

**MBOMBELA**  
Local Municipality



**ANNUAL REPORT**  
**2005/06**





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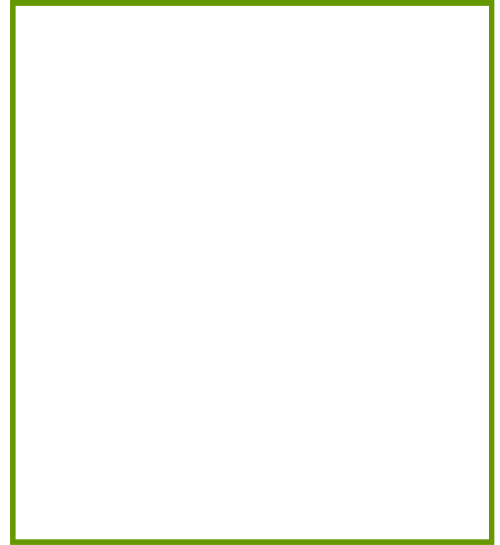
# Chapter 1

## Introduction and Overview

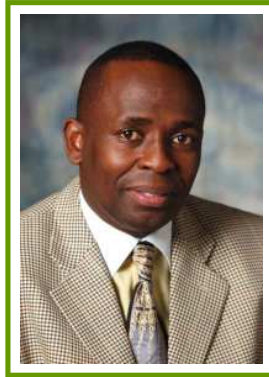
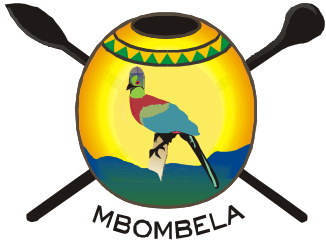
### 1.1 Foreword by the Executive Mayor



**1.2 Executive Summary by the Municipal Manager**



### 1.3 Institutional Profile (Political Structure)



**Executive Mayor**  
Clr. Justice Nsibande



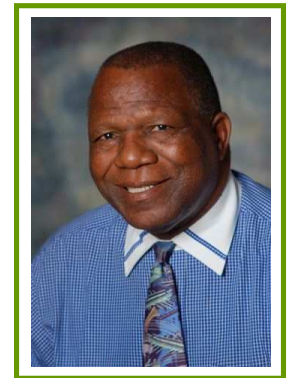
**Speaker**  
Clr. Jimmy Mohlala



**Executive Deputy Mayor**  
Clr. Naki Ndlovu



**Financial Services & Local  
Economic Development**  
Clr. Thandi Ndlala



**Chief Whip**  
Clr. Mfana Nkosi



**Town Planning, Housing  
& Engineering**  
Clr. Siphosiso Siwela



**Transversal Services**  
Clr. Vusi Sambo



**Waste Management, Health,  
Parks & Cemeteries**  
Clr. Jane Mokoena



**Public Safety, Security  
& Transport**  
Clr. Elvis Dlodlu

## 1.4 Municipal Overview

### 1.4.1 Municipality Vision

To be a municipality that provides equal opportunities, sustainable services, economic growth and quality of life for all.

### 1.4.2 Municipality Mission

To alleviate poverty and promote socio-economic development by providing reliable, sustainable and affordable services to all of Mbombela.

### 1.4.3 Broad Development Goals

- Sustainable Services
- Provision of Infrastructure
- Social Development
- Economic Development
- Safety and Security
- Environmental Management
- Good Governance

### 1.4.4 Overview of the Municipality

#### • Location

Mbombela is situated in the North Eastern part of South Africa within the Lowveld sub region of the Mpumalanga Province and the Municipality is made of 36 Wards. The Metropolitan areas of Pretoria and Johannesburg are located 320 km inland, with the border post at Komatipoort approximately 120 km to the east and the Mozambican coastline being around 200 km away. Urban areas in Mbombela include Nelspruit, White River, Hazyview, Kabokweni, Tekwane, KaNyamazane and Matsulu as well as other peri-urban areas situated mainly in the eastern parts of Mbombela.

#### • Population

The Water Services Development Plan (2006) estimated the population size of 2006 as 661 689 and number of household as 155 799 equating to average household size of 4, 24 persons. This means that population has increased by 186 886 from 474 803 of 2001 Statistics data (Stats SA, 2001). Contributing factors might be the fertility & mortality rates, migration

and influx to increasing residential and business development in the Municipality. A further research on life expectancy, mortality rate and other factors need to be conducted in detail. The population breakdown indicates that there are 52% females and 48% males in Mbombela and the majority are between **19 and 65** years of age.

#### • Race

Census 2001 indicated that the Municipality has 93% of Africans/ Blacks, 6% Whites, 1% Coloureds and 0, 3% of Indian/ Asians. The dominating language is SiSwati (89%), followed by Afrikaans (5%), English (3%) and 1% for IsiZulu, Sepedi and Sesotho.

#### • Socio Economic Factors

The eligible work force is estimated to be ± 327 000 of which ± 288 000 are economically active. The number of unemployed permanent residents in Mbombela is estimated to be ± 93 000. This equates to an unemployment rate of approximately 28% in 2006. There is high unemployment rate of males than females in the Municipality. The Municipality requires to conduct further analysis of type of jobs females are occupying as compared to male counterparts so as to ensure implementation of government equity and transformation policies.

#### • Household Income

The number of households with an income less than R1100 per month constitutes 59% of the total households in Mbombela. Only 15% of all households earn more than R3 500 per month.

#### • Integrated Development Plan (IDP)

The revised IDP for 2005/06 was the end product of a 9 months process of consultation and planning. The IDP and Spatial Development Framework obtained legal status with the final approval by Council on 26 September 2005 under Council resolution Number A16. The final product was submitted to the MEC for Local Government within 10 days after approval by Council, as per the Municipal Systems Act, 2000.



# Chapter 2

## Performance Highlights

### 2.1 Water

There are four water service providers in Mbombela, namely: the Municipality, Silulumanzi, Department of Water Affairs and Forestry (DWAF) and Bushbuckridge Water. DWAF transferred its assets and personnel in Nsikazi to Mbombela and this has increased the scope of work for the Municipality. Water tankers are also used to supply water in rural areas, however the Municipality does not have enough tankers to cover all the rural parts Mbombela.

The estimated waters supply backlog at the beginning of 2005/06 was 45 669 households. Water supply in Nelspruit, White River, KaNyamazane, Kabokweni and Matsulu East is metered and the water supply for these areas varies from good to excellent, with few interruptions. In the rural areas of Nsikazi, the supply is poor due to electricity failures, wastage, illegal connections, drought and vandalism of water supply infrastructure. The demand for reliable water supply remains the highest priority across the rural areas of Mbombela as indicated by communities during the IDP consultation process/Community Based Planning (CBP).

#### Performance Highlights for 2005/06:

- Replaced most of the old asbestos-cement (AC) water pipes in White River which resulted in some water savings.
- Secured funding for the New Bulk Supply Line between Nelspruit and White River which is estimated at ± R88 million.
- Provided new infrastructure for Nsikazi region.
- Actual expenditure on operations and maintenance for 2005/06 = **R20 042 015**

### 2.2 Sanitation

As with water supply, the provision for sanitation is one the key priorities identified by the municipal integrated plan (IDP). The provision for sanitation services and water supply has a direct effect on the level of primary health care and also to the life expectancy of the inhabitants of Mbombela. Although the Municipality has intensified its efforts to reduce the existing backlogs over the years, further backlogs have been created due to population growth and high demand for housing. The estimated backlog at the beginning of the financial year was 81 000 VIP toilets at a cost of R283 850 000.



### Performance Highlights for 2005/06:

- 5200 VIP's units installed during the financial year (i.e. Msogwaba, Jerusalem, Shabalala and Newscom).
- Developed Water Services Development Plan (WSDP) for none concession areas.
- Commenced with compilation of Water and Sanitation Master Plans for White River and Hazyview.
- Actual expenditure on operations and maintenance for 2005/06 = **R21 286 894**

## 2.3 Roads and Stormwater

The cost to address the backlog in Roads and Stormwater is the highest of all infrastructure service backlogs. The present state of roads and streets has a limiting impact on economic opportunities. There are 144km of National tarred roads in Mbombela and a total of 374km of Provincial tarred roads. There are 2 138km of Districts gravel roads, 274km of Municipal gravel roads and 243km of Municipal gravel bus routes with an estimated amount of R207 600 000 capital funding required for tarring of all the bus routes in Mbombela.

Within the formalized urban areas, a total of 2 102km of Municipal roads are tarred. The total length of all other roads in peri-urban areas within Mbombela is approximately 2 512km of which approximately 374km (15%) is paved and 2 138km (85%) is unpaved or gravel roads.

### Performance Highlights for 2005/06:

- A total of 13.4 km of roads was constructed during the financial year 2005/06.
- Appointed a service provider for the Nelspruit, Rocky's Drift and White River Master Plan.
- Actual expenditure on operations and maintenance for 2005/06 = **R31 888 471**

## 2.4 Electricity

Mbombela Local Municipality is the license holder for all urban and peri-urban areas including rural areas, Nelspruit TLC and TRC, Nkomazi West, White River TLC and TRC and Hazyview TLC areas within Mbombela. Eskom is the license holder for the farming areas and former TED areas within Mbombela jurisdiction. Mbombela has signed a service level agreement with Eskom for the supply of electricity within the former TED areas.

Issues raised during CBP regarding electricity supply were mostly related to the level of supply than electrification of houses. Power interruptions was cited as the problem area hence the need find a balance between the acceptable standard and reliability thereof. 70% of the households in Mbombela have access to some form of electricity with the other 30% relying on other sources of energy (i.e. wood, coal, paraffin, etc).

There is severe shortage of streetlighting and high mast lights in rural areas and that is where the Municipality is faced with service backlogs.

### Performance Highlights for 2005/06:

- Electrified 550 households.
- 4705 households registered for Free Basic Electricity.
- 400 streetlights installed including high mast lights.
- Signed of cession agreement and completed the scoping study pertaining to the establishment of Regional Electricity Distributors (REDs).
- Network upgrading at Nelspruit and White River.
- Completed the Master Plan for mass roll-out and upgrading of electricity infrastructure.
- Approved the electrification plan to address the existing backlogs.

## 2.5 Refuse Removal

There are currently three general waste disposal sites in Mbombela and are located in Nelspruit, White River and Hazyview. There are a number of privately owned and operated hazardous waste treatment facilities in Mbombela including : Delta EMD's hazardous waste treatment facility and incinerators used by the two hospitals in Nelspruit to dispose medical waste. The Municipality is in a process of developing a central waste disposal site which is anticipated to be in operation by September 2008.

The access to refuse removal services determines the level of service available within an areas. There is only kerbside refuse collection in Nelspruit, White River, KaNyamazane and Hazyview. Households in the rural and peri-urban areas have no access to refuse removal with a minimal of the households having access community waste site.

It is estimated that approximately 0.3-1.1kg of waste is produced per household per day in Mbombela. The residents of Mbombela produce 30 000-120 000 tones of general waste per annum. Approximately 50<sup>3</sup> of illegal waste is recovered by the Municipality on a monthly basis. Rapid population growth and urbanization is responsible for the increased waste generated thus exerting pressure on the available land fill sites.

### Performance Highlights for 2005/06:

- Two 20m<sup>3</sup> Rear End Loader heavy-duty vehicle were purchased for removal of residential waste in Hazyview and Nelspruit .
- Promulgation of Waste Management By-Laws.
- The Integrated Waste Management Plan (IWMP) approved by Council and sent to the Department of Agriculture and Land Administration for their approval.
- Mbombela Local Municipality was identified by Department of Environment and Tourism as a pilot for the Waste Minimization and Recycling Project.

## 2.6 Housing

The formalization and establishment of stands in Mbombela has become a serious issue that need to be addressed in order to allow ownership and also ensure proper land usage. At the beginning of 2005/06, 48 416 of the 153 171 stands in Mbombela were formalized. Furthermore, a projected demand of an additional 20 652 stands is required to eradicate the existing housing backlogs.

The rapid population growth and migration of the workforce towards areas closer to economic spines has placed increased demand for the provision of land that will integrate all racial groups and classes. In the recent past the Municipality has also experienced increase in informal settlements and illegal land invasions. The municipality has identified several vacant land across its jurisdiction as suitable for affordable housing development in future.

#### Performance Highlights for 2005/06:

- Approved a total of 514 housing subsidies.
- Only 4 township establishment were approved in 2005/ 6 financial year. (Sonheuwel Ext 8 & 9, Nelspruit Extension 46 and Riverside Park Ext 11)

#### Building and Zoning Plans for 2005/06

Category	No of New Applications Received 2005/06	Total Value of Applications Received	Applications Outstanding 30 June 2006
Residential New	1667	R1 722 901 845	1105
Residential Additions	669	R208 481 000	558
Commercial	145	R116 949 000	88
Industrial	29	R119 346 000	28
Other (specify)	278	R230 559 000	33
<b>TOTAL</b>	<b>2707</b>	<b>R2 398 236 845</b>	<b>1842</b>



## Capital Projects in 2005/06

Project Number	Project Description	Project Type	Project Cost	Expenditure 2005-06	Project Status	Number of Household Benefited
MIG/MP0176/SI/05/06	Various Footbridges in Mbombela •Ngodini/Kabokweni •Phola 50/50 •Khutsalani •Halfway Trust (ns) TV •Swalala Mdumiseni Primary School •Phola between Phola and Swalala •Gutjwa Road to Cemeteries •Bhuga Mthayuzza School •Mganduzweni Ward 8 (ns) Jerusalem •Mangozeni (quarry)	Pedestrian Bridges	R 7,062,300.00	R 1,754,556.14	Construction	Households in the relevant areas
MIG/MP0177/R/05/06	Rejuvenation/ Rehabilitation of Roads all areas	Roads & Stormwater	R 10,260,000.00	R 3,000,000.00	Construction	Households in the relevant areas
MIG/MP0182/W/05/05	Salubindza Water Reticulation	Water	R 3,200,000.00	R 2,759,806.14	Completed	460
MIG/MP0183/W/05/06	Phola Water Reticulation	Water	R 6,400,000.00	R 4,059,757.20	Completed	2214
MIG/MP0184/W/05/08	Shabalala Basic water network	Water	R 8,601,000.00	R 5,760,061.84	Completed	3188
MIG/MP0185/W/05/07	Majika/Sandriver basic water reticulation	Water	R 3,197,000.00	R 2,059,299.84	Completed	942
MIG/MP0188/CF/(SI)/05/05	Pedestrian Bridge in Hazyview	Pedestrian Bridges	R 1,174,396.00	R 764,183.53	Completed	
MIG/MP0198/W/05/06	Nsikazi north Basic Network for Chweni	Water	R 1,980,000.00	R 1,253,949.09	Completed	650
MIG/MP0199/W/05/06	Elandshoek: Bulkwater supply and Distribution	Water	R 946,000.00	R 758,036.42	Completed	360
MIG/MP0202/W/05/05	Construction of Clau-Clau Mangozeni Basic	Water	R 1,500,000.00	R 1,165,651.85	Completed	120
MIG/MP0266/W/05/06	Kiaat/Buyelani: Basic Water Supply	Water	R 7,600,000.00	R 1,185,324.76	Construction	2000
MP259	Shabalala: Install VIP Units	Sanitation	R 2,580,000.00	R 1,252,296.32	Completed	390
MP261	Msogwaba: Install VIP Units Phase 3	Sanitation	R 7,575,588.60	R 5,972,081.39	Completed	8500
MP262	Nyongane: Vip Units	Sanitation	R 1,500,000.00	R 791,788.94	Completed	149
MP247	Hoxane treatment Plant	Water	R 13,000,000.00	R 5,482,121.00	Construction	
C/MP0300/W/03/04	Zwelisha B: Water Supply	Water	R 3,242,200.00	R 3,020,802.44	Completed	3450
C/MP0303/W/03/04	Msogwaba-Lehawu Water Supply	Water	R 2,347,800.00	R 2,347,800.00	Completed	2000

# Chapter 3

## Human Resource and Other Organizational Management

### 3.1 Overview of the Organizational Structure

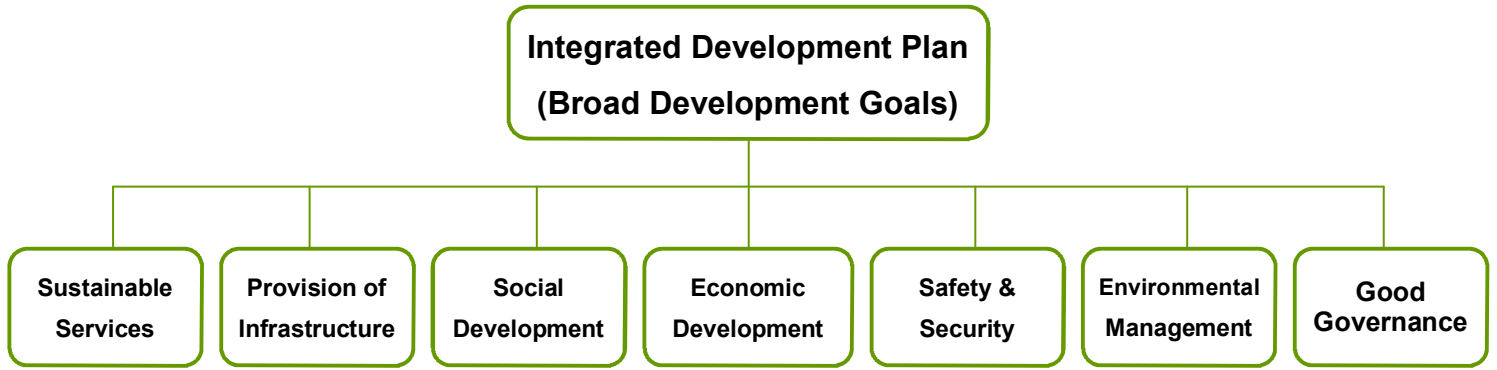
The existing organizational structure represents a functional structure that groups related activities to focus the efforts of the different Directorates. The Executive Mayor is responsible for providing policy direction assisted by the Mayoral Committee which provide an oversight function on policy matters and service delivery.

The Municipal Manager in his capacity as the Accounting Officer for the Municipality is responsible for the strategic direction of Mbombela Local Municipality. The Office of the Municipal Manager also provides an administrative service to the Mayoral Committee, which includes secretarial services, personal assistance, protection and safety. Other units reporting to the Office of the Municipal Manager includes: Audit & Compliance, Procurement, Communications and Public Relations.

