

Audited
By
2023 - 11 - 30
Auditor General South Africa
Mpumalanga Business Unit



City of Mbombela
Audited annual financial statements
for the year ended 30 June 2023

Audited
By
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Mpumalanga Business Unit

City of Mbombela

(Registration number MP326)

Audited Annual Financial Statements for the year ended 30 June 2023

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Auditor General South Africa
Mpumalanga Business Unit

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

Cllr SE Makhushu	Executive Mayor
Cllr MW Nkhata	Speaker
Cllr ME Nsimbini	Chief Whip

Members of the Mayoral Committee (MMC) and their portfolios

Councillor	Portfolio
Cllr JM Mazibane	MMC City Planning and Development
Cllr PV Mashego	MMC Corporate and Support Services
Cllr DB Mkhathshwa	MMC Technical Services
Cllr JJ Mhlanga	MMC Strategic Management Services
Cllr KA Mhlanga	MMC Social Services
Cllr NE Gecelo - Mkhabela	MMC Financial Management
Cllr IN Lusenga	MMC Local Economic Development and Tourism
Cllr PP Mbowane	MMC Community Services

Councillors and their respective wards

Councillor	Ward	Councillor	Ward
Cllr MM Ngomane	1	Cllr SS Makhubela	25
Cllr JJ Mhlanga	2	Cllr BW Mkhathshwa	26
Cllr DJ Nkosi	3	Cllr TM Makhubela	27
Cllr ME Mkhonto	4	Cllr LF Nkosi	28
Cllr WD Lubisi	5	Cllr DC Masilela	29
Cllr TB Mogale	6	Cllr R Torr	30
Cllr SF Soko	7	Cllr J Shabangu	31
Cllr JA Mkhonto	8	Cllr QE Nkosi	32
Cllr TS Mgwenya	9	Cllr SE Makhushu	33
Cllr SG Chiloane	10	Cllr SJ Manana	34
Cllr SL Mziyako	11	Cllr MV Mazibuko	35
Cllr ZA Mdhuli	12	Cllr WD Ndlovu	36
Cllr E Manyathi	13	Cllr MI Maseko	37
Cllr KM Mkhonto	14	Cllr CP Mazibuko	38
Cllr DF Rix	15	Cllr RB Mhlaba	39
Cllr KA Oliver	16	Cllr DE Nkosi	40
Cllr S Van Der Merwe	17	Cllr C Sebamba	41
Cllr TE Mahlalela	18	Cllr DH Mogiba	42

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Cllr DB Mkhathswa	19	Cllr ZB Zimba	43
Cllr PW Mazibuko	20	Cllr NP Magagula	44
Cllr EN Mnisi	21	Cllr NJ Mkhonto	45
Cllr NW Myeni	22		
Cllr IN Lusenga	23		
Cllr MV Siboza	24		

Proportional Representative Councillors (PR) and their respective wards

Councillor	Ward	Councillor	Ward
Cllr P Siwela, Cllr KP Robertson & Cllr NB Matume	1	Cllr R Sambo	25
Cllr SM Gumede & Cllr CS Mgwenya	2	Cllr KA Mhlanga	26
Cllr P Phoku, Cllr KP Robertson & Cllr MW Nkhata	3	Cllr ME Nsimbini	27
Cllr SR Tshabalala	4	Cllr NE Gecelo-Mkhabela	28
Cllr SC Mouton	5	Cllr SR Tshabalala	29
Cllr HK Malomane & Cllr SS Nkonyane	6	Cllr D Schofield & SC Mouton, Cllr FJ Robertson & Cllr PV Mashego	30
Cllr NB Matume	7	Cllr ME Nsimbini	31
Cllr LE Nyalunga	8	Cllr ST Nobela & Cllr SC Mouton	32
Cllr NB Matume	9	Cllr MW Nkhata	33
Cllr PV Mashego	10	Cllr HX Sifunda	34
Cllr TI Ndlovu	11	Cllr ME Nsimbini	35
Cllr CK Chuene	12	Cllr PV Mashego	36
Cllr GM Nkambule, Cllr BP Mhlanga & Cllr MW Nkhata	13	Cllr PC Danster	37
Cllr NT Mnisi & Cllr GCB Anthony	14	Cllr KP Robertson & Cllr PV Mashego	38
Cllr FJ Robertson	15	Cllr HK Malomane	39
Cllr RK Dlamini & Cllr LR May	16	Cllr SM Banda, Cllr EN Sibambo & Cllr SR Tshabalala	40
Cllr T Marshall & Cllr LR May	17	Cllr SM Silubane & Cllr NE Gecelo-Mkhabela	41
Cllr EF Masuku & Cllr PS Tholo	18	Cllr TE Ngomane	42
Cllr MW Nkhata	19	Cllr VS Gwebu & Cllr PCW Minnaar	43
Cllr HY Lusenga & Cllr KA Mhlanga	20	Cllr LA Mthombeni	44
Cllr PS Tholo	21	Cllr ME Nsimbini	45
Cllr CS Mgwenya	22		
Cllr SR Tshabalala	23		
Cllr KA Mhlanga	24		

Audit and Performance Committee

Mr FM Mkhabela	Chairperson
Ms ZC Sibanda	Member
Mr D Thwala	Member
Ms MJ Moloi-Chamane	Member

Municipal Manager
Chief Financial Officer

WJ Khumalo
DN Sibanyoni

Registered office

Mbombela Civic Centre

City of Mbombela

(Registration number MP326)

Audited Annual Financial Statements for the year ended 30 June 2023

General Information

**Audited
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**Auditor General South Africa
Mpumalanga Business Unit**

Physical address

Civic Centre
1 Nel Street
Mbombela
1200

Postal address

P.O. Box 45
Mbombela
1200

Bankers

ABSA Bank Mbombela
2nd Floor, ABSA Square
20 Paul Kruger Street
Mbombela
1201

Auditors

Auditor General South Africa - Mpumalanga
10 Nel Street
Mbombela
1200

Telephone number

(013) 759 9111

Fax number

(013) 759 2002

Website address

www.mbombela.gov.za

Enquiries:

Building plans (013) 759 2184
Electricity (013) 759 2231
Water and sewerage (013) 759 2580
Customer care (013) 759 2025 / 2064

Pay points:

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

Libraries:

Kabokweni (013) 796 1082 / 0590
Matsulu (013) 778 9864 / 9000
Mbombela (013) 759 2077
Nelsville (013) 755 4788
White River (013) 750 9125 / 6039
Victory Park (013) 759 2089

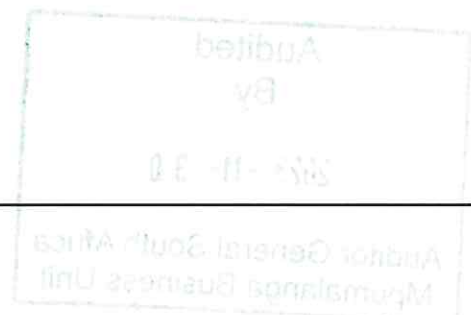
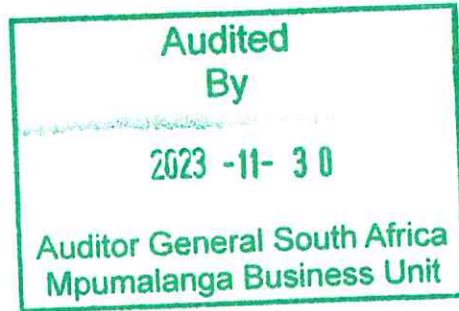
City of Mbombela

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Audited Annual Financial Statements for the year ended 30 June 2023

General Information

Hazyview	(013) 737 7220 / 7346
Barberton - Town Library	(013) 712 8800 / 2121
Barberton - Emjindini Library	(013) 712 8800 / 2121



City of Mbombela

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Audited Annual Financial Statements for the year ended 30 June 2023

Index

The reports and statements set out below comprise the audited annual financial statements for the year ended 30 June 2023:

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

Acronyms

COIDA	Compensation for Occupational Injuries and Diseases Act
DBSA	Development Bank of Southern Africa
DORA	Division of Revenue Act
EEDSM	Energy Efficiency Demand Side Management Grant
EPWP	Expanded Public Works Programme
FIFO	First In - First Out
FMG	Financial Management Grant
GRAP	Generally Recognised Accounting Practice
INEP	Integrated National Electrification Programme
MFMA	Municipal Finance Management Act No 56 of 2003
PAYE	Pay as You Earn
PR Councillor	Proportional Representative Councillor
PPE	Property, Plant and Equipment
PTNG	Public Transport Network Grant
R	Rand
RBIG	Regional Bulk Infrastructure Grant
RUL	Remaining Useful Life
SARS	South African Revenue Services
SDL	Skills Development Levy
UIF	Unemployment Insurance Fund
VAT	Value Added Tax
WSIG	Water Services Infrastructure Grant

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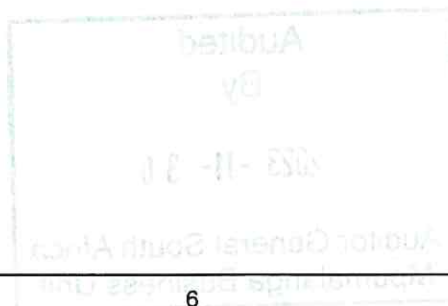
Audited Annual Financial Statements for the year ended 30 June 2023

Approval and certification of Annual Financial Statements

I am responsible for the preparation of these audited annual financial statements, which are set out on pages 7 - 122 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 approved and effective 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 judgments and estimates. These 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 2023.

I certify that the salaries, allowances and benefits of Councillors, as disclosed in note 39 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
City Manager



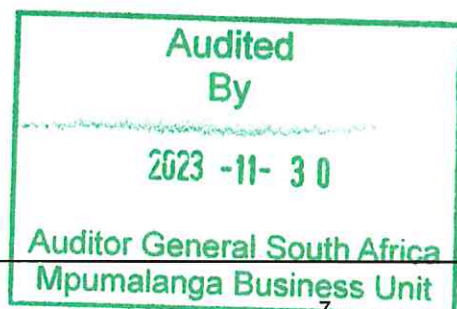
City of Mbombela

(Registration number MP326)

Audited Annual Financial Statements for the year ended 30 June 2023

Statement of Financial Position

Figures in Rand	Note(s)	2023	2022 Restated*	
Assets				
				GRAP1.6:
Current Assets				
Inventories	2	61 873 531	53 947 826	GRAP1.7:
Operating lease asset	3	490 886	576 622	GRAP13.1
Other receivables from exchange transactions	4	136 886 521	119 651 655	GRAP1.7:
Statutory receivables	5	338 898 041	343 983 850	GRAP1.7:
Trade receivables from exchange transactions	6	218 916 254	225 998 204	Budget fo
Deposits	7	15 297 807	5 903 135	GRAP1.8:
Current portion of receivables from non-exchange transactions	8	401 812	867 241	GRAP1.8:
Cash and cash equivalents	9	205 310 451	144 510 599	GRAP1.7:
		978 075 303	895 439 132	
				GRAP1.6:
Non-Current Assets				
Investment property	10	321 630 319	324 072 976	GRAP1.7:
Property, plant and equipment	11	7 336 362 868	7 263 155 344	GRAP1.7:
Intangible assets	12	25 742 509	17 892 217	GRAP1.7:
Heritage assets	13	2 328 920	2 328 920	GRAP1.7:
Non-current receivables from non-exchange transactions	8	2 096 172	2 089 162	GRAP1.8:
		7 688 160 788	7 609 538 619	
				GRAP1.6:
Total Assets				
		8 666 236 091	8 504 977 751	
Liabilities				
				GRAP1.6:
Current Liabilities				
Current portion of borrowings	14	22 284 344	20 722 925	GRAP1.7:
Trade and other payables from exchange transactions	15	1 881 663 483	2 834 539 359	GRAP1.7:
Other payables from non-exchange transactions	16	147 556 537	30 160 971	GRAP1.7:
Consumer deposits	17	39 804 937	37 252 778	GRAP1.8:
Current portion of post employment benefit liability	18	5 127 000	4 742 000	GRAP25.1
Unspent conditional grants and receipts	19	96 651 127	150 052 221	GRAP1.8:
Current portion of provisions	20	18 932 869	10 819 422	GRAP1.7:
Other financial liabilities	21	4 417 862	9 014 800	GRAP1.8:
		2 216 438 159	3 097 304 476	
				GRAP1.6:
Non-Current Liabilities				
Non-current portion of borrowings	14	239 344 638	254 788 003	GRAP1.7:
Finance lease obligation	23	1 623 555	-	GRAP13.1
Operating lease liability	3	-	46 110	GRAP13.1
Non-current portion of post employment benefit liability	18	187 549 999	192 542 999	GRAP25.1
Non-current portion of provisions	20	257 457 127	253 693 278	GRAP1.7:
Non-current portion of trade and other payables from exchange transactions	22	1 174 025 813	-	GRAP1.8:
		1 860 001 132	701 070 390	
				GRAP1.6:
Total Liabilities				
		4 076 439 291	3 798 374 866	
Net Assets				
Accumulated surplus		4 589 796 800	4 706 602 885	GRAP1.7:
Net Assets		4 589 796 800	4 706 602 885	



* See Note 52

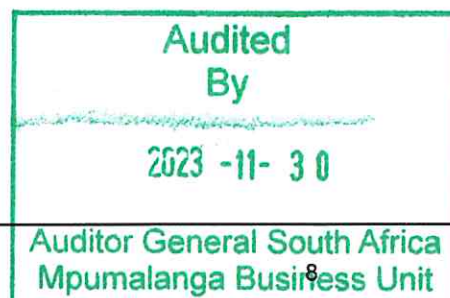
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Audited Annual Financial Statements for the year ended 30 June 2023

Statement of Financial Performance

Figures in Rand	Note(s)	2023	2022 Restated*
Revenue			
Revenue from exchange transactions			
Sale of goods and rendering of services	24	10 102 986	18 662 935
Service charges	25	1 575 609 236	1 533 446 036
Rental of facilities and equipment	26	25 282 797	19 682 808
Licences and permits	27	41 061	2 783
Other income	28	196 479 763	65 254 598
Finance income	29	46 494 836	33 087 795
Gain on liability write-off	30	224 062 982	-
Fair value adjustments	31	-	16 445 717
Actuarial gains	32	32 824 231	9 109 318
Gain on reversal of impairment	33	-	28 229 970
Total revenue from exchange transactions		2 110 897 892	1 723 921 960
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	34	803 090 046	744 046 038
Transfer revenue			
Government grants and subsidies	35	1 507 221 873	1 349 587 779
Public contributions and donations	36	7 796 532	5 662 501
Fines, Penalties and Forfeits	37	3 999 414	5 054 284
Total revenue from non-exchange transactions		2 322 107 865	2 104 350 602
Total revenue		4 433 005 757	3 828 272 562
Expenditure			
Employee related costs	38	(1 254 515 629)	(1 200 000 541)
Remuneration of councillors	39	(62 781 945)	(61 914 716)
Inventory consumed	40	(91 032 356)	(79 997 795)
Depreciation and amortisation	41	(557 351 721)	(561 173 583)
Finance costs	42	(168 682 237)	(115 512 822)
Lease rentals on operating lease	43	(6 369 269)	(7 603 792)
Debt Impairment	44	(320 707 353)	-
Bad debts written off	45	(38 815 457)	(187 409 746)
Bulk purchases	46	(1 110 556 606)	(1 057 513 385)
Contracted services	47	(603 304 680)	(659 991 974)
Transfers and subsidies	48	(5 209 456)	(5 789 670)
Loss on disposal of property, plant and equipment		(5 890 147)	(3 465 066)
Fair value adjustments	31	(7 173 493)	-
Loss from transfer of functions between entities under common control	64&65	-	(129 447)
Operational costs	49	(317 421 494)	(320 371 458)
Total expenditure		(4 549 811 843)	(4 260 873 995)
(Deficit) for the year		(116 806 086)	(432 601 433)



* See Note 52

City of Mbombela

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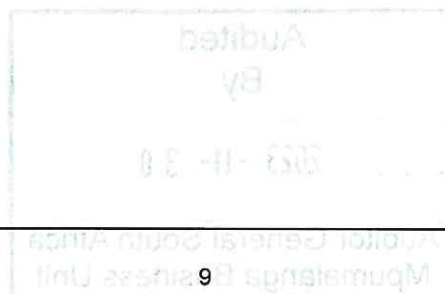
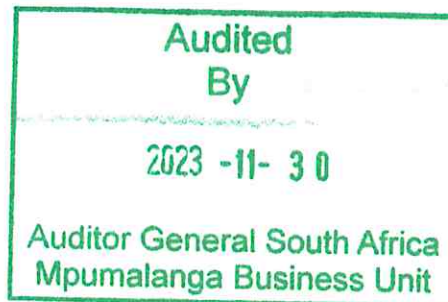
Audited Annual Financial Statements for the year ended 30 June 2023

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Balance as at 01 July 2021	5 159 038 354	5 159 038 354
Prior year adjustments	(19 834 036)	(19 834 036)
Balance at 01 July 2021 as restated*	5 139 204 318	5 139 204 318
Deficit for the year	(432 601 433)	(432 601 433)
Total changes	(432 601 433)	(432 601 433)
Opening balance (Restated)	4 706 602 886	4 706 602 886
Balance at 01 July 2022 as restated	4 706 602 886	4 706 602 886
Deficit for the year	(116 806 086)	(116 806 086)
Total changes	(116 806 086)	(116 806 086)
Balance at 30 June 2023	4 589 796 800	4 589 796 800

Note(s)

See Note 52 for accounting error adjustments disclosure.



* See Note 52

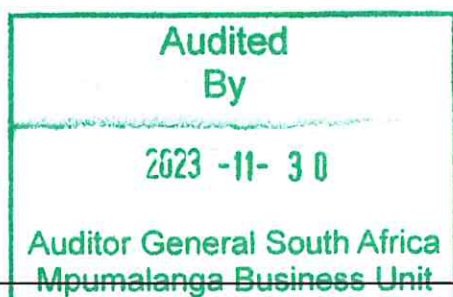
City of Mbombela

(Registration number MP326)

Audited Annual Financial Statements for the year ended 30 June 2023

Cash Flow Statement

Figures in Rand	Note(s)	2023	2022 Restated*
Cash flows from operating activities			
Receipts			
Property rates		878 759 845	701 084 379
Sale of goods and services		1 299 398 175	1 352 872 615
Government grants and subsidies		1 453 820 781	1 499 640 000
Finance income		9 080 495	2 583 290
Other income		210 390 358	121 556 254
		<u>3 851 449 654</u>	<u>3 677 736 538</u>
Payments			
Employee costs		(1 301 027 511)	(1 243 140 776)
Bulk purchases		(619 869 187)	(698 789 396)
Finance costs		(164 126 106)	(111 321 408)
Other payments		(1 041 349 008)	(924 817 985)
Transfers and subsidies		(5 209 456)	(5 789 671)
		<u>(3 131 581 268)</u>	<u>(2 983 859 236)</u>
Net cash flows from operating activities	51	719 868 386	693 877 302
Cash flows from investing activities			
Purchase of property, plant and equipment	11	(636 189 773)	(610 450 201)
Proceeds from sale of property, plant and equipment	11	226 988	4 274 924
Purchase of other intangible assets	12	(9 462 130)	(5 591 154)
Purchase of heritage assets	13	-	(26 950)
Proceeds from sale of financial assets		-	100
Proceeds from sale of receivables from non-exchange transactions		458 419	92 852
		<u>(644 966 496)</u>	<u>(611 700 429)</u>
Net cash flows utilised in investing activities		(644 966 496)	(611 700 429)
Cash flows from financing activities			
Repayment of other financial liabilities		(13 881 948)	-
Finance lease payments		(220 090)	-
		<u>(14 102 038)</u>	<u>-</u>
Net cash flows from financing activities		(14 102 038)	-
Net increase/(decrease) in cash and cash equivalents		60 799 852	82 176 873
Cash and cash equivalents at the beginning of the year		144 510 599	62 333 726
Cash and cash equivalents at the end of the year	9	205 310 451	144 510 599

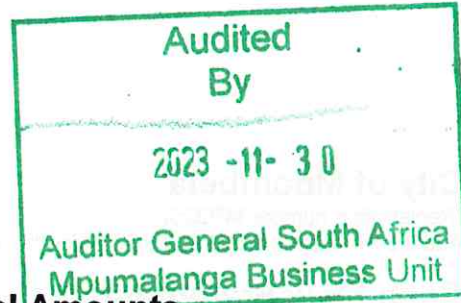


* See Note 52

City of Mbombela

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Audited Annual Financial Statements for the year ended 30 June 2023



