



**DRAKENSTEIN**

MUNISIPALITEIT • MUNICIPALITY • UMASIPALA

Paarl | Wellington | Gouda | Saron | Simondium

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# AUDITED ANNUAL FINANCIAL STATEMENTS

**For the year ended 30 June 2021**



AUDITOR-GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*  
K. Abrahams - 13 December 2021

A city of excellence

[www.drakenstein.gov.za](http://www.drakenstein.gov.za)

# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Table of Contents

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

	<b>Page</b>
General Information	2 - 4
Accounting Officer's Statement	5
Abbreviations	6
Statement of Financial Position	7
Statement of Financial Performance	8
Cash Flow Statement	9
Statement of changes in net assets	10
Comparison of Budget and Actual Amounts	11
Accounting Policies	14 - 41
Notes to the Audited Annual Financial Statements	42 - 132

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

Appendixes:

Appendix A: Schedule of External loans	133
Appendix B(1): Reconciliation of Budgeted Financial Performance (revenue and expenditure by standard classification)	134
Appendix B(2): Reconciliation of Budgeted Financial Performance (revenue and expenditure by municipal vote)	135
Appendix B(3): Reconciliation of Budgeted Capital Expenditure by vote, standard classification and funding	136
Appendix C: Disclosure of Grants and Subsidies in Terms of Section 123 of the MFMA, 56 of 2003	138

# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## General Information

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### Executive mayor and chairperson of mayoral committee

Portfolio	Councillor
EXECUTIVE MAYOR AND CHAIRPERSON OF MAYORAL COMMITTEE	CJ POOLE
DEPUTY EXECUTIVE MAYOR & MAYORAL COMMITTEE MEMBER OF FINANCE PORTFOLIO COMMITTEE, CHAIRPERSON FINANCE COMMITTEE	GC COMBRINK
MAYORAL COMMITTEE MEMBER OF RURAL DEVELOPMENT	MA ANDREAS
MAYORAL COMMITTEE MEMBER OF SOCIAL SERVICES	E GOUWS
MAYORAL COMMITTEE MEMBER OF HUMAN SETTLEMENTS AND PROPERTY DEVELOPMENT	L CYSTER
MAYORAL COMMITTEE MEMBER OF ENVIRONMENT AND OPEN SPACES	C KEARNS
MAYORAL COMMITTEE MEMBER OF CORPORATE SERVICES	LP MOKOENA
MAYORAL COMMITTEE MEMBER OF PUBLIC SAFETY	R SMUTS
MAYORAL COMMITTEE MEMBER OF COMMUNICATION AND INTERGOVERNMENTAL RELATIONS	RH VAN NIEUWENHUIZEN
MAYORAL COMMITTEE MEMBER OF ENGINEERING SERVICES	JF LE ROUX
MAYORAL COMMITTEE MEMBER OF PLANNING & ECONOMIC DEVELOPMENT AND TOURISM	ADV J MILLER
MAYORAL COMMITTEE MEMBER OF RECREATION, ARTS AND CULTURE	LT VAN NIEKERK

### Executive management

Position	Name
CITY MANAGER	DR JH LEIBBRANDT
CHIEF FINANCIAL OFFICER	MR B BROWN
EXECUTIVE DIRECTOR: CORPORATE SERVICES	MR S JOHAAR
EXECUTIVE DIRECTOR: PLANNING & DEVELOPMENT	MS L WARING (FROM JULY 2020 UP UNTIL APRIL 2021) MR D DELANEY (ACTING FROM MAY 2021 UP UNTIL JUNE 2021)
EXECUTIVE DIRECTOR: ENGINEERING SERVICES	MR M WUST
EXECUTIVE DIRECTOR: COMMUNITY SERVICES	MR G ESAU

### Members of the Audit Committee

CHAIRPERSON	MR R NAJJAAR
MEMBER	MR P STRAUSS
MEMBER	MR R NICHOLLS
MEMBER	MR C WHITTLE

# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## General Information

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### Council members

Nr	Surname	Initials
1	ADRIAANSE	MM
2	AFRIKA	AF
3	ANDERSON	JV
4	ANDREAS	MA
5	ARNOLDS	RB
6	BEKEER	A
7	BESTER	TG
8	BLANCKENBERG	DS
9	BOOYSEN	VC
10	BUCKLE	AML
11	COMBRINK	GC
12	CUPIDO	FP
13	CUPIDO	PB
14	CYSTER	L
15	DAVIDS	CO
16	DE GOEDE	HR
17	DE WET	J
18	DUBA	BP
19	FORD	GH
20	GEORGE	NN
21	GOUWS	E
22	JACOBS	F
23	JONAS	SX
24	KEARNS	C
25	KLAAS	MT
26	KOEGELEBERG	RA
27	KOTZE	HJ
28	KROUTZ	C
29	LANDU	L
30	LE HOE	MJ
31	LE ROUX	JF
32	LUGQOLA	A
33	MANGENA	TC

Nr	Surname	Initials
34	MASOKA	ZL
35	MATTHEE	HJN
36	MBENENE	NP
37	MDUNUSIE	MN
38	MEYER	WPD
39	MINTOOR	D
40	MILLER	J
41	MPULANYANA	TR
42	MOKOENA	LP
43	NELL	RH
44	NIEHAUS	LW
45	NOBULA	MD
46	NOMANA	TZ
47	NZELE	LV
48	POOLE	CJ
49	RENS	SC
50	RICHARDS	AM
51	RIX	B
52	ROSS	S
53	SAMBOKWE	LS
54	SAUERMAN	ND
55	SEPTEMBER	SE
56	SMIT	J
57	SMUTS	R
58	SOLOMONS	EA
59	STOWMAN	AC
60	VAN NIEKER	LT
61	VAN NIEUWENHUYZEN	RH
62	VAN SANTEN	AJ
63	VIKA	M
64	WINDVOGEL	EJ
65	ZIKHALI	N

# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## General Information

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<b>Legal form of entity</b>	MUNICIPALITY IN TERMS OF SECTION 1 OF THE LOCAL GOVERNMENT: MUNICIPAL STRUCTURES ACT (ACT 117 OF 1998) READ WITH SECTION 155(1) OF THE CONSTITUTION OF THE REPUBLIC OF SOUTH AFRICA (ACT 108 OF 1996)
<b>Nature of business and principal activities</b>	THE PROVISION OF SERVICES (ELECTRICITY, WATER, SANITATION AND REFUSE) TO COMMUNITIES IN A SUSTAINABLE MANNER, TO PROMOTE SOCIAL AND ECONOMIC DEVELOPMENT; AND TO PROMOTE A SAFE AND HEALTHY ENVIRONMENT
<b>Legislation governing the municipality's operations</b>	CONSTITUTION OF THE REPUBLIC OF SOUTH AFRICA (ACT 108 OF 1998) LOCAL GOVERNMENT: MUNICIPAL FINANCE MANAGEMENT ACT (ACT NO 56 OF 2003) LOCAL GOVERNMENT: MUNICIPAL SYSTEMS ACT (ACT 32 OF 2000) LOCAL GOVERNMENT: MUNICIPAL STRUCTURES ACT (ACT 117 OF 1998) MUNICIPAL PROPERTY RATES ACT (ACT 6 OF 2004) DIVISION OF REVENUE ACT (ACT 1 OF 2007)
<b>Other information</b>	
<b>Executive Mayor</b>	COUNCILLOR CJ POOLE
<b>Executive Deputy Mayor</b>	COUNCILLOR GC COMBRINK
<b>Speaker</b>	COUNCILLOR AC STOWMAN
<b>Registered head office</b>	DRAKENSTEIN MUNICIPALITY CIVIC CENTRE BERG RIVER BOULEVARD PAARL 7646
<b>Physical address</b>	CIVIC CENTRE BERG RIVER BOULEVARD PAARL 7646
<b>Postal address</b>	P O BOX 1 PAARL 7622
<b>Telephone</b>	(021) 807 - 4500
<b>Fax</b>	(021) 872 - 8054
<b>Bankers</b>	FIRST NATIONAL BANK
<b>Auditors</b>	AUDITOR-GENERAL OF SOUTH AFRICA (AGSA)
<b>Demarcation code</b>	WC023

# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Accounting Officer's Statement

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

The audited annual financial statements were prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) as well as relevant interpretations, guidelines and directives issued by the Accounting Standards Board.

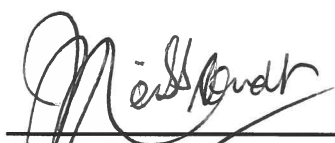
The audited annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

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

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

I certify that the salaries, allowances and benefits of councillors as disclosed in note 40 to these audited annual financial statements are within the upper limits of the framework envisaged in section 219 of the Constitution of the Republic of South Africa, read with the Remuneration of Public Office Bearers Act, Act 20 of 1998 and the Minister of Cooperative Governance and Traditional Affairs' determination in accordance with the Act.

The audited annual financial statements set out on pages 7 to 132, in terms of Section 126(1) of the Municipal Finance Management Act (Act 56 of 2003), which have been prepared on the going concern basis and which I have signed on behalf of the municipality on 31 August 2021:



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DR JH LEIBBRANDT  
ACCOUNTING OFFICER

# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Abbreviations

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DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
LGSETA	Local Government Services Sector Education and Training Authority
MSIG	Municipal System Improvement Grant
NDPG	Neighbourhood Development and Partnership Grant
SRAC	Sports, Recreation, Arts and Culture
ASB	Accounting Standards Board
IPSASB	International Public Sector Accounting Standards Board
IFRS	International Finance Reporting Standards
BNG	Breaking New Ground
SAMWU	South African Municipal Workers Union
SARS	South African Revenue Service
VAT	Value Added Tax
MFMA	Municipal Finance Management Act
GFS	Government Finance Statistics
IASB	International Accounting Standards Board
DCAS	Western Cape Department of Cultural Affairs and Sport

# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Statement of Financial Position as at 30 June 2021

Figures in Rand	Note(s)	2021	2020 Restated*
<b>Assets</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	3	6,178,954,703	6,141,427,027
Heritage assets	4	40,373,700	41,223,700
Intangible assets	5	5,255,000	5,267,754
Investment property	6	45,620,000	42,193,200
Investments	7	-	82,298
Non-current receivables from exchange transactions	8	272,299	328,805
		<b>6,270,475,702</b>	<b>6,230,522,784</b>
<b>Current Assets</b>			
Inventories	9	23,344,372	26,336,815
Trade and other receivables from exchange transactions	10	292,074,802	316,367,637
Receivables from non-exchange transactions	11	104,011,621	103,864,823
Cash and cash equivalents	12	138,781,359	80,599,898
Current portion of non-current receivables	13	156,788	104,778
VAT control	18	19,455,955	755,447
		<b>577,824,897</b>	<b>528,029,398</b>
<b>Total Assets</b>		<b>6,848,300,599</b>	<b>6,758,552,182</b>
<b>Liabilities</b>			
<b>Non-Current Liabilities</b>			
Borrowings	14	1,618,401,012	1,636,956,881
Finance lease liabilities	15	26,762	1,440,194
Employee benefits	16	227,049,000	204,769,000
Provisions	17	195,378,926	168,950,709
		<b>2,040,855,700</b>	<b>2,012,116,784</b>
<b>Current Liabilities</b>			
Consumer deposits	19	59,109,630	52,606,653
Payables from exchange transactions	20	358,674,661	385,804,014
Unspent conditional grants and receipts	21	18,527,914	23,686,124
Borrowings	14	18,555,870	19,681,848
Finance lease liabilities	15	1,413,432	1,717,999
Employee benefits	16	90,873,365	103,936,745
		<b>547,154,872</b>	<b>587,433,383</b>
<b>Total Liabilities</b>		<b>2,588,010,572</b>	<b>2,599,550,167</b>
<b>Net Assets</b>		<b>4,260,290,027</b>	<b>4,159,002,015</b>
<b>Net assets presented by:</b>			
Housing Development Fund	22	25,851,738	22,000,754
Reserves and Funds	23	1,421,127,598	1,452,457,291
Accumulated surplus	24	2,813,310,691	2,684,543,970
<b>Total Net Assets</b>		<b>4,260,290,027</b>	<b>4,159,002,015</b>

\* See Note 50



# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Statement of Financial Performance

Figures in Rand	Note(s)	2021	2020 Restated*
<b>Revenue</b>			
<b>Exchange revenue</b>			
Services charges - Electricity	25	1,221,112,686	1,170,589,172
Services charges - Water	25	150,466,866	162,252,918
Services charges - Waste water management	25	121,448,845	113,853,045
Services charges - Waste management	25	125,627,467	121,887,978
Sales of goods and rendering of services	27	11,062,873	12,754,384
Rental from fixed assets	28	5,190,130	15,991,036
Interests on investments	29	5,215,173	6,140,446
Dividends	30	7,560	12,600
Interest on receivables	31	7,084,609	6,421,577
Operational revenue	32	12,011,611	4,266,744
Licences or permits	33	20,628,986	20,240,886
<b>Total exchange revenue</b>		<b>1,679,856,806</b>	<b>1,634,410,786</b>
<b>Non-exchange revenue</b>			
Property rates	35	343,711,355	311,891,563
Availability charges - Electricity	26	1,639,713	1,789,157
Availability charges - Water	26	1,601,232	1,696,359
Availability charges - Waste management	26	2,779,837	2,884,527
Availability charges - Waste water management	26	2,500,447	2,530,913
Surcharges and taxes		1,060,460	852,305
Fines, penalties and forfeits	36	128,602,942	82,126,344
Transfers and subsidies	37	396,564,647	369,372,051
Operational revenue	32	8,798,882	2,368,493
Construction contract revenue	38	3,830,730	2,339,190
<b>Total non-exchange revenue</b>		<b>891,090,245</b>	<b>777,850,902</b>
<b>Total revenue</b>		<b>2,570,947,051</b>	<b>2,412,261,688</b>
<b>Expenditure</b>			
Employee related cost	39	714,717,910	626,602,692
Remuneration of councillors	40	31,101,146	31,026,999
Depreciation and amortisation	41	227,481,741	218,661,990
Impairment losses on financial assets	42	175,487,279	153,488,029
Impairment losses on PPE, IA and HA	43	(246,328)	293,482
Finance costs	44	179,830,803	178,731,085
Bulk purchases	45	828,326,127	779,427,041
Inventory consumed		53,129,377	55,892,033
Contracted services	46	147,688,674	146,020,366
Transfers and subsidies		8,534,159	16,656,763
Operational cost	47	82,293,420	65,231,337
Operating leases	48	18,956,121	16,995,086
Fair value and loss on disposal adjustment of assets	34	2,319,201	509,816
<b>Total expenditure</b>		<b>2,469,619,630</b>	<b>2,289,536,719</b>
<b>Surplus for the year</b>		<b>101,327,421</b>	<b>122,724,969</b>

\* See Note 50

# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Cash Flow Statement

Figures in Rand	Note(s)	2021	2020 Restated*
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Property rates		342,405,924	304,627,871
Service charges		1,593,352,476	1,466,017,406
Transfers, subsidies and construction contracts revenue received		375,862,779	306,256,434
Interest		8,738,749	8,210,633
Dividends		7,560	12,600
Other receipts and fines received		59,597,333	47,539,913
<b>Payments</b>			
Employees cost		(736,602,436)	(671,609,754)
Suppliers		(1,143,895,152)	(998,781,659)
Interest charges		(179,830,802)	(121,389,064)
Net VAT paid		(18,700,508)	(4,903,004)
<b>Net cash from(used) operating activities</b>	49	<b>300,935,923</b>	<b>335,981,376</b>
<b>Cash flows from investing activities</b>			
<b>Receipts</b>			
Proceeds on disposal of fixed and intangible assets		3,115,991	2,797,069
Increase in non-current receivables		4,496	551,386
Increase in investments		77,040	37,329
<b>Payments</b>			
Capital assets		(224,552,143)	(293,385,871)
<b>Net cash flows from investing activities</b>		<b>(221,354,616)</b>	<b>(290,000,087)</b>
<b>Cash flows from financing activities</b>			
<b>Payments</b>			
Decrease in short term loans		(1,717,999)	(3,313,269)
Decrease in borrowing long-term		(19,681,847)	(30,972,150)
<b>Net increase/(decrease) in cash</b>		<b>58,181,461</b>	<b>11,695,870</b>
Cash and cash equivalents at year begin		80,599,898	68,904,028
		<b>138,781,359</b>	<b>80,599,898</b>

\* See Note 50

# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Statement of changes in net assets

	Housing development fund	Revaluation reserve	Accumulated surplus	Total net assets
<b>Figures in Rand</b>				
<b>Balance at 01 July 2019</b>	<b>16,788,194</b>	<b>1,481,639,946</b>	<b>2,538,097,466</b>	<b>4,036,525,606</b>
Surplus for the year	-	-	122,724,969	122,724,969
Transfers to Housing Development Fund	5,212,560	-	(5,461,144)	(248,584)
Offsetting of depreciation	-	(29,182,655)	29,182,655	-
Total changes	5,212,560	(29,182,655)	146,446,480	122,476,385
<b>Restated* Balance at 01 July 2020</b>	<b>22,000,756</b>	<b>1,452,457,291</b>	<b>2,684,543,970</b>	<b>4,159,002,017</b>
Surplus for the year	-	-	101,327,421	101,327,421
Offsetting of depreciation	-	(31,329,693)	31,329,693	-
Transfer to Housing Development Fund	3,850,982	-	(3,890,401)	(39,419)
Total changes	3,850,982	(31,329,693)	128,766,713	101,288,002
<b>Balance at 30 June 2021</b>	<b>25,851,738</b>	<b>1,421,127,598</b>	<b>2,813,310,691</b>	<b>4,260,290,027</b>
Note(s)	22	23	24	

\* See Note 50

# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Comparison of Budget and Actual Amounts for the year ended 30 June 2021

Figures in Rand	Original budget	*Budget adjustments	Final adjustments budget	**Shifting of funds	***Virement	Final budget	Actual outcome	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
<b>2021</b>										
<b>Statement of financial performance</b>										
<b>Revenue</b>										
Property rates	331,536,704	11,440,601	342,977,305	-		342,977,305	343,711,356	734,051	100.21 %	103.67 %
Service charges	1,676,425,099	(24,629,990)	1,651,795,109	-		1,651,795,109	1,627,177,093	(24,618,016)	98.51 %	97.06 %
Investment revenue	6,000,000	-	6,000,000	-		6,000,000	5,222,733	(777,267)	87.05 %	87.05 %
Transfers recognised – operational	265,052,589	(36,720,119)	228,332,470	-		228,332,470	233,235,878	4,903,408	102.15 %	88.00 %
Other own revenue	152,205,806	47,910,437	200,116,243	-		200,116,243	192,222,501	(7,893,742)	96.06 %	126.29 %
<b>Total revenue (excl capital transfers and contributions)</b>	<b>2,431,220,198</b>	<b>(1,999,071)</b>	<b>2,429,221,127</b>	-		<b>2,429,221,127</b>	<b>2,401,569,561</b>	<b>(27,651,566)</b>	<b>98.86 %</b>	<b>98.78 %</b>
<b>Expenditure</b>										
Employee cost	(688,195,688)	(16,178,229)	(704,373,917)	-	-	(704,373,917)	(711,273,115)	(6,899,198)	100.98 %	103.35 %
Remuneration of councillors	(31,709,291)	-	(31,709,291)	-	-	(31,709,291)	(31,101,146)	608,145	98.08 %	98.08 %
Depreciation and asset impairment	(240,352,185)	-	(240,352,185)	-	-	(240,352,185)	(227,235,412)	13,116,773	94.54 %	94.54 %
Finance charges	(182,311,791)	2,153,761	(180,158,030)	-	-	(180,158,030)	(179,830,803)	327,227	99.82 %	98.64 %
Materials and bulk purchases	(889,217,799)	(1,086,601)	(890,304,400)	-	(1,593,323)	(891,897,723)	(881,455,502)	10,442,221	98.83 %	99.13 %
Transfers and grants	(9,460,000)	(1,293,820)	(10,753,820)	-	1,505,000	(9,248,820)	(8,534,159)	714,661	92.27 %	90.21 %
Other expenditure	(473,937,667)	(766,614)	(474,704,281)	-	88,323	(474,615,958)	(436,770,346)	37,845,612	92.03 %	92.16 %
<b>Total expenditure</b>	<b>(2,515,184,421)</b>	<b>(17,171,503)</b>	<b>(2,532,355,924)</b>	-	-	<b>(2,532,355,924)</b>	<b>(2,476,200,483)</b>	<b>56,155,441</b>	<b>97.78 %</b>	<b>98.45 %</b>
<b>Deficit</b>	<b>(83,964,223)</b>	<b>(19,170,574)</b>	<b>(103,134,797)</b>	-	-	<b>(103,134,797)</b>	<b>(74,630,922)</b>	<b>28,503,875</b>	<b>72.36 %</b>	<b>88.88 %</b>
Transfers and subsidies - Capital	168,149,000	12,116,283	180,265,283	-		180,265,283	175,958,381	(4,306,902)	97.61 %	104.64 %

# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Comparison of Budget and Actual Amounts for the year ended 30 June 2021

Figures in Rand	Original budget	*Budget adjustments	Final adjustments budget	**Shifting of funds	***Virement	Final budget	Actual outcome	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
<b>Surplus after capital transfers and contributions</b>	<b>84,184,777</b>	<b>(7,054,291)</b>	<b>77,130,486</b>	-	-	<b>77,130,486</b>	<b>101,327,459</b>	<b>24,196,973</b>	<b>131.37 %</b>	<b>120.36 %</b>
<b>Reconciliation to statement of financial performance</b>										
Rounding	-	-	-	-	-	-	(38)	(38)	- %	- %
<b>Surplus per the statement of financial performance</b>	<b>84,184,777</b>	<b>(7,054,291)</b>	<b>77,130,486</b>	-	-	<b>77,130,486</b>	<b>101,327,421</b>	<b>24,196,935</b>	<b>131.37 %</b>	<b>120.36 %</b>
<b>Capital expenditure and fund source</b>										
Transfers recognised – capital	153,671,957	(8,916,076)	144,755,881	-	-	144,755,881	143,696,501	(1,059,380)	99.27 %	93.51 %
Borrowings	-	-	-	-	-	-	-	-	- %	- %
Internally generated funds	63,300,476	31,002,704	94,303,180	-	-	94,303,180	77,949,957	(16,353,223)	82.66 %	123.14 %
	<b>216,972,433</b>	<b>22,086,628</b>	<b>239,059,061</b>	-	-	<b>239,059,061</b>	<b>221,646,458</b>	<b>(17,412,603)</b>	<b>92.72 %</b>	<b>102.15 %</b>
<b>Capital expenditure and Cash flow</b>										
Total non-current assets	6,196,648,911	22,086,628	6,218,735,539	-	-	6,218,735,539	6,270,475,702	51,740,163	100.83 %	101.19 %
Total current assets	561,475,605	2,264,823	563,740,428	-	-	563,740,428	577,824,897	14,084,469	102.50 %	102.91 %
Total non-current liabilities	(1,960,199,866)	-	(1,960,199,866)	-	-	(1,960,199,866)	(2,040,855,700)	(80,655,834)	104.11 %	104.11 %
Total current liabilities	(588,578,402)	(3,595,000)	(592,173,402)	-	-	(592,173,402)	(547,154,872)	45,018,530	92.40 %	92.96 %
Community wealth/equity	(4,209,346,248)	(20,756,451)	(4,230,102,699)	-	-	(4,230,102,699)	(4,260,290,027)	(30,187,328)	100.71 %	101.21 %
	-	-	-	-	-	-	-	-	- %	- %

# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Comparison of Budget and Actual Amounts for the year ended 30 June 2021

Figures in Rand	Original budget	*Budget adjustments	Final adjustments budget	**Shifting of funds	***Virement	Final budget	Actual outcome	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
<b>Cash flow statement</b>										
Net cash from (used) operating	283,511,201	3,830,722	287,341,923	-	-	287,341,923	300,935,923	13,594,000	104.73 %	106.15 %
Net cash from (used) investing	(214,972,433)	(9,608,012)	(224,580,445)	-	-	(224,580,445)	(221,354,616)	3,225,829	98.56 %	102.97 %
Net cash from (used) financing	(19,684,848)	-	(19,684,848)	-	-	(19,684,848)	(21,399,846)	(1,714,998)	108.71 %	108.71 %
	<b>48,853,920</b>	<b>(5,777,290)</b>	<b>43,076,630</b>	<b>-</b>	<b>-</b>	<b>43,076,630</b>	<b>58,181,461</b>	<b>15,104,831</b>	<b>135.07 %</b>	<b>119.09 %</b>

### Commentary

\*Budget adjustments done in terms of section 28 and section 31 of the MFMA

\*\*Shifting of funds done in terms of section 31 of the MFMA

\*\*\*Virement in terms of Council Approve Policy, virements must offset each other so that virements in Total Expenditure column equals zero

# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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### Basis of preparation

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

The audited annual financial statements were prepared on the accrual basis of accounting and incorporate the historical cost conventions as the basis of measurement, except where specified otherwise.

In the absence of issued and effective Standards of GRAP, accounting policies for material transactions, events or conditions were developed in accordance with GRAP 3 as read with Directive 5. Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

The principal accounting policies, applied in the preparation of the audited annual financial statements, are set out below. These accounting policies are consistent with those applied in the preparation of the prior period audited annual financial statements, unless specified otherwise. Details of any changes in the accounting policies are provided in note Changes in accounting policies.

### 1. Summary of significant accounting policies

These standards are summarised as follows:

Reference	Description
GRAP Framework	Framework for the preparation and presentation of financial statements
GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GRAP 4	The Effects of Changes in Foreign Exchange Rates
GRAP 5	Borrowing Costs
GRAP 6	Consolidated and Separate Financial Statements
GRAP 7	Investment in Associates
GRAP 8	Investment in Joint Ventures
GRAP 9	Revenue from Exchange Transactions
GRAP 10	Financial Reporting in Hyperinflationary Economies
GRAP 11	Construction Contracts
GRAP 12	Inventories
GRAP 13	Leases
GRAP 14	Events After the Reporting Date
GRAP 16	Investment Property
GRAP 17	Property, Plant and Equipment
GRAP 18	Segment Reporting
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets
GRAP 20	Related Party Disclosures
GRAP 21	Impairment of Non-cash-generating Assets
GRAP 23	Revenue from Non-exchange Transactions (Taxes and Transfers)
GRAP 24	Presentation of Budget Information in Financial Statements
GRAP 25	Employee Benefits
GRAP 26	Impairment of Cash-generating Assets
GRAP 27	Agriculture
GRAP 31	Intangible Assets
GRAP 32	Service Concession Arrangements: Grantor
GRAP 100	Discontinued Operations
GRAP 103	Heritage Assets
GRAP 104	Financial Instruments
GRAP 108	Statutory Receivables
GRAP 109	Accounting by Principals and Agents
GRAP 110	Living and Non-living Resources
IFRS 4	Insurance contracts
IAS 12	Income taxes
IGRAP 1	Applying the Probability Test on Initial Recognition of Revenue

# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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### 1. Summary of significant accounting policies (continued)

IGRAP 2	Changes in Existing Decommissioning Restoration and Similar Liabilities
IGRAP 3	Determining Whether an Arrangement Contains a Lease
IGRAP 4	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
IGRAP 5	Applying the Restatement Approach under the Standard of GRAP on Financial Reporting in Hyperinflationary Economies
IGRAP 6	Loyalty Programmes
IGRAP 7	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
IGRAP 8	Agreements for the Construction of Assets from Exchange Transactions
IGRAP 9	Distributions of Non-cash Assets to Owners
IGRAP 10	Assets Received from Customers
IGRAP 11	Consolidation – Special Purpose Entities
IGRAP 12	Jointly Controlled Entities – Non-Monetary Contributions
IGRAP 13	Operating Leases – Incentives
IGRAP 14	Evaluating the Substance of Transactions Involving the Legal Form of a Lease
IGRAP 15	Revenue – Barter Transactions Involving Advertising Services
IGRAP 16	Intangible Assets – Website Costs
IGRAP 17	Service Concession Arrangements where Grantor Controls Significant Residual Interest
IGRAP 18	Recognition and Derecognition of Land
IGRAP 19	Liabilities to Pay Levies
IGRAP 20	Accounting for Adjustments to Revenue
IFRIC 12	Service Concession Arrangements
SIC 25	Income Taxes – Changes in the status of an enterprise or its shareholders
SIC 29	Disclosure Service Concession
Directive 1	Deletion of Transitional Provisions in Standards of GRAP
Directive 3	Amended Transitional Provisions for High Capacity Municipalities
Directive 5	GRAP Reporting Framework
Directive 7	The Application of Deemed Cost
Directive 11	Changes in Measurement Bases following Initial Adoption of Standards of GRAP
Guideline	Accounting for Arrangements Undertaken i.t.o. the National Housing Programme
Guideline	Accounting for Landfill Sites
Guideline	The Application of Materiality to Financial Statements

The cash flow statement is prepared using the direct method, whereby major classes of gross cash receipts and gross cash payments are disclosed.

Accounting policies for material transactions, events or conditions not covered by the above GRAP standards have been developed in accordance with GRAP 3. Where required, accounting policies were developed for standards of GRAP that have been issued by the ASB, but for which an effective date have not been determined by the Minister of Finance.

#### 1.1 New standards and interpretations

##### Standards, amendments to standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

GRAP 18 on Segment Reporting is effective for the reporting periods beginning on or after 1 July 2020. GRAP 18 establishes principles for the reporting of financial information by segments. The municipality has adopted this Standard in the current reporting period.

GRAP 110 on Living and Non-Living Resources is effective for the reporting periods beginning on or after 1 July 2020. GRAP 110 prescribes the recognition, measurement, presentation and disclosure requirements for living resources as well as disclosure requirements for non-living resources. The application of this standard will not have a material impact on the audited annual financial statements of the municipality when effective.



# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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### 1.1 New standards and interpretations (continued)

#### Standards, amendments to standards and interpretations issued, but not yet effective

GRAP 25 on Employee Benefits and effective date for the reporting periods has not yet been set. The ASB agreed to align GRAP 25 with IPSAS 39, but that local issues and the local environment need to be considered. As a result of this decision, there are areas where GRAP 25 departs from the requirements of IPSAS 39. The ASB decisions to depart are explained in the basis for conclusions. The amendments to GRAP 25 are extensive and mostly affect the accounting for defined benefit plans. A new renumbered Standard of GRAP (e.g. GRAP 39) will not be issued, but rather a new version of the current GRAP 25.

GRAP 104 on Financial Instruments and effective date for the reporting periods has not yet been set. Following the global financial crisis, a number of concerns were raised about the accounting for financial instruments. This included that (a) information on credit losses and defaults on financial assets was received too late to enable proper decision-making, (b) using fair value in certain instances was inappropriate, and (c) some of the existing accounting requirements were seen as too rules based. As a result, the IASB amended its existing Standards to deal with these issues. The IASB issued (IFRS®) Standard on Financial Instruments (IFRS 9) in 2009 to address many of the concerns raised. Revisions were also made to IAS® on Financial Instruments: Presentation and the IFRS Standard® on Financial Instruments: Disclosures. The IPSASB issued revised IPSAS in June 2018 so as to align them with the equivalent IFRS Standards.

The revisions better align the Standards of GRAP with recent international developments. The amendments result in better information available to make decisions about financial assets and their recoverability, and more transparent information on financial liabilities.

All other standards as listed above will only be effective on the date it is announced by the Minister of Finance.

The Accounting Standards Board Directive 5 sets out the principles for the application of the GRAP 3 guidelines in the determination of the GRAP Reporting Framework hierarchy, as set out in the standard of GRAP 3 on Accounting Policies, Changes in Accounting Estimates and Errors.

Where a standard of GRAP is approved as effective, it replaces the equivalent statement of International Public Sector Accounting Standards Board or, International Financial Reporting Standards. Where a standard of GRAP has been issued, but is not in effect, an entity may select to apply the principles established in that standard in developing an appropriate accounting policy dealing with a particular section or event before applying the Standards of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

Management has considered all of the above-mentioned GRAP standards issued but not effective and anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the municipality.

### 1.2 Presentation currency

These audited annual financial statements are presented in South African Rand and are rounded off to the nearest Rand.

### 1.3 Going concern assumption

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

### 1.4 Offsetting

Financial assets and liabilities are offset and the net amount reported on the Statement of Financial Position when there is a legally enforceable right to set off the recognised amount, and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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### 1.5 Comparative of actual information to budgeted information

#### Current year comparatives

The annual budget figures have been prepared in accordance with the GRAP standard and are consistent with the accounting policies adopted by the Council for the preparation of these audited annual financial statements. The amounts are scheduled as a separate additional financial statement, called the Statement of comparison of budget and actual amounts. Explanatory comment is provided in the notes to the audited annual financial statements giving motivations for over- or under spending on line items where it is found to be material. The annual budget figures included in the audited annual financial statements are for the municipality and do not include budget information relating to subsidiaries or associates. These figures are those approved by the Council at the beginning and during the year following a period of consultation with the public as part of the Integrated Development Plan. The budget is approved on an accrual basis by nature classification. The approved budget covers the period from 01 July 2020 to 30 June 2021.

In general, a difference of 10% or more is considered material, although the surrounding circumstances are taken into account if it could influence the decisions or assessments of the users of the audited annual financial statements in determining whether a difference between the budgeted and actual amount is material.

#### Prior year comparatives

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

### 1.6 Housing development reserve

The Housing development fund was established in terms of the Housing Act (Act No. 107 of 1997).

#### Housing development fund

Sections 15(5) and 16 of the Housing Act, 1997 (Act 107 of 1997), which came into operation on 1 April 1998, requires that the municipality maintain a separate housing operating account. This legislated separate operating account will be known as the Housing Development Fund.

The Housing Act also requires in terms of section 14(4)(d)(iii)(aa) read with, inter alia, section 16(2) that the net proceeds of any letting, sale of property or alienation, financed previously from government housing funds, be paid into a separate operating account and be utilised by the municipality for housing development, development in accordance with the National Housing Policy.

The following provisions are set for the creation and utilisation of the Housing Development Fund:

- The proceeds in this fund are utilised for housing development in accordance with the National Housing Policy, and also for housing development projects approved by the National Minister of Human Settlements.
- Any contributions to or from the fund must be shown as transfers in the Statement of changes in net assets.
- Interest earned on the investments backing up this fund must be recorded as part of interest earned in surplus or deficit for the year in the Statement of Financial Performance.

#### Un-realized housing proceeds

In order to comply with Section 14(4)(d)(i) and (ii) of the Housing Act, (Act 107 of 1997) where all net proceeds need to be paid into the Housing Development Fund, it was necessary to create a holding account which represents the un-realized funds due by long-term housing selling schemes and sponsored loan debtors. This account is reduced when debtors are billed for their payment.

### 1.7 Internal reserves and revaluation reserve

#### Revaluation Reserve

The surplus arising from the revaluation of land and buildings is credited to a non-distributable reserve. The revaluation surplus is realised as revalued buildings are depreciated, through a transfer from the revaluation reserve to the accumulated surplus / (deficit). On disposal, the net revaluation surplus is transferred to the accumulated surplus / (deficit) while gains or losses on disposal, based on revalued amounts, are credited or charged to the Statement of Financial Performance.

# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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### 1.8 Provisions

Provisions are recognised when the municipality has a present (legal 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.

The best estimate of the expenditure required to settle the present obligation is the amount that an entity would rationally pay to settle the obligation at the reporting date or to transfer it to a third party at that time and are determined by the judgment of the management of the municipality, supplemented by experience of similar transactions and, in some cases, reports from independent experts. The evidence considered includes any additional evidence provided by events after the reporting date. Uncertainties surrounding the amount to be recognised as a provision are dealt with by various means according to the circumstances, where the provision being measured involves a large population of items; the obligation is estimated by weighting all possible outcomes by their associated probabilities.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it - this unavoidable cost resulting from the contract is the amount of the provision to be recognised.

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the Statement of Financial Performance as a finance cost as it occurs.

#### Environmental rehabilitation provisions

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

### 1.9 Property, plant and equipment

#### Initial recognition

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

The cost of an item of property, plant and equipment is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the municipality, and if the cost or fair value of the item can be measured reliably.

Property, plant and equipment are initially recognised at cost on its acquisition date. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

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

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

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

# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

#### Subsequent measurement – cost model

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the municipality and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently all property, plant and equipment, excluding land and buildings, are measured at cost, less accumulated depreciation and accumulated impairment losses.

#### Subsequent measurement – revaluation model

Subsequent to initial recognition, land and buildings are carried at a revalued amount based on municipal valuations, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed by external independent values every four years to coincide with the implementation of the general valuation such that the carrying amount does not differ materially from that which would be determined using fair value at the Statement of Financial Position date. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset.

An increase in the carrying amount of land and buildings as a result of a revaluation is credited directly to a revaluation surplus reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

A decrease in the carrying amount of an asset as a result of a revaluation is recognised in surplus or deficit, except to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

Where items of property, plant and equipment have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified except where the impairment reverses a previous revaluation.

When revalued assets are sold or retired, the amounts included in the revaluation reserve in respect of that assets, are transferred to accumulated surplus or deficit.

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

# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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

#### Depreciation

Land is not depreciated as it is regarded as having an unlimited life. Depreciation on assets other than land is calculated using the straight-line method, to allocate their cost or revalued amounts less their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the assets' future economic benefits or service potential are expected to be consumed by the municipality. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. The depreciation rates are based on the following estimated useful lives:

Asset class	Useful lives as applied in the Asset Register (years)
Infrastructure	
• Roads and storm water	5-100
• Electricity	5-100
• Water	5-130
• Sewerage	5-120
• Solid Waste	5-100
Buildings, structures and facilities	
• Buildings	30-60
• Recreational and sports facilities	5-100
• Parks, gardens and cemeteries	5-100
• Housing assets	30-60
Other assets	
• Transport assets	5-35
• Computer and other office equipment	3-45
• Furniture and fittings	5-45
• Machinery and equipment	5-45

The above include initial assessments as well as any adjustments made during the life of an asset.

