



**DRAKENSTEIN**

MUNISIPALITEIT • MUNICIPALITY • UMASIPALA

Paarl | Wellington | Gouda | Saron | Simondium

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# AUDITED ANNUAL FINANCIAL STATEMENTS

**For the year ended 30 June 2022**

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 2022

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# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

## 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 PLANNING AND DEVELOPMENT	LT VAN NIEKERK
MAYORAL COMMITTEE MEMBER OF SOCIAL DEVELOPMENT	E GOUWS
MAYORAL COMMITTEE MEMBER OF HUMAN SETTLEMENTS	MA ANDREAS
MAYORAL COMMITTEE MEMBER OF SPORT, RECREATION ARTS AND CULTURE (SRAC)	L ARENDSE
MAYORAL COMMITTEE MEMBER OF CORPORATE SERVICES	E BARON
MAYORAL COMMITTEE MEMBER OF PUBLIC SAFETY	A APPOLLIS
MAYORAL COMMITTEE MEMBER OF COMMUNICATION AND INTERGOVERNMENTAL RELATIONS (IGR)	R VAN NIEUWENHUYZEN
MAYORAL COMMITTEE MEMBER OF ENGINEERING SERVICES	T BESTER
MAYORAL COMMITTEE MEMBER OF PARKS, WASTE AND CEMETERIES	L CYSTER
MAYORAL COMMITTEE MEMBER OF GOVERNANCE COMPLIANCE	J MILLER

### 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 AND DEVELOPMENT	MS J SAMSON
EXECUTIVE DIRECTOR: ENGINEERING SERVICES	MR M WÜST
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 2022

## General Information

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### Council members before elections (up to 14 November 2021)

Nr	Surname	Initials	Nr	Surname	Initials
1	ADRIAANSE	MM	34	MASOKA	ZL
2	AFRIKA	AF	35	MATTHEE	HJN
3	ANDERSON	JV	36	MBENENE	NP
4	ANDREAS	MA	37	MDUNSIE	MN
5	ARNOLDS	RB	38	MEYER	WPD
6	BEKEER	A	39	MINTOOR	D
7	BESTER	TG	40	MILLER	J
8	BLACKENBERG	DS	41	MPULANYANA	TR
9	BOOYSEN	VC	42	MOKOENA	LP
10	BUCKLE	AML	43	NELL	RH
11	COMBRINK	GC	44	NIEHAUS	LW
12	CUPIDO	FP	45	NOBULA	MD
13	CUPIDO	PB	46	NOMANA	TZ
14	CYSTER	L	47	NZELE	LV
15	DAVIDS	CO	48	POOLE	CJ
16	DE GOEDE	HR	49	RENS	SC
17	DE WET	J	50	RICHARDS	AM
18	DUBA	BP	51	RIX	B
19	FORD	GH	52	ROSS	S
20	GEORGE	NN	53	SAMBOKWE	LS
21	GOUWS	E	54	SAUERMAN	ND
22	JACOBS	F	55	SEPTEMBER	SE
23	JONAS	SX	56	SMIT	J
24	KEARNS	C	57	SMUTS	R
25	KLAAS	MT	58	SOLOMONS	EA
26	KOEGELEBERG	RA	59	STOWMAN	AC
27	KOTZE	HJ	60	VAN NIEKERK	LT
28	KROUTZ	C	61	VAN NIEUWENHUYZEN	RH
29	LANDU	L	62	VAN SANTEN	AJ
30	LE HOE	MJ	63	VIKA	M
31	LE ROUX	JF	64	WINDVOGEL	EJ
32	LUGQOLA	A	65	ZIKHALI	N
33	MANGENA	TC			

# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

## General Information

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### Council members after elections (after 15 November 2021)

Nr	Surname	Initials	Nr	Surname	Initials
1	ADAMS	JH	34	KROUTZ	C
2	ADRIAANSE *	MM	35	KULSEN	G
3	ANDERSON	JV	36	LANDSBERG	S
4	ANDREAS	MA	37	LANDU	L
5	APPOLLIS	AM	38	LE ROUX *	JF
6	ARENDSE	EG	39	LIEDENBERG	SJ
7	ARENDSE	LC	40	MANGENA	TC
8	ARNOLDS	RB	41	MATTHEE	HJ
9	BARON	E	42	MATTHEE	LC
10	BESTER	TG	43	MILLER	J
11	BOLANI	LE	44	MOOI	TP
12	BOOYSEN	VC	45	NELL	RH
13	CAROLLISEN	D	46	NONGOGO / WANA	N
14	COMBRINK *	GC	47	NOBALA	M
15	CUPIDO	FP	48	POOLE *	CJ
16	CUPIDO	PB	49	RICHARDS	AM
17	CYSTER	L	50	ROSS	S
18	DANIELS	JV	51	SAMBOKWE	LS
19	DAVIDS	CO	52	SAUERMAN	ND
20	DE KOCK	J	53	SEPTEMBER	JA
21	DU PLESSIS	AJ	54	SMIT	J
22	DUBA	BP	55	SMUTS *	R
23	FOURIE	A	56	SOLOMONS	EA
24	GANANDANA	S	57	STOWMAN *	A
25	GODONGWANA	N	58	STULWENI	AM
26	GOUWS	E	59	VAN NIEKERK	LT
27	GRAVEL	S	60	VAN NIEUWENHUYZEN	RH
28	JACOBS	B	61	VAN ROOYEN	A
29	JACOBS	CM	62	VAN SANTEN	AJ
30	JACOBS	F	63	VAN WILLINGH	B
31	JACOBS	M	64	XHEGO	Z
32	KEARNS	C	65	ZOYA	N
33	KOEGELENBERG *	RA			

\* The "Alderman / Alderlady" status were bestowed onto these councillors.

# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

## 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 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 OF 6 2004) DIVISION OF REVENUE ACT (ACT 1 OF 2007)
<b>Other information</b>	
<b>Executive Mayor</b>	ALDERMAN CJ POOLE
<b>Executive Deputy Mayor</b>	ALDERMAN GC COMBRINK
<b>Speaker</b>	ALDERMAN JF LE ROUX
<b>Chief Whip</b>	COUNCILLOR C KEARNS
<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 2022

## 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 and as required by the MFMA.


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 41 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 Provincial and Local Government's determination in accordance with the Act.

The audited annual financial statements set out on pages 8 to 141, 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 2022:



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**DR. H. LEIBRANDT**  
ACCOUNTING OFFICER

# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

## 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 Taxation
MFMA	Municipal Finance Management Act
GFS	Government Finance Statistics
ISAB	International Accounting Standards Board
DCAS	Western Cape Department of Cultural Affairs and Sports



# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

## Statement of Financial Position as at 30 June 2022

Figures in Rand	Note(s)	2022	2021 Restated*
<b>Assets</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	3	6,563,309,255	6,214,015,769
Heritage assets	4	47,633,645	40,761,645
Intangible assets	5	4,614,906	5,255,000
Investment property	6	58,493,000	54,849,000
Non-current receivables from exchange transactions	8	94,875	272,299
		<b>6,674,145,681</b>	<b>6,315,153,713</b>
<b>Current Assets</b>			
Inventories	9	36,141,887	23,344,372
Trade and other receivables from exchange transactions	10	351,755,826	311,304,368
Receivables from non-exchange transactions	11	102,179,555	103,497,822
Cash and cash equivalents	12	189,883,617	138,781,359
Short term investments	13	40,000,000	-
Current portion of non-current receivables	14	26,762	156,788
VAT control receivable	19	24,805,911	19,455,955
		<b>744,793,558</b>	<b>596,540,664</b>
<b>Total Assets</b>		<b>7,418,939,239</b>	<b>6,911,694,377</b>
<b>Liabilities</b>			
<b>Non-Current Liabilities</b>			
Borrowings	15	1,539,712,710	1,618,401,012
Finance lease liabilities	16	-	26,762
Employee benefits	17	240,145,000	227,049,000
Provisions	18	217,913,609	195,378,926
		<b>1,997,771,319</b>	<b>2,040,855,700</b>
<b>Current Liabilities</b>			
Consumer deposits	20	65,330,962	59,109,630
Payables from exchange transactions	21	267,904,642	359,146,340
Unspent conditional grants and receipts	22	11,701,396	10,629,587
Borrowings	15	78,688,302	18,555,870
Finance lease liabilities	16	26,762	1,413,432
Provisions	18	570,790	-
Employee benefits	17	81,769,882	90,873,365
		<b>505,992,736</b>	<b>539,728,224</b>
<b>Total Liabilities</b>		<b>2,503,764,055</b>	<b>2,580,583,924</b>
<b>Net Assets</b>		<b>4,915,175,184</b>	<b>4,331,110,453</b>
<b>Net assets presented by:</b>			
Housing Development Fund	23	28,144,553	25,851,738
Reserves and Funds	24	1,785,178,262	1,407,367,304
Accumulated surplus	25	3,101,852,369	2,897,891,411
<b>Total Net Assets</b>		<b>4,915,175,184</b>	<b>4,331,110,453</b>

\* See Note 51



# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

## Statement of Financial Performance

Figures in Rand	Note(s)	2022	2021 Restated*
<b>Revenue</b>			
<b>Exchange revenue</b>			
Services charges - Electricity	26	1,385,887,089	1,230,221,283
Services charges - Water	26	169,325,936	150,466,866
Services charges - Waste management	26	135,738,979	125,627,467
Services charges - Waste water management	26	125,716,049	121,448,845
Sales of goods and rendering of services	28	19,181,114	11,575,209
Rental from fixed assets	29	5,248,483	5,190,130
Interests on investments	30	9,673,336	5,215,173
Dividends	31	-	7,560
Interest on receivables	32	7,271,333	7,084,609
Operational revenue	33	13,272,599	11,499,275
Licences or permits	34	20,745,433	20,628,986
Gain on disposal of assets	35	563,151	-
<b>Total exchange revenue</b>		<b>1,892,623,502</b>	<b>1,688,965,403</b>
<b>Non-exchange revenue</b>			
Property rates	36	416,883,723	343,711,355
Availability charges - Electricity	27	1,902,418	1,639,713
Availability charges - Water	27	1,841,167	1,601,232
Availability charges - Waste management	27	3,153,904	2,779,837
Availability charges - Waste water management	27	2,804,994	2,500,447
Surcharges and taxes		1,170,821	1,060,460
Fines, penalties and forfeits	37	105,224,151	128,602,942
Transfers and subsidies	38	320,272,798	398,041,943
Operational revenue	33	1,507,493	8,798,882
Construction contract revenue	39	204,277	3,830,730
<b>Total non-exchange revenue</b>		<b>854,965,746</b>	<b>892,567,541</b>
<b>Total revenue</b>		<b>2,747,589,248</b>	<b>2,581,532,944</b>
<b>Expenditure</b>			
Employee related cost	40	716,436,654	713,033,715
Remuneration of councillors	41	31,654,071	31,101,146
Depreciation and amortisation	42	241,745,868	219,436,028
Impairment losses on financial assets	43	117,214,549	175,487,279
Impairment losses on PPE, IA and HA	44	2,468,069	(246,328)
Finance costs	45	180,161,754	179,830,803
Bulk purchases	46	977,740,575	834,993,591
Inventory consumed		60,171,578	52,897,550
Contracted services	47	148,352,036	148,022,777
Transfers and subsidies		15,343,996	8,534,159
Operational cost	48	92,354,301	82,227,985
Operating leases	49	20,467,526	18,956,121
Fair value and loss on disposal adjustment of assets	35	-	6,144,332
<b>Total expenditure</b>		<b>2,604,110,977</b>	<b>2,470,419,158</b>
<b>Surplus for the year</b>		<b>143,478,271</b>	<b>111,113,786</b>

\* See Note 51



# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

## Cash Flow Statement

Figures in Rand	Note(s)	2022	2021 Restated*
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Property rates		407,320,443	342,405,923
Service charges		1,764,593,821	1,593,352,476
Transfers, subsidies and construction contracts revenue received		328,523,212	375,862,779
Interest		10,643,651	8,738,749
Dividends		-	7,560
Other receipts and fines received		76,051,735	61,737,207
<b>Payments</b>			
Employees cost		(741,836,543)	(736,448,424)
Suppliers		(1,365,074,153)	(1,161,866,459)
Interest charges		(180,161,753)	(179,830,800)
Net VAT paid		(15,539,974)	(3,352,694)
<b>Net cash from(used) operating activities</b>	50	<b>284,520,439</b>	<b>300,606,317</b>
<b>Cash flows from investing activities</b>			
<b>Receipts</b>			
Proceeds on disposal of fixed and intangible assets		8,297,948	3,115,991
(Decrease) increase in investments		(2,373)	77,040
<b>Payments</b>			
Capital assets		(181,744,454)	(224,218,042)
Increase in short investments		(40,000,000)	-
<b>Net cash flows from investing activities</b>		<b>(213,448,879)</b>	<b>(221,025,011)</b>
<b>Cash flows from financing activities</b>			
<b>Payments</b>			
Decrease in finance leases		(1,413,432)	(1,717,999)
Decrease in borrowing long-term		(18,555,870)	(19,681,847)
<b>Net cash flows from financing activities</b>		<b>(19,969,302)</b>	<b>(21,399,846)</b>
<b>Net increase/(decrease) in cash</b>		<b>51,102,258</b>	<b>58,181,460</b>
Cash and cash equivalents at year begin		138,781,359	80,599,899
<b>Cash and cash equivalents at year end</b>		<b>189,883,617</b>	<b>138,781,359</b>