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
Figures in Rand						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Sale of goods and rendering of services	-	-	-	10 102 986	10 102 986	66.1
Service charges	1 827 652 608	(11 650 000)	1 816 002 608	1 575 609 236	(240 393 372)	66.2
Rental of facilities and equipment	56 446 617	(19 423 601)	37 023 016	25 282 797	(11 740 219)	66.3
Licences and permits	7 659 221	(6 000 000)	1 659 221	41 061	(1 618 160)	66.4
Other income	186 983 558	-	186 983 558	196 479 763	9 496 205	66.5
Finance income	33 071 471	6 423 634	39 495 105	46 494 836	6 999 731	66.6
Total revenue from exchange transactions	2 111 813 475	(30 649 967)	2 081 163 508	1 854 010 679	(227 152 829)	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	816 052 342	42 000 000	858 052 342	803 090 046	(54 962 296)	
Transfer revenue						
Government grants & subsidies	1 443 968 000	-	1 443 968 000	1 507 221 873	63 253 873	66.7
Public contributions and donations	-	-	-	7 796 532	7 796 532	66.8
Fines, Penalties and Forfeits	11 718 763	(6 123 295)	5 595 468	3 999 414	(1 596 054)	66.9
Total revenue from non-exchange transactions	2 271 739 105	35 876 705	2 307 615 810	2 322 107 865	14 492 055	
Total revenue	4 383 552 580	5 226 738	4 388 779 318	4 176 118 544	(212 660 774)	
Expenditure						
Employee related costs	(1 188 862 070)	(1 105 746)	(1 189 967 816)	(1 254 515 629)	(64 547 813)	
Remuneration of councillors	(62 925 664)	-	(62 925 664)	(62 781 945)	143 719	
Inventory consumed	(67 328 097)	(8 551 764)	(75 879 861)	(91 032 356)	(15 152 495)	66.10
Depreciation and amortisation	(480 056 940)	-	(480 056 940)	(557 351 721)	(77 294 781)	66.11
Finance costs	(34 847 091)	5 004 620	(29 842 471)	(168 682 237)	(138 839 766)	66.12
Lease rentals on operating lease	-	-	-	(6 369 269)	(6 369 269)	66.13
Debt impairment	(131 885 248)	(28 558 049)	(160 443 297)	(320 707 353)	(160 264 056)	66.14
Bad debts written off	-	-	-	(38 815 457)	(38 815 457)	
Bulk purchases	(1 137 689 750)	124 727 602	(1 012 962 148)	(1 110 556 606)	(97 594 458)	
Contracted services	(458 061 190)	(93 398 304)	(551 459 494)	(603 304 680)	(51 845 186)	66.16
Transfers and subsidies	(1 826 501)	(12 981 954)	(14 808 455)	(5 209 456)	9 598 999	66.15
Operational costs	(165 470 976)	38 291 231	(127 179 745)	(317 421 494)	(190 241 749)	66.17
Total expenditure	(3 728 953 527)	23 427 636	(3 705 525 891)	(4 536 748 203)	(831 222 312)	
Operating deficit	654 599 053	28 654 374	683 253 427	(360 629 659)	(1 043 883 086)	
Loss on disposal of assets	-	-	-	(5 890 147)	(5 890 147)	66.18
Gain on liability write-off	-	-	-	224 062 982	224 062 982	66.19
Fair value adjustments	-	-	-	(7 173 493)	(7 173 493)	66.20
Gain on impairment reversal	-	-	-	32 824 231	32 824 231	66.19
	-	-	-	243 823 573	243 823 573	

City of Mbombela

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Audited Annual Financial Statements for the year ended 30 June 2023

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

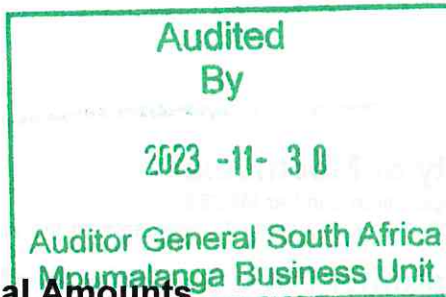
	Original budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
(Deficit) /surplus for the year	654 599 053	28 654 374	683 253 427	(116 806 086)	(800 059 513)	
	654 599 053	28 654 374	683 253 427	(116 806 086)	(800 059 513)	

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City of Mbombela

(Registration number MP326)

Audited Annual Financial Statements for the year ended 30 June 2023



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
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Figures in Rand

Statement of Financial Position

Assets

Current Assets

Inventories	44 883 462	(44 883 462)	-	61 873 531	61 873 531	66.21
Operating lease asset	-	-	-	490 886	490 886	
Other receivables from exchange transactions	-	-	-	136 886 521	136 886 521	
Statutory receivables	302 871 682	-	302 871 682	338 898 041	36 026 359	
Trade receivables from exchange transactions	449 255 058	-	449 255 058	218 916 254	(230 338 804)	
Deposits	-	-	-	15 297 807	15 297 807	
Current portion of long-term receivables from non-exchange transactions	548 072	-	548 072	401 812	(146 260)	
Cash and cash equivalents	113 019 645	-	113 019 645	205 310 451	92 290 806	
	910 577 919	(44 883 462)	865 694 457	978 075 303	112 380 846	

Non-Current Assets

Investment property	321 822 597	-	321 822 597	321 630 319	(192 278)	66.22
Property, plant and equipment	7 626 151 445	(1 299 907 445)	6 326 244 000	7 336 362 868	1 010 118 868	
Intangible assets	28 261 430	(12 054 430)	16 207 000	25 742 509	9 535 509	
Heritage assets	-	-	-	2 328 920	2 328 920	
Long-term receivables	2 346 456	(44 386)	2 302 070	-	(2 302 070)	
Long-term receivables from non-exchange transactions	1 572 205	(1 572 205)	-	2 096 172	2 096 172	
	7 980 154 133	(1 313 578 466)	6 666 575 667	7 688 160 788	1 021 585 121	
Total Assets	8 890 732 052	(1 358 461 928)	7 532 270 124	8 666 236 091	1 133 965 967	

Liabilities

Current Liabilities

Current portion of borrowings	43 336 975	-	43 336 975	22 284 344	(21 052 631)	66.23
Trade and other payables from exchange transactions	827 326 678	7 000 000	834 326 678	1 881 663 490	1 047 336 812	
Trade and other payables from non-exchange transactions	-	-	-	147 556 537	147 556 537	
Consumer deposits	43 773 117	-	43 773 117	39 804 937	(3 968 180)	
Current portion of post employment benefit liability	-	-	-	5 127 000	5 127 000	
Unspent conditional grants	-	-	-	96 651 127	96 651 127	
Current portion of provisions	22 991 095	-	22 991 095	18 932 869	(4 058 226)	
Other financial liabilities	-	-	-	4 417 862	4 417 862	
	937 427 865	7 000 000	944 427 865	2 216 438 166	1 272 010 301	

Non-Current Liabilities

Non-current portion of borrowings	257 433 920	-	257 433 920	239 344 638	(18 089 282)	
Finance lease obligation	-	-	-	1 623 555	1 623 555	

City of Mbombela

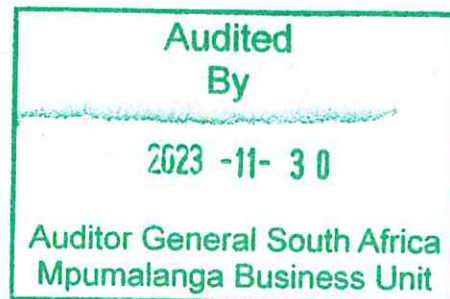
(Registration number MP326)

Audited Annual Financial Statements for the year ended 30 June 2023

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
Figures in Rand						
Non - current portion of post employment benefit liability	-	-	-	187 549 999	187 549 999	
Non - current portion of provisions	636 779 380	-	636 779 380	257 457 127	(379 322 253)	
Non-current portion of trade and other payables from exchange transactions	-	-	-	1 174 025 813	1 174 025 813	
	894 213 300	-	894 213 300	1 860 001 132	965 787 832	
Total Liabilities	1 831 641 165	7 000 000	1 838 641 165	4 076 439 298	2 237 798 133	
Net Assets	7 059 090 887	(1 365 461 928)	5 693 628 959	4 589 796 793	(1 103 832 166)	
Accumulated surplus	7 059 090 887	(1 365 461 928)	5 693 628 959	4 589 796 793	(1 103 832 166)	



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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
Figures in Rand						
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Property rates	775 249 754	(3 800 000)	771 449 754	878 759 845	107 310 091	66.24
Sale of goods and services	1 748 570 000	43 189 807	1 791 759 807	1 299 398 175	(492 361 632)	
Government grants and subsidies	1 443 968 000	-	1 443 968 000	1 453 820 781	9 852 781	
Finance income	32 495 105	(32 495 105)	-	9 080 495	9 080 495	
Other income	263 385 409	(69 821 981)	193 563 428	210 390 358	16 826 930	
	4 263 668 268	(62 927 279)	4 200 740 989	3 851 449 654	(349 291 335)	
Payments						
Employee related costs, remuneration of councillors and suppliers	(3 480 337 549)	35 499 241	(3 444 838 308)	(2 962 245 705)	482 592 603	
Finance costs	(34 847 090)	-	(34 847 090)	(164 126 107)	(129 279 017)	
Transfers and subsidies paid	(1 639 000)	1 639 000	-	(5 209 456)	(5 209 456)	
	(3 516 823 639)	37 138 241	(3 479 685 398)	(3 131 581 268)	348 104 130	
Net cash flows from operating activities	746 844 629	(25 789 038)	721 055 591	719 868 386	(1 187 205)	
Cash flows from investing activities						
Purchase of property, plant and equipment	(652 820 801)	-	(652 820 801)	(636 189 773)	16 631 028	
Proceeds from sale of property, plant and equipment	-	-	-	226 988	226 988	
Purchase of intangible assets	-	-	-	(9 462 130)	(9 462 130)	
Proceeds from sale of receivables from non-exchange transaction	-	-	-	458 419	458 419	
Net cash flows from investing activities	(652 820 801)	-	(652 820 801)	(644 966 496)	7 854 305	
Cash flows from financing activities						
Repayment of borrowings	(43 337 117)	43 337 117	-	-	-	
Increase (decrease) in consumer deposits	-	43 773 000	43 773 000	-	(43 773 000)	
Repayment of borrowings	-	-	-	(13 881 948)	(13 881 948)	66.25
Finance lease payments	-	-	-	(220 090)	(220 090)	
Net cash flows from financing activities	(43 337 117)	87 110 117	43 773 000	(14 102 038)	(57 875 038)	
Net increase/(decrease) in cash and cash equivalents	50 686 711	61 321 079	112 007 790	60 799 852	(51 207 938)	
Cash and cash equivalents at the beginning of the year	62 334 000	-	62 334 000	144 510 599	82 176 599	
Cash and cash equivalents at the end of the year	113 020 711	61 321 079	174 341 790	205 310 451	30 968 661	

City of Mbombela

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Audited Annual Financial Statements for the year ended 30 June 2023

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments (i.t.o. s31 of the MFMA)	Shifting of funds (i.t.o. 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
Financial Performance											
Property rates	816 052 342	42 000 000	858 052 342	-	-	858 052 342	803 090 046	(54 962 296)	94 %	98 %	
Service charges	1 827 652 608	(11 650 000)	1 816 002 608	-	-	1 816 002 608	1 575 609 236	(240 393 372)	87 %	86 %	
Investment revenue	33 071 471	6 423 634	39 495 105	-	-	39 495 105	46 494 836	6 999 731	118 %	141 %	
Transfers recognised - operational	963 947 000	-	963 947 000	-	-	963 947 000	959 663 000	(4 284 000)	100 %	100 %	
Other own revenue	262 808 159	(31 546 896)	231 261 263	-	-	231 261 263	492 793 234	261 531 971	213 %	188 %	
Total revenue (excluding capital transfers and contributions)	3 903 531 580	5 226 738	3 908 758 318	-	-	3 908 758 318	3 877 650 352	(31 107 966)	99 %	99 %	
Employee costs	(1 188 862 070)	(1 105 746)	(1 189 967 816)	-	-	(1 189 967 816)	(1 254 515 629)	(64 547 813)	105 %	106 %	
Remuneration of councillors	(62 925 664)	-	(62 925 664)	-	-	(62 925 664)	(62 781 945)	143 719	100 %	100 %	
Debt impairment	(131 885 248)	(28 558 049)	(160 443 297)	-	-	(160 443 297)	(320 707 353)	(160 264 056)	200 %	243 %	
Depreciation and asset impairment	(480 056 940)	-	(480 056 940)	-	-	(480 056 940)	(557 351 721)	(77 294 781)	116 %	116 %	
Finance charges	(34 847 091)	5 004 620	(29 842 471)	-	-	(29 842 471)	(168 682 237)	(138 839 766)	565 %	484 %	
Materials and bulk purchases	(1 137 689 750)	124 727 602	(1 012 962 148)	-	-	(1 012 962 148)	(1 110 556 606)	(97 594 458)	110 %	98 %	
Transfers and grants	(1 826 501)	(4 081 950)	(5 908 451)	-	-	(5 908 451)	(5 209 456)	698 995	88 %	285 %	
Other expenditure	(690 860 263)	(72 558 841)	(763 419 104)	-	-	(763 419 104)	(1 070 006 896)	(306 587 792)	140 %	155 %	
Total expenditure	(3 728 953 527)	23 427 636	(3 705 525 891)	-	-	(3 705 525 891)	(4 549 811 843)	(844 285 952)	123 %	122 %	
Surplus/(Deficit)	174 578 053	28 654 374	203 232 427	-	-	203 232 427	(672 161 491)	(875 393 918)	(331)%	(385)%	

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Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and budget s31 of the MFMA)	Final adjustments (i.t.o. s28 and budget 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	
Transfers recognised - capital	480 021 000	-	480 021 000	-	-	480 021 000	547 558 873	-	67 537 873	114 %	114 %	
Contributions recognised - capital and contributed assets	-	-	-	-	-	-	7 796 532	-	7 796 532	- %	- %	
Surplus (Deficit) after capital transfers and contributions	654 599 053	28 654 374	683 253 427	-	-	683 253 427	(116 806 086)	(800 059 513)	(800 059 513)	(17)%	(18)%	
Surplus/(Deficit) for the year	654 599 053	28 654 374	683 253 427	-	-	683 253 427	(116 806 086)	(800 059 513)	(800 059 513)	(17)%	(18)%	
Capital expenditure and funds sources												
Total capital expenditure	1 443 968 000	-	1 443 968 000	-	-	1 443 968 000	647 431 215	-	(796 536 785)	45 %	45 %	
Sources of capital funds												
Transfers recognised - capital	-	-	-	-	-	-	555 355 405	-	555 355 405	DIV/0 %	DIV/0 %	

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Mboniso Bhebe
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 Vhokiso

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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. 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
Cash flows											
Net cash from (used) operating	746 844 629	(25 789 038)	721 055 591	-	-	721 055 591	719 868 386		(1 187 205)	100 %	96 %
Net cash from (used) investing	(652 820 801)	-	(652 820 801)	-	-	(652 820 801)	(644 966 496)		7 854 305	99 %	99 %
Net cash from (used) financing	(43 337 117)	87 110 117	43 773 000	-	-	43 773 000	(14 102 038)		(57 875 038)	- %	- %
Net increase/(decrease) in cash and cash equivalents	50 686 711	61 321 079	112 007 790	-	-	112 007 790	60 799 852		(51 207 938)	54 %	120 %
Cash and cash equivalents at the beginning of the year	62 334 000	-	62 334 000	-	-	62 334 000	144 510 599		82 176 599	232 %	- %
Cash and cash equivalents at year end	113 020 711	61 321 079	174 341 790	-	-	174 341 790	205 310 451		(30 968 661)	118 %	182 %

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Audited Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

Figures in Rand

Note(s)

2023

2022

1. Presentation of Audited Annual Financial Statements

Summary of significant accounting policies

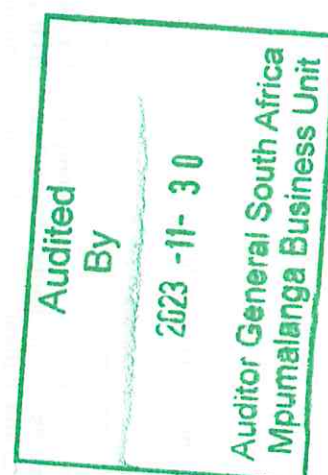
The audited annual financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practice (GRAP), including any interpretations, guidelines and directives issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, No: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.

List of effective Standards 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



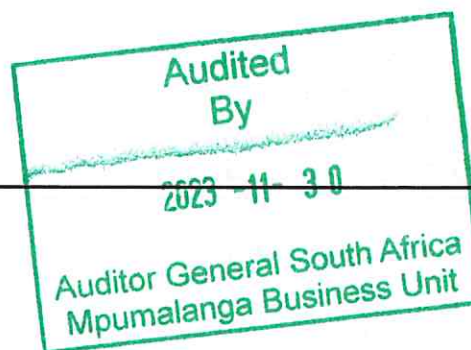
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Audited Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

GRAP 107	Mergers
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

List of new, amended standards and guidelines issued but not yet effective:

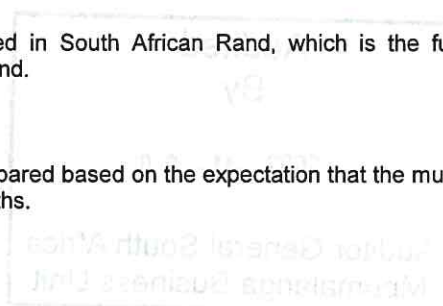
iGRAP 7	Limit on a Defined Benefit Asset Min Fund Requirement and Interact (as revised)
iGRAP 21	The effect of Past Decision on Materiality
GRAP 1	Presentation of Financial Statements (amended)
GRAP 25	Employee Benefits
GRAP 104	Financial Instruments (as revised)
Guideline	Guideline on Accounting for Landfill Sites
Guideline	Guideline on the Application of Materiality to Financial Statements

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.



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Audited Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

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 Chart of Accounts (mSCOA). The reclassifications have no impact on the net assets value of the municipality.

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:

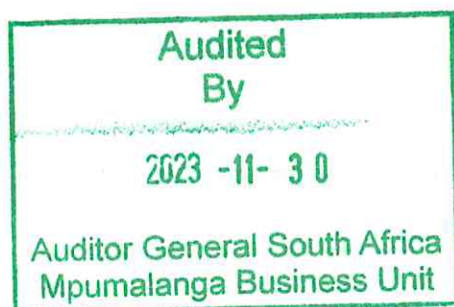
- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

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.



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Audited Annual Financial Statements for the year ended 30 June 2023

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

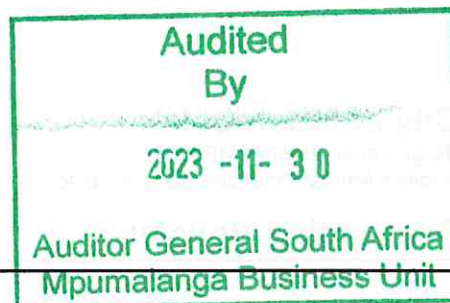
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Audited Annual Financial Statements for the year ended 30 June 2023

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

Further details on the useful lives of the categories of assets are outlined in 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 for 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 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:

- The composition of the asset changed during the reporting period, i.e. the significant components of the asset changed.
- 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.
- The asset is approaching the end of its previously expected useful life.
- Planned repairs and maintenance on, or refurbishments of, the asset and/or its significant components either being undertaken or delayed.
- Environmental factors, e.g. increased rainfall or humidity, adverse changes in temperatures or increased exposure to pollution.
- There is evidence that the condition of the asset improved or declined based on assessments undertaken during the reporting period.
- 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.

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1.4 Property, plant and equipment (continued)

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.

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.



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1.5 Intangible assets (continued)

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.

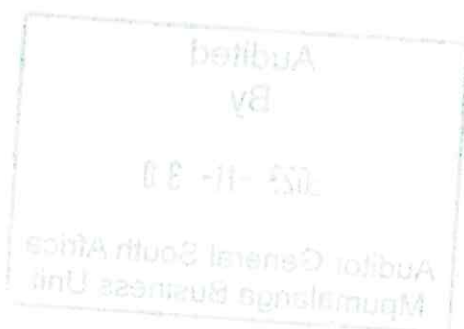
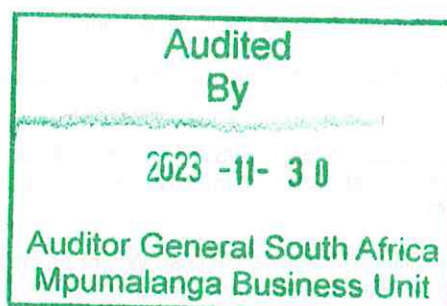
Amortisation

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

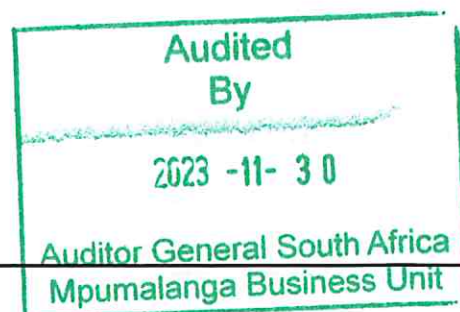


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1.5 Intangible assets (continued)

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.