The useful lives, residual values and depreciation method are reviewed annually at the end of the financial year where there is any indication that the municipality's expectations about the residual amount and the useful life of an asset has changed since the preceding reporting date. Any adjustments arising from the annual review are applied prospectively.

Assets under construction are carried at cost. Depreciation of an asset commences when the asset is ready for its intended use. Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets, or, where shorter, the term of the relevant lease.

#### De-recognition of property, plant and equipment

The carrying amount of an item of property, plant and equipment is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. Gains are not classified as revenue.

Gains or losses are calculated as the difference between the carrying values of assets (Cost less accumulated depreciation and accumulated impairment losses) and the disposal proceeds is included in the Statement of financial performance as a gain or loss on disposal of property, plant and equipment.

# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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### 1.10 Intangible assets

Intangible assets are identifiable non-monetary assets without physical substance held for use in the production or supply of goods or services, for rental to others, or for administrative purposes are classified and recognised as intangible assets.

#### Initial recognition and measurement

Intangible assets are initially recognised at cost. The cost of an intangible assets is the purchase price and other costs attributable to bring the intangible assets to the location and condition necessary for it to be capable of operating in the manner intended by the municipality, or where an intangible assets are acquired at no cost, or for a nominal cost, the cost shall be its fair value as at the date of acquisition. Trade discounts and rebates are deducted in arriving at the cost.

Intangible assets acquired separately or internally generated are reported at cost less accumulated amortisation and accumulated impairment losses.

#### Subsequent measurement

Amortisation is calculated on cost, using the straight-line method, over the useful lives of the assets, which is estimated to be between 3 to 10 years upon initial recognition. Where intangible assets are deemed to have an indefinite useful life, such intangible assets are not amortised.

Intangible assets are annually tested for impairment and the estimated useful life, residual values and amortisation method are reviewed annually at the end of the financial year. Any adjustments arising from the annual review are applied prospectively.

#### Derecognition

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible assets is determined as the difference between the net disposals proceeds and the carrying value and is recognised in the Statement of Financial Performance.

### 1.11 Investment property

Investment property includes property held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations. Investment property also includes land held for an undetermined future use.

#### Initial recognition

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

Where the classification of an investment property is based on management's judgement, the following criteria have been applied to distinguish investment properties from owner-occupied property or property held for resale:

- All properties held to earn market-related rentals or for capital appreciation or both and that are not used for administrative purposes and that will not be sold within the next 12 months are classified as investment properties;
- Land held for a currently undetermined future use;
- A building owned (or held by under a finance lease) and leased out under one or more operating leases;
- Leased properties that are held to provide a social (community) service or that are necessary for employees to perform their job functions, but which also generates rental revenue are not seen as investment properties. The rental revenue generated is incidental to the purposes for which the property is held;
- A building that is vacant but is held to be leased out under one or more operating leases;
- Property that is being constructed or developed for future use as investment property.

# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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### 1.11 Investment property (continued)

#### Subsequent measurement – fair value model

Investment property is subsequently measured using the fair value model. Investment property is carried at fair value, representing open market value determined by external valuer on reporting date. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. A gain or loss arising from a change in the fair value of investment property is included in surplus or deficit for the period in which it arises.

If the municipality determines that the fair value of an investment property under construction is not reliably measurable but expects the fair value to be reliably measurable when construction is completed, it measures that investment property at cost until the fair value can be reliably determined or construction has been completed.

Where the municipality has determined that the fair value of an investment property (other than investment property under construction) is not determinable on a continuing basis, the municipality measures that investment property using the cost model.

#### Derecognition/Disposal

Investment properties are derecognised (eliminated from the Capital expenditure and Cash flow) on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal. The gain or loss arising on the disposal of an investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

### 1.12 Heritage assets

A heritage asset is defined as an asset that has a cultural, environmental, historical, natural, scientific, technological or artistic significance, and is held and preserved indefinitely for the benefit of present and future generations.

The municipality classifies assets as heritage assets where the significance as a heritage asset can be determined. In regards to land and buildings all graded sites are classified heritage assets. Furthermore land with a natural significance is not componentised but seen as a single heritage asset due to all parts contributing together to make up its significance.

GRAP 103 requires that land and buildings that qualify as heritage asset, but of which a significant portion of that land and buildings is held for use in the production or supply of goods or services or for administrative purposes, should be recognised as property, plant and equipment, rather than heritage asset.

#### Initial recognition and measurement

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

Heritage assets are initially recognised at cost on its acquisition date or in the case of assets acquired by grant or donation, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of heritage assets is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

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

The cost of an item of heritage assets acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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### 1.12 Heritage assets (continued)

#### Subsequent measurement

Subsequent expenditure relating to heritage assets is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the municipality and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently all heritage assets (excluding heritage assets which are land and buildings) are measured at cost less accumulated impairment losses. Heritage assets are not depreciated.

Subsequent to initial recognition, land and buildings which qualify as heritage assets are carried at a revalued amount based on municipal valuations less subsequent accumulated impairment losses. Revaluations are performed by external independent valuers every four years to coincide with the implementation of the general valuation such that the carrying amount does not differ materially from that which would be determined using fair value at the Statement of Financial Position date.

#### De-recognition of heritage assets

The carrying amount of an item of heritage assets is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

Gains or losses are calculated as the difference between the carrying value of assets (cost less accumulated impairment losses) and the disposal proceeds is included in the Statement of Financial Performance as a gain or loss on disposal of heritage assets.

### 1.13 Inventories

Inventories consist of raw materials, work in progress, consumables and finished goods, which are valued at the lower of cost, determined on the first in first out basis, and net realisable value, except for items which are valued at the tariffs charged. Where it is held for distribution or consumption at no charge or for a nominal amount, inventories are valued at the lower of cost and current replacement value.

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

Redundant and slow-moving inventories are identified and written down to their estimated net realisable values estimated by management. Inventories are written down according to their age, condition and utility. Differences arising on the measurement of such inventories at the lower of cost and net realisable value are recognised in the Statement of Financial Performance in the year in which they arise. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventories were sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

#### Water inventory

Water is regarded as inventory when the municipality purchases water in bulk with the intention to resell it to the consumers or to use it internally, or where the municipality has incurred purification costs on water obtained from natural resources (rain, rivers, springs, boreholes etc.). However, water in dams, that are filled by natural resources and that has not yet been treated, and is under the control of the municipality but cannot be measured reliably as there is no cost attached to the water, and it is therefore not recognised in the Statement of Financial Position.

The basis of determining the cost of water purchased and not yet sold at Statement of Financial Position date comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventory to its present location and condition, net of trade discounts and rebates.

Water is valued by using the weighted average method, at the lowest of purified cost and net realisable value, insofar as it is stored and controlled in reservoirs at year-end.



# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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### 1.13 Inventories (continued)

#### Land inventory for BNG housing projects

The Accounting Standards Board issued the guideline on Accounting for Arrangements Undertaken in terms of the National Housing Programme.

In terms of the guideline, land currently controlled by the municipality and recognised as either property, plant and equipment or investment property, that has been designated for the purposes of a BNG housing development - in terms of Council's approved housing pipeline projects - meets the definition of inventories and requires reclassification to inventories.

The municipality only reclassifies the portion of land that it would not control after entering into an arrangement with the provincial Department of Human Settlements, to inventories.

Once the township development is completed, revisions that may need to be made to the values of the land initially reclassified as inventory is treated as a change in accounting estimate in terms of GRAP 3.

The carrying amount of the land up until the date of reclassification, as determined in accordance with the accounting policy of property, plant and equipment or investment property, is the cost amount on the date of reclassification.

Land inventory is derecognised once an agreement has been entered into with the provincial Department of Human Settlement, that passed control to the department.

### 1.14 Living and non-living resources

Living resources are those resources that undergo biological transformation, whilst non-living resources are those resources, other than living resources, that occur naturally and have not been extracted.

Non-living resources, other than land, are not be recognised as assets.

A living resource is regarded as an asset when the municipality controls the right or access to future economic benefits or service potential of the resource. This is done by considering whether the following indicators that conclude that control, exists:

- The intervention by a municipality in the management of the physical condition of the living resource.
- The ability to restrict the movement of living resource.
- The ability to direct the use of the living resource.

The municipality is in terms of its mandate responsible for management and/or conservation of the environment as a whole, inclusive of natural resources such as plants and trees within parks and recreational facilities, but it does not manage the physical condition of each individual plant within that environment. As a result, the municipality concludes that it does not control these trees and plants as living resources, and does not regard them as separate assets.

### 1.15 Impairment of property, plant and equipment, investment property, intangible assets and heritage assets

The municipality classifies all assets held with the primary objective of generating a commercial return as cash-generating assets. A commercial return means that the return charged by the entity is commensurate with the risk associated with holding the asset and the asset is intended to generate positive cash inflows. All other assets are classified as non-cash-generating assets.

#### Impairment of cash-generating assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the individual asset.

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

The best evidence of fair value less cost to sell is the price in a binding sale agreement in an arm's length transaction, adjusted for the incremental cost that would be directly attributable to the disposal of the asset.

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

# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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### 1.15 Impairment of property, plant and equipment, investment property, intangible assets and heritage assets (continued)

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

An impairment of assets carried at revalued amount reduces the revaluation surplus for that asset. The decrease shall be debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

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

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

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

The recoverable service amount is the higher of a non-cash generating asset's fair value less costs to sell and its value in use. The value in use for a non-cash generating asset is the present value of the asset's remaining service potential.

The value in use for a non-cash generating asset is the present value of the asset's remaining service potential.

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

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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### 1.16 Employee benefits

The municipality provides short term benefits, long term benefits and retirement benefits for its employees and councillors.

#### Short-term employee benefits

Remuneration to employees is recognised in the Statement of financial performance as the services are rendered, except for non-accumulating benefits which are only recognised when the specific event occurs.

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service.

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

A defined contribution plan is a plan under which the municipality pays fixed contributions into a separate entity. The municipality has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to service in the current or prior periods.

The municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in the Statement of financial performance in the period in which the service is rendered by the relevant employees.

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

A defined benefit plan is a plan that defines an amount of benefit that an employee will receive on retirement.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and unrecognised actuarial gains and losses, reduced by unrecognised past service costs. The plan is unfunded. The defined benefit obligation is calculated using the projected unit credit method, incorporating actuarial assumptions and a discount rate based on the government bond rate. Valuations of these obligations are carried out by independent qualified actuaries regularly, as may be required for fair presentation.

Actuarial gains or losses recognised immediately in the Statement of financial performance.

#### Post-retirement health care benefits

The municipality has an obligation to provide post-retirement health care benefits to certain of its retirees. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service), on retirement, is entitled to remain a continued member of the Medical Aid Fund, in which case the municipality is liable for a certain portion of the medical aid membership fee.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and unrecognised actuarial gains and losses, reduced by unrecognised past service costs. The plan is unfunded. The present value of the defined benefit obligation is calculated using the projected unit credit method, incorporating actuarial assumptions and a discount rate based on the government bond rate. Valuations of these obligations are carried out annually by independent qualified actuaries.

Past-service costs are recognised immediately, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

#### Ex-gratia pension benefits

The municipality provides pension and retirement gratuity benefits to certain employees who were in the employment of the former Paarl, Wellington, Gouda and Saron Municipalities (now incorporated into the Drakenstein Municipality) at 31 December 1994 (Paarl) and 31 March 1995 (Wellington) and still in the employment of Drakenstein Municipality at date of normal retirement, medical disability, retrenchment or death. The gratuity is calculated on the salary benefits during 1994/1995.

# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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### 1.16 Employee benefits (continued)

#### Long-service allowance

The municipality has an obligation to provide Long-service Allowance Benefits to all of its employees. According to the rules of the Long-service Allowance Scheme, which the municipality instituted and operates, an employee (who is on the current Conditions of Service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 10, 15, 20, 25 and 30 years of continued service. The municipality's liability is based on an actuarial valuation. The projected unit credit method has been used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through the Statement of financial performance.

#### National- and provincially administered defined benefit plans

The municipality contributes to various National- and Provincial-administered Defined Benefit Plans on behalf of its qualifying employees. The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. These defined benefit funds are actuarially valued tri-annually on the projected unit credit method basis.

Deficits are recovered through lump sum payments or increased future contributions on a proportional basis from all participating municipalities.

The municipality does not apply defined benefit accounting to the defined benefit funds to which it is a member where these funds are classified in terms of the Standard of GRAP 25 on Employee Benefits as multiemployer plans, as sufficient information is not available to apply the principals involved. As a result, this standard of GRAP is applied and such funds are accounted for as defined contribution funds.

Salaried personnel are members of the Cape Joint Pension fund established in terms of the Local Authorities Pension Fund Ordinance, 1969 (Ordinance 23 of 1969), and the provisions of the Pension Fund Act, 1956 (Act 24 of 1956) or the SAMWU National Provident Fund.

#### Leave pay

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total accrued leave days at year end and is shown as an accrual in the Capital expenditure and Cash flow.

#### Provision for bonus

The municipality recognises the expected cost of bonuses as a provision only when the municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made at reporting date.

### 1.17 Leases

#### Lease classification

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

#### Municipality as lessee

Property, plant and equipment subject to finance lease agreements are capitalised at their cash cost equivalent. Corresponding liabilities are included in the Capital expenditure and Cash flow as Finance Lease Obligations. The cost of the item of property, plant and equipment is depreciated at appropriate rates on the straight-line basis over its estimated 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.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on the straight-line basis over the term of the relevant lease.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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### 1.17 Leases (continued)

#### Municipality as lessor

Amounts due from lessees under finance leases or instalment sale agreements are recorded as receivables at the amount of the municipality's net investment in the leases. Finance lease or instalment sale income is allocated to accounting periods so as to reflect a constant periodic rate of return on the municipality's net investment outstanding in respect of the leases or instalment sale agreements.

Operating lease rental income is recognised on a straight-line basis over the term of the relevant lease.

### 1.18 Borrowing costs

Interest-bearing external loans and bank overdrafts are recorded net of direct issue costs. Finance charges, including premiums payable, are accounted for on an accrual basis. Borrowings are initially recognised at fair value, net of transaction costs. Subsequently, they are measured at amortised cost using the effective interest rate method.

Borrowing costs are recognised as an expense in the Statement of financial performance in the period in which they are incurred.

### 1.19 Financial instruments

The municipality has various types of financial instruments and these can be broadly categorised as either financial assets or financial liabilities.

A financial instrument is recognised if the municipality becomes a party to the contractual provisions of the instrument.

#### 1.19.1 Classification of financial instruments

##### Financial assets

A financial asset is any asset that is a cash or contractual right to receive cash. In accordance with GRAP 104 the Financial Assets of the municipality are classified as follows into the three categories allowed by this standard:

Financial asset at amortised cost being a non-derivative financial asset with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months, which are classified as non-current assets.

Financial assets measured at fair value being financial assets that meet either of the following conditions:

- Derivatives;
- Combined instruments that are designated at fair value;
- Instruments held for trading;
- Non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; or
- Financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

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

The municipality has the following types of financial assets as reflected on the face of the Capital expenditure and Cash flow or in the notes thereto:

#### Type of financial asset

Finance lease receivables  
Long-term receivables  
Current portion of long-term receivables  
Consumer debtors  
Other debtors  
Short-term investment deposit - Call  
Bank balances and cash  
Investments in stock - ESKOM

#### Classification in terms of GRAP 104

Financial assets at amortised cost  
Financial assets at amortised cost  
Financial assets at amortised cost  
Financial assets at amortised cost  
Financial assets at amortised cost  
Financial assets at amortised cost  
Financial assets at amortised cost  
Financial assets at fair value

# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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### 1.19 Financial instruments (continued)

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the Cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets at amortised cost.

#### Financial liabilities

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity.

The following main categories of financial liabilities and the classification determining how they are measured exist:

- Financial liabilities measured at amortised cost; or
- Financial liabilities measured at fair value.

The municipality has the following types of financial liabilities as reflected on the face of the Capital expenditure and Cash flow or in the notes thereto:

Type of financial liability	Classification in terms of GRAP 104
Long-term liabilities	Financial liability at amortised cost
Current portion of long-term liabilities	Financial liability at amortised cost
Other creditors	Financial liability at amortised cost
Bank overdraft	Financial liability at amortised cost
Short-term loans	Financial liability at amortised cost

Financial liabilities that are measured at fair value that are essentially held for trading (i.e. purchased with the intention to sell or repurchase in the short term; derivatives other than hedging instruments or are part of a portfolio of financial liabilities where there is recent actual evidence of short-term profiteering or are derivatives).

Any other financial liabilities should be classified as financial liabilities at amortised cost.

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

# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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### 1.19 Financial instruments (continued)

#### 1.19.2 Initial and subsequent measurement

##### Initial recognition and measurement

###### Financial assets:

Financial assets at amortised cost are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial assets. Subsequently, these assets are measured at amortised cost using the Effective Interest Method less any impairment, with interest recognised on an effective yield basis.

Trade and other receivables (excluding Value Added Taxation, prepayments and operating lease receivables), loans to municipal entities and loans that have fixed and determinable payments that are not quoted in an active market are classified as financial assets at amortised cost.

Financial assets measured at fair value are initially measured at fair value plus directly attributable transaction costs. They are subsequently measured at fair value with unrealised gains or losses recognised directly in equity until the investment is derecognised, at which time the cumulative gain or loss recorded in equity is recognised in the Statement of Financial Performance, or determined to be impaired, at which time the cumulative loss recorded in equity is recognised in the Statement of Financial Performance.

###### Financial liabilities:

Financial liabilities measured at fair value are stated at fair value, with any resulted gain or loss recognised in the Statement of financial performance.

Any other financial liabilities classified at amortised cost (All payables, loans and borrowings are classified as other liabilities) and are initially measured at fair value, net of transaction costs. Trade and other payables, interest-bearing debt including finance lease liabilities, non-interest bearing debt and bank borrowings are subsequently measured at amortised cost using the effective interest rate method. Interest expense is recognised in the Statement of financial performance by applying the effective interest rate.

Bank borrowings, consisting of interest-bearing short-term bank loans, repayable on demand and overdrafts are recorded at the proceeds received. Finance costs are accounted for using the accrual basis and are added to the carrying amount of the bank borrowing to the extent that they are not settled in the period that they arise.

#### 1.19.3 Impairment of financial assets

Financial assets, other than those measured at fair value, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence of impairment of Financial Assets (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in accordance with GRAP 104.

Trade receivables encompass long term debtors, consumer debtors and other debtors. A provision for impairment of trade receivables 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. 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.

According to GRAP 104, the assessment for impairment needs to be made for each individual financial asset separately or for groups of financial assets with similar credit risks. The following methodology was followed to make a provision for bad debts for the year under review:

##### Consumer debtors

Consumer debtors are assessed individually thereafter collectively, considering factors such as payment histories and ratios, qualitative factors e.g. correspondence from attorneys, disputes about certain accounts, etc.

##### Other debtors

Other debtors are reviewed individually considering payment histories and disputes about certain amounts. Provision for impairment is made accordingly.

# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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### 1.19 Financial instruments (continued)

#### Long-term debtors

##### Housing loans

The loans in this group are assessed by reviewing their payment histories and ratios. Provision for impairment is made accordingly.

##### Other long-term loans

No provision for impairment is made for Other long-term loans, because it is envisaged that these debts will be fully recovered.

Other financial assets at amortised cost are assessed individually for impairment.

The carrying amount of the financial assets is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the Statement of financial performance.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the Statement of financial performance to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

#### 1.19.4 Derecognition

##### Financial assets

The municipality derecognises financial assets only when the contractual rights to the cash flows from the asset expires or it transfers the financial assets and substantially all the risks and rewards of ownership of the asset to another entity, except when Council approves the write-off of financial assets due to non-recoverability.

If the municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the municipality retains substantially all the risks and rewards of ownership of a transferred financial assets, the municipality continues to recognise the financial assets and also recognises a collateralised borrowing for the proceeds received.

##### Financial liabilities

The municipality derecognises financial liabilities when, and only when, the municipality's obligations are discharged, cancelled or they expire.

### 1.20 Statutory receivables

#### 1.20.1 Identification

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

The municipality has the following major categories under the ambit of statutory receivables:

- VAT receivables
- Rates debtors
- Traffic fine debtors
- Availability charges debtors:
  - Electricity;
  - Water;
  - Waste; and
  - Waste water.



# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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### 1.20 Statutory receivables (continued)

#### 1.20.2 Recognition

The municipality recognises statutory receivables as follows:

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

#### 1.20.3 Measurement

The municipality initially measures statutory receivables at their transaction amount.

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

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

#### 1.20.4 Impairment of statutory receivables

Statutory receivables, other than those measured at fair value, are assessed for indicators of impairment at the end of each reporting period. Statutory receivables are impaired where there is objective evidence of impairment of Statutory receivables (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in accordance with GRAP 108.

A provision for impairment of receivables is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables. 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.

According to GRAP 108, the assessment for impairment needs to be made for each individual financial asset separately or for groups of statutory receivables with similar credit risks. The following methodology was followed to make a provision for bad debts for the year under review:

##### Rate debtors and availability charge debtors

Rates debtors are assessed individually thereafter collectively, considering factors such as payment histories and ratios, qualitative factors e.g. correspondence from attorneys, disputes about certain accounts, etc.

##### Traffic fine debtors

Traffic fine debtors are reviewed collectively considering payment histories and disputes about certain amounts. Provision for impairment is made accordingly.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the Statement of financial performance.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the Statement of financial performance to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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### 1.20 Statutory receivables (continued)

#### 1.20.5 De-recognition of statutory receivables

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

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

The carrying amounts of any statutory receivables transferred are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. The entity considers whether any newly created rights and obligations are within the scope of the Standard of GRAP on Financial Instruments or another Standard of GRAP. Any difference between the consideration received and the amounts derecognised and, those amounts recognised, are recognised in surplus or deficit in the period of the transfer.

### 1.21 Revenue

Revenue, excluding value-added taxation where applicable, is derived from a variety of sources which include rates levied, grants from other tiers of government and revenue from trading activities and other services provided.

#### Recognition and measurement

The municipality recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the municipality and when specific criteria have been met for each of the municipalities' activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The municipality bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Furthermore services rendered are recognised by reference to the stage of completion of the transaction at the reporting date.

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, stock rotation, price protection, rebates and other similar allowances.

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

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

#### 1.21.1 Revenue from exchange transactions

##### Service charges

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without it being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers. Basic fees are calculated per the size of connection.

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

# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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### 1.21 Revenue (continued)

Service charges from sewerage and sanitation are based on the type of service and the number of sewer connections on all developed property, using the tariffs approved by Council and are levied monthly.

In circumstances where services cannot readily be measured and quantified, a flat rate service charge is levied monthly on such properties.

#### Pre-paid electricity

Revenue from the sale of pre-paid electricity are recognised at the point of sale. Revenue from the sale of prepaid electricity are recognised based on an estimate of the pre-paid electricity consumed as at the reporting date.

#### Interest earned and rentals received

Interest and rentals are recognised on a time proportion basis that takes into account the effective yield on the investment.

#### Dividends

Dividends are recognised on the date that the municipality becomes entitled to receive the dividend in accordance with the substance of the relevant agreement, where applicable.

#### Traffic charges

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

#### Income from 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.

#### Housing rental and instalments

Finance income from the sale of housing by way of instalment sale agreements or finance leases is recognised on a time proportion basis.

#### 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; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

### 1.21.2 Revenue from non-exchange transactions

#### Rates and taxes

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis with reference to the principal amount receivable and effective interest rate applicable. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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### 1.21 Revenue (continued)

#### Fines

Fines constitute both spot fines and camera fines. Fines are recognised when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset. It is measured at the best estimate, based on past experience, of the amount of revenue the municipality is entitled to collect.

Subsequent to initial recognition and measurement, the municipality assess the collectability of the revenue and recognises a separate impairment loss where appropriate.

#### Donations and contributions

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. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met.

Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use.

Assets acquired in non-exchange transactions are measured at fair value in accordance with the Standards of GRAP.

#### Government grants and receipts

##### - Unconditional grants

Equitable share allocations are recognised in revenue at the start of the financial year.

##### - Conditional grants and receipts

Conditional grants recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs are recognised in the Statement of Financial Performance in the period in which they become receivable.

Revenue is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use.

##### - Interest earned on unspent grants and receipts

Interest earned on unspent grants and receipts is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor and if it is the municipality's interest it is recognised as interest earned in the Statement of financial performance in accordance with GRAP 9.

# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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### 1.21 Revenue (continued)

#### Services received in-kind

Services in kind are recognised at its fair value when it is significant to the operations and/or service delivery objectives and when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably. If the services in-kind are not significant to the operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, only the nature and type of services in-kind received during the reporting period is disclosed.

#### Revenue from 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 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain. Such revenue is based on legislated procedures.

#### Revenue recognition of unclaimed deposits

Unclaimed deposits older than three (3) years are recognised as revenue.

### 1.22 Accounting by principal and agents

#### Identification

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

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

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

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

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

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

#### Binding arrangement

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

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

# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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### 1.22 Accounting by principal and agents (continued)

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

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

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

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

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

#### Recognition

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

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

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

### 1.23 Housing arrangements

The ASB issued the guideline on Accounting for Arrangements Undertaken in terms of the National Housing Programme.

#### Top structures

Where the municipality acts as a project manager in a housing arrangement, it is regarded as an agent in terms of the principles of GRAP 109 - Accounting by Principals and Agents.

Where the municipality is regarded as an agent, costs related to the construction of top structures and the related recovery thereof (revenue) is not be recognised in the Statement of financial performance of the municipality.

Where the municipality is identified as a project developer, the construction of the houses is performed by the municipality or by the appointment of a sub-contractor to undertake the construction on the municipality's behalf. The municipality applies the GRAP 11, Construction Contracts to account for these construction activities.

Where the municipality is regarded as the project developer and if the outcome of the construction contract can be estimated reliably, then contract revenue is recognised in profit or loss in proportion to the stage of completion of the contract. The stage of completion is assessed with reference to surveys of work performed. Otherwise, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. Contract revenue will be in the form of a grant from the Department of Human settlements and presented and disclosed under transfers and subsidies in the Statement of financial performance.

Contract costs are recognised as an expense in the period in which they are incurred. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

#### Other transactions related to housing arrangements:

Other transactions may also arise from the Housing Arrangements and fall within the ambit of GRAP 11: Construction Contracts, others with GRAP 9: Revenue from Exchange Transactions, GRAP 23: Revenue from Non-exchange Transactions and GRAP 109: Principal Agent Arrangements.

# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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### 1.23 Housing arrangements (continued)

- Income from grants pertaining to the planning and construction of civil services of a project is considered to be grants and subsidies in terms of GRAP 23: Revenue from Non-exchange transactions.
- Receipts directly attributable to the administration of beneficiaries are accounted for under Operational Revenue as Housing services rendered in terms of GRAP 9: Revenue from Exchange Transactions.
- Receipts that are received to register the title deed in the name of the beneficiary are regarded as receipts and payments on behalf of the beneficiaries in terms of GRAP 109: Principal Agent Arrangements, and as such the municipality is regarded as an agent.

### 1.24 Value Added Tax

The municipality is registered with the South African Revenue Service (SARS) for Value Added Tax (VAT) on the payments basis, in accordance with Section 15(2)(a) of the Value-Added Tax Act No 89 of 1991.

### 1.25 Grants and subsidies paid

The municipality transfers money to individuals, organizations and other sectors of government from time to time. When making these transfers, the municipality does not:

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

These transfers are recognised in the audited annual financial statements as expenses in the period that the events giving rise to the transfer occurred.

### 1.26 Unauthorised expenditure

Section 1 of the MFMA, defines Unauthorised expenditure as follows:

- Overspending of the total amount appropriated in the municipality's approved budget;
- Overspending of the total amount appropriated for a vote in the approved budget;
- Expenditure from a vote unrelated to the department or functional area covered by the vote;
- Expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose;
- Spending of an allocation referred to in the above paragraphs of the definition of "allocation" otherwise than in accordance with any conditions of the allocation; or
- A grant by the municipality otherwise than in accordance with this Act.

Section 1 of the MFMA also defines a Vote as:

- One of the main segments into which a budget of a municipality is divided for the appropriation of money for the different departments or functional areas of the municipality; and
- Which specifies the total amount that is appropriated for the purposes of the department or functional area concerned.

The municipality uses departments as the main groupings of segments of the municipality's budget. Segments within the municipality are grouped per department to facilitate greater accountability and budget implementation by the respective Executive Directors.

All expenditure relating to unauthorised expenditure is recognised as an expense in the Statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the Statement of financial performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

### 1.27 Irregular expenditure

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

# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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### 1.28 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the Statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the Statement of financial performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

### 1.29 Foreign currencies

Transactions in foreign currencies are translated to the functional currency of the municipality at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gains or loss on monetary items is the difference between amortised cost or fair value in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in surplus or deficit.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Cash flows arising from transactions in a foreign currency are recorded in Rand's by applying, to the foreign currency amount, the exchange rate between the Rand and the foreign currency at the date of the cash flow.

### 1.30 Change in accounting policies, estimates and errors

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

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements.

Correction of errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

Details of changes in accounting policies, changes in estimates and correction of errors are disclosed in the notes to the audited annual financial statements where applicable.

### 1.31 Related parties and related party transactions

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Management is regarded as a related party and comprises the councillors, Executive Mayor, Mayoral Committee members, Municipal Manager, executive directors and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

Close members of the family of an individual are those family members who may be expected to influence or be influenced by that individual in their dealings with the municipality. An individual is considered to be a close member of the family of another individual if they are married or live together in a relationship similar to a marriage; or if they are separated by no more than two degrees of natural or legal consanguinity or affinity.



# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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### 1.31 Related parties and related party transactions (continued)

Remuneration of management includes remuneration derived for services provided to the municipality in their capacity as members of the management team or employees. Benefits derived directly or indirectly from the municipality for services in any capacity other than as an employee or a member of management do not meet the definition of remuneration.

In the case of permanent employees acting in management positions, only the remuneration received additionally for acting in that position is disclosed.

Remuneration of management excludes any consideration provided solely as a reimbursement for expenditure incurred by those persons for the benefit of the municipality.

The municipality operates in an economic environment currently dominated by entities directly or indirectly owned by the South African government. As a result of the Constitutional independence of all three spheres of government in South Africa, only parties within the same sphere of government will be considered to be related parties. Only transactions with such parties which are not at arm's length and not on normal commercial terms are disclosed.

### 1.32 Events after reporting date

Events after the reporting date that are classified as adjusting events have been accounted for in the audited annual financial statements. The events after the reporting date that are classified as non-adjusting events after the reporting date have been disclosed in the notes to the audited annual financial statements.

### 1.33 Contingent assets and contingent liabilities

Contingent liabilities represent a possible obligation that arises from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality.

A contingent liability can also arise as a result of a present obligation that arises from past events but which is not recognised as a liability either because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets represent possible assets that arise from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in the notes to the municipality.

# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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### 1.34 Segmental reporting

A segment is an activity of an entity:

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

The reportable segments identified are those functional segments reported in the Government Finance Statistics (GFS's) format and the Municipal Vote (Departmental) format per the Monthly Section 71 Management Reports. The information that will be reported is aligned to the monthly section 71 reports which are reviewed by the executive management. The Government Finance Statistics (GFS's) format allows for universal comparability of segments. The main factors considered in selecting the segments were the level of comparability with other preparers and a level of aggregation that does not detract from presenting the separate revenue or service delivery components.

The Municipality uses the Municipal Vote (Departmental) as Primary and the GFS as Secondary segment reporting levels.

The municipality manages its assets and liability as a whole. Only capital expenditure is reviewed based on the location. All other asset and liability management techniques are focused on the asset base as a whole rather than the asset and liability management for a specific area. Service delivery staff are organised in such a manner that service delivery takes place timeously in each town, but it's not a strategic principle to organise assets and liabilities in such a manner that each town is its own small economic/service delivery unit that can operate separately from the rest of the organisation. Segment reporting per geographic area is therefore not deemed relevant.

The assets and liabilities are not reviewed at all on a segregated basis.

The reporting measurement basis for the management reports is the same as that of the annual financial statements.

On the first time adoption of GRAP 18, comparative segment information has not been presented in terms of the transitional provisions contained in Directive 3.

# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements

Figures in Rand	2021	2020
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### 2. Key judgements and sources of estimation uncertainty

In the application of the municipality's accounting policies, which are described above, management is required to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. The estimates and associated assumptions are based on historical experience and other factors that are considered to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

#### 2.1. Judgements

The following are the critical judgements, apart from those involving estimations, that the management have made in the process of applying the municipality's Accounting Policies and that have the most significant effect on the amounts recognised in the audited annual financial statements:

##### Materiality

Materiality is judged by reference to the size and nature of the item. The deciding factor is whether the omission or misstatement could, individually or collectively, influence the decisions that users make on the basis of these audited annual financial statements.

In preparation of the audited annual financial statements materiality has been considered in:

- Deciding what to report in the audited annual financial statements and how to present it.
- Assessing the effect of omissions, misstatements and errors on the audited annual financial statements

In assessing whether an item, transaction or event is material, specific thresholds for specific items, transactions and events, or aggregations thereof has been developed. These thresholds are used to make decisions about the reporting of information (i.e. how to recognise, measure, present and disclose items, transactions and events), and used as a margin of error or framework within which to assess misstatements and errors.

Classes of transactions	Base Rand	Level of materiality Rand
Revenue	2,599,632,211	12,998,161
Capital and Operational Expenditure	2,761,561,199	13,807,806
Total Assets	6,743,545,986	33,717,730
Total Liabilities	2,578,656,583	12,893,283
Equity (Net Assets)	4,164,889,403	20,824,447

Based on professional judgement the quantitative value of materiality for the 2021 financial year is set at R 12.85 million.

The municipality has also considered whether certain transactions or balances may be qualitatively material based on the inherent characteristics thereof, even though the transaction or balance is quantitatively immaterial, if:

- The item, transaction or event relates to legal or regulatory requirements.
- Related party transactions.
- The regularity or frequency with which an item, transaction or event occurs.
- The item, transaction or event results in the reversal of a trend.
- The item, transaction or event is likely to result in a change in accounting policy.
- The commencement of a new function, or the reduction or cessation of an existing function.
- The degree of estimation or judgement that is needed to determine the value of an item, transaction or event.
- An item, transaction or event that affects the going concern assumption of the municipality.

##### Lease classification – Municipality as lessor

The municipality has entered into commercial property leases on its investment property portfolio. The municipality has determined that it retains all the significant risks and rewards of ownership of these properties, and so accounts for them as operating leases.

# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements

Figures in Rand	2021	2020
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### Lease classification – Municipality as lessee

The municipality has entered into a number of leases for office equipment. In determining whether a lease agreement is a finance lease or an operating lease requires judgement as to whether the agreement transfers substantially all the risks and rewards of ownership to the municipality.

Judgement is required on various aspects that include, but are not limited to, the fair value of the leased asset, the economic life of the leased asset, whether or not to include renewal options in the lease term, and determining an appropriate discount rate to calculate the present value of the minimum lease payments. The municipality has exercised its judgement on the appropriate classification of equipment leases, and has determined a number of lease arrangements are finance leases.

### Classification of property as held for strategic purposes

The municipality classifies vacant land that is earmarked for future development in terms of the municipality's Spatial Development Framework, as property, plant and equipment, rather than investment property.

**Criteria for the classification of properties as investment property rather than property, plant and equipment, when classification is difficult are as follow:**

All properties held to earn market-related rentals or for capital appreciation or both and that are not for administrative purposes and that will not be sold in the ordinary course of operations are classified as investment property.

### Land held for currently undetermined future use

Leased properties that are held to provide a social (community) service or that are necessary for employees to perform their job functions, but which also generates rental revenue are not seen as investment property. The rental revenue generated is incidental to the purposes for which the property is held.

### Componentisation of Infrastructure assets

All infrastructure assets, acquired before the adoption of GRAP where the acquisition cost could not be obtained, with significant components relating to different useful lives are unbundled into their components in order to depreciate all major components over the expected useful lives. The cost of each component is estimated based on the current market replacement cost of each component, depreciated for age and condition and recalculated to deemed cost at the acquisition date if known or to the date of initially adopting the standards of GRAP. All infrastructure assets acquired after the adoption of GRAP with significant components relating to different useful lives are unbundled into their components based on the actual expenditure incurred.

### Determination of Repairs and Maintenance costs

Repairs and maintenance is based on management's own judgement of costs incurred in cost centres responsible for the maintenance and repair of municipality owned assets. This includes internal charges (inter departmental charges) such as internal transport costs, charged out to the different departments.

### 2.2. Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below:

### Pension and other post-employment benefits

The cost of defined benefit pension plans and other employment medical benefits is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements

Figures in Rand	2021	2020
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### Classification of financial assets and liabilities

The classification of financial assets and liabilities, into categories, is based on judgement by management. The Accounting Policy on Financial Instruments describes the factors and criteria considered by the management of the municipality in the classification of financial assets and liabilities.

In making the above-mentioned judgement, management considered the definition and recognition criteria for the classification of financial instruments as set out in GRAP 104: Financial Instruments.

### Impairment of receivables

The Accounting Policy on Financial Instruments describes the process followed to determine the value by which financial assets should be impaired. In making the estimation of the impairment, the management of the municipality considers the detailed criteria of impairment of financial assets as set out in GRAP 104: Financial Instruments and GRAP 108: Statutory Receivables, and used its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of the reporting period. The management of the municipality is satisfied that the impairment of financial assets recorded during the year is appropriate.