\* See Note 51



# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

## Statement of changes in net assets

	Housing development fund	Revaluation reserve	Accumulated surplus	Total net assets
<b>Figures in Rand</b>				
Opening balance as previously reported	22,000,756	1,452,457,291	2,684,543,970	4,159,002,017
Adjustments				
Correction of errors	-	(12,981,618)	74,723,380	61,741,762
<b>Balance at 01 July 2020 as restated*</b>	<b>22,000,756</b>	<b>1,439,475,673</b>	<b>2,759,267,350</b>	<b>4,220,743,779</b>
Surplus for the year	-	-	111,113,786	111,113,786
Offsetting of depreciation	-	(31,329,693)	31,329,693	-
Transfers to Housing Development Fund	3,850,982	-	(3,890,400)	(39,418)
Offsetting of depreciation	-	71,324	(71,324)	-
Offsetting sale of HA	-	(850,000)	850,000	-
Total changes	3,850,982	(32,108,369)	139,331,755	111,074,368
<b>Restated* Balance at 01 July 2021</b>	<b>25,851,738</b>	<b>1,407,367,304</b>	<b>2,898,599,106</b>	<b>4,331,818,148</b>
Surplus for the year	-	-	143,478,271	143,478,271
Transfers to Housing Development Fund	2,292,815	-	(2,523,692)	(230,877)
Offsetting of depreciation	-	(54,474,844)	54,474,844	-
Revaluation of PPE	-	433,237,645	-	433,237,645
Revaluation of HA	-	6,872,000	-	6,872,000
Offsetting of Land Inventory	-	(7,823,842)	7,823,842	-
Total changes	2,292,815	377,810,959	203,253,265	583,357,039
<b>Balance at 30 June 2022</b>	<b>28,144,553</b>	<b>1,785,178,262</b>	<b>3,101,852,369</b>	<b>4,915,175,184</b>
Note(s)	23	24	25	

\* See Note 51

# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

## Comparison of Budget and Actual Amounts for the year ended 30 June 2022

	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
Figures in Rand										
<b>Statement of financial performance</b>										
<b>Revenue</b>										
Property rates	403,840,831	12,138,030	415,978,861	-		415,978,861	416,883,724	904,863	100.22 %	103.23 %
Service charges	1,840,504,940	(28,202,108)	1,812,302,832	-		1,812,302,832	1,826,370,540	14,067,708	100.78 %	99.23 %
Investment revenue	6,000,000	-	6,000,000	-		6,000,000	9,673,336	3,673,336	161.22 %	161.22 %
Transfers recognised – operational	200,861,075	10,605,392	211,466,467	-		211,466,467	204,171,779	(7,294,688)	96.55 %	101.65 %
Other own revenue	157,591,029	17,442,215	175,033,244	-		175,033,244	192,767,554	17,734,310	110.13 %	122.32 %
<b>Total revenue (excl capital transfers and contributions)</b>	<b>2,608,797,875</b>	<b>11,983,529</b>	<b>2,620,781,404</b>	-		<b>2,620,781,404</b>	<b>2,649,866,933</b>	<b>29,085,529</b>	<b>101.11 %</b>	<b>101.57 %</b>
<b>Expenditure</b>										
Employee cost	(743,376,564)	(3,223,357)	(746,599,921)	-	-	(746,599,921)	(720,232,102)	26,367,819	96.47 %	96.89 %
Remuneration of councillors	(33,640,385)	-	(33,640,385)	-	-	(33,640,385)	(31,654,070)	1,986,315	94.10 %	94.10 %
Depreciation and asset impairment	(242,691,338)	-	(242,691,338)	-	-	(242,691,338)	(241,745,856)	945,482	99.61 %	99.61 %
Finance charges	(180,316,454)	-	(180,316,454)	-	-	(180,316,454)	(180,161,755)	154,699	99.91 %	99.91 %
Inventory consumed and bulk purchases	(1,034,355,079)	3,454,808	(1,030,900,271)	-	(7,061,842)	(1,037,962,113)	(1,037,912,149)	49,964	100.00 %	100.34 %
Transfers and grants	(18,117,842)	1,563,448	(16,554,394)	-	330,000	(16,224,394)	(15,343,997)	880,397	94.57 %	84.69 %
Other expenditure	(408,070,699)	(15,321,588)	(423,392,287)	-	6,731,842	(416,660,445)	(397,151,472)	19,508,973	95.32 %	97.32 %
<b>Total expenditure</b>	<b>(2,660,568,361)</b>	<b>(13,526,689)</b>	<b>(2,674,095,050)</b>	-	-	<b>(2,674,095,050)</b>	<b>(2,624,201,401)</b>	<b>49,893,649</b>	<b>98.13 %</b>	<b>98.63 %</b>
<b>Surplus</b>	<b>(51,770,486)</b>	<b>(1,543,160)</b>	<b>(53,313,646)</b>	-	-	<b>(53,313,646)</b>	<b>25,665,532</b>	<b>78,979,178</b>	<b>(48.14)%</b>	<b>(49.58)%</b>
Transfers and subsidies - Capital	96,382,569	26,949,114	123,331,683	-		123,331,683	117,812,786	(5,518,897)	95.53 %	122.23 %
<b>Surplus after capital transfers and contributions</b>	<b>44,612,083</b>	<b>25,405,954</b>	<b>70,018,037</b>	-	-	<b>70,018,037</b>	<b>143,478,318</b>	<b>73,460,281</b>	<b>204.92 %</b>	<b>321.61 %</b>



# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

## Comparison of Budget and Actual Amounts for the year ended 30 June 2022

	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>Figures in Rand</b>										
<b>Reconciliation to statement of financial performance</b>										
<b>Capital expenditure and fund source</b>										
Transfers recognised – capital	96,382,569	26,949,114	123,331,683	-	-	123,331,683	112,773,339	(10,558,344)	91.44 %	117.01 %
Borrowings	-	-	-	-	-	-	-	-	- %	- %
Internally generated funds	31,720,000	14,723,619	46,443,619	-	-	46,443,619	44,278,112	(2,165,507)	95.34 %	139.59 %
	<b>128,102,569</b>	<b>41,672,733</b>	<b>169,775,302</b>	<b>-</b>	<b>-</b>	<b>169,775,302</b>	<b>157,051,451</b>	<b>(12,723,851)</b>	<b>92.51 %</b>	<b>122.60 %</b>
<b>Cash flow</b>										
Total non-current assets	6,096,797,641	41,672,733	6,138,470,374	-	-	6,138,470,374	6,674,145,681	535,675,307	108.73 %	109.47 %
Total current assets	598,313,890	6,345,117	604,659,007	-	-	604,659,007	742,555,800	137,896,793	122.81 %	124.11 %
Total non-current liabilities	(1,999,587,355)	-	(1,999,587,355)	-	-	(1,999,587,355)	(1,997,771,319)	1,816,036	99.91 %	99.91 %
Total current liabilities	(556,198,244)	-	(556,198,244)	-	-	(556,198,244)	(503,754,978)	52,443,266	90.57 %	90.57 %
Community wealth/equity	(4,139,325,932)	(48,017,850)	(4,187,343,782)	-	-	(4,187,343,782)	(4,915,175,184)	(727,831,402)	117.38 %	118.74 %
	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>- %</b>	<b>- %</b>



# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

## Comparison of Budget and Actual Amounts for the year ended 30 June 2022

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	212,555,358	38,479,757	251,035,115	-	-	251,035,115	278,299,104	27,263,989	110.86 %	130.93 %
Net cash from (used) investing	(103,941,545)	(43,262,067)	(147,203,612)	-	-	(147,203,612)	(213,448,879)	(66,245,267)	145.00 %	205.35 %
Net cash from (used) financing	(29,683,298)	11,127,428	(18,555,870)	-	-	(18,555,870)	(13,747,970)	4,807,900	74.09 %	46.32 %
	<b>78,930,515</b>	<b>6,345,118</b>	<b>85,275,633</b>	<b>-</b>	<b>-</b>	<b>85,275,633</b>	<b>51,102,255</b>	<b>(34,173,378)</b>	<b>59.93 %</b>	<b>64.74 %</b>

### Commentary

Please refer to note 67 to 69 for additional budget information.

\*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 2022

## Accounting Policies

### 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



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# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

## 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

No new Standards have been adopted.

# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

## 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.

## 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 Municipal Budget and Reporting Regulations (MBRR). The amounts are scheduled as a separate additional financial statement, called the Statement of comparison of budget and actual amounts, based on the classifications as contained in the A Schedule, specifically Table A1 – Budget Summary. Actual performance is expressed based the budget classifications as contained in Budget Schedule A, table A1. A reconciliation of the base as presented in the Statement of Financial Performance and Cash Flow Statement is presented in the notes.

Explanatory comment is provided in the notes to the unaudited annual financial statements giving motivations for over- or under spending on line items where it is found to be material. 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 unaudited annual financial statements in determining whether a difference between the budgeted and actual amount is material.

The annual budget figures included in the unaudited 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 2021 to 30 June 2022.

#### Prior year comparatives

The comparative figures of one prior period is disclosed, where required. When the presentation or classification of items in the audited annual financial statements is amended, prior period comparative amounts are restated. 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.

# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 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.

### 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.

# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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

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.

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 2022

## 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	5-75
• Water	5-100
• Sewerage	5-100
• Solid Waste	5-100
Buildings	
• Buildings	30-50
• Recreational and sports facilities	5-100
• Resorts	5-100
• Housing assets	30-50
Other structures and facilities	
• Parks, gardens and cemeteries	5-100
• Parking structures	30-50
• Other structures	5-50
• Communication assets	30-50
• Leasehold improvements	30-50
• Containerized structures	5-50
Other assets	
• Transport assets	5-20
• Computer and other office equipment	3-10
• Furniture and fittings	5-10
• Machinery and equipment	5-10

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.

# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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

Historical reviews have impacted the lives of the assets. The following table indicates the impact on the actual lives of the assets as a result of historical reviews and adjustments made:

Asset class	Useful lives as applied in the Asset Register (years)
Infrastructure	
• Roads and storm water	5-100
• Electricity	5-100
• Water	5-140
• Sewerage	5-120
• Solid Waste	5-100
Buildings	
• Buildings	1 - 60
• Recreational and sports facilities	1 - 100
• Restorts	1 - 100
• Housing assets	1 - 60
Other structures and facilities	
• Parks, gardens and cemeteries	1-100
• Parking structures	30-50
• Other structures	3-50
• Communication assets	30-50
• Leasehold improvements	30-50
• Containerized structures	5-50
Other assets	
• Transport assets	5-35
• Computer and other office equipment	3-45
• Furniture and fittings	5-45
• Machinery and equipment	5 - 50

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.

### 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.

## Accounting Policies

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### 1.10 Intangible assets (continued)

#### 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 is 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 2022

## 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 Statement of Financial Position) 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 2022

## 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 Inventory

Inventory 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 inventory 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 inventory 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 inventory 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 inventory 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 2022

## Accounting Policies

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### 1.13 Inventory (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 inventory and requires reclassification to inventory.

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 inventory.

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.

Water rights are disclosed as non-living resources.

### 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.

## Accounting Policies

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

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.

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.

# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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

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.

### 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 2022

## 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 Statement of Financial Position.

#### 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 Statement of Financial Position 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 2022

## 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 Statement of Financial Position or in the notes thereto:

Type of financial asset	Classification in terms of GRAP 104
Finance lease receivables	Financial assets at amortised cost
Long-term receivables	Financial assets at amortised cost
Current portion of long-term receivables	Financial assets at amortised cost
Consumer debtors	Financial assets at amortised cost
Other debtors	Financial assets at amortised cost
Short-term investment deposit - Call	Financial assets at amortised cost
Bank balances and cash	Financial assets at amortised cost



# Drakenstein Municipality

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## Accounting Policies

### 1.19 Financial instruments (continued)

Investments in stock

Financial assets at fair value

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 Statement of Financial Position or in the notes thereto:

#### Type of financial liability

Long-term liabilities  
Current portion of long-term liabilities  
Other creditors  
Bank overdraft  
Short-term loans

#### Classification in terms of GRAP 104

Financial liability at amortised cost  
Financial liability at amortised cost  
Financial liability at amortised cost  
Financial liability at amortised cost  
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.

### 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.



# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 1.19 Financial instruments (continued)

#### 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.

#### 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.

## Accounting Policies

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### 1.19 Financial instruments (continued)

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.

