavements and stormwater	- (20,865,288)	
Decrease in construction work in progress projects that were completed in previous years but were only componentised in the current financial year	- (250,042,142)	
Increase in cost due to property, plant and equipment - Electricity assets previously not recognised	- 1,958,812	
Increase in accumulated depreciation to property, plant and equipment - electricity	- (46,552)	
Increase in cost due to completed property, plant and equipment: Waste Water projects completed in previous financial years	- 6,915,925	
Increase in accumulated depreciation to property, plant and equipment - electricity	- (565,759)	
Increase in cost due to completed property, plant and equipment: Water projects completed in previous financial years	- 26,807,891	
Increase in accumulated depreciation to completed property, plant and equipment: water projects completed in previous financial years	- (949,772)	
Increase in cost due to property, plant and equipment - Electricity assets previously not recognised	- -	
Increase in public contribution and donations	- (34,000,000)	
Decrease in depreciation to property, plant and equipment	- (8,773,063)	
Nett effect of VAT on creditors not accrued for in the 2018/2019 financial year and prior	- 207,806	
Increase in trade and other payables from exchange transactions - Invoices relating to the 2018/19 financial year and prior	- (6,896,693)	
Increase trade and other payables from exchange transactions - due to salaries and allowances back pay for employees	- (4,317,498)	
	<b>- 65,777,725</b>	

Audited

By

2021-12-17

Auditor General South Africa  
Mpumalanga Business Unit

# City of Mbombela

(Registration number MP326)

Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements

Figures in Rand	2021	2020
The reported net deficit for the previous year has been adjusted by the following identified accounting errors:	-	50,558,273
Decrease in trade and other payables from exchange transactions - interest incorrectly charged by the department of community safety, security and liaison	-	8,701,670
Increase in trade and other payables from exchange transactions - Invoices relating to the 2019/2020 financial year	-	(1,079,526)
Increase in Vat receivable - error in capturing of invoices for which Vat was claimable	-	249,090
Nett effect of VAT on creditors that not accrued for in the 2019/2020 financial year.	-	67,311
Increase in public contributions and donations due to land transferred to the municipality	-	34,000,000
Decrease in depreciation for the year due to incorrect depreciation calculations made.	-	8,773,063
<b>Net effect of adjustments on the prior year</b>	<b>-</b>	<b>101,269,881</b>

The Municipality recalculated backpays for employees due to finalisation of the placement process as well as implementation of the task grading salary scales in order to address salary disparities.

The Municipality received invoices that related to expenditure incurred during the 2019/2020 financial year. These invoices were paid and the corresponding restatements were corrected in the prior year.

The Municipality received invoices that related to expenditure incurred prior to the 2018/2019 financial year. These invoices were paid and the corresponding restatements were corrected in the prior year.

Accounting for depreciation for assets that were previously not calculated due to assets not being recognised or assets transferred from work-in-progress.

Reversal of work-in-progress incorrectly capitalised. The recognition criteria according to GRAP 17 not satisfied.

### 51. Comparative figures

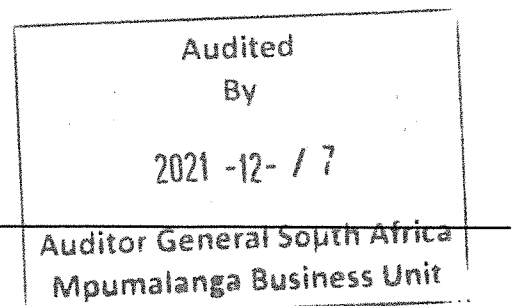
Certain comparative figures have been reclassified due to the implementation of the Municipal Standard Chart of Accounts (mSCOA) and Generally Recognised Accounting Practice (GRAP) to ensure fair presentation and consistency.

#### Statement of financial position - extract

	Comparative figures previously reported	Reclassification	After reclassification
Trade and other payables from exchange transaction - Trade payables and accruals	694,832,519	(49,939,879)	644,892,640
Trade and other payables from exchange transaction - Salaries: Employee related costs	74,308	90,469,879	90,544,187
Other payables from non-exchange transactions - Transfers payables	60,660,333	(40,530,000)	20,130,333
<b>Total</b>	<b>755,567,160</b>	<b>-</b>	<b>755,567,160</b>

Some items within Trade and other payables from exchange transactions - Trade payables and accruals to Trade and other payables from exchange transactions - Salaries: employee related costs.

Some items within Trade and other payables from exchange transactions - Trade payables and accruals to Other payables from exchange transactions - Transfers payables.



# City of Mbombela

(Registration number MP326)

Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements

Figures in Rand

### Statement of financial performance - extract

	Comparative figures previously reported	Reclassification	After reclassification
<b>Expenditure</b>			
Transfers and subsidies paid	16,658,146	(4,261,053)	12,397,093
Operational costs - Indigent relief	15,069,508	4,261,053	19,330,561
<b>Total</b>	<b>31,727,654</b>	<b>-</b>	<b>31,727,654</b>

Indigent relief expense was reclassified from transfers and subsidies paid to operational cost line item based on the nature of the expenditure.

### 52. Change in accounting estimates

The provision for the rehabilitation of landfill sites was revised at year end and was recognised in the surplus or deficit for the reporting period.

The effect of the change in accounting estimate on the current year's depreciation was an increase of R 41 280 for the Tekwane Landfill site, an increase of R 116 912 for the Barberton Landfill site and an increase of R 64 024 for the Hazyview Landfill site. The change in accounting estimate was added to the cost of the related asset in the current reporting period. The total overall effect of the future periods is a cumulative net increase in the depreciation cost of R 8 842 772 over the remaining useful life of the related assets. The effect of the change in future periods will be an increase in the annual depreciation expense amounting to R 41 280 totalling to R 1 775 082 over the remaining useful life of the Tekwane Landfill site, an increase in the annual depreciation expense amounting to R 116 912 totalling to R 4 442 671 over the remaining useful life of the Barberton landfill site and an decrease in the annual depreciation expense amounting to R 64 024, totalling to 2 625 019 over the remaining useful life of the Hazyview landfill site. The overall impact on the finance costs will increase by R 107 623 in the following financial year.