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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

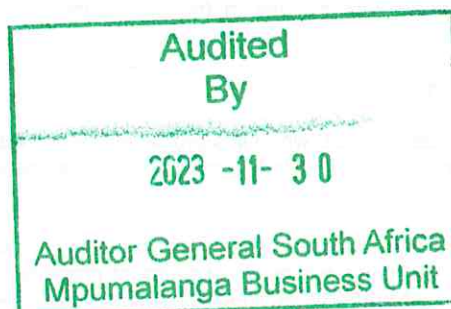
Further details on the useful lives of the categories of assets is detailed on the assets management policy, available for inspection at our offices.

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.



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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.

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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.

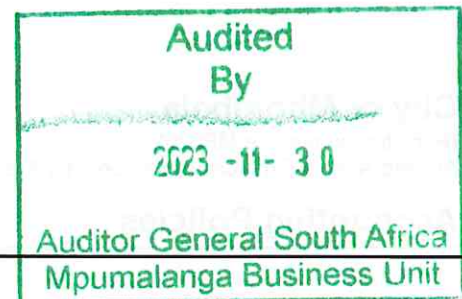
1.9 Financial instruments

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.

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.

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.



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1.9 Financial instruments (continued)

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

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1.9 Financial instruments (continued)

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.

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.

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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.

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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.

Offsetting

A financial asset and a financial liability shall be offset and the net amount presented in the statement of financial position when, and only when, an entity:

- currently has a legally enforceable right to set off the recognised amounts; and
- intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

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.

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1.10 Provisions and contingencies (continued)

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.

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.

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1.11 Leases (continued)

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.

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.

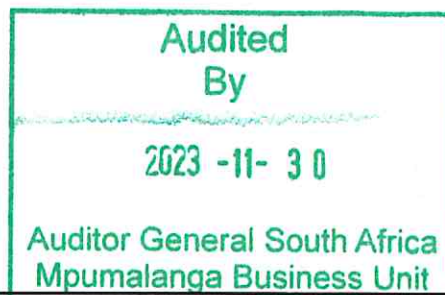
Measurement

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

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1.12 Revenue from exchange transactions (continued)

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.

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.

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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.

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 even occurs and the asset recognition criteria are met.

Property rates

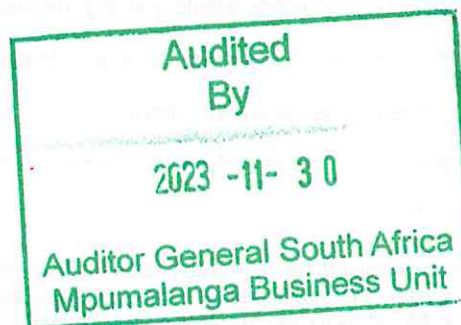
Revenue from property rates is recognised when the legal entitlement to this revenue arises. Rebates are respectively granted, to owners of land on which not more than two dwelling units are erected provided that such dwelling units are solely used for residential purposes. Additional relief is granted 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.



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1.13 Revenue from non-exchange transactions (continued)

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.

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.

1.14 Borrowing costs

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

The municipality recognises 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.

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1.15 Employee benefits (continued)

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.

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. These benefits are provided as defined benefit plans.

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

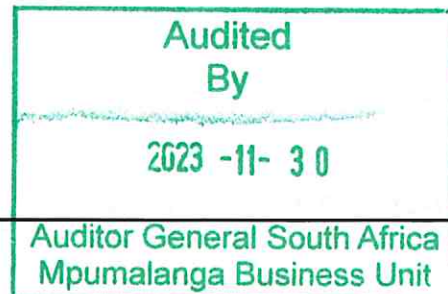
Post-employment benefit plans are formal or informal arrangements under which a Municipality provides post-employment benefits for one or more employees.

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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).

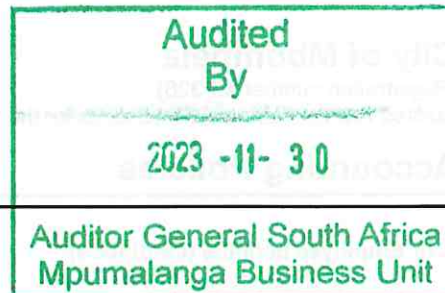
The Municipality uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost.

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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 and receivables

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

Contractor is 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:

- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

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1.17 Unauthorised expenditure (continued)

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.

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 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 2022 to 30 June 2023.

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.

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1.22 Impairment of cash-generating assets (continued)

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

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

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

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

Useful life is either:

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

Judgements made by management in applying the criteria to designate assets as cash-generating assets or non-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.

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.

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

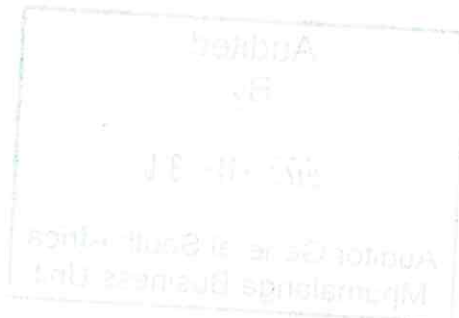
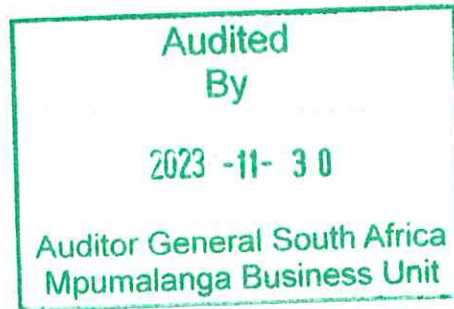
Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

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.

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.



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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 oversized or overcapacity asset. Oversized 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.



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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.

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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.

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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

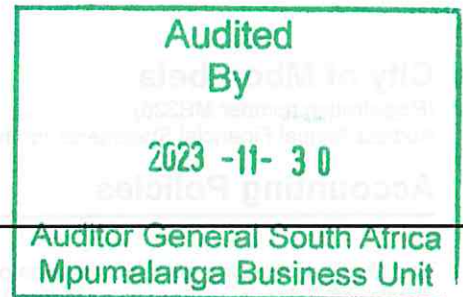


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Audited Annual Financial Statements for the year ended 30 June 2023

Accounting Policies



1.30 Transfer of functions between entities under common control

Definitions

An acquirer is the municipality that obtains control of the acquiree or transferor.

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

Control is the power to govern the financial and operating policies of another municipality so as to benefit from its activities.

A function is an integrated set of activities that is capable of being conducted and managed for purposes of achieving a municipality's objectives, either by providing economic benefits or service potential.

A merger is the establishment of a new combined entity in which none of the former entities obtains control over any other and no acquirer can be identified.

Transfer date is the date on which the acquirer obtains control of the function and the transferor loses control of that function.

A transfer of functions is the reorganisation and/or the re-allocation of functions between entities by transferring functions between entities or into another municipality.

A transferor is the municipality that relinquishes control of a function.

Common control - For a transaction or event to occur between entities under common control, the transaction or event needs to be undertaken between entities within the same sphere of government or between entities that are part of the same economic entity. Entities that are ultimately controlled by the same entity before and after the transfer of functions are within the same economic entity.

A function is an integrated set of activities that is capable of being conducted and managed for purposes of achieving a municipality's objectives, either by providing economic benefits or service potential. A function consists of inputs and processes applied to those inputs that have the ability to create outputs. A function can either be a part or a portion of an entity or can consist of the whole municipality. Although functions may have outputs, outputs are not required to qualify as a function. The three elements of a function are defined as follows:

- Input: Any resource that creates, or has the ability to create, outputs when one or more processes are applied to it.
- Process: Any system, standard, protocol, convention or rule that when applied to an input or inputs, creates or has the ability to create outputs.
- Output: The result of inputs and processes applied to achieve and improve efficiency. This may be in the form of achieving service delivery objectives, or the delivery of goods and/or services.

Identifying the acquirer and transferor

For each transfer of functions between entities under common control an acquirer and transferor are identified. All relevant facts and circumstances are considered in identifying the acquirer and transferor. The terms and conditions of a transfer of functions undertaken between entities under common control are set out in a binding arrangement. The binding arrangement governing the terms and conditions of a transfer of functions may identify which municipality to the transaction or event is the transferor(s) and which municipality is the acquirer. Where the binding arrangement does not clearly identify the acquirer or the transferor, the behaviour or actions of the entities may indicate which municipality is the acquirer and which municipality is the transferor. Determining the acquirer includes a consideration of, amongst other things, which of the entities involved in the transfer of functions initiated the transaction or event, the relative size of the entities, as well as whether the assets or revenue of one of the entities involved in the transaction or event significantly exceed those of the other entities. If no acquirer can be identified, the transaction or event is accounted for in terms of the Standard of GRAP on Mergers.

Determining the transfer date

The acquirer and the transferor identify the transfer date, which is the date on which the acquirer obtains control and the transferor loses control of that function. All relevant facts and circumstances are considered in identifying the transfer date.

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Accounting Policies

1.30 Transfer of functions between entities under common control (continued)

Assets acquired and liabilities assumed

The recognition of assets and liabilities, is subject to the following conditions:

The assets acquired and the liabilities assumed are part of what had been agreed in terms of the binding arrangement (if applicable), rather than the result of separate transactions.

Determining what is part of the transfer of functions transaction.

Determining what is part of the transfer of functions transaction

Where the municipality and the transferor have a pre-existing relationship before or when negotiations for a transfer of functions began, or where a binding arrangement is entered into during the negotiations that are separate from a transfer of functions, any amounts that are not part of what were transferred in a transfer of functions are identified. This policy only applies to the consideration transferred and the assets acquired and liabilities assumed in a transfer of functions as governed by the terms and conditions of the binding arrangement.

The following factors are considered, which are neither mutually exclusive nor individually conclusive, to determine whether a transaction is part of a transfer or function or whether the transaction is separate:

- the reasons for the transaction
- the timing of the transaction

Effective settlement of a pre-existing relationship between the entity (as acquirer) and transferor in a transfer of functions

A pre-existing relationship between the municipality (as acquirer) and the transferor may be contractual or non-contractual. If a transfer of functions in effect settles a pre-existing relationship, the entity (as acquirer) recognises a gain or loss, measured as follows:

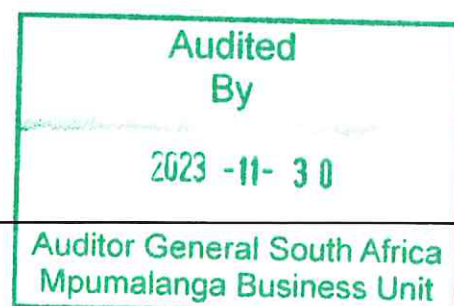
- for a pre-existing non-contractual relationship, fair value.
- for a pre-existing contractual relationship, the lesser of the following:
 - the amount by which the binding arrangement is favourable or unfavourable from the perspective of the municipality (as acquirer) when compared with terms for current market transactions for the same or similar items.
 - the amount of any stated settlement provisions in the binding arrangement available to the counterparty to whom the contract is unfavourable.

If the latter is less, the difference is included as part of a transfer of functions accounting. The amount of gain or loss recognised may depend in part on whether the municipality (as acquirer) had previously recognised a related asset or liability, and the reported gain or loss therefore may differ from the amount calculated by applying the above requirements.

Other criteria for the entity (as acquirer)

The assets acquired and liabilities assumed that qualify for recognition as set out in the binding arrangement meets the definitions of assets and liabilities in the Framework for the Preparation and Presentation of Financial Statements and the recognition criteria in the applicable Standards of GRAP at the transfer date.

Costs that the municipality expects, but which it is not obliged to incur in the future to effect its plan to exit an activity of the transferor or to terminate the employment of, or relocate the transferor's employees, is not accounted for as part of the liabilities at the transfer date. The municipality does not recognise those costs as part of a transfer of functions. Instead, the municipality recognises these costs in its audited annual financial statements after the transfer has occurred, in accordance with the applicable Standards of GRAP.

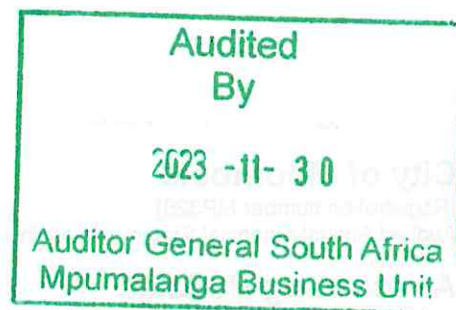


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Accounting Policies



1.30 Transfer of functions between entities under common control (continued)

Accounting by the Municipality as acquirer

Initial recognition and measurement

As of the transfer date, the municipality recognises the purchase consideration paid to the transferor and all the assets acquired and liabilities assumed in a transfer of functions. The assets acquired and liabilities assumed are measured at their carrying amounts. If, prior to the transfer of functions, the transferor was not applying the accrual basis of accounting, the transferor changes its basis of accounting to the accrual basis of accounting prior to the transfer. The consideration paid by the municipality can be in the form of cash, cash equivalents or other assets. If the consideration paid is in the form of other assets, the municipality de-recognises such assets on the transfer date at their carrying amounts. The difference between the carrying amounts of the assets acquired, the liabilities assumed and the consideration paid to the transferor, is recognised in accumulated surplus or deficit.

Measurement period

If the initial accounting for a transfer of functions is incomplete by the end of the reporting period in which the transfer occurs, the municipality reports in its audited annual financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, the municipality retrospectively adjust the provisional amounts recognised at the transfer date to reflect new information obtained about facts and circumstances that existed as of the transfer date and, if known, would have affected the measurement of the amounts recognised as of that date. The measurement period ends as soon as the municipality receives the information it was seeking about facts and circumstances that existed as of the transfer date or learns that more information is not obtainable. However, the measurement period does not exceed two years from the transfer date.

The municipality considers all relevant factors in determining whether information obtained after the transfer date should result in an adjustment to the provisional amounts recognised or whether that information results from events that occurred after the transfer date.

The municipality recognises an increase (decrease) in the provisional amount recognised for an asset (liability) by means of decreasing (increasing) the excess of the purchase consideration paid over the carrying amount of the assets acquired and liabilities assumed previously recognised in accumulated surplus or deficit. However, new information obtained during the measurement period may sometimes result in an adjustment to the provisional amount of more than one asset or liability.

During the measurement period, the municipality recognises adjustments to the provisional amounts as if the accounting for the transfer of functions had been completed at the transfer date. Thus, the municipality revises comparative information for prior periods presented in audited annual financial statements as needed, including making any change in depreciation, amortisation or other income effects recognised in completing the initial accounting.

After the measurement period ends, the municipality revises the accounting for a transfer of functions only to correct an error in accordance with the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

Acquisition-related costs

Acquisition-related costs are costs that the municipality incurs to affect the transfer of functions. These costs include advisory, legal, accounting and other professional or consulting fees, general administrative costs, and costs of registering and issuing debt and equity securities. The entity accounts for acquisition-related costs as expenses in the period in which the costs are incurred and the services are received, with the exception of the costs incurred to issue debt or equity securities, which are recognised in accordance with the Standard of GRAP on Financial Instruments.

Subsequent measurement

The municipality subsequently measure any assets acquired and any liabilities assumed in a transfer of functions in accordance with the applicable Standards of GRAP.

At the transfer date, the municipality classifies or designates the assets acquired and liabilities assumed as necessary to apply other Standards of GRAP subsequently. The municipality makes those classifications or designations on the basis of the terms of the binding arrangement, economic conditions, its operating or accounting policies and other relevant conditions that exist at the transfer date. An exception is that the municipality classifies the following contracts on the basis of the contractual terms and other factors at the inception of the contract (or, if the terms of the contract have been modified in a manner that would change its classification, at the date of that modification, which might be the transfer date):

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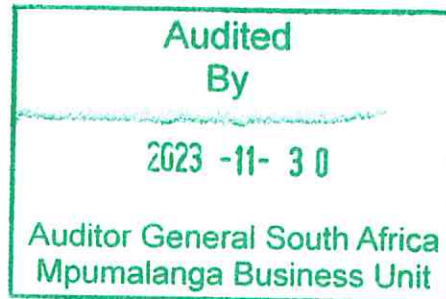
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Accounting Policies

1.30 Transfer of functions between entities under common control (continued)

- classification of a lease contract as either an operating lease or a finance lease in accordance with the Standard of GRAP on Leases; and
- classification of a contract as an insurance contract in accordance with the International Financial Reporting Standard on Insurance Contracts.

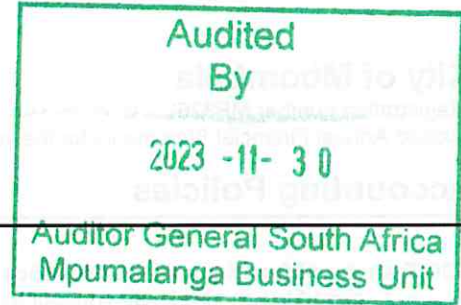


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Accounting Policies



1.31 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:

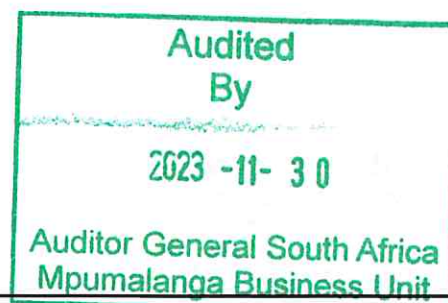
- the rights to the cash flows from the statutory receivable are settled, expire or are waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable
- the municipality, despite having retained some significant risks and rewards of ownership 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.

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Accounting Policies



1.31 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.

1.32 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.

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Accounting Policies

1.33 Investments in joint ventures

An interest in a joint venture is carried at cost less any accumulated impairment.

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.

1.34 Accumulated surplus

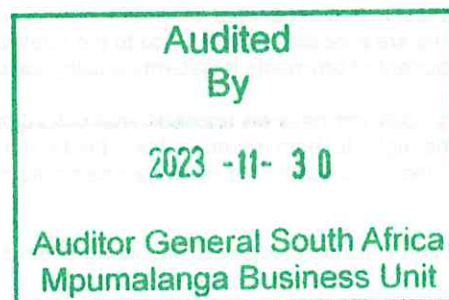
The municipality's surplus or deficit for the year is accounted in the accumulated surplus in the statement of changes in net assets.

1.35 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.



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Accounting Policies

1.35 Segment information (continued)

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.

Identification of segments

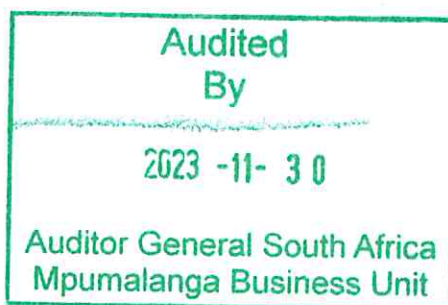
For management purposes, the municipality is organised and operates in four key functional segments (or business units). To this end, management monitors the operating results of these business units for the purpose of making decisions about resource allocations and assessment of performance. Revenues 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:

- (a) Community and public safety which includes community and social services, sport and recreation, public safety, health and housing services;
- (b) Economic and environmental services which includes planning and development, road transport and environmental protection services, and;
- (c) 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.



City of Mbombela

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Figures in Rand

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2. Inventories

Consumable stores	53 523 769	45 612 370
Water in the reservoirs and reticulation system	200 522	186 216
Land held for sale	8 149 240	8 149 240
	61 873 531	53 947 826

Inventories recognised as an expense

The amount of inventory recognised as an expense during the period is disclosed in Note 40 and there were no inventories write downs during the reporting period.

Inventory pledged as security

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

3. Operating lease asset/(liability)

Current assets	490 886	576 622
Non-current liabilities	-	(46 110)
	490 886	530 512

The operating lease expenses are smoothed on a straight- line basis over the lease term. Any over or under payment, as a result of the smoothing is recognised in the statement of financial position as an asset/(liability), until the time that payments in the future reverses the smoothing to zero by the end of the lease period.