#### 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.

# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 1.20 Statutory receivables (continued)

#### 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.

#### 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.

# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 1.20 Statutory receivables (continued)

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.

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.

# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 1.21 Revenue (continued)

#### 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.

#### 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.

# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 1.21 Revenue (continued)

#### 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.

#### 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.

# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 1.21 Revenue (continued)

#### 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.

#### 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.

# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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

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.

- 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.



# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 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 the Municipal Standard Chart of Accounts (mSCOA) Functions and Sub-functions, previously the Government Finance Statistics (GFS) functions, as well as 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 as well as per mSCOA classification to facilitate comparisons on a higher level.

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. Irregular Expenditure is accounted for as an expense in the Statement of financial performance in the period it occurred and where recovered, it is subsequently accounted for as revenue in the Statement of financial performance.

### 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.

# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 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.

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.

# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 1.33 Contingent assets and contingent liabilities (continued)

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.

### 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 report will not be aggregated.

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.

# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

## Notes to the Audited Annual Financial Statements

Figures in Rand	2022	2021
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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.

	2022	
	Base Rand	Level of materiality Rand
<b>Classes of transactions</b>		
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 2022 financial year is set at R 12.9 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.



# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

## Notes to the Audited Annual Financial Statements

Figures in Rand	2022	2021
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### 2. Key judgements and sources of estimation uncertainty (continued)

#### 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.

#### 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

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 cost

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.

# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

## Notes to the Audited Annual Financial Statements

Figures in Rand	2022	2021
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### 2. Key judgements and sources of estimation uncertainty (continued)

#### 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.

##### 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 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 Statement of Financial Position 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.



# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

## Notes to the Audited Annual Financial Statements

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### 2. Key judgements and sources of estimation uncertainty (continued)

#### 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.

#### 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. 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 their judgement, the 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 97.6% of the value of the fines issued, whereas it was estimated that 83.7% 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.

# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

## Notes to the Audited Annual Financial Statements

Figures in Rand	2022	2021
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### 2. Key judgements and sources of estimation uncertainty (continued)

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 2022

## Notes to the Audited Annual Financial Statements

Figures in Rand

### 3. Property, plant and equipment

#### 3.1 Reconciliation of carrying value

2022

	Land	Infrastructure assets	Buildings	Other structures and facilities	Capital spares	Other assets	Total
<b>Opening carrying value at 01 July 2021</b>							
Cost	946,822,528	7,265,691,738	1,028,002,089	38,716,330	11,528,900	361,354,257	9,652,115,842
Construction work-in-progress	-	377,356,429	25,401,956	3,512,416	-	-	406,270,801
Accumulated depreciation	-	(3,428,198,950)	(195,927,569)	(8,907,462)	-	(211,336,890)	(3,844,370,871)
	<b>946,822,528</b>	<b>4,214,849,217</b>	<b>857,476,476</b>	<b>33,321,284</b>	<b>11,528,900</b>	<b>150,017,367</b>	<b>6,214,015,772</b>
Additions from acquisitions	1,603,700	94,723,672	13,956,305	3,632,189	-	15,256,810	129,172,676
WIP Additions	-	34,801,660	9,570,646	2,751,805	-	-	47,124,111
Additions - Transfers from WIP	-	266,506,673	634,000	-	-	-	267,140,673
Revaluation adjustments	169,650,968	-	263,586,677	-	-	-	433,237,645
Reversal of Depreciation against asset cost	-	-	(195,912,542)	-	-	-	(195,912,542)
Reversal of Depreciation against asset Acc depreciation	-	-	195,912,542	-	-	-	195,912,542
Depreciation	42	(163,427,449)	(69,257,531)	(1,601,882)	-	(14,318,579)	(248,605,441)
	<b>171,254,668</b>	<b>232,604,556</b>	<b>218,490,097</b>	<b>4,782,112</b>	<b>-</b>	<b>938,231</b>	<b>628,069,664</b>
<b>Carrying value of disposals / transfers</b>							
Cost - disposals	(2,240,810)	(14,641,842)	(295,800)	(91,785)	-	(16,724,339)	(33,994,576)
Cost - WIP transfer to complete	-	(266,506,673)	(634,000)	-	-	-	(267,140,673)
Accumulated depreciation - disposals	-	10,375,119	19,821	91,785	-	16,635,747	27,122,472
	<b>(2,240,810)</b>	<b>(270,773,396)</b>	<b>(909,979)</b>	<b>-</b>	<b>-</b>	<b>(88,592)</b>	<b>(274,012,777)</b>
Impairment loss / reversal of impairment loss	(73,689)	-	(785,592)	-	-	(1,608,788)	(2,468,069)
Other changes	(5,513,791)	-	-	-	3,218,456	-	(2,295,335)
	<b>(5,587,480)</b>	<b>-</b>	<b>(785,592)</b>	<b>-</b>	<b>3,218,456</b>	<b>(1,608,788)</b>	<b>(4,763,404)</b>
<b>Closing carrying value as at 30 June 2022</b>	<b>1,110,248,906</b>	<b>4,176,680,377</b>	<b>1,074,271,002</b>	<b>38,103,396</b>	<b>14,747,356</b>	<b>149,258,218</b>	<b>6,563,309,255</b>



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# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

## Notes to the Audited Annual Financial Statements

Figures in Rand

### 3. Property, plant and equipment (continued)

Cost	1,110,322,596	7,612,280,240	1,109,970,729	42,256,734	14,747,355	359,886,729	10,249,464,383
Cost - construction work-in-progress	-	145,651,417	34,338,602	6,264,221	-	-	186,254,240
Accumulated depreciation	(73,689)	(3,581,251,280)	(70,038,329)	(10,417,559)	-	(210,628,511)	(3,872,409,368)
	<b>1,110,248,907</b>	<b>4,176,680,377</b>	<b>1,074,271,002</b>	<b>38,103,396</b>	<b>14,747,355</b>	<b>149,258,218</b>	<b>6,563,309,255</b>

The remaining useful lives of all assets were adjusted during 2022, and was treated as a change in accounting estimate. All changes in accounting estimates are applied prospectively, accordingly no prior year adjustments were made.

### 2021

	Land	Infrastructure assets	Buildings	Other structures and facilities	Capital spares	Other assets	Total
<b>Opening carrying value at 01 July 2020</b>							
Cost	948,775,856	7,067,333,239	983,340,118	32,878,804	8,511,431	354,859,803	9,395,699,251
Construction work-in-progress	-	366,021,800	49,745,583	1,527,332	-	-	417,294,715
Accumulated depreciation	-	(3,286,522,590)	(148,543,810)	(7,505,364)	-	(194,611,876)	(3,637,183,640)
	<b>948,775,856</b>	<b>4,146,832,449</b>	<b>884,541,891</b>	<b>26,900,772</b>	<b>8,511,431</b>	<b>160,247,927</b>	<b>6,175,810,326</b>
Additions from acquisitions	-	114,963,904	12,660,572	5,850,096	-	8,523,585	141,998,157
WIP additions	-	120,495,520	8,086,372	1,985,084	-	-	130,566,976
Transfers from construction work-in-progress	-	109,160,891	32,429,999	-	-	-	141,590,890
Depreciation	-	(160,775,253)	(47,474,287)	(1,414,668)	-	(17,365,415)	(227,029,623)
	<b>-</b>	<b>183,845,062</b>	<b>5,702,656</b>	<b>6,420,512</b>	<b>-</b>	<b>(8,841,830)</b>	<b>187,126,400</b>
<b>Carrying value of disposals / transfers</b>							
Cost - disposals	(1,953,328)	(25,766,296)	(428,600)	(12,570)	-	(2,029,133)	(30,189,927)
Cost - WIP transfers to complete	-	(109,160,891)	(32,430,000)	-	-	-	(141,590,891)
Accumulated depreciation - disposals	-	19,098,893	90,528	12,570	-	394,072	19,596,063
	<b>(1,953,328)</b>	<b>(115,828,294)</b>	<b>(32,768,072)</b>	<b>-</b>	<b>-</b>	<b>(1,635,061)</b>	<b>(152,184,755)</b>

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# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

## Notes to the Audited Annual Financial Statements

### Figures in Rand

#### 3. Property, plant and equipment (continued)

Impairment loss / reversal of impairment loss	-	-	-	-	-	246,328	246,328
Other changes	-	-	-	-	3,017,469	-	3,017,469
	-	-	-	-	<b>3,017,469</b>	<b>246,328</b>	<b>3,263,797</b>
<b>Closing carrying value as at 30 June 2021</b>	<b>946,822,528</b>	<b>4,214,849,217</b>	<b>857,476,475</b>	<b>33,321,284</b>	<b>11,528,900</b>	<b>150,017,364</b>	<b>6,214,015,768</b>
Cost	946,822,528	7,265,691,738	1,028,002,089	38,716,330	11,528,900	361,354,256	9,652,115,841
Cost - construction work-in-progress	-	377,356,429	25,401,956	3,512,416	-	-	406,270,801
Accumulated depreciation	-	(3,428,198,950)	(195,927,569)	(8,907,462)	-	(211,336,892)	(3,844,370,873)
	<b>946,822,528</b>	<b>4,214,849,217</b>	<b>857,476,476</b>	<b>33,321,284</b>	<b>11,528,900</b>	<b>150,017,364</b>	<b>6,214,015,769</b>

The remaining useful lives of all assets were adjusted during 2021, and was treated as a change in accounting estimate.

All changes in accounting estimates are applied prospectively, accordingly no prior year adjustments were made.

The prior year comparatives have been restated, please refer to note 51 for more detail information.

Included in the carrying value for land is an amount of R2,945,685 (2021: R3,368,099) for land assets where the municipality is not the legal owner or the appointed custodian in terms of legislation, but the land 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 2022

## Notes to the Audited Annual Financial Statements

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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 2021/2022 financial year. The effective date of revaluation was 01-Jul-2021 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:

Land	73,689	-
Buildings	788,489	-
Other assets	1,608,788	(246,328)
<b>Total impairment recognised</b>	<b>2,470,966</b>	<b>(246,328)</b>

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

Impairment losses on land and buildings are due to valuation losses.

#### 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 7,098,696 (2021: R 5,466,056).

#### 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

##### 2022

	Buildings, structures and facilities	Infrastructure assets	Other assets	Total
<b>Expenditure</b>				
Contracted Services	12,838,876	31,970,083	27,036,875	71,845,834
Employee Related Cost	59,206,326	109,014,515	6,255,464	174,476,305
Inventory	5,250,163	11,477,440	688,629	17,416,232
Operation Cost	40,233	225,963	-	266,196
	<b>77,335,598</b>	<b>152,688,001</b>	<b>33,980,968</b>	<b>264,004,567</b>

# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

## Notes to the Audited Annual Financial Statements

Figures in Rand	2022	2021
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### 3. Property, plant and equipment (continued)

#### 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>

### 4. Heritage assets

#### 4.1 Reconciliation of carrying value

#### 2022

	Land and buildings	Monuments and parks	Other assets	Total
<b>Opening carrying value as at 01 July 2021</b>				
Cost	20,848,000	18,825,000	1,088,645	40,761,645
Accumulated impairment losses	-	-	-	-
<b>Carrying value as at 30 June 2021</b>	<b>20,848,000</b>	<b>18,825,000</b>	<b>1,088,645</b>	<b>40,761,645</b>
Revaluation	3,447,000	3,425,000	-	6,872,000
<b>Closing carrying value as at 30 June 2022</b>	<b>24,295,000</b>	<b>22,250,000</b>	<b>1,088,645</b>	<b>47,633,645</b>
Cost	24,295,000	22,250,000	1,088,645	47,633,645

#### 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	1,088,645	41,611,645
Accumulated impairment losses	-	-	-	-
<b>Closing carrying value as at 30 June 2021</b>	<b>21,698,000</b>	<b>18,825,000</b>	<b>1,088,645</b>	<b>41,611,645</b>
<b>Carrying value of disposals / transfers</b>				
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>1,088,645</b>	<b>40,761,645</b>
Cost	20,848,000	18,825,000	1,088,645	40,761,645

# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

## Notes to the Audited Annual Financial Statements

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### 4. Heritage assets (continued)

#### 4.1.1 Heritage assets

Land, Conservation areas, Nature reserves and Buildings Heritage assets were revalued to fair value during the 2020/2021 financial period. The effective date of revaluation was 1 July 2021 and the valuation were 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 are 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 Conservation areas above is 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. 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.

The prior year comparatives have been restated, please refer to note 51 for more detail information.