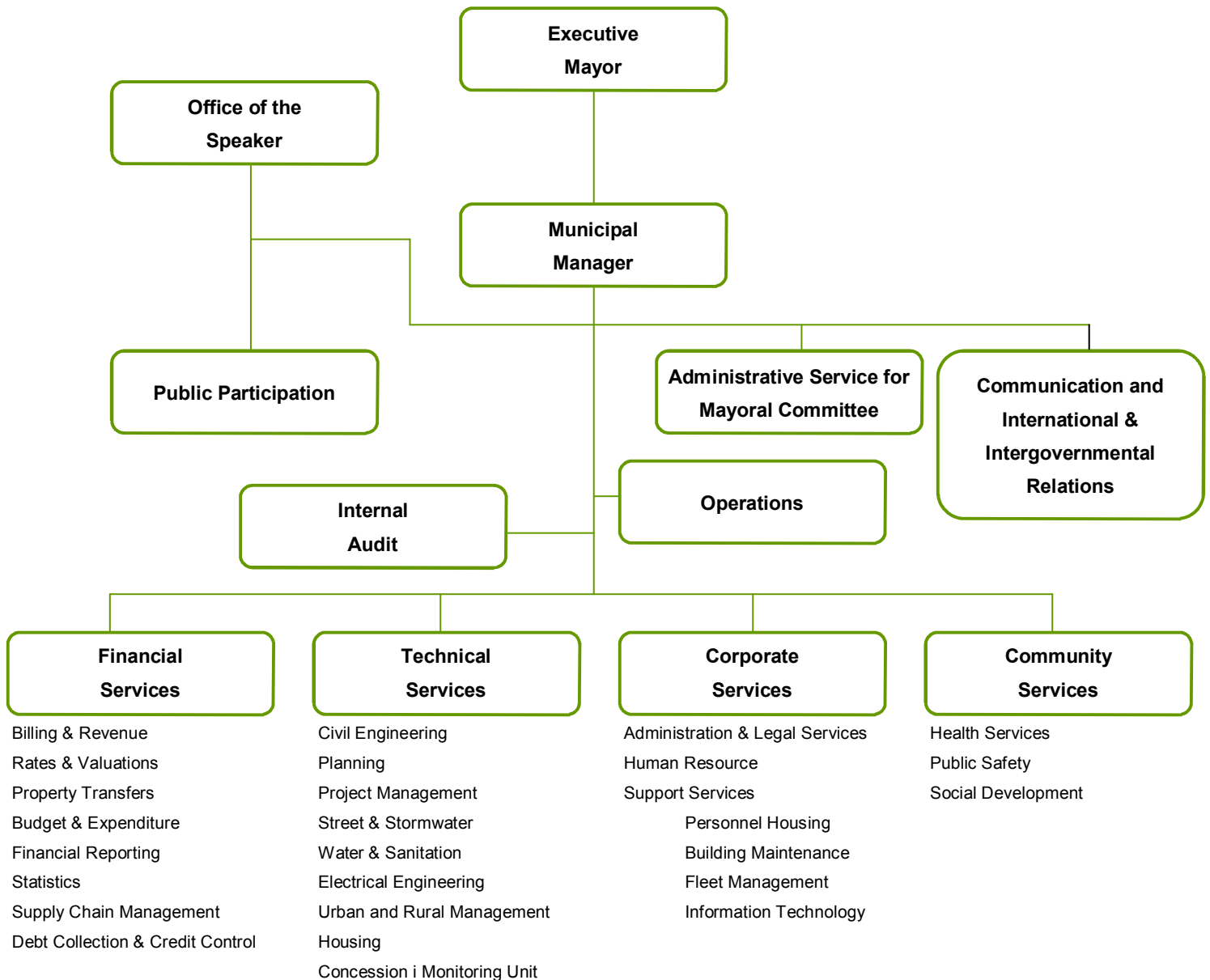
The Office of the Deputy Municipal Manager is responsible for the overall management of IDP Office, LED, GIS and Concession Monitoring. The Municipality has four Directorates namely: Financial Services, Technical Services, Corporate Service and Community Services tasked with rendering essential municipal services. Due to the fact that the Municipality covers a broad area, certain functions have been decentralized to middle management and lower management in order to focus on all levels of service delivery.

### 3.2 Organizational Structure

The Mbombela Local Municipality’s organizational structure facilitates the implementation of the Integrated Development Plan (IDP). The diagram below sets out the Municipality’s broad development goals as contained in the 2005/06 IDP document.



The organizational structure illustrated below aims to empower the Municipality towards the achievements of the broad development objectives set out in the diagram above.



### 3.5 Disclosure Concerning the Mayor, Municipal Manager and Directors for 2005/06

Description	Mayor	Municipal Manager	Chief Financial Officer	Director Technical Services	Director Community Services	Director Corporate Services
<b>Salaries and Wages</b>						
Total remuneration	R287,088	R403,866	R189 194 (6 months)	Vacant	R336,598	R341,940
Normal						
Overtime						
<b>Contributions</b>						
Pensions	R43,063	R88,851	R45,333	-	R74,052	R75,227
Medical Aid	R12,169	R42,996	R14,496	-	R33,295	R31,068
Other	-	-				
<b>Allowance</b>						
Travel and Motor Car	R71,772	R100,000	R50,000	-	R100,000	R100,000
Accommodation	-	-	-	-	-	-
Subsistence	-	-	-	-	-	-
<b>Housing Benefits and Allowances</b>	R38,246	-	-	-	-	-
<b>Loans and Advances</b>	-	R80,100	-	-	R95,138	-
<b>Other Benefits and Allowances (cellphone)</b>	R12,000	R12,840	R3,531	-	R7,062	R7,062

# Chapter 4

## Functional Area Service Delivery Reporting

4.1 Function: Financial Services					
<b>Sub-Function:</b>	Billing & Revenue, Budget & Expenditure, Financial Reporting & Statistics, Supply Chain Management and Debt Collection & Credit Control.				
<b>Strategic Objective:</b>	To ensure a credit worthy Local Municipality that could as far as possible finance its operations and capital projects from own sources and to maintain a sound and healthy financial administration.				
<b>Description of Activities:</b>	<ul style="list-style-type: none"> <li>• To maximize all potential revenue sources in Mbombela.</li> <li>• To set tariffs on a level that would ensure proper cost recovery of services delivered.</li> <li>• To maintain proper financial administration and controls.</li> <li>• To ensure cash flow that will be sufficient to meet Council's liabilities.</li> <li>• To increase payment levels and decrease the outstanding debtors in areas.</li> <li>• Compilation of a multi-year budget and annual financial statements.</li> <li>• Determination of tariffs for services rendered.</li> <li>• Billing of consumers and rendering of accounts.</li> <li>• Collection of revenue through paypoints and electronic methods.</li> <li>• Execute proper debt collection and credit control.</li> <li>• Management of cash resources and debt repayments.</li> <li>• Maintaining a payroll for staff establishment.</li> <li>• Operating a store function and purchase of items from creditors.</li> <li>• Ensure proper control and insurance of the Council's assets.</li> <li>• Provide updated financial statistical reports to Council and other spheres of Government.</li> <li>• Comment on items submitted to Council regarding any financial implications of resolutions taken by Council.</li> <li>• Ensure that all financial procedures and Council resolutions are complying with current legislation</li> </ul>				
	Measurable Objectives	Key Performance Indicators	Target	Actual	Comments
<b>Analysis of Function:</b>	1. Development of a customer care service strategy that will facilitate improved payment levels	% of customers complaints received and resolved within 48 hours	95	90	No electronic system to assist service centers



	2. To implement cost effective meter reading and billing system	% of households receiving monthly accounts and total billed	90%	95%	Meter readings taken monthly and households billed according to readings
	3. Management of expenditure and payments within prescribed norms and standards	% of payments made on time and within approved budget	100%	98%	Delays in the submission of invoices/cheque requisition by sections hence 2% of payments not processed on time
	4. Implement asset management policy and strategy	% of municipality's budget spend on capital projects identified in the IDP	1	0	<ul style="list-style-type: none"> <li>•Asset register not updated</li> <li>•Human resource constraints</li> <li>•Municipality to develop a business plan that will be used to apply for a grant from DBSA</li> </ul>
	5. Development of a customer care service strategy that facilitates the improvement of payment levels	% improvement in service payment levels	25%	30%	One additional pay point opened in Tekwane South
	To implement free basic service policy (FBS)	Number of indigent households registered and receiving FBS	2000	3330	<ul style="list-style-type: none"> <li>•4705 registered &amp; receiving FBS</li> <li>•Program for FBE database for ESKOM clients only developed by BCX abled MLM to roll out the subsidy to places where ESKOM supplies and clients not on MLM database</li> <li>•Progress reporting is done and training for CDWs</li> </ul>
	To implement property rates legislation	Rates policy approved and accurate valuation roll	1	1	•Implementation plan completed and approved by DPLG for July 2009

	Management of investments and liabilities	Surplus cash invested in terms of cash flow projections	-	R13 053 259	Positive bank balance. No targets could be set.
	Encourage the payment of debts in terms of policy and legislation	To reduce the unsecured portion of outstanding debtors	151	-	Figures exclude abeyance balances
<b>4.2 Function:</b>	<b>Internal Audit</b>				
<b>Sub-Function:</b>	<b>Audit and Compliance</b>				
<b>Strategic Objective:</b>	To assist Directorates in ensuring that Council has the best possible financial, administrative and operational systems in place that will facilitate compliance to legislation, minimize risks, prevent losses, optimize utilization of resources and facilitate service delivery in accordance with the vision and mission of Council.				
<b>Description of Activities:</b>	<ul style="list-style-type: none"> <li>Financial and administrative audits to ensure effective internal controls and adherence to accounting procedures and practices.</li> <li>Whistler blower and loss control investigations.</li> <li>Compliance audits to ensure adherence to legislation, policy and procedures.</li> <li>Performance management audits.</li> <li>Risk management.</li> <li>Value for money audits.</li> </ul>				
	<b>Measurable Objectives</b>	<b>Key Performance Indicators</b>	<b>Target</b>	<b>Actual</b>	<b>Comments</b>
<b>Analysis of Function:</b>	1. Compliance to legislation, policy and procedures	Number of audit reports	80	73	Understaffing within the unit (3 vacant positions)
<b>4.3 Function:</b>	<b>Strategic Integrated Development Planning, Performance Management, GIS and Environmental Management</b>				
<b>Sub-Function:</b>	<b>All inclusive</b>				
<b>Strategic Objective:</b>	To develop and review an IDP document that complies with the requirements of the applicable legislation and that would serve as an instrument for Council to render efficient and effective services to its residents by implementing an accurate Geographic Information System and ensuring a sustainable and safe environment through environmental management, and to monitor and evaluate the performance of Council through an effective performance management system.				
<b>Description of Activities:</b>	<ul style="list-style-type: none"> <li>To ensure that in the next 12 months the IDP document becomes the instrument for planning as envisaged in the applicable legislation.</li> <li>To review the IDP in consultation with community structures and other stakeholders.</li> </ul>				

	<ul style="list-style-type: none"> <li>To enable co-coordinated planning in the provision of facilities and services to the broader communities.</li> <li>To create an enabling environment to foster international relations.</li> <li>To establish a system of performance management that would measure the outputs of employees in order to optimize and improve where necessary the service levels rendered to residents.</li> <li>To place Council in a position to improve forward planning in service provision in view of greater certainty about service delivery by other departments.</li> <li>To enable councilors to influence decision-making processes of the spheres of government on the basis of their local knowledge of the needs of the communities.</li> <li>To adopt an Environmental Management System that governs Council operations to allow best practice with regard safe and sustainable environment.</li> </ul>				
	<b>Measurable Objectives</b>	<b>Key Performance Indicators</b>	<b>Target</b>	<b>Actual</b>	<b>Comments</b>
<b>Analysis of function:</b>	1. To develop a compliant user friendly and implementable IDP document	Approved IDP document	1	1	IDP adopted by Council on 29 May 2006
	2. To ensure involvement and participation of all stakeholders in IDP	Number of representative forum meetings	2	2	As part of participation, two IDP/Budget Lekgotla held
	3. To ensure that the sector plans are compiled and relevant to the IDP as required by legislation	Number of sector plans compiled relevant to the IDP	8	8	List of sector plans: WSDP, ITP, IWMP, Environmental Plan, Tourism Plan, SDF, PMS, Multi-Year Financial Plan
	4. To build internal capacity in better understating of the IDP	Number of workshop arranged	1	2	Arranged separate workshops for councilors and officials
	6. To ensure the electronic system is in place and functioning	Electronic system in place	Operational	Operational	System developed in-house development

	To build internal capacity and understanding of performance management	Number of workshops arranged	3	0	Performance Management is a standing item of weekly Management Meetings
	To ensure that stakeholders have access to all GIS based information	Accessibility to GIS information	GIS data available on Council website and internet	GIS data not available	Time constraints as GIS Manager also involved in IDP and PMS
	To address all environmental management issues within Mbombela's jurisdiction	Environmental Management Framework	Completed (100%)	Not completed (65%)	Draft document available and expected to be completed in 2006/07
<b>4.4 Function:</b>	<b>Communication and Public Participation</b>				
<b>Sub-Function</b>	<b>Community Based Planning</b>				
<b>Strategic Objective:</b>	To institutionalized communication and consultative mechanisms and systems in place to facilitate two-way communication between communities and the Municipality.				
<b>Description of Activities:</b>	<ul style="list-style-type: none"> <li>To implement, facilitate and monitor the Community Based Planning process.</li> <li>To facilitate two-way communication between communities and the Municipality.</li> <li>To establish mechanisms and structure that would ensure that the Council effectively communicate with communities on its policies and programmes.</li> <li>To establish a culture of open communication and trust between Council and the Community.</li> <li>To ensure that all enquiries of the public are dealt with in an efficient and professional manner.</li> <li>To provide councilors with relevant information of activities and service delivery taking place within their wards.</li> </ul>				
	<b>Measurable Objectives</b>	<b>Key Performance Indicators</b>	<b>Target</b>	<b>Actual</b>	<b>Comments</b>
<b>Analysis of Function:</b>	1. To ensure that all wards actively Participate in the CBP process	Number of wards participating in CBP	36	33	Wards (15,16 & 30) around Nelspruit and surrounding areas did not participate

	2. To streamline the Community Based Planning process	Number of days required for compilation of ward plans	5	4	CBP Review Process was shorter than the initial planning process
	3. Ensure that ward committees are functional in all wards	Number of ward committee meetings	432	325	Unavailability of members due to relocation, work or other commitments
	4. To effectively manage all resources available to the CBP process	Total cost of CBP	R720 000 (R20 000 per ward)	R650 000	Council to develop a CBP policy that will provide guidance for the utilization of the funds allocated to each ward
<b>4.5 Function:</b>	<b>Local Economic Development (LED)</b>				
<b>Sub-Function</b>	<b>Micro and Macro Economic Development</b>				
<b>Strategic Objective:</b>	To reduce poverty by creating an environment that is conducive to sustainable economic development through the continuous creation of economic opportunities for both local and external investors.				
<b>Description of Activities:</b>	<ul style="list-style-type: none"> <li>To create and establish new employment and economic opportunities across Mbombela Local Municipality.</li> <li>To provide marketing and promotional material to interested investors.</li> <li>To build capacity amongst SMME's.</li> <li>Develop sustainability of commercialized projects via a municipal entity.</li> <li>Advise community on establishment of new business entities and other related matters</li> </ul>				
	<b>Measurable Objectives</b>	<b>Key Performance Indicators</b>	<b>Target</b>	<b>Actual</b>	<b>Comments</b>
<b>Analysis of Function:</b>	1. Develop 2 major LED projects per annum	Number of projects developed	2	0	Funding not secured
	2. To conceptualize and ensure that the Mbombela Development Trust is operational	MDT established	Operational	Not operational	Council resolved to dissolve MDT due to non-compliance to MFMA

4.6 Function: Roads and Stormwater						
Sub-Function		N/A				
Strategic Objective:		To construct and maintain roads and stormwater infrastructure to ensure easy mobility of both people and freight.				
Description of Activities:		<ul style="list-style-type: none"> <li>Construction of gravel and tarred roads.</li> <li>Maintenance of the municipal road network.</li> <li>Construction of stormwater infrastructure to avoid possible flooding.</li> </ul>				
		Measurable Objectives	Key Performance Indicators	Target	Actual	Comments
Analysis of Function:		1. To ensure connectivity and accessibility to all communities	% of communities connected	100%	32.65%	Most communities displaced from the economic spines
		2. Construction of new routes	Number of kilometers constructed	7,54km	5,6km	Underperformance by contractors
		3. Resealing of existing roads	Number of kilometers resealed	19,5km	19,5km	None
		4. To effectively manage resources available for roads and stormwater	% utilization of allocated budget	100%	75%	Under expenditure due to outstanding work still to be paid
4.7 Function: Electricity						
Sub-Function		N/A				
Strategic Objective:		To provide a safe, reliable and cost effective electricity supply to all customers within Council's license area supply through efficient utilization of resources.				
Description of Activities:		<ul style="list-style-type: none"> <li>Administer and supply of electricity services.</li> <li>Maintenance and expanding the current electricity distribution network.</li> <li>Monitoring and ensuring the quality of electricity supplied.</li> </ul>				
		Measurable Objectives	Key Performance Indicators	Target	Actual	Comments
Analysis of Function:		1. To provide access reliable electrical services to all households within Mbombela	Number of households electrified	1160	400	Funds received from DME not enough
		2. To provide access to reliable streetlighting in Mbombela	Number of streetlights and high mast lights	300	340	Demand more than the projected target

	3. To provide access to free basic electricity to all indigent households within Mbombela	Number of households qualifying for FBE	9 500	14 374	Budget enough to accommodate additional households
	5. Upgrade electrical network	% Upgraded	98%	93%	Under budgeting for maintenance costs
	6. To prepare Mbombela for implementation of REDs within the RED 6 area	% state of preparedness	100%	10%	Budget constraints
	7. Finalization of the TED issue	% of assets transferred back to Mbombela	100%	100%	Settlement agreement by all parties
	8. Separate electricity municipal entity	% establishment completed	100%	100%	None
<b>4.8 Function:</b>	<b>Waste Management</b>				
<b>Sub-Function</b>	<b>N/A</b>				
<b>Strategic Objective:</b>	To provide an effective economical waste management and refuse disposal system in relation to environmental management legislation.				
<b>Description of Activities:</b>	<ul style="list-style-type: none"> <li>• Provision of refuse removal, street cleaning and disposal systems (landfill sites, transfer station) to address littering.</li> <li>• Regular removal of household and garden refuse from residential houses.</li> <li>• Removal of business waste.</li> <li>• Provision of special removal services.</li> <li>• Management of contracted solid waste management services</li> <li>• Promotion of waste minimization programs to SMME's.</li> <li>• Coordination of recycling programs on disposal sites.</li> <li>• Law enforcement on refuse removal services problems</li> </ul>				

	Measurable Objectives	Key Performance Indicators	Target	Actual	Comments
<b>Strategic Objective:</b>	1. To collect, transport and dispose of 80% of all waste in Mbombela by 2010	% of total waste collected, transported and disposed	40%	30,54%	Waste collection not extended to the whole of Mbombela
	2. To ensure compliance with regulations on the three disposal sites operated by MLM	% of waste disposable sites covered on a daily basis	100%	66,67%	Limited airspace in Hazyview and budget constraints at Hazyview and Mbonisweni
	3. To close and rehabilitate the current waste disposal site	Closed and rehabilitated waste disposal sites	1	0	Tekwane West project behind schedule
	4. Ensuring availability of vehicles for waste collection daily	Collection vehicles available daily	3	0	Need to increase fleet to match the boom in residential and industrial sites
	5. Roll-out collection services of once a week from the kerbside	Number of households that receive once a week kerbside collection	32 000	26 056	Available fleet for refuse removal not enough to render the desired service
<b>4.9 Function:</b>	<b>Housing</b>				
<b>Sub-Function</b>	<b>N/A</b>				
<b>Strategic Objective:</b>	To identify, acquire land for housing development and coordinate provision of low cost houses in the municipality.				
<b>Description of Activities:</b>	<ul style="list-style-type: none"> <li>Managing the subsidization of housing in Mbombela on behalf of the Province.</li> <li>Providing shelter and better quality living environment.</li> <li>Maintenance of existing housing stock.</li> </ul>				
	Measurable Objectives	Key Performance Indicators	Target	Actual	Comments
<b>Analysis of Function:</b>	1. Roll-out the implementation of approved subsidies	Number of households with access to housing	No baseline	Data not available	Baseline to determine housing need required
	2. To effectively manage the housing resources available to MLM	Number of approved subsidies	2000	514	No allocation received for 2005/06