Audited  
By  
2021-12-17  
Auditor General South Africa  
Mpumalanga Business Unit

# City of Mbombela

(Registration number MP326)

Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements

Figures in Rand

### 53. Commitments

#### Authorised capital expenditure

##### Already contracted for / Not yet contracted for:

• Infrastructure - Water	34,802,429	85,373,501
• Infrastructure - Roads, Pavement and Stormwater	372,646,931	235,908,564
• Infrastructure - Electricity	174,532,109	149,373,055
• Infrastructure - Waste Water	114,028,196	96,798,133
• Buildings	23,890,188	595,080
• Community Facilities	9,439,937	30,113,598

##### Approved but not contracted for:

Infrastructure - Waste water	5,249,377	-
Infrastructure - Roads, Pavement and Stormwater	28,118,119	-
Infrastructure - Water	17,293,129	-
Infrastructure - Electricity	-	16,262,461

**780,000,415 614,424,392**

##### The expenditure will be funded as follows:

• Government grants	758,601,906	593,483,469
• Internal funding	21,398,509	20,940,923

**780,000,415 614,424,392**

##### Total capital commitments

Already contracted for / Not yet contracted for	780,000,415	614,424,392
Funded	(780,000,415)	(614,424,392)
	-	-

#### Authorised operational expenditure

##### Already contracted for:

• Typical Work Stream - Electrification	47,556,545	20,535,590
• Typical Work Stream - Spatial Planning	18,829	1,190,636
• Typical Work Stream - Meter conversion and replacement	-	8,974,404
• Typical Work Stream - Intergrated Public Transport Network	3,084,837	1,470,120
• Typical Work Stream - Water Services	3,987,314	11,034,492
• Typical Work Stream - Financial Management	5,798,908	7,359,834
• Typical Work Stream - Waste Management	12,621,542	40,054,065
• Typical Work Stream - Other	16,821,570	29,289,133

**89,889,545 119,908,274**

##### Total operational commitments

Already contracted for	89,889,545	119,908,274
------------------------	------------	-------------

Audited  
By  
2021 -12- / 7  
Auditor General South Africa  
Mpumalanga Business Unit

# City of Mbombela

(Registration number MP326)

Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements

Figures in Rand

### Operating leases - as lessee (expense)

#### Minimum lease payments due

- within one year	937,002	1,391,103
- in second to fifth year inclusive	574,243	1,511,245
	<b>1,511,245</b>	<b>2,902,348</b>

#### Operating Leases consists of the following:

Operating lease payments represent rentals payable by the municipality for certain of its office properties. Leases are negotiated for an average term of five (5) years. No contingent rent is payable.

### Operating leases - as lessor (income)

#### Minimum lease payments due

- within one year	128,577	148,463
- in second to fifth year inclusive	323,918	412,750
- later than five years	101,736	141,480
	<b>554,231</b>	<b>702,693</b>

Certain of the municipality's equipment and buildings is held to generate rental income. Rental of equipment and buildings is expected to generate rental yields on an ongoing basis. Lease agreements have terms from 3 to 6 years. There are no contingent rents receivable.

Audited

By

2021 -12- / 7

Auditor General South Africa  
Mpumalanga Business Unit



# City of Mbombela

(Registration number MP326)

Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements

Figures in Rand

### 54. Contingencies

#### Contingent liabilities

##### Damage claims

A claim against the City was instituted through a high court summons, where the Plaintiff is claiming R 15 904 902.13 excluding interest and legal fees. The Plaintiff's claim is for services provided to the City, however the City is contesting the matter. R 15 904 902.	15,904,902	15,904,902
A claim against the City through high court combined summons for the UB 40 concert to the amount of R 1 557 166 The City is contesting the case through appointed legal representatives. The City requested security to be present at the event, of which the plaintiff did not comply with the request. R 1 557 166.	1,557,166	1,557,166
A dispute between the Municipality and a concensionaire is currently being investigated. The difference is due to an opening balance on a statement that the parties could not agree upon	47,393,765	-
A claim against the City was instituted through a high court summons, where the Plaintiff is claiming R 1 125 239.01 excluding interest and legal fees. The plaintiff's claim is for general maintenance of council's buildings, however the City is contesting the matter. R 1 900 000.	1,900,000	1,900,000
A claim against council has been instituted through combined summons to the amount of R 19 000.00 for "verbal agreement". The case is defended through appointed legal representatives. R 19000.	19,000	19,000
A procurement dispute claim through High Court summons emanating from a forged cession of payment agreement which was not honoured by council. Council is contesting the claim based on external legal advice. The City was granted leave to appeal to defend and an undertaking not to proceed with the summary judgment was made by the applicant's legal representatives. The case is dormant. R 2 540 043.	2,540,043	2,540,043
Unilaterally amended agreement for the provision of free raw water for a period of 6 years within the Nsikazi /Kanyamazane area. R 11 510 110	11,510,110	11,510,110
An application was made to National Treasury for condonation of the unauthorised expenditure on conditional grants incurred during 2009/2010 and 2010/2011 financial years. The municipality is awaiting the pending outcome of the request after all supporting evidence was submitted in collaborating of the unauthorised expenditure which was outside the respective conditional grants framework. Municipal (Infrastructure Grant: R 163 400 959 and Public Transport Infrastructure Grant: R 41 177 177) R 204 578 136.	204,578,136	204,578,136
Mahlatse David Makhubedu // SALGBC and Mbombela Local Municipality. This matter involves the alleged constructive dismissal of the employee who then referred a dispute to the Labour Court. Msikinya Attorneys are the appointed legal representatives handling the matter on behalf of the city. R 552 961.	552,961	552,961
A dispute has arisen due to non-performance on agreed deliverables as stipulated on the service level agreement. The matter is currently under mediation. R 14 052 481.	14,052,481	14,052,481

#### Total contingent liabilities

300,008,564 252,614,799

Audited  
By

2021 -12- / 7

Auditor General South Africa  
Mpumalanga Business Unit

# City of Mbombela

(Registration number MP326)

Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements

Figures in Rand

### 55. Related parties

#### City of Mbombela Development Agency

The Umjindi Local Development Agency (UMLEDA) was incorporated on the 30th of October 2008. The former Umjindi Local Municipality held 100% shares of Umjindi Local Economic Development Agency (UMLEDA). City of Mbombela has at its meeting held 27 October 2016 under item A(11) resolved to approve the name change of the entity to City of Mbombela Economic Development Agency. The objectives and functions of the agency (entity) is to drive and champion local economic development initiatives in order to achieve job creation and poverty alleviation as per the National Development Plan and also to promote investment attraction and SMME development.