### 4.2 Maintenance of heritage assets

#### 2022

The following maintenance costs were incurred:

	Land and buildings	Monuments and parks	Other assets	Total
Contracted Services	-	71,371	-	71,371
Employee Related Cost	-	5,282,055	-	5,282,055
Inventory	-	164,959	-	164,959
Operational Cost	-	-	-	-
<b>Total</b>	-	<b>5,518,385</b>	-	<b>5,518,385</b>

# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

## Notes to the Audited Annual Financial Statements

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### 4. Heritage assets (continued)

#### 2021

The following maintenance costs were incurred:

	Land and buildings	Monuments and parks	Other assets	Total
Contracted Services	-	46,342	-	46,342
Employee Related Cost	-	5,670,747	-	5,670,747
Inventory	-	73,791	-	73,791
Operational Cost	-	-	-	-
<b>Total</b>	<b>-</b>	<b>5,790,880</b>	<b>-</b>	<b>5,790,880</b>

### 5. Intangible assets

#### 5.1 Reconciliation of carrying value

#### 2022

	Computer software	Plans and designs	Licence and rights	Total
<b>Opening carrying value as at 01 July 2021</b>				
Cost	10,591,041	89,659	965,715	11,646,415
Accumulated depreciation and impairment	(5,587,596)	(60,968)	(742,852)	(6,391,416)
	<b>5,003,445</b>	<b>28,691</b>	<b>222,863</b>	<b>5,254,999</b>
Additions from acquisitions	348,031	-	-	348,031
Amortisation	(820,975)	(28,691)	(138,458)	(988,124)
	<b>(472,944)</b>	<b>(28,691)</b>	<b>(138,458)</b>	<b>(640,093)</b>
<b>Carrying value of disposals / transfers</b>				
Cost	(204,720)	(89,659)	-	(294,379)
Accumulated depreciation and impairment	204,720	89,659	-	294,379
	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Closing carrying value as at 30 June 2022</b>	<b>4,530,501</b>	<b>-</b>	<b>84,405</b>	<b>4,614,906</b>
Cost	10,734,352	-	965,715	11,700,067
Accumulated amortisation and impairment	(6,203,851)	-	(881,310)	(7,085,161)
	<b>4,530,501</b>	<b>-</b>	<b>84,405</b>	<b>4,614,906</b>



# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

## Notes to the Audited Annual Financial Statements

Figures in Rand		2022	2021		
5. Intangible assets (continued)					
2021					
		Computer software	Plans and designs	Licence 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	42	(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	965,715	11,646,416
Accumulated amortisation and impairment		(5,587,596)	(60,968)	(742,852)	(6,391,416)
		5,003,445	28,692	222,863	5,255,000

The amortisation expense has been included in the line item 'Depreciation and Amortisation' in the Statement of financial performance (see Note 42).

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 and liabilities of the municipality.

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



# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

## Notes to the Audited Annual Financial Statements

Figures in Rand	2022	2021
<b>6. Investment property</b>		
<b>6.1 Reconciliation of carrying value</b>		
<b>Opening carrying value</b>		
Cost	54,849,000	51,422,200
Fair Value Adjustments	3,644,000	3,426,800
<b>Closing carrying value</b>	<b>58,493,000</b>	<b>54,849,000</b>
 Cost	 58,493,000	 54,849,000
Accumulated depreciation and impairment losses	-	-
	<b>58,493,000</b>	<b>54,849,000</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 2021/2022

The date of fair value assessment was on 30 June 2022.

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 the amount of R 193,303 (2021: R 323,318).

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 property which are leased out.

The prior year comparatives have been restated, please refer to note 51 for more detail information.

The prior year comparatives have been restated, please refer to note 51 for more detail information.

## 7. Investments

### 7.1 Carrying value of investments

#### 2022

	Fair value	Total
<b>Carrying value as at 30 June 2022</b>		
Eskom stock	-	-
Transferred to cash and cash equivalents	-	-

# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

## Notes to the Audited Annual Financial Statements

Figures in Rand	2022	2021
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### 7. Investments (continued)

#### 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>	-	-

#### 7.2 Fair value of investments

The fair value of listed investments is estimated at R - (2021: R 39,706). Fair value is determined based on discounted cash flow analysis, at a discounted rate of -% and -%, (2021: 3.75% and 4.30%).

Listed shares are investments with a maturity period of more than 12 months and earn fixed interest rates of 13.5% per annum.

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		121,637	351,253
Public organisation		-	77,834
<b>Total</b>		<b>121,637</b>	<b>429,087</b>
Transferred to current receivables	14	(26,762)	(156,788)
<b>Total non-current other receivables</b>	<b>8.1</b>	<b>94,875</b>	<b>272,299</b>

# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

## Notes to the Audited Annual Financial Statements

Figures in Rand

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

#### 8.1 Other non-current receivables

	2022			2021		
	Gross	Impairment	Total	Gross	Impairment	Total
Housing selling schemes	220,080	(98,443)	121,637	554,593	(203,340)	351,253
Public organisation	77,834	(77,834)	-	77,834	-	77,834
<b>Total</b>	<b>297,914</b>	<b>(176,277)</b>	<b>121,637</b>	<b>632,427</b>	<b>(203,340)</b>	<b>429,087</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. Applicable loans were reviewed for any indication of impairment and impaired accordingly.

# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

## Notes to the Audited Annual Financial Statements

Figures in Rand

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

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

	2022			2021		
	Opening balance	Impairment reversed / debt written off	Closing balance	Opening balance	Impairment reversed / debt written off	Closing balance
Housing selling schemes	203,340	(104,897)	98,443	365,654	(162,314)	203,340
Public organisation	-	77,834	77,834	-	-	-
<b>Total</b>	<b>203,340</b>	<b>(27,063)</b>	<b>176,277</b>	<b>365,654</b>	<b>(162,314)</b>	<b>203,340</b>

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 2022

## Notes to the Audited Annual Financial Statements

Figures in Rand	2022	2021
<b>9. Inventories</b>		
Consumables	3,900,542	3,307,990
Materials and supplies	37,694,388	27,450,615
Water	535,720	905,874
Spare parts for Plant & Equipment	176,810	112,355
Plants held for resale	123,762	152,215
Land for BNG housing	8,458,006	2,944,215
Less: Inventory held as spare parts for infrastructure assets	(14,747,341)	(11,528,892)
<b>Total Inventories</b>	<b>36,141,887</b>	<b>23,344,372</b>

No inventories were pledged as security for liabilities.

During the year inventory to the amount of R 59,321 (2021: R 130,203) was written off due to discrepancies identified during the annual stock count. An amount of R 0 (2021: R 47,097) was written off due to valuation of inventory at the lower of cost and NRV in accordance with GRAP 12. A gain of R 139,953 due to the reversal of prior year NRV adjustments was recognised.

Inventories of R 14,540,441 (2021: R 11,528,949) 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		212,395,997	190,302,881
Water		44,815,858	38,584,754
Waste management		45,897,535	39,116,341
Waste water management		33,188,202	30,299,421
Housing rental scheme		925,001	792,938
Housing selling scheme		58,125	76,744
		<b>337,280,718</b>	<b>299,173,079</b>
<b>Other receivables from exchange transactions</b>	10.2		
Sundry debtors		20,568,938	18,843,205
Other receivables from exchange transactions		5,936,992	4,591,995
Less: Provision for impairment		(12,030,822)	(11,303,911)
		<b>14,475,108</b>	<b>12,131,289</b>
<b>Total receivables from exchange transactions</b>		<b>351,755,826</b>	<b>311,304,368</b>

#### 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 2022

## Notes to the Audited Annual Financial Statements

Figures in Rand	2022	2021
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### 10. Trade and other receivables from exchange transactions (continued)

	2022			2021		
	Gross	Impairment	Total	Gross	Impairment	Total
<b>Consumer receivables from exchange transactions</b>						
Electricity	237,865,757	(25,469,760)	212,395,997	223,092,823	(32,789,942)	190,302,881
Water	89,862,858	(45,047,000)	44,815,858	90,327,424	(51,742,670)	38,584,754
Waste management	56,209,809	(10,312,274)	45,897,535	50,928,929	(11,812,588)	39,116,341
Waste water management	40,239,101	(7,050,899)	33,188,202	35,836,456	(5,537,035)	30,299,421
Housing rental scheme	6,225,471	(5,300,470)	925,001	6,968,172	(6,175,234)	792,938
Housing selling scheme	862,547	(804,422)	58,125	1,000,016	(923,272)	76,744
<b>Total consumer receivables from exchange transactions</b>	<b>431,265,543</b>	<b>(93,984,825)</b>	<b>337,280,718</b>	<b>408,153,820</b>	<b>(108,980,741)</b>	<b>299,173,079</b>

#### 10.1.1 Ageing of consumer receivables

##### 2022

	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>Ageing by debt type</b>						
Electricity	168,393,305	1,776,746	9,137,058	1,878,420	5,304,766	1,786,473
Water	23,427,906	1,439,924	6,426,156	1,775,048	3,334,387	1,686,366
Waste management	10,556,364	371,352	2,997,105	398,010	2,314,336	412,947
Waste water management	11,747,110	302,456	2,138,232	315,750	1,559,496	319,755
Housing rental scheme	375,869	14,377	177,312	17,394	141,067	21,897
Housing selling scheme	24,700	8,639	17,057	8,625	15,006	8,273
<b>Total</b>	<b>214,525,254</b>	<b>3,913,494</b>	<b>20,892,920</b>	<b>4,393,247</b>	<b>12,669,058</b>	<b>4,235,711</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>Ageing by debt type</b>					
Electricity	36,968,764	20,028,120	219,803,893	25,469,759	27,717,575
Water	56,674,410	40,145,662	89,862,859	45,047,000	22,827,877
Waste management	40,342,004	9,129,965	56,209,809	10,312,274	35,712,523
Waste water management	24,794,262	6,112,938	40,239,100	7,050,899	21,743,547
Housing rental scheme	5,531,223	5,246,802	6,225,471	5,300,470	563,509
Housing selling scheme	805,784	778,886	862,547	804,423	42,063
<b>Total</b>	<b>165,116,447</b>	<b>81,442,373</b>	<b>413,203,679</b>	<b>93,984,825</b>	<b>108,607,094</b>

# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

## Notes to the Audited Annual Financial Statements

Figures in Rand	2022	2021
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### 10. Trade and other receivables from exchange transactions (continued)

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>Ageing by debt type</b>						
Electricity	179,851,678	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 schemes	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>220,290,748</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>Ageing by debt type</b>					
Electricity	30,885,395	24,629,363	223,092,823	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>160,007,108</b>	<b>92,957,534</b>	<b>408,153,820</b>	<b>108,980,741</b>	<b>83,399,046</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 R2,421,935 (2021: R568,836) 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 2022

## 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

	2022			2021		
	Gross	Impairment	Total	Gross	Impairment	Total
Sundry debtors	20,568,938	-	20,568,938	18,843,205	-	18,843,205
Other receivables from exchange transactions	5,936,992	-	5,936,992	4,591,995	-	4,591,995
Less: Provision for impairment	-	(12,030,822)	(12,030,822)	-	(11,303,911)	(11,303,911)
<b>Total</b>	<b>26,505,930</b>	<b>(12,030,822)</b>	<b>14,475,108</b>	<b>23,435,200</b>	<b>(11,303,911)</b>	<b>12,131,289</b>

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

	2022				2021			
	Opening balance	Impairment raised	Impairment reversed / debt written off	Closing balance	Opening balance	Impairment raised	Impairment reversed / debt written off	Closing balance
Consumer receivables	108,980,741	26,453,720	(41,449,637)	93,984,824	101,370,143	63,123,235	(55,512,637)	108,980,741
Other receivables	11,303,911	1,839,114	(1,112,203)	12,030,822	10,698,291	1,489,308	(883,688)	11,303,911
<b>Total</b>	<b>120,284,652</b>	<b>28,292,834</b>	<b>(42,561,840)</b>	<b>106,015,646</b>	<b>112,068,434</b>	<b>64,612,543</b>	<b>(56,396,325)</b>	<b>120,284,652</b>



# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

## Notes to the Audited Annual Financial Statements

Figures in Rand	2022	2021
<b>11. Receivables from non-exchange transactions</b>		
<b>Consumer receivables</b>	11.1	
Property rates	47,169,876	35,634,758
Electricity	836,131	671,910
Water	1,028,144	875,890
Waste management	2,773,083	2,191,290
Waste water management	2,668,515	2,109,107
Fines	15,918,401	15,924,713
	<b>70,394,150</b>	<b>57,407,668</b>
<b>Other receivables</b>		
Grants and subsidies	16,086,555	32,801,856
Prepayments	8,405,196	7,546,965
Other receivables	7,279,719	5,723,708
Rental leases: straight line	13,935	17,625
	<b>31,785,405</b>	<b>46,090,154</b>
<b>Total receivables</b>	<b>102,179,555</b>	<b>103,497,822</b>