The calculation in respect of the impairment of service debtors (receivables from exchange and non-exchange transactions) is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

The calculation in respect of the impairment of fine receivables (receivables from non-exchange transactions) is based on an assessment of the past payment history of fines per category.

### Valuation of financial assets at fair value

Where the fair value of financial assets and financial liabilities recorded in the Capital expenditure and Cash flow cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, judgment is required in establishing fair values. Judgment includes the consideration of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

### Assessment of control over land

Land is regarded under control of the Municipality, where it holds legal ownership and/or the right to direct access to land, and to restrict or deny the access of others to land (substantive rights).

Land for which the Municipality holds legal title, but is not recognised as under its control, include properties under the house selling schemes, or where a transfer/sales agreement has been entered into with a prospective buyer/transferee, that obtains the right control by means of a binding agreement, if specified that by that agreement that the right transfers before legal title transfers.

Land for which the Municipality does not hold legal title or have custodian of land appointed in terms of legislation, but which is recognised as under the control of the Municipality, are in instances where the Municipality has existing infrastructure such as substations or waste water treatment works or permanent facilities, such as office buildings and community facilities, that it receives the sole economic and service potential from.

### Review of useful lives of property, plant and equipment and intangible assets

The useful lives of assets are based on management's estimation. Management considers whether there is any indication that expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. These include changes in the composition, condition and nature of the asset, its susceptibility and adaptability to changes in technology and processes, the nature of the processes and environment in which the asset is deployed availability of funding to replace the asset and changes in the market in relation to the asset, as well as planned repairs and maintenance including refurbishments.

### Valuation of land and buildings and fair value estimations of investment property

Land and buildings were valued and the fair value of investment property determined, by reference to market-based evidence, using comparable prices adjusted for specific market factors such as nature, location and condition of the property.

# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements

Figures in Rand	2021	2020
-----------------	------	------

### Impairment of property, plant and equipment, intangible assets, heritage assets and inventory

The Accounting Policies on impairment of cash and non-cash generating assets as well as inventory describes the conditions under which non-financial assets are tested for potential impairment losses by the management of the municipality. Significant estimates and judgements are made relating to the impairment of property, plant and equipment, intangible assets and heritage assets and the write down of Inventories to the lowest of Cost and Net Realisable Values (NRV).

In making the above-mentioned estimates and judgement, management considers the subsequent measurement criteria and indicators of potential impairment losses as set out in GRAP 21: Impairment of Cash generating Assets and GRAP 26: Impairment of non-cash generating assets.

### Provisions and contingent liabilities

Management judgement is required when recognising and measuring provisions, and when measuring contingent liabilities. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

Assumptions were used in determining the provision for rehabilitation of landfill sites. Provision is made for the estimated cost to be incurred on the long-term environmental obligations, comprising expenditure on pollution control and closure over the estimated life of the landfill. The provision is based on the advice and judgment of qualified engineers. The estimates are discounted at a pre-tax discount rate that reflect current market assessments of the time value of money. Two calculations are made to calculate the present value of the liability, one for the present value of the rehabilitation cost and another to calculate the present value of the post monitoring costs. The increase in the rehabilitation provision due to passage of time is recognised as finance cost in the Statement of financial performance.

### Revenue recognition

The Accounting Policies on Revenue from Exchange Transactions and Revenue from Non-exchange Transactions describes the conditions under which revenue will be recorded by the management of the municipality. In making judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-exchange Transactions.

In particular, in regard to revenue from exchange revenue - when goods are sold, whether the management had transferred to the buyer the significant risks and rewards of ownership of the goods; and, when services is rendered, whether the service has been rendered.

Also of importance is the estimation process involved in initially measuring revenue at the fair value thereof. In regard to revenue from non-exchange transactions - significant estimations were made to the initial recognition and measurement of revenue on fines, on the estimated reductions on initial recognition and measurement. Based on past experience, of the amount of revenue the municipality is entitled to collect was calculated as 97.4% of the value of the fines issued, whereas it was estimated that 82.2% of the value of the fines issued were impaired. The management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

### Budget information

Management assumes deviations between budget and actual amounts to be material when a deviation of more than 10% exists. All material differences are explained in the notes to the audited annual financial statements.

### Other

Management also calculates and supplies some estimates to the calculation of:

- Water inventory;
- Bonus provision accrual;
- Performance bonus accrual;
- Staff leave accrual; and
- Prepaid electricity accrual.

# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements

Figures in Rand		2021				2020	
3. Property, plant and equipment							
3.1 Reconciliation of carrying value							
2021							
		Land	Infrastructure assets	Buildings, structures and facilities	Capital spares	Other assets	Total
Opening carrying value at 01 July 2020							
Cost		927,379,761	7,054,687,946	1,025,024,891	8,511,431	348,380,888	9,363,984,917
Construction work-in-progress		-	366,107,413	51,272,915	-	-	417,380,328
Accumulated depreciation		-	(3,289,767,021)	(156,607,170)	-	(193,564,030)	(3,639,938,221)
		927,379,761	4,131,028,338	919,690,636	8,511,431	154,816,858	6,141,427,024
Additions from acquisitions		-	113,462,338	18,804,459	-	7,983,135	140,249,932
WIP additions		-	120,829,623	10,342,386	-	-	131,172,009
Additions - Transfer from WIP to complete		-	108,470,901	24,748,114	-	-	133,219,015
Depreciation	41	-	(160,291,896)	(49,246,036)	-	(17,026,263)	(226,564,195)
		-	182,470,966	4,648,923	-	(9,043,128)	178,076,761
Carrying value of disposals / transfers							
Cost - disposals		(1,953,328)	(25,766,296)	(441,170)	-	(2,029,131)	(30,189,925)
Cost - WIP transfer to complete		-	(108,470,902)	(24,748,114)	-	-	(133,219,016)
Accumulated depreciation - disposals		-	19,098,892	103,098	-	394,072	19,596,062
		(1,953,328)	(115,138,306)	(25,086,186)	-	(1,635,059)	(143,812,879)
Impairment loss / reversal of impairment loss		-	-	-	-	246,328	246,328
Other changes		-	-	-	3,017,469	-	3,017,469
		-	-	-	3,017,469	246,328	3,263,797
Closing carrying value as at 30 June 2021							
		925,426,433	4,198,360,998	899,253,373	11,528,900	144,384,999	6,178,954,703
Cost		925,426,433	7,250,854,889	1,068,136,294	11,528,900	354,334,891	9,610,281,407
Cost - construction work-in-progress		-	378,466,135	36,867,187	-	-	415,333,322
Accumulated depreciation		-	(3,430,960,026)	(205,750,108)	-	(209,949,892)	(3,846,660,026)
		925,426,433	4,198,360,998	899,253,373	11,528,900	144,384,999	6,178,954,703

The remaining useful lives of some assets were adjusted during 2021, and was treated as a change in accounting estimate (refer to note 50). All changes in accounting estimates are applied prospectively.

# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements

Figures in Rand		2021		2020			
3. Property, plant and equipment (continued)							
2020							
		Land	Infrastructure assets	Buildings, structures and facilities	Capital spares	Other assets	Total
Opening carrying value at 01 July 2019							
Cost		923,719,613	6,341,747,073	981,256,662	8,674,332	335,254,353	8,590,652,033
Construction work-in-progress		-	896,374,521	46,485,437	-	-	942,859,958
Accumulated depreciation		-	(3,169,360,307)	(109,082,618)	-	(174,029,946)	(3,452,472,871)
		923,719,613	4,068,761,287	918,659,481	8,674,332	161,224,407	6,081,039,120
Additions from acquisitions		5,476,159	94,003,837	30,802,540	-	10,450,834	140,733,370
WIP additions		-	147,760,316	17,753,167	-	-	165,513,483
Additions - Transfer from WIP to complete		-	678,027,424	12,965,689	-	-	690,993,113
Depreciation	41	-	(150,337,098)	(47,524,551)	-	(19,394,037)	(217,255,686)
		5,476,159	769,454,479	13,996,845	-	(8,943,203)	779,984,280
Carrying value of disposals / transfers							
Cost - disposals		(1,816,011)	(56,340,225)	-	-	(172,668)	(58,328,904)
Cost - WIP transfer to complete		-	(678,027,426)	(12,965,689)	-	-	(690,993,115)
Accumulated depreciation - disposals		-	29,994,820	-	-	89,001	30,083,821
		(1,816,011)	(704,372,831)	(12,965,689)	-	(83,667)	(719,238,198)
Impairment loss / reversal of impairment loss		-	(64,435)	-	-	(229,047)	(293,482)
Other changes		-	(2,750,162)	-	(162,901)	2,750,162	(162,901)
		-	(2,814,597)	-	(162,901)	2,521,115	(456,383)
Closing carrying value as at 30 June 2020							
		927,379,761	4,131,028,338	919,690,637	8,511,431	154,718,652	6,141,328,819
Cost		927,379,761	7,054,687,946	1,025,024,891	8,511,431	348,380,890	9,363,984,919
Cost - construction work-in-progress		-	366,107,413	51,272,915	-	-	417,380,328
Accumulated depreciation		-	(3,289,767,021)	(156,607,169)	-	(193,564,030)	(3,639,938,220)
		927,379,761	4,131,028,338	919,690,637	8,511,431	154,816,860	6,141,427,027

The remaining useful lives of some assets were adjusted during 2020, and was treated as a change in accounting estimate (refer to note 50). All changes in accounting estimates are applied prospectively.

Included in the carrying value for Land is an amount of R 3 291 833.00 (2020: R 3 291 833.00) for land assets where the municipality is not the legal owner or the appointed custodian in terms of legislation but the land is deemed to be under the control of the municipality in terms of IGRAP 18. Please refer to note 2 for key judgements and assumptions made regarding control of land.



# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements

Figures in Rand	2021	2020
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### 3. Property, plant and equipment (continued)

#### 3.2 Land and buildings carried at fair value

Land and buildings were revalued to fair value during the 2017/2018 financial year. The effective date of revaluation was 01-Jul-2017 and the valuation was performed by registered and independent valuers. The independent valuers are not connected to the municipality.

#### 3.3 Property, plant and equipment pledged as security

No assets have been pledged as security

#### 3.4 Impairment of property, plant and equipment

The municipality assessed its items of property, plant and equipment for any potential impairment losses or reversal of impairment losses on assets.

The following reversals of impairment losses were recognised during the year:

Infrastructure assets	-	64,435
Other assets: Vehicles	(246,328)	229,047
<b>Total impairment recognised</b>	<b>(246,328)</b>	<b>293,482</b>

Impairment losses on vehicles were predominantly due to the assets being damaged beyond repair.

#### 3.5 Change in estimate

##### Useful life of property, plant and equipment

A review of the useful lives and residual values of items of property, plant and equipment has been performed. The change in the estimated useful lives and residual values of various assets of the municipality has resulted in a decrease in depreciation of R 5,466,056 (2020: R 38,858,609).

#### 3.6 Property, plant and equipment under construction or in the process of being developed

No projects were identified where construction or development has been halted, or that is taking a significantly longer period of time to complete than expected.

#### 3.7 Maintenance of property, plant and equipment

##### 3.7.1 Maintenance of property, plant and equipment by nature and type of expenditure

###### 2021

	Buildings, structures and facilities	Infrastructure assets	Other assets	Total
<b>Expenditure</b>				
Contracted Services	11,735,145	23,654,329	26,641,998	62,031,472
Employee Related Cost	57,999,907	107,380,976	5,980,526	171,361,409
Inventory	3,024,216	8,432,596	628,780	12,085,592
Operation Cost	2,040	285,562	-	287,602
	<b>72,761,308</b>	<b>139,753,463</b>	<b>33,251,304</b>	<b>245,766,075</b>

# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements

Figures in Rand	2021	2020
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### 3. Property, plant and equipment (continued)

2020

	Buildings, structures and facilities	Infrastructure assets	Other assets	Total
<b>Expenditure</b>				
Contracted Services	5,791,752	27,609,223	24,146,825	57,547,800
Employee Related Cost	57,558,272	102,673,745	5,633,920	165,865,937
Inventory	6,591,629	15,615,384	1,339,925	23,546,938
Operation Cost	43,172	255,300	-	298,472
	<b>69,984,825</b>	<b>146,153,652</b>	<b>31,120,670</b>	<b>247,259,147</b>

### 4. Heritage assets

#### 4.1 Reconciliation of carrying value

2021

	Land and buildings	Monuments and parks	Other assets	Total
<b>Opening carrying value as at 01 July 2020</b>				
Cost	21,698,000	18,825,000	700,700	41,223,700
Accumulated impairment losses	-	-	-	-
<b>Carrying value as at 30 June 2021</b>	<b>21,698,000</b>	<b>18,825,000</b>	<b>700,700</b>	<b>41,223,700</b>
Disposal - cost	(850,000)	-	-	(850,000)
<b>Closing carrying value as at 30 June 2021</b>	<b>20,848,000</b>	<b>18,825,000</b>	<b>700,700</b>	<b>40,373,700</b>

2020

	Land and buildings	Monuments and parks	Other assets	Total
<b>Opening carrying value as at 01 July 2019</b>				
Cost	21,698,000	18,825,000	700,700	41,223,700
Accumulated impairment losses	-	-	-	-
<b>Closing carrying value as at 30 June 2020</b>	<b>21,698,000</b>	<b>18,825,000</b>	<b>700,700</b>	<b>41,223,700</b>

# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements

Figures in Rand	2021	2020
-----------------	------	------

### 4. Heritage assets (continued)

#### 4.1.1 Heritage assets

Land and buildings Heritage assets were revalued to fair value during the 2017/18 financial period. The effective date of revaluation was 1 July 2017 and the valuation was performed by registered and independent valuers.

The comparative sales method was applied to land (historical sites and conservation areas), where comparable valid sales in a specific area was used, compared to the specific property, and market valuation derived. Due to the nature of historical buildings and monuments, i.e. where there is no comparable property sales, the generally accepted methodology of these was limited to the discounted replacement cost of the physical structures.

Included in the historical and naturally significant land and building above is amongst others the Paarl Mountain (Paarlberg) and the Paarl Arboretum. Paarl Mountain is particularly known for its mountain or "Paarl Rock". The huge granite rock is formed by three rounded outcrops that make up Paarl Mountain and is the second largest granite outcrop in the world and forms part of the Nature Reserve. The site is a Provincial Heritage Site (SAHRA Nr 9/2/069/0028).

The Paarl Arboretum is situated on the eastern bank of the Berg River, is 2.8 km long and occupies approximately 31 ha. Divided into 6 "continents" a unique feature is that trees and shrubs are grouped according to continents of origin. In excess of 2 600 trees and shrubs, entering some 650 different species can be observed.

The following buildings owned by the Municipality, declared Provincial Heritage sites, have been classified as Heritage assets:

1. De Oude Woning, 214 Main Street, Paarl (SAHRA Nr 9/2/069/0105) dating from the late 1780's.
2. The Old Dutch Reformed Church Parsonage (now the Paarl Museum), Van der Lingen plein, Paarl (SAHRA Nr 9/2/069/0071). The Parsonage was built in 1787.
3. Ouma Granny's House, 37 Fontein Street, Wellington (SAHRA Nr 9/2/106/0012), Victorian cottage dating to 1876 - this property was alienated during the 2021 financial year.
4. Coronation Arch, Victoria Jubilee Park, Church Street, Wellington (SAHRA Nr 9/2/106/0019/1), dating to 1902.

All of the municipality's Heritage Assets are held under freehold interests and no Heritage Assets had been pledged as security for any liabilities of the municipality.

No restrictions apply to any of the Heritage Assets of the municipality.

# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements

Figures in Rand		2021	2020		
5. Intangible assets					
5.1 Reconciliation of carrying value					
2021					
		Computer software	Plans and designs	Licenses and rights	Total
Opening carrying value as at 01 July 2020					
Cost		9,736,905	89,660	975,357	10,801,922
Accumulated depreciation and impairment		(4,814,745)	(53,795)	(665,626)	(5,534,166)
		4,922,160	35,865	309,731	5,267,756
Additions from acquisitions		904,785	-	-	904,785
Amortisation	41	(823,500)	(7,173)	(86,868)	(917,541)
		81,285	(7,173)	(86,868)	(12,756)
Carrying value of disposals / transfers					
Cost		(50,649)	-	(9,642)	(60,291)
Accumulated depreciation and impairment		50,649	-	9,642	60,291
		-	-	-	-
Closing carrying value as at 30 June 2021					
		5,003,445	28,692	222,863	5,255,000
Cost		10,591,041	89,660	975,357	11,656,058
Accumulated amortisation and impairment		(5,587,596)	(60,968)	(752,494)	(6,401,058)
		5,003,445	28,692	222,863	5,255,000
2020					
		Computer software	Plans and designs	Licenses and rights	Total
Opening carrying value as at 01 July 2019					
Cost		9,696,048	1,930,927	952,704	12,579,679
Accumulated depreciation and impairment		(4,640,028)	(1,583,011)	(564,345)	(6,787,384)
		5,056,020	347,916	388,359	5,792,295
Additions from acquisitions		859,106	-	22,653	881,759
Amortisation	41	(992,965)	(312,053)	(101,282)	(1,406,300)
		(133,859)	(312,053)	(78,629)	(524,541)
Carrying value of disposals / transfers					
Cost		(818,247)	(1,841,268)	-	(2,659,515)
Accumulated depreciation and impairment		818,247	1,841,268	-	2,659,515
		-	-	-	-
Closing carrying value as at 30 June 2020					
		4,922,161	35,863	309,730	5,267,754
Cost		9,736,906	89,658	975,356	10,801,920
Accumulated amortisation and impairment		(4,814,745)	(53,795)	(665,626)	(5,534,166)
		4,922,161	35,863	309,730	5,267,754

# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements

Figures in Rand	2021	2020
-----------------	------	------

### 5. Intangible assets (continued)

The amortisation expense has been included in the line item 'Depreciation and Amortisation' in the Statement of financial performance (see Note 41).

The amortisation method and useful life of intangible assets is set out in the accounting policy note of intangible assets.

All of the municipality's Intangible Assets are held under freehold interests and no Intangible Assets had been pledged as security for any liabilities of the municipality.

No restrictions apply to any of the Intangible Assets of the municipality.

### 6. Investment property

#### 6.1 Reconciliation of carrying value

##### Opening carrying value

Cost	42,193,200	40,375,000
Fair Value Adjustments	3,426,800	1,818,200
<b>Closing carrying value</b>	<b>45,620,000</b>	<b>42,193,200</b>

Cost	45,620,000	42,193,200
Accumulated depreciation and impairment losses	-	-
	<b>45,620,000</b>	<b>42,193,200</b>

Criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of business is set out in the accounting policy note of investment property.

#### Method of asset valuation 2020/2021

The date of fair value assessment was on 30 June 2021.

Each property was identified and inspected and fair values adjusted where appropriate. An investment property could be described as a real estate property that has the ability of earning a return on investment, either through rental income and/or the future resale of the property or both. The methodology applied was therefore based on open market value, taking into account the zoning status of the property, the cost implications of the rezoning process and any other limitations.

A register containing the information required by section 63 of the Municipal Finance Management Act (Act 56 of 2003) is available for inspection at the registered offices of the municipality.

Revaluation of all Investment Property was performed by a Professional Associated Valuer (Reg no. 4729), Jean Marais from Real Direct Property Valuations.

Revenue and expenditure disclosed in the Statement of financial performance include rental revenue earned from investment property to the amount of R 323,318 (2020: R 673,399).

All of the municipality's Investment Property is held under freehold interests and no Investment Property had been pledged as security for any liabilities of the municipality.

There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal.

There are contractual obligations for repairs to certain Investment Properties which are leased out.

The prior year comparatives have been restated, please refer to note 50 for more detail information.

# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements

Figures in Rand	2021	2020
-----------------	------	------

### 7. Investments

#### 7.1 Carrying value of investments

##### 2021

	Fair value	Total
<b>Carrying value as at 30 June 2021</b>		
Eskom stock	39,706	39,706
Transferred to cash and cash equivalents	(39,706)	(39,706)
<b>Total</b>	-	-

##### 2020

	Fair value	Total
<b>Carrying value as at 30 June 2020</b>		
Eskom stock	82,298	82,298

#### 7.2 Fair value of investments

The fair value of listed investments is estimated at R 39,706 (2020: R 82,298). Fair value is determined based on discounted cash flow analysis, at a discounted rate of 3.75% and 4.30%, (2020: 4.50% and 5.30%).

Listed shares are investments with a maturity period of more than 12 months and earn fixed interest rates of 13.5% per annum. Investment will mature in three equal tranches on 1 August 2019, 2020 and 2021.

The fair value of investments was determined after considering the standard terms and conditions of agreements entered into between the municipality and financial institutions.

### 8. Non-current receivables from exchange transactions

#### Other receivables

Housing selling schemes		351,253	355,749
Public organisation		77,834	77,834
<b>Total</b>		<b>429,087</b>	<b>433,583</b>
Transferred to current receivables	13	(156,788)	(104,778)
<b>Total non-current other receivables</b>	<b>8.1</b>	<b>272,299</b>	<b>328,805</b>

# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements

Figures in Rand

### 8. Non-current receivables from exchange transactions (continued)

#### 8.1 Other non-current receivables

	2021			2020		
	Gross	Impairment	Total	Gross	Impairment	Total
Housing selling schemes	554,593	(203,340)	351,253	721,403	(365,654)	355,749
Public organisation	77,834	-	77,834	77,834	-	77,834
<b>Total</b>	<b>632,427</b>	<b>(203,340)</b>	<b>429,087</b>	<b>799,237</b>	<b>(365,654)</b>	<b>433,583</b>

#### Housing selling scheme loans

Housing loans are granted to qualifying individuals in terms of the National Housing Policy. These loans attract interest, as determined by the National Minister of Housing, currently 13.5% per annum and are repayable over 20 years.

#### Public organisations

Loans to public organisations are granted in terms of the National Housing Policy. The applicable interest rate and loan repayment periods are determined by the National Minister of Housing. At present these loans attract interest at 1% (buildings) and 11% (infrastructure) and are repayable over 30 years.

#### 8.1.1 Impairment reconciliation of other non-current receivables

	2021			2020		
	Opening balance	Impairment reversed / debt written off	Closing balance	Opening balance	Impairment raised	Closing balance
Housing selling schemes	365,654	(162,314)	203,340	195,505	170,149	365,654

In determining the recoverability of a Long-term Receivable, the municipality considers any change in the credit quality of the receivable from the date credit was initially granted up to the reporting date. The concentration of the credit risk is limited due to the customer base being large and unrelated. Accordingly, management believe that there is no further credit provision required in excess of the Provision for Impairment.

# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements

Figures in Rand	2021	2020
<b>9. Inventories</b>		
Consumables	3,307,990	4,898,592
Materials and supplies	27,450,615	26,149,580
Water	905,874	669,590
Spare parts for Plant & Equipment	112,355	107,271
Plants held for resale	152,215	78,990
Land for BNG housing	2,944,215	2,944,215
Less: Inventory held as spare parts for infrastructure assets	(11,528,892)	(8,511,423)
<b>Total Inventories</b>	<b>23,344,372</b>	<b>26,336,815</b>

No inventories were pledged as security for liabilities.

During the year inventory to the amount of R 130,203 (2020: R 203,328) was written off due to discrepancies identified during the annual stock count. An amount of R 47,097 (2020: R 79,592) was written off due to valuation of inventory at the lower of cost and NRV in accordance with GRAP 12.

Inventories of R 11,528,949 (2020: R 8,511,423) are held as major spare parts for infrastructure assets and has been transferred to property, plant and equipment.

### 10. Trade and other receivables from exchange transactions

<b>Consumer receivables from exchange transactions</b>	10.1		
Electricity		171,587,114	170,285,085
Water		38,584,754	56,203,158
Waste management		39,116,341	46,686,287
Waste water management		30,299,421	31,185,106
Housing rental scheme		792,938	1,794,836
Housing selling scheme		76,744	108,276
		<b>280,457,312</b>	<b>306,262,748</b>
<b>Other receivables from exchange transactions</b>	10.2		
Sundry debtors		18,843,205	15,932,082
Other receivables from exchange transactions		4,078,196	4,871,098
Less: Provision for impairment		(11,303,911)	(10,698,291)
		<b>11,617,490</b>	<b>10,104,889</b>
<b>Total receivables from exchange transactions</b>		<b>292,074,802</b>	<b>316,367,637</b>

The prior year comparatives have been restated, please refer to note 49 for more detail information.

#### 10.1 Consumer receivables

The average credit period for consumer receivables is 30 days. No interest is charged on trade receivables for the first 30 days from the date of the invoice. Thereafter interest is charged at the prime rate per annum on the outstanding balance. The municipality strictly enforces its approved credit control policy to ensure the recovery of consumer receivables.

The management of the municipality is of the opinion that the carrying value of consumer receivables approximate their fair values.

The fair value of consumer receivables was determined after considering the standard terms and conditions of agreements entered into between the municipality and consumer receivables as well as the current payment ratios of the municipality's consumer receivables.



# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements

Figures in Rand	2021	2020
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### 10. Trade and other receivables from exchange transactions (continued)

	2021			2020		
	Gross	Impairment	Total	Gross	Impairment	Total
<b>Consumer receivables from exchange transactions</b>						
Electricity	204,377,056	(32,789,942)	171,587,114	191,681,932	(21,396,847)	170,285,085
Water	90,327,424	(51,742,670)	38,584,754	109,616,636	(53,413,478)	56,203,158
Waste management	50,928,929	(11,812,588)	39,116,341	55,101,822	(8,415,535)	46,686,287
Waste water management	35,836,456	(5,537,035)	30,299,421	36,788,624	(5,603,518)	31,185,106
Housing rental scheme	6,968,172	(6,175,234)	792,938	13,443,013	(11,648,177)	1,794,836
Housing selling scheme	1,000,016	(923,272)	76,744	1,000,864	(892,588)	108,276
<b>Total consumer receivables from exchange transactions</b>	<b>389,438,053</b>	<b>(108,980,741)</b>	<b>280,457,312</b>	<b>407,632,891</b>	<b>(101,370,143)</b>	<b>306,262,748</b>

#### 10.1.1 Ageing of consumer receivables

##### 2021

	Not due			Past due		
	Current	Current impaired	31 - 60	31 - 60 impaired	61 - 90	61 - 90 impaired
<b>Consumer receivables from exchange transactions</b>						
<b>Aging by debt type</b>						
Electricity	161,135,911	2,363,466	7,922,338	2,593,469	4,433,412	3,203,644
Water	20,639,648	1,488,675	4,253,041	1,735,996	3,709,993	2,340,090
Waste management	9,259,078	324,491	2,332,724	334,324	1,809,390	505,220
Waste water management	10,235,983	315,611	1,808,765	319,998	1,246,489	388,481
Housing rental scheme	279,425	19,266	144,754	21,156	157,894	54,172
Housing selling scheme	24,936	5,206	19,703	5,185	17,461	4,757
<b>Total</b>	<b>201,574,981</b>	<b>4,516,715</b>	<b>16,481,325</b>	<b>5,010,128</b>	<b>11,374,639</b>	<b>6,496,364</b>

	Past due				
	91 - 120+	91 - 120+ impaired	Total	Total impaired	Total - Past due but not impaired
<b>Consumer receivables from exchange transactions</b>					
<b>Aging by debt type</b>					
Electricity	30,885,400	24,629,363	204,377,056	32,789,942	12,814,669
Water	61,724,742	46,177,909	90,327,424	51,742,670	19,433,781
Waste management	37,527,737	10,648,553	50,928,929	11,812,588	30,181,754
Waste water management	22,545,219	4,512,945	35,836,456	5,537,035	20,379,049
Housing rental scheme	6,386,099	6,080,640	6,968,172	6,175,234	532,779
Housing selling scheme	937,916	908,124	1,000,016	923,272	57,014
<b>Total</b>	<b>160,007,113</b>	<b>92,957,534</b>	<b>389,438,053</b>	<b>108,980,741</b>	<b>83,399,046</b>

# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements

Figures in Rand	2021	2020
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### 10. Trade and other receivables from exchange transactions (continued)

2020

	Not due		Past due			
	Current	Current impaired	31 - 60	31 - 60 impaired	61 - 90	61 - 90 Impaired
<b>Consumer receivables from exchange transactions</b>						
<b>Aging by debt type</b>						
Electricity	144,807,271	1,247,544	9,749,995	1,162,854	7,472,748	1,192,825
Water	31,385,775	1,453,216	4,747,567	1,489,487	3,771,703	1,464,437
Waste management	9,201,531	553,605	3,774,455	559,305	3,090,247	612,669
Waste water management	9,013,995	380,580	2,765,364	383,619	2,225,824	413,419
Housing rental schemes	877,033	347,989	871,105	348,316	716,256	397,169
Housing selling scheme	30,725	7,257	28,702	7,257	27,058	7,120
<b>Total</b>	<b>195,316,330</b>	<b>3,990,191</b>	<b>21,937,188</b>	<b>3,950,838</b>	<b>17,303,836</b>	<b>4,087,639</b>

	Past due				
	91 - 120+	91 - 120+ impaired	Total	Total impaired	Total - Past due but not impaired
<b>Consumer receivables from exchange transactions</b>					
<b>Aging by debt type</b>					
Electricity	29,651,917	17,793,624	191,681,932	21,396,847	26,725,358
Water	69,711,591	49,006,338	109,616,636	53,413,478	26,270,599
Waste management	39,035,589	6,689,956	55,101,822	8,415,535	38,038,361
Waste water management	22,783,441	4,425,900	36,788,624	5,603,518	22,551,691
Housing rental scheme	10,978,619	10,554,703	13,443,013	11,648,177	1,265,792
Housing selling scheme	914,379	870,954	1,000,864	892,588	84,808
<b>Total</b>	<b>173,075,536</b>	<b>89,341,475</b>	<b>407,632,891</b>	<b>101,370,143</b>	<b>114,936,609</b>

The impairment provision was calculated after individually assessing consumer receivables and by estimating the probability of future payment ratios, using a formula-based approach by considering the historical payment ratios and other characteristics found per groups of consumer debtors.

In determining the recoverability of a Consumer receivable, the municipality considers any change in the credit quality of the Consumer receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the management believe that there is no further credit provision required in excess of the Allowance for Doubtful Debts.

Included in the Allowance for Doubtful Debts are individually impaired Consumer receivables with a balance of R568,836 (2020: R422,814) which have been placed under liquidation. The impairment recognised represents the difference between the carrying amount of these Consumer receivables and the present value of the expected liquidation proceeds. The municipality holds no collateral over these balances.

# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements

Figures in Rand

### 10. Trade and other receivables from exchange transactions (continued)

#### 10.2 Other receivables from exchange transactions

	2021			2020		
	Gross	Impairment	Total	Gross	Impairment	Total
Sundry debtors	18,843,205	-	18,843,205	15,932,082	-	15,932,082
Other receivables from exchange transactions	4,078,196	-	4,078,196	4,871,098	-	4,871,098
Less: Provision form impairment	-	(11,303,911)	(11,303,911)	-	(10,698,291)	(10,698,291)
<b>Total</b>	<b>22,921,401</b>	<b>(11,303,911)</b>	<b>11,617,490</b>	<b>20,803,180</b>	<b>(10,698,291)</b>	<b>10,104,889</b>

#### 10.2.1 Impairment reconciliation of consumer and other receivables from exchange transactions

	2021				2020			
	Opening balance	Impairment raised	Impairment reversed / debt written off	Closing balance	Opening balance	Impairment raised	Impairment reversed / debt written off	Closing balance
Consumer receivables	101,370,143	63,123,235	(55,512,637)	108,980,741	61,615,127	78,875,009	(39,119,993)	101,370,143
Other receivables	10,698,291	1,489,308	(883,688)	11,303,911	3,537,398	7,739,608	(578,715)	10,698,291
<b>Total</b>	<b>112,068,434</b>	<b>64,612,543</b>	<b>(56,396,325)</b>	<b>120,284,652</b>	<b>65,152,525</b>	<b>86,614,617</b>	<b>(39,698,708)</b>	<b>112,068,434</b>

# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements

Figures in Rand	2021	2020
<b>11. Receivables from non-exchange transactions</b>		
<b>Statutory receivables</b>	11.1	
Property rates	35,634,758	36,651,110
Electricity	671,910	775,065
Water	875,890	982,541
Waste management	2,191,290	2,062,542
Waste water management	2,109,107	2,084,911
Fines	15,924,713	8,759,968
	<b>57,407,668</b>	<b>51,316,137</b>
<b>Other receivables</b>		
Grants and subsidies	32,801,856	45,614,339
Prepayments	7,546,965	2,396,932
Other receivables	6,237,507	4,517,867
Rental leases: straight line	17,625	19,548
	<b>46,603,953</b>	<b>52,548,686</b>
<b>Total receivables</b>	<b>104,011,621</b>	<b>103,864,823</b>

### 11.1 Receivables from non-exchange transactions

	2021			2020		
	Gross	Impairment	Total	Gross	Impairment	Total
<b>Consumer receivables</b>						
Property rates	46,189,970	(10,555,212)	35,634,758	45,230,707	(8,579,597)	36,651,110
Electricity	1,069,228	(397,318)	671,910	1,020,427	(245,362)	775,065
Water	2,110,717	(1,234,827)	875,890	1,960,307	(977,766)	982,541
Waste management	2,715,454	(524,164)	2,191,290	2,298,585	(236,043)	2,062,542
Waste water management	2,550,021	(440,914)	2,109,107	2,292,287	(207,376)	2,084,911
Fines	186,818,797	(170,894,084)	15,924,713	124,491,341	(115,731,373)	8,759,968
	<b>241,454,187</b>	<b>(184,046,519)</b>	<b>57,407,668</b>	<b>177,293,654</b>	<b>(125,977,517)</b>	<b>51,316,137</b>
<b>Other receivables</b>						
Grants and subsidies	32,801,856	-	32,801,856	45,614,339	-	45,614,339
Prepayments	7,546,965	-	7,546,965	2,396,932	-	2,396,932
Other receivables	6,237,507	-	6,237,507	4,517,867	-	4,517,867
Rental leases: straight line	17,625	-	17,625	19,548	-	19,548
	<b>46,603,953</b>	<b>-</b>	<b>46,603,953</b>	<b>52,548,686</b>	<b>-</b>	<b>52,548,686</b>
<b>Total</b>	<b>288,058,140</b>	<b>(184,046,519)</b>	<b>104,011,621</b>	<b>229,842,340</b>	<b>(125,977,517)</b>	<b>103,864,823</b>

# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements

Figures in Rand

### 11. Receivables from non-exchange transactions (continued)

#### 11.1.1 Impairment reconciliation of receivables from non-exchange transactions

	2021				2020			
	Opening balance	Contributions	Impairment reversed / debt written off	Closing balance	Opening balance	Contributions	Impairment reversed / debt written off	Closing balance
<b>Reconciliation of impairment provision</b>								
Property rates	8,579,598	3,382,243	(1,406,629)	10,555,212	5,801,087	4,036,016	(1,257,506)	8,579,597
Availability charges receivables	1,666,547	1,008,025	(77,349)	2,597,223	1,123,243	575,006	(31,702)	1,666,547
Fines	115,731,373	108,297,890	(53,135,179)	170,894,084	119,713,764	66,195,634	(70,178,025)	115,731,373
<b>Total</b>	<b>125,977,518</b>	<b>112,688,158</b>	<b>(54,619,157)</b>	<b>184,046,519</b>	<b>126,638,094</b>	<b>70,806,656</b>	<b>(71,467,233)</b>	<b>125,977,517</b>

The prior year comparatives have been restated, please refer to note 49 for more detail information.

# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements

Figures in Rand	2021	2020
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### 11. Receivables from non-exchange transactions (continued)

#### 11.1.2 Additional information regarding receivables from non-exchange transactions

##### 2021

	Not due		Past due			
	Current	Current impaired	31 - 60	31 - 60 impaired	61 - 90	61 - 90 impaired
<b>Consumer receivables from non-exchange transactions</b>						
<b>Aging by debt type</b>						
Property rates	22,264,364	638,320	2,639,354	638,776	1,343,573	566,072
Electricity	154,796	10,779	96,821	10,995	62,951	28,837
Water	130,655	7,839	56,822	7,839	48,915	10,136
Waste management	521,430	16,812	119,241	16,644	89,127	19,977
Waste water management	198,936	11,899	88,178	11,899	75,203	13,113
Fines	7,649,182	6,482,777	11,527,787	9,857,321	10,104,111	8,692,677
<b>Total</b>	<b>30,919,363</b>	<b>7,168,426</b>	<b>14,528,203</b>	<b>10,543,474</b>	<b>11,723,880</b>	<b>9,330,812</b>

	Past due				
	91 - 120+	91 - 120+ impaired	Total	Total impaired	Total - Past due but not impaired
<b>Consumer receivables from non-exchange transactions</b>					
<b>Aging by debt type</b>					
Property rates	19,942,677	8,712,040	46,189,970	10,555,208	14,008,718
Electricity	754,660	346,707	1,069,228	397,318	527,893
Water	1,874,325	1,209,013	2,110,717	1,234,827	753,074
Waste management	1,985,656	470,731	2,715,454	524,164	1,686,672
Waste water management	2,187,704	404,003	2,550,021	440,914	1,922,070
Fines	157,537,716	145,861,309	186,818,797	170,894,084	14,758,308
<b>Total</b>	<b>184,282,738</b>	<b>157,003,803</b>	<b>241,454,187</b>	<b>184,046,515</b>	<b>33,656,735</b>

# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements

Figures in Rand	2021	2020
-----------------	------	------

### 11. Receivables from non-exchange transactions (continued)

#### 2020

	Not due		Past due			
	Current	Current impaired	31 - 60	31 - 60 impaired	61 - 90	61 - 90 Impaired
<b>Consumer receivables from non-exchange transactions</b>						
<b>Aging by debt type</b>						
Property rates	19,715,839	476,616	3,927,104	476,049	2,485,969	455,025
Electricity	135,665	9,327	59,887	9,327	52,149	9,327
Water	129,748	7,270	68,427	7,270	62,131	7,270
Waste management	491,480	14,189	149,652	14,189	127,875	14,189
Waste water management	195,523	10,426	102,496	10,426	92,635	10,426
Fines	10,005,206	8,273,921	8,222,174	6,824,512	4,292,890	3,659,770
<b>Total</b>	<b>30,673,461</b>	<b>8,791,749</b>	<b>12,529,740</b>	<b>7,341,773</b>	<b>7,113,649</b>	<b>4,156,007</b>

	Past due				
	91 - 120+	91 - 120+ impaired	Total	Total impaired	Total - Past due but not impaired
<b>Consumer receivables from non-exchange transactions</b>					
<b>Aging by debt type</b>					
Property rates	19,101,795	7,171,907	45,230,707	8,579,597	17,411,887
Electricity	772,727	217,380	1,020,427	245,362	648,727
Water	1,700,001	955,955	1,960,307	977,766	860,063
Waste management	1,529,578	193,476	2,298,585	236,043	1,585,251
Waste water management	1,901,632	176,097	2,292,287	207,376	1,899,814
Fines	101,971,072	96,973,171	124,491,341	115,731,373	7,028,683
<b>Total</b>	<b>126,976,805</b>	<b>105,687,986</b>	<b>177,293,654</b>	<b>125,977,517</b>	<b>29,434,425</b>

#### Property rates

Property rates receivables are statutory receivables and arise from property taxes levied on property owners based on the valuation of properties per the valuation roll in accordance with the Municipal Property Rates Act, No 6 of 2004 and Drakenstein Municipality's Property Rates Policy. A general valuation is performed every four years, with supplementary valuations in between.