#### Mbombela Economic Development Agency

Mbombela Economic Development Agency (MEDA) was established by the Municipality as a service utility in terms of Section 86H of the Municipal Systems Act No 32 of 2000 through the passing of the by-law. The municipality has significant influence over the agency. The agency is a dormant section 21 company.

#### Mbombela Economic Development Partnership

Council has at its meeting held 26 February 2015 under item A(4) resolved to approve the establishment of the Mbombela Economic Development Partnership. The Mbombela Economic Development Partnership was constituted as an independent not for profit company established in terms of the Companies Act, No 71 of 2008.

The overriding objective of Mbombela Economic Development Partnership is to meet the City's economic development strategic outcomes in partnership with the community in order to stimulate the economy by focusing on sector support thus creating an enabling environment that will attract investment, stimulate increased job creation, skills transfer, youth and small business development, resource resilience and liveable and safe community development.

The Mbombela Economic Development Partnership is responsible for the following core functions:

- Mobilisation and establishing partnerships for thematic programmes
- Communication, Promotion, Intelligence Distribution
- Coordination and facilitation of spatial, sector and/or project interventions
- Facilitate dialogue amongst key stakeholders

#### Municipal Housing Entity

Council has at its meeting held 29 March 2019 under item A(6) resolved for the establishment of Municipal Housing Entity . The Municipal Housing Entity will be responsible for creating and managing social housing and rental stock, and further managing community rental stock. The City of Mbombela will be the controlling entity for the Municipal Housing Entity.

#### Umsebe Accord

Umsebe Accord is a Non Profit company established to pursue public benefit objectives entrusted with the four municipalities namely, Municipio De Matola Municipality(Mozambique), Municipal Council of Mbabane(eSwatini), Nkomazi Local Municipality and the City of Mbombela Local Municipality. The objectives and functions of the company (entity) amongst others include promotion of local economic development initiatives and meeting the strategic objectives of the four cities as registered in the Memorandum of Incorporation. The Board of Directors constitutes representatives from all the four cities (municipalities) nominated to represent each municipality accordingly. Council has resolved at its meeting held 31 August 2018 under item A(4) to review and renew the Umsebe Accord Protocol for a five years period from 2018 to 2023.

#### Municipal Solidarity Fund

The Municipal Solidarity Fund was established to solicit funding that would be used to fight the COVID-19 pandemic and the sound consequences of the pandemic, including but not limited to social development, supporting the homeless, food security, support to informal traders, assisting the unemployed in the communities. The Fund was established as a Non-Profit Organization.

The diversified Board of Directors were appointed to serve and contribute to the successful realization of the strategic objectives of the Fund. The establishment of the Municipal Solidarity Fund with terms of reference was approved by Council at its meeting held 30 October 2020 under item A(9).

Audited

By

2021 -12- / 7

# City of Mbombela

(Registration number MP326)

Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements

Figures in Rand

### Related party transactions

Description		
Transfers and subsidies	700,000	-

The amount of R 700 000.00 was paid to Mbombela Economic Development Partnership.

Remuneration of management is disclosed Note 37 to these audited annual financial statements.

Remuneration of councillors and other in-kind benefits is disclosed in Note 38 to these audited annual financial statements.

### 56. Additional disclosure in terms of Municipal Finance Management Act

#### Contributions to the South African Local Government Association (SALGA)

Opening balance	10,104,828	-
Current year subscription	10,751,182	10,104,828
Amount paid - current year	(3,212,622)	-
Amount paid - previous years	(10,227,377)	-
	<b>7,416,011</b>	<b>10,104,828</b>

#### Audit fees

Opening balance	5,787,624	7,045,635
Current year audit fees	10,998,433	8,378,866
Amount paid - current year	(1,787,866)	(2,719,709)
Amount paid - previous years	(5,718,784)	(6,917,168)
	<b>9,279,407</b>	<b>5,787,624</b>

#### PAYE, UIF and SDL

Opening balance	34,058,579	13,643,812
Current year expense	211,058,541	199,232,426
Amount paid - current year	(175,278,734)	(165,173,847)
Amount paid - previous years	(34,058,579)	(13,643,812)
	<b>35,779,807</b>	<b>34,058,579</b>

The unpaid balance is the amount for May and June 2021 which was payable in July 2021.

#### Pension and Medical Aid Deductions

Opening balance	20,152,449	17,918,718
Current year expense	256,308,550	235,269,646
Amount paid - current year	(234,914,821)	(215,117,197)
Amount paid - previous years	(20,152,449)	(17,918,718)
	<b>21,393,729</b>	<b>20,152,449</b>

The unpaid balance is the amount for June 2021 which was payable in July 2021.