### 11.1 Receivables from non-exchange transactions

	2022			2021		
	Gross	Impairment	Total	Gross	Impairment	Total
<b>Consumer receivables</b>						
Property rates	55,478,606	(8,308,730)	47,169,876	46,189,970	(10,555,212)	35,634,758
Electricity	1,015,247	(179,116)	836,131	1,069,228	(397,318)	671,910
Water	2,061,718	(1,033,574)	1,028,144	2,110,717	(1,234,827)	875,890
Waste management	3,045,275	(272,192)	2,773,083	2,715,454	(524,164)	2,191,290
Waste water management	2,774,499	(105,984)	2,668,515	2,550,021	(440,914)	2,109,107
Fines	182,239,880	(166,321,479)	15,918,401	186,818,797	(170,894,084)	15,924,713
	<b>246,615,225</b>	<b>(176,221,075)</b>	<b>70,394,150</b>	<b>241,454,187</b>	<b>(184,046,519)</b>	<b>57,407,668</b>
<b>Other receivables</b>						
Grants and subsidies	16,086,555	-	16,086,555	32,801,856	-	32,801,856
Prepayments	8,405,196	-	8,405,196	7,546,965	-	7,546,965
Other receivables	7,279,719	-	7,279,719	5,723,708	-	5,723,708
Rental leases: straight line	13,935	-	13,935	17,625	-	17,625
	<b>31,785,405</b>	<b>-</b>	<b>31,785,405</b>	<b>46,090,154</b>	<b>-</b>	<b>46,090,154</b>
<b>Total</b>	<b>278,400,630</b>	<b>(176,221,075)</b>	<b>102,179,555</b>	<b>287,544,341</b>	<b>(184,046,519)</b>	<b>103,497,822</b>

# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

## 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

	2022				2021			
	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	10,555,208	(801,017)	(1,445,461)	8,308,730	8,579,598	3,382,243	(1,406,629)	10,555,212
Availability charges receivables	2,597,223	(668,921)	(337,436)	1,590,866	1,666,547	1,008,025	(77,349)	2,597,223
Fines	170,894,084	88,557,866	(93,130,471)	166,321,479	115,731,373	108,297,890	(53,135,179)	170,894,084
<b>Total</b>	<b>184,046,515</b>	<b>87,087,928</b>	<b>(94,913,368)</b>	<b>176,221,075</b>	<b>125,977,518</b>	<b>112,688,158</b>	<b>(54,619,157)</b>	<b>184,046,519</b>



# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

## Notes to the Audited Annual Financial Statements

Figures in Rand

2022

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

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

2022

	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	26,720,709	458,786	3,951,762	463,724	1,874,787	454,774
Electricity	173,960	1,880	60,413	1,880	54,373	1,880
Water	147,198	1,559	64,428	1,559	53,222	1,698
Waste management	571,192	17,029	132,391	17,029	110,119	17,246
Waste water management	224,906	3,802	100,332	3,802	80,013	4,000
Fines	7,337,851	6,268,389	8,141,421	7,032,803	9,778,797	8,487,164
<b>Total</b>	<b>35,175,816</b>	<b>6,751,445</b>	<b>12,450,747</b>	<b>7,520,797</b>	<b>11,951,311</b>	<b>8,966,762</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	22,931,348	6,931,446	55,478,606	8,308,730	20,907,953
Electricity	726,501	173,477	1,015,247	179,117	664,050
Water	1,796,871	1,028,759	2,061,719	1,033,575	882,505
Waste management	2,231,573	220,890	3,045,275	272,194	2,218,918
Waste water management	2,369,248	94,381	2,774,499	105,985	2,447,410
Fines	156,981,810	144,533,118	182,239,879	166,321,474	14,848,943
<b>Total</b>	<b>187,037,351</b>	<b>152,982,071</b>	<b>246,615,225</b>	<b>176,221,075</b>	<b>41,969,779</b>

# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

## Notes to the Audited Annual Financial Statements

Figures in Rand	2022	2021
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### 11. Receivables from non-exchange transactions (continued)

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	19,942,679	8,712,044	46,189,970	10,555,212	14,008,714
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	157,537,717	145,861,309	186,818,797	170,894,084	14,758,308
<b>Total</b>	<b>184,282,741</b>	<b>157,003,807</b>	<b>241,454,187</b>	<b>184,046,519</b>	<b>33,656,731</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.

# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

## Notes to the Audited Annual Financial Statements

Figures in Rand

2022

2021

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

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.

#### Availability charges on water, electricity, refuse and 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 are 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.

# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

## Notes to the Audited Annual Financial Statements

Figures in Rand	2022	2021
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### 11. Receivables from non-exchange transactions (continued)

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.

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 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 exists 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	19,916,665	86,252,360
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>19,916,666</b>	<b>86,252,360</b>
Bank statement balance at beginning of year		86,252,360	84,293,562
Bank statement balance at end of year		19,784,175	86,252,360
Cash book balance at beginning of year		87,671,202	80,567,486
Bank statement balance at end of year		19,784,175	86,252,360
Net movement / reconciling items		132,490	1,418,843
<b>Cash book balance at end of year</b>		<b>19,916,665</b>	<b>87,671,203</b>

Comparative figures have been restated, refer to note 51 for more detail information.

# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

## Notes to the Audited Annual Financial Statements

Figures in Rand	2022	2021
<b>12. Cash and cash equivalents (continued)</b>		
<b>12.2 Cash and cash equivalents</b>		
Cash and cash equivalents consist of the following:		
<b>Call deposits and investments</b>		
Short term investment deposits	169,942,000	51,045,498
Short term portion of investments	-	39,706
<b>Cash at bank</b>		
Bank account	19,916,665	87,671,203
Cash on hand	24,952	24,952
<b>Total cash and cash equivalents</b>	<b>189,883,617</b>	<b>138,781,359</b>

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 BANK	92-9096-7912	CALL DEPOSIT	-	1,110
ABSA BANK	92-9214-9948	CALL DEPOSIT	-	1,104
ABSA BANK	92-9416-2871	CALL DEPOSIT	-	1,110
ABSA BANK	92-9735-7532	CALL DEPOSIT	-	1,106
ABSA BANK	92-9737-3681	CALL DEPOSIT	-	1,062
ABSA BANK	40-9637-0104	CALL DEPOSIT	-	488
ABSA BANK	93-5338-8392	CALL DEPOSIT	17,309,378	15,553,360
ABSA BANK	93-5591-4684	CALL DEPOSIT	38,984,463	7,686,567
ABSA BANK	93-5612-6210	CALL DEPOSIT	58,394,773	7,799,591
ABSA BANK	90-5907-5162	CALL DEPOSIT	71	-
			<b>114,688,685</b>	<b>31,045,498</b>
NEDBANK	03/7881536373/000052	CALL DEPOSIT	-	-
NEDBANK	03/7881536373/000199	CALL DEPOSIT	-	-
NEDBANK	03/7881536373/000206	NOTICE DEPOSIT ACCOUNT	-	20,000,000
NEDBANK	03/7881536373/000211	NOTICE DEPOSIT ACCOUNT	10,000,000	-
			<b>10,000,000</b>	<b>20,000,000</b>
ESKOM LIMITED	NO E175	BOND SHARES	-	39,706
STANDARD BANK	07-875-830-0-052	CALL DEPOSIT	-	-
STANDARD BANK	07-875-830-0-054	CALL DEPOSIT	-	-
STANDARD BANK	07-875-830-0-055	CALL DEPOSIT	-	-
STANDARD BANK	07-875-830-0-056	CALL DEPOSIT	20,253,315	-
STANDARD BANK	07-875-830-0-057	CALL DEPOSIT	25,000,000	-
			<b>45,253,315</b>	<b>-</b>
<b>Total investments</b>			<b>169,942,000</b>	<b>51,085,204</b>



# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

## Notes to the Audited Annual Financial Statements

Figures in Rand		2022	2021
<b>13. Short term investments</b>			
Grindrod Bank		40,000,000	-
Short term investments consist of two notice deposits accounts with account numbers respectively 196420 and 198235 of R20,000,000 each which matures within 5 months after year end.			
<b>14. Current portion of non-current receivables</b>			
Current portion of non-current receivables	8	26,762	156,788
<b>15. Borrowings</b>			
<b>Total borrowings</b>			
Annuity Loans		1,618,401,012	1,636,956,882
<b>Less: Current portion transferred to current liabilities</b>			
Annuity Loans		(78,688,302)	(18,555,870)
<b>Non-current borrowings</b>		<b>1,539,712,710</b>	<b>1,618,401,012</b>

### 15.1 Summary of arrangements

Annuity loans are repaid over periods varying from 1 to 15 (2021: 1 to 16) years and at interest rates varying from 9.68% to 11.48% (2021: 9.68% to 11.48%) per annum.

Annuity loans are not secured.

During 2019/2020, certain long term borrowings were restructured which included a redemption holiday. The biggest capital redemption will start being payable in December 2022. The total repayment (interest and redemption) will be R254,774,703 (2021: R198,639,088), where the amount of interest is R176,086,401 (2021: R180,083,218) and redemption is R78,688,302 (2021: R18,555,870).

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.

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

### 16. Finance lease liabilities

#### 16.1 Carrying value of lease liabilities

##### 2022

	Amortised cost	Total
Transferred to current liabilities	26,762	26,762

##### 2021

	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>



# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

## Notes to the Audited Annual Financial Statements

Figures in Rand	2022	2021
<b>16. Finance lease liabilities (continued)</b>		
<b>16.2 Obligation under finance leases</b>		
<b>The municipality as lessee</b>		
The obligations under finance leases are as follow:		
<b>Total future minimum lease payments</b>		
Payable within one year	27,036	1,481,969
Payable within two to five years	-	27,037
<b>Total minimum lease payments</b>	<b>27,036</b>	<b>1,509,006</b>
Less: Future finance charges	(274)	(68,812)
	<b>26,762</b>	<b>1,440,194</b>
<b>Present value of minimum lease payments</b>		
Payable within one year	26,762	1,413,432
Payable within two to five years	-	26,762
	<b>26,762</b>	<b>1,440,194</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 equal the fair value of the equipment.

## 17. Employee benefits

### Non-current employee benefits

Post-employment health care benefits	17.1	195,128,000	187,191,000
Ex-Gratia pension benefits	17.2	807,000	1,008,000
Provision for long-service awards	17.3	44,210,000	38,850,000
		<b>240,145,000</b>	<b>227,049,000</b>

### Current employee benefits

Post-employment health care benefits	17.1	10,966,001	11,132,001
Ex-Gratia pension benefits	17.2	108,000	115,000
Provision for long-service awards	17.3	3,716,000	4,403,000
Provision for bonuses	17.4	19,901,977	19,276,622
Performance bonuses	17.5	2,400,802	2,311,736
Provision for staff leave	17.6	44,677,102	47,007,578
Provision for TASK backpay	17.7	-	6,627,428
		<b>81,769,882</b>	<b>90,873,365</b>
<b>Total employee benefits</b>		<b>321,914,882</b>	<b>317,922,365</b>

### 17.1 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 most recent actuarial valuations of the present value of the defined benefit obligation were carried out at 30 June 2022 by Mr Julian van der Spuy and Ms Althea Eksteen 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.

# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

## Notes to the Audited Annual Financial Statements

Figures in Rand	2022	2021
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### 17. Employee benefits (continued)

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)	731	720
Continuation members (Retirees)	213	222
<b>Total members</b>	<b>944</b>	<b>942</b>

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

In-service members (Employees)	106,249,000	92,853,000
Continuation members (Retirees)	99,845,001	105,470,001
<b>Total liability</b>	<b>206,094,001</b>	<b>198,323,001</b>
Non-current	195,128,000	187,191,000
Current	10,966,001	11,132,001
<b>Total liability</b>	<b>206,094,001</b>	<b>198,323,001</b>

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

- Bonitas
- Hosmed
- Key Health
- LA Health
- Fed Health
- Samwumed

The Future-service Cost for the ensuing year is estimated to be R 7,525,000 whereas the Interest Cost is estimated to be R 24,178,000.

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.'



# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

## Notes to the Audited Annual Financial Statements

Figures in Rand	2022	2021
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### 17. Employee benefits (continued)

The Actuaries used the nominal and real zero curves as at 30 June 2022 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.