<b>4.10 Function:</b>	<b>Urban and Rural Management</b>				
<b>Sub-Function:</b>	<b>Administration and Graphic Information, Building Control, By-Laws/Ordinance Enforcement, Properties and Town Planning.</b>				
<b>Strategic Objective:</b>	To ensure sustainable and affordable access to housing and structured development through effective and fast-tracked service delivery mechanisms in order to achieve a secure, livable and investment friendly environment.				
<b>Description of activities:</b>	<ul style="list-style-type: none"> <li>To render town-planning function.</li> <li>To ensure proper management of Council's property portfolio.</li> <li>To facilitate all housing projects of Council and private developers.</li> <li>To enforce town-planning schemes.</li> <li>To enforce the advertising by-laws.</li> <li>To enforce the National Building Regulations.</li> <li>To maintain proper administrative records and registers.</li> <li>To ensure proper administrative procedures in accordance with legislation.</li> <li>To provide a spatial framework for the management of sustainable development and investment.</li> </ul>				
	<b>Measurable Objectives</b>	<b>Key Performance Indicators</b>	<b>Target</b>	<b>Actual</b>	<b>Comments</b>
<b>Analysis of Function:</b>	1. To provide an effective building control service to all residents in Mbombela	% of Mbombela population receiving a building control service	40	40	Additional building inspectors required to expand the service beyond Nelspruit, White River, Hazview, Kanyamazane,, Kabokweni and Matsulu
	2. Reduce occurrence of illegal settlements/informal structures	Number of court interdicts for demolishing obtained	15	8	Enhance monitoring of illegal settlements by increasing the number of law enforcement officers
	3. Reduce the occurrence of illegal advertising signs, land use and building control matters	% completion rate on number of legal notices issued	50%	25%	Under-staffing in the unit thus creating backlogs for pending notices to be issued

	4. Implement complaint tracking system	% completion rate on complaints received	80%	39%	Under-staffing in the unit thus creating backlogs for complaints resolved
	5. To conduct a land audit	Completed audit	1	1	Land audit report has been submitted to Council
	6. Finalise the Land Use Management System (LUMS)	Promulgation of by-laws / signed memorandum of agreement (%)	100%	60%	Delay in the implementation of LUMS due to lack of effective legal framework and buy in from Provincial and National Government
	7. To effectively enforce the relevant by-laws and ordinances related to development management within Mbombela	Relevant areas of Mbombela where service are being rendered (%)	100%	35%	Await finalisation of LUMS
<b>4.11 Function:</b>	<b>Public Safety</b>				
<b>Sub-Function:</b>	<b>Disaster Management</b>				
<b>Strategic Objective:</b>	To promote safety and emergency preparedness in the community through the provision of disaster management.				
<b>Description of activities:</b>	<ul style="list-style-type: none"> <li>• Implementation of the Disaster Management Programme.</li> <li>• Management of the Emergency Communication Centre.</li> <li>• Coordinate all relief efforts and aid deployed at affected areas.</li> </ul>				
	<b>Measurable Objectives</b>	<b>Key Performance Indicators</b>	<b>Target</b>	<b>Actual</b>	<b>Comments</b>
<b>Analysis of Function:</b>	1. To identify all potential hazards and threats in the jurisdiction of MLM	Municipal Risk Profile	Yes	Yes	All stakeholders and interest groups Invited to a workshop
	2. To develop, compile, store, update and maintain the disaster management resource database for MLM	Installation of GIS and purchasing of new maps showing the current Mbombela areas	Yes	No	Consultative meetings held and business plan under development

	3. To formulate appropriate early warning plans	Awareness programs	1	1	Dam levels sent to various institutions monthly
	4. To ensure that all development projects integrate disaster management issues to ensure sustainability.	Formulation of Disaster Management Committees	Yes	Yes	Process finished 20 June 2006
	5. To have a functional Disaster Management Centre for MLM	To upgrade Disaster Management facilities	Yes	No	Business plan under development
	6. To establish a a viable volunteer structure	Established volunteer unit	Yes	No	No volunteer policy in place
<b>Sub-Function:</b>	<b>Fire and Rescue</b>				
<b>Strategic Objective:</b>	To promote safety and emergency preparedness in the community through the provision of fire and rescue services.				
<b>Description of activities:</b>	<ul style="list-style-type: none"> <li>• Fighting and prevention of fires to avoid harm on people, property and nature.</li> <li>• Law enforcement of fire related by-laws.</li> <li>• Maintenance and servicing of fire hydrants.</li> <li>• Rescue services (fires, water, accidents, mountain, etc)</li> <li>• Handle hazardous emergencies</li> <li>• Special services (removal of snakes, bees and other unwelcomed species or objects)</li> </ul>				
	<b>Measurable Objectives</b>	<b>Key Performance Indicators</b>	<b>Target</b>	<b>Actual</b>	<b>Comments</b>
<b>Analysis of Function:</b>	1. Checking and monitoring of street fire hydrants within Mbombela	Number of monitored fire hydrants	409	420	None
	2. Optimizing Fire Rescue response	Reduce the response time (minutes)	45min	45min	Baseline line figure set against available resources
	3. Enhance Health and Safety of Fire Rescue Service Personnel	% of Health and Safety personnel enhanced	100%	100%	None

	4. Improve Fire Safety Education and Fire Prevention	% improvement of fire safety education and fire prevention	40%	15%	Lack of human resources.
<b>Sub-Function:</b>	<b>Licensing</b>				
<b>Strategic Objective:</b>	To provide registration and licensing of vehicles and drivers as well ensuring compliance at testing stations within the jurisdiction of Mbombela.				
<b>Description of activities:</b>	<ul style="list-style-type: none"> <li>• Registration and licensing of vehicles.</li> <li>• Roadworthy testing of vehicles.</li> <li>• Regulation and issuing of permits and motor plate numbers.</li> <li>• Testing and issuing of learners and drivers' license.</li> <li>• Financial administration of motor vehicle income.</li> </ul>				
	<b>Measurable Objectives</b>	<b>Key Performance Indicators</b>	<b>Target</b>	<b>Actual</b>	<b>Comments</b>
<b>Analysis of Function:</b>	1. To ensure a corrupt free licensing service	Implementation of the Best Practice Model (BPM)	Yes	No	Scheduled to be implemented during 2006/07 according to Provincial roll-out plan
	2. Reduction in driving/learners license waiting period from three months to one month	Months spent awaiting an appointment	3 Months	4-5 Months	Demand exceed the available human resource (examiners)
	3. To improve customer relations	Number of complaints received	200	7280	Extended waiting period due to staff shortages
<b>Sub-Function:</b>	<b>Traffic Management</b>				
<b>Strategic Objective:</b>	To provide law and order on the municipal roads through law enforcement services.				
<b>Description of activities:</b>	<ul style="list-style-type: none"> <li>• Traffic control and traffic policing within the area of jurisdiction of Mbombela.</li> </ul>				

	<ul style="list-style-type: none"> <li>• Law enforcement as prescribed by the Road Traffic Act, No 29 of 1989.</li> <li>• Investigation of motor vehicle accidents and the prosecution of negligent parties.</li> <li>• The installation and maintenance of robots, road signs and road markings.</li> <li>• Conducting traffic surveys and making to recommendations to the City Engineer regarding proposed changes on road layout or environment.</li> <li>• Scholar Training Programmes to promote road safety awareness.</li> <li>• Providing escort services.</li> <li>• Internal training of traffic services staff.</li> </ul>				
	<b>Measurable Objectives</b>	<b>Key Performance Indicators</b>	<b>Target</b>	<b>Actual</b>	<b>Comments</b>
<b>Analysis of Function:</b>	1. Align staff with requirements to five year plan	Number of traffic officers appointed	-	-	No new appointments
	2. Increase prosecution and traffic law enforcement	Number of prosecutions	10 000	48 357	Increase operations and traffic policing on all municipal roads
	3. Erect and maintain traffic signs, road markings and traffic signals	Number of new traffic signs	-	208	Services rendered as and when need arises
		Number of old traffic signs maintained	-	533	
Kilometers of road markings maintained		-	218		
Number of old signals maintained		-	1 469		
<b>4.12 Function:</b>	<b>Health Services</b>				
<b>Sub-Function:</b>	<b>Primary Health Care</b>				
<b>Strategic Objective:</b>	To attain the optimal well-being of all inhabitants of Mbombela by ensuring the promotion of transparent Health Services that address basic needs of inhabitants of Mbombela through centralized Primary Health Care and Aids Awareness Programme.				
<b>Description of Activities:</b>	<ul style="list-style-type: none"> <li>• Comprehensive Primary health Care Package.</li> <li>• Facilitation and coordination of health care education to the public of Mbombela.</li> <li>• Public health surveillance and managing medical epidemiology.</li> <li>• Promote voluntary counseling and testing from community.</li> </ul>				

	Measurable Objectives	Key Performance Indicators	Target	Actual	Comments
<b>Analysis of Function:</b>	1. To improve child health by distributing nutritional food packs, monitoring and education	Number of children identified with malnutrition and supported by nutritional food interventions	-	249	Targets can not be set. It is not possible to know how many patients will visit the primary health care clinics.
	2. To provide service to patients who are chronically ill	Number of chronic patients seen	-	25 621	
	3. To improve the health status of patients infected by TB and HIV	Number of clients benefited by nutrition programme (TB/HIV)	-	623	
	4. To provide continuous counselling and support for voluntary tested clients with HIV	Number of clients receiving ongoing counselling and support	-	1 649	
	5. To provide immunization to children up to 60 months	Number of immunized children (0 - 60 months)	-	5 335	
	6. To provide service to sick people	Number of patients seen	-	49 799	
	7. To establish a database of people infected by HIV/AIDS	Number of patients voluntary counselled	-	3 813	
		Number of patients voluntary counselled and tested only	-	2 995	
8. To provide service to clients with Tuberculosis	Number of TB patients on treatment	-	512		

4.13 Function: Social Development						
Sub-Function: Sports and Culture						
Strategic Objective:		The social upliftment and promotion of the social-well being of the community as a whole through sport and recreation, arts and culture and good environmental practices.				
Description of Activities:		<ul style="list-style-type: none"> <li>The construction and improvement of sport and recreation facilities.</li> <li>To promote the development of sport, which not only will it enhance the quality of people's lives.</li> <li>To make sport and recreation accessible to all people in the local area.</li> <li>To promote the establishment of a regional sport stadium in Mbombela</li> </ul>				
		Measurable Objectives	Key Performance Indicators	Target	Actual	Comments
Analysis of Function:		1. Initiate commitment and funding for Mbombela based sport codes development	Amount of funding sourced from provincial and national government departments	1 000 000	R1 000 000	Funding received from National Government
		2. To promote and develop arts and culture in all its facets	Number of cultural events	2	1	Mbombela Arts and Culture Festival held during the year
		3. Establish at least one community based multiple sports facility in all planning zones	Number of outdoor recreation facilities established	4	1	Budget constraints dictated that one facility be established
		4. To ensure the development of local talent through sport development programmes focused on including youth and disabled people in sport	Number of programmes for sport development	2	2	Swimming and soccer programmes established.
		5. Make all sport and recreational facilities accessible to people with disabilities	Number of sport facilities accessible to disabled people	2	2	Work completed on related facilities at KaNyamazane and Nsikazi
		6. Promote and support sport development programmes all in planning zones by	Number of sport programmes held	5	5	SPACE programmes ongoing

4.14 Function: Human Resource Management					
Sub-Function: Corporate Governance, Support Services and Archives					
<b>Strategic Objective:</b>	To ensure that the Mbombela Local municipality will have a staff, councilor and administrative components that are able to meet the challenges facing the municipality in transforming the delivery of services and meeting the objectives and target as envisaged in the IDP.				
<b>Description of Activities:</b>	<ul style="list-style-type: none"> <li>To promote clean and corrupt free governance within the municipality.</li> <li>To implement a work-place skills plan in accordance with the approval of LGWSETA.</li> <li>To develop an electronic document management system for the Municipality.</li> </ul>				
	Measurable Objectives	Key Performance Indicators	Target	Actual	Comments
<b>Analysis of Function:</b>	1. Arranging internal and external training aligned with demands and the Skills Development Plan	% of training budget spent	100%	100%	Total budget spent on capacity building workshops for staff and councillors
	2. Upgrade Sitasive training centre	Sitasive upgraded	Yes	No	Funds reallocated
	3. To establish a training centre in Hazyview	Training centre established	Yes	Yes	None
	4. develop an electronic document management system for Mbombela Local Municipality by 2006/07	Electronic document management system implemented	Yes	No	Waiting for data conversion and initial setup. The project has commenced and is 10% complete.





# Chapter 5

## Audited Financial Statements

### 5.1 Report of the Auditor General



AUDITOR - GENERAL

#### REPORT

OF THE

#### AUDITOR-GENERAL

TO THE

#### MEMBERS OF THE COUNCIL

ON THE

#### FINANCIAL STATEMENTS OF MBOMBELA MUNICIPALITY

FOR

THE YEAR ENDED 30 JUNE 2006



**REPORT OF THE AUDITOR-GENERAL TO THE MEMBERS OF THE COUNCIL ON THE FINANCIAL STATEMENTS OF MBOMBELA MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2006**

**1. AUDIT ASSIGNMENT**

The financial statements as set out on pages 11 to 44 for the year ended 30 June 2006, have been audited in terms of section 188 of the Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996), read with sections 4 and 20 of the Public Audit Act, 2004 (Act No. 25 of 2004). These financial statements are the responsibility of the accounting officer. My responsibility is to express an opinion on these financial statements, based on the audit.

**2. SCOPE**

The audit was conducted in accordance with the *International Standards on Auditing* read with *General Notice 1512 of 2006*, issued in *Government Gazette* no. 29326 of 27 October 2006. Those standards require that I plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement.

An audit includes:

- examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements
- assessing the accounting principles used and significant estimates made by management
- evaluating the overall financial statement presentation.

I believe that the audit provides a reasonable basis for my opinion.

**3. BASIS OF ACCOUNTING**

The municipality's policy is to prepare financial statements on the basis of accounting determined by the National Treasury, as described in note 1 to the financial statements.



### 3. **QUALIFICATION**

#### 3.1 **Limitation on the scope of audit**

##### 3.1.1 *Fines revenue*

Source documentation for revenue from traffic fines, amounting to R8, 622 million, could not be submitted for audit purposes, as a result I could not perform procedures to satisfy myself that income received from fines is complete.

##### 3.1.2 *Asset register and asset verifications*

Asset verifications have not been done on an annual basis. The fixed asset register was incomplete with regard to the descriptions and locations of assets and the municipality's records did not permit the application of alternative auditing procedures. Consequently, I was unable to obtain all the information and explanations I consider necessary to satisfy myself as to the existence, completeness, valuation, ownership, presentation and disclosure of property, plant and equipment to the value of R603 090 670 disclosed in the statement of financial position, note 12 and appendix b and c of the financial statements and the completeness and accuracy of the depreciation charge in the statement of financial performance.

##### 3.1.3 *Inadequate registers maintained for rental deposits*

Due to the lack of a framework for the performance of reconciliations registers for rental deposits received were kept, but do not indicate refunds of deposits made or the balance outstanding for the rentals deposit balances of R2 914 381.33 appearing in the general ledger at year end. Reconciliations could not be performed to confirm these balances for valuation and existence.



### **3.1.4 Inadequate journal descriptions and missing journal vouchers**

Journals to the value of R6 914 187 were authorised and processed without adequate descriptions and supporting documentation. This is a result of the financial accounting and internal control systems that have not been adequately developed in this area. I was therefore unable to satisfy myself as to the validity and accuracy of these journals.

## **4. QUALIFIED AUDIT OPINION**

In my opinion, except for the effect on the financial statements of the matter referred to in the preceding paragraph, the financial statements fairly present, in all material respects, the financial position of Mbombela Municipality at 30 June 2006 and the results of its operations and cash flows for the year then ended, in accordance with the basis of accounting determined by the National Treasury of South Africa as described in note 1 of the accounting policies, and in the manner required by the Municipal Finance Management Act.

## **5. EMPHASIS OF MATTER**

Without further qualifying the audit opinion expressed above, attention is drawn to the following matters:

### **5.1 Irregular Expenditure**

As disclosed in note 31 of the notes to the financial statements, the council incurred irregular expenditure to the amount of R1 310 118. Of this amount R721 368 relates to the payment of performance bonuses without an evaluation of performance and approval thereof as reported in the previous financial year, and R498,750 relates to the traffic cameras management tender which after investigation council resolved that the amount be recovered from the responsible officials.



### 5.2 Valuation Roll

The valuation roll currently in use by the municipality is older than 6 years and the next review of the valuation roll is planned for 2009. This is contrary to section 32 of the Local Government Property Rates Act which requires that a valuation roll remains for a total of 4 years or 5 years if granted an extension by the provincial MEC for local government. A draft rates policy is in place and it will be approved for enforcement in July 2009 when a new valuation has been compiled.

### 5.3 Late finalization of the audit report

In terms of section 126(3)(b) of the MFMA I am required to submit my report to the accounting officer within three months of the receipt of the financial statements. In the interest of improving accountability and due to the process implemented by me to ensure consistency in the manner in which material audit findings are reported I have delayed the finalisation of my report to the date indicated in this report.

## 6. **APPRECIATION**

The assistance rendered by the staff of the municipality during the audit is sincerely appreciated.