The average credit period for property rates receivables is 30 days. No interest is charged for the first 30 days from the date of the invoice. Thereafter interest is charged at the prime rate per annum on the outstanding balance. The municipality strictly enforces its approved credit control policy to ensure the recovery of property rates receivables.

The management of the municipality is of the opinion that the carrying value of property rates receivables approximate their fair values.

The impairment provision was calculated after individually assessing property rates receivables and by estimating the probability of future payment ratios, using a formula-based approach by considering the historical payment ratios and other characteristics found per groups of property rates debtors.

In determining the recoverability of a receivable, the municipality considers any change in the credit quality of the receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the management believe that there is no further credit provision required in excess of the Allowance for Doubtful Debts.

# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements

Figures in Rand	2021	2020
-----------------	------	------

### 11. Receivables from non-exchange transactions (continued)

#### Availability charges on water, electricity, refuse & sewerage

Availability charges on Water, Electricity, Refuse & Sewerage receivables are statutory receivables and arise from basic charges levied on vacant properties in accordance with the relevant bylaws of the Drakenstein Municipality.

The average credit period for availability charges on Water, Electricity, Refuse & Sewerage receivables is 30 days. No interest is charged for the first 30 days from the date of the invoice. Thereafter interest is charged at the prime rate per annum on the outstanding balance. The municipality strictly enforces its approved credit control policy to ensure the recovery of Availability charges on Water, Electricity, Refuse & Sewerage receivables.

The management of the municipality is of the opinion that the carrying value of Availability charges on Water, Electricity, Refuse & Sewerage receivables approximate their fair values.

The impairment provision was calculated after individually assessing Availability charges on Water, Electricity, Refuse & Sewerage receivables and by estimating the probability of future payment ratios, using a formula-based approach by considering the historical payment ratios and other characteristics found per groups of availability charges on Water, Electricity, Refuse & Sewerage debtors.

In determining the recoverability of a receivable, the municipality considers any change in the credit quality of the receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the management believe that there is no further credit provision required in excess of the Allowance for Doubtful Debts.

#### Traffic fines

Traffic fines receivables are statutory receivables and arise from traffic infringements committed and fines issued as a result, in terms of the Criminal Procedure Act, No 501 of 1977.

The Traffic fines must be issued within 30 days of offence, after which it is payable. No interest is charged.

The management of the municipality is of the opinion that the carrying value of Traffic fines receivables approximate their fair values.

The impairment provision was calculated after collectively assessing Traffic fines receivables and by calculating the historical payment ratios and assuming that future payment ratios would be similar to the historical payment ratios.

The provision for doubtful debts on traffic fines receivables exist predominantly due to the possibility that these debts will not be recovered were assessed individually for impairment.

In determining the recoverability of a receivable, the municipality considers any change in the credit quality of the receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the management believe that there is no further credit provision required in excess of the Allowance for Doubtful Debts.

#### Other receivables

The average credit period for Government Grants and Subsidies is dependent on the Government Department involved and the nature of the claim. No interest is charged on outstanding Government Grants and Subsidies. The subsidies is payable to the municipality due to allocations made in the DORA or based on agreements between the municipality and the relevant departments.

The claims instituted against the municipality's insurance company are supported by valid insurance claims which are claimable in terms of the insurance contract entered into by the municipality. The average waiting period depends on the nature of the claim. No interest is charged on outstanding insurance claims.

The average credit period for other receivables is 30 days. No interest is charged for the first 30 days from the date of the invoice. Thereafter interest is charged at the prime rate per annum on the outstanding balance. The municipality strictly enforces its approved credit control policy to ensure the recovery of other receivables.



# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements

Figures in Rand	2021	2020
-----------------	------	------

### 11. Receivables from non-exchange transactions (continued)

The management of the municipality is of the opinion that the carrying value of other receivables approximate their fair values.

The fair value of other receivables was determined after considering the standard terms and conditions of agreements entered into between the municipality and National / Provincial Departments as well as other receivables. The current payment ratio's of other receivables were also taken into account for fair value determination.

The impairment provision was calculated after individually assessing other receivables and by calculating the historical payment ratios and assuming that future payment ratios would be similar to the historical payment ratios.

The provision for doubtful debts on other receivables exist predominantly due to the possibility that these debts will not be recovered were assessed individually for impairment.

In determining the recoverability of a receivable, the municipality considers any change in the credit quality of the receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the management believe that there is no further credit provision required in excess of the Allowance for Doubtful Debts.

### 12. Cash and cash equivalents

#### 12.1 Bank accounts

The municipality has the following bank accounts:

FNB Primary Bank Account	627-023-103-85	86,252,360	84,293,562
FNB Secondary Bank Account	627-023-123-49	-	-
FNB Traffic Fines Bank Account	620-715-265-14	-	-
FNB Motor Vehicle Licensing Bank Account	628-046-375-70	-	-
<b>Total</b>		<b>86,252,360</b>	<b>84,293,562</b>
Bank statement balance at beginning of year		84,293,562	8,777,432
Bank statement balance at end of year		86,252,360	84,293,562
Cash book balance at beginning of year		80,567,486	9,000,353
Bank statement balance at end of year		86,252,360	84,293,562
Net movement / reconciling items		1,418,843	(3,726,076)
<b>Cash book balance at end of year</b>		<b>87,671,203</b>	<b>80,567,486</b>

Comparative figures have been restated, refer to note 50 for more detail information.

#### 12.2 Cash and cash equivalents

Cash and cash equivalents consist of the following:

<b>Call deposits and investments</b>		
Short term investment deposits	51,045,498	5,962
Short term portion of investments	39,706	-
<b>Cash at bank</b>		
Bank account	87,671,203	80,567,486
Cash on hand	24,952	26,450
<b>Total cash and cash equivalents</b>	<b>138,781,359</b>	<b>80,599,898</b>

# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements

Figures in Rand	2021	2020
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### 12. Cash and cash equivalents (continued)

All account balances are cleared on a daily basis to the main account. The municipality does not have an overdraft facility with FNB.

For the purposes of the Cash flow statement, bank balances, cash and cash equivalents include cash-on-hand, cash in banks and investments less than 12 months.

The management of the municipality is of the opinion that the carrying value of bank balances, cash and cash equivalents recorded at amortised cost in the audited annual financial statements approximate their fair values.

The fair value of bank balances, cash and cash equivalents was determined after considering the standard terms and conditions of agreements entered into between the municipality and financial institutions.

#### Call deposits and investments by financial institution

Institution	Account number	Account type		
ABSA	92-9096-7912	Call deposit	1,110	1,110
ABSA	92-9214-9948	Call deposit	1,104	1,104
ABSA	92-9416-2871	Call deposit	1,110	1,110
ABSA	92-9735-7532	Call deposit	1,106	1,106
ABSA	92-9737-3681	Call deposit	1,062	1,062
ABSA	40-9637-0104	Call deposit	488	470
ABSA	93-5338-8392	Call deposit	15,553,360	-
ABSA	93-5591-4684	Call deposit	7,686,567	-
ABSA	93-5612-6210	Call deposit	7,799,591	-
			<b>31,045,498</b>	<b>5,962</b>
NEDBANK	03/7881536373/000206	60 Days' Notice Deposit	20,000,000	-
ESKOM limited	NO E175	Bond shares	39,706	-
<b>Total investments</b>			<b>51,085,204</b>	<b>5,962</b>

### 13. Current portion of non-current receivables

Current portion of non-current receivables	8	156,788	104,778
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### 14. Borrowings

<b>Total borrowings</b>		
Annuity Loans	1,636,956,882	1,656,638,729
<b>Less: Current portion transferred to current liabilities</b>		
Annuity Loans	(18,555,870)	(19,681,848)
<b>Non-current borrowings</b>	<b>1,618,401,012</b>	<b>1,636,956,881</b>

#### 14.1 Summary of arrangements

Annuity loans are repaid over periods varying from 1 to 16 (2020: 2 to 17) years and at interest rates varying from 9.68% to 11.48% (2020: 9.14% to 12.275%) per annum.

Annuity loans are not secured.

During 2020, certain long term borrowings were restructured which included a redemption holiday. The biggest capital redemption will start being payable in December 2022.

The fair value of borrowings was determined after considering the standard terms and conditions of agreements entered into between the municipality and the relevant financing institutions.

# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements

Figures in Rand	2021	2020
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### 14. Borrowings (continued)

Refer to Appendix 'A' for more detail on borrowings.

### 15. Finance lease liabilities

#### 15.1 Carrying value of lease liabilities

##### 2021

	Fair value	Amortised cost	Total
<b>Carrying value as at 30 June 2021</b>			
Finance lease liability	-	26,762	26,762
Transferred to current liabilities	-	1,413,432	1,413,432
<b>Total</b>	-	<b>1,440,194</b>	<b>1,440,194</b>

##### 2020

	Fair value	Amortised cost	Total
<b>Carrying value as at 30 June 2020</b>			
Finance lease liability	-	1,440,194	1,440,194
Transferred to current liabilities	-	1,717,999	1,717,999
<b>Total</b>	-	<b>3,158,193</b>	<b>3,158,193</b>

#### 15.2 Obligation under finance leases

##### The municipality as lessee

The obligations under finance leases are as follow:

##### Minimum lease payments payable

Payable within one year	1,481,969	1,951,234
Payable within two to five years	27,037	1,509,005
<b>Total minimum lease payments</b>	<b>1,509,006</b>	<b>3,460,239</b>
Less: Future finance charges	(68,812)	(302,046)
	<b>1,440,194</b>	<b>3,158,193</b>

##### Present value of minimum lease payments

Payable within one year	1,413,432	1,717,999
Payable within two to five years	26,762	1,440,194
	<b>1,440,194</b>	<b>3,158,193</b>

Finance leases were entered into for certain photocopier machines for a lease period of 36 months, electronic cashboxes/drop safes for a lease period of 48 months. Interest rates are fixed at the inception of the agreements. No arrangements have been entered into for contingent rental payments. The minimum lease payments equals the fair value of the equipment.

# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements

Figures in Rand		2021	2020
<b>16. Employee benefits</b>			
<b>Non-current employee benefits</b>			
Post-employment health care benefits	16.1	187,191,000	168,354,000
Ex-Gratia pension benefits	16.2	1,008,000	1,028,000
Provision for long-service awards	16.3	38,850,000	35,387,000
		<b>227,049,000</b>	<b>204,769,000</b>
<b>Current employee benefits</b>			
Post-employment health care benefits	16.1	11,132,001	9,605,001
Ex-Gratia pension benefits	16.2	115,000	113,000
Provision for long-service awards	16.3	4,403,000	4,507,000
Provision for bonuses	16.4	19,276,622	19,229,140
Provision for performance bonuses	16.5	2,311,736	2,254,517
Provision for staff leave	16.6	47,007,578	48,487,309
Provision for TASK backpay	16.7	6,627,428	19,740,778
		<b>90,873,365</b>	<b>103,936,745</b>
<b>Total employee benefits</b>		<b>317,922,365</b>	<b>308,705,745</b>

### 16.1 Post-employment health care benefits

The municipality provides certain post-retirement medical benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current conditions of service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2021 by Mr Julian van der Spuy and Mr Boyd Oosthuizen of ZAQEN Actuaries Pty (Ltd). The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

The Post Employee Health Care Benefit Plan is a defined benefit plan, of which the members are made up as follow:

	Number	Number
In-service members (Employees)	720	730
Continuation members (Retirees)	222	219
<b>Total members</b>	<b>942</b>	<b>949</b>

The liability in respect of past service has been estimated as follow:

In-service members (Employees)	92,853,000	79,226,000
Continuation members (Retirees)	105,470,001	98,733,001
<b>Total liability</b>	<b>198,323,001</b>	<b>177,959,001</b>
Non-current	187,191,000	168,354,000
Current	11,132,001	9,605,001
<b>Total liability</b>	<b>198,323,001</b>	<b>177,959,001</b>

The municipality makes monthly contributions for health care arrangements to the following Medical Aid Schemes:

- Bonitas
- Hosmed
- Key Health
- LA Health

# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements

Figures in Rand	2021	2020
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### 16. Employee benefits (continued)

- Fed Health
- Samwumed

The Future-service Cost for the ensuing year is estimated to be R 6,380,000 whereas the Interest Cost is estimated to be R 20,954,000.

The principal assumptions used for the purposes of the actuarial valuations were as follow:

#### i) Rates of interest

Discount rate	Yield curve	Yield curve
Consumer Price Inflation (CPI)	Difference between nominal and yield curve	Difference between nominal and yield curve
Health care cost inflation rate	CPI+1%	CPI+1%
Net effective discount rate	Yield curve base	Yield curve base

GRAP 25 defines the determination of the Discount Rate Assumption to be used as follow:

The discount rate that reflects the time value of money is best approximated by reference to market yields at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, an entity uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve.

The Actuaries used the nominal and real zero curves as at 30 June 2021 supplied by the JSE to determine the discount rates and CPI assumptions at each relevant time period. In the event that the valuation is performed prior to the effective valuation date, they used the prevailing yield at the time of performing their calculations. The methodology was changed from a point estimate to that of a curve in order to present a more accurate depiction of the liability. Previously only one discount rate was used to value all the liabilities. This changed methodology would be seen as a change in estimate basis.

#### ii) Mortality rates

Mortality before retirement has been based on the SA 85-90 mortality tables. These are the most commonly used tables in the industry. Mortality post-employment (for pensioners) has been based on the PA (90) ultimate mortality tables. No explicit assumption was made about additional mortality or health care costs due to AIDS.

#### iii) Normal retirement age

The average retirement age for all active employees was assumed to be 63 years. This assumption implicitly allows for ill-health and early retirements. The normal retirement age (NRA) for all active employees was assumed to be 65 years.

#### iv) Spouses and dependents

We assumed that the marital status of members who are currently married will remain the same up to retirement. It was also assumed that 90% of all single employees would be married at retirement with no dependent children. Where necessary it was assumed that female spouses would be five years younger than their male spouses at retirement and vice versa.

#### v) Withdrawal rates

Assumptions have also been made on the withdrawal rates from service per 5 years of age gap and per gender.

# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements

Figures in Rand	2021	2020
<b>16. Employee benefits (continued)</b>		
<b>Amounts recognised in the statement of financial position are as follow:</b>		
Fair value of plan assets	-	-
Unrecognised actuarial gains / (losses)	-	-
Present value of unfunded obligations	198,323,001	177,959,001
<b>Total benefit liability</b>	<b>198,323,001</b>	<b>177,959,001</b>

**Amounts recognised in the statement of financial performance are as follow:**

Current service cost	5,380,000	6,468,000
Interest cost	21,469,000	20,692,000
Actuarial loss/ (gain) recognised in the year	3,462,532	(49,808,389)
<b>Total post-retirement benefit included in employee related costs</b>	<b>39 30,311,532</b>	<b>(22,648,389)</b>

**Movements in the present value of the defined benefit obligation were as follow:**

Balance at the beginning of the year	177,959,001	210,897,000
Current service cost	5,380,000	6,468,000
Interest cost	21,469,000	20,692,000
Actual employer benefit payments	(9,947,532)	(10,289,610)
Actuarial loss/ (gain) recognised in the year	3,462,532	(49,808,389)
<b>Present value of fund obligation at the end of the year</b>	<b>198,323,001</b>	<b>177,959,001</b>

**Movements in the present value of the defined benefit assets were as follow:**

Balance at the beginning of the year	-	-
Contributions from the employer	7,926,583	10,289,610
Benefits paid	(7,926,583)	(10,289,610)
<b>Balance at the end of the year</b>	<b>-</b>	<b>-</b>

**History of experienced adjustments are as follow:**

	2017	2018	2019	2020	2021
Present value of defined benefit obligation	118,305,000	124,485,000	210,897,000	177,959,000	198,323,000
Fair value of plan assets	-	-	-	-	-
<b>Deficit</b>	<b>118,305,000</b>	<b>124,485,000</b>	<b>210,897,000</b>	<b>177,959,000</b>	<b>198,323,000</b>

Experienced adjustments on defined benefit obligation

-	-	-	-	-
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The effect of a 1% movement in the assumed rate of health care cost inflation is as follow:

	1% Decrease	1% Increase
Effect on the defined benefit obligation	176,750,000	224,285,000
Effect on the aggregate of the interest cost	18,589,000	23,804,000
Effect on the aggregate of the current service cost	5,271,000	7,787,000

# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements

Figures in Rand	2021	2020
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### 16. Employee benefits (continued)

#### Total accrued liability

The effect of a 20% movement in the assumed mortality rates are as follow on the ensuing years assumptions:

	-20% Mortality rate	+20% Mortality rate
Total accrued liability	216,808,000	183,377,000
Effect on the aggregate of the interest cost	22,962,000	19,330,000
Effect on the aggregate of the current service cost	6,982,000	5,883,000

The municipality expects to make a contribution of R 11,132,000 to the Defined Benefit Plan during the next financial year.

Refer to note 59 Retirement Benefit Information to the audited annual financial statements for more information regarding the municipality's other retirement funds that is Provincially and Nationally administered.

#### 16.2 Ex-Gratia pension benefits

The municipality provides pension and retirement gratuity benefits to certain employees who were in the employment of the [Former Paarl, Wellington and Gouda Municipality] (now incorporated into the Drakenstein Municipality) at 31 December 1994 (Paarl) and 31 March 1995 (Wellington) and still in the employment of Drakenstein Municipality at date of normal retirement, medical disability, retrenchment or death. The gratuity is calculated on the salary benefits during 1994/1995.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2021 by Mr Julian van der Spuy and Mr Boyd Oosthuizen of ZAQEN Actuaries (Pty) Ltd. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the multiplying the annual pension provided, by an appropriate annuity factor as at the valuation date.

The Ex-Gratia Pension Benefit Plan is a defined benefit plan, of which the members are made up as follow:

	Number	Number
In-service members (Employees)	135	145
Continuation members (Retirees)	6	6
<b>Total members</b>	<b>141</b>	<b>151</b>

The liability in respect of past service has been estimated as follow:

In-service members (Employees)	786,000	799,000
Continuation members (Retirees)	337,000	342,000
<b>Total liability</b>	<b>1,123,000</b>	<b>1,141,000</b>
Non-current	1,008,000	1,028,000
Current	115,000	113,000
<b>Total liability</b>	<b>1,123,000</b>	<b>1,141,000</b>
Lump sum benefit	786,000	799,000
Pension benefit	337,000	342,000
	<b>1,123,000</b>	<b>1,141,000</b>

The interest-cost for the next year is estimated to be R 82,000. The actuaries are of opinion that future service cost need not be determined for pension fund liability as all benefits vests immediately.

The principal assumptions used for the purposes of the actuarial valuations were as follow:

# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements

Figures in Rand	2021	2020
<b>16. Employee benefits (continued)</b>		
<b>i) Rates of interest</b>		
<b>Lump sum valuation</b>		
Discount rate	8.01 %	7.35 %
Consumer Price Inflation (CPI)	5.15 %	3.14 %
Pension increase rate (Pensioners)	6.15 %	4.14 %
Net effective discount rate	1.75 %	3.08 %
<b>Pensioner valuation</b>		
Discount rate	6.94 %	6.24 %
Consumer Price Inflation (CPI)	4.50 %	2.80 %
Pension increase rate (Pensioners)	5.50 %	3.80 %
Net effective discount rate	1.36 %	2.35 %
In accordance with GRAP 25 the discount rate was determined using the implied duration of the liability to obtain an appropriate interest rate on the yield curve. The nominal and real zero curves as at 30 June 2021 supplied by the JSE was used to determine the discounted rates and CPI assumptions.		
<b>ii) Mortality rates</b>		
Mortality before retirement has been based on the PA (90) mortality tables. These are the most commonly used tables in the industry. It was assumed that female spouses would be five years younger than their male spouses and vice versa.		
<b>iii) Normal retirement age</b>		
The average retirement age for all active employees was assumed to be 63 years. This assumption implicitly allows for ill-health and early retirements. The normal retirement age (NRA) for all active employees was assumed to be 65 years.		
<b>The amounts recognised in the statement of financial position are as follow:</b>		
Fair value of plan assets	-	-
Unrecognised actuarial gains / (losses)	-	-
Present value of unfunded obligations	1,123,000	1,141,000
<b>Total benefit liability</b>	<b>1,123,000</b>	<b>1,141,000</b>
<b>The amounts recognised in the statement of financial performance are as follow:</b>		
Service cost	-	-
Interest cost	77,000	133,000
Actuarial (Gains) / Losses recognised	(8,550)	(679,068)
<b>Total post-retirement benefit included in employee related costs</b>	<b>68,450</b>	<b>(546,068)</b>
<b>Movements in the present value of the defined benefit obligation were as follow:</b>		
Balance at the beginning of the year	1,141,000	1,771,000
Service cost	-	-
Interest cost	77,000	133,000
Benefits paid	(86,450)	(83,932)
Actuarial (Gains) / Losses recognised	(8,550)	(679,068)
<b>Present value of the fund obligation at the end of the year</b>	<b>1,123,000</b>	<b>1,141,000</b>



# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements

Figures in Rand	2021	2020
<b>16. Employee benefits (continued)</b>		
<b>Movements in the present value of the defined benefit assets were as follow:</b>		
Balance at the beginning of the year	-	-
Contributions from employer	(86,450)	(83,932)
Benefits paid	86,450	83,932
<b>Balance at the end of the year</b>	<b>-</b>	<b>-</b>

The history of experienced adjustments are as follow:

	2017	2018	2019	2020	2021
Present value of defined benefit obligation	2,591,000	2,515,000	1,771,000	1,141,000	1,123,000
Fair value of plan assets	-	-	-	-	-
<b>Deficit</b>	<b>2,591,000</b>	<b>2,515,000</b>	<b>1,771,000</b>	<b>1,141,000</b>	<b>1,123,000</b>
Experienced adjustments on defined benefit obligation	-	-	-	-	-

The effect of a 1% movement in the assumed rate of pension increase inflation is as follow:

	1% Decrease	1% Increase
Effect on the interest cost	78,000	86,000
Effect on the defined benefit obligation	1,072,000	1,178,000

The municipality expects to make a contribution of R 115,000 to the Defined Benefit Plan during the next financial year.

Refer to note 59 Retirement Benefit Information to the audited annual financial statements for more information regarding the municipality's other retirement funds that is Provincially and Nationally administered.

### 16.3 Provision for long-service awards

Provision for long-service awards	43,253,000	39,894,000
Less: Transfer to current provisions	(4,403,000)	(4,507,000)
<b>Total non-current provisions</b>	<b>38,850,000</b>	<b>35,387,000</b>
Non-current	38,850,000	35,387,000
Current	4,403,000	4,507,000
<b>Total provisions at the end of the year</b>	<b>43,253,000</b>	<b>39,894,000</b>

#### Long-service awards

The municipality operates a funded defined benefit plan for all its employees. Under the plan, a Long Service Award is payable after 10 years of continuous service and every 5 years thereafter to employees. The provision is an estimate of the long-service based on historical staff turnover. No other long-service benefits are provided to employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2021 by Mr Julian van der Spuy and Mr Boyd Oosthuizen of ZAQEN Actuaries (Pty) Ltd. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

At year end 1772 (2020: 1833) employees were eligible for Long Services Awards.

The principal assumptions used for the purposes of the actuarial valuations were as follow:

# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements

Figures in Rand	2021	2020
<b>16. Employee benefits (continued)</b>		
Discount rate	Yield curve	Yield curve
Consumer Price Inflation (CPI)	Difference between nominal and yield curve	Difference between nominal and yield curve
Normal salary increase rate CPI+1	CPI+1%	CPI+1%
Net effective discount rate	Yield curve base	Yield curve base
GRAP 25 defines the determination of the Discount Rate Assumption to be used as follow:		
The discount rate that reflects the time value of money is best approximated by reference to market yields at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, an entity uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve.		
The Actuaries used the nominal and real zero curves as at 30 June 2021 supplied by the JSE to determine the discount rates and CPI assumptions at each relevant time period. In the event that the valuation is performed prior to the effective valuation date, they used the prevailing yield at the time of performing their calculations. The methodology was changed from a point estimate to that of a curve in order to present a more accurate depiction of the liability. Previously only one discount rate was used to value all the liabilities. This changed methodology would be seen as a change in estimate basis.		
<b>The amounts recognised in the statement of financial position are as follow:</b>		
Fair value of plan assets	-	-
Present value of unfunded obligations	43,253,000	39,894,000
<b>Total benefit liability</b>	<b>43,253,000</b>	<b>39,894,000</b>
<b>The amounts recognised in the statement of financial performance are as follow:</b>		
Current service cost	2,688,000	3,044,000
Interest cost	4,433,000	4,086,000
Actuarial losses / (gains) recognised	876,567	(3,323,173)
<b>Total expense included in employee related costs</b>	<b>7,997,567</b>	<b>3,806,827</b>
<b>Movements in the present value of the defined benefit obligation were as follow:</b>		
Balance at the beginning of the year	39,894,000	41,322,001
Service cost	2,688,000	3,044,000
Interest cost	4,433,000	4,085,999
Benefits paid	(4,638,567)	(5,234,827)
Actuarial losses / (gains) recognised	876,567	(3,323,173)
<b>Balance at the end of the year</b>	<b>43,253,000</b>	<b>39,894,000</b>
<b>Movements in the present value of the defined benefit assets were as follow:</b>		
Balance at the beginning of the year	-	-
Contributions from the employer	(4,638,567)	5,234,827
Benefits paid	4,638,567	(5,234,827)
<b>Balance at the end of the year</b>	<b>-</b>	<b>-</b>

# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements

Figures in Rand	2021	2020
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### 16. Employee benefits (continued)

The effect of a 1% movement in the withdrawal rates are as follow on the ensuing years assumptions:

	1% Decrease	1% Increase
Effect on the defined benefit obligation	40,496,000	46,292,000
Effect on the aggregate of the current service cost	2,807,000	3,296,000
Effect on the aggregate of the interest cost	4,253,000	4,899,000

0The effect of a 20% movement in the withdrawal rates are as follow on the ensuing years assumptions:

	-20% Withdrawal rate	-20% Withdrawal rate
Effect on the defined benefit obligation	45,178,000	41,512,000
Effect on the aggregate of the current service cost	3,257,000	2,846,000
Effect on the aggregate of the interest cost	4,778,000	4,364,000

The municipality expects to make a contribution of R 4,403,000 to the Defined Benefit Plan during the next financial year.

The Future-service Cost for the ensuing year is estimated to be R 3,037,000 whereas the Interest Cost is estimated to be R 4,560,000.

#### 16.4 Provision for bonuses

The movement in provisions for bonuses are reconciled as follow:

Balance at the beginning of the year	19,229,140	17,604,049
Net movement	47,482	1,625,091
<b>Balance at the end of the year</b>	<b>19,276,622</b>	<b>19,229,140</b>
Non-current	-	-
Current	19,276,622	19,229,140
<b>Total provision at the end of the year</b>	<b>19,276,622</b>	<b>19,229,140</b>

Services bonuses are granted to municipal employees as a 13th cheque. An estimate amount for the provision raised is determined according to the amount accruing to employees up to June from their bonus payment.

#### 16.5 Provision for performance bonuses

Provision has been made for performance bonuses in accordance with the performance agreements with each Executive Manager and the Municipal Manager using the best estimate of the potential performance bonus payable. The actual bonuses will only be paid once the evaluation committee appointed in terms of the Performance Management regulations has reviewed the performance agreements of the Executive Management team and made a recommendation to the Council for final approval. The performance bonuses have been provided as follow:

##### Strategic management team

Leibbrandt, JH (City Manager)	278,236	278,236
Brown, B (Chief Financial Officer)	223,545	18,629
Johaar, S (Executive Director: Corporate Services)	223,545	223,545
Wüst, M (Executive Director: Engineering Services)	223,545	186,288
Esau, G (Executive Director: Community Services)	223,545	223,545
Waring, L (Executive Director: Planning and Development)	186,287	223,544
Carstens, J (Chief Financial Officer)(Until 31 March 2020)	-	167,658
	<b>1,358,703</b>	<b>1,321,445</b>

# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements

Figures in Rand	2021	2020	
<b>16. Employee benefits (continued)</b>			
The movement in provisions are reconciled as follow:			
<b>Provision for performance bonuses</b>			
Balance at the beginning of the year	2,254,518	1,509,190	
Bonuses paid	(929,081)	(215,839)	
Reversals of prior year provision	(372,404)	(360,278)	
Increase in provision	1,358,703	1,321,444	
<b>Balance at the end of the year</b>	<b>2,311,736</b>	<b>2,254,517</b>	
Non-current	-	-	
Current	2,311,736	2,254,517	
<b>Total provisions at the end of the year</b>	<b>2,311,736</b>	<b>2,254,517</b>	
<b>16.6 Provision for staff leave</b>			
Staff leave provision	47,007,578	48,487,309	
Non-current	-	-	
Current	47,007,578	48,487,309	
<b>Total provisions at the end of the year</b>	<b>47,007,578</b>	<b>48,487,309</b>	
<b>16.7 Provision for TASK backpay</b>			
Provision for TASK backpay	6,627,428	19,740,778	
Non-current	-	-	
Current	6,627,428	19,740,778	
<b>Total provisions at the end of the year</b>	<b>6,627,428</b>	<b>19,740,778</b>	
Included in Employee cost is a provision for TASK backpay, due to the revaluation of post on TASK and the movement from the "Van Der Merwe" Salary scales to the TASK salary scales.			
The prior year comparatives have been restated, please refer to note 49 for more detail information.			
<b>17. Provisions</b>			
Provision for rehabilitation of landfill sites	17.1	195,378,926	168,950,709
Balance of non-current provisions for rehabilitation at end of year		195,378,926	168,950,709
Balance of current provisions for rehabilitation at end of year		-	-
<b>Balance of provisions for rehabilitation at end of year</b>		<b>195,378,926</b>	<b>168,950,709</b>
<b>17.1 Provision for rehabilitation of landfill sites</b>			
Balance at the beginning of the year		168,950,709	191,848,888
Changes in estimates: asset increase ito iGRAP2		18,493,398	918,613
Changes in estimates: asset decrease ito iGRAP2		(2,596,123)	(23,176,946)
Unwinding of discount & other changes		10,530,942	(639,846)
<b>Balance at the end of the year</b>		<b>195,378,926</b>	<b>168,950,709</b>

# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements

Figures in Rand			2021	2020
<b>17. Provisions (continued)</b>				
The council will incur further rehabilitation cost on its unrehabilitated dumping/landfill sites over the period 2024/25 up to 2031/32 and post monitoring costs thereafter. Provision has been made for the net present value of this cost based on the status quo as at 30 June 2021.				
Location	Proposed rehabilitation date	Post closure monitoring date		
Wellington existing	2031/2032	2061/2062	54,711,497	53,527,057
Wellington old	2031/2032	2059/2060	31,095,441	30,577,895
Gouda	Rehabilitation complete	2050/2051	742,878	587,054
Saron	Rehabilitation complete	2048/2049	557,471	419,981
Hermon	Rehabilitation complete	2050/2051	652,761	523,764
Dal Josafat	2024/2025	2054/2055	16,661,880	12,865,392
Orleans	2024/2025	2054/2055	30,981,632	24,035,497
Boy Louw	2024/2025	2054/2055	56,636,204	44,069,347
Klapmuts landfill	Rehabilitation complete	2029/2030	1,785,591	928,737
Wateruintjiesvlei landfill	Rehabilitation complete	2029/2030	1,553,571	1,415,985
			<b>195,378,926</b>	<b>168,950,709</b>

JPCE is a consulting engineering and environmental consulting firm appointed to determine a high-level concept-design stage costing-value (amount) to cap and rehabilitate the landfill sites at the end of the current Financial Year. Their independence from management is monitored. The firm is a member and fully subscribes to the Constitution and Code of Conduct of the Council of Engineers of South Africa.

Based on the work provided by JPCE, an applicable inflation rate of 4.3%-4.60% has been determined and a discounted rate of 6.7%-10.485% has been utilised.

The funding required by the municipality to fund the rehabilitation has been assessed and based on the government bond rates with similar maturity periods. The municipality assessed the effect of discounting coupled with the future inflation rate to approximate the current cost of the expected rehabilitation cost as disclosed above.

## 18. VAT control receivable / (payable)

Accrual VAT transactions	24,105,815	8,758,002
VAT payable (control)	(4,649,860)	(8,002,555)
<b>Total</b>	<b>19,455,955</b>	<b>755,447</b>

No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to the VAT Act. The municipality has financial risk policies in place to ensure that payments are affected before the due date.

## 19. Consumer deposits

Deposits	59,109,630	52,606,653
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Guarantees held in lieu of deposits were R 20,886,922 (2020: R 21,161,656).

Consumer deposits are paid by consumers on application for new water and electricity connections. The deposits are repaid when the water and electricity connections are terminated. In cases where consumers default on their accounts, the municipality can utilise the deposit as payment for the outstanding account.

No interest is paid on consumer deposits held.

The management of the municipality is of the opinion that the carrying value of consumer deposits approximate their fair values.

The fair value of consumer deposits was determined after considering the standard terms and conditions of agreements entered into between the municipality and its consumers.

# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements

Figures in Rand		2021	2020
<b>20. Payables from exchange transactions</b>			
Trade Creditors	20.1	230,932,784	248,936,928
Payments received in advance	20.2	46,832,182	37,956,815
Retention	20.3	24,584,197	34,747,657
Other payables	20.4	19,363,728	21,813,704
Net VAT accrual on outstanding receivables	20.5	36,961,770	42,348,910
<b>Total</b>		<b>358,674,661</b>	<b>385,804,014</b>
<b>20.1 Trade Creditors</b>			
Eskom Limited (Electricity bulk purchase)		174,340,692	157,303,329
Other trade creditors		56,592,092	91,633,599
<b>Total</b>		<b>230,932,784</b>	<b>248,936,928</b>
<b>20.2 Payments received in advance</b>			
Payments received in advance		46,832,182	37,956,815
<b>20.3 Retention</b>			
Retentions		24,584,197	34,747,657
<b>20.4 Other payables</b>			
Other payables and accruals		19,363,728	21,515,383
Rental leases: Straight lining		-	298,321
<b>Total</b>		<b>19,363,728</b>	<b>21,813,704</b>
<b>20.5 Net VAT accrual on outstanding receivables</b>			
VAT accrual on receivables		49,985,240	53,721,275
VAT on provision for doubtful debt		(13,023,470)	(11,372,365)
<b>Total</b>		<b>36,961,770</b>	<b>42,348,910</b>

The average credit period on purchases is 30 days from the receipt of the statement, as determined by the MFMA. No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the municipality deals with. The municipality has financial risk policies in place to ensure that all payables are paid within the credit time frame.

The management of the municipality is of the opinion that the carrying value of creditors approximate their fair values.

The fair value of creditors was determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties.

The amount payable to ESKOM included in trade and other payables are for the May and June accounts. The Municipality did not owe ESKOM any debt older than 30 days during 2020/21.

The VAT accrual on outstanding receivables, refers to the VAT portion of outstanding receivables, which is not yet payable to SARS, as the Municipality is registered on the payments basis for VAT with SARS, in accordance with Section 15(2)(a) of the Value-Added Tax Act No 89 of 1991.

The prior year comparatives have been restated, please refer to note 49 for more detail information.

# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements

Figures in Rand	2021	2020
<b>21. Unspent conditional grants and receipts</b>		
<b>Conditional grants from other spheres of government</b>		
National Government (Unconditional Grants)	-	-
National Government (Conditional Grants)	7	179,311
Provincial Government (Conditional Grants)	15,556,620	16,650,663
Other Grants (Unconditional)	1,362,556	5,019,406
Other Grants (Conditional)	1,245,158	1,473,171
Guarantees and Donations (Unconditional)	363,573	363,573
<b>Total conditional grants and receipts</b>	<b>18,527,914</b>	<b>23,686,124</b>

These amounts are separately invested in terms of section 12 of the MFMA. Refer note 37 for more detail of grants from National and Provincial Government.