Future lease payments of the operating lease are disclosed in note 55

4. Other receivables from exchange transactions

Debtors abeyance	3 124 824	1 577 440
Prepaid electricity	948 364	-
Housing selling scheme and Land sales	920 456	820 680
Recoveries	420 602	354 710
Rental of facilities	93 858 284	87 311 863
Job costing	37 613 991	29 586 962
	136 886 521	119 651 655

5. Statutory receivables

Traffic fines	2 603 374	3 717 250
Property rates	69 261 004	144 930 803
Value Added Tax (VAT)	267 033 663	195 335 797
	338 898 041	343 983 850

Gross balances

Property rates	314 134 414	228 302 296
Traffic fines	45 673 229	57 188 469
Value Added Tax (VAT)	267 033 663	195 335 797
	626 841 306	480 826 562

Less: Allowance for impairment

Property rates	(244 873 410)	(83 371 493)
Traffic fines	(43 069 855)	(53 471 219)
	(287 943 265)	(136 842 712)

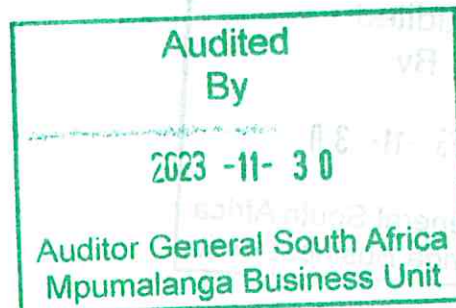
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Notes to the Audited Annual Financial Statements

Figures in Rand	2023	2022
Net balance		
Property rates	69 261 004	144 930 803
Traffic fines	2 603 374	3 717 250
Value Added Tax (VAT)	267 033 663	195 335 797
	338 898 041	343 983 850
Property Rates		
Current (0 -30 days)	36 901 601	42 831 097
31 - 60 days	15 749 559	20 474 198
61 - 90 days	13 758 173	17 981 922
91 - 120 days	12 731 220	12 983 199
121 - 365 days	86 270 906	40 820 642
> 365 days	148 722 955	93 211 238
	314 134 414	228 302 296
Reconciliation of allowance for impairment		
Balance at beginning of the year	136 842 712	173 346 265
Contribution for impairment/(Reversal of allowance)	151 100 553	(36 503 553)
	287 943 265	136 842 712
6. Trade receivables from exchange transactions		
Gross balances		
Electricity	216 557 675	178 369 027
Water	103 055 423	63 060 713
Waste water	18 310 776	11 876 179
Refuse	89 658 604	44 334 291
Service charges	52 781 683	20 199 102
	480 364 161	317 839 312
Less: Allowance for impairment		
Electricity	(51 080 433)	(25 341 397)
Water	(82 798 590)	(29 539 466)
Waste water	(16 603 373)	(5 039 355)
Refuse	(82 746 218)	(26 973 690)
Service charges	(28 219 293)	(4 947 200)
	(261 447 907)	(91 841 108)
Net balance		
Electricity	165 477 242	153 027 630
Water	20 256 833	33 521 247
Waste water	1 707 403	6 836 824
Refuse	6 912 386	17 360 601
Service charges	24 562 390	15 251 902
	218 916 254	225 998 204
Electricity		
Current (0 -30 days)	140 745 445	128 369 818
31 - 60 days	12 211 781	16 554 538
61 - 90 days	8 377 661	6 357 560
91 - 120 days	6 232 677	5 421 038
121 - 365 days	32 800 520	12 576 188
> 365 days	16 189 591	9 089 885
	216 557 675	178 369 027



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Figures in Rand	2023	2022
Water		
Current (0 -30 days)	15 491 825	17 643 300
31 - 60 days	6 942 368	8 038 934
61 - 90 days	6 121 315	6 970 035
91 - 120 days	5 477 045	6 990 045
121 - 365 days	43 060 743	12 097 596
> 365 days	25 962 127	11 320 803
	103 055 423	63 060 713
Waste water		
Current (0 -30 days)	1 716 924	2 004 736
31 - 60 days	1 240 720	1 209 545
61 - 90 days	1 087 598	1 301 290
91 - 120 days	1 015 720	1 232 298
121 - 365 days	7 213 346	2 270 865
> 365 days	6 036 468	3 857 445
	18 310 776	11 876 179
Refuse		
Current (0 -30 days)	10 393 100	10 138 476
31 - 60 days	6 173 020	6 242 302
61 - 90 days	5 680 952	5 691 686
91 - 120 days	5 354 268	5 509 140
121 - 365 days	36 138 860	12 194 680
> 365 days	25 918 404	4 558 007
	89 658 604	44 334 291
Service Charges		
Current (0 -30 days)	928 279	14 598 550
31 - 60 days	911 866	820 891
61 - 90 days	1 665 566	844 914
91 - 120 days	39 165 475	195 965
121 - 365 days	6 119 248	485 589
> 365 days	3 991 249	3 253 193
	52 781 683	20 199 102



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Figures in Rand	2023	2022
Summary of debtors by customer classification - Statutory receivables and Trade receivables from exchange		
Consumers		
Current (0 -30 days)	84 810 148	90 224 584
31 - 60 days	23 383 208	31 001 322
61 - 90 days	21 564 903	19 473 082
91 - 120 days	59 095 487	17 057 672
121 - 365 days	97 515 895	34 670 690
> 365 days	80 216 147	16 353 730
	366 585 788	208 781 080
Industrial/ commercial		
Current (0 -30 days)	108 884 628	100 333 745
31 - 60 days	12 098 683	11 359 528
61 - 90 days	9 616 079	9 606 423
91 - 120 days	8 988 346	8 854 888
121 - 365 days	69 418 404	17 033 299
> 365 days	51 602 461	19 136 108
	260 608 601	166 323 991
National and provincial government		
Current (0 -30 days)	16 484 420	25 027 648
31 - 60 days	7 747 423	10 979 558
61 - 90 days	5 510 283	10 067 902
91 - 120 days	4 916 995	6 419 124
121 - 365 days	36 469 229	28 741 570
> 365 days	96 175 835	89 799 470
	167 304 185	171 035 272
Total		
Current (0 -30 days)	210 179 197	215 585 978
31 - 60 days	43 229 314	53 340 407
61 - 90 days	36 691 265	39 147 407
91 - 120 days	73 000 827	32 331 684
121 - 365 days	203 403 527	80 445 559
> 365 days	227 994 445	125 290 573
	794 498 575	546 141 608
Reconciliation of allowance for impairment		
Balance at beginning of the year	91 841 108	83 133 903
Contributions to allowance	169 606 799	8 707 205
	261 447 907	91 841 108
Trade receivables from exchange transactions pledged as security		
There were no trade receivables from exchange transactions pledged as security during the reporting period.		
7. Deposits made		
Other deposits	582 477	582 477
Deposits - Eskom	14 715 330	5 320 658
	15 297 807	5 903 135

Other deposits include post box and lessee rental deposit.

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Notes to the Audited Annual Financial Statements

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8. Receivables from non-exchange transactions

Current portion of receivables	401 812	867 241
Non-current receivables	2 096 172	2 089 162
	2 497 984	2 956 403

The above receivables relates to employees bursary recoveries and housing stand loans.

9. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	97 180	94 180
Bank balances	205 213 271	144 416 419
Total cash and cash equivalents	205 310 451	144 510 599



City of Mbombela

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Audited Annual Financial Statements for the year ended 30 June 2023



Notes to the Audited Annual Financial Statements

Figures in Rand	2023			2022		
The municipality had the following bank accounts						
Account number / description	Bank statement balances			Cash book balances		
	30 June 2023	30 June 2022	30 June 2021	30 June 2023	30 June 2022	30 June 2021
Primary Bank Acc - ABSA Mbombela: Account Number: 40-90003-9447	106 423 972	108 728 593	56 319 597	103 164 576	93 582 046	55 600 525
Call Account (Water Deposits) - Bank: ABSA Mbombela: Account Number: 90-6983-8617	4 942	4 760	4 718	4 942	4 760	4 718
Call Account (Service Contribution) - Bank: ABSA Mbombela: Account Number: 90- 7568-1173	337 745	320 120	311 866	671 635	654 010	645 133
Call Account (Grants) - Bank: ABSA Mbombela - Account Number: 40-8341-7222	8 192	7 706	7 447	8 202	7 717	7 429
Primary Bank Acc - ABSA Mbombela: Account Number: 40- 5321-5785	200 000	200 000	200 000	367 017	646 487	901 185
Call Account (Lottery Distribution Trust Fund Mbombela) - 40-6856-1426	10 886	10 565	10 394	10 786	10 466	10 276
Cheque Account - Bank: ABSA, Prime Link Account: Account Number: 40-6653-7243	100 064 681	49 161 098	5 125 733	100 093 289	49 167 361	5 125 733
Bank: ABSA Mbombela - Account Number: 20-7400-3363	-	-	-	-	-	(5 560)
First National Bank - Barberton - Account number: 5160026441	946 343	391 601	9 749	893 376	327 505	(49 793)
ABSA Bank - Mbombela Traffic Account - 10-7000-0209	-	20 000	-	(2 908)	12 496	(4 400)
First National Bank - Barberton - Account number: 62305845995	-	-	-	-	-	41
First National Bank - Barberton - Account number: 62305846612	-	-	-	-	-	114
First National Bank - Barberton - Account number: 62305846935	-	-	-	-	-	728
First National Bank - Barberton - Account number: 62305847222	-	-	-	-	-	24
First National Bank - Barberton - Account number: 62000772229	-	-	-	-	-	44
First National Bank - Barberton - Account number: 62000774704	-	-	-	-	-	(1 407)
ABSA Bank - Barberton - 40-7085-2360	-	-	-	-	-	10 400
ABSA Bank - Barberton - 40-406-1187	2 102	3 316	5 096	2 101	3 316	5 096
ABSA Bank - Barberton - 923-146-4852	256	255	255	255	255	255
Petty Cash	-	-	-	97 180	94 180	88 085
Bank: ABSA Mbombela - Account Number: 93-6921-9771	58 656	-	-	-	-	-
Total	208 057 775	158 848 014	61 994 855	205 310 451	144 510 599	62 338 626

City of Mbombela

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Notes to the Audited Annual Financial Statements

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10. Investment property

	2023		2022		
Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
358 827 926	(37 197 607)	321 630 319	358 827 926	(34 754 950)	324 072 976

Investment property

Reconciliation of investment property - 2023

Investment property	Opening balance	Depreciation	Total
	324 072 976	(2 442 657)	321 630 319

Reconciliation of investment property - 2022

Investment property	Opening balance	Depreciation	Total
	326 515 631	(2 442 656)	324 072 976

Pledged as security

There were no investment properties 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.

Amounts recognised in surplus or deficit

Rental revenue from Investment property

19 863 597 37 120 513

There were no repairs and maintenance expenses incurred for investment property during the reporting period.



City of Mbombela

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Notes to the Audited Annual Financial Statements

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11. Property, plant and equipment

	2023		2022	
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost
Land	664 942 674	-	664 942 674	664 958 721
Buildings	1 630 675 046	(947 091 575)	683 583 471	1 621 747 786
Equipment and machinery	54 504 971	(26 440 829)	28 064 142	51 147 971
Furniture and equipment	80 023 358	(51 922 876)	28 100 482	76 178 284
Transport assets	216 177 594	(125 073 777)	91 103 817	212 252 797
Computer equipment	64 312 339	(32 174 928)	32 137 411	62 818 160
Roads, pavements and stormwater	4 412 771 544	(2 724 641 782)	1 688 129 762	4 257 013 206
Construction Work-in-progress	1 099 118 382	-	1 099 118 382	904 621 872
Waste management	34 843 133	(15 427 614)	19 415 519	42 238 127
Electricity	1 559 521 520	(926 891 989)	632 629 531	1 380 728 381
Leased assets	1 779 311	(55 728)	1 723 583	-
Waste water	842 519 460	(430 709 584)	411 809 876	790 115 739
Water	1 622 900 621	(634 156 856)	988 743 765	1 614 970 099
Service concession assets - Grantor	1 881 730 073	(957 278 205)	924 451 868	1 883 612 808
Library	98 791 111	(56 382 526)	42 408 585	98 791 110
Total	14 264 611 137	(6 928 248 269)	7 336 362 868	13 661 195 061
				(6 398 039 717)
				7 263 155 344

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Notes to the Audited Annual Financial Statements

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Reconciliation of property, plant and equipment - 2023

	Opening balance	Additions	Disposals	Transfers received	Transfers out	Donations	Change in accounting estimates	Depreciation	Total
Land	664 958 721	-	(16 047)	-	-	-	-	-	664 942 674
Buildings	747 529 893	838 234	(1 408 114)	10 034 121	-	-	-	(73 410 662)	683 583 471
Equipment and machinery	27 948 206	3 368 628	(11 190)	-	-	-	-	(3 241 502)	28 064 142
Furniture and equipment	29 232 920	3 144 259	-	-	-	-	-	(4 276 697)	28 100 482
Transport assets	98 034 246	4 828 546	(324 849)	-	-	-	-	(11 434 126)	91 103 817
Computer equipment	34 971 659	1 702 760	(173 227)	-	-	-	-	(4 363 781)	32 137 411
Roads, pavements and stormwater	1 772 872 920	70 178 932	(950 842)	96 582 656	-	-	-	(250 553 904)	1 688 129 762
Construction Work-in-progress	904 621 872	401 651 092	-	-	(207 154 582)	-	-	-	1 099 118 382
Waste Management	27 830 847	-	-	-	-	-	(7 394 994)	(1 020 334)	19 415 519
Electricity	505 701 544	92 742 071	(121 427)	86 953 895	-	-	-	(52 646 552)	632 629 531
Leased assets	-	1 779 311	-	-	-	-	-	(55 728)	1 723 583
Waste water	399 116 989	47 027 810	(397 801)	6 687 243	-	-	-	(40 624 365)	411 809 876
Water	1 020 719 941	10 707 441	(2 596 775)	6 896 667	-	2 047 797	-	(49 031 306)	988 743 765
Service concession assets - Grantor	976 566 266	-	(116 863)	-	-	-	-	(51 997 535)	924 451 868
Library	53 049 320	-	-	-	-	-	-	(10 640 735)	42 408 585
	7 263 155 344	637 969 084	(6 117 135)	207 154 582	(207 154 582)	2 047 797	(7 394 994)	(553 297 227)	7 336 362 868

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Reconciliation of property, plant and equipment - 2022

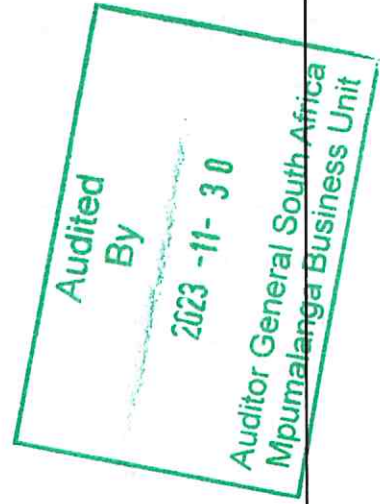
	Opening balance	Additions	Disposals	Transfers In	Transfers Out	Donations	Additions through transfer of functions	Change in accounting estimates	Depreciation	Total
Land	664 978 085	-	(19 364)	-	-	-	-	-	-	664 958 721
Buildings	776 749 778	11 979 114	(436 051)	32 537 905	-	-	-	-	(73 300 853)	747 529 893
Equipment and machinery	29 382 173	2 162 090	(432 100)	-	-	-	-	-	(3 163 957)	27 948 206
Furniture and equipment	33 114 254	696 728	(592 938)	-	-	261 570	-	-	(4 246 694)	29 232 920
Transport assets	106 946 739	700 000	(3 637 193)	-	-	5 400 931	-	-	(11 376 231)	98 034 246
Computer equipment	34 725 578	5 274 282	(917 556)	-	-	-	21 814	-	(4 132 459)	34 971 659
Roads, pavements and stormwater	1 721 496 012	144 482 055	(1 338 333)	164 422 363	-	-	-	-	(256 189 177)	1 772 872 920
Construction Work-in-progress	762 513 654	389 740 793	-	-	(247 632 575)	-	-	-	-	904 621 872
Waste Management	42 051 224	-	-	-	-	-	-	(13 200 043)	(1 020 334)	27 830 847
Electricity	519 312 251	38 845 544	(142 613)	-	-	-	-	-	(52 313 638)	505 701 544
Waste water	418 669 974	4 119 547	(162 512)	16 949 932	-	-	-	-	(40 459 952)	399 116 989
Water	1 023 424 612	12 450 048	-	33 722 376	-	-	-	-	(48 877 095)	1 020 719 941
Service concession assets - Grantor	1 028 644 569	-	(80 694)	-	-	-	-	-	(51 997 609)	976 566 266
Library	63 690 055	-	-	-	-	-	-	-	(10 640 735)	53 049 320
	7 225 698 958	610 450 201	(7 759 354)	247 632 576	(247 632 575)	5 662 501	21 814	(13 200 043)	(557 718 734)	7 263 155 344

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.

Computer equipment	82 236	11 150
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City of Mbombela

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Notes to the Audited Annual Financial Statements

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Property, plant and equipment in the process of being constructed or developed

Cumulative expenditure recognised in the carrying value of property, plant and equipment

Roads, Pavement, Bridges and Stormwater Infrastructure	428 048 010	327 444 185
Water Reservoirs and Reticulation Infrastructure	323 088 849	264 431 297
Electricity Infrastructure	183 850 273	205 344 025
Buildings	50 482 518	30 030 403
Waste Water Infrastructure	113 648 730	77 371 960
	1 099 118 380	904 621 870

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

Water Reservoirs and Reticulation Infrastructure 4 475 617 4 475 617

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.

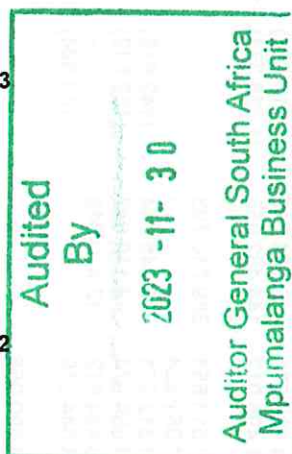
Roads, Pavement, Bridges and Stormwater Infrastructure 6 670 714 -

Various factors, including but not limited to demonstrations by taxi associations in the Swalala region, community unrests, and internal inefficiencies that caused a lag between the appointment of consultants and contractors, significantly slowed the progress of the project.

11 146 331 4 475 617

Reconciliation of Work-in-Progress 2023

Opening balance
Additions/capital expenditure
Transferred to completed items



Included within Infrastructure	Included within Other PPE	Total
874 591 468	30 030 403	904 621 871
371 164 857	30 486 236	401 651 093
(197 120 463)	(10 034 121)	(207 154 584)
1 048 635 862	50 482 518	1 099 118 380

Reconciliation of Work-in-Progress 2022

Opening balance
Additions/capital expenditure
Transferred to completed items

Included within Infrastructure	Included within Other PPE	Total
717 317 844	45 195 810	762 513 654
372 368 294	17 372 498	389 740 792
(215 094 670)	(32 537 905)	(247 632 575)
874 591 468	30 030 403	904 621 871

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance

Contracted services 155 332 523 303 476 127

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.

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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.

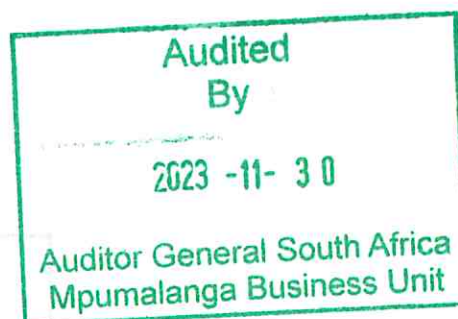
The Concessionaire is obligated to ensure that the communities within the concession area have access to a 24 - hour water supply to all formal households and to use best efforts to improve the number of households in informal areas with 24 - hour water supply. It is also a requirement that the Concessionaire 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 GRAP 32. 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.



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12. Intangible assets

	2023			2022		
	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	33 186 693	(12 056 077)	21 130 616	23 724 671	(10 444 347)	13 280 324
Servitudes	4 590 568	-	4 590 568	4 590 568	-	4 590 568
Total	38 576 391	(12 833 882)	25 742 509	29 114 369	(11 222 152)	17 892 217

Reconciliation of intangible assets - 2023

	Opening balance	Additions	Amortisation	Total
Licenses and franchises	21 325	-	-	21 325
Computer software	13 280 324	9 462 130	(1 611 838)	21 130 616
Servitudes	4 590 568	-	-	4 590 568
	17 892 217	9 462 130	(1 611 838)	25 742 509

Reconciliation of intangible assets - 2022

	Opening balance	Additions	Additions through transfer of function	Amortisation	Total
Licenses and franchises	21 325	-	-	-	21 325
Computer software	8 692 821	5 591 154	8 541	(1 012 192)	13 280 324
Servitudes	4 590 568	-	-	-	4 590 568
	13 304 714	5 591 154	8 541	(1 012 192)	17 892 217

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.

Pledged as security

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



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Figures in Rand	2023			2022		
	Cost	Accumulated impairment losses	Carrying value	Cost	Accumulated impairment losses	Carrying value
13. Heritage assets						
Art Collections, antiquities and exhibits	213 535	-	213 535	213 535	-	213 535
Historical monuments	485 639	-	485 639	485 639	-	485 639
Historical buildings	436 805	(235 147)	201 658	436 805	(235 147)	201 658
Recreational parks	1 428 088	-	1 428 088	1 428 088	-	1 428 088
Total	2 564 067	(235 147)	2 328 920	2 564 067	(235 147)	2 328 920

Reconciliation of heritage assets 2023

	Opening balance	Additions	Disposals	Transfers received	Impairment losses recognised	Total
Art Collections, antiquities and exhibits	213 535	-	-	-	-	213 535
Historical monuments	485 639	-	-	-	-	485 639
Historical buildings	201 658	-	-	-	-	201 658
Recreational parks	1 428 088	-	-	-	-	1 428 088
	2 328 920	-	-	-	-	2 328 920

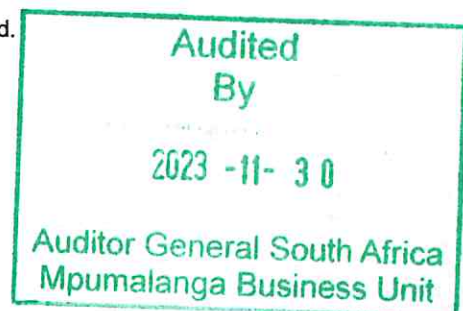
Reconciliation of heritage assets 2022

	Opening balance	Additions	Disposals	Transfers received	Impairment losses recognised	Total
Art Collections, antiquities and exhibits	186 585	26 950	-	-	-	213 535
Historical monuments	485 639	-	-	-	-	485 639
Historical buildings	201 658	-	-	-	-	201 658
Recreational parks	1 428 088	-	-	-	-	1 428 088
	2 301 970	26 950	-	-	-	2 328 920

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.