**D Radebe for Auditor-General**

**Nelspruit**

**18/12/2006**



**A U D I T O R - G E N E R A L**

## **MBOMBELA LOCAL MUNICIPALITY**



## **ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006**

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**MBOMBELA LOCAL MUNICIPALITY  
GENERAL INFORMATION  
FOR THE YEAR ENDED 30 JUNE 2006**

**REGISTERED OFFICE**

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NELSPRUIT

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NELSPRUIT  
1200

**TELEPHONE NUMBER +27 13 759-9111**

**FAX NUMBER +27 13 759-2002**

**WEBSITE ADDRESS: [www.mbombela.gov.za](http://www.mbombela.gov.za)**

**GRADING OF LOCAL AUTHORITY**

GRADE 9

**AUDITORS**

THE AUDITOR GENERAL

**BANKERS**

ABSA BANK NELSPRUIT

**COUNCILLORS**

M J Mohlala	Speaker
J Nsibande	Executive Mayor
C N Ndlovu	Executive Deputy Mayor
M W Nkosi	Chief Whip
E M Dlodlu	Member of Mayoral Committee
G S Siwela	Member of Mayoral Committee
J V Sambo	Member of Mayoral Committee
T V Ndlala	Member of Mayoral Committee
Z J Mokoena	Member of Mayoral Committee
A A Ndowane	Councillor
A B Mashabane	Councillor
B P Maseko	Councillor
C D Mac Pherson	Councillor
C G Mokoena	Councillor
C J Booyens	Councillor
C J M Pienaar	Councillor



**MBOMBELA LOCAL MUNICIPALITY  
GENERAL INFORMATION  
FOR THE YEAR ENDED 30 JUNE 2006**

C Maseko	Councillor
D P C Tau	Councillor
E M Khoza	Councillor
E N Sambo	Councillor
F G Mbuyane	Councillor
F H J Sibozza	Councillor
F Lange	Councillor
F P Nkala,	Councillor
G C de Bruin	Councillor
G T Silaule	Councillor
H K Malomane	Councillor
H L Lekhuleni	Councillor
J D Nkosi	Councillor
J Koster	Councillor
J M Khumalo	Councillor
J M Mbazo	Councillor
J M Mhlongo	Councillor
J Sidell	Councillor
M A Ngwenyama	Councillor
M C Mafotha	Councillor
M E Banda	Councillor
M E Mndebele	Councillor
M J Msibi	Councillor
M J Mwali	Councillor
M M Mlimi	Councillor
M O Mathebula	Councillor
M S Dube	Councillor
N A Mokoena	Councillor
N B Matume	Councillor
N L Mabunda	Councillor
N L Mkhwanazi	Councillor
N M Mashabane	Councillor
S D Mboshane	Councillor
S G Chiloane	Councillor
S R Schormann	Councillor
S S Lukhele	Councillor
S T Luthuli	Councillor
S Zwane	Councillor
T C Simelani	Councillor
T E Nkosi	Councillor
T F Nkosi	Councillor
T G Manana	Councillor
T J Milazi	Councillor
T K Mabilane	Councillor
T M Charles	Councillor
T M Manana	Councillor
T N Sifunda	Councillor
T R Sgudla	Councillor
V A Mdluli	Councillor
V B Mlimi	Councillor
V M Mathebula	Councillor

**MBOMBELA LOCAL MUNICIPALITY  
GENERAL INFORMATION  
FOR THE YEAR ENDED 30 JUNE 2006**

W A Mona	Councillor
W N Murphy	Councillor
Z L Mandlazi	Councillor
Z M Boroko	Councillor

**AUDIT COMMITTEE**

Prof MJ Maseko	Chairman
A Keyser	Member
O Mhlabane (Me)	Member
B Bando (Me)	Member

**MUNICIPAL MANAGER**

MR B S Vilane

**DEPUTY MUNICIPAL MANAGER**

MR R G P Kotzé

**CHIEF FINANCIAL OFFICER**

MR MP Shongwe

**DIRECTOR TECHNICAL SERVICES**

VACANT

**DIRECTOR COMMUNITY SERVICES**

MR M A Phiri

**DIRECTOR CORPORATE SERVICES**

MR T L Sikonela

**APPROVAL OF FINANCIAL STATEMENTS**

The annual Financial Statements as attached were signed by the Municipal Manager.

.....  
JT DLADLA  
MUNICIPAL MANAGER  
15 December 2006

.....  
P MATHEBULA  
ACTING CHIEF FINANCIAL OFFICER  
15 December 2006

**MBOMBELA LOCAL MUNICIPALITY  
ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
30 JUNE 2006**

I am responsible for the preparation of these annual financial statements, which are set out on pages 1 to 44, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 23 of these 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 Provincial and Local Government's determination in accordance with this Act.

JT Dladla  
Municipal Manager  
15-Dec-06

**MBOMBELA LOCAL MUNICIPALITY  
FINANCIAL REPORT TO THE ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2006**

**1. Basis of Presentation**

The Annual Financial Statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention.

The Municipality has adopted the standards of GAMAP and GRAP issued by the Accounting Standard Board during the financial year.

The Financial Statements are based on the following principles :

- Standards of GRAP – which are GRAP 1, GRAP 2 and GRAP 3 and the 8 GAMAP standards.
- The new budget formats prescribed by National Treasury.
- The Municipal Finance Management Act.
- The Division of Revenue Act.

**2. Presentation Currency**

These Annual Financial Statements are presented in South African Rand.

**3. Going Concern Assumption**

These Annual Financial Statements have been prepared on a going concern basis.

**4. Operating Results**

The Operating Results achieved for the past financial year are extremely favourable considering the actual surplus for the year of R51 582 393 against the budgeted surplus of R451 928. This represents and attributed to a budgeted expenditure provided for which did not realize the following segments :

	<b>Budget 2005/2006</b>	<b>Actual 2005/2006</b>	<b>Deviation</b>
<b>Employee Related Cost</b>			
Mainly the result of vacancies and the time to fill these vacancies.	157 847 747	152 553 542	5 294 205
<b>Interest on External Borrowings</b>			
Interest calculations were based on the 2005/2006 Capital Budget projects financed from external funding while the Capital projects expenditure did not realize 100% for the year. We did not take up a loan in the 2005/2006 financial year for the projects.	17 823 255	15 185 061	2 638 194

**MBOMBELA LOCAL MUNICIPALITY  
FINANCIAL REPORT TO THE ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2006**

	<b>Budget 2005/2006</b>	<b>Actual 2005/2006</b>	<b>Deviation</b>
<b>Depreciation</b>			
Depreciation was calculated based on GAMAP standards Applicable when the 2005/2006 budget was compiled. The GAMAP standards changed in the 2005/2006 financial year. The offsetting of depreciation change according to the new Standard for the 2005/2006 financial year	14 449 402	26 023 502	-11 574 100
<b>Water-Sale Silulumanzi (Nsikazi)</b>			
Transfer of DWAF assets during the year – water Sales not budgeted for the year	NIL	10 415 454	10 415 454
<b>Tariff Charge Levies</b>			
Prepaid electricity under budgeted for the year	12 691 583	16 894 040	4 202 457
<b>Rental of Flats &amp; Houses</b>			
Unsold flats and houses rental under budgeted for the year	456 319	1 221 784	765 465
<b>Licenses – Motor Vehicles</b>			
Motor license fees increases plus vehicle units increases	28 783 990	37 124 039	8 340 049
<b>Repair and Maintenance</b>			
Underspending for the year compare to budget.	58 001 292	53 441 640	4 559 652
<b>Income - Interest Received</b>			
Interest on advances, Arrear accounts, Current bank Account and interest on External investments.	15 443 192	31 085 314	15 642 122

An additional contribution had been made to the Leave Reserve Provision to the amount of R852 965 to supplement the provision based on the total leave days accumulated by personnel.

Bad debts to the amount of R111 871 were written off during the financial year against the Bad Debt Provision.

An amount of R25 581 572 contribution had been made to the Capital Replacement Reserve to finance future assets from the Reserve Fund.

Expenditure on fixed assets incurred during the year amounts to R94 267 904. During the financial year R13 024 306 was spent from own funds and R54 035 671 from Conditional Municipal Infrastructure Grant funding.

The Actual Capital Expenditure incurred from own funds is only 33,15% of the budgeted amount.

**MBOMBELA LOCAL MUNICIPALITY  
FINANCIAL REPORT TO THE ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2006**

At 30 June 2006 investments and cash on hand amounted to R230 634 446 which is an increase of R57 443 640 over the past financial year. Including in the investments and cash is long-term investments to the value of R13 017 437 which are set aside to redeem external loans. More information regarding external loans and investments are disclosed in Notes 6 and 13 and in Appendix A.

**OPERATING RESULTS**

The results for the year ended 30 June 2006 are as follows :

	<b>Expenditure Results</b>	<b>Revenue Results</b>	<b>Transfers to/from Funds</b>	<b>Surplus (Deficit)</b>
	<b>2005/2006</b>	<b>2005/2006</b>	<b>2005/2006</b>	<b>2005/2006</b>
Council	80 739 456	90 714 728	852 965	9 122 307
Municipal Manager	10 125 149	7 656 010	-148 392	-2 320 747
Directorate Finance	24 006 538	153 355 906	-15 163 606	144 512 974
Directorate Corporate Services	19 693 584	1 717 106	451 026	-18 427 504
Directorate Community Services	150 642 494	85 417 233	- 36 391	-65 188 870
Directorate Technical Services	273 107 935	274 163 105	17 170 937	-16 115 767
	<b>558 315 156</b>	<b>613 024 088</b>	<b>3 126 539</b>	<b>51 582 393</b>

**Accumulated Surplus Fund**

The nett accumulated surplus as at 30 June 2006 is made up as follows :

	<b>R</b>	<b>R</b>
Appropriated surplus at the beginning of the year		72 048 695
Unappropriated Surplus before Appropriations		108 744 604
Transfers to		
Asset Finance Fund	-25 581 572	
Utilized Grant Funding		
Operating Account	-2 173 130	
Capex	-54 035 671	
Leave Reserve	<u>- 852 965</u>	-82 643 338
Transfers to / from		
Bad Debts	25 600 100	
Depreciation Offset	10 372 694	
Asset Purchases – Capital Replacement Reserve	13 024 306	
Land and Property Development Fund	<u>-118 973</u>	48 878 127
Appropriations previous year		<u>- 6 670 390</u>
<b>Accumulated Surplus</b>		<b>140 357 698</b>

**MBOMBELA LOCAL MUNICIPALITY  
FINANCIAL REPORT TO THE ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2006**

**OPERATING RESULTS** (Continue)

Expenditure classified according to the main expenditure groups.

	<b>Budget</b>	<b>Actual</b>
	<b>2005/2006</b>	<b>Results</b>
		<b>2005/2006</b>
Salaries and Allowances	163 399 510	152 553 542
Council Remuneration	10 769 822	10 214 720
General Expenditure	121 793 212	103 992 089
Contracted Services	34 138 223	35 850 696
Purchase of Electricity	87 677 567	88 842 173
Purchase of Water	1 947 570	2 755 594
Repairs and Maintenance	47 050 292	53 441 640
Depreciation	14 449 402	26 023 503
Departmental Charges	116 251 269	114 794 649
Provisions	31 157 035	5 452 036
Transfers to CRR	21 777 513	25 581 572
<b>Gross Expenditure</b>	<b>650 411 415</b>	<b>619 502 241</b>
<b>Less : Amounts Charged Out</b>	<b>118 619 817</b>	<b>115 241 258</b>
Total Expenditure before Transfers	531 791 598	504 260 956
Transfer to Leave Reserve		852 965
Transfer to Land and Property Development Fund		118 973
Transfer to Operating Grant Funding		2 173 130
Utilized Conditional Grants Expenditure		54 035 671
	531 791 598	561 441 695
<b>Less : Total Income</b>	<b>533 140 881</b>	<b>613 024 088</b>
<b>Surplus</b>	<b>1 349 283</b>	<b>51 582 393</b>

**CONSUMER SERVICES**

The nett surplus on Consumer Services amounts to R38 382 620 and is calculated as follows :

	<b>R</b>
Refuse Services	2 752 916
Sewerage Services	2 649 374
Electricity	33 491 246
Water	- 510 916
	<u>38 382 620</u>

**MBOMBELA LOCAL MUNICIPALITY  
FINANCIAL REPORT TO THE ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2006**

The nett surplus was used to finance the deficit on Rates and General Services.

The surplus on the Consumer Services for 2005/2006 is calculated as follows :

	<b>Income</b>	<b>Expenditure</b>
Refuse Services	29 713 875	26 960 959
Sewerage Services	15 715 697	13 066 323
Electricity	161 842 288	128 351 041
Water	34 563 019	35 073 935
	<u>241 834 879</u>	<u>203 452 258</u>
<b>Surplus</b>		<b>38 382 621</b>

Surplus as a percentage calculated on R587 041 795 of the total Expenditure which amount includes all appropriations made for the year

6,54%

**CAPITAL EXPENDITURE**

Capital Expenditure for the year amounts to R94 267 904 and was financed as follows :

	<b>Capital Roll Over</b>	<b>Capital Budget</b>	<b>Capital Expenditure</b>
	<b>2004/2005</b>	<b>2005/2006</b>	<b>2005/2006</b>
External Finance Fund	40 213 036	54 987 869	27 207 927
Capital Replacement Reserve	706 414	39 212 153	13 024 306
Grants : Government	6 407 418	65 632 000	54 035 671
	<u>47 326 868</u>	<u>159 822 022</u>	<u>94 267 904</u>

**DEBTORS AND LOANS OUTSTANDING**

The outstanding debtors for Long-term, Consumers and others Debtors in comparison with the 2005 financial year are as follows :

	<b>2004/2005</b>	<b>2005/2006</b>
<b>a Long-Term Debtors</b>		
Motor Scheme Loans	568 204	145 938
Furniture Removal Loans	6 612	670
Bursary Loans	767 868	628 495
Stock Transfer - GNUC	277 559	277 559
Sport Club Loans	5 855	26
Housing Schemes and Sale of Stands	10 861 136	9 110 141
Stand Loans	-	-
	<u>12 487 234</u>	<u>10 162 829</u>



**MBOMBELA LOCAL MUNICIPALITY  
FINANCIAL REPORT TO THE ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2006**

	<b>2004/2005</b>	<b>2005/2006</b>
<b>b Consumer Services</b>		
Refuse Services	16 022 226	28 346 850
Sewerage Services	5 321 445	6 598 836
Water	8 877 498	21 442 724
Electricity	15 182 891	14 840 402
Indigents/Abeyance and Installments	30 684 045	72 442 136
Interest on Arrears	20 306 422	28 488 543
Consumers - PSU	51 024 106	-
	<hr/>	<hr/>
	<b>147 418 633</b>	<b>172 159 491</b>
	<hr/>	<hr/>
<b>c Other Debtors</b>		
Assessment Rates	34 187 196	39 222 826
Fire Brigade	130 871	104 961
Sundry General	5 006 467	8 763 438
Hire of Grounds	943 022	1 152 791
Stand Installments	3 696 505	3 758 831
Housing Installments	734 422	999 929
Bursary Loan Installments	187 722	215 315
Sport Clubs Installments	113 941	139 562
Service Contributions	589 292	1 166 094
Other	-	-
	<hr/>	<hr/>
	<b>45 589 438</b>	<b>55 523 747</b>
	<hr/>	<hr/>

Provision for bad debts was overstated with R25 600 100 and the correction was made during 2005/2006 Financial Year.

**P MATHEBULA**  
**ACTING CHIEF FINANCIAL OFFICER**  
**15 December 2006**

## MBOMBELA LOCAL MUNICIPALITY ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

### 1 OBJECTIVE

The objective of the annual financial statements is to be a source of information on the financial position performance and changes in financial status of the Mbombela Local Municipality and demonstrates accountability useful to a wide range of users in making economic or political decisions.

### 2 BASIS OF PRESENTATION

- 2.1 The financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP) and the Standards of Generally Accepted Municipal Accounting Practices (GAMAP) prescribed by the Minister of Finance in terms of:

General Notice 991 of 2005, issued in Government Gazette no. 28095 of 15 December 2005;  
General Notice 992 of 2005, issued in Government Gazette no. 28095 of 7 December 2005;

The Standards comprise of the following

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GAMAP 4	The Effects of Changes in Foreign Exchange Rates
GAMAP 6	Consolidated Financial Statements and Accounting for Controlled Entities
GAMAP 7	Accounting for Investments in Associates
GAMAP 8	Financial Reporting of Interests in Joint Ventures
GAMAP 9	Revenue
GAMAP 12	Inventories
GAMAP 17	Property, Plant and Equipment
GAMAP 19	Provisions, Contingent Liabilities and Contingent Asset

Accounting policies for material transactions, events or conditions not covered by the above GRAP and GAMAP Standards have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3. These accounting policies and the applicable disclosures have been based on the South African Statements of Generally Accepted Accounting Practices (GAAP) including any interpretations of such Statements issued by the Accounting Practices Board. A summary of the significant accounting policies are disclosed below.

- 2.2 The financial statements have been prepared on the historical cost basis.
- 2.3 Statements are also prepared on the accrual basis of accounting. Under this basis the effects of transactions and other events are recognised when they occur and are recorded in the financial statements within the period to which they relate.
- 2.4 Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a standard of GAMAP or GRAP.
- 2.5 The principal accounting policies adopted in preparation of these annual financial statements are set out below.

### 3 PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand

### 4 GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on a going concern basis.

### 5 HOUSING DEVELOPMENT FUND

The Housing Development Fund was established in terms of the Housing Act, act 107 of 1997. Loans from National and Provincial Government used to finance housing developments undertaken by the municipality were extinguished on 1 April 1998 and transferred to a Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund are used to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

Proceeds from housing development fund schemes which include rental income and sale of houses are recognised as revenue in the statement of financial performance and a corresponding transfer is made to the fund. Expenditure allowed in terms of the Housing Act is expensed in the statement of financial performance and a corresponding transfer is made to the fund

## MBOMBELA LOCAL MUNICIPALITY ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

### 6 RESERVES

#### Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the Municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised

#### 6.1 Capital Replacement Reserve (CRR)

The purpose of the CRR is to set aside cash to provide infrastructure and other items of property, plant and equipment from internal sources. Transfers were made to a designated CRR account and can only be used to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus/(deficit) is credited by a corresponding amount when the amounts in the CRR are utilized. The amount transferred to the CRR is based on the municipality's need to finance future capital projects included in the Integrated Development Plan.

#### 6.2 Capitalization Reserve

On the implementation of GAMAP/GRAP, the balance on certain funds, created in terms of the various Provincial Ordinances applicable at the time, that had historically been utilized for the acquisition of items of property, plant and equipment have been transferred to a Capitalization reserve instead of the accumulated surplus/(deficit) in terms of a directive (budget circular) issued by National Treasury.

The purpose of this reserve is to promote consumer equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of these items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus/(deficit). The balance on the Capitalization reserve equals the carrying value of the items of property, plant and equipment financed from the former legislated funds. When items of property, plant and equipment are depreciated, a transfer is made from the Capitalization Reserve to the accumulated surplus/(deficit).

#### 6.3 Government Grant Reserve

When items of property, plant and equipment are financed from government grants, a transfer is made from the accumulated surplus/(deficit) to the government grants Reserve equal to the Government Grant recorded as revenue in the Statement of Financial Performance in accordance with a directive (budget circular) issued by National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the government grant Reserve to the accumulated surplus/(deficit).

The purpose of this policy is to promote community equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of government grant funded items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus/(deficit).

When an item of property, plant and equipment financed from government grants is disposed, the balance in the government Grant Reserve relating to such item is transferred to the accumulated surplus/(deficit).

#### 6.4 Donations and Public Contributions Reserve

When items of property, plant and equipment are financed from public contributions and donations, a transfer is made from the accumulated surplus/(deficit) to the Donations and Public Contributions reserve equal to the donations and public contributions recorded as revenue in the Statement of Financial Performance in accordance with a directive (budget circular) issued by National Treasury.

When such items of property, plant and equipment are depreciated, a transfer is made from the Donations and Public Contributions Reserve to the accumulated surplus/(deficit).

The purpose of this policy is to promote community equity and facilitate budgetary control by ensuring that sufficient funds are set aside to offset the future depreciation charges that will be incurred over the estimated useful life of the item of property, plant and equipment financed from donations and public contributions.

When an item of property, plant and equipment financed from donations and public contributions is disposed, the balance in the Donations and Public Contributions Reserve relating to such item is transferred to the accumulated surplus/(deficit).

## MBOMBELA LOCAL MUNICIPALITY ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

### 6.5 Self – Insurance Reserve

The municipality has a Self – Insurance Reserve to set aside amounts to offset potential losses or claims. The Self – Insurance reserve is maintained to provide for non-claimable losses as well as for motor vehicle claims. Insurance premiums are charged out to the respective services and departments in accordance with the insured value of assets.

The total amount of insurance premiums paid to external insurers are regarded as expenses and must be shown as such in the Statement of Financial Performance. These premiums do not affect the Self Insurance Reserve.

Repair and replacement costs not fully covered by external insurance are financed from the insurance reserve. The repair and replacement cost is regarded as an expense and is reflected in the Statement of financial performance. An amount equal to the expense is transferred from the Insurance Reserve to the Unappropriated Surplus via the Statement of changes in net assets.