Audited  
By

2021 -12- / 7

Auditor General South Africa  
Mpumalanga Business Unit

# City of Mbombela

(Registration number MP326)

Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements

Figures in Rand

### VAT

VAT receivable	142,991,612	121,737,501
Opening balance	121,737,501	115,199,953
Total amount claimed from SARS during the year	81,438,929	96,108,823
Total amount received during the year	(77,922,562)	(75,945,766)
Adjustments	(121,532,923)	(122,277,803)
Net VAT on accruals	139,270,667	108,652,294
<b>VAT receivable</b>	<b>142,991,612</b>	<b>121,737,501</b>
VAT receivable (as per VAT 201)	3,720,945	13,085,207
Net VAT on accruals	139,270,667	108,652,294
<b>VAT receivable</b>	<b>142,991,612</b>	<b>121,737,501</b>

Audited

By

2021 -12- / 7

Auditor General South Africa  
Mpumalanga Business Unit

# City of Mbombela

(Registration number MP326)

Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements

Figures in Rand

### Councillors' arrear consumer accounts

30 June 2021	Outstanding less than 90 days	Outstanding more than 90 days	Total
Cllr A Kumba	228	2,410	2,638
Cllr SP Mathonsi	3,340	13,509	16,849
Cllr JJ Mkhabela	1,822	-	1,822
Cllr RC Matola	5,835	71,401	77,236
Cllr LM Bhembe	1,051	12,987	14,038
Cllr NA Mokoena	5,912	6,849	12,761
Cllr L Ngwenyama	501	2,799	3,300
Cllr KG Ndlovu	246	2,973	3,219
Cllr MJ Hlophe	2,799	-	2,799
Cllr NE Nsimbini	678	11,626	12,304
Cllr AS Mthunywa	4,457	15,853	20,310
Cllr TG Mabuza	339	-	339
Cllr BN Mdluli	487	-	487
Cllr PV Mashego	3,303	-	3,303
Cllr EG Janse Van Rensburg	590	145	735
Cllr NE Mkhabela	2,207	-	2,207
Cllr R Torr	867	-	867
<b>Total councillors arrear consumer accounts</b>	<b>34,662</b>	<b>140,552</b>	<b>175,214</b>

30 June 2020	Outstanding less than 90 days	Outstanding more than 90 days	Total
Cllr A Kumba	222	1,531	1,753
Cllr ME Nsimbini	2,494	2,701	5,195
Cllr SP Mathonsi	3,037	620	3,657
Cllr KG Ndlovu	235	2,024	2,259
Cllr LM Bhembe	981	9,286	10,267
Cllr NA Mokoena	2,443	-	2,443
Cllr L Ngwenyama	514	2,489	3,003
Cllr MJ Hlophe	1,993	1,702	3,695
Cllr AS Mthunywa	2,700	40,349	43,049
Cllr RC Matola	5,708	49,056	54,764
Cllr JJ Mkhabela	1,600	7,472	9,072
<b>Total councillors arrear consumer accounts</b>	<b>21,927</b>	<b>117,230</b>	<b>139,157</b>

### Distribution losses in terms of MFMA 125(2)(d)(i)

Material losses are disclosed in note 44 of these audited annual financial statements

Audited  
By  
2021 -12- / 7  
Auditor General South Africa  
Mpumalanga Business Unit

# City of Mbombela

(Registration number MP326)

Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements

Figures in Rand

### 57. Deviation from supply chain management regulations

In terms of regulations 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the Municipal Manager and noted by Council. The expenses incurred as listed hereunder have been condoned.

Deviations from Supply Chain Management	16,651,756	35,604,062
---	------------	------------

Audited  
By

2021 -12- / 7

Auditor General South Africa  
Mpumalanga Business Unit

# City of Mbombela

(Registration number MP326)

Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements

Figures in Rand

Name of Company	Exceptional Cases	Urgent Cases	Total
Actom (Pty) Ltd T/A Electrical Products	125,242		125,242
Akroscor IT Communication	595,696		595,696
Bacilac Investments T/A Enersel Technologies	54,280		54,280
Barry Theron Electronics	196,276		196,276
BCIT	2,300		2,300
Bell Equipment Sales South Africa Limited	437,694		437,694
Conlog	313,643		313,643
Crawley's Locksmiths	279,000		279,000
Daisy Mpumalanga	2,645		2,645
Fire Sibindi Electrical	968,693		968,693
G Shekwa Enterprise	574,108		574,108
Gawa Professional Fitment Centre T/A Hi-Q Nelspruit	1,883		1,883
Government Printing Works	222,693		222,693
Ibutho Lezizhwe Trading	176,013		176,013
J Brynard T/A Amber Elektries	190,692		190,692
J P Barnard Drukkery Ond. Cc T/A Minuteman Press	38,647		38,647
John Maytham Investments	49,621		49,621
Landis & Gyr (Pty) Ltd	2,364,918		2,364,918
Machine And Power Plant Engineering	1,387,206		1,387,206
Mandlakazi Electrical Technologies (Pty) Ltd	140,291	19,278	159,569
Marce Projects (Pty) Ltd	171,529		171,529
Mbatsa Trading Enterprise	577,654		577,654
Mboniseni Trading And Projects	29,701		29,701
Media24	43,884		43,884
Mgayi Manyike T/A Nyiks & Company	14,973		14,973
Muziwagavin	528,085		528,085
Q T Supply And Electrical (Pty) Ltd	3,422,220	49,000	3,471,220
Robbieteck cc T/A Paint Centre	9,869		9,869
Rushtail 4 T/A Khusele Electra	4,944		4,944
Shawal Timbers And Forestry	88,126		88,126
Sibusisiwe Contractor T/A Sibusisiwe Electrical	1,218,065		1,218,065
Syntell (Pty) Ltd	257,874	29,908	287,782
The Lowvelder / Mpumalanga News	311,838		311,838
Thomas Tyres Nelspruit Commercial	29,417		29,417
Truvelo Africa Electronics Division	10,527		10,527
Vanguard Projects cc	1,696,747		1,696,747
Workshop Electronics cc	16,579		16,579
<b>Total</b>	<b>16,553,570</b>	<b>98,186</b>	<b>16,651,756</b>

Audited

By

2021 -12- / 7

Auditor General South Africa  
Mpumalanga Business Unit

# City of Mbombela

(Registration number MP326)

Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements

Figures in Rand

### 58. Unauthorised expenditure

Opening balance as previously reported	341,284,740	992,157,803
	<b>341,284,740</b>	<b>992,157,803</b>
Add: Unauthorised Expenditure - current year	486,319,531	474,819,248
Less: Amount written off - current	-	(400,687,599)
Less: Amount written off - prior period	-	(725,004,712)
<b>Closing balance</b>	<b>827,604,271</b>	<b>341,284,740</b>

The unauthorised expenditure incurred relates to the overspending on the approved operational expenditure budget.