Pledged as security

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



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Maintenance of heritage assets

Maintenance of heritage assets by condition - 2023

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

14. Interest Bearing Borrowings

At amortised cost

Development Bank of South Africa R200 million

This loan bears interest at 11.09% and is payable in three installments per annum.

Development Bank of South Africa R138.6 million

This loan bears interest at 11.73% is payable in three installments per year annum.

Stock Loans@ .11.60%

122 352 795 128 218 633

139 273 187 147 289 295

3 000 3 000

261 628 982 275 510 928

Total interest bearing borrowings

261 628 982 275 510 928

Non-current liabilities

At amortised cost

239 344 638 254 788 003

Current liabilities

At amortised cost

22 284 344 20 722 925

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15. Trade and other payables from exchange transactions

Trade payables and accruals	673 650 532	751 052 081
Payments received in advance	166 226 325	154 208 998
Salaries - employee related costs	118 821 083	112 145 084
Retentions	109 867 051	102 701 127
Accrued leave pay	91 456 120	94 874 245
Bulk Water	252 890 375	211 816 053
Agency Fees Payable	-	218 387 563
Unallocated deposits	41 976 179	44 983 612
Bulk electricity	377 111 615	1 101 524 331
Bonus Accrual	21 867 630	21 070 439
Workmen's Compensation (COID)	27 796 573	21 775 826
	1 881 663 483	2 834 539 359

16. Other payables from non - exchange transactions

Transfers payable	90 000 221	-
Service contributions	57 556 316	30 160 971
	147 556 537	30 160 971

17. Consumer deposits

Electricity	35 158 419	33 202 870
Water	4 252 772	3 711 174
Rental of municipal facilities	393 746	338 734
	39 804 937	37 252 778

18. Post employment benefits

Post employment health care employee benefit

The municipality makes provision for its 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	197 284 999	182 728 999
Current service costs	9 749 000	9 312 000
Interest costs	23 086 000	18 643 000
Actuarial (gains) / losses	(32 755 998)	(9 109 318)
Actual post-employment health care benefits payment	(4 687 002)	(4 289 682)
	192 676 999	197 284 999
Non-current liabilities	187 549 999	192 542 999
Current liabilities	5 127 000	4 742 000
	192 676 999	197 284 999

The post employment benefit plan is wholly unfunded.

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Assumptions for actuarial valuation

Assumptions made from the actuarial valuation as at 30 June 2023 were as follows:

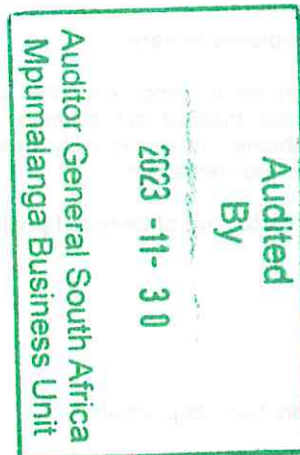
Discount rate	12.53 %	11.84 %
Consumer inflation	6.64 %	6.95 %
Medical inflation	8.14 %	8.45 %
Maximum subsidy inflation rate	5.73 %	5.96 %
Expected retirement age (years)	62	62

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 6.64% was obtained from the differential between market yields on index-linked bonds consistent with the estimated term of the liabilities (5.06%) and those of fixed interest bonds (12.53%) with a risk premium adjustment for the uncertainty implicit in guaranteeing real increases (0.50%). This was therefore determined as follows: $((1+12.53\% - 0.50\%)/(1+5.06\%)) - 1$.

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

	2023 Decrease	2022 Decrease
Health cost inflation effect on the current service cost	8 518 000	7 985 000
Health cost inflation effect on the defined benefit liability	175 081 000	178 226 000
Discount rate effect on the current service cost	11 758 000	11 335 000
Discount rate effect on the health care benefit liability	222 048 000	229 984 000
Health cost inflation effect on the current interest cost	20 830 000	16 587 000
Discount rate effect on the current service interest cost	24 680 000	19 757 000
	Increase	Increase
Health cost inflation effect on the current service cost	10 683 000	10 372 000
Health cost inflation effect on the defined benefit liability	207 106 000	212 359 000
Discount rate effect on the current service cost	8 159 000	7 745 000
Discount rate effect on the health care benefit liability	168 909 000	171 149 000
Health cost inflation effect on the current interest cost	24 870 000	20 335 000
Discount rate effect on the current service interest cost	21 680 000	17 634 000
	2021 Decrease	2020 Decrease
Health cost inflation effect on the current service cost	6 510 000	7 979 800
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	14 710 000
Discount rate effect on the current service interest cost	17 460 000	16 969 000
	Increase	Increase
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 service interest cost	15 663 000	15 147 300
	2019 Decrease	2018 Decrease
Health cost inflation effect on the current service cost	6 962 000	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	9 918 000	9 837 200
Discount rate effect on the health care benefit liability	149 873 000	175 439 000



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Figures in Rand	2023	2022
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
	Increase	Increase
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	64 864 000
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	14 172 800
Discount rate effect on the current service interest cost	13 425 700	13 425 700

19. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Public Transport Network Grant (PTNG)	84 653 651	148 303 301
Neighbourhood Development Partnership Grant (NDPG)	100 922	-
Municipal Disaster Relief Grant	11 805 000	-
Regional Bulk Infrastructure Grant (RBIG)	91 554	1 748 920
	96 651 127	150 052 221

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Figures in Rand	2023	2022				
20. Provisions						
Reconciliation of provisions - 2023						
	Opening Balance	Additions	Change in accounting estimates	Change due to unwinding of interest	Remeasurement of provision for closed landfill sites	Total
Landfill site environmental rehabilitation	179 002 700	-	(7 394 994)	4 491 796	7 173 493	183 272 995
Long service awards	85 510 000	7 607 001	-	-	-	93 117 001
	264 512 700	7 607 001	(7 394 994)	4 491 796	7 173 493	276 389 996
Reconciliation of provisions - 2022						
	Opening Balance	Additions	Change in accounting estimate	Change due to unwinding of interest	Remeasurement of provision for closed landfill sites	Total
Landfill site environmental rehabilitation	204 457 046	-	(13 200 043)	4 191 414	(16 445 717)	179 002 700
Long service awards	80 815 000	4 695 000	-	-	-	85 510 000
	285 272 046	4 695 000	(13 200 043)	4 191 414	(16 445 717)	264 512 700
Non-current liabilities					257 457 127	253 693 278
Current liabilities					18 932 869	10 819 422
					276 389 996	264 512 700

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 for landfill site

The financial assumptions used for the provision for landfill site rehabilitation at 30 June 2023 were as follows:

Adjustments of unit costs	6.17 %	6.61 %
Consumer Price Index (CPI)	5.47 %	6.61 %
Discount rate		
Tekwane West and Barberton landfill sites	11.42 %	10.61 %
Mbombela and Mbonisweni landfill sites	10.67 %	9.36 %
Hazyview landfill site	10.92 %	9.61 %
Net effective discount rate (inflation linked bond rates) above Consumer Price Index (CPI)		
Tekwane West and Barberton landfill sites	5.25 %	4.00 %
Mbombela and Mbonisweni landfill sites	4.50 %	2.75 %
Hazyview landfill site	4.75 %	3.00 %

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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.

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

Opening balance	85 510 000	80 815 000
Current service costs	7 269 000	6 765 000
Interest costs	8 953 000	6 911 000
Actuarial (gains) / losses	(1 623 123)	1 538 000
Expenditure incurred	(6 991 877)	(10 519 000)
	93 117 000	85 510 000

Net expense recognised in the statement of financial performance

Current service cost	7 269 000	6 765 000
Interest cost	8 953 000	6 911 000
Actuarial (gains) / losses	(1 623 123)	1 538 000
Expenditure incurred	(6 991 877)	(10 519 000)
	7 607 000	4 695 000

Assumptions for actuarial valuation

Assumptions made from the actuarial valuation as at 30 June 2023 were as follows:

Discount rate	11.08 %	10.93 %
Consumer inflation	5.47 %	6.34 %
Salary inflation	6.47 %	7.34 %

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 5.47% was obtained from the differential between market yields on index-linked bonds (4.84%) consistent with the estimated terms of the liabilities and those of nominal bonds (11.08%) with a risk premium adjustment for the uncertainty implicit in guaranteeing real increases (0.50%). Therefore, expected inflation is determined as $((1+11.08\%-0.50\%)/(1+4.84\%)-1)$.

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

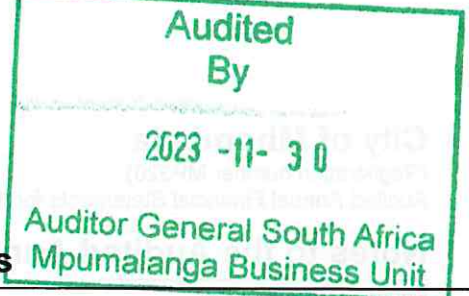
	2023	2022
	Decrease	Decrease
Discount rate effect on the current service cost	7 733 000	7 249 000
Discount rate effect on the unfunded accrued liability	98 300 000	90 791 000
Discount rate effect on the interest cost	8 657 000	6 583 000
	Increase	Increase
Discount rate effect on the current service cost	6 855 000	6 336 000
Discount rate effect on the unfunded accrued liability	88 441 000	80 766 000
Discount rate effect on the interest cost	9 207 000	7 190 000
	2021	2020
	Decrease	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

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	Increase	Increase
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

	2019 Decrease	2018 Decrease
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

	Increase	Increase
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

21. Other financial liabilities

Job costing	4 417 862	9 014 800
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Job costing refers to specialized electrical connection requests.

22. Non current portion of trade and other payables from exchange transactions

Bulk electricity	1 174 025 813	-
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The Minister of Finance announced the Eskom debt relief in his Budget speech on the 22nd February 2023. The debt relief was further granted to municipalities that applied to participate in the programme. National Treasury subsequently released circular 124, which stipulated the conditions to which municipalities have to adhere to qualify for the debt relief. National Treasury approved the City's application to participate in the programme with effect from the 1st June 2023. The Debt relief will be provided in three stages equal to one third of the value owed by the City as at February 2023, on an annual basis, subject to satisfying all the conditions as stipulated in circular 124.

23. Finance lease obligation

Minimum lease payments due		
- within one year	675 458	-
- in second to fifth year inclusive	1 225 086	-

less: future finance charges

Present value of minimum lease payments	1 900 544	-
	(276 989)	-
	1 623 555	-

Present value of minimum lease payments due		
- within one year	517 672	-
- in second to fifth year inclusive	1 105 882	-
	1 623 554	-

The average lease term is 3 years and the average effective borrowing rate is 11.25%. Interest rates are fixed at the contract date. Some leases have fixed repayment terms. No arrangements have been entered into for contingent rent. The agreement ceases on termination date and makes no provision for renewal or extension. The municipality may choose to procure the multifunction printers on rental/lease or once off, or both. Annual price increases are based on average CPI of 6.9%. Obligations under finance leases are secured by the lessor's title to the leased asset.

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24. Sale of goods and rendering of services		
Advertisements	954 383	8 020 172
Amendments fees	6 279 610	5 498 179
Application fees for land usage	1 054 506	3 275 815
Burial fees	1 418 752	1 551 231
Entrance fees	95 856	67 449
Fire services	153 604	141 316
Photocopies and faxes	146 275	108 773
	10 102 986	18 662 935
25. Service charges		
Sale of electricity	1 280 692 737	1 258 134 428
Sale of water	120 776 180	109 243 597
Solid waste removal	150 704 462	142 896 137
Sewerage and sanitation charges	23 435 857	23 171 874
	1 575 609 236	1 533 446 036

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26. Rental of facilities and equipment

Facilities and Equipment

25 282 797 19 682 808

The rental income relates to the rental fees charged to the Department of Community, Safety and Liaison after the agency-principal relationship ceased to exist in March 2021 and other rental of municipal facilities.

27. Licenses and permits

Trading

41 061 2 783

28. Other income

Collection fees
Bad debts recovered
Municipal Information and statistics
Insurance refunds
Administration and management fees received
Commission received
Revenue recognised from service contributions
Sale of property
Skills Development Levy Refund
Staff recoveries
Accident reports

9 748 405 150 944
69 664 811 29 594 670
2 922 8 696
4 199 385 227 080
4 584 567 5 190 335
- 5 581 022
105 497 987 4 323 681
5 150 10 466
2 684 037 1 901 392
30 631 18 236 910
61 868 29 402
196 479 763 65 254 598

29. Finance income

Interest revenue

Cash and cash equivalents
Receivables from exchange transactions

9 080 495 2 583 290
37 414 341 30 504 505
46 494 836 33 087 795

30. Gain on liability write-off

Gain on liability write - off

224 062 982 -

In terms of section 76(1)(e) and 76(4)(a) of the Public Financial Management Act 1 of 1999 the accounting officer of the Department of Community Safety, Security and Liaison has written off the debt owed by the City.

31. Fair value adjustments

Provisions - Land fill sites

(7 173 493) 16 445 717

Fair value adjustments on the rehabilitation of non-operational landfill sites for Mbonisweni and Nelspruit landfill sites.

32. Actuarial gains/losses

Actuarial gains/losses

32 824 231 9 109 318

33. Gain on reversal of impairment

Gain on reversal of impairment

- 28 229 970



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34. Property rates		
Rates revenue		
Residential	338 398 810	309 194 433
Commercial	366 638 939	347 224 623
State	144 579 552	132 805 428
Agriculture	19 568 599	19 714 011
Other	7 656 565	8 024 836
Less: Income forgone	(73 752 419)	(72 917 293)
	803 090 046	744 046 038
Valuations		
Residential	41 851 594 157	41 118 091 019
Commercial	20 387 581 175	20 219 558 645
State	5 778 206 300	5 729 855 800
Municipal	1 549 265 808	1 468 020 978
Agriculture	11 229 563 167	11 065 172 610
Other	2 314 715 572	2 380 253 001
	83 110 926 179	81 980 952 053

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

A general rate of 0.00825 cent in a Rand (2022 : 0.00778) was to property valuations to determine property rates. Various rebates are granted to certain categories of rateable properties and/or categories of owners in terms of the approved Property Rates Policy/By-Law. Rates are levied on a monthly basis on property owners. Interest at 9.25 % per annum (2022 : 8.00 %) is levied on outstanding rates.

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35. Government grants and subsidies

Operating grants

Equitable share	948 458 000	834 510 000
Financial Management Grant (FMG)	2 650 000	2 550 000
Expanded Public Works Programme (EPWP)	8 555 000	7 036 000
Public Transport Network Grant (PTNG)	-	6 515 569
	959 663 000	850 611 569

Capital grants

Municipal Infrastructure Grant(MIG)	384 362 000	353 929 000
Energy Efficiency Demand Side Management (EEDSM)	4 284 000	6 000 000
Neighbourhood Development Partnership Grant (NDPG)	899 078	11 153 000
Integrated National Electrification Programme (INEP)	54 659 000	69 206 000
Regional Bulk Infrastructure Grant (RBIG)	9 908 446	251 080
Water Services Infrastructure Grant (WSIG)	30 000 000	15 000 000
Public Transport Network Grant (PTNG)	63 446 349	43 437 130
	547 558 873	498 976 210
	1 507 221 873	1 349 587 779

Equitable Share

Equitable share	948 458 000	834 510 000
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This grant is unconditional and is used to subsidise the provision of basic services to indigent community members.

Municipal Infrastructure Grant (MIG)

Current-year receipts	384 362 000	353 929 001
Conditions met - transferred to revenue - capital	(336 232 545)	(307 764 350)
Conditions met - transferred to revenue - VAT	(48 129 455)	(46 164 651)
	-	-

This grant was used to accelerate basic infrastructure backlogs for the benefit of poor households. The revenue recognised met the conditions of the grant.

Integrated National Electrification Programme Grant (INEP)

Current-year receipts	54 659 000	69 206 000
Conditions met - transferred to revenue - capital	(47 529 565)	(60 179 131)
Conditions met - transferred to revenue - VAT	(7 129 435)	(9 026 869)
	-	-

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.

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Figures in Rand	2023	2022
Public Transport Network Grant (PTNG)		
Balance unspent at beginning of year	148 303 301	-
Current-year receipts	148 100 000	198 256 000
Conditions met - transferred to revenue - capital	(55 170 738)	(43 437 130)
Conditions met - transferred to revenue - VAT	(8 275 611)	(6 515 569)
Transferred to Equitable share	(148 303 301)	-
	84 653 651	148 303 301

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.

Water Services Infrastructure Grant (WSIG)

Current-year receipts	30 000 000	15 000 000
Conditions met - transferred to revenue - operating	(26 086 955)	(13 043 478)
Conditions met - transferred to revenue - VAT	(3 913 045)	(1 956 522)
	-	-

The grant is used to facilitate the planning and implementation of various water and on site sanitation projects to accelerate backlog reduction and enhance sustainability of services. The revenue recognised met the conditions of the grant.

Neighbourhood Development Partnership Grant (NDPG)

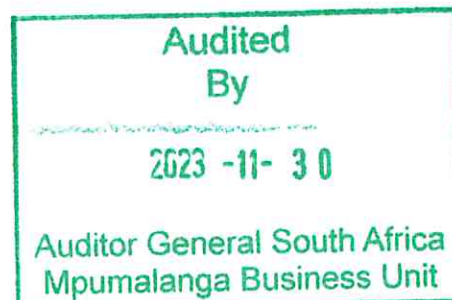
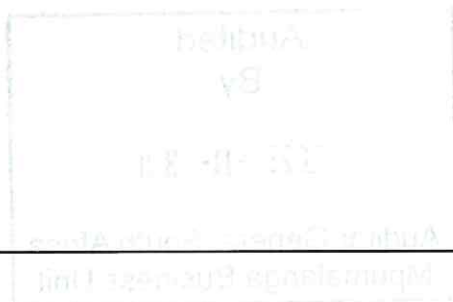
Current-year receipts	1 000 000	11 153 000
Conditions met - transferred to revenue - capital	(781 807)	(9 698 260)
Conditions met - transferred to revenue - VAT	(117 271)	(1 454 740)
	100 922	-

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 underserved neighbourhoods, specifically in townships. The revenue recognised met the conditions of the grant. The unspent amount of the grant is committed to the completion of the Neighbourhood development Infrastructure projects.

Finance Management Grant (FMG)

Current-year receipts	2 650 000	2 550 000
Conditions met - transferred to revenue - operating	(2 535 786)	(2 281 101)
Conditions met - transferred to revenue - VAT	(114 214)	(268 899)
	-	-

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.



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Figures in Rand	2023	2022
Energy Efficiency Demand Side Management (EEDSM)		
Current-year receipts	4 284 000	6 000 000
Conditions met - transferred to revenue - capital	(3 725 218)	(5 217 391)
Conditions met - transferred to revenue - VAT	(558 782)	(782 609)
	-	-

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	11 805 000	-
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This grant will be used to provide funding for responding to and providing relief for unforeseeable and unavoidable disasters.

Regional Bulk Infrastructure Grant (RBIG)

Balance unspent at beginning of year	1 748 920	-
Current-year receipts	10 000 000	2 000 000
Conditions met - transferred to revenue - capital	(8 616 040)	(218 330)
Conditions met - transferred to revenue - VAT	(1 292 406)	(32 750)
Re-payment of unspent grant	(1 748 920)	-
	91 554	1 748 920

The grant was used to develop, refurbish, upgrade and replace ageing water and sanitation infrastructure of regional significance that connects water resources infrastructure serving extensive areas across municipal boundaries. The unspent amount of the grant is committed to the completion of the Regional bulk Infrastructure projects.

Expanded Public Works Programme (EPWP)

Current-year receipts	8 555 000	7 036 000
Conditions met - transferred to revenue - operating	(8 555 000)	(7 036 000)
	-	-

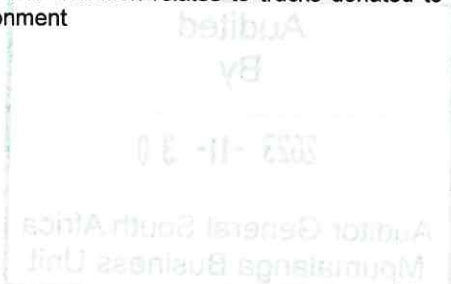
The grant was used to expand labour intensive delivery methods in waste management, road maintenance and other programmes in accordance with the grant framework.

36. Public contributions and donations

Donations	7 796 532	5 662 501
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2022: The donation relates to boreholes transferred and materials used for road maintenance as a response to the state of disaster declared in the province by the Ehlanzeni District Municipality in terms of section 14 of the MFMA, Act no 56 of 2003.