### 7 PROPERTY, PLANT & EQUIPMENT

7.1 An item of property , plant and equipment is recognised in the financial statements as an asset when:

- it is a resource controlled by a municipality
- as a result of past events
- from which future economic benefits or potential service provision is expected to flow to the municipality; and
- the cost of the asset to the municipality can be measured reliably.

7.2 Property, plant and equipment are stated at historical cost, less accumulated depreciation. Such assets are financed either by external loans, capital replacement reserve, government grants and subsidies and donations.

7.3 Heritage assets defined as of culturally significance are not depreciated owing to the uncertainty regarding their estimated useful lives. Similarly, land is not depreciated as it is deemed to have an indefinite life.

7.4 Depreciation is calculated on cost, using the straight – line method over the useful lives of the asset. Assets will be depreciated according to their annual depreciation rates as prescribed in the Asset Management Policy.

7.5 Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount, it is written down to its recoverable amount and an impairment loss is charged to the statement of financial performance.

7.6 Assets to the value of under R10 000 were barcoded and were stated as an inventory item.

7.7 Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at the date of acquisition.

7.8 Incomplete construction work is stated at historic cost. Depreciation only commences when the asset is commissioned into use.

7.9 Subsequent expenditure is capitalised when the recognition and measurement criteria of an asset are met.

### 7.10 Disposal and retirement of assets

Assets are written off on disposal or retirement.

The difference between the net book value of assets (cost less accumulated depreciation) and the sales proceeds is reflected as a gain or loss in the Statement of Financial Performance.

### 7.11 Depreciation and impairment losses

Depreciation is calculated on cost, using the straight line method, over the estimated useful lives of the assets. The depreciation rates are based on the following estimated useful lives:

<b>Infrastructure</b>	<b>Years</b>	<b>Other</b>	<b>Years</b>
Roads and Paving	30	Buildings	30
Pedestrian Malls	30	Specialist vehicles	10
Electricity	20-30	Other vehicles	5
Water	15-20	Office equipment	3-7
Sewerage	15-20	Furniture and fittings	7-10
Housing	30	Watercraft	15
		Bins and containers	5
<b>Community</b>		Specialised plant and equipment	10-15
Improvements	30	Other plant and equipment	2-5
Recreational Facilities	20-30	Landfill sites	15
Security	5		
<b>Investment Properties</b>	30		

## MBOMBELA LOCAL MUNICIPALITY ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

### 8 FINANCIAL INSTRUMENTS

There are four categories of financial instruments: fair value through profit or loss (which includes trading), loans and receivables, held-to-maturity and available for sale.

All financial assets that are within the scope of IAS 39 are classified into one of the four categories

Financial instruments include cash and bank balance, investments, trade receivables and borrowings. The municipality classifies its financial assets as loans and receivables.

Where investments have been impaired in accordance with IAS39.58-.70, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified.

#### 8.1 *Loans and receivables:*

Loans and receivables are non-derivative financial assets with fixed or determinable payments. They are included in current assets, except for maturities greater than 12 months. These are classified as non current assets. Loans and receivables are classified as "trade and other receivables" in the statement of financial position.

Loans and receivables are recognised initially at cost which represents fair value. After initial recognition financial assets are measured at amortised cost using the effective interest rate.

#### 8.2 *Financial liabilities*

Financial liabilities are recognised initially at cost which represents fair value. After initial recognition financial liabilities are measured at amortised cost using the effective interest rate.

#### 8.3 *Investments*

Subsequent to initial recognition, held-to-maturity assets are measured at amortised cost calculated using the effective interest method

Surplus funds are invested in terms of Council's Investment Policy. Investments are only made with financial institutions registered in terms of The Deposit Taking Institutions Act of 1990 with an A1 or similar rating for safe investment purposes.

The investment period should be such that it will not be necessary to borrow funds against the investments at a penalty interest rate to meet Commitments.

### 9 LEASES

Leases are classified as finance leases where substantially all the risk and rewards associated with ownership of an asset are transferred to the municipality.

Operating leases are those leases that do not fall within the scope of the above definition. Operating rentals are expensed as they become due.

Property, plant and equipment subjected to finance lease agreements are capitalised at their cost equivalent and the corresponding liabilities are raised.

The cost of the item of property, plant and equipment is depreciated at appropriate rates on the straight - line basis over its useful life.

Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

### 10 INVENTORIES

Consumable stores, raw materials, work in progress, unused water and finished goods are valued at the lower of cost and net realisable value. In general, the Basis of determining cost is the first in first out method.

Redundant and slow - moving stock are identified and written down with regard to their estimated economic or realisable values and sold by public auction. Consumables are written down with regard to age, condition and utility.

**MBOMBELA LOCAL MUNICIPALITY  
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2006**

**11 EMPLOYEE BENEFITS**

**11.1 Pension / Retirement Fund**

The municipality provides for retirement benefits to its employees and councillors and contribute to the under - mentioned pension funds:

- § Joint Municipal Pension Fund
- § Municipal Employees Pension Fund
- § Municipal Gratuity Fund
- § SANLAM Pension Fund

Councillors are members of the Municipal Councillor's Pension Fund that was established in terms of the Remuneration of Public Office Bearers Act 1998 (Act 20 of 1998).

The contributions to fund obligations for the payment of retirement benefits are charged against income in the year they become payable.

The retirement benefits are calculated in accordance with the rules of the funds.

**11.2 Medical Aid: Continued Members**

Council provides certain post retirement medical benefits by funding the medical aid contributions of certain retired members of the municipality. According to the rules of the medical aid funds, with which Council is associated, a member (who is on the current condition of service), on retirement, is entitled to remain a continued member of such medical aid fund, in which case the member is liable for 40% of the medical aid membership fee, and Council for the remaining 60%.

These contributions are charged to the operating account when paid.

**12 REVENUE RECOGNITION**

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

Revenue is recognised when it is probable that future economic benefits or service potential will flow to the municipality and these benefits can be measured reliably.

**12.1 Revenue from rates**

Revenue from rates is recognized, net of rebates granted, when the legal entitlement to this revenue arises. A Differential Rating system is applied. In terms of this system assessment rates are levied on the improvements value of property and rebates are granted subject to certain conditions. A composite rating system charging different rate tariffs for different categories of ratepayers is employed.

**12.2 Service charges relating to Electricity, Water, Sewerage and Refuse**

Service charges relating to Electricity and Water are based on consumption. Meters are read and billed on a monthly basis revenue is recognized when billed. Estimates of consumption are made monthly when meter readings have not been performed. The estimates of consumption are recognized as revenue when billed. Adjustments to estimates of consumption are made in the billing period when meters have been read. These adjustments are recognized as revenue in the billing period.

Sewerage charges are levied and billed on a monthly basis based on the municipality's Tariff Policy.

Refuse charges are levied and billed on a monthly basis based on the municipality's Tariff Policy.

**12.3 Collection charges**

Collection charges are recognized when such amounts are legally enforceable.

**12.4 Interest on outstanding debtors**

Interest on outstanding debtors is recognized on a time proportionate basis.

## MBOMBELA LOCAL MUNICIPALITY ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

### 12.5 Fines

Fines constitute both spot fines and summonses. Revenue from spot fines is recognised when payment is received, and the revenue from the issuing of summonses is only recognised when collected by the Courts and paid over to the Municipality. Due to the various legal processes that can apply to summonses and the inadequate information received from the Courts, it is not possible to measure this revenue when the summons is issued.

### 12.6 Services provided on a prepayment basis

Various services are provided on a prepayment basis in which case no formal billing takes place and revenue is accrued when received.

### 12.7 Interest earned on investments

Interest earned on investments is recognised in the Statement of Financial Performance on a time proportionate basis.

### 12.8 Income for agency services

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

### 12.9 Revenue and donations from public contributions

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or when the contribution is to finance property, plant and equipment, when such items of property, plant and equipment is brought into use. Where public contributions have been received but the municipality has not met the condition, a liability is recognised (Creditors: Unutilized Grants)

Donations are recognised on a cash receipt basis or where the donation is in the form of property, plant and equipment, when such items of property, plant and equipment meet the PPE definition.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment meet the PPE definition.

### 12.10 Sale of goods

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

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

### 12.11 Government Grants

Government Grants are recognised as revenue when all conditions associated with the grant have been met. Where grants have been received but the Municipality has not met the condition, a liability is raised.

### 12.12 Recovery of unauthorised, irregular, fruitless and wasteful expenditure

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

## MBOMBELA LOCAL MUNICIPALITY ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

### 13 PROVISIONS

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made.

Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Non-current provisions are discounted to the present value using a discount rate based on the average cost of borrowing to the Municipality.

#### 13.1 PROVISION FOR BAD DEBT

An annual contribution is made towards a working capital provision for non-recoverable rates and service fees.

The balance of the provision of bad debt is reviewed at balance sheet date and adjusted to be equal to all debt outstanding for more than 120 days.

When an under recovery occurs during the year an additional contribution must be made from the Unappropriated Surplus at year-end.

### 14 CASH AND CASH EQUIVALENTS

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.

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

### 15 SURPLUSES AND DEFICITS

Surpluses and deficits arising from the operations of Electricity, Water and Sewerage Services are carried over to the Rates and General Services.

### 16 CONSUMER DEPOSITS

All consumers are required to pay a deposit equal to two months consumption of electricity and water services. Deposits are considered a liability as the deposit is only refundable once the service is terminated. No interest is paid on deposits.

### 17 TRADE CREDITORS

Trade creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

### 18 VALUE ADDED TAX

The Council accounts for Value Added Tax on the cash basis.

### 19 ACCOUNTS RECEIVABLE

Trade and other receivables are recognised initially at cost which represents fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables.

Significant financial difficulties of the debtor and default or delinquency in payments are considered indicators that the trade receivables are impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

### 20 UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.



## MBOMBELA LOCAL MUNICIPALITY ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

### 21 IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. 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.

### 22 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 where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### 23 FOREIGN CURRENCIES

Transactions in foreign currencies are initially recorded at the prevailing exchange rate on the dates of the transactions. Monetary assets and liabilities denominated in such foreign currencies are retranslated at the rates prevailing at the reporting date. Exchange differences are included in the Statement of Financial Performance.

### 24 COMPARATIVE INFORMATION

#### 24.1 Current year comparatives:

Budgeted amounts have been included in the annual financial statements for the current financial year only.

#### 24.2 Prior year comparatives:

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are reclassified. The nature and reason for the reclassification is disclosed.

### 25 INVESTMENT PROPERTIES

Investment properties, which are properties held to earn rental revenue or for capital appreciation, are stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated on cost, using the straight-line method over the useful life of the property, which is 30 years.

### 26 BORROWING COSTS

Borrowing costs are recognised as an expense in the Statement of Financial Performance.

### 27 EVENTS AFTER BALANCE SHEET DATE

Recognised amounts in the financial statements are adjusted to reflect events arising after the balance sheet date that provide evidence of conditions that existed at the balance sheet date. Events after the balance sheet date that are indicative of conditions that arose after the balance sheet date are dealt with by way of a note to the financial statements.

### 28 INTANGIBLE ASSETS

Intangible assets are treated in accordance with the provisions of International Accounting Standard (IAS) 38. In accordance with these provisions intangible assets are initially recorded at their cost price and are subsequently amortised over their expected useful lives.

An intangible asset is defined as an identifiable non – monetary asset without physical substance held for use in the production or supply of goods or services, for rental to others, or for administrative purposes. The intangible assets under the control of the Municipality are amortised according to the straight line method.

### 29 REVALUATION OF LAND AND BUILDINGS

Land and buildings are stated at re-valued amounts, as contained in the official valuation roll, being regarded as the fair value at the date of revaluation less subsequent accumulated depreciation in respect of buildings.

### 30 ROUNDING

These amounts reflected in the financial statements of the Municipality are all in Rand, and all amounts are rounded off to the nearest Rand.

**MBOMBELA LOCAL MUNICIPALITY**  
**STATEMENT OF FINANCIAL POSITION A30 JUNE 2006**

	Note	2006	2005
<b>NET ASSETS AND LIABILITIES</b>			
<b>Net assets</b>		<b>663,110,091</b>	<b>534,563,194</b>
Capital replacement reserve	1	94,096,379	74,489,531
Capitalisation reserve	2	177,924,840	185,096,167
Government grant reserve	3	245,371,263	199,289,769
Self-insurance reserve	4	5,359,909	3,639,032
Accumulated Surplus/(Deficit)		140,357,700	72,048,695
<b>Non-current liabilities</b>		<b>86,028,369</b>	<b>99,583,697</b>
Trust Funds	5	-	-
Long-term liabilities	6	86,028,369	99,583,697
<b>Current liabilities</b>		<b>172,043,342</b>	<b>132,397,148</b>
Consumer deposits	7	13,060,962	12,193,983
Provisions	8	11,515,317	10,283,630
Creditors	9	105,217,488	72,333,034
Unspent conditional grants and receipts	10	28,067,774	25,795,017
Current portion of long-term liabilities	6	14,181,801	11,791,484
<b>Total Net Assets and Liabilities</b>		<b>921,181,802</b>	<b>766,544,039</b>
<b>ASSETS</b>			
<b>Non-current assets</b>		<b>621,542,345</b>	<b>561,599,159</b>
Property, plant and equipment	12	603,090,670	539,599,077
Investments	13	13,017,437	11,164,776
Long-term receivables	14	5,434,238	10,835,306
<b>Current assets</b>		<b>299,639,457</b>	<b>204,944,880</b>
Inventory	15	7,473,552	5,696,197
Consumer debtors	16	43,727,264	19,647,327
Other debtors	17	24,432,926	15,985,374
Current portion of long-term debtors	14	4,728,591	272,956
VAT	11	1,660,115	1,316,995
Call investment deposits	13	175,689,590	110,568,179
Bank balances and cash	18	41,927,419	51,457,852
<b>Total Assets</b>		<b>921,181,802</b>	<b>766,544,039</b>

**MBOMBELA LOCAL MUNICIPALITY  
STATEMENT OF FINANCIAL POSITION 30 JUNE 2006**

	NOTE	ACTUAL	
		2006 R	2005 R
<b>REVENUE</b>			
Property Rates	19	116,926,600	106,599,578
Property Rates - Penalties Imposed and Collection Charges		593,597	378,815
Service Charges	20	187,989,056	179,847,244
Rental of Facilities and Equipment		2,914,381	3,742,041
Interest Earned - External Investments		15,063,240	11,420,494
Interest Earned - Outstanding Debtors		13,585,560	12,117,196
Fines		13,514,770	8,760,908
Licences and Permits		957,885	889,481
Income for Agency Services		37,124,039	32,665,922
Government Grants and Subsidies	21	102,803,211	72,128,418
Capital Grants and Subsidies	21	54,035,671	55,142,798
Other Income		54,970,382	37,829,079
Gains on Disposal of Property, Plant and Equipment		12,545,695	-
<b>Total Revenue</b>		<b>613,024,087</b>	<b>521,521,973</b>
<b>EXPENDITURE</b>			
Employee Related Costs	22	152,553,543	137,452,144
Remuneration of Councillors	23	10,214,720	9,614,629
Bad Debts	24	5,178,213	29,949,784
Depreciation		26,023,503	12,859,096
Repairs and Maintenance		53,441,640	38,058,871
Interest Paid	25	15,185,061	15,775,384
Bulk Purchases	26	91,597,767	96,309,673
Contracted Services		35,850,695	21,944,767
Grants and Subsidies Paid		-	-
General Expenses		88,615,508	77,193,838
Departmental Charges		114,794,648	34,528,666
Contributions to / (transfers from) Provisions		273,823	357,286
Transfer Utilized Capital Projects		54,035,671	55,142,798
Transfer to CRR / Plus Nelpark Flats		25,581,572	-
Transfer to Land & property Development Fund		118,973	-
Transfer to Leave Reserve		852,965	-
Transfer to Surplus Operating Income		2,136,660	-
Transfer to Operating Expenditure		36,470	-
Loss on Disposal of Property, Plant and Equipment		191,520	428,209
<b>Gross expenditure</b>		<b>676,682,952</b>	<b>529,615,145</b>
<i>Less</i> : Amounts Charged Out		(115,241,258)	(35,025,407)
<b>Nett expenditure</b>		<b>561,441,694</b>	<b>494,589,738</b>
<b>NET SURPLUS / (DEFICIT) FOR THE YEAR</b>		<b>51,582,393</b>	<b>26,932,235</b>

*Refer to Appendix E(1) for the comparison with the approved budget*

**MBOMBELA LOCAL MUNICIPALITY**  
**STATEMENT OF CHANGES ON NET ASSETS THE YEAR ENDED 30 JUNE 2006**

	Capital Replacement Reserve	Grant Reserve	Capitalisation Reserve	Self Insurance Reserve	Accumulated Surplus / (Deficit)	Total
	R	R	R	R	R	R
<b>2005</b>						
Balance at 1 July 2005	81,862,731	152,146,533	182,186,010	2,455,303	55,909,710	474,560,287
Implementation of GAMAP	(9,535,436)				9,535,436	-
Restated Balance	<b>72,327,295</b>	<b>152,146,533</b>	<b>182,186,010</b>	<b>2,455,303</b>	<b>65,445,146</b>	<b>474,560,287</b>
Net Surplus for the Year					82,075,033	82,075,033
Adjustments Previous Years					5,729,884	5,729,884
Capital Grants Used to Purchase PPE	(10,739,642)				(55,142,798)	(65,882,440)
Donated / Contributed PPE	13,563,005	55,121,353	10,739,642	4,852,434	(26,058,570)	58,217,864
Other (See Note 1 & 4)	(661,127)		-	(3,668,705)		(4,329,832)
Offsetting of Depreciation		(7,978,117)	(7,829,485)			(15,807,602)
<b>Balance at 30 June 2005</b>	<b>74,489,531</b>	<b>199,289,769</b>	<b>185,096,167</b>	<b>3,639,032</b>	<b>72,048,695</b>	<b>534,563,194</b>
<b>2006</b>						
Changes in Accounting Policy						-
Restated Balance	<b>74,489,531</b>	<b>199,289,768</b>	<b>185,096,167</b>	<b>3,639,032</b>	<b>72,048,695</b>	<b>534,563,194</b>
Net Surplus for the Year					80,017,964	80,017,964
Adjustments Previous Years					(6,670,390)	(6,670,390)
Overstated of Provision for Bad Debts					25,600,100	25,600,100
Transfer to CRR	25,570,002					25,570,002
Other Income / Expenditure	7,061,152					7,061,152
PPE Purchase	(13,024,306)				13,024,306	-
Capital Grants Used to Purchase PPE		54,035,671			(54,035,671)	-
Expenditure				1,720,877		1,720,877
Offsetting of Depreciation		(7,954,177)	(7,171,327)		10,372,694	(4,752,810)
<b>Balance at 30 July 2006</b>	<b>94,096,379</b>	<b>245,371,262</b>	<b>177,924,840</b>	<b>5,359,909</b>	<b>140,357,698</b>	<b>663,110,089</b>