### 59. Fruitless and wasteful expenditure

Opening balance as previously reported	173,079	85,649,700
Add: Fruitless and Wasteful Expenditure - interest charged	-	44,632,732
	<b>173,079</b>	<b>130,282,432</b>
Less: Amount written off - current	-	(35,966,490)
Less: Amount written off - prior period	-	(94,142,863)
<b>Closing balance</b>	<b>173,079</b>	<b>173,079</b>

The fruitless and wasteful expenditure incurred during the reporting period relates to interest charged on payments which were not made within 30 days on receipt of an invoice or statement in compliance with Section 65 of the Municipal Finance Management Act, 2003. The City continues to face persistent financial cash flow challenges, which impacted in its obligations to pay its suppliers timeously.

### 60. Irregular expenditure

Opening balance	511,966,928	698,777,179
Add: Irregular Expenditure - current year	50,788,204	125,388,135
	<b>562,755,132</b>	<b>824,165,314</b>
Less: Amount written off - current	-	(125,388,135)
Less: Amount written off - prior period	-	(186,810,251)
<b>Closing balance</b>	<b>562,755,132</b>	<b>511,966,928</b>

Audited  
By

2021 -12- / 7

Auditor General South Africa  
Mpumalanga Business Unit



# City of Mbombela

(Registration number MP326)

Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements

Figures in Rand

Incidents/cases identified in the current year include those listed below:

	Disciplinary steps taken/criminal proceedings	
Irregular expenditure incurred as a result of non adherence to SCM Policy	Investigation in progress	3,145,248
Irregular expenditure incurred as a result of the continuation of multiple extended contracts for service delivery related projects	Investigation in progress	5,143,022
Irregular expenditure incurred as a result of contract secured through other organs of state not in compliance with the interpretation of the SCM regulation 32	Investigation in progress	32,328,222
Irregular expenditure incurred as a result of misplaced tender document during the previous audit process	Investigation in progress	4,305,611
Irregular expenditure incurred as a result of awards to person in the service of the municipality and their close family members	Investigation in progress	5,866,101
		<b>50,788,204</b>

Audited  
By  
2021 -12- / 7  
Auditor General South Africa  
Mpumalanga Business Unit

# City of Mbombela

(Registration number MP326)

Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements

Figures in Rand

### 61. Risk management

#### Financial risk management

The Municipality has exposed to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Municipality's exposure to each of the above risks and the Municipality's objectives, policies and processes for measuring and managing risk. Further quantitative disclosures are included throughout the annual financial statements.

Council has established a risk management committee, which is responsible for reviewing the effectiveness of the institutional risk management systems, policy, procedures and practices.

#### Credit risk

Is the risk of financial loss to the Municipality if a consumer or counterparty to a financial instrument fails to meet its contractual obligations.

- Trade and other receivables from exchange transactions
- Non-current receivables from exchange transactions
- Investments
- Non-current investments
- Other non-current financial assets
- Cash and cash equivalents

#### Trade and other receivables from exchange transactions

The Municipality's trade and other receivables exposure to credit risk is influenced mainly by the individual risk characteristics of each consumer. Consumer receivables comprise of services supplied by the Municipality such as water, sanitation and rates levied. The Municipality's exposure is continuously monitored. The Municipality establishes an allowance for impairment that represents its estimate of incurred losses in respect of consumer and other receivables. No consumer or other receivables have been pledged as security. Certain consumer and other receivables that were past due have been defaulted on by counterparties, thus legal action has been instituted against these parties in an attempt to recover this debt, where debt is irrecoverable it has been written off. No conditions or terms of the consumer and other receivables have been re-negotiated with counterparties

#### Investments

It is the Municipality's practice to limit its credit risk by only investing in registered banks in terms of the Banks Act, 94 of 1990. Given the high credit ratings of these financial institutions the Municipality does not expect any counterparty to fail to meet its obligation.

#### Cash and cash equivalents

The Municipality limits its credit risk by only banking with registered financial institutions in terms of the Banks Act, 94 of 1990 operating in South Africa.

Maximum exposure to credit risk at reporting date for each class of financial assets was:

Cash and cash equivalents	62,333,726	73,019,665
Investments	100	100
Trade receivables from exchange transactions	193,220,706	323,743,429
Receivables from non-exchange transactions	106,614,667	116,013,456
Deposits made	6,608,455	5,569,965
Other receivables from exchange transactions	78,345,143	31,719,945
	<b>447,122,797</b>	<b>550,066,560</b>

Audited  
By

2021-12-17

114

Auditor General South Africa  
Mpumalanga Business Unit

# City of Mbombela

(Registration number MP326)

Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements

Figures in Rand

### Impairment disclosure for current financial assets carried at amortised costs

All of the Municipality's financial assets have been reviewed for indicators of impairment. Refer to Note 7 for the impairment reconciliation of consumer and other receivables.

Market risk is the risk that changes in the market prices, such as interest rates and equity prices will affect the Municipality's income or the value of its holdings of financial instruments.

### Interest rate risk

The Municipality limits its interest rate risk on financial liabilities by ensuring that reasonable fixed interest rates are negotiated on long term borrowings and are therefore not linked to the interest bank repurchase rate. The municipality has only four interest bearing borrowings as indicated in Appendix A.

At year end, financial instruments exposed to interest rate risk were as follows:

- Investments
- Borrowings

### Fair value sensitivity analysis on fixed rate instruments

The Municipality does not account for any fixed rate financial assets and liabilities at fair value through surplus and deficit, therefore a change in interest rates at reporting date will not affect surplus for the year.

### **Liquidity risk**

Liquidity risk is the risk that the Municipality will not be able to meet its financial obligations as they fall due. The Municipality's approach to managing liquidity is to ensure as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unauthorised expenditure. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities. Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored. The Municipality has not defaulted on external loans, payables and lease commitment payments being either interest or capital and no re-negotiation of terms were made on any of these instruments.