Refer to Appendix "C" for more detail on Conditional Grants.

The prior year comparatives have been restated, please refer to note 49 for more detail information.

## 22. Housing Development Fund

<b>Realising housing proceeds</b>		
Balance at beginning of the year	21,201,519	15,607,722
Plus: Interest and redemption, and other on housing schemes	93,394	134,790
Plus: (Net loss) / surplus on letting schemes	4,057,213	5,842,380
Less: Housing subsidies expenditure	(132,812)	(383,373)
<b>Balance at the end of the year</b>	<b>25,219,314</b>	<b>21,201,519</b>
<b>Unrealised housing proceeds</b>		
Balance at the beginning of the year	799,235	1,180,473
Long term housing loans	(166,811)	(381,238)
<b>Balance at the end of the year</b>	<b>632,424</b>	<b>799,235</b>
<b>Total</b>	<b>25,851,738</b>	<b>22,000,754</b>

The housing development fund is not cash backed, as the value of outstanding housing receivables exceeds the value of the fund.

# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements

Figures in Rand	2021	2020
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### 23. Reserves and Funds

Re-valuation reserve	1,421,127,598	1,452,457,291
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The Re-valuation reserve arises on the revaluation of Land and Buildings. Where revalued Land or Buildings are sold, the portion of the Re-valuation reserve that relates to that asset, and is effectively realised, is transferred directly to Accumulated Surplus.

Distributions from the Re-valuation reserve can be made when it is in accordance with the requirements of the municipality's accounting policy. The payment of cash distributions out of the reserve is restricted by the terms of the municipality's. These restrictions do not apply to any amounts transferred to the Accumulated Surplus. Council do not currently intend to make any distribution from the Re-valuation reserve.

The prior year comparatives have been restated, please refer to note 49 for more detail information.

Refer to Statement of changes in net assets for more detail and the movement on Reserves.

### 24. Accumulated surplus/ (deficit)

Accumulated Surplus/(Deficit)	2,813,310,691	2,684,543,970
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The Capitalisation reserve equals the carrying value of the items of property, plant and equipment from the former legislated funds. The Capitalisation reserve ensures consumer equity and is not backed by cash.

Refer to Statement of changes in net assets for more detail and the movement on Accumulated surplus.

Accumulated surplus has been restated according to GRAP 3. Refer to Note 50 on Prior period errors for details of the restatement.

### 25. Service charges

#### Electricity

Consumption - Electricity	1,268,816,861	1,217,572,912
Less: Income forgone	(47,704,175)	(46,983,740)

<b>Total</b>	<b>1,221,112,686</b>	<b>1,170,589,172</b>
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#### Water

Consumption - Water	167,347,685	173,984,021
Less: Income forgone	(16,880,819)	(11,731,103)

<b>Total</b>	<b>150,466,866</b>	<b>162,252,918</b>
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#### Waste management

Consumption - Waste management	170,335,178	153,405,750
Less: Income forgone	(44,707,711)	(31,517,772)

<b>Total</b>	<b>125,627,467</b>	<b>121,887,978</b>
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#### Waste water management

Consumption - Waste water management	145,160,919	131,233,412
Less: Income forgone	(23,712,074)	(17,380,367)

<b>Total</b>	<b>121,448,845</b>	<b>113,853,045</b>
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<b>Total service charges</b>	<b>1,618,655,864</b>	<b>1,568,583,113</b>
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The comparative figures have been restated, refer to note 50 for more detail information.



# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements

Figures in Rand	2021	2020
<b>26. Availability charges</b>		
<b>Electricity</b>		
Availability Charges	1,639,713	1,789,157
<b>Water</b>		
Availability Charges	1,601,232	1,696,359
<b>Waste management</b>		
Availability Charges	2,779,837	2,884,527
<b>Waste water management</b>		
Availability Charges	2,500,447	2,530,913
<b>Total availability charges</b>	<b>8,521,229</b>	<b>8,900,956</b>
<b>27. Sales of goods and rendering of services</b>		
Advertisements	3,835	-
Building Plan Approval	4,122,034	5,437,127
Camping Fees	861,162	1,750,219
Cemetery and Burial	3,828,298	3,471,888
Cleaning and Removal	236,303	348,084
Demolition Application Fees	8,450	-
Entrance Fees	277,012	615,510
Laboratory Services	-	107
Legal Fees	1,145,301	962,910
Library Fees	23,767	13,322
Occupation Certificates	417,204	-
Photocopies and Faxes	134,702	143,265
Sale of Goods	4,805	11,952
<b>Total</b>	<b>11,062,873</b>	<b>12,754,384</b>
<b>28. Rental from fixed assets</b>		
Land and buildings	2,002,326	1,983,094
Housing rentals	13,867,932	33,672,974
Other rental revenue	729,769	1,850,785
Less: Income forgone	(11,409,897)	(21,515,817)
<b>Total</b>	<b>5,190,130</b>	<b>15,991,036</b>

Council approved a fixed/flat rate rental installment during the month of October 2020.

# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements

Figures in Rand	2021	2020
<b>28. Rental from fixed assets (continued)</b>		
<b>Operating leases (municipality as lessor)</b>		
<b>At Statement of Financial Performance date the Municipality has contracted with tenants for the following future minimum lease payments.</b>		
Within one year	1,210,753	240,863
In second to fifth year inclusive	1,079,140	666,046
After five years	172,788	182,812
<b>Total</b>	<b>2,462,681</b>	<b>1,089,721</b>
The Municipality has significant current lease arrangements for land and buildings over a period varying from 2 up to 32 years (2020: 2 up to 32 years) being subject to increased lease payments.		
All contingent lease payments are based on the actual contract value of the property leased and the escalations vary from 7.5% up to 12.32%.		
No other restrictions were imposed.		
<b>29. Interests on investments</b>		
Short-term investments and call accounts	5,215,173	6,140,446
<b>30. Dividends</b>		
External investment	7,560	12,600
<b>31. Interest on receivables</b>		
Exchange receivables	7,084,609	6,421,577
<b>32. Operational revenue</b>		
<b>Revenue from exchange transactions</b>		
Operation revenue from exchange transactions	12,011,611	4,266,744
<b>Revenue from non-exchange transactions</b>		
Goods and services received in kind	8,798,882	2,368,493
Exchange Revenue	12,011,611	4,266,744
Non-exchange revenue	8,798,882	2,368,493
<b>Total operational revenue</b>	<b>20,810,493</b>	<b>6,635,237</b>
<b>Services received in kind</b>		
During the financial year, the municipality received the following services in kind, that was recognised in terms of GRAP 23. These include cleansing and fogging services for implementing COVID-19 protocol. This was done voluntarily by non-profit organisation.		
<b>33. Licences or permits</b>		
Exchange revenue	20,628,986	20,240,886

# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements

Figures in Rand		2021	2020
<b>33. Licences or permits (continued)</b>			
Included in licenses and permits is an amount of R17,488,433 (2020: R14,067,528) received from the Department of Transport and Public Works as agency fees for motor vehicle license services, which the Municipality performs on behalf of the Department of Transport and Public Works.			
<b>34. Fair value and loss on disposal adjustment of assets</b>			
Gains/(losses) on disposals	34.1	(5,740,743)	(2,322,679)
Fair value adjustment	34.2	3,421,542	1,812,863
<b>Total</b>		<b>(2,319,201)</b>	<b>(509,816)</b>
<b>34.1 Gains/(losses) on disposals</b>			
Gains / (losses) on disposal on PPE, IA, IP & HA		(5,693,646)	(2,243,087)
Gains / (losses) on inventory		(47,097)	(79,592)
<b>Total</b>		<b>(5,740,743)</b>	<b>(2,322,679)</b>
<b>34.2 Fair value adjustment</b>			
Investment property		3,426,800	1,818,200
Financial assets		(5,258)	(5,337)
<b>Total</b>		<b>3,421,542</b>	<b>1,812,863</b>
The prior year comparatives have been restated, please refer to note 49 for more detail information.			
<b>35. Property rates</b>			
Residential properties		298,733,608	267,055,508
Agricultural property		62,556,801	57,359,173
Business and commercial properties		89,311,724	87,178,470
State-owned properties		30,393,747	28,346,623
Less: Income forgone		(137,284,525)	(128,048,211)
<b>Total</b>		<b>343,711,355</b>	<b>311,891,563</b>
<b>Valuation as at 30 June 2021</b>			
Residential		41,351,504,542	39,781,258,837
Agricultural		8,518,218,800	8,496,836,800
Commercial		7,556,665,700	7,466,017,700
State-owned properties		2,459,914,550	3,604,996,855
<b>Total property valuations</b>		<b>59,886,303,592</b>	<b>59,349,110,192</b>

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 01-Jul-2017. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

A uniform rate for the same class and type of property was applied with the implementation of the Property Rates Act. A rate on different categories was applied to property valuations to determine assessment rates. A discount of 20% was granted to the state institutions.

Rates are levied for property owners on a monthly basis for monthly rate payers and are payable on the 15th of each month and for annual rate payers on 15th October. Interest is levied at the prime rate on outstanding rates amounts.

# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements

Figures in Rand		2021	2020
<b>36. Fines, penalties and forfeits</b>			
Fines, penalties and forfeits	36.1	128,602,942	82,126,344
<b>36.1 Fines, penalties and forfeits</b>			
<b>Traffic fines</b>			
Service provider fines		126,613,594	80,838,912
<b>Other fines</b>			
Building fines		172,233	46,348
Illegal connections - Electricity		346,763	132,638
Overdue books		22,283	64,052
Pound fees		1,448,069	1,044,394
		<b>1,989,348</b>	<b>1,287,432</b>
<b>Total</b>		<b>128,602,942</b>	<b>82,126,344</b>
<b>37. Transfers and subsidies - Revenue</b>			
<b>Operational</b>			
Allocations		220,606,266	188,658,255
<b>Capital</b>			
Allocations		175,958,381	180,713,796
<b>Total</b>		<b>396,564,647</b>	<b>369,372,051</b>
<b>Unconditional grants</b>			
Equitable share		187,332,000	150,601,000
Other		35,894,299	29,476,816
<b>Operational grants</b>		<b>223,226,299</b>	<b>180,077,816</b>
<b>Conditional grants</b>			
National Government		87,687,067	101,071,554
Provincial Government		90,266,515	89,455,664
Provincial Government		2,853,688	1,534,527
<b>Total conditional grants</b>		<b>180,807,270</b>	<b>192,061,745</b>
<b>Subtotal</b>		<b>404,033,569</b>	<b>372,139,561</b>
Offsetting of housing expenditure where municipality is seen as an agent		(118,192)	(429,953)
Recognition of revenue in terms of GRAP 11		(3,830,730)	(2,339,190)
<b>Total Government Grant and Subsidies</b>		<b>400,084,647</b>	<b>369,370,418</b>
<b>National Government (Unconditional Grants)</b>			

# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements

Figures in Rand		2021	2020
<b>37. Transfers and subsidies - Revenue (continued)</b>			
Balance unspent at beginning of year		-	-
Current year		187,332,000	150,601,000
Conditions met - transferred to revenue		(187,332,000)	(150,601,000)
<b>Conditions still to be met - transferred to liabilities</b>	21	<u>-</u>	<u>-</u>

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. All registered indigents receive a 100% monthly subsidy for the basic charges of Electricity, Refuse Removal, Sewerage and Water Services, the subsidy is adjusted as tariffs increase. All qualifying registered indigent households receive 6 kl water and 50 kWh electricity free every month.

### National Government (Conditional Grants)

Balance unspent at beginning of year		(179,322)	(179,319)
Current year receipts		(87,507,758)	(101,071,557)
Conditions met - transferred to revenue		87,687,067	101,071,554
<b>Conditions still to be met - transferred to liabilities</b>	21	<u>(13)</u>	<u>(179,322)</u>

These grants were used to construct infrastructure assets for the Municipality. Other than the unspent amount, the conditions of the grant have been met.

This grant received from National Government are for operational and capital expenditure projects related to budget reform and implementation of the MFMA. Other than the unspent amount, the conditions of the grant have been met.

### Provincial Government (Conditional Grants)

Balance unspent at beginning of year		(16,650,663)	(21,356,608)
Current year receipts		(89,172,476)	(84,749,719)
Conditions met - transferred to revenue		90,266,515	89,455,664
<b>Conditions still to be met - transferred to liabilities</b>	21	<u>(15,556,624)</u>	<u>(16,650,663)</u>

These grants received from Provincial Government are for operational and capital expenditure such as Revenue from Housing Grants and the related housing operating expenditure where Drakenstein Municipality is regarded as an agent in terms of GRAP amounted to R 118,192 (2020: R 429,953). In terms of a GRAP interpretation, where a municipality is regarded as an agent, the revenue should be set off against the operating expenditure.

# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements

Figures in Rand		2021	2020
<b>37. Transfers and subsidies - Revenue (continued)</b>			
<b>Other Grants (Unconditional)</b>			
Balance unspent at beginning of year		(5,019,406)	(1,872,397)
Current year receipts		(32,237,449)	(24,994,264)
Conditions met - transferred to revenue		35,894,299	21,847,255
<b>Conditions still to be met - transferred to liabilities</b>	21	<b>(1,362,556)</b>	<b>(5,019,406)</b>

These grants received from other institutions are for operational and capital expenditure projects. Other than the unspent amount, the conditions of the grant have been met. No funds have been withheld. These include monetary capital in-kind.

### Other Grants (Conditional)

Balance unspent at beginning of year		(1,473,171)	(558,344)
Current year receipts		(2,625,675)	(2,449,354)
Conditions met - transferred to revenue		2,853,688	1,534,527
<b>Conditions still to be met - transferred to liabilities</b>	21	<b>(1,245,158)</b>	<b>(1,473,171)</b>

These grants received from other institutions are for operational and capital expenditure projects. Other than the unspent amount, the conditions of the grant have been met. No funds have been withheld.

### Guarantees , donations and other contributions (Unconditional)

Balance unspent at beginning of year		(363,572)	(363,572)
Current year receipts		(8,246,659)	(7,629,561)
Conditions met - transferred to revenue		8,246,659	7,629,561
<b>Conditions still to be met - transferred to liabilities</b>	21	<b>(363,572)</b>	<b>(363,572)</b>

These grants received from other institutions are for operational and capital expenditure projects. Other than the unspent amount, the conditions of the grant have been met. No funds have been withheld.

The prior year comparatives have been restated, please refer to note 49 for more detail information.

### 38. Construction contract revenue

#### Housing projects

Kingston / Lantana (Construction)	2,645,398	1,151,849
Paarl East Housing (Planning)	1,185,332	-
Simondium (Planning)	-	1,187,341
<b>Total</b>	<b>3,830,730</b>	<b>2,339,190</b>

Revenue and expenses on housing contracts are recognized by reference to the stage of completion of the specific contract.

### 39. Employee related cost

Total employee related cost	714,717,910	626,602,692
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# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements

Figures in Rand

### 39. Employee related cost (continued)

#### 39.1 Senior management costs

2021

	JH Leibbrandt City manager	B Brown Chief Financial Officer	S Johaar Executive Director: Corporate Services	G Esau Executive Director: Community Services	LA Waring Executive Director: Planning and Development	M Wüst Executive Director: Engineering Services	J Carstens Chief Financial Officer	D Delaney Acting Executive Director: Planning and Development	E Saayman Acting Executive Director: Community Services	D Hattingh Executive Director: Engineering Services	Total
Cost to company package	1,987,402	1,596,747	1,596,747	1,596,747	1,330,623	1,596,747	-	-	-	-	9,705,013
Other allowances & reimbursement	32,384	25,244	25,244	25,244	21,162	44,671	149	4,288	11,238	149	189,773
Leave and other lumpsum payments	-	-	-	-	58,579	-	-	-	-	-	58,579
Performance bonuses	238,488	-	175,642	87,821	159,675	-	159,675	-	-	107,780	929,081
	<b>2,258,274</b>	<b>1,621,991</b>	<b>1,797,633</b>	<b>1,709,812</b>	<b>1,570,039</b>	<b>1,641,418</b>	<b>159,824</b>	<b>4,288</b>	<b>11,238</b>	<b>107,929</b>	<b>10,882,446</b>

# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements

Figures in Rand

### 39. Employee related cost (continued)

2020

	JH Leibbrandt City manager	J Carstens Chief financial officer	B Brown Chief Financial Officer	S Johaar Executive Director: Corporate Services	D Hattingh Executive Director: Engineering Services	M Wüst Executive Director: Engineering Services	LA Waring Executive Director: Planning and Development	G Esau Executive Director: Community Services	E Saayman Acting Executive Director: Community Services	C Lotz Acting Executive Director: Engineering Services	AMC De Beer Executive Director: Corporate Services	C Geldenhuys Acting Executive Director: Engineering Services	Total
Cost to company package	1,987,402	1,197,560	133,062	1,596,747	-	1,330,623	1,596,747	1,596,747	-	-	-	-	9,438,888
Other allowances & reimbursement	36,924	14,610	2,091	25,097	149	1,487	43,004	25,097	18,375	8,099	149	6,524	181,606
Leave and other lumpsum payments	-	135,319	-	-	17,687	-	-	-	-	-	-	-	153,006
Performance bonus	-	-	-	-	-	-	-	-	-	-	215,839	-	215,839
	<b>2,024,326</b>	<b>1,347,489</b>	<b>135,153</b>	<b>1,621,844</b>	<b>17,836</b>	<b>1,332,110</b>	<b>1,639,751</b>	<b>1,621,844</b>	<b>18,375</b>	<b>8,099</b>	<b>215,988</b>	<b>6,524</b>	<b>9,989,339</b>

The City Manager and Executive Directors are remunerated in terms of the Upper Limits of Total Remuneration Packages Payable to Municipal Managers and Managers Directly Accountable to Municipal Managers, issued in terms of the Local Government: Municipal Systems Act 32 of 2000.

Where other officials acted in the Executive Director positions and was remunerated accordingly, only the additional remuneration for acting in that position is disclosed.



# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements

Figures in Rand	2021	2020
<b>39. Employee related cost (continued)</b>		
<b>39.2 Municipal staff costs</b>		
Basic salary	474,441,242	444,503,575
Social Contributions	108,654,250	99,472,690
Travel or Motor Vehicle	29,048,647	27,092,375
Housing Benefits	4,194,525	4,318,705
Overtime payments	26,599,972	26,292,036
Acting and Post Related Allowances	1,872,146	1,231,265
Shift Additional Remuneration	2,291,930	2,362,260
Standby Allowance	9,232,642	9,061,813
Night Shift	3,040,267	3,181,854
Workman Compensation	3,444,765	2,420,354
Cellular and Telephone	4,087,152	3,880,950
Contribution to leave reserve	1,819,097	13,556,420
Provision for performance bonuses	986,298	961,166
Provision for TASK backpay	6,627,428	7,654,861
<b>Defined Benefit Plan Expenses: Post Employment Health Care</b>		
Current Service Cost	5,380,000	6,468,000
Actuarial (Gains) / Losses	3,462,532	(49,808,390)
Interest Cost	21,469,000	20,692,000
<b>Defined Benefit Plan Expenses: Ex Gratia Pension Benefits</b>		
Current Service Cost	-	-
Actuarial (Gains) / Losses	(8,550)	(679,069)
Interest Cost	77,000	133,000
<b>Defined Benefit Plan Expenses: Long Services</b>		
Current Service Cost	2,688,000	3,044,000
Actuarial (Gains) / Losses	876,567	(3,323,173)
Interest Cost	4,433,000	4,086,000
<b>Total</b>	<b>714,717,910</b>	<b>626,602,692</b>

The prior year comparatives have been restated, please refer to note 49 for more detail information.

# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements

Figures in Rand	2021	2020
<b>40. Remuneration of councillors</b>		
Executive mayor (Poole, CJ)	1,046,997	1,046,997
Deputy executive mayor (Combrink, GC)	837,597	837,597
Speaker (Stowman, AC)	837,597	837,597
Chief Whip (Koegelenberg, RA)	785,247	785,247
<b>Mayoral Committee Members</b>		
Mayoral Committee Member Of Rural Development (MA Andreas)	785,247	785,247
Mayoral Committee Member Of Social Services (E Gouws)	785,247	785,247
Mayoral Committee Member Of Human Settlements And Property Development (L Cyster)	785,247	785,247
Mayoral Committee Member Of Environment And Open Spaces (C Kearns)	785,247	785,247
Mayoral Committee Member Of Corporate Services (LP Mokoena)	785,247	785,247
Mayoral Committee Member Of Public Safety (R Smuts)	785,247	785,247
Mayoral Committee Member Of Communication And Intergovernmental Relations (RH Van Nieuwenhuizen)	785,247	785,247
Mayoral Committee Member Of Engineering Services (JF Le Roux)	785,247	785,247
Mayoral Committee Member Of Planning & Economic Development And Tourism (J Miller)	785,247	785,247
Mayoral Committee Member Of Recreation, Arts And Culture (LT Van Niekerk)	785,247	785,247
All other councillors	16,871,395	16,826,307
Cellphone & data allowances	2,869,843	2,834,200
Reimbursive travel allowances	-	6,584
<b>Total</b>	<b>31,101,146</b>	<b>31,026,999</b>

### In kind benefits

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

The Executive Mayor and Deputy Mayor and other full-time Mayoral Committee members have access to Council owned vehicles for ceremonial and official functions.

Councillors receive a total cost to company package as determined by the Notice for 'Determination of Upper Limits of Salaries, Allowances and Benefits of Different Members of Municipal Councils', issued in terms of Remuneration of Public Office Bearers Act, 1998, and may structure it as it wishes, furthermore they receive a maximum of R 44,200 (2020: R 44,200) per year, as a cellphone and data allowance in accordance with the notice. Other councillors receive an average of R 331,335 (2020: R 331,335) per year, except the chairperson of MPAC, who receives an average of R 423,214 (2020: R 423,214) per year.

Furthermore councillors receive the benefit of special risk insurance cover (SASRIA) as provided for in terms of the notice. This insurance cover, should cover the loss of or damage to a councillor's personal immovable or moveable property and assets, excluding property used by such councillor for business purposes, as well as life and disability cover, for any loss or damage caused by riot, civil unrest, strike or public disorder.

**Amount outstanding  
for more than 90  
days**

**List the name of the councillor which at any time during the relevant financial year was in arrears for more than 90 days**

### SEPTEMBER 2020

GEORGE N/NN

59

59

# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements

Figures in Rand		2021	2020
<b>41. Depreciation and amortisation</b>			
<b>Amortisation</b>			
Intangible assets	5.1	917,542	1,406,299
<b>Depreciation</b>			
Property, plant and equipment	3	226,564,199	217,255,691
<b>Total</b>		<b>227,481,741</b>	<b>218,661,990</b>

The prior year comparatives have been restated, please refer to note 49 for more detail information.

## 42. Impairment losses on financial assets

### Contribution (to)/from provision for impairment to surplus and deficit:

Consumer receivables and availability charges receivables	10	63,969,463	83,162,545
Statutory receivables: Property Rates	11	3,382,241	3,959,701
Statutory receivables: Traffic fines		108,297,890	66,195,634
Long term receivables		(162,315)	170,149
<b>Total</b>		<b>175,487,279</b>	<b>153,488,029</b>

Drakenstein Municipality uses the allowance account (provision for impairment) against which actual debts written off are recorded. During the year, the following debt was written off against the allowance account.

### Bad debts written-off

Consumer receivables and availability charges receivables	(56,473,674)	(39,772,133)
Statutory receivables: Property Rates	(1,406,629)	(1,257,506)
Statutory receivables: Traffic Fines	(53,131,179)	(70,137,705)
<b>Total</b>	<b>(111,011,482)</b>	<b>(111,167,344)</b>

## 43. Impairment losses on PPE, IA and HA

### Impairment losses on fixed assets recognised

Property, plant and equipment	(246,328)	293,482
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## 44. Interest, dividends and rent on land

Interest	44.1	179,830,803	178,731,085
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### 44.1 Interest cost

Financial liabilities			
• Long-term liabilities - interest paid		179,597,568	121,132,523
• Long-term liabilities - interest capitalised due to restructuring		-	56,907,180
• Finance leases		233,235	434,841
		<b>179,830,803</b>	<b>178,474,544</b>
Overdue accounts		-	256,541
<b>Total</b>		<b>179,830,803</b>	<b>178,731,085</b>

Included in interest paid is interest amounting to R 0 (2020: R 56,903,698) that was capitalised during 2019/2020 year, when a number of long-term loans of the municipality was restructured.

# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements

Figures in Rand	2021	2020
<b>45. Bulk purchases</b>		
Electricity: Eskom	812,914,980	768,631,262
Electricity: Independent power producers	1,249,161	975,313
Water	14,161,986	9,820,466
<b>Total</b>	<b>828,326,127</b>	<b>779,427,041</b>
<b>45.1 Electricity losses</b>		
<b>Reconciliation of kWh losses</b>		
kWh units purchased	710,002,179	713,972,614
kWh units sold	(656,553,200)	(693,022,704)
<b>kWh loss (Technical and Non-technical)</b>	<b>53,448,979</b>	<b>20,949,910</b>
Average value of losses (cost)	61,290,294	22,582,363
<b>Percentage loss:</b>		
Technical losses	7.53 %	2.93 %
Norm of losses	10.00 %	10.00 %
<b>Reasons for the losses</b>		
Losses occurred because of the following reasons:		
• Technical losses		
• Unmetered services		
• Theft		
<b>45.2 Water losses</b>		
System input volume (Kilolitres)	13,425,170	12,051,013
Billed metered consumption (Kilolitres)	(11,363,179)	(9,983,321)
<b>Total kilolitres loss (Technical and Non-technical)</b>	<b>2,061,991</b>	<b>2,067,692</b>
<b>Comprising of:</b>		
Technical losses	1,913,887	2,038,876
Non-technical losses	148,104	28,816
<b>Total</b>	<b>2,061,991</b>	<b>2,067,692</b>
<b>Percentage loss: *</b>		
Technical losses	14.29 %	16.92 %
Non-technical losses	1.11 %	0.24 %
<b>Total</b>	<b>15.40 %</b>	<b>17.16 %</b>
Norm of losses:	15.00 %	15.00 %

# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements

Figures in Rand		2021	2020
<b>45. Bulk purchases (continued)</b>			
<b>Reasons for the losses</b>			
Losses occurred because of the following reasons:			
<ul style="list-style-type: none"> <li>Burst pipes.</li> <li>Use of unmetered fire water connections at flat buildings and factories.</li> <li>Open spaces and sports fields that are still unmetered.</li> <li>Undetected leaks underground.</li> <li>Scouring of mainlines and reservoirs as part of the operational procedure to ensure good water quality.</li> </ul>			
* The water losses per the audited annual financial statements take into account water that was metered but not billed. Whereas the Annual performance report shows an actual technical water loss of 13.78% (2020: 16.92%, as unbilled metered water is not taken into account.			
The prior year comparatives have been reclassified, please refer to note 49 for more detail information.			
<b>46. Contracted services</b>			
Consultants and professional services	46.1	19,619,171	25,630,544
Contractors	46.2	114,281,817	107,288,127
Outsourced services	46.3	13,787,686	13,101,695
<b>Total</b>		<b>147,688,674</b>	<b>146,020,366</b>
<b>46.1 Consultants and professional services</b>			
Business advisory services		9,556,569	19,456,119
Legal advice and litigation		5,665,361	4,450,466
Other consultants and professional services		4,397,241	1,723,959
<b>Total consultants and professional services</b>		<b>19,619,171</b>	<b>25,630,544</b>
<b>46.2 Contractors</b>			
<b>General services</b>			
Housing project expenditure		3,970,285	2,488,215
Catering services		29,594	390,942
Management of informal settlements		2,119,685	1,704,015
Other contractor services		12,066,187	5,261,838
Safeguard and security		34,413,327	37,553,076
<b>Total general services</b>		<b>52,599,078</b>	<b>47,398,086</b>
<b>Maintenance services</b>			
Maintenance of buildings and facilities		11,528,388	5,746,857
Maintenance of equipment		27,804,694	27,381,563
Maintenance of unspecified assets		22,349,657	26,761,621
<b>Total maintenance service</b>		<b>61,682,739</b>	<b>59,890,041</b>
<b>Total contractor</b>		<b>114,281,817</b>	<b>107,288,127</b>
<b>46.3 Outsourced services</b>			
<b>General services</b>			
Traffic Fines Management		4,562,168	2,467,625
Waste management		5,635,642	7,607,833
Other outsourced services		3,589,876	3,026,237
<b>Total outsourced services</b>		<b>13,787,686</b>	<b>13,101,695</b>

# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements

Figures in Rand	2021	2020
<b>46. Contracted services (continued)</b>		
The prior year comparatives have been restated, please refer to note 49 for more detail information.		
<b>47. Operational cost</b>		
Advertising, Publicity and Marketing	2,410,088	2,777,864
Bank Charges, Facility and Card Fees	6,418,440	4,740,868
Commission	10,319,833	8,033,812
Communication	4,325,519	6,106,989
Contribution to provision for rehab and landfill site	10,530,942	(639,846)
External Audit Fees	6,444,898	7,013,381
External Computer Service	12,391,317	7,803,726
Insurance Underwriting	10,120,264	7,060,379
Licences	2,119,207	2,291,253
Other operational cost	2,268,171	4,591,820
Printing, Publications and Books	1,001,676	1,808,976
Professional Bodies, Membership and Subscription	6,996,011	6,609,273
Skills Development Fund Levy	4,137,413	4,874,458
Uniform and Protective Clothing	2,809,641	2,158,384
<b>Total</b>	<b>82,293,420</b>	<b>65,231,337</b>

### 48. Operating leases

Operating leases	18,956,121	16,995,086
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#### Operating leases (municipality as a lessee)

##### Land and buildings

Payable within one year	4,335,511	7,892,893
Payable in second to fifth year inclusive	7,158,751	8,846,993
<b>Total</b>	<b>11,494,262</b>	<b>16,739,886</b>

The Municipality has significant current lease arrangements for land and buildings over a period varying from 2 years and 4 months up to 9 years and 11 months being subject to increased lease payments.

All contingent lease payments are based on the actual contract value of the property leased and the escalations vary from 5.6% up to 8.5% (2020: 5.6% up to 8.5%).

No other restrictions were imposed.

The prior year comparatives have been restated, please refer to note 49 for more detail information.

# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements

Figures in Rand	2021	2020
<b>49. Net cash from/(used) operating activities</b>		
Surplus after capital transfers and contributions	101,327,421	122,724,969
<b>Adjustments for:</b>		
Depreciation and amortisation	227,481,741	218,661,990
(Gains) / Losses on disposal of assets	3,218,300	2,243,085
Fair value adjustment	(583,767)	(1,818,200)
(Gain)/Losses on disposal of inventory	(320,590)	79,596
Increase / (Decrease) in provisions	26,428,217	(22,898,177)
Impairment losses	175,240,950	153,781,524
Housing Development Fund	(39,419)	(248,564)
Provision for landfill rehab - iGRAP 2 adjustment	(15,897,275)	22,258,333
Assets from capital grant in-kind	(32,186,870)	(35,774,620)
Fair value adjustments on listed stock	5,258	5,339
Lease smoothing	1,923	202
Leave provision	1,819,097	13,556,420
13th Cheque provision	47,482	1,625,091
Long service award	7,997,567	3,806,827
Task Provision	6,627,428	7,654,861
Post-retirement	30,311,532	(22,648,390)
Performance bonus	986,298	961,166
Ex-Gratia pension	68,400	(546,068)
Capitalisation of interest	-	57,342,021
<b>Movement in working capital</b>		
(Increase) / Decrease in receivables from non-exchange transactions	(111,666,536)	(106,508,498)
Increase in consumer deposits	6,502,977	(4,397,876)
(Increase) / Decrease in inventory	(72,123)	(927,471)
(Increase) / Decrease in receivables from exchange transactions	(39,676,629)	(129,914,569)
(Increase) / Decrease in post retirement benefits and long service awards	(38,641,185)	(18,389,971)
Increase / (Decrease) in trade and other payables	(24,185,556)	80,888,352
Increase / (Decrease) in unspent conditional grants and receipts	(5,158,210)	(632,994)
Increase / (Decrease) in other current liabilities	(18,700,508)	(4,903,002)
<b>Net cash flows from operating activities</b>	<b>300,935,923</b>	<b>335,981,376</b>

# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements

Figures in Rand				2021	2020	
50. GRAP 3 adjustments						
The following restatements and adjustments occurred which are set out below:						
i) Adjustments of Statement of financial performance						
2020						
	Note	Previously reported	Correction of error	Change in accounting policy	Re-classification	Restated
Revenue						
Exchange revenue						
Services charges - Electricity	25	1,171,403,016	-	-	975,313	1,172,378,329
Services charges - Water	25	163,949,277	-	-	-	163,949,277
Services charges - Waste water management	25	116,383,957	-	-	-	116,383,957
Services charges - Waste management	25	124,369,960	402,545	-	-	124,772,505
Sales of goods and rendering of services	27	12,754,384	-	-	-	12,754,384
Rental from fixed assets	28	15,991,036	-	-	-	15,991,036
Interest on investments	29	6,140,446	-	-	-	6,140,446
Dividends	30	12,600	-	-	-	12,600
Interest on receivables	31	6,421,577	-	-	-	6,421,577
Operational revenue	32	4,266,744	-	-	-	4,266,744
Licences or permits	33	20,240,886	-	-	-	20,240,886
		1,641,933,883	402,545	-	975,313	1,643,311,741
Non-exchange revenue						
Property rates	35	311,891,563	-	-	-	311,891,563
Surcharges and taxes		852,305	-	-	-	852,305
Fines, penalties and forfeits	36	82,126,344	-	-	-	82,126,344
Transfers and subsidies	37	369,372,055	-	-	-	369,372,055
Operational revenue	32	2,368,493	-	-	-	2,368,493
Construction contract revenue	38	2,339,190	-	-	-	2,339,190
		768,949,950	-	-	-	768,949,950
Total revenue		2,410,883,833	402,545	-	975,313	2,412,261,691
Expenditure						
Employee related cost	39	667,786,183	(41,183,491)	-	-	626,602,692
Remuneration of councillors	40	31,026,999	-	-	-	31,026,999
Depreciation, amortisation and impairment	41	215,723,756	2,938,234	-	-	218,661,990
Impairment losses on financial assets	42	153,488,029	-	-	-	153,488,029
Impairment losses on PPE, IA and HA	39	293,482	-	-	-	293,482
Finance costs	44	178,731,085	-	-	-	178,731,085
Bulk purchases - Electricity	45	778,451,728	-	-	975,313	779,427,041
Inventory consumed		55,892,033	-	-	-	55,892,033
Contracted services	46	147,272,713	-	-	(1,252,348)	146,020,365
Transfers and subsidies		16,656,763	-	-	-	16,656,763
Operational cost	47	63,978,989	-	-	1,252,348	65,231,337
Operating leases	48	16,995,086	-	-	-	16,995,086
Fair value and loss on disposal adjustment of assets	34	513,853	(4,037)	-	-	509,816
Total expenditure		2,326,810,699	(38,249,294)	-	975,313	2,289,536,718
Surplus for the year		84,073,134	38,651,839	-	-	122,724,973



# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements

Figures in Rand		2021	2020			
50. GRAP 3 adjustments (continued)						
ii) Adjustments of Statement of financial position						
2020						
	Note	Previously reported	Correction of error	Change in accounting policy	Re-classification	Restated
Assets						
Non-current assets						
Property, plant and equipment	3	6,126,283,233	15,143,794	-	-	6,141,427,027
Heritage assets	4	41,223,700	-	-	-	41,223,700
Intangible assets	5	5,267,756	(2)	-	-	5,267,754
Investment property	6	39,558,200	2,635,000	-	-	42,193,200
Investments	7	82,298	-	-	-	82,298
Non-current receivables from exchange transactions	8	328,805	-	-	-	328,805
		6,212,743,992	17,778,792	-	-	6,230,522,784
Current assets						
Inventories	9	26,336,815	-	-	-	26,336,815
Trade and other receivables from exchange transactions	10	318,042,113	(1,587,301)	-	(87,175)	316,367,637
Receivables from non-exchange transactions	11	108,013,380	(4,235,733)	-	87,175	103,864,822
Cash and cash equivalents	12	77,549,461	3,050,437	-	-	80,599,898
Current portion of non-current receivables	13	104,778	-	-	-	104,778
VAT control receivable / (payable)	18	755,447	-	-	-	755,447
		530,801,994	(2,772,597)	-	-	528,029,397
Total assets		6,743,545,986	15,006,195	-	-	6,758,552,181
Net assets and liabilities						
Non-current liabilities						
Borrowings	14	1,636,956,881	-	-	-	1,636,956,881
Lease liabilities	15	1,440,194	-	-	-	1,440,194
Employee benefits	16	178,123,001	26,645,999	-	-	204,769,000
Provisions	17	168,950,709	-	-	-	168,950,709
		1,985,470,785	26,645,999	-	-	2,012,116,784
Current liabilities						
Consumer deposits	19	52,606,653	-	-	-	52,606,653
Trade and other payables from exchange transactions	20	387,805,023	(2,001,010)	-	-	385,804,013
Unspent conditional grants and receipts	21	29,951,738	(6,265,615)	-	-	23,686,123
Borrowings	14	19,681,848	-	-	-	19,681,848
Lease liabilities	15	1,717,999	-	-	-	1,717,999
VAT payable (Control)		-	-	-	-	-
Employee benefits	16	101,422,537	2,514,208	-	-	103,936,745
		593,185,798	(5,752,417)	-	-	587,433,381
Total net assets						
Housing development fund	22	22,000,754	-	-	-	22,000,754
Reserves	23	1,451,197,728	1,259,563	-	-	1,452,457,291
Accumulated surplus	24	2,691,690,921	(7,146,950)	-	-	2,684,543,971
		4,164,889,403	(5,887,387)	-	-	4,159,002,016
Total net assets and liabilities		6,743,545,986	15,006,195	-	-	6,758,552,181

# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements

Figures in Rand			2021	2020		
50. GRAP 3 adjustments (continued)						
iii) Adjustment of Cash flow statement						
2020						
	Note	Previously reported	Correction of error	Change in accounting policy	Re-classification	Restated
Cash flows from operating activities						
Receipts						
Property rates		304,627,875	(3)	-	-	304,627,872
Sale of goods and rendering of services		1,433,699,115	32,318,291	-	-	1,466,017,406
Transfers, subsidies and construction contract revenue		303,917,244	2,339,186	-	-	306,256,430
Interest received		12,562,023	(4,351,390)	-	-	8,210,633
Dividends received		12,600	-	-	-	12,600
Other receipts and fines received		85,123,133	(33,185,344)	-	-	51,937,789
Net VAT received		-	-	-	-	-
		-	-	-	-	-
Payments						
Employee cost		(671,609,754)	-	-	-	(671,609,754)
Suppliers		(1,025,475,768)	26,694,109	-	-	(998,781,659)
Interest paid		(121,389,064)	-	-	-	(121,389,064)
Net VAT paid		(4,903,001)	-	-	-	(4,903,001)
Net cash from operating activities		316,564,403	23,814,849	-	-	340,379,252
Cash flows from investing activities						
Proceeds on disposal of property, plant and equipment and intangible assets		2,793,032	4,037	-	-	2,797,069
Increase in other non-current receivables		551,386	-	-	-	551,386
Increase in investments		37,329	-	-	-	37,329
Capital assets		(269,566,985)	(23,818,886)	-	-	(293,385,871)
Net cash from investing activities		(266,185,238)	(23,814,849)	-	-	(290,000,087)
Cash flows from financing activities						
Decrease in short term loans		(3,313,269)	-	-	-	(3,313,269)
Decrease in borrowing long-term		(30,972,150)	-	-	-	(30,972,150)
Decrease in consumer deposits		(4,397,876)	-	-	-	(4,397,876)
Net increase/(decrease) in cash		11,695,870	-	-	-	11,695,870
Cash and cash equivalents at the beginning of the year		65,853,591	3,050,437	-	-	68,904,028
Cash and cash equivalents at the end of the year		77,549,461	3,050,437	-	-	80,599,898
Net increase/(decrease) in cash		11,695,870	-	-	-	11,695,870

# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements

Figures in Rand	2021	2020				
50. GRAP 3 adjustments (continued)						
iv) Adjustment of opening balances						
	Note	Previously reported	Correction of error	Change in accounting policy	Re-classification	Restated
Net assets						
Accumulated surplus 1 July 2019		2,583,896,254	-	-	-	2,583,896,254
Adjustment to property, plant and equipment		-	21,412,698	-	-	21,412,698
Adjustment to cash book		-	3,050,437	-	-	3,050,437
Adjustment to unspent grants		-	2,029,882	-	-	2,029,882
Adjustment to shop steward debtor		-	(509,754)	-	-	(509,754)
Adjustment to sale of land		-	(1,438,350)	-	-	(1,438,350)
Adjustment to ex-gratia and TASK provision		-	(786,700)	-	-	(786,700)
Adjustment to post medical		-	(69,557,000)	-	-	(69,557,000)
Total		2,583,896,254	(45,798,787)	-	-	2,538,097,467
Revaluation reserve 1 July 2018		1,480,380,383	-	-	-	1,480,380,383
Adjustment to property, plant and equipment		-	1,259,563	-	-	1,259,563
Total		1,480,380,383	1,259,563	-	-	1,481,639,946
Assets and liabilities						
Property, plant and equipment (Opening balance as at 1 July 2019)			6,062,923,816	18,115,295	-	6,081,039,111
Investment property (Opening balance as at 1 July 2019)			37,740,000	2,635,000	-	40,375,000
Trade and other receivables from exchange transactions (Opening balance as at 1 July 2019)			271,757,059	(2,054,272)	(87,175)	269,615,612
Receivables from non-exchange transactions (Opening balance as at 1 July 2019)			71,830,585	(4,235,733)	87,175	67,682,027
Cash and cash equivalents(Opening balance as at 1 July 2019)			65,853,591	3,050,437	-	68,904,028
Non-current employee benefits (Opening balance as at 1 July 2019)			169,980,001	69,286,000	-	239,266,001
Trade and other payables (Opening balance as at 1 July 2019)			330,633,050	(2,028,134)	-	328,604,916
Unspent conditional grants and receipts (Opening balance as at 1 July 2019)			30,584,732	(6,265,615)	-	24,319,117
Current employee benefits (Opening balance as at 1 July 2019)			82,362,109	1,057,700	-	83,419,809

# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements

Figures in Rand	2021	2020
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### 50. GRAP 3 adjustments (continued)

#### v) Detail notes affected by the reclassification

The co-gen tariffs to the amount of R975,312 were reclassified during the year.