**MBOMBELA LOCAL MUNICIPALITY  
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2006**

	NOTE	2006 R	2005 R
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Cash Receipts from Ratepayers, Government and Other		1,729,158,554	1,740,084,443
Cash Paid to Suppliers and Employees		<u>1,579,832,044</u>	<u>1,603,347,921</u>
Cash Generated from Operations	27	149,326,510	136,736,522
Interest Received		15,063,240	11,420,494
Interest Paid	25	<u>(15,185,061)</u>	<u>(15,775,384)</u>
<b>NET CASH FROM OPERATING ACTIVITIES</b>		<b><u>179,574,811</u></b>	<b><u>163,932,400</u></b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Purchase of Property, Plant and Equipment		(94,267,905)	(95,603,547)
Proceeds on Disposal of Fixed Assets		163,174	167,889
(Increase) / Decrease in Non-Current Receivables		945,433	8,945,687
(Increase) / Decrease in Investments		<u>(66,974,072)</u>	<u>(42,437,928)</u>
<b>NET CASH FROM INVESTING ACTIVITIES</b>		<b><u>(160,133,370)</u></b>	<b><u>(128,927,899)</u></b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
New Loans Raised / (Repaid)		(11,165,011)	4,917,720
Increase in Consumer Deposits		<u>866,979</u>	<u>914,799</u>
<b>NET CASH FROM FINANCING ACTIVITIES</b>		<b><u>(10,298,032)</u></b>	<b><u>5,832,519</u></b>
<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	28	<b><u>(9,530,433)</u></b>	<b><u>9,286,251</u></b>
Cash and Cash Equivalents at the Beginning of the Year		51,457,852	42,171,601
Cash and Cash Equivalents at the End of the Year		41,927,419	51,457,852

**MBOMBELA LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006**

	2006 R	2005 R
<b>1 CAPITAL REPLACEMENT RESERVE</b>	94,096,379	74,489,531
<b>Capital Replacement Reserve</b>	60,686,442	48,140,746
Balance at beginning of the year	48,140,746	48,140,746
Contributions	25,570,002	10,739,642
Income	-	-
Property, plant & equipment	(13,024,306)	(10,739,642)
Transfers in respect of GAMAP	-	-
<b>Land Trust Fund</b>	4,351,467	4,351,467
Balance at beginning of the year	4,351,467	4,351,467
Contributions	-	-
Income	-	-
Property, plant & equipment	-	-
Transfers in respect of GAMAP	-	-
<b>Land &amp; Property Development Account</b>	27,216,740	20,155,588
Balance at beginning of the year	20,155,588	27,549,075
Contributions	7,870,247	-
Income	-	2,803,076
Expenditure	(809,095)	(661,127)
Transfers in respect of GAMAP	-	(9,535,436)
<b>Housing Trust Fund</b>	1,841,730	1,841,730
Balance at beginning of the year	1,841,730	1,821,443
Contributions	-	-
Income	-	20,287
Expenditure	-	-
Transfers in respect of GAMAP	-	-
<b>2 CAPITALISATION RESERVE</b>	177,924,840	185,096,167
Balance at beginning of the year	185,096,167	182,186,010
Contributions	-	10,739,642
Property, plant & equipment purchased	-	-
Transfer to Unutilised Grants Receipts	-	-
Offsetting of depreciation	(7,171,327)	(7,829,485)
Disposal	-	-
<b>3 GRANT RESERVE, DONATIONS AND PUBLIC CONTRIBUTIONS</b>	245,371,263	199,289,769
Balance at beginning of the year	199,289,768	152,146,533
Donated/contributed PPE	54,035,672	55,121,353
Offsetting of depreciation	(7,954,177)	(7,978,117)
Capital grants used for PPE	-	-

**MBOMBELA LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006**

	2006 R	2005 R
<b>4 SELF-INSURANCE RESERVES</b>	5,359,909	3,639,032
<b>Insurance Fund General</b>	2,675,199	990,160
Balance at beginning of the year	990,160	538,308
Contributions received	4,297,528	3,384,816
Other Income	-	-
Expenditure	(2,612,489)	(2,932,964)
<b>Insurance Fund Refuse</b>	198,910	198,910
Balance at beginning of the year	198,910	217,882
Contributions received	-	-
Other Income	-	-
Expenditure	-	(18,972)
<b>Insurance Fund Roads &amp; Stormwater</b>	990,855	965,005
Balance at beginning of the year	965,005	424,590
Contributions received	25,850	547,915
Other Income	-	-
Expenditure	-	(7,500)
<b>Insurance Fund Sewerage</b>	68,518	66,103
Balance at beginning of the year	66,103	66,781
Contributions received	2,415	322
Other Income	-	-
Expenditure	-	(1,000)
<b>Insurance Fund Water</b>	(150,239)	(168,549)
Balance at beginning of the year	(168,549)	(101,805)
Contributions received	18,310	621,257
Other Income	-	-
Expenditure	-	(688,001)
<b>Insurance Fund Electricity</b>	795,003	787,591
Balance at beginning of the year	787,591	491,967
Contributions received	7,412	298,124
Other Income	-	-
Expenditure	-	(2,500)
<b>Bursary Loans Fund</b>	781,663	799,812
Balance at beginning of the year	799,812	817,580
Contributions received	-	-
Other Income	-	-
Expenditure	(18,149)	(17,768)

**Note:****(i) Insurance Fund**

The Insurance Fund is utilized for non-claimable losses on assets as well as for motor vehicle claims until the aggregate amount is reached.

Insurance premiums are charged out to the respective services and directorates in accordance to the insured value of assets.

**(ii) Bursary Loans Fund**

The Bursary Loan Fund is used to assist internal and external candidates with their studies.

Contracts are entered into on an individual basis and are written off when the qualification is obtained failing which loans must be repaid at an interest rate equal to the prime rate of the Councils banker.

**MBOMBELA LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006**

	2006 R	2005 R
<b>5 TRUST FUNDS</b>	-	-
<b>Norwegian Delegation Project</b>	-	-
Balance at beginning of the year	-	1,239,227
Contributions received	-	-
Other Income	-	-
Expenditure	-	(1,239,227)
<b>6 LONG TERM LIABILITIES</b>	<b>100,210,170</b>	<b>111,375,181</b>
Local Registered Stock Loans	11,900,000	11,900,000
Annuity Loans:	74,128,369	87,683,697
ABSA	9,861,772	11,062,812
Development Bank of SA	20,220,298	21,086,278
INCA	43,277,160	49,523,836
Nedcor Bank Limited	-	5,835,407
Delta	769,139	175,364
<b>Plus:</b>		
Current portion transferred to current liabilities	<b>14,181,801</b>	<b>11,791,484</b>
Local Registered Stock	3,000	4,000
Annuity Loans:	<b>14,178,801</b>	<b>11,787,484</b>
81 Mainstreet Nominees Ltd	-	54,505
ABSA	1,201,370	1,054,842
Development Bank of SA	895,348	803,522
INCA	6,246,676	5,275,348
Nedcor Bank Limited	5,835,407	4,599,267

*Refer to Appendix A for more detail on long term liabilities.*

*R13 017 437 (2005 : R11 164 776) has been invested specially for repayment of long term liabilities.*

*See note 13 for more detail.*

**6.1 Local Registered Stock**

Local registered stock bears interest at rates which vary between **11.60%** and **17.20%** per annum and are repayable over periods between one (1) and eight (8) years.

**6.2 Annuity Loans**

Annuity loans interest varies between **11.00%** and **17.00%** per annum and will be fully redeemed after fourteen (14) years.

In terms of a Sinking Fund Loan agreement concluded between Mbombela Local Municipality and Nedcor the loans from the DBSA and Nedcor will be redeemed by means

of a Sinking Fund raised by the proceedings from the sale of stands in Stonehenge extension 1.

As security a bond was required in favour of Nedcor over the said township.



**MBOMBELA LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006**

	2006 R	2005 R
<b>7 CONSUMER DEPOSITS</b>		
Electricity	11,500,258	10,676,687
Water	434,464	361,222
Water - GNUC	1,126,240	1,156,074
<b>Total Consumer Deposits</b>	<u>13,060,962</u>	<u>12,193,983</u>
Guarantees held in lieu of Electricity and Water Deposits	<u>2,006,613</u>	<u>1,937,083</u>
<i>No interest is paid on deposits.</i>		
<b>8 PROVISIONS</b>		
<b>Staff leave</b>		
Balance at beginning of the year	10,283,630	1,246,223
Contributions received	1,231,687	9,037,407
Expenditure	0	0
Balance at end of the year	<u>11,515,317</u>	<u>10,283,630</u>
<b>9 CREDITORS</b>		
Trade Creditors	34,458,718	16,344,837
Civil Contracts	6,698,128	5,252,048
Unclaimed Creditors	623,976	9,767,202
Audit Fees	(306,358)	-
Motor Licence Fees	-	-
Retention Money	1,332,638	1,342,952
Amounts received in advance:		
Consumers	15,989,304	8,761,760
Sundry Debtors	-	-
SPACE program	48,604	84,995
GNUC Service contributions - Water & Sewerage	7,866,344	4,888,018
GNUC Sewerage plan fees	140,771	62,237
Service Contributions	6,777,766	5,232,141
Deposits Other	1,060,289	1,152,102
Suspense Accounts	28,881,237	16,733,258
Concession Monitoring	1,211,832	1,316,732
Grant Funding - Water Service	74,705	72,917
Other Creditors	359,534	1,321,835
	<u>105,217,488</u>	<u>72,333,034</u>
<b>10 UNSPENT CONDITIONAL GRANTS AND RECEIPTS</b>		
CMIP/MIG	11,184,103	4,862,018
DWAF	1,660,910	10,026,284
LED	90,423	207,565
DME	(1,131,170)	543,146
EDM	915,284	(2,960,800)
Provincial	15,311,623	12,832,808
Department Sport	1,939	283,996
Taxi Disaster Fund	34,662	-
Total Conditional Grants and Receipts	<u>28,067,774</u>	<u>25,795,017</u>
<i>See Note 21 for reconciliations of grants from National/Provincial Government.</i>		
<b>11 VAT</b>	(1,660,115)	(1,316,995)
VAT payable (receivable)	<u>(1,660,115)</u>	<u>(1,316,995)</u>
VAT is payable on the receipts basis.		
Only once payment is received from debtors is VAT paid over to SARS.		

## MBOMBELA LOCAL MUNICIPALITY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

### 12 PROPERTY, PLANT AND EQUIPMENT 30 June 2006

Reconciliation of Carrying Value	Land and Buildings	Infrastructure	Community	Other	Total
	R	R	R	R	R
Carrying values at 1 July 2005		453,066,179	17,318,968	69,213,932	539,599,079
Cost		646,497,577	21,145,030	145,096,065	812,738,672
Correction of error					-
Accumulated depreciation		(193,431,398)	(3,826,062)	(75,882,133)	(273,139,593)
Acquisitions		78,890,423	6,779,073	8,598,409	94,267,905
Capital under Construction					-
Depreciation		(24,009,658)	(593,476)	(6,173,180)	(30,776,314)
Carrying value of disposals					-
Cost				163,174	163,174
Accumulated depreciation				(163,174)	(163,174)
Impairment losses					-
Other movements					-
Carrying values at 30 June 2006		507,946,944	23,504,565	71,639,161	603,090,670
Cost		725,388,000	27,924,103	153,694,474	907,006,577
Accumulated depreciation		(217,441,056)	(4,419,538)	(82,055,313)	(303,915,907)

### PROPERTY, PLANT AND EQUIPMENT 30 June 2005

Reconciliation of Carrying Value	Land and Buildings	Infrastructure	Community	Other	Total
	R	R	R	R	R
Carrying values at 1 July 2004	-	393,275,569	14,032,158	65,543,838	472,851,565
Cost	-	563,728,777	17,422,919	136,151,318	717,303,014
Correction of error	-				-
Accumulated depreciation	-	(170,453,208)	(3,390,761)	(70,607,480)	(244,451,449)
Acquisitions	-	82,768,800	3,722,111	9,112,636	95,603,547
Capital under Construction	-	-	-	-	-
Depreciation	-	(22,978,190)	(435,301)	(5,274,653)	(28,688,144)
Carrying value of disposals	-			(167,889)	(167,889)
Cost	-			(167,889)	(167,889)
Accumulated depreciation	-				-
Impairment losses	-				-
Other movements	-				-
Carrying values at 30 June 2005	-	453,066,179	17,318,968	69,213,932	539,599,079
Cost	-	646,497,577	21,145,030	145,096,065	812,738,672
Accumulated depreciation	-	(193,431,398)	(3,826,062)	(75,882,133)	(273,139,593)

Refer to Appendices B and C for more detail

## MBOMBELA LOCAL MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

	2006 R	2005 R
<b>13 INVESTMENTS</b>	<b>188,707,027</b>	<b>121,732,955</b>
<b>Short Term Deposits</b>	<b>175,689,590</b>	<b>110,568,179</b>
ABSA	175,689,590	110,568,179
<b>Long Term Deposits</b>	<b>13,017,437</b>	<b>11,164,776</b>
FBC Fidelity - Sinking Fund	40,484	40,484
Nedbank	7,015,949	5,932,606
INCA - White River	4,522,543	3,941,336
INCA - White River	1,438,461	1,250,350
<b>The short term deposits allocated as follows:</b>	<b>175,775,840</b>	<b>110,568,179</b>
Capital Replacement Reserve	60,686,442	48,140,746
Housing Trust Fund	1,841,730	1,841,730
Land Trust Fund	4,351,467	4,351,467
Unutilised Capital Receipts (Grants)	28,067,774	25,795,017
Leave Reserve	11,515,317	10,283,630
Land & Property Development Account	27,216,740	20,155,589
Operating Account	42,096,370	-

Surplus funds are invested in terms of Councils investment Policy. Investments are only made with financial institutions registered in terms of the Deposit Taking Institutions Act of 1990 with an A1 or similar rating for sole investment purposes.

The investment period should be such that it will not be necessary to borrow funds against the investments at a penalty interest rate to meet commitments.

No investments have been written off during the year.

The long term investments are invested to redeem external loans.

Refer to Appendix A for more detail on external loans.

	5,434,238	10,835,306
<b>14 LONG-TERM RECEIVABLES</b>		
Motor Car Loans	145,938	568,204
Bursary Loans	628,495	767,868
Urban Loans	8,934,364	10,861,136
Endowment Loans	175,777	175,777
Sundry Loans	278,255	290,027
	10,162,829	12,663,012
Less: Current Portion	(4,728,591)	(272,957)
	5,434,238	12,390,055
Less: Provision for bad debt	-	(1,554,749)

#### Motor Car Loans

Senior personnel were entitled to car loans which were repayable over a maximum period of 5 years.

In terms of the MFMA no new loans are granted and the existing loans will be repaid by the year 2006.

#### Sale of Erven Loans

Loans were given at a rate of 15% interest per annum repayable over 5 years to encourage development through the sale of vacant erven.

In terms of the MFMA no new loans are granted.

	7,473,552	5,696,197
<b>15 INVENTORY</b>		
Consumable Stock	7,677,115	5,666,197
Work in Progress	(203,563)	30,000

#### 16 CONSUMERS AND OTHER DEBTORS

##### (A) Consumers Debtors

As at 30 June 2006	Gross Balance R	Provision for Bad debts R	Net Balance R
<b>Service debtors</b>			
Rates	39,222,826	25,116,846	14,105,980
Electricity	14,840,402	3,997,743	10,842,659
Water	21,442,724	10,317,318	11,125,406
Sewerage	6,598,836	6,133,164	465,672
Refuse	28,346,851	27,108,363	1,238,488
Interest on Arrears	28,488,543	24,046,084	4,442,459
Indigents and Abeyance	61,088,133	61,088,133	-
Consumer (Instalments)	11,354,003	9,847,403	1,506,600
<b>Total</b>	<b>211,382,318</b>	<b>167,655,054</b>	<b>43,727,264</b>

PSU's contract has been terminated during 2005/2006. The debtors are included in the different classification of debtors.

## MBOMBELA LOCAL MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

As at 30 June 2005	Gross Balance R	Provision for Bad debts R	Net Balance R
<b>Service debtors</b>			
Rates	34,187,196	(384,532)	34,571,728
Electricity	15,182,891	21,396,909	(6,214,018)
Water	8,877,498	49,799,552	(40,922,054)
Sewerage	5,321,445	32,751,190	(27,429,745)
Refuse	16,022,226	58,395,383	(42,373,157)
Interest on Arrears	20,306,422	-	20,306,422
Indigents and Abeyance	18,712,938	-	18,712,938
Consumer (Instalments)	11,971,107	-	11,971,107
Consumer Debt - PSU	51,024,106	-	51,024,106
<b>Total</b>	<b>181,605,829</b>	<b>161,958,502</b>	<b>19,647,327</b>
		<b>2006</b>	<b>2005</b>
		R	R
<b>Rates: Ageing</b>			
Current (0 – 30 days)		7,887,762	6,925,911
31 - 60 Days		3,460,430	676,702
61 - 90 Days		1,494,712	2,427,665
+ 90 Days		26,379,922	24,241,321
<b>Total</b>		<b>39,222,826</b>	<b>34,271,599</b>
<b>Electricity: Ageing</b>			
Current (0 – 30 days)		9,662,733	10,724,773
31 - 60 Days		1,041,620	139,168
61 - 90 Days		375,739	1,833,471
+ 90 Days		3,760,310	4,082,598
<b>Total</b>		<b>14,840,402</b>	<b>16,780,010</b>
<b>Water: Ageing</b>			
Current (0 – 30 days)		9,672,978	1,131,402
31 - 60 Days		1,902,755	20,066
61 - 90 Days		412,837	635,635
+ 90 Days		9,454,154	8,310,662
<b>Total</b>		<b>21,442,724</b>	<b>10,097,765</b>
<b>Sewerage: Ageing</b>			
Current (0 – 30 days)		646,924	2,072,582
31 - 60 Days		185,870	2,974,129
61 - 90 Days		188,966	491,718
+ 90 Days		5,577,076	41,905,032
<b>Total</b>		<b>6,598,836</b>	<b>47,443,461</b>
<b>Refuse: Ageing</b>			
Current (0 – 30 days)		2,103,859	1,960,067
31 - 60 Days		882,173	28,496
61 - 90 Days		791,851	747,488
+ 90 Days		24,568,968	15,469,819
<b>Total</b>		<b>28,346,851</b>	<b>18,205,870</b>
<b>Interest on Arrears: Ageing</b>			
Current (0 – 30 days)		1,274,737	
31 - 60 Days		1,090,108	
61 - 90 Days		1,028,195	
+ 90 Days		25,095,503	
<b>Total</b>		<b>28,488,543</b>	
<b>Indigents and Abeyance: Ageing</b>			
Current (0 – 30 days)		-	-
31 - 60 Days		-	-
61 - 90 Days		-	-
+ 90 Days		61,088,133	18,712,938
<b>Total</b>		<b>61,088,133</b>	<b>18,712,938</b>
<b>Consumer (Instalments): Ageing</b>			
Current (0 – 30 days)		1,416,768	
31 - 60 Days		74,091	
61 - 90 Days		66,180	
+ 90 Days		9,796,964	
<b>Total</b>		<b>11,354,003</b>	