The table below analyses the entity's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

#### **Up to 1 Year**

Current portion of borrowings	47,520,316	57,408,514
Other financial liabilities	5,695,283	4,363,967
Trade and other payables from exchange transactions	2,211,810,377	1,990,930,451
Other payable from non-exchange transactions	15,758,078	20,130,332
Consumer deposits	44,991,295	42,874,702

#### **1 - 5 years**

Non - current portion of borrowings	89,085,765	79,155,993
-------------------------------------	------------	------------

#### **>5 years**

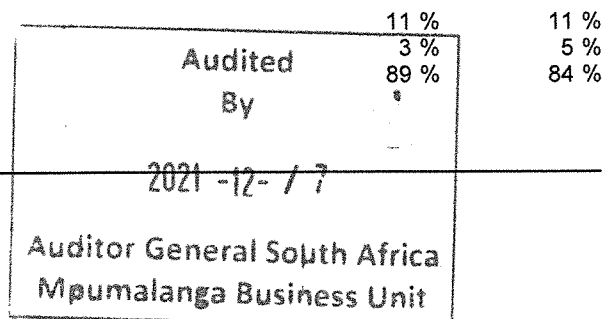
Borrowings	164,164,813	116,686,071
------------	-------------	-------------

**2,579,025,927 2,311,550,030**

### **Concentration of credit risk**

**The concentration of the credit risk associated with:**

Borrowings	11 %	11 %
Other financial liabilities	3 %	5 %
Trade and other payables from exchange transactions	89 %	84 %



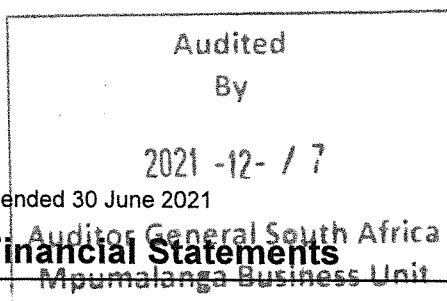
## City of Mbombela

(Registration number MP326)

Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements

Figures in Rand



### Financial Sustainability and Liquidity Management

The City has been unable to meet most of its current obligations by paying service providers within 30 days on receipt of invoice or statement in compliance with Section 65 of the Municipal Finance Management Act No 56 of 2003. The persistent cash flow constraints emanates from the accumulation of trade payables over the previous financial years and minimal cash backed reserves.

Liquidity management objectives have not been entirely met as the cash coverage ratio was less than a month which is below the norm of three months and the current ratio was fragile as the current liabilities exceeded the current assets by R 1 702 787 753 (2020: R1 499 819 099 with an outcome assessment of less than one. The municipality was not able to maintain 100 per cent level of cash backed reserves during the reporting period. A material amount of receivables have been impaired due to non-collectability.

As part of the responsive measures, Council adopted various strategies and plans to address the financial situation challenge. Council has approved the liquidity management policy at its meeting held 31 May 2019 under item A(4) (c) for implementation. The liquidity policy seeks to give guidance for maintaining sufficient liquidity intensities to meet the liabilities when due under both normal and stressed conditions without incurring any prohibited expenditure. Furthermore, the Revenue Enhancement Strategy for the City was approved by Council at the meeting held 31 May 2017 under item A(4) for which implementation is ongoing. The revenue enhancement strategy outlines the various optimisation measures to enhance the liquidity and financial health position.

The City has also developed Supply Chain Management sourcing strategy which was approved by Council at the meeting held 28 June 2017 under item A(4). One of the objectives for the sourcing strategy is to regulate prices on certain commodities in order to ensure that goods and services are procured in a most economic manner.

The City requested intervention from National Treasury to conduct the Municipal Financial Management Capability Maturity assessment for which the outcome was tabled before Council at its meeting held 28 June 2018 under item A(1). The Municipal Financial Management Capability Maturity Model assessed the maturity level of the municipality on various aspects of internal controls, policies and procedures and compliance with Legislation. An action plan to address the weaknesses identified through the Municipal Finance Management Capability Maturity Assessment has been developed and it is currently being implemented.

Furthermore, National Treasury was requested to assist with the development of a Financial Recovery Plan as a turnaround management initiative. The plan was approved by Council at its meeting held 28 June 2018 under item A(3). The City is implementing the approved Financial Recovery Plan and Council as well other internal and external stakeholders have been monitoring the implementation thereof on a quarterly basis.

The municipality continues to aggressively implement the financial interventions and revenue collection strategies in order to improve financial sustainability and liquidity management objectives. The municipality is focusing on implementing the various strategies and plans aggressively in order to shorten the turnaround/ recovery period. In responding to the cash flow constraints faced by the municipality, the city is focusing on revenue optimisation, cost minimisation to achieve value for money as well as implementing the approved creditor's reduction plan. Payment negotiations and arrangements are continually made with major suppliers given the financial constraints faced by the City in implementing the creditors' reduction plan.

The outbreak of the Coronavirus (COVID-19) pandemic has aggravated the financial situation of the municipality with the uncertainty and complexity impacting the global economy. The COVID-19 disruption has affected all countries and all sectors including private and public sector. The impact of the pandemic has taken its toll on not just human lives, but industries and financial markets too, the extent of which is currently indeterminate. The City has carefully considered our unique circumstances, risk exposures and considered the impact the outbreak may have on our financial reporting. The collection rates were impacted during the period of the national lockdown as the enforcement of credit control measures was relaxed in April 2020. The collection rate for the municipality has since stabilised. All material effects of the impact of COVID-19 have been accounted for in the annual financial statements in their respective components.

Due to the nature and complexity of the pandemic, the further development, duration and impact of the coronavirus could not be predicted.

### 62. Events after the reporting date

There were unknown indicative and/ or non-indicative facts or circumstances which prompted disclosure between the reporting date and the date of these annual financial statements.