2021: The donation relates to trucks donated to the municipality by the National Department of Forestry, Fisheries, and the Environment



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Figures in Rand	2023	2022
37. Fines, Penalties and Forfeits		
Building Fines	246 000	10 870
Illegal Connection Fines	643 446	483 700
Overdue Book Fines	8 399	3 762
Municipal Traffic Fines	947 738	2 233 084
Unclaimed Money Forfeits	2 153 831	2 322 868
	3 999 414	5 054 284

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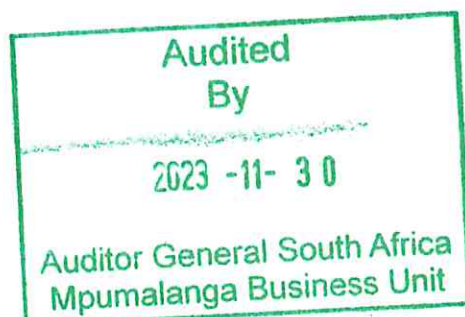
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Figures in Rand	2023	2022
38. Employee related costs		
Basic	616 538 165	591 497 662
Bonus	50 865 380	48 379 497
Medical aid - company contributions	53 466 162	50 597 006
Social Contributions - Unemployment Insurance Fund	3 958 508	4 031 200
Tools Allowance	960 906	907 485
Payment in lieu of overtime	140 297	6 505 701
Overtime Allowance	188 572 289	171 425 170
Defined benefit plans	31 211 877	29 550 113
Long-service awards	16 222 000	13 676 000
Acting allowances	12 554 361	14 902 629
Remuneration of General Manager - Energy	-	1 946 610
Car allowance	66 297 896	62 478 614
Housing benefits and allowances	6 108 430	5 747 400
Social Contribution - Pension	123 882 563	118 165 261
Standby Allowance	34 681 073	30 050 530
Cellular and Telephone	6 659 258	5 992 674
Remuneration of General Manager -Office of Council	-	1 641 338
Remuneration of General Manager - Public Safety	-	1 867 958
Social Contribution: Group Life Insurance	7 695 083	7 164 527
Social Contributions: Bargaining Council	239 220	233 903
Remuneration of General manager - Local Economic Development and Tourism	999 392	-
Shift Allowance	14 701 342	13 350 793
Remuneration of the Municipal Manager	2 511 192	2 601 408
Remuneration of Deputy Municipal Manager - Service Delivery	-	1 971 880
Remuneration of Deputy Municipal Manager - Institutional Development	654 517	1 770 058
Remuneration of General Manager - City Planning and Development	1 969 636	1 641 338
Remuneration of General Manager - Community Services	1 926 432	1 641 339
Remuneration of General Manager - Corporate and Support Services	1 880 537	1 700 532
Remuneration of General Manager - Technical Services	2 006 588	-
Remuneration of General Manager - Water and Sanitation	1 997 984	1 717 171
Remuneration of General Manager - Public Works, Roads and Transport	738 574	1 641 338
Remuneration of General Manager - Regional Service Centre Coordination	378 995	1 641 338
Remuneration of General Manager - Strategic Management Services	1 716 496	1 641 338
Remuneration of General Manager - Social Services	1 811 276	-
Remuneration of Chief Financial Officer	1 169 200	1 920 730
	1 254 515 629	1 200 000 541



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Remuneration of Municipal Manager

Annual remuneration	1 744 469	1 673 487
Contributions to UIF, Medical and Pension Funds	336 889	335 703
Car allowance	336 000	336 000
Phone allowance	93 834	89 199
Payment in lieu of leave	-	167 019
	2 511 192	2 601 408

Remuneration of Chief Financial Officer

Annual remuneration	808 634	1 304 689
Contributions to UIF, Medical and Pension Funds	187 671	331 450
Car allowance	146 217	240 000
Phone allowance	26 678	44 591
	1 169 200	1 920 730

The position of the Chief Financial Officer became vacant from 1 September 2022. The Council appointed the Chief Financial Officer with effect from 1 February 2023 at its meeting held 31 January 2023 under item B(1).

Remuneration of General Manager - Strategic Management Services

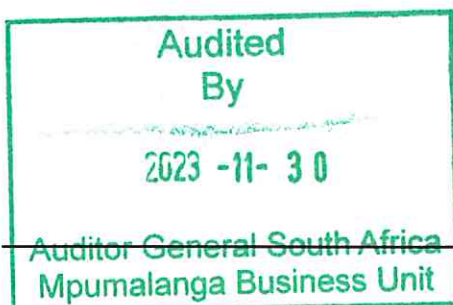
Annual remuneration	1 422 864	1 354 622
Contributions to UIF, Medical and Pension Funds	2 125	2 125
Phone allowance	46 908	44 591
Car allowance	240 000	240 000
Payment in lieu of leave	4 599	-
	1 716 496	1 641 338

Remuneration of Deputy Municipal Manager - Institutional Development

Annual remuneration	359 124	1 365 729
Contributions to UIF, Medical and Pension Funds	354	2 125
Car allowance	25 000	300 000
Phone allowance	7 819	89 199
Payment in lieu of leave	262 220	-
Acting and post related allowance	-	13 005
	654 517	1 770 058

Remuneration of Deputy Municipal Manager - Service Delivery

Annual remuneration	-	1 520 761
Contributions to UIF, Medical and Pension Funds	-	2 125
Car allowance	-	353 290
Cellphone allowance	-	89 199
Acting and post related allowance	-	3 041
Payment in lieu of leave	-	3 464
	-	1 971 880



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Remuneration of General Manager - Corporate and Support Services

Annual remuneration	1 479 448	1 413 901
Contributions to UIF, Medical and Pension Funds	2 125	2 040
Car allowance	223 505	240 000
Cellphone allowance	39 101	44 591
Acting and post related allowance	34 245	-
Payment in lieu of leave	102 113	-
	1 880 537	1 700 532

Remuneration of General Manager - Regional Service Centre Coordination

Annual remuneration	349 732	1 294 622
Contributions to UIF, Medical and Pension Funds	354	2 125
Car allowance	25 000	300 000
Cellphone allowance	3 909	44 591
	378 995	1 641 338

Remuneration of General Manager - Public Works, Roads and Transport

Annual remuneration	714 311	1 354 622
Contributions to UIF, Medical and Pension Funds	354	2 125
Car allowance	20 000	240 000
Cellphone allowance	3 909	44 591
	738 574	1 641 338

Remuneration of General Manager - Technical Services

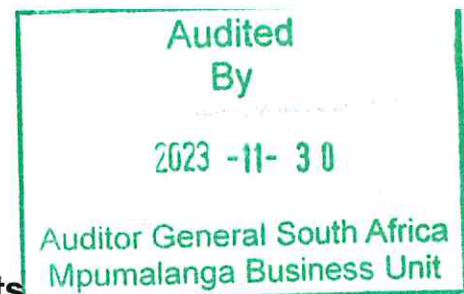
Annual remuneration	1 760 152	-
Contributions to UIF, Medical and Pension Funds	2 125	-
Car allowance	192 000	-
Cellphone allowance	46 908	-
	5 403	-
	2 006 588	-

Remuneration of General Manager - Social Services

Annual remuneration	1 362 745	-
Contributions to UIF, Medical and Pension Funds	2 125	-
Car allowance	281 199	-
Cellphone allowance	39 101	-
Payment in lieu of leave	126 106	-
	1 811 276	-

Remuneration of General Manager - Community Services

Annual remuneration	1 572 215	1 294 621
Contributions to UIF, Medical and Pension Funds	2 125	2 126
Car allowance	300 000	300 000
Cellphone allowance	46 908	44 592
Payment in lieu of leave	5 184	-
	1 926 432	1 641 339



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Remuneration of General Manager - Water and Sanitation

Annual remuneration	1 963 372	1 354 622
Contributions to UIF, Medical and Pension Funds	354	2 125
Cellphone allowance	3 909	44 591
Car allowance	20 000	240 000
Payment in lieu of leave	10 349	75 833
	1 997 984	1 717 171

Remuneration of General Manager - City Planning and Development

Annual remuneration	1 417 646	1 450 622
Contributions to UIF, Medical and Pension Funds	1 417	2 125
Car allowance	159 204	144 000
Cellphone allowance	43 006	44 591
Payment in lieu of leave	332 603	-
Acting and post related allowance	15 760	-
	1 969 636	1 641 338

Remuneration of General Manager - Energy

Annual Remuneration	-	1 682 051
Car Allowance	-	192 000
Payment in lieu of leave	-	25 843
Contributions to UIF, Medical and Pension Funds	-	2 125
Cellphone allowance	-	44 591
	-	1 946 610

Remuneration of General manager - Local Economic Development and Tourism

Annual Remuneration	618 697	-
Contributions to UIF, Medical and Pension Funds	1 063	-
Car Allowance	100 000	-
Cellphone allowance	19 545	-
Payment in lieu of leave	260 087	-
	999 392	-

Remuneration of General Manager - Office of Council

Annual Remuneration	-	1 354 622
Contributions to UIF, Medical and Pension Funds	-	2 125
Car Allowance	-	240 000
Cellphone allowance	-	44 590
	-	1 641 337

Remuneration of General Manager - Public Safety

Annual Remuneration	-	1 497 875
Car Allowance	-	300 000
Payment in lieu of leave	-	23 367
Contributions to UIF, Medical and Pension Funds	-	2 125
Cellphone allowance	-	44 591
	-	1 867 958

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At its meeting held on 31 May 2022 under item B(1), the Council resolved that the reviewed organisational structure be approved for implementation from 1 July 2022. The reviewed organisational structure reduced the number of section 56 senior managers (General Managers) reporting to the City Manager.

The placement of the section 56 senior managers together with the contract expiry will be as follows:

NAME	OLD POSITION	NEW POSITION	CONTRACT EXPIRY DATE
J Ngobeni	General Manager: Office of Council	General Manager: Local Economic Development	30 November 2022
Z N Mthombeni	General Manager: Strategic Management Services	General Manager: Strategic Management Services	29 February 2024
M B Thumbathi	General Manager: Community Services	General Manager: Sports, Arts and Culture	10 September 2022
Z P Malaza	Chief Financial Officer	Chief Financial Officer	31 January 2025
D P Msibi	Deputy Municipal Manager: Service Delivery	General Manager: City Planning and Development	30 November 2022
S T Sibeko	General Manager: Energy	General Manager: Technical Services	31 March 2024
S L Sihlangu	General Manager: Public Safety	General Manager: Community Services	31 August 2024
M E Nkosi	General Manager: Corporate Services	General Manager: Corporate and Support Services	10 September 2022

The following General Managers are to be released from their employment contracts with effect from 1 August 2022, and special leave was granted to them for July 2022 in accordance with the 30-day notice period, and were compensated for the remaining months of their employment contracts as follows:

NAME	OLD POSITION	CONTRACT EXPIRY DATE
D D Mabuza	General Manager: City Planning and Development	30 November 2022
W Tshawe	General Manager: Water and Sanitation	31 August 2023
D Ndlovu	General Manager: Regional Centre Coordination	13 September 2022
S R Mhlongo	Deputy Municipal Manager: Institutional Development	10 September 2022
X T Mabila	General Manager: Public Works, Roads and Transport	30 November 2022

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Figures in Rand	2023	2022
39. Remuneration of councillors		
Executive Mayor	1 619 682	1 545 985
Mayoral Committee Members	9 537 274	12 042 168
Speaker	1 259 524	1 272 759
Councillors	46 777 356	43 231 880
Councillors' pension and medical aid contributions	2 398 930	2 654 972
Chief whip	1 189 179	1 166 952
	62 781 945	61 914 716

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.

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Figures in Rand	2023	2022
40. Inventory consumed		
Materials and Supply	6 655 035	1 846 014
Consumables	84 377 321	78 151 781
	91 032 356	79 997 795
Water losses		
Water pumped and distributed (KL)	4 478 077	4 061 310
Water sold (KL)	(3 189 787)	(3 166 421)
Water distribution losses in KL	1 288 290	894 889
Water distribution losses in KL		
Water losses in KL	1 288 290	894 889
Average cost per KL	5.92	5.53
Water losses in Rand Value	7 626 677	4 948 736
Percentage Loss:	28.80 %	22.00 %
41. Depreciation and amortisation		
Property, plant and equipment	553 297 227	557 718 735
Investment property	2 442 656	2 442 656
Intangible assets	1 611 838	1 012 192
	557 351 721	561 173 583
42. Finance costs		
Borrowings	29 455 028	30 388 558
Trade and other payables	134 650 609	80 905 005
Finance leases	64 334	-
Bank	20 470	27 845
Finance charges - provision for the rehabilitation landfill site	4 491 796	4 191 414
	168 682 237	115 512 822
43. Lease rentals on operating lease		
Operating lease	6 369 269	7 603 792

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 range between 8-10 per cent respectively for the office accommodation leases.

There is no contingent rent paid or payable on all the agreements.



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Figures in Rand	2023	2022
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44. Debt impairment

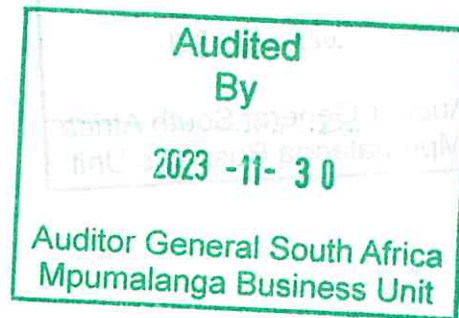
Impairment loss	320 707 353	-
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Council has approved the writing off, of irrecoverable debt for the 2022/2023 financial year at its meeting held 29 June 2023 under item A(1).

45. Bad debts written-off

Bad debts written off	38 815 457	187 409 746
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Council has approved the writing off, of irrecoverable debt for the 2022/2023 financial year at its meeting held 29 June 2023 under item A(1).



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Figures in Rand	2023	2022
46. Bulk purchases		
Electricity - Eskom	1 110 556 606	1 057 513 385
Material losses incurred during the year under review were as follows:		
Electricity losses		
Electricity purchased (kWh)	713 622 048	756 766 813
Electricity sold (kWh)	(539 060 111)	(571 464 693)
Electricity losses (kWh)	174 561 937	185 302 120
Electricity losses (kWh)	174 561 936	185 302 120
Unit cost per kWh	1.55	1.40
Electricity losses in Rand value	270 571 001	259 422 968
Percentage Loss:	24.46 %	24.49 %
47. Contracted services		
Outsourced Services		
Alien Vegetation Control	-	163 520
Animal Care	-	863 186
Burial Services	11 124 784	11 962 499
Business and Advisory	3 376 035	8 316 541
Catering Services	2 353 117	1 308 186
Cleaning Services	30 809	6 993 452
Hygiene Services	2 534 811	-
Internal Auditors	8 943 340	7 698 451
Illegal Dumping	14 451 778	32 326 117
Medical Waste Removal	10 748	7 430
Meter Management	13 300 764	11 819 631
Medical Services	62 610	-
Mini Dumping Sites	30 205 798	38 652 626
Refuse Removal	45 297 460	44 798 807
Security Services	78 624 978	79 294 338
Translators, Scribes and Editors	15 000	-
Transport Services	49 710	4 240
Water Takers	38 958 243	-
Organisational	1 843 645	1 279 592
Commissions and Committees	64 522	-
Human Resources	1 490 931	2 475 858
Consultants and Professional Services		
Business and Advisory	4 091 421	1 723 103
Infrastructure and Planning	-	2 818 274
Laboratory Services	409 339	370 202
Legal Cost - Legal advice and litigation	30 982 494	18 903 657
Legal Costs - Collection	1 124 725	2 097 053
Accounting and Auditing	8 304 206	9 667 087
Business and Financial Management	18 952 715	14 772 646
Project Management	117 598 979	33 961 600



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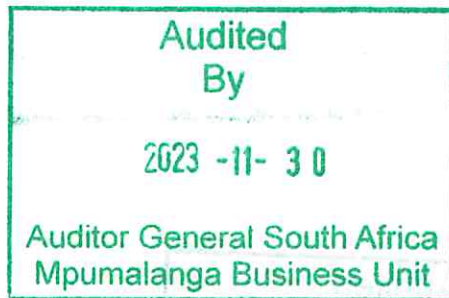
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Notes to the Audited Annual Financial Statements

Figures in Rand	2023	2022
Contractors		
Audio-visual Services	642 042	63 100
Electrical	29 921 423	24 292 744
Event Promoters	2 772 259	311 585
First Aid	-	10 920
Fire Protection	963 866	-
Gardening Services	246 664	292 009
Grading of Sport Fields	3 505 132	-
Maintenance of Buildings and Facilities	23 725 983	53 580 313
Maintenance of Equipment	15 799 512	18 823 451
Maintenance of Unspecified Assets	82 521 051	155 365 193
Medical Services	366 405	308 596
Pest Control and Fumigation	-	18 560 091
Traffic and Street Lights	7 571 433	14 259 312
Transportation	116 119	90 709
Sewerage Services	-	40 875 322
Sports and Recreation	20 000	406 578
Stage and Sound Crew	929 829	473 955
	603 304 680	659 991 974

48. Transfer and subsidies

Non-Profit institutions	126 974	1 500 662
Social assistance - Grants in aid	378 082	452 768
Bursaries	4 704 400	3 836 240
	5 209 456	5 789 670



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Figures in Rand	2023	2022
49. Operational costs		
Advertising	2 101 068	2 015 662
Auditors remuneration	12 405 250	8 551 924
Bank charges	2 571 588	2 560 049
Commission paid	1 953 740	1 839 101
Entrance Fee	35 674	-
Entertainment	-	470
Hire	29 325	-
Insurance 3rd party payments and excess	27 774 739	26 024 288
IT expenses	11 594 496	15 546 279
Workmen's Compensation Fund	6 020 747	5 566 294
Learnership and Internship	523 693	1 273 771
Travel and Subsistence	4 728 966	2 604 062
Levies	10 544 396	9 994 184
Pest control	180 788	271 070
Postage and courier	304 880	357
Protective clothing	4 271 150	5 933 095
Printing - Publications and books	173 156	936 829
Subscriptions and membership fees	12 612 238	11 383 437
Telephone and fax	11 375 957	12 102 534
Transport and freight	1 142 134	1 077 274
Travel - local	129 495	17 994
Refuse	54 872	-
Title deed search fees	213 090	1 204 005
Municipal Services	124 266 280	143 457 228
Licenses - radio and television	54 760	444 600
Reward Incentives	6 693 620	6 575 316
Registration Fees	214 843	82 246
Vehicle Tracking	18 769 070	14 961 403
Indigent Relief	48 966 098	42 066 460
Performers and arts	5 324 000	1 796 764
Licences - Vehicles	2 391 381	2 084 762
	317 421 494	320 371 458
50. Auditors' remuneration		
Fees	12 405 250	8 551 924

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Figures in Rand	2023	2022
51. Cash generated from operations		
Deficit for the year	(116 806 086)	(432 601 433)
Adjustments for:		
Depreciation and amortisation	557 351 721	561 173 583
Loss on disposal of property, plant and equipment	5 890 147	3 465 066
Gain on reversal of impairment/Debt impairment	-	(28 229 970)
Gain on liability write-off	(224 062 982)	-
Fair value adjustments	7 173 493	(16 445 717)
Finance costs - Finance leases	64 334	-
Loss from transfer of functions between entities under common control	-	129 447
Public contributions and donations	(7 796 532)	(5 662 501)
Actuarial gains/losses	(32 824 231)	(9 109 318)
Bad debts written off	320 707 353	-
Gain on reversal of Impairment of debtors	38 815 457	187 409 746
Movements in operating lease assets and accruals	39 626	(603 749)
Movements in retirement benefit assets and liabilities	4 608 000	(14 556 000)
Movements in provisions	11 877 296	(20 759 346)
Changes in working capital:		
Inventories	(7 925 705)	(4 206 796)
Other receivables from exchange transactions	(17 234 866)	(16 964 713)
Trade receivables from exchange transactions	(313 625 403)	(135 500 037)
Statutory receivables	76 783 675	(42 033 386)
Deposits	(9 394 672)	705 320
Trade and other payables from exchange transactions	435 975 934	555 024 318
Value Added Tax -VAT	(71 697 866)	(47 354 668)
Other payables from non-exchange transactions	117 395 566	4 078 557
Unspent conditional grants and receipts	(53 401 094)	150 052 221
Consumer deposits	2 552 159	2 556 492
Other financial liabilities	(4 596 938)	3 310 186
	719 868 386	693 877 302

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Mpumalanga Business Unit

City of Mbombela

(Registration number MP326)

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52. Prior period errors

Opening Balance as previously reported - Accumulated Surplus	- 5 159 038 354
Correction of error - Net effect on opening accumulated surplus	- (19 834 036)
	- 5 139 204 318

Prior to prior year net effect:

PPE - Land - cost	- (19 364)
PPE - Building - cost	- 1 994 591
PPE - Building - cost	- 172 553 149
PPE - Roads - accumulated depreciation	- (11 101 173)
PPE - Work in progress - cost	- (279 904 188)
PPE - Electricity - cost	- 925 882
PPE - Waste Water - cost	- 695 652
PPE - Waste Water - cost	- 111 401 832
PPE - Water - accumulated depreciation	- (1 807 600)
PPE - Water - accumulated depreciation	- (13 462 861)
Trade payables and accruals	- 1 216 418
Trade and other payables - Bulk water	- (4 809)
Trade and other payables - Litigations	- (12 064 205)
Statutory receivables - VAT receivables	- 3 387 440
Inventories	- (1 068 470)
Accumulated surplus	- 7 423 670
	- (19 834 036)



Statement of financial position

	Restated	Audited	Movements
PPE - Land - cost(1.1)	664 958 721	(664 978 085)	(19 364)
PPE - Building - cost(1.3)	1 621 747 786	(1 619 753 195)	1 994 591
PPE - Roads - cost(1.2)	4 257 013 206	(4 084 460 057)	172 553 149
PPE - Roads - accumulated depreciation(1.4)	(2 484 140 286)	2 465 503 447	(18 636 839)
PPE - Work in progress - cost(1.5)	904 621 872	(1 184 526 060)	(279 904 188)
PPE - Electricity - cost(1.6)	1 380 728 381	(1 379 802 499)	925 882
PPE - Electricity - accumulated depreciation(1.7)	(875 026 837)	875 025 776	(1 061)
PPE - Waste Water - cost(1.8)	790 115 739	(789 420 087)	695 652
PPE - Waste Water - accumulated depreciation(1.9)	(390 998 750)	390 997 741	(1 009)
PPE - Water - cost(1.10)	1 614 970 099	(1 503 568 267)	111 401 832
PPE - Water - accumulated depreciation(1.11)	(594 250 158)	592 442 558	(1 807 600)
Trade payables and accruals(1.12)	(751 052 081)	702 131 496	(48 920 585)
Trade and other payables - Salaries(1.13)	(112 145 084)	110 166 007	(1 979 077)
Trade and other payables - Bulk water(1.14)	(211 816 053)	212 762 156	946 103
Trade and other payables - Bulk Electricity	(600 149 541)	600 549 541	400 000
Statutory receivables - VAT receivables(1.15)	343 983 850	(339 461 777)	4 522 073
Inventories(1.16)	53 947 826	(55 210 330)	(1 262 504)
Total	5 612 508 690	(5 671 601 635)	(59 092 945)

1.1 De-recognition of property disposed of during the previous financial year: Land.

1.2 Increase in property, plant, and equipment costs as a result of projects completed in prior financial year: Roads.

1.3 Increase in property, plant, and equipment costs as a result of projects completed in prior financial year: Buildings.