#### Amounts recognised in the statement of financial position are as follow:

Fair value of plan assets	-	-
Unrecognised actuarial gains / (losses)	-	-
Present value of unfunded obligations	206,094,001	198,323,001
<b>Total benefit liability</b>	<b>206,094,001</b>	<b>198,323,001</b>

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

Current service cost	6,380,000	5,380,000
Interest cost	20,954,000	21,469,000
Actuarial loss/ (gain) recognised in the year	(8,843,977)	3,462,532
<b>Total post-retirement benefit included in employee related costs</b>	<b>18,490,023</b>	<b>30,311,532</b>

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

Balance at the beginning of the year	198,323,001	177,959,001
Current service cost	6,380,000	5,380,000
Interest cost	20,954,000	21,469,000
Actual employer benefit payments	(10,719,023)	(9,947,532)
Actuarial loss/ (gain) recognised in the year	(8,843,977)	3,462,532
<b>Present value of fund obligation at the end of the year</b>	<b>206,094,001</b>	<b>198,323,001</b>



# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

## Notes to the Audited Annual Financial Statements

Figures in Rand	2022	2021
<b>17. 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 the employer	10,719,023	7,926,583
Benefits paid	(10,719,023)	(7,926,583)
<b>Balance at the end of the year</b>	<b>-</b>	<b>-</b>

History of experienced adjustments are as follow:

	2018	2019	2020	2021	2022
Present value of defined benefit obligation	124,485,000	210,897,000	177,959,000	198,323,000	206,094,000
Fair value of plan assets	-	-	-	-	-
<b>Deficit</b>	<b>124,485,000</b>	<b>210,897,000</b>	<b>177,959,000</b>	<b>198,323,000</b>	<b>206,094,000</b>

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	182,844,000	234,171,000
Effect on the aggregate of the interest cost	21,354,000	27,593,000
Effect on the aggregate of the current service cost	6,249,000	9,134,000

### 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	225,977,000	190,061,000
Effect on the aggregate of the interest cost	26,571,000	22,248,000
Effect on the aggregate of the current service cost	8,241,000	6,934,000

The municipality expects to make a contribution of R 10,966,000 to the Defined Benefit Plan during the next financial year.

Refer to note 60 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.

# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

## Notes to the Audited Annual Financial Statements

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### 17. Employee benefits (continued)

#### 17.2 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 the present value of the defined benefit obligation were carried out at 30 June 2022 by Mr Julian van der Spuy and Mr Chris van Wyk 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)	114	135
Continuation members (Retirees)	4	6
<b>Total members</b>	<b>118</b>	<b>141</b>

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

In-service members (Employees)	640,000	786,000
Continuation members (Retirees)	275,000	337,000
<b>Total liability</b>	<b>915,000</b>	<b>1,123,000</b>

Non-current	807,000	1,008,000
Current	108,000	115,000
<b>Total liability</b>	<b>915,000</b>	<b>1,123,000</b>

Lump sum benefit	640,000	786,000
Pension benefit	275,000	337,000
	<b>915,000</b>	<b>1,123,000</b>

The interest-cost for the next year is estimated to be R 74,000. 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:

#### i) Rates of interest

##### Lump sum valuation

Discount rate	9.06 %	8.01 %
Consumer Price Inflation (CPI)	6.61 %	5.15 %
Pension increase rate (Pensioners)	7.61 %	6.15 %
Net effective discount rate	1.35 %	1.75 %

##### Pensioner valuation

Discount rate	8.13 %	6.94 %
Consumer Price Inflation (CPI)	5.83 %	4.50 %
Pension increase rate (Pensioners)	6.83 %	5.50 %
Net effective discount rate	1.22 %	1.36 %



# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

## Notes to the Audited Annual Financial Statements

Figures in Rand	2022	2021
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### 17. Employee benefits (continued)

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 2022 supplied by the JSE was used to determine the discounted rates and CPI assumptions.

#### ii) Mortality rates

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.

#### 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.

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

Fair value of plan assets	-	-
Unrecognised actuarial gains / (losses)	-	-
Present value of unfunded obligations	915,000	1,123,000
<b>Total benefit liability</b>	<b>915,000</b>	<b>1,123,000</b>

The amounts recognised in the statement of financial performance are as follow:

Service cost	-	-
Interest cost	82,000	77,000
Actuarial (Gains) / Losses recognised	(227,274)	(8,550)
<b>Total post-retirement benefit included in employee related costs</b>	<b>(145,274)</b>	<b>68,450</b>

(Note 40)

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

Balance at the beginning of the year	1,123,000	1,141,000
Service cost	-	-
Interest cost	82,000	77,000
Benefits paid	(62,726)	(86,450)
Actuarial (Gains) / Losses recognised	(227,274)	(8,550)
<b>Present value of the fund obligation at the end of the year</b>	<b>915,000</b>	<b>1,123,000</b>

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

Balance at the beginning of the year	-	-
Contributions from employer	(62,726)	(86,450)
Benefits paid	62,726	86,450
<b>Balance at the end of the year</b>	<b>-</b>	<b>-</b>

The history of experienced adjustments are as follow:

	2018	2019	2020	2021	2022
Present value of defined benefit obligation	2,515,000	1,771,000	1,141,000	1,123,000	915,000
Fair value of plan assets	-	-	-	-	-
<b>Deficit</b>	<b>2,515,000</b>	<b>1,771,000</b>	<b>1,141,000</b>	<b>1,123,000</b>	<b>915,000</b>



# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

## Notes to the Audited Annual Financial Statements

Figures in Rand	2022	2021
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### 17. Employee benefits (continued)

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	906,000	924,000
Effect on the defined benefit obligation	73,000	75,000

The municipality expects to make a contribution of R 108,000 to the Defined Benefit Plan during the next financial year.

Refer to note 60 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.

### 17.3 Provision for long-service awards

Provision for long-service awards	47,926,000	43,253,000
Less: Transfer to current provisions	(3,716,000)	(4,403,000)
<b>Total non-current provisions</b>	<b>44,210,000</b>	<b>38,850,000</b>
Non-current	44,210,000	38,850,000
Current	3,716,000	4,403,000
<b>Total provisions at the end of the year</b>	<b>47,926,000</b>	<b>43,253,000</b>

### Long-service awards

The municipality operates a unfunded 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 the present value of the defined benefit obligation were carried out at 30 June 2022 by Mr Julian van der Spuy and Mr Chris van Wyk 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 1701 (2021: 1772) employees were eligible for Long Services Awards.

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

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.



# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

## Notes to the Audited Annual Financial Statements

Figures in Rand	2022	2021
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### 17. Employee benefits (continued)

The Actuaries used the nominal and real zero curves as at 30 June 2022 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.

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

Fair value of plan assets	-	-
Present value of unfunded obligations	47,926,000	43,253,000
<b>Total benefit liability</b>	<b>47,926,000</b>	<b>43,253,000</b>

The amounts recognised in the statement of financial performance are as follow:

Current service cost	3,031,000	2,688,000
Interest cost	4,560,000	4,433,000
Actuarial losses / (gains) recognised	2,053,072	876,567
<b>Total expense included in employee related costs</b>	<b>9,644,072</b>	<b>7,997,567</b>

### Movements in the present value of the defined benefit obligation

Balance at the beginning of the year	43,253,000	39,894,000
Service cost	3,037,000	2,688,000
Interest cost	4,560,000	4,433,000
Benefits paid	(4,977,072)	(4,638,567)
Actuarial losses / (gains) recognised	2,053,072	876,567
<b>Balance at the end of the year</b>	<b>47,926,000</b>	<b>43,253,000</b>

### Movements in the present value of the defined benefit assets

Balance at the beginning of the year	-	-
Contributions from the employer	4,977,072	4,638,567
Benefits paid	(4,977,072)	(4,638,567)
<b>Balance at the end of the year</b>	<b>-</b>	<b>-</b>

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	42,805,000	48,864,000
Effect on the aggregate of the current service cost	2,924,000	3,421,000
Effect on the aggregate of the interest cost	4,997,000	5,742,000

The 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	47,711,000	43,854,000
Effect on the aggregate of the current service cost	3,377,000	2,967,000
Effect on the aggregate of the interest cost	5,604,000	5,123,000



# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

## Notes to the Audited Annual Financial Statements

Figures in Rand	2022	2021
<b>17. Employee benefits (continued)</b>		
The municipality expects to make a contribution of R 3,716,000 to the Defined Benefit Plan during the next financial year.		
The Future-service Cost for the ensuing year is estimated to be R 3,159,000 whereas the Interest Cost is estimated to be R 5,351,000.		
<b>17.4 Provision for bonuses</b>		
The movement in provisions for bonuses are reconciled as follow:		
Balance at the beginning of the year	19,276,622	19,229,140
Net movement	625,355	47,482
<b>Balance at the end of the year</b>	<b>19,901,977</b>	<b>19,276,622</b>
Non-current	-	-
Current	19,901,977	19,276,622
<b>Total provision at the end of the year</b>	<b>19,901,977</b>	<b>19,276,622</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.		
<b>17.5 Performance bonuses</b>		
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:		
<b>Strategic management team</b>		
Leibbrandt, JH (City Manager)	278,236	278,236
Brown, B (Chief Financial Officer)	223,545	223,545
Johaar, S (Executive Director: Corporate Services)	223,545	223,545
Wüst, M (Executive Director: Engineering Services)	223,545	223,545
Esau, G (Executive Director: Community Services)	223,545	223,545
Waring, L (Executive Director: Planning and Development)	-	186,287
Samson-Swartz, JJ (Executive Director Planning and Economic Development)	223,545	-
	<b>1,395,961</b>	<b>1,358,703</b>
<b>Provision for performance bonuses</b>		
Balance at the beginning of the year	2,311,734	2,254,518
Bonus paid	(953,033)	(929,081)
Reversals of prior provision	(353,860)	(372,404)
Increase in provision	1,395,961	1,358,703
<b>Closing balance</b>	<b>2,400,802</b>	<b>2,311,736</b>
Non-current	-	-
Current	2,400,802	2,311,736
<b>Closing balance</b>	<b>2,400,802</b>	<b>2,311,736</b>
<b>17.6 Provision for staff leave</b>		
Staff leave provision	44,677,102	47,007,578

# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

## Notes to the Audited Annual Financial Statements

Figures in Rand	2022	2021
<b>17. Employee benefits (continued)</b>		
Non-current	-	-
Current	44,677,102	47,007,578
<b>Total provisions at the end of the year</b>	<b>44,677,102</b>	<b>47,007,578</b>

### 17.7 Provision for TASK backpay

Provision for TASK backpay	-	6,627,428
Non-current	-	-
Current	-	6,627,428
<b>Total provisions at the end of the year</b>	<b>-</b>	<b>6,627,428</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.

### 18. Provisions

Provision for rehabilitation of landfill sites	18.1	218,484,399	195,378,926
Transferred to current provisions		(570,790)	-
<b>Total non-current provision</b>		<b>217,913,609</b>	<b>195,378,926</b>
Balance of non-current provisions for rehabilitation at end of year		217,913,609	195,378,926
Balance of current provisions for rehabilitation at end of year		570,790	-
<b>Balance of provisions for rehabilitation at end of year</b>		<b>218,484,399</b>	<b>195,378,926</b>

#### 18.1 Provision for rehabilitation of landfill sites

Balance at the beginning of the year	195,378,926	168,950,709
Changes in estimates: asset increase ito iGRAP2	8,807,999	18,493,398
Changes in estimates: asset decrease ito iGRAP2	(776,972)	(2,596,123)
Unwinding of discount & other changes	15,074,446	10,530,942
<b>Balance at the end of the year</b>	<b>218,484,399</b>	<b>195,378,926</b>
Transferred to current provisions	(570,790)	-
<b>Total non-current provision</b>	<b>217,913,609</b>	<b>195,378,926</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 2022.

# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

## Notes to the Audited Annual Financial Statements

Figures in Rand			2022	2021
<b>18. Provisions (continued)</b>				
Location	Proposed rehabilitation date	Post closure monitoring date		
Wellington existing	2031/2032	2061/2062	59,523,286	54,711,497
Wellington old	2031/2032	2059/2060	35,124,700	31,095,441
Gouda	Rehabilitation complete	2050/2051	721,662	742,878
Saron	Rehabilitation complete	2048/2049	610,010	557,471
Hermon	Rehabilitation complete	2050/2051	704,452	652,761
Dal Josafat	2024/2025	2054/2055	19,504,514	16,661,880
Orleans	2024/2025	2054/2055	36,297,061	30,981,632
Boy Louw	2024/2025	2054/2055	62,680,227	56,636,204
Klapmuts Landfill	Rehabilitation complete	2029/2030	1,164,745	1,785,591
Wateruintjiesvlei Landfill	Rehabilitation complete	2029/2030	2,153,742	1,553,571
			<b>218,484,399</b>	<b>195,378,926</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 5.40%-5.80% has been determined and a discounted rate of 7.2%-11.565% 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.

## 19. VAT control receivable / (payable)

Accrual VAT transactions	13,955,642	24,105,815
VAT return balance	10,850,269	(4,649,860)
<b>Total</b>	<b>24,805,911</b>	<b>19,455,955</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.

## 20. Consumer deposits

Deposits	65,330,962	59,109,630
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Guarantees held in lieu of deposits were R 20,618,922 (2021: R 20,886,922).