# City of Mbombela

(Registration number MP326)

Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements

Figures in Rand

### 63. Budget differences

Material differences between budget and actual amounts greater than 10% based on the Table A1 of the budget schedules in accordance with the Municipal Budget and Reporting regulations No.32141

#### Statement of Financial Performance:

##### Revenue:

The City has significantly being impacted by the COVID-19 pandemic and subsequently national lockdown restrictions given the declared National State of Disaster. The global disruption has negatively impacted on the generation and collection of revenue from customers during the national lockdown period given the persistent job losses and continued business liquidations. The City will continue to invest on revenue optimisation initiatives in order to improve the financial distress situation of the institution.

#### 1. Rental of Facilities and Equipment

The variance is mainly attributable to the recognition of rental revenue for the Provincial Government in rendering the Licensing function. The budget amount for the rental of the Mbombela Stadium was adjusted downwards during the adjustments budget given the lockdown restrictions on the hosting of events.

#### 2. Agency Fees

The variance on the agency fees is due to the licensing and registration function being transferred to the Provincial Government with effect from 1 March 2021. The transfer of the function was primarily driven by the consultation process with the employees and organized labour in accordance with the relevant legislative prescripts.

#### 3. Licenses and permits

The variance is attributable to national lockdown restrictions given the COVID-19 global pandemic as well as the transfer of the licensing function to the Provincial Government..

#### 4. Other income

The variance is attributable to inadequate collection of bad debts recoveries due to the impact of the national lockdown restrictions and the global pandemic.

#### 5. Finance Income

The national lockdown has significantly resulted in an increase in trade receivables and subsequent interest charges to those customers due to significant financial impact of the global pandemic. The City continues to enforce credit control and debt collection measures despite the impact of the pandemic.

The City further continues to implement the financial recovery plan as part of the financial turnaround strategy which was tabled and approved by Council at its meeting held 28 June 2018 under item A(3). Council and other internal stakeholders together with external stakeholders exercise oversight responsibility on the implementation of the approved Financial Recovery Plan on a quarterly basis.

#### 6. Fines, Penalties and Forfeits

The variance is mainly due to the implementation of the approved revenue enhancement strategy through roadblocks and the execution of Warrant of Arrest.

The variance is mainly due to the impact of the national lockdown restrictions and the Covid-19 pandemic on the traffic fines. The City is exploring various revenue optimization measures to contribute to the turnaround situation of the organization.

By  
2021 -12- / 7  
Auditor General South Africa  
Mpumalanga Business Unit

# City of Mbombela

(Registration number MP326)

Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements

Figures in Rand

### Expenditure:

#### 7. Inventory Consumed

The variance is attributable to the acquisition and utilisation of materials and supplies for the maintenance and operations of electrical infrastructure assets. The City experienced numerous service delivery breakdowns during the reporting period. The City has developed maintenance plans for most of the assets in order to ensure adequate spending on repairs and maintenance.

#### 8. Finance Costs

The major cost driver is the interest charged by creditors for payments made after 30 days on receipt of the invoice or statement which has been disclosed in the notes to these annual financial statements as Fruitless and Wasteful Expenditure. The late payment of creditors is mainly due to the financial distress faced by the City. The cost of the City's operations continued to be high and exacerbated by the trade payables balance from the 2019/2020 financial year. The City is implementing various strategies and plans including the Financial Recovery Plan in order to improve financial resilience and sustainability. The results of the financial recovery plan will be yielded over period of years given the severity of the financial distress.

#### 9. Operating leases

The variance is attributable to the tools of trade offered to full-time Executive Mayors as outlined in the Determination of Upper Limits of salaries, allowances and benefits of different members of municipal council.

#### 10. Depreciation and amortization

The variance is due to the continuous update of the asset register in line with the relevant accounting framework.

#### 11. Bad Debts Written Off

The variance is attributable to the differences between budgeting and financial accounting. The bad debts are written off are set off against the provision which is made each year based on the collection rate projections. The implementation of the Municipal Standard Chart of Accounts requires that the actual debt written off be disclosed as part of the operating expenses within the Statement of Financial Performance. The debt impairment expense is part of the gains and losses which is disclosed as impairment loss or gains.

Council has approved the writing off, of irrecoverable debt for 2020/2021 financial year at its meeting held 31 May 2021 under item A(6).

#### 12. Bulk purchases

The variance on the bulk purchases is mainly due to implementation of the high mast light projects as well as the increased electricity household connections due to the community driven demands.

#### 13. Contracted services

The variance is primarily attributable to the expensing of certain capital expenditure funded from conditional grants and internal funding which did not result in an asset in accordance with the asset definition and recognition criteria guided by the GRAP framework. The projects were budgeted for under the capital budget due to the service delivery nature however the asset definition and recognition criteria in terms of the Generally Recognised Accounting Practice (GRAP) framework could not be met.

#### 14. Transfers and Subsidies

The variance is as a result of the basis differences. The difference is due to the provision of free basic water (first 6 kilolitres) to all communities as well as the provision of water to indigent consumers. The City also provides water to disadvantaged communities that have no access to water through other intervention measures. The 6kl free basic water within the concession area is the major cost driver for the actual expenditure incurred. The provision of water during the national lockdown was a key priority for the City in curbing the spread of the Covid-19 pandemic.

By

2021 -12- 17

Auditor General South Africa  
Mpumalanga Business Unit

# City of Mbombela

(Registration number MP326)

Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements

Figures in Rand

### 15. Operating costs

The variance in municipal operating costs is significantly attributable to the municipal services costs. These costs entail own consumption of electricity as a result of new boreholes and street lighting connections as well as water consumption costs.

### Statement of Financial Position:

### 16. Current Assets

The variance on the current assets is primarily due to the Value Added Tax (VAT) receivable amount at year end from South African Revenue Services (SARS), electrical inventory items procured due to the persist breakdowns, cash and cash equivalents balance, deposits made to Eskom and the other receivables from exchange transactions.

The City had a closing balance of its cash and cash equivalents of R62 million in comparison to the budgeted amount of R287 million.

### 17. Current Liabilities

The variance is as a result of the significantly increased trade and other payables from exchange transactions, current portion of the borrowings and consumer deposits. The City is implementing the approved creditors' reduction plan by engaging and making payment arrangements with key suppliers and creditors.