## MBOMBELA LOCAL MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

(B) Summary of Consumers and Other Debtors by Customer Classification 30 June 2006	<u>Consumers</u>	<u>Industrial/ Commercial</u>	<u>National and Provincial Gov</u>
Current (0 – 30 days)	23,142,881	11,583,873	271,157
31 - 60 Days	23,209,666	389,065	1,086
61 - 90 Days	7,754,040	2,216,603	184,444
+ 90 Days	92,392,822	18,226,707	2,492,847
<b>Total debtors by customer classification</b>	<b><u>146,499,409</u></b>	<b><u>32,416,248</u></b>	<b><u>2,949,534</u></b>
Summary of Consumers and Other Debtors by Customer Classification 30 June 2005	<u>Consumers</u>	<u>Industrial/ Commercial</u>	<u>National and Provincial Gov</u>
Current (0 – 30 days)	13,616,029	10,341,724	600,508
31 - 60 Days	4,578,890	385,893	1,341
61 - 90 Days	5,141,693	2,241,183	332,096
+ 90 Days	124,127,200	16,715,697	2,051,945
<b>Total debtors by customer classification</b>	<b><u>147,463,812</u></b>	<b><u>29,684,497</u></b>	<b><u>2,985,890</u></b>
<b>17 OTHER DEBTORS</b>	<b>2006</b>	<b>2005</b>	
	<b>R</b>	<b>R</b>	
	<b><u>24,432,926</u></b>	<b><u>17,302,369</u></b>	
Fire Brigade	104,960	130,871	
Sundry Debtors	28,563,438	5,006,467	
Hire of Grounds	1,152,791	943,022	
Airport	125,933	125,933	
Stand Instalments	3,758,831	3,696,505	
Sport Clubs	139,562	113,941	
Bursary Loans (Instalments)	215,315	187,722	
Housing Debtors	1,010,247	734,422	
Service Contributions	1,166,094	589,292	
Capital Projects	0	0	
Year end Adjustments	(19,882,294)	(82,295)	
Suspence Accounts	16,163,133	13,017,035	
	<u>32,518,010</u>	<u>24,462,915</u>	
Less: Provision for bad debt	(8,085,084)	(7,160,546)	
<b>Debt written off for the year</b>	<b><u>111,871</u></b>	<b><u>3,230,056</u></b>	
<b>18 BANK, CASH AND OVERDRAFT BALANCES</b>			
The Municipality has the following bank accounts:-			
<b><u>Cheque Account (Primary Bank Account)</u></b>			
ABSA Bank Limited - Nelspruit Branch			
Account Number - 40-5321-5785			
Cash book balance at beginning of year	43,122,668	34,544,150	
Cash book balance at end of year	<u>30,840,469</u>	<u>43,122,668</u>	
Bank statement balance at beginning of year	51,351,718	49,555,093	
Bank statement balance at end of year	<u>44,228,319</u>	<u>51,351,718</u>	
<b><u>Cheque Account (Nelspruit)</u></b>			
ABSA Bank Limited - Nelspruit Branch			
Account Number - 10-7000-0209			
Cash book balance at beginning of year	-	-	
Cash book balance at end of year	<u>-</u>	<u>-</u>	
Bank statement balance at beginning of year	-	-	
Bank statement balance at end of year	<u>4,469</u>	<u>-</u>	
<b><u>Cheque Account (Masovi PHP Housing Project)</u></b>			
ABSA Bank Limited - Nelspruit Branch			
Account Number - 40-5414-9088			
Cash book balance at beginning of year	1,419,151	1,927,523	
Cash book balance at end of year	<u>1,464,216</u>	<u>1,419,151</u>	
Bank statement balance at beginning of year	1,639,761	1,828,345	
Bank statement balance at end of year	<u>1,465,529</u>	<u>1,639,761</u>	

## MBOMBELA LOCAL MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

	2006 R	2005 R
<b><u>Cheque Account (Nelspruit Capital)</u></b>		
ABSA Bank Limited - Nelspruit Branch Account Number - 10-7016-6603		
Cash book balance at beginning of year	339,176	323,750
Cash book balance at end of year	<u>353,279</u>	<u>339,176</u>
Bank statement balance at beginning of year	339,176	323,750
Bank statement balance at end of year	<u>353,279</u>	<u>339,176</u>
<b><u>Cheque Account (Matsulu PHP Housing Project)</u></b>		
ABSA Bank Limited - Nelspruit Branch Account Number - 40-5414-9266		
Cash book balance at beginning of year	348,981	1,708,493
Cash book balance at end of year	<u>-</u>	<u>348,981</u>
Bank statement balance at beginning of year	-	1,373,512
Bank statement balance at end of year	<u>-</u>	<u>(48)</u>
<b><u>Call Account (NTLC/GNUC Water Service Deposit Account)</u></b>		
ABSA Bank Limited - Nelspruit Branch Account Number - 90-6983-8617		
Cash book balance at beginning of year	1,156,074	1,084,846
Cash book balance at end of year	<u>1,184,418</u>	<u>1,156,074</u>
Bank statement balance at beginning of year	1,156,074	1,181,096
Bank statement balance at end of year	<u>1,184,418</u>	<u>1,156,074</u>
<b><u>Call Account (NTLC Grant Funding Water Service)</u></b>		
ABSA Bank Limited - Nelspruit Branch Account Number - 90-6983-9003		
Cash book balance at beginning of year	72,917	62,170
Cash book balance at end of year	<u>74,705</u>	<u>72,917</u>
Bank statement balance at beginning of year	72,917	70,852
Bank statement balance at end of year	<u>74,705</u>	<u>72,917</u>
<b><u>Call Account (NTLC/GNUC Service Contribution Account)</u></b>		
ABSA Bank Limited - Nelspruit Branch Account Number - 90-7568-1173		
Cash book balance at beginning of year	4,888,018	2,091,352
Cash book balance at end of year	<u>7,866,344</u>	<u>4,888,018</u>
Bank statement balance at beginning of year	4,757,070	2,066,821
Bank statement balance at end of year	<u>5,661,853</u>	<u>4,757,070</u>
<b><u>Call Account (Mbombela Taxi Disaster Fund)</u></b>		
ABSA Bank Limited - Nelspruit Branch Account Number - 91-2727-3547		
Cash book balance at beginning of year	-	-
Cash book balance at end of year	<u>34,662</u>	<u>-</u>
Bank statement balance at beginning of year	34,146	-
Bank statement balance at end of year	<u>34,662</u>	<u>34,146</u>
<b>TOTAL BALANCE</b>	<u><u>41,818,093</u></u>	<u><u>51,346,986</u></u>
<b>CASH ADVANCES</b>		
Petty Cash	25,285	26,825
Deposit: Post Office	79,085	79,085
Deposit: Office Rent (Hazyview)	3,000	3,000
Deposit: Money Box (Fidelity)	1,956	1,956
	<u>109,326</u>	<u>110,866</u>

*Disclosure in terms of the MFMA, 2003, Section 125(2)(a)*

## MBOMBELA LOCAL MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

#### 19 PROPERTY RATES

<u>Actual</u>	2005/2006	2004/2005
Residential	38,044,240	33,773,328
Commercial	62,122,443	57,770,942
Government	14,488,376	13,060,534
Farms	2,271,541	1,994,774
<b>Total Assessment Rates</b>	<b>116,926,600</b>	<b>106,599,578</b>
	<b>Jul-06</b>	<b>Jul-05</b>
Residential	703,196,985	683,048,385
Commercial	462,445,164	458,290,164
Government	60,209,174	57,709,174
Farms	84,646,150	75,918,150
Exempted	461,762,149	323,744,584
<b>Total Property Valuations</b>	<b>1,772,259,622</b>	<b>1,598,710,457</b>

Valuations on land and buildings are performed every four years. The last valuation came into effect on 1 July 1999. Interim valuations are processed on a daily basis to take into account changes in individual property values due to alterations and subdivisions. A general rate of R0.3615c/R is applied to property valuations to determine assessment rates. A rebate on the general rate of 20% is granted to state property. Rates are levied on a monthly basis. Interest at 15.50% per annum is levied on outstanding amounts.

#### 20 SERVICE CHARGES

Sale of electricity	135,245,911	132,559,335
Sale of water	14,721,967	11,994,070
Refuse removal	29,392,954	26,848,697
Sewerage and sanitation charges	8,628,222	8,445,142
<b>Total Service Charges</b>	<b>187,989,054</b>	<b>179,847,244</b>

#### 21 GOVERNMENT GRANTS AND SUBSIDIES

	102,803,210	72,128,417
<b>Government Subsidies &amp; Grant</b>		
Equitable share	90,714,728	60,321,378
Financial Management	2,500,000	2,500,000
Municipal Support Programme	734,000	1,450,000
Municipal Infrastructure	60,000	1,688,612
Seta Grant	451,026	246,374
Sasol	-	198,300
CDP	-	125,000
EDM Grant	55,000	-
Local Economic Development Grant	86,290	1,638,477
Health	-	1,260,000
Space Norwegian	-	84,253
Training Grant	-	848
Department Water Affairs (Salaries)	7,165,963	-
Department of Housing	1,036,203	2,615,175
<b>Capital Subsidies &amp; Grants</b>	<b>54,035,671</b>	<b>55,142,798</b>
MIG Grant	43,713,924	32,003,668
DWAF Grant	8,365,375	16,160,462
Provincial LED Projects	-	-
DME	1,674,316	3,146,183
EMD	-	3,116,481
Sport	282,056	716,004
Provincial Grants	-	-
<b>Total Government Grant and Subsidies</b>	<b>210,874,552</b>	<b>182,414,013</b>
<b>MIG</b>		
Balance unspent at beginning of year	4,862,019	9,161,744
Current year receipts	50,169,617	55,555,493
Conditions met - transferred to revenue	(43,713,924)	(32,003,668)
Transfer to	(7,919,456)	(27,851,550)
Transfer From	7,785,848	-
Conditions still to be met - transferred to liabilities (see note 10)	<b>11,184,104</b>	<b>4,862,019</b>

This grant was used to construct roads and sewerage infrastructure as part of the upgrading of informal settlement areas (included in the roads and sewerage votes in Appendix B). No funds have been withheld.

## MBOMBELA LOCAL MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

	2006 R	2005 R
<b>DWAF</b>		
Balance unspent at beginning of year	10,166,020	(9,815,698)
Current year receipts	-	2,116,451
Conditions met - transferred to revenue	(8,365,375)	(16,160,462)
Transfer to	(139,735)	-
Transfer From	-	34,025,727
Conditions still to be met - transferred to liabilities (see note 10)	<u>1,660,910</u>	<u>10,166,018</u>

This grant was used to construct water infrastructure as part of the upgrading of informal settlement areas (included in the water vote in Appendix B). No funds have been withheld.

<b>LED</b>		
Balance unspent at beginning of year	207,565	2,296,547
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
Transfer to	(203,392)	(2,088,982)
Transfer From	86,250	-
Conditions still to be met - transferred to liabilities (see note 10)	<u>90,423</u>	<u>207,565</u>

Provincial LED Projects grants are used to promote Small, Medium and Micro Enterprises. The grant is spent in accordance with a business plan approved by the Provincial Government. No funds have been withheld.

<b>DME</b>		
Balance unspent at beginning of year	543,146	3,132,487
Current year receipts	-	3,350,000
Conditions met - transferred to revenue	(1,674,316)	(3,146,183)
Transfer to	-	(2,793,158)
Transfer From	-	-
Conditions still to be met - transferred to liabilities (see note 10)	<u>(1,131,170)</u>	<u>543,146</u>

This grant was used to construct electricity infrastructure as part of the upgrading of informal settlement areas (included in the electricity vote in Appendix B). No funds have been withheld.

<b>EDM</b>		
Balance unspent at beginning of year	(2,960,800)	(2,957,724)
Current year receipts	3,821,084	-
Conditions met - transferred to revenue	-	(3,116,481)
Transfer to	-	-
Transfer From	55,000	3,113,405
Conditions still to be met - transferred to liabilities (see note 10)	<u>915,284</u>	<u>(2,960,800)</u>

This grant was used to construct roads and water infrastructure as part of the upgrading of informal settlement areas (included in the roads and water votes in Appendix B). No funds have been withheld.

<b>SPORT</b>		
Balance unspent at beginning of year	283,996	-
Current year receipts	-	-
Conditions met - transferred to revenue	(282,056)	(716,004)
Transfer to	-	-
Transfer From	-	1,000,000
Conditions still to be met - transferred to liabilities (see note 10)	<u>1,940</u>	<u>283,996</u>

This grant was used to construct Nsikasi sport stadium. (included in Appendix B). No funds have been withheld.

<b>Provincial</b>		
Balance unspent at beginning of year	12,832,807	12,901,404
Current year receipts	1,185,026	712,161
Conditions met - transferred to revenue	-	-
Transfer to	(3,580,753)	(780,758)
Transfer From	4,874,543	-
Conditions still to be met - transferred to liabilities (see note 10)	<u>15,311,623</u>	<u>12,832,807</u>

This grant was used to construct roads, water and sewerage infrastructure as part of the upgrading of informal settlement areas (included in the roads, water and sewerage votes in Appendix B). No funds have been withheld.



**MBOMBELA LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006**

	2005/2006	2004/2005
<b>22 EMPLOYEE RELATED COSTS</b>		
Employee related costs - Salaries and Wages	124,333,445	112,395,571
Employee related costs - Social contributions	28,220,098	25,056,573
<b>Total Employee Related Costs</b>	<u><u>152,553,543</u></u>	<u><u>137,452,144</u></u>
<b>Remuneration of the Municipal Manager</b>		
Annual Remuneration	569,020	532,942
Performance Bonuses	-	172,069
Car Allowance	100,000	100,000
<b>Total</b>	<u><u>669,020</u></u>	<u><u>805,011</u></u>
<b>Remuneration of the Deputy Municipal Manager</b>		
Annual Remuneration	512,986	478,835
Performance Bonuses	-	157,359
Car Allowance	100,000	100,000
<b>Total</b>	<u><u>612,986</u></u>	<u><u>736,194</u></u>
<b>Remuneration of the Chief Finance Officer</b>		
Annual Remuneration	225,000	247,314
Performance Bonuses	-	90,631
Car Allowance	75,000	75,000
<b>Total</b>	<u><u>300,000</u></u>	<u><u>412,945</u></u>
<b>Remuneration of Executive Director - Technical Services</b>		
Annual Remuneration	-	292,833
Performance Bonuses	-	15,194
Car Allowance	-	66,667
<b>Total</b>	<u><u>-</u></u>	<u><u>374,694</u></u>
<b>Remuneration of Executive Director - Community Services</b>		
Annual Remuneration	457,268	426,222
Performance Bonuses	-	143,059
Car Allowance	100,000	100,000
<b>Total</b>	<u><u>557,268</u></u>	<u><u>669,281</u></u>
<b>Remuneration of Executive Director - Corporate Services</b>		
Annual Remuneration	456,216	426,222
Performance Bonuses	-	143,056
Car Allowance	100,000	100,000
<b>Total</b>	<u><u>556,216</u></u>	<u><u>669,278</u></u>

*The Chief Financial Officer position was vacant from April 2005 and been filled at the beginning of January 2006.  
The Executive Director Technical Service position is still vacant from March 2005.*

*Disclosure in terms of the MFMA, 2003, Section 124(1)(c.)*

## MBOMBELA LOCAL MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

	2006 R	2005 R
<b>23 REMUNERATION OF COUNCILLORS</b>		
<b>Executive Mayor</b>		
Annual Remuneration	287,088	271,478
Housing	38,246	36,167
Travel Allowance	71,772	67,869
Cell Phone Allowance	12,000	12,000
<b>Total</b>	<u><u>409,106</u></u>	<u><u>387,515</u></u>
<b>Deputy Executive Mayor</b>		
Annual Remuneration	229,671	217,183
Housing	38,246	36,167
Travel Allowance	57,418	54,296
Cell Phone Allowance	10,272	10,272
<b>Total</b>	<u><u>335,607</u></u>	<u><u>317,918</u></u>
<b>Speaker</b>		
Annual Remuneration	229,671	217,183
Housing	38,246	36,167
Travel Allowance	57,418	54,296
Cell Phone Allowance	10,272	10,272
<b>Total</b>	<u><u>335,607</u></u>	<u><u>317,918</u></u>
<b>Mayoral Committee Members</b>		
Annual Remuneration	1,076,585	1,059,736
Housing	251,138	204,077
Travel Allowance	269,146	254,512
Cell Phone Allowance	35,310	35,310
<b>Total</b>	<u><u>1,632,179</u></u>	<u><u>1,553,635</u></u>
<b>Councillors</b>		
Annual Remuneration	4,637,292	4,257,635
Travel Allowance	1,189,670	1,111,698
Cell Phone Allowance	324,978	306,827
Office Allowance	190,018	190,351
<b>Total</b>	<u><u>6,341,958</u></u>	<u><u>5,866,511</u></u>
Councillors' pension contribution	<u><u>921,155</u></u>	<u><u>859,861</u></u>
Councillors' medical contribution	<u><u>239,108</u></u>	<u><u>229,461</u></u>
<b>Total Councillors' Remuneration</b>	<u><u>10,214,720</u></u>	<u><u>9,532,818</u></u>

#### In-kind Benefits

The Executive Mayor, Deputy Executive Mayor, Speaker and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.

The Executive Mayor has use of a Council owned vehicle and driver for official duties.