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 2022

## Notes to the Audited Annual Financial Statements

Figures in Rand		2022	2021
<b>21. Payables from exchange transactions</b>			
Trade Creditors	21.1	151,064,804	230,932,784
Payments received in advance	21.2	48,521,653	46,832,182
Retention	21.3	14,310,341	25,055,876
Other payables	21.4	10,783,575	19,363,728
Net VAT accrual on outstanding receivables	21.5	43,224,269	36,961,770
<b>Total</b>		<b>267,904,642</b>	<b>359,146,340</b>
<b>21.1 Trade Creditors</b>			
Eskom Limited (Electricity bulk purchase)		114,035,749	174,340,692
Other trade creditors		37,029,055	56,592,092
<b>Total</b>		<b>151,064,804</b>	<b>230,932,784</b>
<b>21.2 Payments received in advance</b>			
Payments received in advance		48,521,653	46,832,182
<b>21.3 Retention</b>			
Retentions		14,310,341	25,055,876
<b>21.4 Other payables</b>			
Other payables and accruals		10,783,575	19,363,728
<b>21.5 Net VAT accrual on outstanding receivables</b>			
VAT accrual on receivables		54,417,656	49,985,240
VAT on provision for doubtful debt		(11,193,387)	(13,023,470)
<b>Total</b>		<b>43,224,269</b>	<b>36,961,770</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 June accounts. The Municipality did not owe ESKOM any debt older than 30 days during 2021/22.

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 51 for more detail information.

# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

## Notes to the Audited Annual Financial Statements

Figures in Rand	2022	2021
<b>22. Unspent conditional grants and receipts</b>		
<b>Conditional grants from other spheres of government</b>		
National Government (Conditional Grants)	-	13
Provincial Government (Conditional Grants)	7,180,414	7,458,300
Other Grants (Conditional)	1,749,713	1,362,556
Other Grants (Conditional)	2,407,695	1,445,158
Guarantees and Donations (Conditional)	363,574	363,573
<b>Total conditional grants and receipts</b>	<b>11,701,396</b>	<b>10,629,600</b>

These amounts are separately invested in terms of section 12 of the MFMA. Refer note 38 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 51 for more detail information.

## 23. Housing Development Fund

<b>Realising housing proceeds</b>		
Opening balance	25,219,314	21,201,519
Plus: Interest and redemption, and other on housing schemes	56,486	93,394
Plus: (Net loss) / surplus on letting schemes	2,858,250	4,057,213
Less: Housing subsidies expenditure	(287,409)	(132,812)
<b>Balance at the end of the year</b>	<b>27,846,641</b>	<b>25,219,314</b>
<b>Unrealised housing proceeds</b>		
Opening balance	632,424	799,235
Long term housing loans	(334,512)	(166,811)
<b>Balance at the end of the year</b>	<b>297,912</b>	<b>632,424</b>
<b>Total</b>	<b>28,144,553</b>	<b>25,851,738</b>

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

## 24. Reserves and Funds

Re-valuation reserve	1,785,178,262	1,407,367,304
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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 policy. 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 51 for more detail information.

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

# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

## Notes to the Audited Annual Financial Statements

Figures in Rand	2022	2021
<b>25. Accumulated surplus/ (deficit)</b>		
Accumulated Surplus/(Deficit)	3,101,852,369	2,897,891,411
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.		
<b>26. Service charges</b>		
<b>Electricity</b>		
Consumption - Electricity	1,436,339,113	1,277,925,458
Less: Income forgone	(50,452,024)	(47,704,175)
<b>Total</b>	<b>1,385,887,089</b>	<b>1,230,221,283</b>
<b>Water</b>		
Consumption - Water	185,981,326	167,347,685
Less: Income forgone	(16,655,390)	(16,880,819)
<b>Total</b>	<b>169,325,936</b>	<b>150,466,866</b>
<b>Waste management</b>		
Consumption - Waste management	186,791,866	170,335,178
Less: Income forgone	(51,052,887)	(44,707,711)
<b>Total</b>	<b>135,738,979</b>	<b>125,627,467</b>
<b>Waste water management</b>		
Consumption - Waste water management	154,349,187	145,160,919
Less: Income forgone	(28,633,138)	(23,712,074)
<b>Total</b>	<b>125,716,049</b>	<b>121,448,845</b>
<b>Total service charges</b>	<b>1,816,668,053</b>	<b>1,627,764,461</b>
<b>27. Availability charges</b>		
<b>Electricity</b>		
Availability charges	1,902,418	1,639,713
<b>Waste management</b>		
Availability charges	3,153,904	2,779,837
<b>Waste water management</b>		
Availability charges	2,804,994	2,500,447
<b>Water</b>		
Availability charges	1,841,167	1,601,232
<b>Total availability charges</b>	<b>9,702,483</b>	<b>8,521,229</b>

# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

## Notes to the Audited Annual Financial Statements

Figures in Rand	2022	2021
<b>28. Sales of goods and rendering of services</b>		
Advertisements	2,609	3,835
Building Plan Approval	7,569,421	4,122,034
Camping Fees	1,173,750	861,162
Cemetery and Burial	4,097,651	3,828,298
Cleaning and Removal	403,750	236,303
Demolition Application Fees	6,213	8,450
Entrance Fees	562,115	277,012
Legal Fees	1,069,843	1,145,301
Library Fees	66,098	23,767
Occupation Certificates	592,188	417,204
Photocopies and Faxes	175,721	134,702
Sale of Goods	3,459,558	517,141
Scrap, Waste & Other Goods	2,197	-
<b>Total</b>	<b>19,181,114</b>	<b>11,575,209</b>

The comparative figures have been restated, refer to note 51 for more detail information.

## 29. Rental from fixed assets

Land and buildings	1,809,665	2,002,326
Housing rentals	12,349,004	13,867,932
Other rental revenue	957,121	729,769
Less: Income foregone	(9,867,307)	(11,409,897)
<b>Total</b>	<b>5,248,483</b>	<b>5,190,130</b>

## Operating leases (municipality as lessor)

At Statement of Financial Performance date the Municipality has contracted with tenants for the following future minimum lease payments.

Within one year	522,771	1,210,753
In second to fifth year inclusive	1,008,002	1,079,140
After five years	825	172,788
<b>Total</b>	<b>1,531,598</b>	<b>2,462,681</b>

The Municipality has significant current lease arrangements for land and buildings over a period varying from 2 up to 32 years (2021: 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.

## 30. Interests on investments

Short-term investments and call accounts	9,673,336	5,215,173
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## 31. Dividends

External investment	-	7,560
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# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

## Notes to the Audited Annual Financial Statements

Figures in Rand		2022	2021
<b>32. Interest on receivables</b>			
Exchange receivables		7,271,333	7,084,609
<b>33. Operational revenue</b>			
<b>Revenue from exchange transactions</b>			
Operation revenue from exchange transactions		13,272,599	11,499,275
<b>Revenue from non-exchange transactions</b>			
Goods and services received in kind		1,507,493	8,798,882
Exchange Revenue		13,272,599	11,499,275
Non-exchange revenue		1,507,493	8,798,882
<b>Total operational revenue</b>		<b>14,780,092</b>	<b>20,298,157</b>
<b>Services received in kind</b>			
During the financial year, the municipality received the services in kind, that was recognised in terms of GRAP 23.			
<b>34. Licences or permits</b>			
Exchange revenue		20,745,433	20,628,986
Included in licenses and permits is an amount of R16,707,734 (2021: R17,488,433) 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>35. Fair value and loss on disposal adjustment of assets</b>			
Gains/(losses) on disposals	35.1	(3,078,476)	(9,565,874)
Fair value adjustment	35.2	3,641,627	3,421,542
<b>Total</b>		<b>563,151</b>	<b>(6,144,332)</b>
<b>35.1 Gains/(losses) on disposals</b>			
Gains / (losses) on disposal on PPE, IA, IP & HA		2,207,807	(5,693,646)
Gains / (losses) on inventory		139,954	(47,097)
Water losses		(5,426,237)	(3,825,131)
<b>Total</b>		<b>(3,078,476)</b>	<b>(9,565,874)</b>
Refer to note 46.2 for details on water losses			
<b>35.2 Fair value adjustment</b>			
Investment property		3,644,000	3,426,800
Financial assets		(2,373)	(5,258)
<b>Total</b>		<b>3,641,627</b>	<b>3,421,542</b>

The prior year comparatives have been restated, please refer to note 51 for more detail information.





# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

## Notes to the Audited Annual Financial Statements

Figures in Rand	2022	2021
<b>36. Property rates</b>		
Residential properties	320,323,110	264,128,100
Business and commercial properties	101,262,789	89,217,179
Farm properties: Agricultural purposes	67,144,384	62,452,981
Mining properties	274,231	255,379
Municipal properties	15,375,307	13,466,172
National monument properties	166,054	154,829
Other categories	21,385,360	18,302,914
Protected areas	275,548	275,287
Public benefit organisations	1,846,402	1,537,477
Public service infrastructure properties	1,166,705	951,178
State-owned properties	35,244,448	30,257,479
Less: Income forgone / rebates	(147,580,615)	(137,287,620)
<b>Total</b>	<b>416,883,723</b>	<b>343,711,355</b>

The prior year comparatives have been restated, please refer to note 51 for more detail information.

### Valuation as at 30 June 2022

Residential	45,391,306,400	36,619,324,450
Agricultural	9,439,584,850	8,518,218,800
Commercial	8,797,771,000	7,556,665,700
Other categories	5,696,746,400	4,732,180,092
State-owned properties	2,947,382,500	2,459,914,550
<b>Total property valuations</b>	<b>72,272,791,150</b>	<b>59,886,303,592</b>

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 01-Jul-2021. Supplementary valuations are processed on an annual basis to consider 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. Rebates are granted to certain property categories as per the approved Property Rates Policy that is reviewed by Council annually. Exemptions are also granted to certain property categories as per the stipulations of the Property Rates Act.

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.

### 37. Fines, penalties and forfeits

Fines, penalties and forfeits	37.1	105,224,151	128,602,942
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#### 37.1 Fines, penalties and forfeits

<b>Traffic fines</b>		
Service provider fines	101,474,435	126,613,594
<b>Other fines</b>		
Building fines	242,837	172,233
Illegal connections - Electricity	726,470	346,763
Overdue books	40,989	22,283
Pound fees	2,739,420	1,448,069
	<b>3,749,716</b>	<b>1,989,348</b>

## Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

### Notes to the Audited Annual Financial Statements

Figures in Rand	2022	2021
37. Fines, penalties and forfeits (continued)		
Total	<u>105,224,151</u>	<u>128,602,942</u>



# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

## Notes to the Audited Annual Financial Statements

Figures in Rand	2022	2021
<b>38. Transfers and subsidies - Revenue</b>		
<b>Operational</b>		
Allocations	202,460,011	220,606,266
<b>Capital</b>		
Allocations	117,812,787	177,435,677
<b>Total</b>	<b>320,272,798</b>	<b>398,041,943</b>
<b>Unconditional grants</b>		
Equitable share	171,259,001	187,332,000
Other	10,448,668	37,371,595
<b>Operational grants</b>	<b>181,707,669</b>	<b>224,703,595</b>
<b>Conditional grants</b>		
National Government	83,572,998	87,687,067
Provincial Government	45,315,931	90,266,515
Other	9,880,476	2,853,688
<b>Total conditional grants</b>	<b>138,769,405</b>	<b>180,807,270</b>
<b>Subtotal</b>	<b>320,477,074</b>	<b>405,510,865</b>
Offsetting of housing expenditure where municipality is seen as an agent	-	(118,192)
Recognition of revenue in terms of GRAP 11	(204,277)	(3,830,730)
<b>Total Government Grant and Subsidies</b>	<b>320,272,797</b>	<b>401,561,943</b>
<b>National Government (Unconditional Grants)</b>		
Balance unspent at beginning of year	-	-
Current year	(171,259,000)	(187,332,000)
Conditions met - transferred to revenue	171,259,000	187,332,000
<b>Conditions still to be met - transferred to liabilities</b>	<b>22</b>	<b>-</b>
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 between 50-100 kWh electricity free every month.		
<b>National Government (Conditional Grants)</b>		
Balance unspent at beginning of year	(7)	(179,322)
Current year receipts	(83,573,000)	(87,507,754)
Conditions met - transferred to revenue	83,572,998	87,687,069
<b>Conditions still to be met - transferred to liabilities</b>	<b>22</b>	<b>(7)</b>

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.

# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

## Notes to the Audited Annual Financial Statements

Figures in Rand		2022	2021
<b>38. Transfers and subsidies - Revenue (continued)</b>			
<b>Provincial Government (Conditional Grants)</b>			
Balance unspent at beginning of year		(6,750,600)	(7,844,643)
Current year receipts		(46,453,434)	(89,172,472)
Conditions met - transferred to revenue		45,315,931	90,266,515
<b>Conditions still to be met - transferred to liabilities</b>	22	<b>(7,888,103)</b>	<b>(6,750,600)</b>
Conditions not met - repaid to grant provider		707,694	12,747

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 0 (2021: R 118,192). In terms of a GRAP interpretation, where a municipality is regarded as an agent, the revenue should be set off against the operating expenditure. Revenue from housing grants and the related housing expenditure where Drakenstein Municipality is regarded as an agent in terms.