The City continues to implement the approved financial recovery plan approved by Council at its meeting held 28 June 2018 under item A(3) and the cost curtailment strategy. The implementation of the approved financial recovery plan, approved revenue enhancement strategy and the cost curtailment strategy will enable the City to build cash backed reserves and be able to meet its financial and liquidity management objectives.

### 18. Non-Current Liabilities

The variance is mainly attributable to the non-current portion of the provisions which consists on the provision for the rehabilitation of the Landfill sites and the provision for the Long Service Awards determined in accordance with the Standards of GRAP 19 and 25 respectively.

### Cash Flow Statement:

### 19. Net cash flows from operating activities

The variance was caused by the impact of the national lockdown restrictions which impacted on the economic activities within the City. The other contributing factor emanated from the employee related costs primarily being the overtime cost, shift allowances, danger allowance, as well as the special danger allowances (Covid-19) paid during the reporting period.

### 20. Net cash flows used in investing activities

The implementation of service delivery projects was attributed to the Condi-19 pandemic as well as focusing on grant funded projects given the financial distress situation.

### 21. Net cash flows from financing activities

The variance is due to the engagements with the Development Bank of Southern Africa (DBSA) on a payment holiday which was granted during the reporting period. The payment holiday was for 24 Months on the capital repayment and 12 months on the interest payment. The interest is recapitalized to the loan to give payment relief given the impact of the disruption.

### Changes from the approved budget to the final budget

The original budget, adjustments budget as well as the final budget have been tabled and approved by Council respectively.

Audited By 2021-12- / 7 Auditor General South Africa Mpumalanga Business Unit
---

# City of Mbombela

(Registration number MP326)

Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements

Figures in Rand

The changes between the approved and final budget are a consequence of reallocations within the approved budget parameters as well additional grant funding that was allocated to the municipality. The original approved budget was amended to include the roll over committed capital projects, to project and align the revenue and expenditure with the set targets and milestones based on the mid year budget performance assessment and the previous financial year's audited annual financial statements through the adjustments budget. The adjustments budget was approved by council at its meeting held 25 February 2021 under item A(1) in line with the provisions of section 28 of Municipal Finance Management Act no 56 of 2003.

Furthermore the changes between the approved adjusted budget and the final budget was as a result of budget virements in line with the approved virement policy of Council. The final approved budget considering the virements made was approved by council at its meeting held 25 August 2021 under item A(6).

### 64. Segment information

#### General information

#### Identification of segments

For management purposes, the municipality is organised and operates in four key functional segments (or business units). To this end, management monitors the operating results of these business units for the purpose of making decisions about resource allocations and assessment of performance. Revenues and expenditures relating to these business units are allocated at a transactional level. Costs relating to the governance and administration of the municipality are not allocated to these business units.

The three key business units comprise of:

Community and public safety which includes community and social services, sport and recreation, public safety, health and housing services;

Economic and environmental services which includes planning and development, road transport and environmental protection services, and;

Trading services which includes energy sources, water management, waste water management and waste management services;

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

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

Audited  
By  
2021 -12- / 7  
Auditor General South Africa  
Mpumalanga Business Unit



# City of Mbombela

(Registration number MP326)

Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements

Figures in Rand

### Segment surplus or deficit, assets and liabilities

2021

	Community and public safety	Economic and environmental services	Trading services	Unallocated	Total
<b>Revenue</b>					
Revenue from non-exchange transactions	1,756,477	451,699,687	846,110,172	834,522,991	2,134,089,327
Revenue from exchange transactions	5,664,795	47,493,282	1,404,070,741	32,190,358	1,489,419,176
Revenue from transactions with other segments	-	-	43,321,860	-	43,321,860
Interest revenue	-	-	-	55,305,712	55,305,712
Gains and losses	-	(1,298,733)	25,267,690	35,172,439	59,141,396
<b>Total segment revenue</b>	<b>7,421,272</b>	<b>497,894,236</b>	<b>2,318,770,463</b>	<b>957,191,500</b>	<b>3,781,277,471</b>
<b>Entity's revenue</b>					<b>3,781,277,471</b>
<b>Expenditure</b>					
Total segment expenses	342,072,295	333,822,885	1,973,304,487	846,535,759	3,495,735,426
Depreciation and amortisation	13,680,178	241,266,370	201,729,382	83,691,422	540,367,352
Interest expense	26,347,460	21,172,857	2,720,127	35,438,024	85,678,468
Internal charges	5,646,810	677,493	26,074,150	10,923,367	43,321,820
<b>Total segment expenditure</b>	<b>387,746,743</b>	<b>596,939,605</b>	<b>2,203,828,146</b>	<b>976,588,572</b>	<b>4,165,103,066</b>
<b>Total segmental surplus/(deficit)</b>					<b>(383,825,595)</b>

Auditor General South Africa  
Mpumalanga Business Unit

2021-12-17

By

Audited

121

City of Mbombela  
Appendix A

Unaudited Schedule of Interest bearing borrowings as at 30 June 2021

Loan Number	Redeemable Balance at 30 June 2020 Rand	Interest capitalised during the period Rand	Redeemed written off during the period Rand	Balance at 30 June 2021 Rand
1976/2001	3,000	-	-	3,000
	<b>3,000</b>	-	-	<b>3,000</b>
2014/2029	117,509,950	21,172,857	-	138,682,807
2010/2030	135,740,628	26,347,460	-	162,088,088
	<b>253,250,578</b>	<b>47,520,317</b>	-	<b>300,770,895</b>
	<b>253,253,578</b>	<b>47,520,317</b>	-	<b>300,773,895</b>

Loan Stock

Stock Loan@ 11.60%

Annuity loans

DBSA R138 600 000 @ base rate of R186 plus the Margin (11.73%)  
DBSA R200 000 000 @ (11.09%)

Annuity loans

Total external loans

Audited  
BY  
2021-12-17  
Auditor General South Africa  
Mpumalanga Business Unit