1.4 Increased in accumulated depreciation as a result of an increase in property, plant, and equipment from projects completed in the previous financial year: Roads.

1.5 Decrease in work in progress as a result of projects completed in the prior financial year: Work in progress.

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Audited Annual Financial Statements for the year ended 30 June 2023

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1.6 Increase in the cost of property, plant, and equipment attributable to invoices processed in the current year for work performed in the prior financial year: Electricity.

1.7 Increased in accumulated depreciation as a result of an increase in property, plant, and equipment from invoices processed in the current year for work performed in the prior financial year: Electricity.

1.8 Increase in the cost of property, plant, and equipment attributable to invoices processed in the current year for work performed in the prior financial year: Waste water.

1.9 Increased in accumulated depreciation as a result of an increase in property, plant, and equipment from invoices processed in the current year for work performed in the prior financial year: Waste water.

1.10 Increase in property, plant, and equipment costs as a result of projects completed in prior financial year: Water.

1.11 Increased in accumulated depreciation as a result of an increase in property, plant, and equipment from projects completed in the previous financial year: Water.

1.12 Prior Years Increase in trade and other payables from exchange transactions - Invoices relating to the 2021/2022 financial year, 2020/2021 financial year and prior.

1.13 Prior Year Increase in trade and other payables from exchange transactions - Back pay for councillors relating to the implementation of the determination of upper limits as per Government Gazette 46470.

1.14 Prior Years Increase in trade and other payables from exchange transactions - Invoices relating to the 2021/2022 financial year and 2020/2021 financial year and prior.

1.15

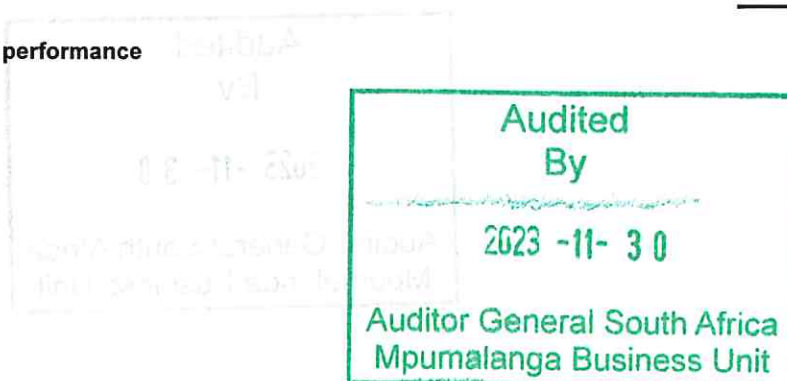
1.16 Prior Years Net Increase of VAT on creditors not accrued for in the 2021/2022 financial year, 2020/2021 financial year and prior.

1.17 Prior Years Net Decrease in Inventories - Fuel issued from the stores not expensed for the 2021/2022 financial year, 2020/2021 financial year and prior.

Prior year correction of errors:

Remuneration of councillors	-	1 979 077
Inventory consumed	-	194 034
Depreciation and amortisation	-	7 537 735
Finance costs	-	106 328
Operating lease	-	1 149 929
Bulk purchases	-	172 072
Contracted services	-	17 463 117
Operational costs	-	3 232 948
Rental of facilities and equipment	-	7 423 670
	-	39 258 910

Statement of financial performance



City of Mbombela

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Notes to the Audited Annual Financial Statements

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	Restated	Audited	Movements
The reported net deficit for the previous year has been adjusted by the following identified accounting errors:	-	393 342 522	393 342 522
Remuneration of councillors(2.1)	61 914 716	(59 935 639)	1 979 077
Inventory consumed (2.2)	54 478 613	(54 284 579)	194 034
Depreciation and amortisation (2.3)	561 173 583	(553 635 848)	7 537 735
Finance costs (2.4)	115 512 822	(115 406 494)	106 328
Operating lease (2.5)	7 603 792	(6 453 863)	1 149 929
Bulk purchases (2.6)	1 083 032 568	(1 082 860 496)	172 072
Contracted services(2.7)	659 991 974	(642 528 857)	17 463 117
Operational costs (2.8)	320 371 458	(317 138 509)	3 232 949
Rental of facilities and equipment(2.9)	(37 860 547)	45 284 217	7 423 670
Total	2 826 218 979	(2 393 617 546)	432 601 433

2.1 Prior Year Increase Remuneration of councillors - Back pay for councillors relating to the implementation of the determination of upper limits as per Government Gazette 46470.

2.2 Prior Year Increase in Inventory consumed - Invoices relating to the 2021/2022 financial year.

2.3 Increase in depreciation of Property, plant, and equipment as a result of projects that were completed.

2.4 Prior Year Increase in Finance Costs - Interest charged by suppliers due to late payment.

2.5 Prior Year Increase in Operating Lease expenditure - Invoices relating to the 2021/2022 financial year.

2.6 Prior Year Increase in Bulk Purchases - Invoices relating to the 2021/2022 financial year.

2.7 Prior Year Increase in Contracted services - Invoices relating to the 2021/2022 financial year.

2.8 Prior Year Increase in Operational costs - Invoices relating to the 2021/2022 financial year.

2.9. Prior Year increase in rental of facilities and equipment.

Net effect of the accumulated surplus on the prior years	-	19 834 036
Net effect of the accumulated surplus on the prior year	-	39 258 909

Net effect on the Statement of Financial Position	-	59 092 945
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City of Mbombela

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Notes to the Audited Annual Financial Statements

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53. Reclassifications

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

	Comparative figures previously reported	Reclassification	After reclassification
Trade and other payables from exchange transaction	(2 283 611 010)	(501 374 790)	(2 784 985 800)
Non current portion of trade and other payables from exchange transaction - Bulk electricity	(501 374 790)	501 374 790	-
Other receivables from exchange transactions	119 132 940	518 715	119 651 655
Heritage assets: Stamps collection, military insignia, medals and coin	186 585	(186 585)	-
Heritage assets: Art collections, antiquities and exhibits	26 950	186 585	213 535
Operating lease asset	644 803	(68 181)	576 622
Operating lease liability	(114 290)	68 181	(46 109)
Current portion of receivables from non-exchange transactions	1 687 921	(820 680)	867 241
Non-current receivables from non-exchange transactions	1 787 198	301 965	2 089 163
Consumer Deposits - Sewer	(49 452 094)	12 199 316	(37 252 778)
Other payables from non-exchange transactions - Service Contributions	(17 961 655)	(12 199 316)	(30 160 971)
Total	(2 729 047 442)		-(2 729 047 442)

Heritage assets Stamps collection, military insignia, medals and coin were reclassified to Heritage assets: Arts collections, antiquities and exhibits.

Non-current portion of trade and other payables from exchange transaction were reclassified to Trade and other payables from exchange transaction - Bulk electricity.

Vote numbers within current portion of receivables from non-exchange transactions were reclassified to Other receivables from exchange transactions - housing & selling scheme and Land sale.

Consumer deposits - Sewerage, were reclassified to Other payables from non-exchange transactions - Service contributions.

Statement of financial performance

	Comparative figures previously reported	Reclassification	After reclassification
Government grants and subsidies- INEP - Capital	(69 988 610)	782 609	(69 206 001)
Government grants and subsidies- EEDSM - Capital	(5 217 391)	(782 609)	(6 000 000)
Rental of facilities and equipment	(45 284 217)	25 601 409	(19 682 808)
Other income -staff recoveries	(47 076 859)	(18 177 739)	(65 254 598)
Accumulated surplus	4 765 695 832	(7 423 670)	4 758 272 162
Employee related costs	1 190 891 223	9 109 318	1 200 000 541
Atuarial gains and losses	-	(9 109 318)	(9 109 318)
Bulk purchases - Water	25 519 183	(25 519 183)	-
Inventory consumed - Consumables	52 632 599	25 519 183	78 151 782
Total	5 867 171 760		- 5 867 171 760

EEDSM Vat vote was reclassified from INEP to EEDSM.

Staff recoveries were reclassified from rental of facilities and equipment to other income and accumulated surplus.

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Audited Annual Financial Statements for the year ended 30 June 2023

Notes to the Audited Annual Financial Statements

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Actuarial gains for long service awards was reclassified from employee related costs to actuarial gains and losses.

Bulk purchases - water, was reclassified to inventory consumed- consumables.

54. 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 a decrease of R 23 185 for the Tekwane Landfill site, an decrease of R 172 822 for the Barbeton Landfill site and a decrease of R 575 736 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 decrease in the depreciation cost of R 6 623 251 over the remaining useful life of the related assets. The effect of the change in future periods will be a decrease in the annual depreciation expense amounting to R 23 185 totalling to R 1 785 253 over the remaining useful life of the Tekwane Landfill site, a decrease in the annual depreciation expense amounting to R 172 822 totalling R 3 110 787 over the remaining useful life of the Barbeton landfill site and an decrease in the annual depreciation expense amounting to R 575 737 totalling to R 1 727 210 over the remaining useful life of the Hazyview landfill site. The overall impact on the finance costs will increase by R 222 325 in the following financial year.

Provision for doubtful debts

The City has revised the estimation of the provision for doubtful debts based on the judgement of the latest reliable information available. The estimation was revised due to the changes in the current economic climate and the related experience on the classes of debtors. The change in the accounting estimate has been recognised in the current years surplus or deficit, with the impairment loss of R 165 846 100 being recorded. The carrying amount of the corresponding Trade receivables from exchange transactions and Statutory receivables have been adjusted accordingly. The change in estimate only affects the current period of the surplus or deficit and it is impracticable to determine the effect of future periods



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55. Commitments

Authorised capital expenditure

Already contracted for:

• Infrastructure - Water	708 113 918	62 153 989
• Infrastructure - Roads, Pavement and Stormwater	497 590 127	242 546 931
• Infrastructure - Electricity	89 877 769	130 458 262
• Infrastructure - Waste Water	147 489 308	72 966 691
• Buildings	20 131 747	8 120 082
• Community Facilities	37 401 406	2 106 518

1 500 604 275 518 352 473

The expenditure will be funded as follows:

• Government grants	1 297 279 996	479 633 475
• Internal funding	203 262 468	38 718 998

1 500 542 464 518 352 473

Total capital commitments

Already contracted for

1 500 542 464 518 352 473

Funded

(1 500 542 464) (518 352 473)

- -

Authorised operational expenditure

Already contracted for:

• Typical Work Stream - Electrification	47 146 624	80 358 528
• Typical Work Stream - Meter conversion and replacement	40 123 343	43 007 492
• Typical Work Stream - Water Services	20 616 363	1 479 632
• Typical Work Stream - Financial Management	24 029 003	17 770 808
• Typical Work Stream - Waste Management	37 906 132	50 433 485
• Typical Work Stream - Other	92 865 239	9 505 973

262 686 704 202 555 918

Total operational commitments

Already contracted for

262 686 704 202 555 918

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Operating leases - as lessee (expense)

Minimum lease payments due

- within one year

- 574 243

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

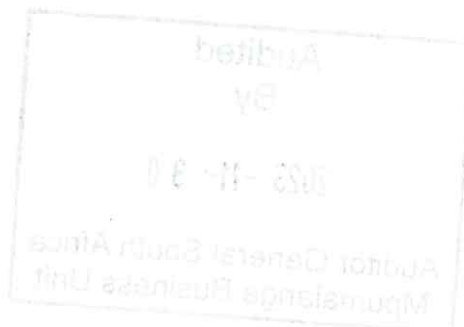
- in second to fifth year inclusive

- later than five years

1 267 394 1 177 282
3 839 665 4 502 717
499 700 1 104 042

5 606 759 6 784 041

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.



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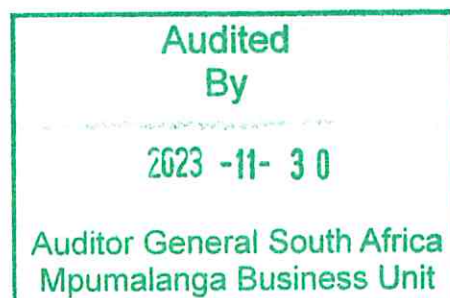
Audited Annual Financial Statements for the year ended 30 June 2023

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56. Contingencies

A claim against the City through high court summons, where the plaintiff is claiming and amount of R18 587 340.20 excluding interest at the maximum legally prescribed rate from 14 October 2020 until date of final payment.	18 587 340	18 587 340
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 1 125 239.01	1 125 239	1 125 239
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
A matter involves the alleged constructive dismissal of an 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	252 965 310	252 965 310



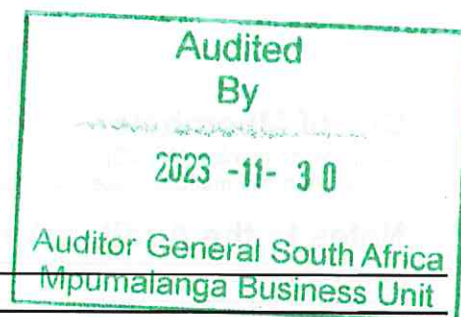
City of Mbombela

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57. 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. The municipal entity was disestablished by council at its special council meeting held 29 April 2022, under item E(1)(ff). The agency is a dormant company.

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 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).

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Related party transactions

Remuneration of management is disclosed Note 38 to these audited annual financial statements.

Remuneration of councillors and other in-kind benefits is disclosed in Note 39 to these audited annual financial statements.

58. Additional disclosure in terms of Municipal Finance Management Act

Contributions to the South African Local Government Association (SALGA)

Opening balance	7 109 400	7 416 011
Current year subscription	12 449 513	11 224 944
Amount paid - current year	(12 449 513)	(4 115 544)
Amount paid - previous years	(7 109 400)	(7 416 011)
	-	7 109 400

Audit fees

Opening balance	11 049 313	9 279 407
Current year audit fees	12 405 250	8 551 924
Amount paid - current year	(4 129 388)	-
Amount paid - previous years	(11 049 315)	(6 782 018)
	8 275 860	11 049 313

PAYE, UIF and SDL

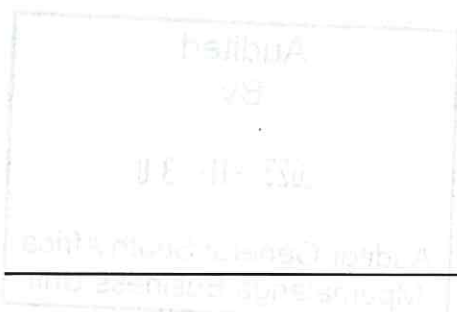
Opening balance	38 021 101	35 779 807
Current year expense	244 659 218	236 090 278
Amount paid - current year	(205 278 255)	(198 069 177)
Amount paid - previous years	(38 021 101)	(35 779 807)
	39 380 963	38 021 101

The unpaid balance is the amount for May and June 2023 which was payable in July 2023.

Pension and Medical Aid Deductions

Opening balance	14 443 641	21 393 729
Current year expense	273 757 084	173 160 094
Amount paid - current year	(250 767 655)	(158 716 453)
Amount paid - previous years	(21 975 958)	(21 393 729)
	15 457 112	14 443 641

The unpaid balance is the amount for June 2023 which was payable in July 2023.



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VAT

VAT receivable	267 033 663	195 335 797
Opening balance	195 335 797	147 981 129
Total amount claimed from SARS during the year	83 598 429	108 308 964
Total amount received during the year	(78 069 138)	(102 006 795)
Adjustments	37 692 028	(135 028 097)
Net VAT on accruals	28 476 547	176 080 596
VAT receivable	267 033 663	195 335 797
VAT receivables (as per VAT 201)	22 543 730	18 120 568
Net VAT on accruals	244 489 933	177 215 229
VAT receivable	267 033 663	195 335 797

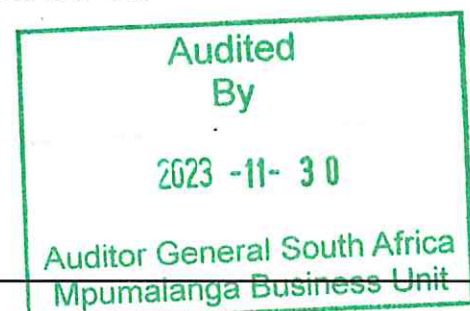
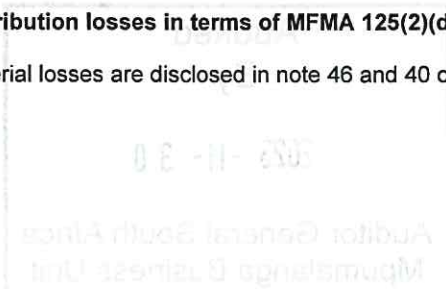
Councillors' arrear consumer accounts

30 June 2023	Outstanding less than 90 days	Outstanding more than 90 days	Total
Cllr RP Dlamini	859	-	859
Cllr NE Gecelo	4 227	-	4 227
Cllr PV Mashego	2 143	-	2 143
Cllr WD Ndlovu	1 734	16 327	18 061
Cllr QE Nkosi	230	-	230
Cllr ME Nsimbini	1 187	8 407	9 594
Cllr KA Olivier	1 441	-	1 441
Cllr DF Rix	666	-	666
Cllr D Schofield	1 967	-	1 967
Cllr PS Tholo	543	12 229	12 772
Total councillors arrear consumer accounts	14 997	36 963	51 960

30 June 2022	Outstanding less than 90 days	Outstanding more than 90 days	Total
Cllr WD Ndlovu	1 445	6 904	8 349
Cllr ME Nsimbini	717	3 437	4 154
Cllr PS Tholo	686	13 365	14 051
Total councillors arrear consumer accounts	2 848	23 706	26 554

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

Material losses are disclosed in note 46 and 40 of these audited annual financial statements



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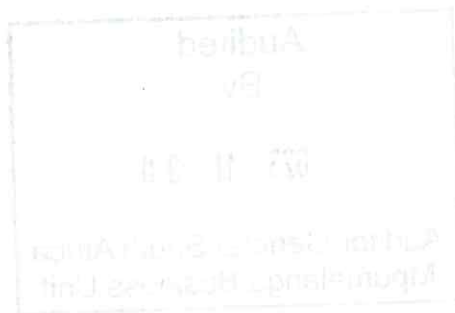
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59. Deviation from supply chain management regulations

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.