#### Disclosure in terms of the MFMA, 2003, Section 124(1)(a)

##### Certification by the Municipal Manager

I, Jacob Themba Dladla, municipal manager, certify that the remuneration of councillors are in accordance with the Public Office Bearers Act, Act 20 of 1998 and the Minister of Provincial and Local Government's determination of the upper limits of the salaries, allowances and benefits as published in government gazette 27138, dated 21 December 2004

Signed: Municipal Manager  
15 Decemehr 2006

**MBOMBELA LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006**

	2006 R	2005 R
<b>24 BAD DEBTS</b>		
Opening balance	170,673,797	135,238,773
Contribution to the bad debt provision	5,178,213	38,665,079
Bad debts written off	111,871	3,230,056
<b>Closing Balance</b>	<u>175,740,139</u>	<u>170,673,796</u>
<b>25 INTEREST ON EXTERNAL BORROWINGS</b>		
External loans	15,185,061	15,775,384
Finance leases	0	0
Bank overdrafts	0	0
<b>Total Interest on External Borrowings</b>	<u>15,185,061</u>	<u>15,775,384</u>
<b>26 BULK PURCHASES</b>		
Electricity	88,842,173	94,535,638
Water	2,755,594	1,774,035
<b>Total Bulk Purchases</b>	<u>91,597,767</u>	<u>96,309,673</u>
<b>27 CASH GENERATED BY OPERATIONS</b>		
Net surplus for the year	108,744,604	82,075,033
Adjustment for:-		
Non refundable tender deposits	-	57,433
Motor licence fees	-	3,396,224
Consumer Services Adjustments	-	4,645,113
Operating Income & Expenditure	(6,670,390)	346,364
Capitalised of Interest	-	(2,715,250)
GAMAP Transformation Transfers	10,372,694	9,535,436
Transfer to CCR	(12,557,266)	(10,739,642)
Transfer to Leave Reserve	(852,965)	(8,680,122)
Transfer from Bad Debt Provision	25,481,128	(8,715,295)
Transfer to Conditional Grants - Operating Income	(2,136,660)	(981,586)
Transfer to NDR Utilised Capital	(54,035,671)	(55,142,798)
Transfer from Conditional Grants - Operating Expenditure	(36,470)	2,737,004
Transfer from Trust Funds	-	321,071
Depreciation	30,776,314	28,688,144
gain on disposal of property, plant and equipment	(12,545,695)	-
Reserves	60,237,892	51,242,705
Statutory Funds	-	(7,373,199)
Provisions	1,231,687	9,037,407
Investment income	(15,063,240)	(11,420,494)
Interest paid	15,185,061	15,775,384
<b>Operating surplus before working capital changes:</b>	<b>148,131,023</b>	<b>102,088,932</b>
Increase in inventories	(1,777,355)	(1,643,010)
Increase in debtors	(24,079,937)	1,504,419
Increase in other debtors	(8,447,552)	11,511,176
Increase in vat	343,120	(1,020,842)
Increase in conditional grants and receipts	2,272,757	7,959,776
Increase in creditors	32,884,454	16,336,071
<b>Cash generated by operations</b>	<b>149,326,510</b>	<b>136,736,522</b>
<b>28 CASH AND CASH EQUIVALENTS</b>		
Balance at the end of the year	41,927,419	51,457,852
Balance at the beginning of the year	51,457,852	42,171,601
<b>Net increase/(decrease) in cash and cash equivalents</b>	<u>(9,530,433)</u>	<u>9,286,251</u>

## MBOMBELA LOCAL MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

	2006 R	2005 R
<b>29 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT</b>		
<b><u>Contributions to SALGA</u></b>		
Opening balance	0	0
Council subscriptions	588,874	179,953
Amount paid - current year	588,874	179,953
Amount paid - previous years	0	0
<b>Balance unpaid (included in creditors)</b>	<b>0</b>	<b>0</b>
 <b><u>Audit fees</u></b>		
Opening balance		0
Current year audit fee		777,552
Amount paid - current year		777,552
Amount paid - previous years		0
<b>Balance unpaid (included in creditors)</b>		<b>0</b>
 <b><u>VAT</u></b>		
VAT inputs receivables and VAT outputs receivables are shown in notes 15 and 8 respectively. All VAT returns have been submitted by the due date throughout the year.		
<b><u>PAYE</u></b>		
Opening balance	0	0
Current year payroll deductions	17,410,344	17,014,785
Amount paid - current year	17,410,344	17,014,785
Amount paid - previous years	0	0
<b>Balance unpaid (included in creditors)</b>	<b>0</b>	<b>0</b>
<b><u>UIF</u></b>		
Opening balance	0	0
Current year payroll deductions	1,925,622	1,660,241
Amount paid - current year	1,925,622	1,660,241
Amount paid - previous years	0	0
<b>Balance unpaid (included in creditors)</b>	<b>0</b>	<b>0</b>
<b><u>Skill Development Levies</u></b>		
Opening balance	0	0
Current year payroll deductions	1,128,748	1,023,557
Amount paid - current year	1,128,748	1,023,557
Amount paid - previous years	0	0
<b>Balance unpaid (included in creditors)</b>	<b>0</b>	<b>0</b>
<b><u>Group Insurance Deductions</u></b>		
Opening balance	0	0
Current year payroll deductions and Council Contributions	1,835,705	1,647,974
Amount paid - current year	1,835,705	1,647,974
Amount paid - previous years	0	0
<b>Balance unpaid (included in creditors)</b>	<b>0</b>	<b>0</b>
<b><u>Pension Fund Deductions</u></b>		
Opening balance	0	0
Current year payroll deductions and Council Contributions	28,510,544	25,757,466
Amount paid - current year	28,510,544	25,757,466
Amount paid - previous years	0	0
<b>Balance unpaid (included in creditors)</b>	<b>0</b>	<b>0</b>
<b><u>Medical Aid Deductions</u></b>		
Opening balance	0	0
Current year payroll deductions and Council Contributions	10,656,960	9,169,773
Amount paid - current year	10,656,960	9,169,773
Amount paid - previous years	0	0
<b>Balance unpaid (included in creditors)</b>	<b>0</b>	<b>0</b>

## MBOMBELA LOCAL MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

#### Councillor's arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days as at: -

30th June 2006	Total	Outstanding Less Than 90 Days	Outstanding More Than 90 Days
Councillor ZM Boroko	6,556	366	6,190
Councillor HL Lekhuleni	104	3	101
Councillor AB Mashabane	3,517	296	3,222
Councillor NA Mokoena	6,395	621	5,774
Councillor MJ Msibi	4,187	213	3,973
Councillor DP Tau	27,537	1,498	26,039
Councillor ME Mndebele	14,352	351	14,002
	<b>62,647</b>	<b>3,347</b>	<b>59,301</b>

#### Directors arrear consumer and other accounts

The following Director had arrear accounts outstanding for more than 90 days as at: -

30th June 2006	Total	Outstanding More Than 90 Days
MA Phiri	38,137	38,137
	<b>38,137</b>	<b>38,137</b>

#### 30 UTILIZATION OF LONG TERM LIABILITIES

##### RECONCILIATION

Long term liabilities (see note 6)	(100,210,170)	(117,767,668)
Used to finance property, plant and equipment at cost	27,207,926	29,721,107
Sub-Total	<b>(73,002,244)</b>	<b>(88,046,561)</b>
Cash set aside for the repayment of long term liabilities (see note 13)	13,017,437	11,164,776
Cash set aside for the acquiring of property, plant & equipment	-	-
Cash invested for the repayment of long term liabilities	<b>13,017,437</b>	<b>11,164,776</b>

#### 31 IRREGULAR EXPENDITURE DISALLOWED

Incident	Disciplinary Steps/Criminal Proceedings	Amount
Theft of money	Employee Resigned / SAPS Case Nr. pending	66,000
Theft of tools	Employee Resigned / SAPS Case Nr. pending	24,000
BOTMAC Traffic Cameras	Investigation still process.	498,750

Performance Bonus Payments to Section 57 Employees During the 2004/2005 Financial Year R 721,368

Council Resolution B(4) dated 26 September 2006 read as follows:

- the approval for the payment of the performance bonuses to Section 57 Employees by the previous Executive Mayor, Councillor M R Mhaule, (annexure 152/2006) be noted;
- the unsigned copies of the performance agreements for 2001/2002 be noted (copies are available in the office of the Director: Corporate Services for perusal);
- it be noted that an unapproved draft remuneration policy is available in the office of the Director: Corporate Services for perusal;
- a committee, consisting of the Executive Mayor, Executive Deputy Mayor, Chief Whip and Political Head Budget- and Treasury Office, be established to determine measures to implement the recommendations by the Auditor-General regarding this matter.

#### 32 CAPITAL COMMITMENTS

Commitments in respect of capital expenditure:

- Approved and contracted for		N/A
Infrastructure	50,107,936	N/A
Community	7,741	N/A
Other	5,455,552	N/A
<b>Total</b>	<b>55,571,229</b>	<b>-</b>

This expenditure will be financed from:

-External Loans	4,137,114	N/A
-Capital Replacement Reserve	7,636,096	N/A
-Government Grants	43,798,019	N/A
<b>Total</b>	<b>55,571,229</b>	<b>-</b>

#### 33 OTHER INCOME

The following abnormally high revenue accrued:

Water - Nsikazi	10,415,454	-
Building Plans Fees	1,629,439	1,004,566
Electricity Connections Fees	1,827,434	503,518
Interest on Current Account	1,314,704	990,347
Applications Driving Licenses	1,078,226	804,115

The Municipality supply from 1 January 2006 water to Nsikazi.

## MBOMBELA LOCAL MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

#### 34 GENERAL EXPENDITURE

No abnormal expences accrued during 2005/2006

#### 35 RETIREMENT BENEFIT INFORMATION

The municipality provides for retirement benefits to its employees and councillors and contribute to the under-mentioned pension funds:

- Joint Municipal Pension Fund
- Municipal Employees Pension Fund
- Municipal Gratuity Fund
- SANLAM Pension Fund

Councillors are members of the Municipal Councillor's Pension Fund that was established in terms of the Remuneration of Public Office Bearers Act 1998 (Act 20 of 1998).

The contributions to fund obligations for the payment of retirement benefits are charged against income in the year they become payable.

All Pension Funds are defined contribution plans.

#### 36 IN KIND DONATIONS AND ASSISTANCE

Secondment of International Finance Advisor and Interns by National Treasury for 2 years

#### 37 COMPARISON WITH THE BUDGET

The comparison of the Municipality's actual financial performance with that budgeted is set out in Annexures E(1) and E(2)

#### 38 OTHER INFORMATION

##### 1. The following decision was taken by Council regarding the alienation of Council owned houses and flat during 2005/2006

A(8) GOOD GOVERNANCE: COUNCIL PROPERTY: ALIENATION OF COUNCIL OWNED HOUSES AND FLATS: 7/2/3 (10162995)

The Executive Mayor, Councillor J Nsiband, put the recommendations as set out in the resolution below, to Council.

RESOLVED THAT

- (a) Council reconfirm its decision to alienate the Council owned flats and houses occupied by officials as set out in Council resolution A(21) of 24 March 2003;
- (b) Council take note of the progress with regard to the alienation of the Council owned houses and flats as indicated in annexure 804/2006;
- (c) Council enter into new lease agreements with all the affected occupants for a maximum period of 6 months from 1 August 2006 in order to enable the affected occupants to finalize all outstanding documents and financial support to continue with the intended purchase of the relevant properties;
- (d) the intended lease agreements mentioned in (c) should not make provision for any extension of time and the rent be based on market related rent, payable with effect from 1 August 2006, as indicated in annexure 804/2006;
- (e) in the event that the intended deeds of sale are not finalized and properties transferred within the six months period mentioned in (c) above, the relevant properties be vacated immediately, the alienation thereof be delegated to the Executive Mayor and Mayoral Committee (in which case Council resolution A(21)(d) of 24 March 2006 be amended accordingly) and a report in this regard be submitted to Council for information;
- (f) the progress with the matter be checked on 1 December 2006 and the relevant occupants be reminded in writing of (c), (d) and (e) above;
- (g) the Budget and Treasury Office, in conjunction with Corporate Services, co-ordinate and inform the relevant officials of these resolutions immediately;
- (h) the alienation of the two vacant flats at Nelpark (Portions 39 and 80 of Erf 644, Sonheuwel Extension 1) also be delegated to the Executive Mayor and Mayoral Committee for finalisation and be included in the report to be submitted to Council, in terms of (e) above, for information;
- (i) the funds generated through the alienation of the properties be used to purchase strategic land for future development;
- (j) the house in White River (Erf 885, White River) be retained as Council property in order to be able to accommodate the manager of the Entrepreneurial Skill against Poverty project as agreed between Council and North Rhine Westphalia;
- (k) the three bedroom flat at Nelpark (Portion 45 of Erf 644, Sonheuwel Extension 1) be retained as Council property in order to be able to accommodate the volunteers of the SPACE project;
- (l) no official be allowed to purchase more than one house or flat

**APPENDIX A**  
**MBOMBELA LOCAL MUNICIPALITY: SCHEDULE OF EXTERNAL LOANS AT 30 JUNE**

**MBOMBELA LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006**

				Balance at 01/07/05	Received during Year	Redeemed transferred or written off during Year	Deferred Interest	Balance at 30/06/06
<b>EXTERNAL LOANS</b>								
<b>LOAN NO</b>	<b>%</b>	<b>REDEEMABLE</b>						
<b>Local Registered Stock:</b>								
3	11.60%	1976/2001		4,000		1,000		3,000
79A	17.20%	30/06/2011		2,900,000				2,900,000
80A	17.00%	30/06/2011		9,000,000				9,000,000
				<b>11,904,000</b>				<b>11,903,000</b>
<b>Annuity Loans:</b>								
81 Mainstreet Nominees Ltd								
R	985,000	11%	1975/2005	54,506		54,506		(0)
ABSA								
R	14,350,000	13.10%	2002/2012	12,117,654		1,054,511		11,063,142
Delta								
	R1,000,000			175,363	593,776			769,139
Development Bank of South Africa								
R	22,000,000	15.50%	1998/2016	21,889,800		745,351	(28,803)	21,115,646
INCA								
R	25,000,000.00	10.50%	2005/2020	25,000,000		616,902		24,383,098
R	20,000,000	16.43%	2000/2009	12,198,955		2,562,618		9,636,338
R	15,000,000	12.61%	2001/2011	11,237,430		1,338,148		9,899,282
R	8,300,000	12.61%	2002/2011	6,362,798		757,679		5,605,119
Nedcor Bank Limited								
R	28,200,000	23.79%	1997/2007	10,434,674		4,248,962	(350,305)	5,835,407
				<b>99,471,181</b>	<b>593,776</b>	<b>11,378,678</b>	<b>(379,108)</b>	<b>88,307,170</b>
				<b>111,375,181</b>	<b>593,776</b>	<b>11,378,678</b>	<b>(379,108)</b>	<b>100,210,170</b>







**APPENDIX C**  
**MBOMBELA LOCAL MUNICIPALITY**  
**SEGMENT ANALYSIS OF PROPERTY, PLANTS AND EQUIPMENT AT 30 JUNE 2006**

	COST						ACCUMULATED DEPRECIATION					
	Opening Balance	Additions	Under Construction	Disposals/Transfers	Closing Balance		Opening Balance	Additions	Disposals/Transfers	Closing Balance	Carrying Value	
Executive & Council	3,059,942	450,000		163,174	3,346,768		1,368,549	144,187	163,174	1,349,562	1,997,206	
Finance & Admin	28,478,930	989,655			29,468,585		14,220,176	3,003,062		17,223,238	12,245,347	
Planning & Development	62,674,130	2,354,428			65,028,558		31,113,172	1,498,248		32,611,420	32,417,138	
Health	647,350	59,884			707,234		431,634	34,322		465,956	241,278	
Community & Social Services	39,185,155	1,093,714			40,278,869		11,124,666	702,977		11,827,643	28,451,226	
Housing	7,643,634				7,643,634		1,955,592			1,955,592	5,688,042	
Public Safety	16,974,763	1,312,956			18,287,719		11,170,695	998,426		12,169,121	6,118,598	
Sport & Recreation	21,033,239	6,468,936			27,502,175		7,794,450	342,361		8,136,811	19,365,364	
Environmental Protection	0				0		0			0	0	
Waste Management	104,296,921	13,440,461			117,737,382		40,574,573	4,035,638		44,610,211	73,127,171	
Road Transport	243,748,405	18,719,314			262,467,719		66,577,822	9,069,076		75,646,898	186,820,821	
Water	151,667,609	36,645,815			188,313,424		32,919,457	5,104,039		38,023,496	150,289,928	
Electricity	133,328,594	12,732,742			146,061,336		53,888,807	5,843,978		59,732,785	86,328,551	
Other	0				0		0			0	0	
	<b>812,738,672</b>	<b>94,267,905</b>	<b>0</b>	<b>163,174</b>	<b>906,843,403</b>		<b>273,139,593</b>	<b>30,776,314</b>	<b>163,174</b>	<b>303,752,733</b>	<b>603,090,670</b>	

**APPENDIX D  
MBOMBELA LOCAL MUNICIPALITY  
SEGMENTAL INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2006**

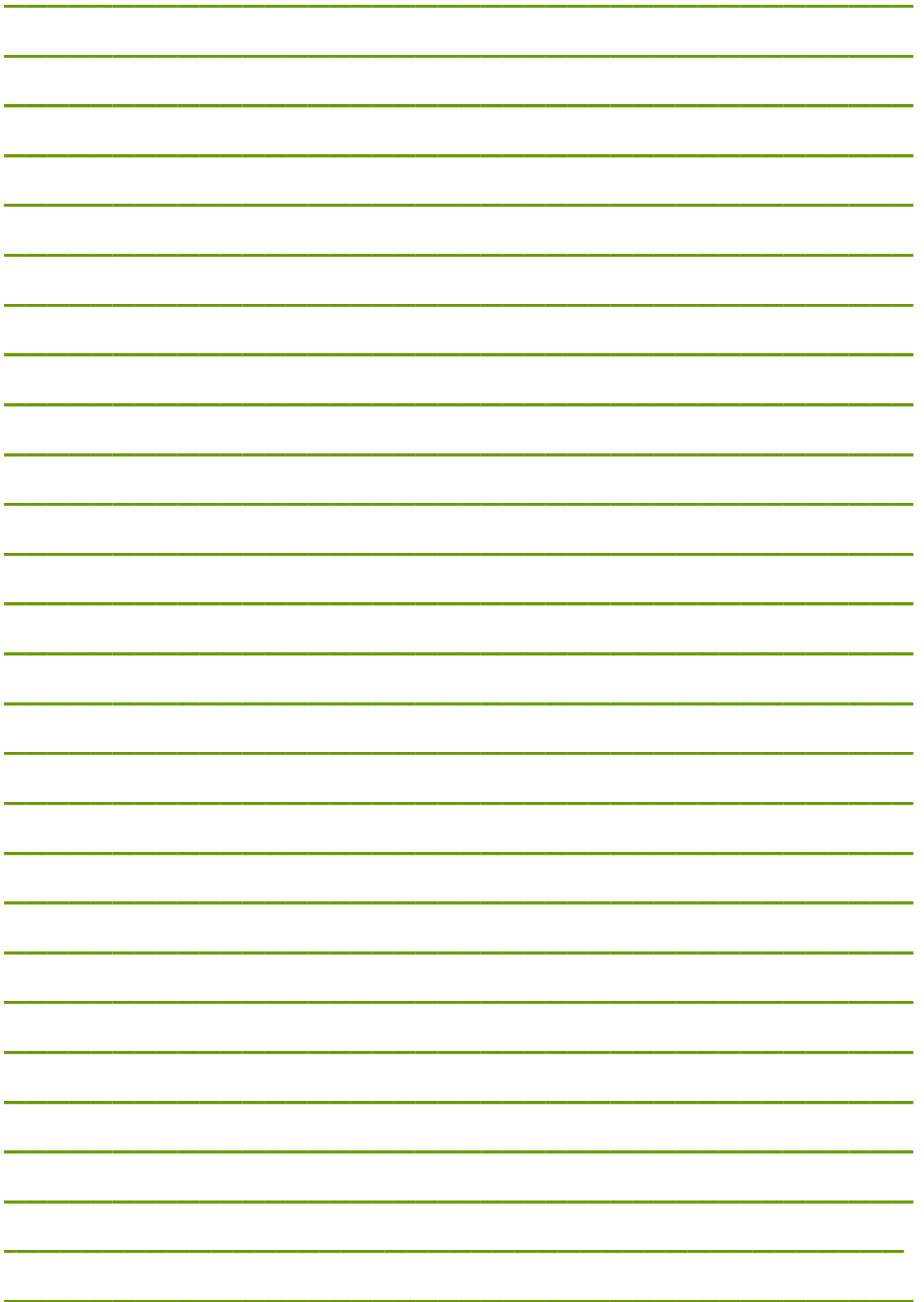
ACCOUNT NUMBER	2006		2006		MUNICIPALITY
	REVENUE	EXPENSES	REVENUE	EXPENSES	
001000000	41,328,554	11,971,258	59,714,783	65,511,485	3,203,242
002000000	42,978,274	41,941,388	1,037,205	42,984,435	95,774,529
003000000	1,600,000	(4,000,000)	1,600,000	1,600,000	1,600,000
004000000	1,000,000	1,000,000	1,000,000	1,000,000	(2,388,145)
005000000	27,015,781	(4,000,000)	1,100,000	40,388,115	(22,272,549)
006000000	46,422,000	(41,725,700)	4,696,300	46,384,141	1,048,810
007000000	42,111,000	1,000,000	43,111,000	43,283,287	(1,172,287)
008000000	41,288,271	(11,588,179)	12,700,100	49,776,380	28,171,289
009000000	20,000,000	14,000,000	34,000,000	40,000,000	10,000,000
010000000	110,000,000	21,000,000	131,000,000	142,000,000	11,000,000
011000000	69,474,247	6,000,000	75,474,247	89,382,940	13,908,693
012000000	10,000,000	(10,000,000)	0	0	0
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202000000	0	0	0	0	0
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204000000	0	0	0	0	

















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