Vote numbers initially allocated to the contractor services were allocated to the operational cost due to the nature of the expenditure to the amount of R1,252,348.

Due to some movement in accounts, some balances had to be reclassified between payables and receivables.

# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements

Figures in Rand	2021	2020
<b>50. GRAP 3 adjustments (continued)</b>		
<b>vi) Detail notes affected by the prior period correction</b>		
<b>a) Property, plant and equipment and Investment Property</b>		
During the financial year errors on PPE and Investment property were corrected. These corrections include assets incorrectly included in the asset register based on classification, existence and prior year adjustments. It was also found that the useful lives of some assets were incorrectly reviewed based on historical information which was available. These errors were corrected on the asset register.		
<b>(Increase) / decrease in Accumulated Surplus (Opening Balance 1 July 2019)</b>		<b>2020</b> (21,412,698)
<b>Increase / (Decrease) in PPE (Opening Balance 1 July 2019)</b>		18,115,295
<b>(Increase) / decrease in Revaluation reserve (Opening Balance 1 July 2019)</b>		(1,259,563)
<b>Decrease / (increase) in Trade and other payables (Opening Balance 1 July 2019)</b>		1,997,398
<b>Increase / (decrease) in Investment Property (Opening Balance 1 July 2019)</b>		2,635,000
<b>Increase / (decrease) in Trade receivables from exchange transactions (Opening Balance 1 July 2019)</b>		(75,432)
<b>Increase / (decrease) in Depreciation</b>		
Depreciation		2,938,234
<b>Decrease / (increase) in trade and other Payables</b>		
Retention		33,258
<b>Increase / (Decrease) in Property, plant and equipment</b>		
Property, plant and equipment		(2,971,492)
<b>(Increase) / decrease in Accumulated Surplus</b>		
Offsetting of depreciation		34,246
<b>(Increase) / decrease in Revaluation reserve</b>		
Offsetting of depreciation		(34,246)
		-

### b) Review on Sale of land ledger accounts

During the year it was identified that transactions that has already been concluded, were erroneously still in the opening balances of the ledger account. This error was corrected retrospectively.

<b>Decrease / (increase) in Accumulated Surplus (Opening Balance 1 July 2019)</b>	<b>2020</b> 1,438,350
<b>(Decrease) / increase in trade and other receivables from exchange transactions (Opening Balance 1 July 2019)</b>	(1,469,086)
<b>Decrease / (increase) in Trade and other payables (Opening Balance 1 July 2019)</b>	30,736
<b>Increase / (Decrease) in Trade and other receivables from exchange transactions</b>	
Payments received in advance	(4,037)
<b>(Increase) / decrease in gain on disposal of assets</b>	4,037
	-

# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements

Figures in Rand	2021	2020
<b>50. GRAP 3 adjustments (continued)</b>		
<b>c) Cash book adjustment</b>		
Bank adjustments relating to previous financial years were corrected.		
		<b>2020</b>
(Increase) / decrease in Accumulated Surplus (Opening Balance 1 July 2019)		(3,050,437)
Increase / (decrease) in Cash and cash equivalents (Opening Balance 1 July 2019)		3,050,437
		-
<b>d) Unspent conditional grant adjustments</b>		
During the year unspent conditional grants were reviewed and it was discovered that some incorrect transaction were not accounted for. These adjustments were made retrospectively.		
		<b>2020</b>
(Increase) / decrease in Accumulated Surplus (Opening Balance 1 July 2019)		(2,029,882)
Decrease / (increase) in Unspent conditional grant and receipts (Opening Balance 1 July 2019)		2,029,882
(Decrease) / increase in Receivables from non-exchange transactions (Opening balance 1 July 2019)		(4,235,733)
Decrease / (increase) in Unspent Conditional Grants (Opening balance 1 July 2019)		4,235,733
		-
<b>e) Ex-gratia pension benefit and TASK adjustments</b>		
A detail review was performed on the ex-gratia benefit and TASK provision, and it was confirmed that the data related to the prior years contained errors. The liabilities were corrected retrospectively.		
		<b>2020</b>
(Increase) / decrease in Accumulated Surplus (Opening Balance 1 July 2019)		786,700
Decrease / (increase) in Non-current employee obligations (Opening Balance 1 July 2019)		271,000
(Increase) / decrease in Current employee obligations (Opening Balance 1 July 2019)		(1,057,700)
<b>Increase / (decrease) in Employee Related Cost</b>		
Ex-Gratia Pension Benefits		(5,000)
TASK provision		1,456,509
<b>Decrease / (increase) in Non-current employee obligations</b>		
Ex-Gratia Pension Benefits		5,000
<b>(Increase) / decrease in Current employee obligation</b>		
TASK provision		(1,456,509)
		-

# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements

Figures in Rand	2021	2020
<b>50. GRAP 3 adjustments (continued)</b>		
<b>f) Post-employment medical benefit</b>		
A detail review was performed on the Post employment medical benefit, and it was confirmed that the data related to the prior years and assumptions contained errors. The liability was corrected retrospectively.		
		<b>2020</b>
<b>(Increase) / decrease in Accumulated Surplus (Opening Balance 1 July 2019)</b>		69,557,000
<b>Decrease / (increase) in Non-current employee obligations (Opening Balance 1 July 2019)</b>		(69,557,000)
<b>(Increase) / decrease in Employee Related Cost</b>		
Post-Employment Health Care Benefits		42,635,000
<b>Decrease / (increase) in Non-current employee obligations</b>		
Post-Employment Health Care Benefits		(42,635,000)
		-
<b>g) Shop steward Union debtor</b>		
During the year the debtor were reviewed and corrections were retrospectively adjusted.		
		<b>2021</b>
<b>(Increase) / decrease in Accumulated Surplus (Opening Balance 1 July 2019)</b>		509,754
<b>(Decrease) / increase in Receivables from non-exchange transactions (Opening balance 1 July 2019)</b>		(509,754)
		-
<b>h) Accrued revenue for sewerage</b>		
During the year it was discovered that sewerage revenue was accounted for incorrectly. These classification corrections were adjust retrospectively.		
		<b>2021</b>
<b>Increase / (decrease) in Receivables from exchange transactions</b>		462,927
<b>(Increase) / decrease in Trade payables from exchange transactions</b>		(60,382)
<b>(Increase) / decrease in Service charges</b>		(402,545)
		-

# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements

Figures in Rand	2021	2020
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### 50. GRAP 3 adjustments (continued)

#### Other items

##### a) SCM Disclosures

Included in notes relating to last year's transactions, Value Added Tax were added onto the disclosed notes and corrected retrospectively. Refer to each section separately for more detail information.

##### b) Cash flow statement - reclassifications and corrections

Prior year comparatives were restated on the cash flow statement and reconciliation note, due to the effect of the corrections and detailed above as well as other errors identified between items within the Cash flow statement.

##### c) Financial instruments - Maturity Analysis

The financial instruments note, specifically the fair value of assets (note 55.1), liquidity risk (note 55.7) and credit risk management (note 55.8) was restated due to the correction of errors.

##### d) Capital Commitments

Last year's transactions was disclosed excluding VAT. The prior year had to be adjusted in order to include VAT for the current and comparative year which amount to an increase of R24,974,809. Other corrections relating to expenditure reflecting in the incorrect period were also corrected, which lead to a decrease of R15,532,706. This resulted in a net movement of R9,442,103 from the previous disclosed amounts. Refer to the note for more detail information.

	Previously Reported	Restated Amount
Infrastructure	182,075,413	191,960,474
Other	-	-
Intangibles	3,240,660	2,797,703
	<b>185,316,073</b>	<b>194,758,177</b>

##### e) Exchange and Non-exchange service revenue

During the year service charges were split into exchange and non-exchange revenue and this was corrected retrospectively.

### Statement of Financial Performance for the year ended 30 June 2020

	After restatement in note 50 (i)	New Disclosed Amount
<b>Exchange revenue</b>		
Service charges - Electricity	1,172,378,329	1,170,589,172
Service charges - Water	163,949,277	162,252,918
Service charges - Waste water management	116,383,957	113,853,045
Service charges - Waste management	124,772,505	121,887,978
<b>Non-exchange revenue</b>		
Availability charges - Electricity	-	1,789,157
Availability charges - Water	-	1,696,359
Availability charges - Waste water management	-	2,530,913
Availability charges - Waste management	-	2,884,526
	<b>1,577,484,068</b>	<b>1,577,484,068</b>



# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements

Figures in Rand	2021	2020
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### 51. Adjusting events after the reporting date

#### Unauthorised, irregular, fruitless and wasteful expenditure

a) The following expenditure was written off by Council on 28 July 2021:

Unauthorised expenditure - R34,503,469;

Irregular expenditure - R1,906,140; and

Fruitless and wasteful - R256,541.

The write-off were taken into account in note 52.

b) The following expenditure was written off by Council on 29 September 2021:

Irregular expenditure - R2,066,651

The write-off were taken into account in note 52.

#### Contingent liabilities

NERSA - after submission of the unaudited annual financial statements to the AGSA, the case was concluded on 22 October 2021 with no financial impact on the municipality.

#### Unspent Conditional Grants

The application to roll-over the water service infrastructure grants was not approved by National Treasury and will be reverted back to the national fiscus.

# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements

Figures in Rand	2021	2020
<b>52. Unauthorised, irregular, fruitless and wasteful expenditure</b>		
<b>52.1 Unauthorised expenditure</b>		
<b>Application of Sec (a) of the definition of Unauthorised expenditure in terms of the MFMA - Total Operating Budget</b>		
Opening balance as previously reported	-	-
Add: Unauthorised expenditure – current	-	-
Add: Unauthorised expenditure – prior period	-	-
Less: Amounts written-off – current	-	-
Less: Amounts written-off – prior period	-	-
<b>Closing balance</b>	<b>-</b>	<b>-</b>

### Application of Sec (b) of the definition of Unauthorised expenditure in terms of the MFMA - Total Operating Budget

#### Reconciliation of unauthorised expenditure - Per Sec (b) of the definition of Unauthorised expenditure (Vote - Department)

Opening balance as previously reported	34,503,469	13,268,809
Add: Unauthorised expenditure – current	-	34,503,469
Less: Amounts written-off – current	(34,503,469)	(13,268,809)
<b>Closing balance</b>	<b>-</b>	<b>34,503,469</b>

#### 2021

	Budget	Actual expenditure	Unauthorised expenditure	Amount written off by council
<b>Unauthorised expenditure per Vote (Department)</b>				
Office of the City Manager	4,285,735	4,227,406	-	-
Financial Services	124,552,102	111,947,071	-	-
Corporate Services	166,176,503	162,486,960	-	-
Planning and Development	47,567,393	46,977,991	-	-
Community Services	480,389,198	469,159,599	-	-
Engineering Services	1,687,221,688	1,660,514,160	-	-
Department of Chief Audit Executive	8,800,760	8,723,623	-	-
Department of Risk And Compliance	2,194,349	2,109,762	-	-
Department of IDP And PMS	6,327,808	5,714,506	-	-
Department of Communication	4,840,388	4,339,423	-	-
	<b>2,532,355,924</b>	<b>2,476,200,501</b>	<b>-</b>	<b>-</b>

# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements

Figures in Rand	2021	2020
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### 52. Unauthorised, irregular, fruitless and wasteful expenditure (continued)

#### 2020

	Budget	Actual expenditure	Unauthorised expenditure	Amount written off by council
<b>Unauthorised expenditure per Vote (Department)</b>				
Office of the City Manager	4,552,112	3,954,927	-	-
Financial Services	130,797,902	165,301,371	(34,503,469)	-
Corporate Services	157,095,965	112,466,432	-	-
Planning and Development	54,225,506	50,498,427	-	-
Community Services	478,491,433	419,956,230	-	-
Engineering Services	1,557,337,110	1,518,123,891	-	-
Department of Chief Audit Executive	7,889,045	7,720,121	-	-
Department of Risk And Compliance	2,908,400	1,769,812	-	-
Department of IDP And PMS	5,365,531	5,021,457	-	-
Department of Communication	5,575,540	3,911,309	-	-
	<b>2,404,238,544</b>	<b>2,288,723,977</b>	<b>(34,503,469)</b>	<b>-</b>

The unauthorised expenditure is due to the capitalisation of interest as a result of negotiations during the restructuring process. Refer to note 43.1 and 14 for more information.

#### Application of Sec (a) of the definition of Unauthorised expenditure in terms of the MFMA - Total Capital Budget

##### Reconciliation of unauthorised expenditure - Per Sec (a) of the definition of

##### Unauthorised expenditure (Total Capital Budget)

Opening balance as previously reported	-	8,749,147
Less: Amounts written-off – current	-	(8,749,147)
<b>Closing balance</b>	<b>-</b>	<b>-</b>

The over expenditure incurred during the year is attributable to the following categories:

#### Application of Sec (b) of the definition of Unauthorised expenditure in terms of the MFMA - Capital Budget

##### Reconciliation of unauthorised expenditure - Per Sec (b) of the definition of

##### Unauthorised expenditure (Vote - GFS)

Opening balance as previously reported	-	18,724,999
Less: Amounts written-off – current	-	(18,724,999)
<b>Closing balance</b>	<b>-</b>	<b>-</b>

# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements

Figures in Rand	2021	2020
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### 52. Unauthorised, irregular, fruitless and wasteful expenditure (continued)

#### 2021

	Budget	Actual expenditure	Unauthorised expenditure	Amount written off by council
<b>Unauthorised expenditure per Vote (Department)</b>				
Office of the City Manager	21,475	21,475	-	-
Financial Services	668,412	517,709	-	-
Corporate Services	4,836,890	4,520,937	-	-
Planning and Development	160,583	160,583	-	-
Community Services	48,093,737	45,968,540	-	-
Engineering Services	185,259,417	170,438,667	-	-
Department of Chief Audit Executive	-	-	-	-
Department of Risk And Compliance	1,416	1,416	-	-
Department of IDP And PMS	-	-	-	-
Department of Communication	17,131	17,130	-	-
	<b>239,059,061</b>	<b>221,646,457</b>	-	-

#### 2020

	Budget	Actual expenditure	Unauthorised expenditure	Amount written off by council
<b>Unauthorised expenditure per Vote (Department)</b>				
Office of the City Manager	25,001	825	-	-
Financial Services	1,765,561	1,765,560	-	-
Corporate Services	9,246,981	6,234,938	-	-
Planning and Development	764,971	764,035	-	-
Community Services	80,477,740	62,712,484	-	-
Engineering Services	215,877,592	198,043,722	-	-
Department of Chief Audit Executive	-	-	-	-
Department of Risk And Compliance	30,000	30,000	-	-
Department of IDP And PMS	-	-	-	-
Department of Communication	206,345	206,280	-	-
	<b>308,394,191</b>	<b>269,757,844</b>	-	-

# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements

Figures in Rand	2021	2020
<b>52. Unauthorised, irregular, fruitless and wasteful expenditure (continued)</b>		
<b>52.2 Irregular expenditure</b>		
Opening balance as previously reported	3,024,725	1,452,345
Add: Irregular expenditure – current	3,113,057	4,904,499
Add: Irregular expenditure – prior period #	-	253,076
Add: Irregular expenditure VAT portion	-	773,636
Less: Amounts approved by Council	(5,091,376)	(3,332,119)
Less: Amounts approved by Council - prior period #	-	(253,076)
Add: Irregular expenditure VAT portion	-	(773,636)
<b>Closing balance</b>	<b>1,046,406</b>	<b>3,024,725</b>

# Irregular expenditure from 53 Power Projects (Pty) Ltd (ED1/2017) to the amount of R253,076 was incorrectly excluded from the prior year disclosure. This irregular expenditure was written off by Council on 25 August 2020.

During the year the municipality become aware that the disclosure note should include VAT on all amounts disclosed.

All above mentioned amounts now include VAT.

Incident	Disciplinary steps/criminal proceedings		
Expansion of contract CES 07/2015 (Upgrade and extension of the Wellington Waste Water Treatment Works to 16ML / day : Mechanical and Electrical Installation)	Investigated and report submitted to Council. Amounts written off as recommended.	-	422,615
Expansion of contract CES 08/2015 (Upgrade and extension of the Wellington Waste Water Treatment Works to 16ML / day : Civil Works)	Investigated and report submitted to Council. Amounts written off as recommended.	-	734,883
Revised interpretation of the application of Regulation 32 of the Municipal Supply Chain Management Regulations as included in MFMA Circular No. 96 dated 24 July 2019.	Investigated and report submitted to Council. Amounts written off as recommended.	-	1,367,618
Expansion of contract COM P3/2017 without prior approval by the delegated authority.	Investigated and report submitted to Council. Amounts written off as recommended.	-	1,118,585
Non-compliance to procurement process for the hiring of a digger loader and tipper truck for works at Saron and Paarl Waste Water Treatment.	Investigated and report submitted to Council. Expenditure was written off by Council on 25 August 2020.	-	40,653

# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements

Figures in Rand		2021	2020
<b>52. Unauthorised, irregular, fruitless and wasteful expenditure (continued)</b>			
The award was made to the incorrect supplier	Investigated and report submitted to Council. Amounts written off as recommended.	-	73,478
Deviation appointment for the hiring, cleaning, maintenance and delivery of chemical toilets	Investigated and report submitted to Council. Amounts written off as recommended.	-	506,928
Composition of bid committees	Investigated and report submitted to Council. Prior year amount written off as recommended. Current year still under investigation.	2,066,651	486,904
Deviation appointment for CCTV monitoring in Paarl	Investigated and report submitted to Council. Amounts written off as recommended.	-	152,835
53 Power Projects (Pty) Ltd (ED1/2017)	Investigated and report submitted to Council. Amounts written off as recommended.	-	253,076
Deviation: Emergency repair to damaged Sulzer Pump no.4 at Pentz Street, Wellington.	Matter will be investigated and reported to Council.	334,834	-
Deviation: Emergency repair to damaged Sulzer Pump no.2 at Pentz Street, Wellington.	Matter will be investigated and reported to Council.	711,572	-
<b>Total</b>		<b>3,113,057</b>	<b>5,157,575</b>

# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements

Figures in Rand		2021	2020
<b>52. Unauthorised, irregular, fruitless and wasteful expenditure (continued)</b>			
<b>52.3 Fruitless and wasteful expenditure</b>			
Opening balance as previously reported		463,947	-
Add: Fruitless and wasteful expenditure – current		-	256,541
Add: Fruitless and wasteful expenditure – prior period		-	282,838
Less: Fruitless and wasteful expenditure – adjustment		-	(75,432)
Less: Amount recovered of prior period expenditure		(207,406)	-
Less: Amounts written-off – current		(256,541)	-
<b>Closing balance</b>		<b>-</b>	<b>463,947</b>
<b>Incident</b>	<b>Disciplinary steps/criminal proceedings</b>		
A double payment occurred on contract COM P2/2016 for the construction of a new club house including cloak rooms at Hermon Sports Grounds	Outstanding amount collected from the service provider.	-	207,406
Payment of interest to Eskom	Interest was levied due to purported late payment as a result of limited operational hours of the National Payment System on public holidays and weekends.	-	256,541
<b>Total</b>		<b>-</b>	<b>463,947</b>

During the year the municipality become aware that the disclosure note should include VAT on all amounts disclosed.

All above mentioned amounts now include VAT.

# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements

Figures in Rand	2021		2020			
53. Additional disclosures in terms of Municipal Finance Management Act						
	SALGA contributions	Audit fees	PAYE	UIF	Pension	Medical aid
As at 30 June 2021						
Opening balance	1,421,648	-	7,203,086	538,479	-	-
Subscription/fees	8,344,040	7,411,633	98,442,909	6,793,420	115,534,139	43,961,936
Amount paid – current year	(15,177,274)	(7,411,633)	(96,601,150)	(6,713,096)	(115,534,139)	(43,961,936)
Balance (prepaid) / unpaid **	(5,411,586)	-	9,044,845	618,803	-	-
	SALGA contributions	Audit fees	PAYE	UIF	Pension	Medical aid
As at 30 June 2020						
Opening balance	(5,180,877)	-	-	-	-	-
Subscription/fees	6,602,525	7,981,582	86,590,288	6,679,847	104,788,353	41,818,207
Amount paid – current year	-	(7,981,582)	(79,387,202)	(6,141,368)	(104,788,353)	(41,818,207)
Balance (prepaid) / unpaid **	1,421,648	-	7,203,086	538,479	-	-

\*\* These balances are either included in (debtors) or creditors respectively.

VAT output payables and VAT input receivables are shown in Note 18 . All VAT returns have been submitted by the due date throughout the year.

Non-Compliance with Chapter 11 of the Municipal Finance Management Act

Non Compliance to the following sections of chapters of the MFMA:

CHAPTER	SECTION	SUB-SECTION
8	74	1



# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements

### Figures in Rand

#### 54. Additional disclosures in terms of the supply chain management regulations

##### 54.1. Deviation from, and ratification of minor breaches of, the procurement processes

In terms of section 36(2) of the Supply Chain Management Policy approved by Council it is stipulated that bids where the formal procurement processes could not be followed, must be noted in the financial statements.

SCM paragraph reference	Description of deviation		
36 (1)(a) i	Dispense with the official procurement processes in an emergency	1,649,496	2,607,417
36 (1)(a) ii	Dispense with official procurement processes if such goods or services are produced or available from a single source or sole provider.	8,508,009	9,559,319
36 (1)(a) v	Dispense with official procurement processes in any other exceptional case where it is impractical or impossible to follow the official procurement processes.	132,945	795,695
<b>Total deviations</b>		<b>10,290,450</b>	<b>12,962,431</b>

##### 54.2. Awards to close family members of persons in service of the state - SCM Regulation 45

##### Awards to close family members of persons in the service of Drakenstein Municipality

Supplier name	Employee name	Relationship	Department		
Business Connexion	C van Der Bank	Spouse	Drakenstein Municipality: Planning & Development	4,157,848	4,607,337
D Uren Construction	Z Naidoo	Child	Drakenstein Municipality: Finance	821,148	1,158,680
	U Naidoo	Son-in-law	Drakenstein Municipality: Engineering		
Wab Printmedia (Pty) Ltd	A Brink	Spouse	Drakenstein Municipality: Finance	93,841	54,789
Zutari (Pty) Ltd (previous Aurecon South Africa (Pty) Ltd)	P W Pansegrouw	Spouse	Drakenstein Municipality: Engineering Services	2,763,421	25,119,522
Harold's Auto Repairs	B van Rooy	Child	Drakenstein Municipality: Engineering Services	528,435	397,896
EHH Building Construction	H Fredericks	Brother	Drakenstein Municipality	1,039,035	311,882
Siphakame Skills Development CC	N Vacu	Spouse	Drakenstein Municipality: Planning and Economic Development	-	37,500
Roll-a-add CC	R Jaftha	Spouse	Drakenstein Municipality: Internal Audit	22,000	-
Imivisiswano Infrastructure Development (Pty) Ltd	C Boonzaaier	Sister	Drakenstein Municipality: Finance	35,514	-
BD Uren	Z Naidoo	Sister	Drakenstein Municipality: Finance	111,343	-

# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements

Figures in Rand

### 54. Additional disclosures in terms of the supply chain management regulations (continued)

U Naidoo Brother-in-law Drakenstein Municipality: Engineering

9,572,585

31,687,606

### Awards to close family members of persons in the service of other state departments and entities (not listed above)

Supplier name	Employee name	Relationship	Department		
CSM Consulting Services (Pty) Ltd	A Van Collie	Child	Department of Environmental Affairs	657,479	1,536,918
LJ Projects and Events	C Jafta	Spouse	Department of Water Affairs	-	5,500
Mubesco Africa (PTY) Ltd	J Niehaus	Spouse	Northern Cape department of Health	103,500	842,870
TC Event Management (Pty) Ltd	L Johnson	Brother	South African Police Services	-	1,239,592
Succido Enterprises	L Kram	Spouse	Passenger Rail Agency of South Africa	-	42,214
Motheo Construction Group (Pty) Ltd	R Mantlhasi	Parent	Department of Home Affairs	2,861,193	5,642,024
Humafeld (Pty) Ltd	N Kobeli	Spouse	South Africa Social Security Agency (SASSA)	207,262	449,048
Samvix Trading and Development (Pty) Ltd	J Fullard	Brother	Stellenbosch Local Municipality	-	4,137
	J Fullard	Brother	City of Cape Town	-	-
Servelec (Pty) Ltd	L de Lange	Spouse	South African Revenue Services	805,255	1,161,891
Van Der Spuy (Wes-Kaap) Inc Van Der Spuy en Vennote	M Van Zyl	Spouse	Western Cape Department of Education	2,338,582	1,137,662
Webber Wentzel	Dr E Watson	Brother	Road Accident Fund	784,565	391,479
	E Watson	Parent	Department of Public Services and Administration	-	-
	JCL Smit	Parent	Beaufort West Municipality	-	-
	N Ndebele	Sister	Gauteng Department of Education	-	-
	Dr D Signh	Parent	Department of Basic Education (KZN)	-	-
	P Singh	Parent	Department of Basic Education (KZN)	-	-
Barends Industrial Solutions	W Barends	Spouse	Western Cape Department of Education	509,136	702,161
Masiqhame Trading ZZ CC	S Gxilishe	Parent	Western Cape Department of Education	2,402	65,297
	B Gxilishe	Parent	Department of Agriculture and Fisheries	-	-
WRP Consulting Engineers (Pty) Ltd	K Mamphita	Spouse	South African Broadcasting Corporation	584,660	377,839
	Z Van Rooyen	Spouse	Department of Public Works	-	-
Democratic Packaging CC	V Van Der Heerver	Spouse	Western Cape Department of Education	-	136,620
J Walters T/A JC Travel	Walters	Spouse	Western Cape Department of Education	11,800	27,300
ADK General Services (Pty) Ltd	D Khonje	Spouse	South African Police Services	-	34,560
Multimode Trading (Pty) Ltd	H Esterhuizen	Spouse	South African Police Services	439,768	14,384
Water and Sanitation Services South Africa (Pty) Ltd	T Zwane	Spouse	Ekurhuleni Metro Municipality	-	14,145

# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements

Figures in Rand

### 54. Additional disclosures in terms of the supply chain management regulations (continued)

Piston Power Chemicals	N Anidhee	Spouse	KNZ Department of Education	252,902	150,057
JPCE (Pty) Ltd	J Minnie	Spouse	City of Cape Town	696,967	1,672,769
Massamatic (Pty) Ltd	M Barnard	Inlaw	Department of Health	-	78,643
Neil Lyners and Associates CC t/a Lyners	H Lyners	Brother	Western Cape Provincial Government	4,705,945	7,675,393
Red Ant Security Relocation and Eviction Services	N Lesoela	Spouse	Mogale City Local Municipality	-	174,224
Rhode Bros Steel Projects CC	D Rhode	Child	South African Police Services	13,800	177,120
Ikapa Reticulation & Flow CC	S Davids	Spouse	Western Cape Department of Education	1,098,547	-
Aecom SA (Pty) Ltd	V Hariram	Parent	eThekweni Municipality	-	35,432
	FA Lubbe	Spouse	NECSA	-	-
	A van der Merwe	Spouse	Department of Health	-	-
	R de Kock	Spouse	City of Cape Town	-	-
	M Bruintjies	Brother	SANDF	-	-
	F Venter	Brother	ESKOM	-	-
	E Bekker	Spouse	Gauteng Department of Education	-	-
	L Burger	Spouse	Western Cape Department of Education	-	-
	E Kok	Spouse	Western Cape Department of Education	-	-
	P Maake	Brother	Madibeng Municipality	-	-
	JJ Kitshoff	Parent	Armscor	-	-
	A Peinke	Spouse	eThekweni Municipality	-	-
Kozain Panel Beaters	J Kozain	Child	Western Cape Department of Education	61,494	74,416
	T Kozain	Child	Western Cape Department of Health	-	-
Zutari (Pty) Ltd (previous Aurecon South Africa (Pty) Ltd)	WZ Erasmus	Spouse	Cape Nature	2,763,421	25,119,522
TC Events Co (Pty) Ltd	L Johnson	Brother	South African Police Services	32,275	-
JF van Wyk	M Renier	Sister	Western Cape Department of Education	61,500	32,500
	D Renier	Brother-in-law	South African Police Services	-	-
<b>All amounts include VAT</b>				<b>18,992,453</b>	<b>49,015,717</b>

The figures for the 2019/2020 financial year is restated due to the identification of duplicate transactions that was included in the audit figure. The duplications have been removed and the amount have been restated.

# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements

Figures in Rand	2021	2020
<b>55. Capital commitments</b>		
Commitments in respect of capital expenditure:		
<b>Approved and contracted for:</b>		
Infrastructure *	39,193,792	191,960,474
Other *	789,926	-
Intangibles *	2,879,608	2,797,703
	<b>42,863,326</b>	<b>194,758,177</b>

\* The comparative amounts as disclosed in the 2019/2020 AFS was adjusted to include VAT and to correct errors identified.  
All above mentioned amounts include VAT.

## 56. Financial instruments

### 56.1 Fair value of financial instruments

The management of the municipality is of the opinion that the carrying value of Financial Assets and Financial Liabilities recorded at amortised cost in the audited annual financial statements approximate their fair values, except for the listed Government stock. In accordance with GRAP 104 the Fair Values of Financial Assets and Financial Liabilities, together with the carrying amounts shown in the Capital expenditure and Cash flow, are as follow:

		2021		2020	
		Carrying amount	Fair value	Carrying amount	Fair value
<b>Financial assets</b>					
<b>Fair value</b>					
Listed investments	7&12	39,706	39,706	82,298	82,298
<b>Amortised cost</b>					
Non-current receivables from exchange transactions	8	272,299	272,299	328,805	328,805
Trade and other receivables from exchange transactions	10	292,073,361	292,073,361	316,367,637	316,367,637
Current portion of non-current receivables	8	156,788	156,788	104,778	104,778
Cash and cash equivalents	12	138,741,652	138,741,652	80,599,898	80,599,898
		<b>431,244,100</b>	<b>431,244,100</b>	<b>397,401,118</b>	<b>397,401,118</b>
<b>Total financial assets</b>		<b>431,283,806</b>	<b>431,283,806</b>	<b>397,483,416</b>	<b>397,483,416</b>
<b>Financial liabilities</b>					
<b>Amortised cost</b>					
<b>Unsecured bank facilities:</b>					
Financial liabilities		1,618,427,774	1,618,427,774	1,638,397,075	1,638,397,075
<b>Trade and other payables:</b>					
Consumer deposits	19	59,109,630	59,109,630	52,606,653	52,606,653
Trade and other payables from exchange transactions	20	259,885,443	259,885,443	295,216,074	295,216,074
Current portion of financial liabilities		19,969,302	19,969,302	21,399,847	21,399,847
		<b>338,964,375</b>	<b>338,964,375</b>	<b>369,222,574</b>	<b>369,222,574</b>
<b>Total financial liabilities</b>		<b>1,957,392,149</b>	<b>1,957,392,149</b>	<b>2,007,619,649</b>	<b>2,007,619,649</b>
<b>Total financial instruments</b>		<b>(1,526,108,343)</b>	<b>(1,526,108,343)</b>	<b>(1,610,136,233)</b>	<b>(1,610,136,233)</b>

The Fair Values of Financial Assets and Financial Liabilities are determined as follow:

The Fair Value of Long term liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements

Figures in Rand	2021	2020
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### 56. Financial instruments (continued)

The fair value of Other Financial Assets and Financial Liabilities were determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties as well as the current payment ratio's of the municipality's debtors.

The audited annual financial statements include holdings in Listed Government Stock which are measured at Fair Value (Note 7). Fair Value is estimated with standard terms and conditions and traded on active liquid markets is determined with reference to quoted market prices.

#### Assumptions used in determining fair value of financial assets and financial liabilities

The table below analyses Financial Instruments carried at Fair Value at the end of the reporting period by the level of fair-value hierarchy as required by GRAP 104. The different levels are based on the extent to which quoted prices are used in the calculation of the Fair Value of the Financial Instruments.

The levels have been defined as follow:

##### Level 1

Fair Values are based on quoted market prices (unadjusted) in active markets for an identical instrument.

##### Level 2

Fair Values are calculated using valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments, quoted prices for identical or similar instruments in markets that are considered less than active, or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

##### Level 3

Fair Values are based on valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. Also, this category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

#### 30 June 2021

	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>				
<b>Financial instruments at fair value:</b>				
Listed investments	39,706	-	-	39,706
<b>Financial liabilities</b>				
<b>Financial instruments at fair value:</b>				
Bank overdraft	-	-	-	-
Other loans	-	-	-	-
<b>Total financial liabilities</b>	-	-	-	-

# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements

Figures in Rand	2021	2020		
56. Financial instruments (continued)				
30 June 2020				
	Level 1	Level 2	Level 3	Total
Financial assets				
Financial instruments at fair value:				
Listed investment	82,298	-	-	82,298
Financial liabilities				
Financial instruments at fair value:				
Bank overdraft	-	-	-	-
Other loans	-	-	-	-
Total financial liabilities	-	-	-	-

### 56.2 Capital risk management

The municipality manages its capital to ensure that the municipality will be able to continue as a going concern while delivering sustainable services to consumers through the optimisation of the debt and equity balance.