Deviations from Supply Chain Management

7 654 216 13 258 420



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Name of Company	Sole Supplier	Exceptional Cases	Total
Akrosscom IT Communication		254 655	254 655
Arena Holdings		51 719	51 719
Barfoworld Equipment (Nelspruit)	108 625	192 122	300 747
Bell Equipment Sales South Africa Limited		729 163	729 163
CS Traffic Engineering & Consulting Services	11 184	266 586	277 770
Dana Agency		25 676	25 676
Dawson & Dobson CC		38 633	38 633
Enviro Chainsaw Lowveld		131 750	131 750
Ethandwa Investment		10 836	10 836
Foundation for Professional Development		15 000	15 000
Gijima Holdings (Pty) Ltd		72 000	72 000
J Barnard T/A Amber Elektries		26 953	26 953
Khuno Trading		1 779 563	1 779 563
Let's Cruize Travel		315 220	315 220
Madlingozi Trading Enterprise CC		29 986	29 986
Mafiri Wireless		19 941	19 941
Marce Projects (Pty) Ltd		310 985	310 985
Media 24		175 683	175 683
National Asphalt (Pty) Ltd		2 227 780	2 227 780
NMI Durban South Motors T/A Garden City Motors Mbombela		32 353	32 353
Payday Software Systems CC	25 496	13 596	39 092
Pridop Enterprises		198 318	198 318
Rand Data System Forms	51 750		51 750
Syntell (Pty) Ltd		122 182	122 182
The Lowvelder/ Mpumalanga News		342 972	342 972
Truvelo Africa Electronics Division		3 877	3 877
Turner Morris Manufacturing (Pty) Ltd		6 171	6 171
Vakasha Travel		63 443	63 443
	197 055	7 457 162	7 654 216

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60. Unauthorised expenditure

Opening balance as previously reported	1 267 377 009	827 604 271
	1 267 377 009	827 604 271
Add: Unauthorised expenditure - current year	780 313 836	439 772 738
Closing balance	2 047 690 845	1 267 377 009

The unauthorised expenditure incurred relates to the overspending on the approved operational expenditure budget. The unauthorised expenditure for the 2022 financial year was incorrectly overstated with R100 million to R539 772 738 instead of R439 772 738.

The unauthorised expenditure incurred has been referred to the municipal public accounts committee for investigation and recommendation of appropriate measures to be implemented by council in accordance with regulations 74 of the Municipal budget and reporting regulations.

61. Fruitless and wasteful expenditure

Opening balance as previously reported	83 583 866	173 079
Add: Fruitless and Wasteful Expenditure - interest and penalties charged	136 108 944	83 410 787
Add: Prior year interest write off Silulumanzi	(1 484 954)	-
	218 207 856	83 583 866
Closing balance	218 207 856	83 583 866

The fruitless and wasteful expenditure incurred during the reporting period relates to interest and penalties 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.

The fruitless and wasteful expenditure incurred has been referred to the municipal public accounts committee for investigation and recommendation of appropriate measures to be implemented by council in accordance with regulations 74 of the Municipal budget and reporting regulations.

62. Irregular expenditure

Opening balance as previously reported	715 420 700	562 755 132
Add: Irregular Expenditure - current year	204 740 374	152 665 568
	920 161 074	715 420 700
Closing balance	920 161 074	715 420 700



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

No feasibility study was conducted on a mandatory 30% sub contracting.	Disciplinary steps taken/criminal proceedings	-
None adherence to the CIDB grading requirement	Investigation in progress	22 994 197
Irregular expenditure incurred as a result of unapproved variation order	Investigation in progress	3 978 280
Irregular expenditure incurred as a result of not performing evaluation on the 30% sub-contracting criteria	Investigation in progress	11 758 910
Irregular expenditure incurred as a result of bidder submitted unauthentic COIDA certificate	Investigation in progress	10 452 732
Irregular expenditure incurred as a result of unverifiable COIDA certificate submitted by bidder	Investigation in progress	16 897 062
Irregular expenditure incurred as a result of bid awarded after the expiration of a validity period	Investigation in progress	9 353 788
Irregular expenditure incurred as a result of an award made to a bidder who failed to attach proof that municipal rates and taxes for both company and the director were in order.	Investigation in progress	744 230
Continuation of multiple extended contracts without following section 116 of the MFMA prior to expiry	Investigation in progress	8 372 290
Irregular expenditure incurred as a result of contract secured not in compliance with the interpretation of the SCM regulation 32	Investigation in progress	22 687 401
Irregular expenditure incurred as a result of award made while the municipal rates for the director of the company was over 90 days	Investigation in progress	532 983
Irregular expenditure incurred as a result of awards to person in the service of the municipality and their close family members	Investigation in progress	9 843 231
Expenditure incurred as a result of contract being declared as irregular at an organ of state	Investigation in progress	453 116
	Investigation in progress	19 163 873



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Irregular expenditure incurred as a result of incorrect calculation of functionality score points	Investigation in progress	9 243 846	-
Irregular expenditure incurred as a result of purchases made on an expired contract	Investigation in progress	5 358 877	-
Irregular expenditure incurred as a result of procurement processes not followed.	Investigation in progress	14 197 884	-
SCM: Non - compliance with pre-determined requirements	Investigation in progress	6 391 732	-
Invalid COIDA Certificate of the winning bidder	Investigation in progress	8 193 753	-
Invalid COIDA Certificate of the winning bidder	Investigation in progress	3 912 563	-
COIDA not relevant	Investigation in progress	10 662 786	-
Procurement and contract management: Extension of contract in contravention of prescribed legislation	Investigation in progress	9 069 739	-
SCM: Deviations from procurement processes (quotations) not reasonable/justified on the basis that it was impossible/ impractical to obtain 3 written quotations	Investigation in progress	477 101	-
		204 740 374	-

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The unauthorised expenditure incurred has been referred to the municipal public accounts committee for investigation and recommendation of appropriate measures to be implemented by council in accordance with regulations 74 of the Municipal budget and reporting regulations.

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63. 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 counterpart 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

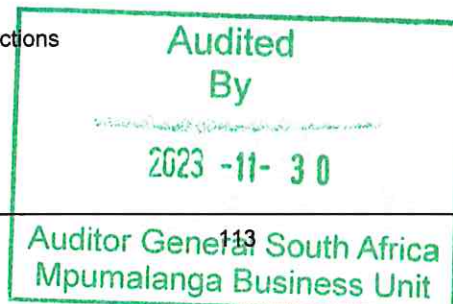
It is the Municipality's practice to limit its credit risk by only investing in registered banks in terms of the Banks Act, 94 of 1990. Given the high credit ratings of these financial institutions the Municipality does not expect any counterparty to fail to meet its obligation.

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	205 310 451	144 510 599
Trade receivables from exchange transactions	218 916 254	225 998 204
Statutory receivables	71 864 378	148 648 053
Deposits	15 297 807	5 903 135
Other receivables from exchange transactions	136 886 521	119 651 655
	648 275 411	644 711 646



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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 6 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

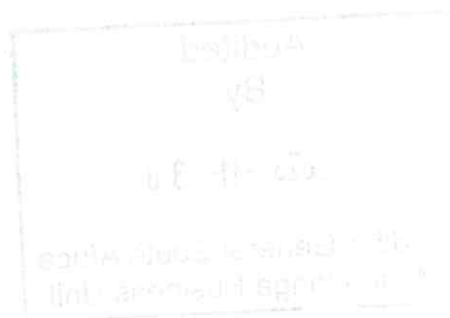
The Municipality limits its interest rate risk on financial liabilities by ensuring that reasonable fixed interest rates are negotiated on long term borrowings and are therefore not linked to the interest bank repurchase rate. The municipality has only two interest bearing borrowings as indicated in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

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

- Cash and cash equivalents
- 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.



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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	22 284 344	20 722 925
Other financial liabilities	4 417 862	9 014 800
Trade and other payables from exchange transactions	1 649 518 650	2 606 449 591
Other payable from non-exchange transactions	147 556 537	30 160 971
Consumer deposits	39 804 937	37 252 778

2 - 5 years

Non - current portion of borrowings	106 515 547	94 008 486
Non current portion of trade payable from exchange transactions	1 174 025 813	-
Finance lease obligation	1 623 555	-

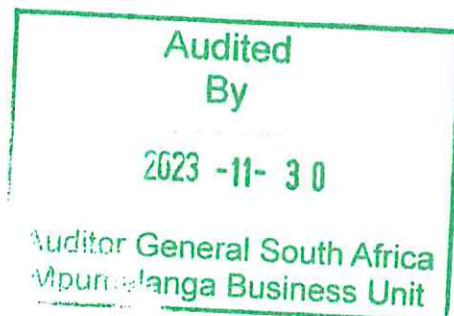
> 5 years

Borrowings	132 826 127	160 779 517
	3 278 573 372	2 958 389 068

Concentration of credit risk

The concentration of the credit risk associated with:

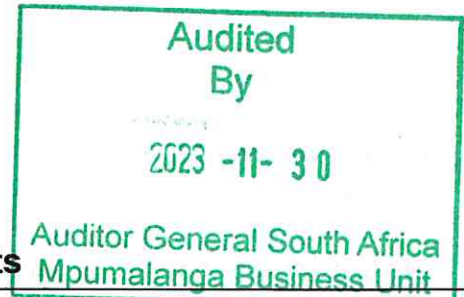
Borrowings	8 %	9 %
Other financial liabilities	6 %	3 %
Trade and other receivables	86 %	88 %
	100 %	100 %



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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. The severe financial situation was further exacerbated by a number of community protests experienced during the year.

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 R1 238 362 856 (2022: R2 201 865 344) with an outcome assessment of less than one. The municipality is however in a net asset position. Furthermore, 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.

The municipality did incur a loss of R116 806 090 (2022: R432 601 433) for the financial year

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 has approved the City's 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.

64. Loss on transfer of functions between entities under common control

Loss on transfer of functions between entities under common control

- (129 447)

65. Transfer of functions between entities under common control

Transfer of functions between entities under common control occurring during the current reporting period

Entities involved in the transfer of functions were:

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The following functions were transferred:

Economic development and related activities. The municipal entity was 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 was also responsible for promoting investment appetite as well as Small, Medium and Micro Enterprise (SMME) development.

The transfer was due to the disestablishment of the entity by council at its special council meeting held on the 29 April 2022, under item E(1)(ff).

The transfer of function took place during the 2022 financial year.

The transfer was finalised on Friday, 29 April 2022.

Value of the assets acquired and liabilities assumed

Assets acquired

Property, plant and equipment	-	21 814
Inventory	-	8 541
Receivables from exchange transactions	-	11 067
Receivables from non-exchange transactions	-	3 665
	-	45 087

Liabilities assumed

Share Capital	-	100
VAT Input	-	322
Trade payables	-	174 112
	-	174 534

Difference between the carrying amounts of the assets acquired, the liabilities assumed and adjustments required to the basis of accounting

- 129 447

Difference between net assets and the consideration paid

- 129 447



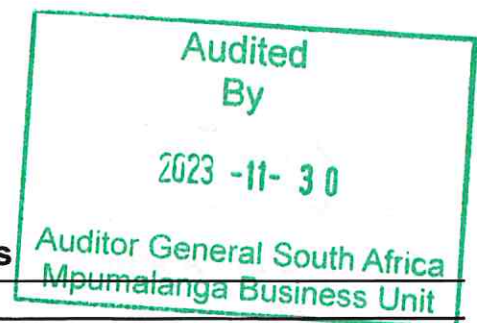
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66. Budget differences

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 persistent cash flow constraints necessitated the development of the voluntary Financial Recovery Plan (FRP) with the assistance of National Treasury. A number of strategies and plans are being implemented to turnaround the financial health position of the municipality. A number of revenue enhancement initiatives have been implemented during the reporting period which included the following focus areas:

- (a) Reduction of water and distribution losses
- (b) Exploring the opportunities of increasing the existing revenue base
- (c) Exploring and unlocking new revenue and alternative revenue streams

The City will continue to invest on revenue optimisation measures in order to improve the financial distress situation of the institution.

1. Sale of goods and services

The variance is primarily attributable to the planning and development amendment fees due to the increased applications received during the year. The increase responds to the initiatives to increase the revenue base as part of the financial turnaround plan.

2. Service Charges

Electricity sales decreased due to the City not being able to bill customers when there is load shedding. Customers are also opting to purchase off the grid renewable energy sources to counter the impact of load shedding

3. 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.

4. Licenses and permits

The variance is attributable to the transfer of the entire licensing function to the Provincial Government.

5. Other income

The variance is primarily attributable to service contributions received from the University of Mpumalanga and the Fresh Produce Market.

6. Finance Income

The variance is due to the enforcement of the credit control measures in line with the credit control policy and By-Law and the implementation of the creditors' reduction plan.

7. Government grants and subsidies

The variance is mainly due to the unspent conditional grant amount relating to the Public Transport Network Grant (PTNG) which was received in March 2023.

The roll over application was submitted to National Treasury on the committed projects.

8. Public contributions and donations

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The variance is primarily attributable to the boreholes transferred to the municipality by the Ehlanzeni District Municipality that were not budgeted for.

9. Fines, Penalties and Forfeits

The variance is a result of inadequate enforcement measures to execute a Warrant of Arrest through the Automated Number Plate Recognition Bus. The City is implementing the approved revenue enhancement strategy taking cognisance of the various measures to enhance traffic fines revenue.

Expenditure:

10. Inventory Consumed

The variance is attributable to the cost containment measures implemented by the City

11. Depreciation and amortization

The variance is due to the continuous update of the asset register in line with the relevant accounting framework. The increase in depreciation is mainly due to the completed assets, which have been unbundled and recognized in the municipal asset register in compliance with GRAP 17 and other applicable accounting standards

12. Finance Costs

The major cost driver is the interest charged by Eskom for bulk electricity payments made after 30 days on invoice date which has been subsequently 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 situation faced by the City, which hinders on the ability to pay suppliers within the stipulated timeframes.

13. 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 municipal council members.

14. Bad Debts Written Off

The variance is attributable to the classification differences between budgeting and financial accounting. The bad debts written off are set off against the provision 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. On the other hand, the debt impairment expense is part of the gains and losses, which is disclosed as impairment loss or gains.

The R41 million relates to the actual debt written off, which was not collectible for over a period of 180 days. A report on the write-off was tabled before the Council at its meeting held on 29 June 2023 under item A(1). The irrecoverable debt written off is handed to debt collectors, and any amounts received are recognized as bad debts recovered.

15. 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.

16. Contracted Services

The variance is primarily attributable to the expensing of certain capital expenditures 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 under the capital budget due to the service delivery nature; however, the asset definition and recognition criteria in the Generally Recognised Accounting Practice (GRAP) framework could not be met.

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17. Operating costs

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

18. Loss on disposal of assets

The Variance is attributable to the non budgeting for a loss on the disposal of assets

19. Gain on impairment reversal & Impairment Loss

The variance is attributable to the classification differences between budgeting and financial accounting. The bad debts written off are set off against the provision 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. On the other hand, the debt impairment expense is part of the gains and losses, which is disclosed as impairment loss or gains.

20. Fair Value Adjustments

The Variance is attributable to the change in the provision for landfill sites.

Statement of Financial Position:

21. 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 for the maintenance, cash and cash equivalents balance and deposits made to Eskom.

The City had a closing balance of its cash and cash equivalents of R205 million in comparison to the budgeted amount of R113 million.

22. Non-current Assets

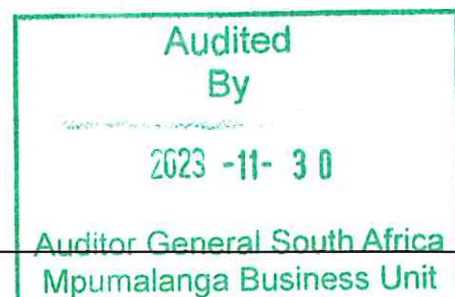
The variance on the non-current assets is related to the unspent conditional grant for the Public Transport Network Grant (PTNG) and the Regional Bulk Infrastructure Grant (RBIG) on service delivery capital assets that should have been completed in the 2021/2022 financial year.

23. Current Liabilities

The variance is as a result of the significantly increased trade and other payables from exchange transactions, trade and other payables from non- exchange transactions, unspent conditional grants 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 and the cost curtailment strategies, will enable the City to build cash backed reserves and be able to meet its financial and liquidity management objectives.

Cash Flow Statement:



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24. Net cash flows from operating activities

The variance is due to the under-collection of other income items, including traffic fines, rental of facilities and equipment, and revenue collected from bad debts recovered. The approved revenue enhancement strategy includes various measures to unlock and enhance the revenue generation and collection for the City

25. Net cash flows from financing activities

The variance is due to the repayment of the borrowings during the reporting financial year

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.

The original budget, adjustments budget as well as the final budget have been tabled and approved by Council respectively. The changes between the approved and final budget are a consequence of reallocations within the approved budget parameters as well as 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 2023 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 31 August 2023 under item A(4)

67. 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;

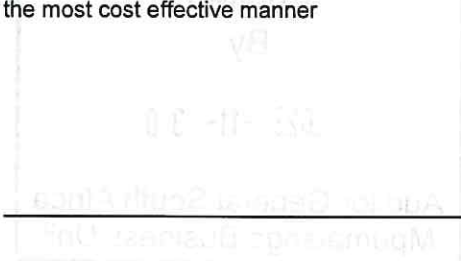
Economic and environmental services which includes planning and development, road transport and environmental protection services, and;

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

Unallocated includes finance and administration, executive and council and internal audit functions.

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



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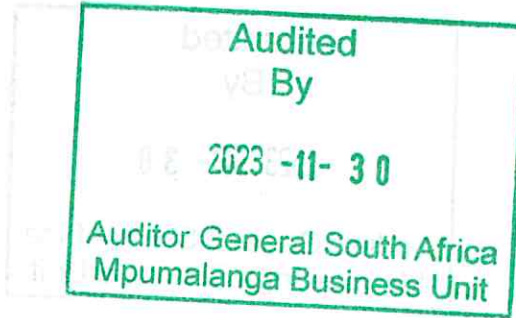
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Segment surplus or deficit, assets and liabilities

2023

	Community and public safety	Economic and environmental services	Trading services	Other	Total
Revenue					
Revenue from non-exchange transactions	3 008 716	457 508 428	915 168 772	946 421 949	2 322 107 865
Revenue from exchange transactions	22 270 718	72 867 750	1 618 284 843	364 650 348	2 078 073 659
Revenue from transactions with other segments	-	-	21 478 365	-	21 478 365
Gains and losses	-	-	-	34 447 354	34 447 354
Other 3	-	197 857	-	-	197 857
Total segment revenue	25 279 434	530 574 035	2 554 931 980	1 345 519 651	4 456 305 100
Entity's revenue					4 456 305 100
Expenditure					
Total segment expenses	368 582 834	277 460 763	2 058 571 701	794 188 212	3 498 803 510
Depreciation and amortisation	13 882 236	251 489 210	205 818 911	86 161 363	557 351 720
Interest expense	14 144 377	-	15 382 389	139 155 471	168 682 237
Internal charges	8 019 802	631 611	-	12 826 952	21 478 365
Gains and Losses	-	-	88 099 021	238 696 335	326 795 356
Total segment expenditure	404 629 249	529 581 584	2 367 872 022	1 271 028 333	4 573 111 188
Total segmental surplus/(deficit)					(116 806 088)



City of Mbombela

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	Community and public safety	Economic and environmental services	Trading services	Other	Total
Revenue					
Revenue from non-exchange transactions	7 899 347	426 405 250	807 363 709	867 005 977	2 108 674 283
Revenue from exchange transactions	31 948 138	15 127 344	1 553 613 487	85 361 443	1 686 050 412
Revenue from transactions with other segments	-	-	27 889 703	-	27 889 703
Gains and losses	-	(194 634)	(4 621 285)	40 430 642	35 614 723
Other 1	-	-	-	(3 465 066)	(3 465 066)
Total segment revenue	39 847 485	441 337 960	2 384 245 614	989 332 996	3 854 764 055
Entity's revenue					3 854 764 055
Expenditure					
Total segment expenses	378 290 505	274 316 406	2 119 268 163	810 914 306	3 582 789 380
Depreciation and amortisation	3 163 757	195 973 780	266 249 666	95 786 381	561 173 584
Interest expense	1 985 464	11 240 183	21 212 600	81 074 575	115 512 822
Internal charges	6 431 490	660 139	10 513 945	10 284 128	27 889 702
Total segment expenditure	389 871 216	482 190 508	2 417 244 374	998 059 390	4 287 365 488
Total segmental surplus/(deficit)					(432 601 433)

68. Events after the reporting date

The Member of the Executive Council for Co-operative Governance and Traditional Affairs has instituted legal action against the municipality. The legal application has been made to the Mpumalanga Division of the High Court on the 29 September 2023, regarding the appointment made by Council of the Chief Financial Officer during its sitting held on the 31 January 2023. The matter is currently pending at the High Court and await the final judgement for implementation.

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69. Awards to close family member of person in the services of state

Official	Position	Name of Spouse	Relationship to person in service of state	Supplier Name	Expenditure Incurred
NJ Magagula	Clerk 1	SD Magagula	Spouse	SDIM Youth Development	18 620.00
SW Mashele	Recreation officer	CL Mashele	Spouse	Multi Tasks and Projects (pty) Ltd	115 752.00
CV Lukhele	Nature Con Officer	TN Lukhele	Spouse	Thenjani	93 197.00
PD Thomo	Clerical assisstant	SH Mlambo	Spouse	Four Square Holdings	1 034 200.00
AP Mbokota	Librarian	GG Mbokota	Spouse	Gat Mbokota Investments	59 750.00

Audited
By

2023 -11- 30

Auditor General South Africa
Mpumalanga Business Unit

Report to the Auditor General for Mpumalanga

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Mpumalanga Business Unit

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Auditor General South Africa
Mpumalanga Business Unit