### 56.3 Financial risk management objectives

Due to largely non-trading nature of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities. Financial instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IFRS mainly apply. Generally, financial assets and liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the municipality in undertaking its activities.

The Department: Financial services monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity. Compliance with policies and procedures is reviewed by internal auditors on a continuous basis, and by external auditors annually. The municipality does not enter into or trade financial instruments for speculative purposes.

Internal audit and risk management, responsible for monitoring and responding to potential risk, reports quarterly to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function.

### 56.4 Significant accounting policies

Details of the significant Accounting Policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of Financial Asset, Financial Liability and Equity Instrument are disclosed in the Accounting Policies to the audited annual financial statements.

### 56.5 Market risk

The municipality's activities expose it primarily to the financial risks of changes in interest rates (see Note 56.6 below). No formal policy exists to hedge volatilities in the interest rate market.

### 56.6 Interest rate risk

Interest rate risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

Potential concentrations of interest rate risk on financial assets consist mainly of fixed deposit investments and bank and cash balances.

The municipality is not exposed to a high level of interest rate risk on its financial liabilities. All of the municipality's interest bearing external loan liabilities, as detailed in Appendix 'A', are fixed interest rate loans. Similarly with financial assets, the municipality invests its surplus funds on call deposit interest rate deposits with banks for fixed terms not exceeding one year.

# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements

Figures in Rand	2021	2020
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### 56. Financial instruments (continued)

The municipality's maximum exposures to interest rates on Financial Assets and Financial Liabilities are detailed in the Credit Risk Management section of this note.

#### 56.7 Liquidity risk

Ultimate responsibility for liquidity risk management rests with the Council. The municipality manages liquidity risk by effectively managing its working capital, capital expenditure, external borrowings and cash flows. Standby credit facilities are available with the municipality's main banker to cater for any unexpected temporary shortfall in operating funds.

#### 30 June 2021

	Within 1 year	2 to 5 years	5 years +	Total
<b>Maturity analysis</b>				
Annuity loans	198,639,088	1,004,723,266	2,022,463,325	3,225,825,679
Finance leases	1,413,432	26,762	-	1,440,194
Payables from exchange transaction	259,885,443	-	-	259,885,443
	<b>459,937,963</b>	<b>1,004,750,028</b>	<b>2,022,463,325</b>	<b>3,487,151,316</b>

#### 30 June 2020

	Within 1 year	2 to 5 years	5 years +	Total
<b>Maturity analysis</b>				
Annuity loans	201,433,182	953,981,047	2,271,844,632	3,427,258,861
Finance leases	1,951,234	1,509,005	-	3,460,239
Payables from exchange transaction	295,216,074	-	-	295,216,074
	<b>498,600,490</b>	<b>955,490,052</b>	<b>2,271,844,632</b>	<b>3,725,935,174</b>

The municipality expects to meet its other obligations from operating cash flows and proceeds of maturing financial assets. The municipality expects to maintain its current debt to equity ratio. This will be achieved through the annual increase in tariffs to maintain the accumulated surplus, as well as the increased use of unsecured bank loan facilities.

#### 56.8 Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality.

Potential concentrations of credit risk consist mainly of fixed deposit investments, long-term debtors, consumer debtors, other debtors, short-term investment deposits and bank and cash balances.

The municipality manages credit risk in its borrowing and investing activities by only dealing with well-established financial institutions of high credit standing, and by spreading its exposure over a range of such institutions in accordance with its approved investment policies. Credit risk relating to consumer debtors is managed in accordance with the municipality's credit control and debt collection policy. The municipality's credit exposure is spread over a large number and wide variety of consumers and is not concentrated in any particular sector or geographical area. Adequate provision has been made for anticipated bad and doubtful debts. Additional information relating to the analysis of consumer debtors is given in the accounting policies and Note 11 to the audited annual financial statements.

The municipality does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The municipality defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings.

The carrying amount of financial assets recorded in the audited annual financial statements, which is net of impairment losses, represents the municipality's maximum exposure to credit risk without taking account of the value of any collateral obtained.

The maximum credit and interest risk exposure in respect of the relevant financial instruments is as follow:

# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements

Figures in Rand	2021	2020
<b>56. Financial instruments (continued)</b>		
Investments	39,706	82,298
Long-term receivables	206,539	433,583
Trade and other receivables from exchange transactions	292,073,361	316,367,637
Bank and cash balances	138,740,976	80,599,898
<b>Maximum credit and interest risk exposure</b>	<b>431,060,582</b>	<b>397,483,416</b>

### 56.9 Other price risks

The municipality is not exposed to equity price risks arising from equity investments as the municipality does not trade these investments.

### 57. Additional disclosure in terms of the Broad-Based Black Economic Empowerment Act

Information on compliance with the Broad-Based Black Economic Empowerment Act (B-BBEE) is included in the Annual Report under the section titled Employment Equity.

### 58. Related party disclosures

#### 58.1 Nature of related party relationships

Related party	Nature of relationship
Compensation made to Key Management Personnel	Refer to note 39.1
Compensation made to Councillors	Refer to note 40

#### 58.2 Related party transactions

<b>Revenue</b>		
Consumer services rendered to Key Management Personnel	50,812	80,704
Consumer services rendered to Councillors	1,459,749	1,419,208
	<b>1,510,561</b>	<b>1,499,912</b>

#### 58.3 Related party balances

##### Outstanding balances

##### Consumer accounts

Key Management Personnel	-	-
Councillors	73,065	71,841
	<b>73,065</b>	<b>71,841</b>

The consumer services are in accordance with approved tariffs that was advertised to the public. No bad debt expenses had been recognised in respect of amounts owed by related parties.

The amounts outstanding are unsecured and will be settled in cash. Consumer Deposits were received from Key Management Personnel and Councillors. No expense has been recognized in the period for bad or doubtful debts in respect of the amounts owed by related parties.

Not all persons in the service of the state is seen as related parties as defined in GRAP 20, as they do not necessarily control or have an interest that gives them significant influence over the municipality. For disclosure purposes in terms of Supply Chain Management Regulations 46, awards to close family members of persons in the service of the state are disclosed in note 53.



# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements

Figures in Rand	2021	2020
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### 59. Retirement benefit information

The municipality makes provision for post-retirement benefits to eligible Councillors and employees who belong to different pension schemes. These funds are governed by the Pension Funds Act and include both defined benefit and defined contribution schemes.

The only obligation of the municipality with respect to the retirement benefit plans is to make the specified contributions. Where councilors / employees leave the plans prior to full vesting of the contributions, the contributions payable by the municipality are reduced by the amount of forfeited contributions.

The total expense recognised in the Statement of financial performance of R 115,534,139 (2020: R 104,788,535) represents contributions payable to these plans by the municipality at rates specified in the rules of the plans.

These schemes are subject to a tri-annual, bi-annual or annual actuarial valuation as set out hereunder.

#### a) LA Retirement Fund (Previously Cape Joint Pension Fund)

The LA Retirement Fund operates both as a defined benefit and defined contribution scheme.

##### Defined benefit scheme

The contribution rate payable is under the defined benefit section is 27%, 9% by the members and 18% by their councils. The actuarial valuation report at 30 June 2020 disclosed an actuarial valuation amounting to R1,420,856,000 (30 June 2019: R1,655,893,000), with a net accumulated surplus of R0 (2019: R11,200,000), with a funding level of 100.0% (30 June 2019: 100.7%).

##### Defined contribution scheme

The actuarial valuation report at 30 June 2020 indicated that the defined contribution scheme of the fund is in a sound financial position, with assets amounting to R1,891,631,000 (30 June 2019: R1,960,090,000), net investment reserve of R0 (30 June 2019: R0) and with a funding level of 100% (2019: 100%).

The actuary concluded that:

- The funding level of the Pensioner Account reduced from 100.7% to 100.0% on the funding basis;
- The surplus in the Pensioner Account decreased from R11.2 million to zero as at the valuation date;
- The Trustees awarded a 1.0% pension increase with effect from 1 January 2021 and 55% of monthly pension payable as a bonus in December 2020; and
- The DC Section funding level was 100%. The DC Section is in a sound financial condition with a Contingency Reserve Account of R5.2 million as at the valuation date.

#### b) Consolidated Retirement Fund for local government (Previously Cape Joint Retirement Fund)

The last statutory valuation performed as at 30 June 2020 revealed that the net assets of the Fund amounted to R28,560,000,000 (30 June 2019: R26,215,000,000). The members share account and processing reserve account had assets amounting to R27,710,650,000 (2019: R25,389,735,000), and the pensions account had assets amounting to R619,700,000 (2019: R647,516,000) with funding levels of 100.5% and 132.2% (30 June 2019 100.3% and 124.9%) for the Pensions Account and the Share Account respectively. The Preservation Pension Account showed a surplus of R0 and was 100% funded for both 2020 & 2019. The contribution rate paid by the members (7.5%) and the municipalities (7.5% or 19.5%) is sufficient to fund the benefits accruing from the fund in the future. The actuary certified that the structure of the assets is appropriate relative to the nature of the liabilities, given normal circumstances and that the Fund is in a sound financial condition as at the valuation date.

# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements

Figures in Rand	2021	2020
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### 59. Retirement benefit information (continued)

#### c) SALA Pension Fund

The SALA Pension Fund operates both as a defined benefit and defined contribution scheme.

The statutory valuation performed as at 1 July 2018 revealed that the assets of the fund amounted to R14,298,600.00 (30 June 2015: R13,231,200.00), with funding levels of 96.0% (30 June 2015: 100%). Recommended that employers continue to contribute at the current rate of 19.18% of pensioners salaries.

It is the actuary's opinion that:

- They are satisfied with the investment strategy of the Fund;
- The nature of the assets is, in their opinion, suitable for the nature of the liabilities of the Fund as defined in the Rules of the Fund;
- The matching of assets with the liabilities of the Fund is adequate; and
- The insurance arrangements are appropriate compared to the cover provided can be regarded as financially sound at the valuation date.

#### d) Municipal Councillors' Pension Fund

The Municipal Councillors Pension Fund operates as a defined contribution scheme. The statutory valuation performed as at 30 June 2018 revealed that the assets of the fund amounted to R1,798,030,000 (30 June 2017: R1,480,549,000), with funding levels of 103.26% (30 June 2017: 101.31%). The contribution rate paid by the members (13.75%) and council (15.00%) is sufficient to fund the benefits accruing from the fund in the future. The Actuary certified that the Fund was in a sound financial condition as at 30 June 2018, in that the assets of the fund were sufficient to cover the accrued service liabilities including the recommended contingency reserves in full.

#### e) National Fund For Municipal Workers

The fund operates as a defined contribution fund and in terms of the rules of the fund category A and category C members contribute at a rate as agreed upon by the Local Authority and the member, subject to an absolute minimum contribution of 2% and 5% of their remuneration respectively.

Category C members, appointed after 1 July 2012, who are not part of the Schedule shall make monthly contributions to the Fund equal to 7.5% of their Remuneration.

The Local Authority must contribute in respect of category A and category C members such an amount as agreed between the Local Authority and the fund, subject to a minimum contribution rate of 2% and 5% of their remuneration respectively. Category B members are members who belong to both category A and C and the Local Authority must, on behalf of such members, not contribute less than 7% of their remuneration. The contribution rates stipulated above include the amount payable towards the insured risk benefits policy.

The last statutory valuation performed as at 30 June 2019 revealed that the assets of the fund amounted to R17,107,067,000 (30 June 2018: R15,393,671,000), with funding levels of 100.40% (30 June 2018: 100.46%). The actuary certified that the assets of the fund are sufficient to cover 100.40% of the members liabilities, also that it can be expected that the funding level of a fund of this nature will fluctuate around 100%, for example due to timing differences in investment and receipt of monies, slight mismatching of assets and liabilities and processing errors.

#### f) The Municipal Workers Retirement Fund (Previously South African Municipal Workers Union Provident Fund)

The Municipal Workers Retirement Fund is a defined contribution scheme. Members contribute at a rate of not less than 7.5% of salaries, as required by the Rules. The employers contribute at a total rate of not less than 18% from 1 July 2017, members and employers that fall under other bargaining councils or forums are not bound by the above minimum contribution rates. The statutory valuation performed as at 30 June 2017 revealed that the assets of the fund amounted to R7,720,948,000 (30 June 2014: R6,574,775,000), with funding levels of 102.0% (30 June 2014: 111.7%). As a percentage of members Funds Credits, the investment smoothing reserve has decreased from 5.6% to 4.9% over the valuation period. As a percentage of the market value of assets, it has decreased marginally from 4.6% to 4.4%. The Fund's assets are sufficient to cover the members Funds Credits, the targeted levels of the risk benefits reserve and the data and processing error reserve, and an investment smoothing reserve of 4.9% of members Fund Credits as at 30 June 2017. In addition, there is brought-forward surplus of some R152,827,000 which has been allocated to former members and is awaiting payment. The Fund is therefore in a sound financial position. Newer information could not be obtained as the fund only releases information on payment.

# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements

Figures in Rand	2021	2020
-----------------	------	------

### 60. Contingent liabilities

#### Paarl Print (Pty) Ltd - Destruction of property - Claim for damages

A fire destroyed the Paarl Print property erf 25867, Paarl during September 2009. As a result of this incident, the applicant during March 2012 lodged a claim against the Municipality to the amount of R448,819,503.79 (2020: R448,819,503.79). Claim was referred to Council's insurers and notice of intention to defend was lodged by the insurer's legal representatives. A court date has not yet been set. Should Council be unsuccessful in defending the claim, there is a possibility that the claim will be settled. No further action since 2012.

#### Francois Levens

The plaintiff claim is for general damages; after the plaintiff was wrongfully and unlawfully assaulted and robbed. Matter referred to internal insurance department and the Municipality filed a plea, but awaits action from the plaintiff. The claim was estimated to be R400,000 (2020: R400,000).

#### A Gelderblom

A Summons has been issued against the Municipality for damages after driving through a pothole. The claim amounted to R16,762 and is currently with attorneys appointed by the Municipality.

#### WJ de Kock

A Summons has been issued against the Municipality for damages after driving through a exposed drain in the road surface. The claim amounted to R7,790 and is currently with attorneys appointed by the Municipality.

#### TE Joka

During Feb 2019. the Plaintiffs' vehicle was impounded for not having a valid permit to transport passengers. The Plaintiff received a fine and appeared in Court to dispute the fine and was successful. The charges against the plaintiff were withdrawn, but the fine of R7,000 was not refunded. The claim is currently with attorneys appointed by the Municipality.

#### S Lagardien

A Summons has been issued against the Municipality for damages after driving through a pothole. The claim amounted to R6,990 and is currently with attorneys appointed by the Municipality.

#### DC de Villiers

In February 2018 a fire broke out on Wolfkloof, the plaintiff is not aware of the cause of fire. The fire continued to burn for 3 days where after it spread onto the Trusts Farms on February 2018 and amount to R20,667,475. We are one of eight (8) defendants and in the event that the claim is successful, the Municipality will be liable for the excess amount of R25,000.

#### Various other insurance claims

To date a total of 14 cases are being dealt with at the Municipality's insurer and amounts to R2,423,105 in total claims. In the event that the claims are successful, the Municipality will be liable for the amount of R278,000, which is the excess payable.

#### D Hattingh

The municipality has a current arbitration process with the former Director of Engineering Services, who claims an alleged constructive dismissal. The maximum exposure for the municipality is the payment of the former director's contract package for 12 months, amounting to R1,596,747 (2020: R1,596,747).

#### Arbitration cases

The municipality has 6 ongoing arbitration cases, which varies in circumstances. The maximum exposure for the municipality amounts to R143,050 (2020: R902,910).

#### VAT - Library Grant

The municipality has submitted a request for a non-binding private opinion to the South African Revenue Service (SARS) concerning the output tax treatment of the library funding received from the Western Cape Department of Cultural Affairs (DCAS). The objective of the opinion request is for the SARS to confirm if the municipality must declare output tax at 15% (14% before 1 April 2018) or zero % on the funding received from the DCAS. At the date of these financial statements, the municipality is awaiting the outcome of their non-binding private opinion request to the SARS. If the SARS non-binding private opinion outcome is negative, the output tax payable (including penalties and interest) by the municipality to the SARS as of 30 June 2021 will be R 17,134,074 (2020: R 13,878,051).

# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements

Figures in Rand	2021	2020
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### 60. Contingent liabilities (continued)

### 61. Contingent assets

#### Neil Lyners & Associates CC

Claim of R300,000 (2020: R300,000) for damages during installation of Civil Infrastructure services under contract CES9/2011 Siyahhlala. Formal letter of demand was served on the Respondent dated 22/07/2015. Summons was issued. Awaiting a date to appear before a supervising Judge to prepare for trial. Matter still in progress.

#### Insurance Claim - Parys Substation fire

A dispute with the insured underwriter with regards to the amount of the insurance claim to be paid out by the insurance company, and the uncertainty on the claim amount to be paid out, no provision could be made in the 2018/19 Capital Adjustment Budget in February 2019. The claim is estimated at R24,394,037 (2020: R24,394,037).

### 62. Reporting against the framework for schedule 4 of DORA allocations

Submit project registrations and detail project implementation plans before the prescribed due dates. Department of Provincial and Local Government is monitoring the overall programme implementation.

### 63. Registered IUDG programme

2020/2021	Received	Expenditure	Unspent
Upgrading of parks and main roads	1,301,244	(1,301,244)	-
Basic services: Schoongezicht emergency	3,557,203	(3,557,203)	-
Upgrade of cemetery	782,345	(782,345)	-
Upgrade swimming pools	5,501,275	(5,501,275)	-
Development of De Kraal sport complex	4,355,665	(4,355,665)	-
Dal Sports Stadium: upgrading facility	497,009	(497,009)	-
Water meters and connections Amstelhof	1,000,000	(1,000,000)	-
Upgrading own rental stock	577,930	(577,930)	-
Schoongezicht electrification	4,499,999	(4,499,999)	-
Drommedaris housing electrification	234,179	(234,179)	-
Kingston / Lantana street lights	899,998	(899,998)	-
Lantana housing sewer manholes	299,109	(299,109)	-
Schoongezicht boundary wall	1,262,708	(1,262,708)	-
Digger loader waste management vehicles	1,436,380	(1,436,380)	-
Replace / upgrade water reticulation system	5,063,653	(5,063,653)	-
Extension of basic services: informal settlements	1,000,000	(1,000,000)	-
Replace / upgrade sewerage systems Paarl	6,737,474	(6,737,474)	-
Upgrading of areas around Paarl East aprons	3,922,820	(3,922,820)	-
Reseal of streets /road network (Paarl West)	4,013,163	(4,013,163)	-
Upgrading of sidewalks	4,848,264	(4,848,264)	-
Replacement: Dal Wes substation	2,899,993	(2,899,993)	-
Maintenance of buildings & facilities	2,500,000	(2,500,000)	-
Software licences	736,589	(736,589)	-
	<b>57,927,000</b>	<b>(57,927,000)</b>	<b>-</b>

# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements

Figures in Rand	2021	2020	
<b>63. Registered IUDG programme (continued)</b>			
<b>2019/2020</b>	<b>Received</b>	<b>Expenditure</b>	<b>Unspent</b>
Saron: bulk water pipe replacement (IUDG)	8,568,702	(8,568,702)	-
Saron: bulk storage & water treatment (IUDG)	2,075,687	(2,075,687)	-
Replace / upgrade water reticulation system (IUDG)	12,780,421	(12,780,421)	-
Replace / upgrade sewerage systems Paarl (IUDG)	5,684,236	(5,684,236)	-
Reseal of streets /road network (Paarl/West) (IUDG)	11,155,078	(11,155,078)	-
Upgrading of areas around Paarl east ren(IUDG)	5,368,663	(5,368,663)	-
Boreholes infrastructure	3,255,340	(3,255,340)	-
Software licences and maintenance	161,873	(161,873)	-
	<b>49,050,000</b>	<b>(49,050,000)</b>	-

### 64. Going concern

In terms of the accounting standard GRAP 1, paragraphs 27 to 30, the annual financial statements are prepared on a going concern basis. The assumption is based on the fact that the municipality has a constitutional mandate to levy property rates and service charges to enable the municipality to be considered as a going concern even though the municipality will be operational over the short to medium term in a state where liquidity will be under pressure.

To improve liquidity, the municipality has introduced a revenue management, expenditure management and cost containment programme including an exercise to restructure existing long-term external loans. For the 2021/22 budget the operating and capital expenditure budget was reduced considerably, even before the onset of the COVID-19 pandemic. The municipality has made substantial investments in revenue generating infrastructure over the past five years that created capacity for development and growth. The municipality do have a stable and growing revenue base, although slower than projected five years ago.

The municipality has not defaulted on payment of creditors. By sustaining a revenue collection rate above 95%, the municipality do have the ability to operate as a going concern and to continue rendering services to its community.

# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements

Figures in Rand	2021	2020
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### 65. Principal and agent arrangements

#### Agent arrangements: Traffic services

##### Agent for the Western Cape Department of Transport and Public Works

The municipality acts as agent for the Western Cape Department of Transport and Public Works, where it provides motor vehicle registration and licenses services on behalf of the Western Cape Department of Transport and Public Works.

#### Reconciliation of amounts payable to the WC Department of Transport and Public Works

Balance at beginning of year	429,781	1,935,689
Revenue received on behalf of principal (incl. commission)	105,023,031	86,462,553
Revenue recognised by municipality as agency fee *	(20,111,698)	(16,177,657)
Revenue paid over to the principal	(85,280,044)	(71,790,804)

\* VAT included

<b>61,070</b>	<b>429,781</b>
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##### Agent for the National Department of Justice

The municipality acts as agent for the National Department of Justice, where it collects Contempt of court fines imposed for non-appearance in court of traffic fine offenders. The municipality does not derive any revenue from this functions.

#### Reconciliation of amounts payable to the Department of Justice

Balance at beginning of year	454,300	430,300
Revenue received on behalf of principal	240,600	368,700
Revenue paid over to the principal	(258,000)	(344,700)
	<u>436,900</u>	<u>454,300</u>

#### Principal arrangements: Traffic services

##### Issuing of traffic fines

The municipality has a service provider TMT (2020: TMT) who acts as agent for the municipality with the issuing of traffic fines. All payments are received directly by the municipality and the service provider invoices the municipality for commission payable.

Amounts remitted, but not received at year-end	-	-
Commission received by the agent	4,562,168	2,277,874

#### Principal arrangements: Financial Services

##### Agent for the Drakenstein Municipality

The municipality has a service provider EasyPay (2020: EasyPay) who acts as agent for the municipality with the 3rd party collection of debtor payments. All payments are paid directly to the municipality and the service provider invoices the municipality for commission payable.

Amounts remitted, but not received at year-end	757,260	748,678
Commission received by the agent	3,385,597	2,128,707

# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements

Figures in Rand	2021	2020
<b>65. Principal and agent arrangements (continued)</b>		
<b>Principal arrangements: Financial Services</b>		
<b>Agent for the Drakenstein Municipality</b>		
The municipality has a service provider ONTEC who acts as agent for the municipality with the sale of prepaid electricity and water. All payments are received directly by the municipality and the service provider invoices the municipality for commission payable. No penalties are payable if the contract with the agent is terminated.		
Amounts remitted, but not received at year-end	4,396,326	3,392,811
Commission received by the agent	8,179,388	7,815,846
<b>66. Reconciliation of budget surplus/(deficit) with surplus/(deficit) with Statement of Financial Performance</b>		
<b>Net surplus/(deficit) per the statement of financial performance</b>		
Basis differences		101,327,442
<b>Revenue By Source</b>		
Property rates		-
Property rates - penalties & collection charges (Surcharges and Taxes*)		(1,060,460)
Service charges - electricity revenue		(1,221,112,687)
Service charges - water revenue		(150,466,867)
Service charges - sanitation revenue		(121,448,846)
Service charges - refuse revenue		(125,627,466)
Service Charges *		1,627,177,095
Availability charges		(8,521,229)
Rental of facilities and equipment (Rental of Fixed Assets*)		(5,190,131)
Finance income and Dividends*		(7,084,610)
Licences and permits		(20,628,984)
Fines		(128,602,941)
Transfers recognised - operational / (Transfers and Subsidies*)		(163,328,769)
Other revenue (Operational Revenue (Exchange)*)		180,210,890
Operational Revenue ( Non - Exchange)*		(8,798,882)
Sale of Goods and Rendering of Services*		(11,062,870)
Construction contract revenue		(3,830,730)
<b>Total</b>		<b>(169,377,487)</b>

# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements

Figures in Rand	2021	2020
<b>66. Reconciliation of budget surplus/(deficit) with surplus/(deficit) with Statement of Financial Performance (continued)</b>		
<b>Expenditure By Type</b>		
Employee related costs		3,444,760
Remuneration of councillors (Councillor Related Cost *)		-
Impairment losses on financial assets		175,487,278
Depreciation & asset impairment (Depreciation and Amortisation *)		246,328
Impairment Losses		(246,328)
Finance charges (Interest paid *)		-
Materials and Bulk purchases		(881,455,510)
Bulk Purchases *		828,326,127
Contracted services		147,688,667
Transfers and grants (Transfers and Subsidies : Operational Exp*)		-
Other expenditure (Operational Expenditure*)		(354,476,921)
Inventory consumed*		53,129,383
Operating Leases*		18,956,120
Loss on disposal of PPE (Gains /(losses) on disposal of PPE, IA, IP & HA*)		2,319,202
<b>Total</b>		<b>(6,580,894)</b>
<b>Surplus/(Deficit)</b>		
Transfers recognised - capital		175,958,381
Timing differences		-
Entity differences		-
<b>Net surplus/deficit per statement of budget comparison</b>		<b>101,327,442</b>

\* - Statement of Financial Performance classifications

Budget basis differences mainly relate to Revenue from Housing Grants and the related Housing operating expenditure where Drakenstein Municipality is regarded as an agent in terms of GRAP amounting to R 429,953 and other differences, where items such as gains and losses are linked to expenditure budget items, as opposed to the actual nature per GRAP. The mSCOA tables and the format of the Budget Schedules as issued by National Treasury are not yet fully aligned to the Standards of GRAP and this is therefore the reason for the disparity in classifications between the 2019/20 Budget and GRAP Annual Financial Statements.

### 67. Budget information

The budget has been prepared on the accrual basis of accounting in accordance with the prescripts of the Municipal budget regulations as well as MFMA budget circulars. In accordance with the Municipal budget regulations, the classification basis the municipality presents its budget is per economic as well as per functional classification (per Vote (Department) and GFS classification). It should be noted that minor budget differences between the basis the budget is prepared (accrual basis and prescripts of NT guidance) and actual financial results (accrual basis in accordance with GRAP) exists, mainly related to technical GRAP adjustments required. These differences are not material and as the basis of preparation is the same (accrual basis) no restatements have been made to the financial information compared to the budgeted amounts, but where found to be material is explained below:

#### Explanation of variances between approved and final budget amounts

The reason for the variances between the approved and final budgets are mainly due to reallocations made within the approved budget parameters allowed for by the Virement Policy of Drakenstein Municipality as approved by Council.

Explanation of variances greater than 10%: Final Budget and Actual Amounts.



# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements

Figures in Rand	2021	2020
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### 67.1. Capital expenditure and Cash flow

#### Capital expenditure and fund source

- The underspending on CRR funded projects is mainly due to the upgrading of Oosbosch street. One of the main challenges is weather delays, resulting in the project running behind schedule.

#### Net cash from (used) financing

- Increase in consumer deposits due to an increase in deeds registrations, that were delayed due to impact of COVID-19.

### 67.2. Statement of financial performance

#### Revenue

- *Investment revenue*  
Due to the impact of COVID-19 on the interest rates, less interest was received on our investments, thus interest earned - external investments are less than expected.

# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements

Figures in Rand

### 68. Segment information

Segment surplus or deficit, assets and liabilities

By Department

2021

	Office of the City Manager	Financial Services	Corporate Services	Planning and Development	Community Services	Engineering Services	Department of Chief Audit Executive	Department of Risk And Compliance	Department of IDP And PMS	Department of Communication	Total
<b>Revenue</b>											
Services charges - Electricity	-	-	-	-	-	1,222,752,399	-	-	-	-	1,222,752,399
Services charges - Water	-	-	-	-	-	152,068,098	-	-	-	-	152,068,098
Services charges - Waste water management	-	-	-	-	-	123,949,292	-	-	-	-	123,949,292
Services charges - Waste management	-	-	-	-	-	128,407,304	-	-	-	-	128,407,304
Sales of goods and rendering of services	-	-	1,145,301	4,551,523	5,106,851	259,198	-	-	-	-	11,062,873
Rental from fixed assets	-	(11,409,897)	-	184,347	14,405,295	2,010,385	-	-	-	-	5,190,130
Interests on investments	-	5,222,733	(7,560)	-	-	-	-	-	-	-	5,215,173
Dividends	-	-	7,560	-	-	-	-	-	-	-	7,560
Interest on receivables	-	-	8,497	-	-	7,076,112	-	-	-	-	7,084,609
Operational revenue - Exchange revenue	-	6,400,183	471,944	119,681	1,708,935	3,310,868	-	-	-	-	12,011,611
Operational revenue - Non-exchange revenue	-	8,798,882	-	-	-	-	-	-	-	-	8,798,882
Licences or permits	-	-	-	7,388	20,615,573	6,025	-	-	-	-	20,628,986
Property rates	-	343,711,355	-	-	-	-	-	-	-	-	343,711,355
Surcharges and taxes	-	1,060,460	-	-	-	-	-	-	-	-	1,060,460
Fines, penalties and forfeits	-	-	-	172,233	128,083,946	346,763	-	-	-	-	128,602,942
Transfers and subsidies	-	69,906,115	716,797	2,853,688	34,095,783	288,787,822	-	204,442	-	-	396,564,647
Construction contract revenue	-	-	-	-	3,830,730	-	-	-	-	-	3,830,730
<b>Total segment revenue</b>	-	<b>423,689,831</b>	<b>2,342,539</b>	<b>7,888,860</b>	<b>207,847,113</b>	<b>1,928,974,266</b>	-	<b>204,442</b>	-	-	<b>2,570,947,051</b>

# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements

Figures in Rand

### 68. Segment information (continued)

	Office of the City Manager	Financial Services	Corporate Services	Planning and Development	Community Services	Engineering Services	Department of Chief Audit Executive	Department of Risk And Compliance	Department of IDP And PMS	Department of Communication	Total
<b>Expenditure</b>											
Employee related cost	4,033,440	71,979,279	92,322,089	42,611,704	221,949,202	264,145,495	8,129,537	1,858,942	4,837,513	2,850,709	714,717,910
Remuneration of councillors	-	-	31,101,146	-	-	-	-	-	-	-	31,101,146
Depreciation and amortisation	117,826	2,931,156	4,093,858	275,102	45,587,833	174,390,599	21,969	7,681	31,985	23,732	227,481,741
Impairment losses on financial assets	-	3,382,241	-	-	110,047,591	62,057,447	-	-	-	-	175,487,279
Impairment losses on PPE, IA and HA	-	-	-	-	-	(246,328)	-	-	-	-	(246,328)
Finance costs	-	233,235	260,524	-	5,322,112	174,014,932	-	-	-	-	179,830,803
Bulk purchases	-	-	-	-	-	828,326,127	-	-	-	-	828,326,127
Inventory consumed	45,931	1,264,021	1,103,757	552,835	10,488,772	39,565,850	53,151	9,925	13,672	31,463	53,129,377
Contracted services	22,089	4,945,581	9,033,350	770,137	65,598,534	65,722,166	493,280	226,620	716,008	160,909	147,688,674
Transfers and subsidies	-	-	1,502,619	2,480,593	4,457,105	-	-	-	-	93,842	8,534,159
Operational cost	8,119	27,142,467	20,228,905	204,967	3,922,965	29,462,404	22,905	6,595	115,325	1,178,768	82,293,420
Operating leases	-	12,280	2,818,123	82,657	250,548	15,789,733	2,780	-	-	-	18,956,121
Fair value and loss on disposal adjustment of assets	-	56,810	22,591	-	1,534,954	704,846	-	-	-	-	2,319,201
<b>Total segment expenditure</b>	<b>4,227,405</b>	<b>111,947,070</b>	<b>162,486,962</b>	<b>46,977,995</b>	<b>469,159,616</b>	<b>1,653,933,271</b>	<b>8,723,622</b>	<b>2,109,763</b>	<b>5,714,503</b>	<b>4,339,423</b>	<b>2,469,619,630</b>
<b>Sub-total</b>	<b>(4,227,405)</b>	<b>311,742,761</b>	<b>(160,144,423)</b>	<b>(39,089,135)</b>	<b>(261,312,503)</b>	<b>275,040,995</b>	<b>(8,723,622)</b>	<b>(1,905,321)</b>	<b>(5,714,503)</b>	<b>(4,339,423)</b>	<b>101,327,421</b>
<b>Internal charges</b>											
OC : Municipal services	-	191,879	-	-	28,671,792	38,445,069	-	-	-	-	67,308,740
OC : Municipal services (Income)	-	-	-	-	-	(67,308,740)	-	-	-	-	(67,308,740)
<b>Total segment internal charges</b>	<b>-</b>	<b>191,879</b>	<b>-</b>	<b>-</b>	<b>28,671,792</b>	<b>(28,863,671)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total segment (Surplus) / Deficit</b>	<b>(4,227,405)</b>	<b>311,934,640</b>	<b>(160,144,423)</b>	<b>(39,089,135)</b>	<b>(232,640,711)</b>	<b>246,177,324</b>	<b>(8,723,622)</b>	<b>(1,905,321)</b>	<b>(5,714,503)</b>	<b>(4,339,423)</b>	<b>101,327,421</b>

# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements

### Figures in Rand

#### 68. Segment information (continued)

By GFS

2021

	Executive and Council	Finance and Administration	Internal Audit	Community and Social Services	Sport and Recreation	Public Safety	Housing	Planning and Development	Road Transport	Environmental Protection	Energy Sources	Waste Management	Water Management	Waste Water Management	Total
<b>Revenue</b>															
Services charges - Electricity	-	-	-	-	-	-	-	-	-	-	1,222,752,399	-	-	-	1,222,752,399
Services charges - Water	-	-	-	-	-	-	-	-	-	-	-	-	152,068,098	-	152,068,098
Services charges - Waste water management	-	-	-	-	-	-	-	-	1,567,143	-	-	-	-	122,382,149	123,949,292
Services charges - Waste management	-	-	-	-	-	-	-	-	-	-	-	128,407,304	-	-	128,407,304
Sales of goods and rendering of services	1,145,301	27,898	-	3,962,704	1,120,084	-	-	4,547,688	22,895	-	-	-	-	236,303	11,062,873
Rental from fixed assets	-	(9,325,398)	-	242,588	103,675	1,087	14,048,781	119,749	-	-	(352)	-	-	-	5,190,130
Interests on investments	(7,560)	5,222,733	-	-	-	-	-	-	-	-	-	-	-	-	5,215,173
Dividends	7,560	-	-	-	-	-	-	-	-	-	-	-	-	-	7,560
Interest on receivables	8,497	-	-	-	-	-	-	-	-	-	1,455,177	1,909,173	2,532,868	1,178,894	7,084,609
Operational revenue - Exchange revenue	471,241	8,785,518	-	45,912	964,748	566,595	1,559	117,491	529,892	-	21,500	-	480,919	26,236	12,011,611
Licences or permits	-	7,388	-	-	30,296	20,585,277	-	-	-	-	-	-	6,025	-	20,628,986
Property rates	-	343,711,355	-	-	-	-	-	-	-	-	-	-	-	-	343,711,355
Surcharges and taxes	-	1,060,460	-	-	-	-	-	-	-	-	-	-	-	-	1,060,460
Fines, penalties and forfeits	-	-	-	22,283	-	128,061,663	-	172,233	-	-	346,763	-	-	-	128,602,942
Transfers and subsidies	11,619	95,179,123	-	1,575,000	1,000,000	460,000	12,573,151	4,829,589	57,247,999	-	77,596,315	53,215,040	16,331,845	76,544,966	396,564,647
Operational revenue - Non-exchange revenue	-	8,798,882	-	-	-	-	-	-	-	-	-	-	-	-	8,798,882
Construction contract revenue	-	-	-	-	-	-	3,830,730	-	-	-	-	-	-	-	3,830,730
<b>Total segment revenue</b>	<b>1,636,658</b>	<b>453,467,959</b>	<b>-</b>	<b>5,848,487</b>	<b>3,218,803</b>	<b>149,674,622</b>	<b>30,454,221</b>	<b>9,786,750</b>	<b>59,367,929</b>	<b>-</b>	<b>1,302,171,802</b>	<b>183,531,517</b>	<b>171,419,755</b>	<b>200,368,548</b>	<b>2,570,947,051</b>

# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

## Notes to the Audited Annual Financial Statements

Figures in Rand

### 68. Segment information (continued)

	Executive and Council	Finance and Administration	Internal Audit	Community and Social Services	Sport and Recreation	Public Safety	Housing	Planning and Development	Road Transport	Environmental Protection	Energy Sources	Waste Management	Water Management	Waste Water Management	Total
<b>Expenditure</b>															
Employee related cost	68,373,274	206,517,126	8,129,537	26,020,851	46,191,310	70,737,662	26,119,367	57,299,850	42,893,260	1,658,762	58,124,624	33,032,261	25,658,103	43,961,923	714,717,910
Remuneration of councillors	31,101,146	-	-	-	-	-	-	-	-	-	-	-	-	-	31,101,146
Depreciation and amortisation	510,081	29,038,597	21,969	4,089,718	7,007,207	303,485	29,972,030	198,079	47,794,149	-	44,882,437	8,636,073	33,960,490	21,067,426	227,481,741
Impairment losses on financial assets	-	3,382,241	-	-	-	108,297,890	1,749,701	-	-	-	17,916,153	16,493,426	20,214,740	7,433,128	175,487,279
Impairment losses on PPE, IA and HA	-	(246,328)	-	-	-	-	-	-	-	-	-	-	-	-	(246,328)
Finance costs	-	19,456,068	-	-	-	260,522	4,801,066	-	28,527,246	-	67,088,950	6,792,205	10,662,826	42,241,920	179,830,803
Bulk purchases	-	-	-	-	-	-	-	-	-	-	814,164,141	-	14,161,986	-	828,326,127
Inventory consumed	153,402	24,013,539	53,151	2,829,510	2,188,732	1,045,950	4,036,198	334,849	2,910,251	-	8,958,229	2,942,752	2,210,949	1,451,865	53,129,377
Contracted services	5,730,417	29,199,541	493,280	1,968,051	3,700,572	40,627,113	18,840,209	783,008	6,850,440	-	13,152,145	7,968,464	7,130,681	11,244,753	147,688,674
Transfers and subsidies	1,686,034	2,178,665	-	104,875	3,400,000	952,230	212,355	-	-	-	-	-	-	-	8,534,159
Operational cost	919,186	53,552,009	22,905	2,677,242	453,570	474,743	146,566	1,515,367	636,307	-	10,658,832	10,784,501	161,847	290,345	82,293,420
Operating leases	-	8,823,306	2,780	105,258	145,290	-	-	59,122	2,793,990	-	4,240,839	2,692,513	-	93,023	18,956,121
Fair value and loss on disposal adjustment of assets	-	(3,595,727)	-	4,938	32	1,528,794	35	-	-	-	2,803,724	-	193,147	1,384,258	2,319,201
<b>Total segment expenditure</b>	<b>108,473,540</b>	<b>372,319,037</b>	<b>8,723,622</b>	<b>37,800,443</b>	<b>63,086,713</b>	<b>224,228,389</b>	<b>85,877,527</b>	<b>60,190,275</b>	<b>132,405,643</b>	<b>1,658,762</b>	<b>1,041,990,074</b>	<b>89,342,195</b>	<b>114,354,769</b>	<b>129,168,641</b>	<b>2,469,619,630</b>
<b>Total segment (Surplus) / Deficit</b>	<b>(106,836,882)</b>	<b>81,148,922</b>	<b>(8,723,622)</b>	<b>(31,951,956)</b>	<b>(59,867,910)</b>	<b>(74,553,767)</b>	<b>(55,423,306)</b>	<b>(50,403,525)</b>	<b>(73,037,714)</b>	<b>(1,658,762)</b>	<b>260,181,728</b>	<b>94,189,322</b>	<b>57,064,986</b>	<b>71,199,907</b>	<b>101,327,421</b>
<b>Internal charges</b>															
OC : Municipal services	-	3,031,262	-	1,269,249	17,657,333	220,080	8,113,402	-	6,082,968	-	8,319,003	263,631	6,561,062	15,790,749	67,308,739
OC : Municipal services (Income)	-	-	-	-	-	-	-	-	-	-	(45,852,573)	(5,669,729)	(13,935,791)	(1,850,646)	(67,308,739)
<b>Total segment internal charges</b>	<b>-</b>	<b>3,031,262</b>	<b>-</b>	<b>1,269,249</b>	<b>17,657,333</b>	<b>220,080</b>	<b>8,113,402</b>	<b>-</b>	<b>6,082,968</b>	<b>-</b>	<b>(37,533,570)</b>	<b>(5,406,098)</b>	<b>(7,374,729)</b>	<b>13,940,103</b>	<b>-</b>
<b>Total segment (Surplus) / Deficit</b>	<b>(106,836,882)</b>	<b>84,180,184</b>	<b>(8,723,622)</b>	<b>(30,682,707)</b>	<b>(42,210,577)</b>	<b>(74,333,687)</b>	<b>(47,309,904)</b>	<b>(50,403,525)</b>	<b>(66,954,746)</b>	<b>(1,658,762)</b>	<b>222,648,158</b>	<b>88,783,224</b>	<b>49,690,257</b>	<b>85,140,010</b>	<b>101,327,421</b>

**Drakenstein Municipality**

**Appendix A**

**Schedule of external loans as at 30 June 2021**

External Loans	Interest Rate %	Loan Number	Redeemable Date	Balance at 30 June 2020 Rand	Redeemed/ written off during the period Rand	Balance at 30 June 2021 Rand
<b>Annuity and other loans</b>						
DBSA	10.734 %	61007616	2037	962,981,450	-	962,981,450
NEDBANK	10.640 %	7831030646-0002	2021	11,202,976	11,202,976	-
NEDBANK	11.480 %	7831030646-0011	2029	198,701,741	-	198,701,741
STANDARD BANK	11.440 %	0053-7722	2028	433,066,762	-	433,066,762
STANDARD BANK	10.260 %	0055-5136	2021	1,541,175	1,541,175	-
STANDARD BANK	10.970 %	0053-8368	2028	30,149,419	-	30,149,419
STANDARD BANK	9.680 %	0053-7738	2022	2,090,941	996,093	1,094,848
STANDARD BANK	9.630 %	0053-7745	2021	1,929,035	1,929,035	-
STANDARD BANK	9.870 %	0053-7565	2023	9,125,229	2,753,697	6,371,532
STANDARD BANK	9.840 %	0053-1097	2024	5,850,001	1,258,871	4,591,130
				<b>1,656,638,729</b>	<b>19,681,847</b>	<b>1,636,956,882</b>

# Drakenstein Municipality

## Appendix B1

### Reconciliation of Budgeted Financial Performance (Revenue and Expenditure by Standard Classification)

Description	2021/2020										
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Adjustments (i.t.o. Council approved by law)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	%	%
<b>Revenue - Standard</b>											
<b>Governance and administration</b>	<b>382,744,417</b>	<b>31,324,754</b>	<b>414,069,171</b>	-		<b>414,069,171</b>	<b>461,685,511</b>		<b>47,616,340</b>	<b>111 %</b>	<b>121 %</b>
Executive and council	392,424	200,423	592,847	-		592,847	1,636,659		1,043,812	276 %	417 %
Finance and administration	382,351,993	31,124,331	413,476,324	-		413,476,324	460,048,852		46,572,528	111 %	120 %
<b>Community and public safety</b>	<b>224,060,876</b>	<b>(24,808,416)</b>	<b>199,252,460</b>	-		<b>199,252,460</b>	<b>189,196,131</b>		<b>(10,056,329)</b>	<b>95 %</b>	<b>84 %</b>
Community and social services	4,106,062	1,187,000	5,293,062	-		5,293,062	5,848,486		555,424	110 %	142 %
Sport and recreation	6,631,802	-	6,631,802	-		6,631,802	3,218,802		(3,413,000)	49 %	49 %
Public safety	99,262,115	57,827,931	157,090,046	-		157,090,046	149,674,621		(7,415,425)	95 %	151 %
Housing	114,060,897	(83,823,347)	30,237,550	-		30,237,550	30,454,222		216,672	101 %	27 %
<b>Economic and environmental services</b>	<b>77,851,341</b>	<b>4,358,649</b>	<b>82,209,990</b>	-		<b>82,209,990</b>	<b>69,154,678</b>		<b>(13,055,312)</b>	<b>84 %</b>	<b>89 %</b>
Planning and development	5,001,769	4,358,649	9,360,418	-		9,360,418	9,786,750		426,332	105 %	196 %
Road transport	72,849,572	-	72,849,572	-		72,849,572	59,367,928		(13,481,644)	81 %	81 %
<b>Trading services</b>	<b>1,914,712,564</b>	<b>(757,775)</b>	<b>1,913,954,789</b>	-		<b>1,913,954,789</b>	<b>1,857,491,624</b>		<b>(56,463,165)</b>	<b>97 %</b>	<b>97 %</b>
Energy sources	1,335,520,584	13,829,564	1,349,350,148	-		1,349,350,148	1,302,171,803		(47,178,345)	97 %	98 %
Water management	188,366,841	(5,778,496)	182,588,345	-		182,588,345	171,419,757		(11,168,588)	94 %	91 %
Waste water management	206,665,892	(6,634,781)	200,031,111	-		200,031,111	200,368,548		337,437	100 %	97 %
Waste management	184,159,247	(2,174,062)	181,985,185	-		181,985,185	183,531,516		1,546,331	101 %	100 %
<b>Total Revenue - Standard</b>	<b>2,599,369,198</b>	<b>10,117,212</b>	<b>2,609,486,410</b>	-		<b>2,609,486,410</b>	<b>2,577,527,944</b>		<b>(31,958,466)</b>	<b>99 %</b>	<b>99 %</b>
<b>Expenditure - Standard</b>											
<b>Governance and administration</b>	<b>485,917,776</b>	<b>27,189,707</b>	<b>513,107,483</b>	-	<b>(35,738)</b>	<b>513,071,745</b>	<b>496,097,089</b>	-	<b>(16,974,656)</b>	<b>97 %</b>	<b>102 %</b>
Executive and council	101,045,844	1,134,041	102,179,885	-	702,709	102,882,594	108,473,538	-	5,590,944	105 %	107 %
Finance and administration	377,161,406	24,965,432	402,126,838	-	(738,447)	401,388,391	378,899,928	-	(22,488,463)	94 %	100 %
Internal audit	7,710,526	1,090,234	8,800,760	-	-	8,800,760	8,723,623	-	(77,137)	99 %	113 %
<b>Community and public safety</b>	<b>423,241,092</b>	<b>(3,727,946)</b>	<b>419,513,146</b>	-	<b>1,427,075</b>	<b>420,940,221</b>	<b>410,993,062</b>	-	<b>(9,947,159)</b>	<b>98 %</b>	<b>97 %</b>
Community and social services	44,977,245	(8,590,246)	36,386,999	-	(738,660)	35,648,339	37,800,443	-	2,152,104	106 %	84 %
Sport and recreation	81,302,290	(13,423,705)	67,878,585	-	(1,592,244)	66,286,341	63,086,705	-	(3,199,636)	95 %	78 %
Public safety	165,963,200	62,624,138	228,587,338	-	4,596,244	233,183,582	224,228,388	-	(8,955,194)	96 %	135 %
Housing	130,998,357	(44,338,133)	86,660,224	-	(838,265)	85,821,959	85,877,526	-	55,567	100 %	66 %
<b>Economic and environmental services</b>	<b>195,472,963</b>	<b>1,995,933</b>	<b>197,468,896</b>	-	<b>(759,464)</b>	<b>196,709,432</b>	<b>194,254,678</b>	-	<b>(2,454,754)</b>	<b>99 %</b>	<b>99 %</b>
Planning and development	61,292,295	(1,303,010)	59,989,285	-	(608,580)	59,380,705	60,190,276	-	809,571	101 %	98 %
Road transport	133,263,045	2,651,936	135,914,981	-	(150,884)	135,764,097	132,405,640	-	(3,358,457)	98 %	99 %
Environmental protection	917,623	647,007	1,564,630	-	-	1,564,630	1,658,762	-	94,132	106 %	181 %
<b>Trading services</b>	<b>1,409,904,007</b>	<b>(7,637,608)</b>	<b>1,402,266,399</b>	-	<b>(631,873)</b>	<b>1,401,634,526</b>	<b>1,374,855,674</b>	-	<b>(26,778,852)</b>	<b>98 %</b>	<b>98 %</b>
Energy sources	1,069,658,930	(18,360,148)	1,051,298,782	-	(3,100,000)	1,048,198,782	1,041,990,075	-	(6,208,707)	99 %	97 %
Water management	112,334,871	12,928,305	125,263,176	-	3,000,000	128,263,176	114,354,768	-	(13,908,408)	89 %	102 %
Waste water management	129,445,881	1,417,068	130,862,949	-	(31,873)	130,831,076	129,168,634	-	(1,662,442)	99 %	100 %
Waste management	98,464,325	(3,622,833)	94,841,492	-	(500,000)	94,341,492	89,342,197	-	(4,999,295)	95 %	91 %
<b>Other</b>	<b>648,583</b>	<b>(648,583)</b>	-	-	-	-	-	-	-	- %	- %
Other	648,583	(648,583)	-	-	-	-	-	-	-	- %	- %
<b>Total Expenditure - Standard</b>	<b>2,515,184,421</b>	<b>17,171,503</b>	<b>2,532,355,924</b>	-	-	<b>2,532,355,924</b>	<b>2,476,200,503</b>	-	<b>(56,155,421)</b>	<b>98 %</b>	<b>98 %</b>
<b>Surplus/(Deficit) for the year</b>	<b>84,184,777</b>	<b>(7,054,291)</b>	<b>77,130,486</b>	-	-	<b>77,130,486</b>	<b>101,327,441</b>	-	<b>24,196,955</b>	<b>131 %</b>	<b>120 %</b>

## Drakenstein Municipality

### Appendix B2

#### Reconciliation of Budgeted Financial Performance (Revenue and expenditure by Municipal Vote)

2021/2020										
Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Adjusted Budget	Shifting of Funds (i.t.o. s31 of the MFMA)	Adjustments (i.t.o. Council approved by law)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand		
<b>Revenue by Vote</b>										
Office of the City Manager	-	-	-	-	-	-	-	-	- %	- %
Financial Services	350,710,512	30,549,212	381,259,724	-	381,259,724	423,689,831	-	42,430,107	111 %	121 %
Corporate Services	1,493,424	451,830	1,945,254	-	1,945,254	2,342,540	-	397,286	120 %	157 %
Planning and Development	7,636,204	751,085	8,387,289	-	8,387,289	7,888,858	-	(498,431)	94 %	103 %
Community Services	242,661,892	(24,807,784)	217,854,108	-	217,854,108	207,847,111	-	(10,006,997)	95 %	86 %
Engineering Services	1,996,867,166	2,956,869	1,999,824,035	-	1,999,824,035	1,935,555,162	-	(64,268,873)	97 %	97 %
Department of Chief Audit Executive	-	-	-	-	-	-	-	-	- %	- %
Department of Risk And Compliance	-	216,000	216,000	-	216,000	204,442	-	(11,558)	95 %	- %
Department of IDP And PMS	-	-	-	-	-	-	-	-	- %	- %
Department of Communication	-	-	-	-	-	-	-	-	- %	- %
<b>Total Revenue by Vote</b>	<b>2,599,369,198</b>	<b>10,117,212</b>	<b>2,609,486,410</b>	<b>-</b>	<b>2,609,486,410</b>	<b>2,577,527,944</b>	<b>-</b>	<b>(31,958,466)</b>	<b>99 %</b>	<b>99 %</b>
<b>Expenditure by Vote to be appropriated</b>										
Office of the City Manager	4,295,969	(10,234)	4,285,735	-	-	4,227,406	-	(58,329)	99 %	98 %
Financial Services	120,369,823	4,382,279	124,752,102	-	(200,000)	111,947,071	-	(12,605,031)	90 %	93 %
Corporate Services	156,959,154	8,786,573	165,745,727	-	430,776	162,486,960	-	(3,689,543)	98 %	104 %
Planning and Development	49,846,139	(1,097,602)	48,748,537	-	(1,181,144)	46,977,991	-	(589,402)	99 %	94 %
Community Services	468,644,793	10,425,120	479,069,913	-	1,319,285	469,159,599	-	(11,229,599)	98 %	100 %
Engineering Services	1,693,380,239	(5,991,685)	1,687,388,554	-	(166,866)	1,660,514,161	-	(26,707,527)	98 %	98 %
Department of Chief Audit Executive	7,710,526	1,090,234	8,800,760	-	-	8,723,623	-	(77,137)	99 %	113 %
Department of Risk And Compliance	2,376,527	(182,178)	2,194,349	-	-	2,109,762	-	(84,587)	96 %	89 %
Department of IDP And PMS	6,168,036	159,772	6,327,808	-	-	5,714,506	-	(613,302)	90 %	93 %
Department of Communication	5,433,215	(390,776)	5,042,439	-	(202,051)	4,339,423	-	(500,965)	90 %	80 %
<b>Total Expenditure by Vote</b>	<b>2,515,184,421</b>	<b>17,171,503</b>	<b>2,532,355,924</b>	<b>-</b>	<b>-</b>	<b>2,476,200,502</b>	<b>-</b>	<b>(56,155,422)</b>	<b>98 %</b>	<b>98 %</b>
<b>Surplus/(Deficit) for the year</b>	<b>84,184,777</b>	<b>(7,054,291)</b>	<b>77,130,486</b>	<b>-</b>	<b>77,130,486</b>	<b>101,327,442</b>	<b>-</b>	<b>24,196,956</b>	<b>131 %</b>	<b>120 %</b>



# Drakenstein Municipality

## Appendix B3

### Reconciliation of Budgeted Capital Expenditure by Vote, Standard Classification and Funding

	2021/2020										
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final Adjustments Budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved by law)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	%	%
Capital expenditure - Vote											
Multi-year expenditure											
Office of the City Manager	-	-	-	-	-	-	-	-	-	- %	- %
Financial Services	-	-	-	-	-	-	-	-	-	- %	- %
Corporate Services	571,294	24,941	596,235	-	(1,904)	594,331	594,330	-	(1)	100 %	104 %
Planning and Development	-	-	-	-	-	-	-	-	-	- %	- %
Community Services	27,126,292	(7,704,370)	19,421,922	-	(355,497)	19,066,425	18,347,511	-	(718,914)	96 %	68 %
Engineering Services	139,778,390	(36,092,173)	103,686,217	-	(2,161,127)	101,525,090	101,007,539	-	(517,551)	99 %	72 %
Department of Chief Audit Executive	-	-	-	-	-	-	-	-	-	- %	- %
Department of Risk And Compliance	-	-	-	-	-	-	-	-	-	- %	- %
Department of IDP And PMS	-	-	-	-	-	-	-	-	-	- %	- %
Department of Communication	-	21,154	21,154	-	(4,023)	17,131	17,130	-	(1)	100 %	- %
Capital multi-year expenditure sub-total	167,475,976	(43,750,448)	123,725,528	-	(2,522,551)	121,202,977	119,966,510	-	(1,236,467)	99 %	72 %
Single-year expenditure											
Office of the City Manager	-	21,475	21,475	-	-	21,475	21,475	-	-	100 %	- %
Financial Services	2,082,860	(1,274,990)	807,870	-	(139,458)	668,412	517,709	-	(150,703)	77 %	25 %
Corporate Services	1,896,000	2,795,228	4,691,228	-	(448,669)	4,242,559	3,926,607	-	(315,952)	93 %	207 %
Planning and Development	-	185,000	185,000	-	(24,417)	160,583	160,583	-	-	100 %	- %
Community Services	8,305,054	20,136,301	28,441,355	-	585,957	29,027,312	27,621,029	-	(1,406,283)	95 %	333 %
Engineering Services	37,212,543	43,972,062	81,184,605	-	2,549,722	83,734,327	69,431,128	-	(14,303,199)	83 %	187 %
Department of Chief Audit Executive	-	-	-	-	-	-	-	-	-	- %	- %
Department of Risk And Compliance	-	2,000	2,000	-	(584)	1,416	1,416	-	-	100 %	- %
Department of IDP And PMS	-	-	-	-	-	-	-	-	-	- %	- %
Department of Communication	-	-	-	-	-	-	-	-	-	- %	- %
Capital single-year expenditure sub-total	49,496,457	65,837,076	115,333,533	-	2,522,551	117,856,084	101,679,947	-	(16,176,137)	86 %	205 %
Total Capital Expenditure - Vote	216,972,433	22,086,628	239,059,061	-	-	239,059,061	221,646,457	-	(17,412,604)	93 %	102 %

# Drakenstein Municipality

## Appendix B3

### Reconciliation of Budgeted Capital Expenditure by Vote, Standard Classification and Funding

	2021/2020										
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final Adjustments Budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved by law)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	%	%
Capital Expenditure - Standard											
Governance and administration	7,012,996	1,735,600	8,748,596	-	(1,477,756)	7,270,840	6,735,755	-	(535,085)	93 %	96 %
Executive and council	120,000	213,345	333,345	-	(43,358)	289,987	289,986	-	(1)	100 %	242 %
Finance and administration	6,892,996	1,522,255	8,415,251	-	(1,434,398)	6,980,853	6,445,769	-	(535,084)	92 %	94 %
Internal audit	-	-	-	-	-	-	-	-	-	- %	- %
Community and public safety	35,311,346	12,300,113	47,611,459	-	228,252	47,839,711	45,714,516	-	(2,125,195)	96 %	129 %
Community and social services	5,000,000	(4,191,000)	809,000	-	(26,655)	782,345	782,344	-	(1)	100 %	16 %
Sport and recreation	17,876,455	3,623,043	21,499,498	-	142,869	21,642,367	20,965,142	-	(677,225)	97 %	117 %
Public safety	3,747,600	(1,314,560)	2,433,040	-	(580,693)	1,852,347	1,533,969	-	(318,378)	83 %	41 %
Housing	8,687,291	14,182,630	22,869,921	-	692,731	23,562,652	22,433,061	-	(1,129,591)	95 %	258 %
Health	-	-	-	-	-	-	-	-	-	- %	- %
Economic and environmental services	87,544,552	6,853,340	94,397,892	-	(170,622)	94,227,270	73,755,722	-	(20,471,548)	78 %	84 %
Planning and development	150,000	10,000	160,000	-	(5,695)	154,305	154,305	-	-	100 %	103 %
Road transport	87,394,552	6,843,340	94,237,892	-	(164,927)	94,072,965	73,601,417	-	(20,471,548)	78 %	84 %
Environmental protection	-	-	-	-	-	-	-	-	-	- %	- %
Trading services	87,103,539	1,197,575	88,301,114	-	1,420,126	89,721,240	95,440,465	-	5,719,225	106 %	110 %
Energy sources	39,950,000	14,616,447	54,566,447	-	2,943,668	57,510,115	63,721,887	-	6,211,772	111 %	160 %
Water management	35,238,539	(19,116,115)	16,122,424	-	678,778	16,801,202	16,551,194	-	(250,008)	99 %	47 %
Waste water management	8,915,000	5,138,210	14,053,210	-	(1,756,154)	12,297,056	12,054,523	-	(242,533)	98 %	135 %
Waste management	3,000,000	559,033	3,559,033	-	(446,166)	3,112,867	3,112,861	-	(6)	100 %	104 %
Other	-	-	-	-	-	-	-	-	-	- %	- %
Other	-	-	-	-	-	-	-	-	-	- %	- %
Total Capital Expenditure - Standard	216,972,433	22,086,628	239,059,061	-	-	239,059,061	221,646,458	-	(17,412,603)	93 %	102 %
Funded by:											
National Government	86,142,411	(10,903,873)	75,238,538	-		75,238,538	75,212,469		(26,069)	100 %	87 %
Provincial Government	64,929,546	1,236,712	66,166,258	-		66,166,258	65,630,344		(535,914)	99 %	101 %
District Municipality	-	-	-	-		-	-		-	- %	- %
Other transfers and grants	2,600,000	751,085	3,351,085	-		3,351,085	2,853,688		(497,397)	85 %	110 %
Transfers recognised - capital	153,671,957	(8,916,076)	144,755,881	-		144,755,881	143,696,501		(1,059,380)	99 %	94 %
Public contributions & donations	-	-	-	-		-	-		-	- %	- %
Borrowing	-	-	-	-		-	-		-	- %	- %
Internally generated funds	63,300,476	31,002,704	94,303,180	-		94,303,180	77,949,957		(16,353,223)	83 %	123 %
Total Capital Funding	216,972,433	22,086,628	239,059,061	-		239,059,061	221,646,458		(17,412,603)	93 %	102 %

**Drakenstein Municipality**
**Appendix C**
**Disclosure of Grants and Subsidies in Terms of Section 123 of the MFMA, 56 of 2003**

Description	Quarterly Receipts							Quarterly Expenditure (Capital and Operating)					
	Opening Balance 01 July 2020	Restate- ments	Restated Opening Balance 01 July 2020	Sep	Dec	Mar	Jun	Total	Sep	Dec	Mar	Jun	Total
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
<b>National Government (Unconditional Grant)</b>													
G/F : EQUITABLE SHARE	-	-	-	(74,010,000)	(72,205,000)	(41,117,000)	-	(187,332,000)	44,439,802	16,039,771	48,923,817	77,928,610	187,332,000
	-	-	-	(74,010,000)	(72,205,000)	(41,117,000)	-	(187,332,000)	44,439,802	16,039,771	48,923,817	77,928,610	187,332,000
<b>National Government (Conditional Grant)</b>													
G/F : EPWP TOEKENING VIR INFRASTRUKPROJEKT CWL	-	-	-	(1,024,000)	(1,842,000)	(1,227,000)	-	(4,093,000)	-	1,024,000	-	3,069,000	4,093,000
G/F : BUDGET REFORM PROGRAMME NATIONAL TREASURY	(6)	6	-	(1,550,000)	-	(380,000)	380,000	(1,550,000)	262,459	263,656	177,897	845,988	1,550,000
G/F : IUDG	-	-	-	(12,600,000)	(66,196,912)	13,173,000	7,696,912	(57,927,000)	10,555,083	11,575,230	5,587,225	30,209,462	57,927,000
G/F : IIPASAS	-	(166,569)	(166,569)	-	-	-	(2,855,499)	(3,022,068)	877,663	450,394	-	1,694,011	3,022,068
G/F : RURAL DEVELOPMENT (SARON ROADS)	(639,324)	639,324	-	-	(529,892)	-	529,892	-	-	-	-	-	-
G/F : ELECTRIFICATION FUNDING (INEP)	(2)	2	-	(5,000,000)	(12,000,000)	-	-	(17,000,000)	5,981,933	3,992,518	6,016,974	1,008,575	17,000,000
G/F : ELEKT DEMANDSIDE	(12,741)	-	(12,741)	-	-	-	12,741	-	-	12,741	-	(12,741)	-
G/F : WATER INFRASTRUCTURE	(5)	5	-	-	-	(4,095,000)	-	(4,095,000)	-	-	-	4,095,000	4,095,000
	(652,078)	472,768	(179,310)	(20,174,000)	(80,568,804)	7,471,000	5,764,046	(87,687,068)	17,677,138	17,318,539	11,782,096	40,909,295	87,687,068
<b>Provincial Government (Conditional Grant)</b>													
G/F : MBEKWENI THUSONG CENTRE	-	-	-	-	(150,000)	-	-	(150,000)	-	-	-	150,000	150,000
G/F : LG GRADUATE INTERNSHIP	(47,586)	47,586	-	-	-	-	-	-	-	-	-	-	-
G/F : CHICAGO	(8,500)	8,500	-	-	-	-	-	-	-	-	-	-	-
G/F : DEVELOPMENT OF SPORT AND RECREATION FACILITIES	(67,098)	67,098	-	-	-	-	-	-	-	-	-	-	-
G/F : GREENEST TOWN AWARD	(260,000)	-	(260,000)	-	-	-	-	(260,000)	-	-	-	260,000	260,000
G/F : HUMAN SETTLEMENTS	(672,000)	672,000	-	-	-	-	-	-	-	-	-	-	-
G/F : SIYASHLALA	(416,563)	-	(416,563)	(460,920)	-	-	460,920	(416,563)	-	-	-	-	(416,563)
G/F : KINGSTON / LANTANA	(316,018)	29,000	(287,018)	(422,790)	-	(590,870)	(1,383,252)	(2,683,930)	-	-	-	2,683,930	2,683,930
G/F : KINGSTON TOWN TRANSFERS	(24,000)	(29,000)	(53,000)	-	-	-	-	(53,000)	-	-	-	-	(53,000)
G/F : GOUDA	(633,924)	30,000	(603,924)	-	-	-	-	(603,924)	-	-	-	-	(603,924)
G/F : ERF 2220 (NOODKAMP)	(802,653)	6,000	(796,653)	-	-	-	-	(796,653)	-	-	-	-	(796,653)
G/F : NEW SIZAYAMA	-	-	-	-	-	-	(460,920)	(460,920)	-	-	-	-	(460,920)
G/F : P59 FAIRYLANDS INCOME	(7,502,261)	5,395,550	(2,106,711)	-	-	-	-	(2,106,711)	-	-	-	79,660	79,660
G/F : HOUSING SCHEME 49	(130,183)	130,183	-	-	-	-	-	-	-	-	-	-	-
G/F : DROMMEDARIS ST EHP	(732,415)	564,166	(168,249)	(227,000)	-	-	227,000	(168,249)	723,894	1,053,588	1,803,536	(3,581,018)	-
G/F : CARTERVILLE HOUSING PROJECT	(956,503)	-	(956,503)	-	-	-	-	(956,503)	-	-	-	-	(956,503)
G/F : 1068 HUISE WD SKENKING	(341,699)	-	(341,699)	-	-	-	-	(341,699)	-	-	-	139,555	139,555
G/F : DALJOSAPHAT TRANSFERS	(453,180)	-	(453,180)	-	-	-	-	(453,180)	-	-	-	-	(453,180)
G/F : AMSTELHOF PROJECT 35	(10,348)	-	(10,348)	-	-	-	-	(10,348)	-	-	-	-	(10,348)
G/F : MANDELA ROUTE	(15,000)	15,000	-	-	-	-	-	-	-	-	-	-	-
G/F : PAARL EAST HOUSING PROJECT	(46,687)	-	(46,687)	-	-	-	(1,138,645)	(1,185,332)	-	-	-	1,185,332	1,185,332
G/F : DROMMEDARIS ST EHP	(140,064)	-	(140,064)	-	-	-	-	(140,064)	-	-	-	-	(140,064)
G/F : DROM 181/1407 (HSDG)	-	-	-	-	-	(3,051,155)	2,652,310	(398,845)	-	-	-	-	(398,845)
G/F : ACCELERATED HOUSING	-	-	-	-	-	-	(238,000)	(238,000)	-	-	-	238,000	238,000
G/F : RSEP	-	-	-	-	-	(1,000,000)	-	(1,000,000)	-	-	-	1,000,000	1,000,000
G/F : CAPACITY BUILDING	-	-	-	-	-	-	(300,000)	(300,000)	-	-	-	-	(300,000)

**Drakenstein Municipality**

**Appendix C**

**Disclosure of Grants and Subsidies in Terms of Section 123 of the MFMA, 56 of 2003**

Description	Quarterly Receipts							Quarterly Expenditure (Capital and Operating)					
	Opening Balance	Restate-	Restated	Sep	Dec	Mar	Jun	Total	Sep	Dec	Mar	Jun	Total
	01 July 2020	ments	Opening Balance										Closing Balance
	Rand	Rand	01 July 2020	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	30 June 2021
													Rand
G/F : TITLE DEEDS	(2,784,000)	(2,659,586)	(5,443,586)	-	-	-	-	(5,443,586)	-	-	-	-	(5,443,586)
G/F : CHESTER WILLIAMS & PAARL LOVERS LANE	(383,312)	(42,166)	(425,478)	-	-	-	-	(425,478)	-	-	-	-	(425,478)
G/F : NCEDOLWETHU/CHRIS HANI	(2,000)	2,000	-	-	-	-	-	-	-	-	-	-	-
G/F : DALJOSAPAHT (PHASE 1-3)	(90,000)	90,000	-	-	-	-	-	-	-	-	-	-	-
G/F : LIBRARY SERVICES CONDITIONAL GRANT	(632)	-	(632)	(7,726,000)	(7,726,000)	-	(3,035,000)	(18,487,632)	-	8,308,833	-	10,178,799	18,487,632
G/F : FINANCIAL MANAGEMENT SUPPORT GRANT	(136,000)	-	(136,000)	-	-	-	(80,000)	(216,000)	-	19,800	-	184,642	204,442
G/F : CAPE WINELANDS	-	-	-	-	-	-	(660,000)	(660,000)	-	-	-	460,000	460,000
G/F : SERVICE DELIVERY AND CAPACITY BUILDING GRANT	35	(35)	-	-	-	-	-	-	-	-	-	-	-
G/F : SCHOONGEZIGHT	(3,074,124)	-	(3,074,124)	-	-	(3,450,000)	(3,051,155)	(9,575,279)	76,630	4,942,335	1,690,991	1,408,389	8,118,345
G/F : COMMUNITY DEVELOPMENT WORKERS	(473,931)	473,931	-	-	-	-	-	-	-	-	-	-	-
G/F : FINANCIAL MANAGEMENT CAPACITY BUILDING	(343,332)	-	(343,332)	-	-	-	-	(343,332)	-	-	-	-	(343,332)
G/F : PUBLIC WORKS AND TRANSPORT (ROADS)	-	-	-	(16,057,252)	(15,612,750)	(22,256,410)	(2,585,587)	(56,511,999)	9,187,417	21,566,611	27,629,023	(1,871,052)	56,511,999
G/F : PUBLIC WORKS AND TRANSPORT (ROADS)	1,636	(1,636)	-	-	-	-	(736,000)	(736,000)	-	-	-	736,000	736,000
G/F : COMMUNITY DEVELOPMENT WORKERS	(245,872)	(106,931)	(352,803)	-	(113,000)	-	-	(465,803)	-	-	-	11,619	11,619
G/F FARM EVICTIONS	-	(234,112)	(234,112)	-	-	-	-	(234,112)	-	-	-	-	(234,112)
	<b>(21,108,214)</b>	<b>4,457,548</b>	<b>(16,650,666)</b>	<b>(24,893,962)</b>	<b>(23,601,750)</b>	<b>(30,348,435)</b>	<b>(10,328,329)</b>	<b>(105,823,142)</b>	<b>9,987,941</b>	<b>35,891,167</b>	<b>31,123,550</b>	<b>13,263,856</b>	<b>90,266,514</b>
<b>Other Grants (Unconditional Grant)</b>													
G/F : TRAINING LEVY	(1,052,407)	-	(1,052,407)	(66,312)	(19,308)	(473,400)	(456,307)	(2,067,734)	-	5,130	-	700,048	705,178
G/F : DBSA CEF	-	-	-	-	(4,000,000)	-	4,000,000	-	4,000,000	-	-	(4,000,000)	-
G/F : OR THAMBO EMERGENCY KITS	(1,815,250)	-	(1,815,250)	-	-	-	-	(1,815,250)	-	-	-	1,815,250	1,815,250
G/F : DE KRAAL	(964,748)	-	(964,748)	-	-	-	964,748	-	-	-	-	-	-
G/F : IIPSAS	-	-	-	(10,556,816)	4,000,000	-	6,556,816	-	-	-	-	-	-
G/F : FUND:PERFORMANCE MANAGMENTSYSTEM(PMS)	(300,000)	300,000	-	-	-	-	-	-	-	-	-	-	-
G/F : SIMONDIUM	(1,035,298)	1,035,298	-	-	-	-	-	-	-	-	-	-	-
G/F : CAPE WINELANDS (COVID - 19 )	(1,187,001)	-	(1,187,001)	-	-	-	-	(1,187,001)	13,967	23,294	-	1,149,740	1,187,001
G/F: VLAKKELAND	-	-	-	-	-	-	(23,940,211)	(23,940,211)	-	-	-	23,940,211	23,940,211
G/F: LE PARC ESTATE	-	-	-	-	-	-	(1,411,776)	(1,411,776)	-	-	-	1,411,776	1,411,776
G/F: JAN VAN RIEBEECK DRIVE - VLAKKELAND	-	-	-	-	-	-	(340,623)	(340,623)	-	-	-	340,623	340,623
G/F: LADY BLAKE	-	-	-	-	-	-	(28,588)	(28,588)	-	-	-	28,588	28,588
G/F: NEWTON DEVELOPMENT	-	-	-	-	-	-	(798,884)	(798,884)	-	-	-	798,884	798,884
G/F: THE ACRES	-	-	-	-	-	-	(5,570,175)	(5,570,175)	-	-	-	5,570,175	5,570,175
G/F: CHURCH STREET DEVELOPMENTS	-	-	-	-	-	-	(96,613)	(96,613)	-	-	-	96,613	96,613
	<b>(6,354,704)</b>	<b>1,335,298</b>	<b>(5,019,406)</b>	<b>(10,623,128)</b>	<b>(19,308)</b>	<b>(473,400)</b>	<b>(21,121,613)</b>	<b>(37,256,855)</b>	<b>4,013,967</b>	<b>28,424</b>	<b>-</b>	<b>31,851,908</b>	<b>35,894,299</b>
<b>Other Grants (Conditional)</b>													
G/F : NUMARKT	(1,473,171)	-	(1,473,171)	-	-	(2,625,675)	-	(4,098,846)	-	865,476	943,048	1,045,164	2,853,688
	<b>(1,473,171)</b>	<b>-</b>	<b>(1,473,171)</b>	<b>-</b>	<b>-</b>	<b>(2,625,675)</b>	<b>-</b>	<b>(4,098,846)</b>	<b>-</b>	<b>865,476</b>	<b>943,048</b>	<b>1,045,164</b>	<b>2,853,688</b>
<b>Other</b>													
G/F : TRUST FUND : MUN WEDUWEE & WESE PENSOEN	(363,572)	-	(363,572)	-	-	-	-	(363,572)	-	-	-	-	(363,572)
	<b>(363,572)</b>	<b>-</b>	<b>(363,572)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(363,572)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(363,572)</b>
<b>Total</b>	<b>(29,951,739)</b>	<b>6,265,614</b>	<b>(23,686,125)</b>	<b>(129,701,090)</b>	<b>(176,394,862)</b>	<b>(67,093,510)</b>	<b>(25,685,896)</b>	<b>(422,561,483)</b>	<b>76,118,848</b>	<b>70,143,377</b>	<b>92,772,511</b>	<b>164,998,833</b>	<b>404,033,569</b>