### Other Grants (Unconditional)

Balance unspent at beginning of year		(1,362,556)	(5,019,406)
Current year receipts		(1,251,693)	(32,237,449)
Conditions met - transferred to revenue		864,535	35,894,299
<b>Conditions still to be met - transferred to liabilities</b>	22	<b>(1,749,714)</b>	<b>(1,362,556)</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		(1,445,158)	(1,673,171)
Current year receipts		(9,978,477)	(2,625,675)
Conditions met - transferred to revenue		9,015,941	2,853,688
<b>Conditions still to be met - transferred to liabilities</b>	22	<b>(2,407,694)</b>	<b>(1,445,158)</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		(10,448,667)	(8,246,659)
Conditions met - transferred to revenue		10,448,667	8,246,659
<b>Conditions still to be met - transferred to liabilities</b>	22	<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 51 for more detail information.

# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

## Notes to the Audited Annual Financial Statements

Figures in Rand	2022	2021
<b>39. Construction contract revenue</b>		
<b>Housing projects</b>		
Kingston / Lantana (Construction)	151,981	2,645,398
Paarl East Housing (Planning)	52,296	1,185,332
<b>Total</b>	<b>204,277</b>	<b>3,830,730</b>

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

### 40. Employee related cost

Employee related cost	716,436,654	713,033,715
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# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

## Notes to the Audited Annual Financial Statements

Figures in Rand

### 40. Employee related cost (continued)

#### 40.1 Senior management costs

2022

	JH Leibbrandt City Manager	B Brown Chief Financial Officer	JJ Samson Executive Director: Planning and Development	S Johaar Executive Director: Corporate Services	M Wüst Executive Director: Engineering Services	G Esau Executive Director: Community Services	J Carstens Chief Financial Officer	LA Waring Executive Director: Planning and Development	Total
Cost to company package	2,019,462	1,622,947	1,622,947	1,622,947	1,622,947	1,622,947	-	-	10,134,197
Performance bonuses	238,488	-	-	159,675	131,732	175,642	71,854	175,642	953,033
Other allowances and reimbursement	52,268	45,243	43,653	43,653	43,653	43,653	177	177	272,477
	<b>2,310,218</b>	<b>1,668,190</b>	<b>1,666,600</b>	<b>1,826,275</b>	<b>1,798,332</b>	<b>1,842,242</b>	<b>72,031</b>	<b>175,819</b>	<b>11,359,707</b>



# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

## Notes to the Audited Annual Financial Statements

Figures in Rand

### 40. Employee related cost (continued)

2021

	JH Leibbrandt City Manager	B Brown Chief Financial Officer	S Johaar Executive Director: Corporate Services	G Esau Executive Director: Community Services	LA Warning 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 packages	1,987,402	1,596,747	1,596,747	1,596,747	1,330,623	1,596,747	-	-	-	-	9,705,013
Performance bonuses	238,488	-	175,642	87,821	159,675	-	159,675	-	-	107,780	929,081
Leave and other lumpsum payments	-	-	-	-	58,579	-	-	-	-	-	58,579
Other allowances and reimbursement	32,384	25,244	25,244	25,244	21,162	44,671	149	4,288	11,238	149	189,773
	<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>

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.

Included in the post-employment health care liability (see Note 16.1) is a benefit that the City Manager, Dr JH Leibbrandt, will receive after termination. At 30 June 2022 the present value of the associated liability amounted to R632,085 (2021: R623,741).

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 2022

## Notes to the Audited Annual Financial Statements

Figures in Rand	2022	2021
<b>40. Employee related cost (continued)</b>		
<b>40.2 Municipal staff costs</b>		
Basic Salary	481,502,170	472,757,047
Social Contributions	112,508,161	108,654,250
Travel or Motor Vehicle	29,210,676	29,048,646
Housing Benefits	3,501,891	4,194,525
Overtime payments	34,964,714	26,599,972
Acting and Post Related Allowances	1,710,542	1,872,146
Shift Additional Remuneration	2,290,229	2,291,930
Standby Allowance	9,645,665	9,232,642
Night Shift	3,001,029	3,040,267
Workman Compensation	3,222,706	3,444,765
Cellular and Telephone	4,082,765	4,087,153
Contribution to leave reserve	1,759,186	1,819,097
Provision for Performance Bonuses	1,042,099	986,298
Provision for TASK Backpay	-	6,627,428
<b>Defined Benefit Plan Expenses: Post Employment Health Care</b>		
Current Service Cost	6,380,000	5,380,000
Actuarial Gains and Losses	(8,843,977)	3,462,532
Interest Cost	20,954,000	21,469,000
<b>Defined Benefit Plan Expenses: Ex Gratia Pension Benefits</b>		
Actuarial Gains and Losses	(227,274)	(8,550)
Interest Cost	82,000	77,000
<b>Defined Benefit Plan Expenses: Long Services</b>		
Current Service Cost	3,037,000	2,688,000
Actuarial (Gains) / Losses	2,053,072	876,567
Interest Cost	4,560,000	4,433,000
<b>Total</b>	<b>716,436,654</b>	<b>713,033,715</b>



# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

## Notes to the Audited Annual Financial Statements

Figures in Rand	2022	2021
<b>41. Remuneration of councillors</b>		
Executive mayor (Poole, CJ)	1,066,454	1,046,997
Speaker (Stowman, AC)	306,746	837,597
Speaker (JK Le Roux)	539,202	-
Deputy executive mayor (Combrink, GC)	845,948	837,597
Chief Whip (Koegelenberg, RA)	287,575	785,247
Chief Whip (C Kearns)	505,502	-
<b>Mayoral Committee Members - before elections</b>		
Mayoral Committee Member of Rural Development (MA Andreas)	279,199	785,247
Mayoral Committee Member of Social Services (E Gouws)	279,199	785,247
Mayoral Committee Member of Human Settlements And Property Development (L Cyster)	279,199	785,247
Mayoral Committee Member of Environment And Open Spaces (C Kearns)	279,199	785,247
Mayoral Committee Member of Corporate Services (LP Mokoena)	279,199	785,247
Mayoral Committee Member of Public Safety (R Smuts)	279,199	785,247
Mayoral Committee Member of Communication And Intergovernmental Relations (RH Van Nieuwenhuizen)	279,199	785,247
Mayoral Committee Member of Engineering Services (JF Le Roux)	279,199	785,247
Mayoral Committee Member of Planning & Economic Development And Tourism (J Miller)	279,199	785,247
Mayoral Committee Member of Recreation, Arts And Culture (LT Van Niekerk)	279,199	785,247
<b>Mayoral Committee Members - after elections</b>		
Mayoral Committee Member of Sport, Recreation Arts and Culture (L Arendse)	490,779	-
Mayoral Committee Member of Social Development (E Gouws)	490,779	-
Mayoral Committee Member of Human Settlements (MA Andreas)	490,779	-
Mayoral Committee Member of Parks, Waste & Cemeteries (L Cyster)	490,779	-
Mayoral Committee Member of Corporate Services (E Baron)	490,779	-
Mayoral Committee Member of Public Safety (A Appollis)	490,779	-
Mayoral Committee Member of Communication And Intergovernmental Relations (RH Van Nieuwenhuizen)	490,779	-
Mayoral Committee Member of Engineering Services (T Bester)	490,779	-
Mayoral Committee Member of Planning & Development (LT van Niekerk)	492,134	-
Mayoral Committee Member of Governance Compliance (J Miller)	491,620	-
All other councillors	17,756,472	16,871,395
Cell phone allowance	2,644,196	2,869,843
<b>Total</b>	<b>31,654,071</b>	<b>31,101,146</b>

# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

## Notes to the Audited Annual Financial Statements

Figures in Rand	2022	2021
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### 41. Remuneration of councillors (continued)

#### 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 40,800 (2021: R 44,200) per year, as a cellphone and data allowance in accordance with the notice. Other councillors receive an average of R 341,275 (2021: R 331,335) per year, except the chairperson of MPAC, who receives an average of R 437,970 (2021: 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
<b>List the name of the councillor which at any time during the relevant financial year was in arrears for more than 90 days</b>	
<b>DECEMBER 2021</b>	
ARENDSE PP/LC	3,550
BOLANI/NDABENI L	1,373
	<b>4,923</b>
<b>JANUARY 2022</b>	
BOLANI/NDABENI L	1,245
LANDU-MQELA PN	2,054
	<b>3,299</b>
<b>FEBRUARY 2022</b>	
LANDU-MQELA PN	5,180
	<b>5,180</b>
<b>MARCH 2022</b>	
LANDU-MQELA PN	685
	<b>685</b>
<b>JUNE 2022</b>	
JACOBS/DOUW M/N/L	41,725
	<b>41,725</b>

### 42. Depreciation and amortisation

#### Amortisation

Intangible assets	5.1	988,126	917,542
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#### Depreciation

Property, plant and equipment	3	240,757,742	218,518,486
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#### Total

<b>241,745,868</b>	<b>219,436,028</b>
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The prior year comparatives have been restated, please refer to note 51 for more detail information.



# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

## Notes to the Audited Annual Financial Statements

Figures in Rand		2022	2021
<b>43. Impairment losses on financial assets</b>			
<b>Contribution (to)/from provision for impairment to surplus and deficit:</b>			
Consumer receivables and availability charges receivables	10	29,484,764	63,969,463
Statutory receivables: Property rates	11	(801,018)	3,382,241
Statutory receivables: Traffic fines		88,557,866	108,297,890
Long term receivables		(27,063)	(162,315)
		<b>117,214,549</b>	<b>175,487,279</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.			
<b>Bad debts written-off</b>			
Consumer receivables and availability charges receivables		(42,899,275)	(56,473,674)
Statutory receivables: Property Rates		(1,445,461)	(1,406,629)
Statutory receivables: Traffic Fines		(93,130,471)	(53,131,179)
<b>Total</b>		<b>(137,475,207)</b>	<b>(111,011,482)</b>
<b>44. Impairment losses on PPE, IA and HA</b>			
<b>Impairment losses on fixed assets recognised</b>			
Property, plant and equipment		2,468,069	(246,328)
<b>45. Interest, dividends and rent on land</b>			
Interest	45.1	180,161,754	179,830,803
<b>45.1 Interest cost</b>			
Financial liabilities			
• Long-term liabilities - interest paid		180,083,217	179,597,568
• Finance leases		68,537	233,235
		<b>180,151,754</b>	<b>179,830,803</b>
Overdue accounts		10,000	-
<b>Total</b>		<b>180,161,754</b>	<b>179,830,803</b>
<b>46. Bulk purchases</b>			
Electricity: Eskom		947,924,224	812,160,020
Electricity: Independent power producers		1,799,607	1,249,161
Water		28,016,744	21,584,410
<b>Total</b>		<b>977,740,575</b>	<b>834,993,591</b>

# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

## Notes to the Audited Annual Financial Statements

Figures in Rand	2022	2021
<b>46. Bulk purchases (continued)</b>		
<b>46.1 Electricity losses</b>		
<b>Reconciliation of kWh losses</b>		
kWh units purchased	704,042,625	710,002,179
kWh units sold	(659,354,788)	(656,553,200)
<b>Total loss</b>	<b>44,687,837</b>	<b>53,448,979</b>
 Average value of losses (cost)	 60,405,037	 61,290,294
 <b>Percentage loss:</b>		
Technical losses	6.35 %	7.53 %
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>46.2 Water losses</b>		
System input volume (Kilolitres)	14,106,456	13,425,170
Billed metered consumption (Kilolitres)	(11,802,368)	(11,363,179)
<b>Total loss</b>	<b>2,304,088</b>	<b>2,061,991</b>
 <b>Comprising of:</b>		
Technical losses	2,220,308	1,913,887
Non-technical losses	83,780	148,104
<b>Total</b>	<b>2,304,088</b>	<b>2,061,991</b>
 <b>Percentage loss: *</b>		
Technical losses	15.70 %	14.29 %
Non-technical losses	0.60 %	1.11 %
<b>Total</b>	<b>16.30 %</b>	<b>15.40 %</b>
 Norm of losses:	 15.00 %	 15.00 %

### Reasons for the losses

Losses occurred because of the following reasons:

- Burst pipes.
- Use of unmetered fire water connections at flat buildings and factories.
- Open spaces and sports fields that are still unmetered.
- Undetected leaks underground.
- Scouring of mainlines and reservoirs as part of the operational procedure to ensure good water quality.

\* 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 15.70% (2021: 14.29%), as unbilled metered water and unbilled unmetered water is not taken into account.

# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

## Notes to the Audited Annual Financial Statements

Figures in Rand		2022	2021
<b>47. Contracted services</b>			
Consultants and professional services	47.1	17,846,203	19,619,171
Contractors	47.2	116,662,433	114,615,920
Outsourced services	47.3	13,843,400	13,787,686
<b>Total</b>		<b>148,352,036</b>	<b>148,022,777</b>
<b>47.1 Consultants and professional services</b>			
Business advisory services		9,266,508	9,556,569
Legal advice and litigation		6,288,491	5,665,361
Other consultants and professional services		2,291,204	4,397,241
<b>Total consultants and professional services</b>		<b>17,846,203</b>	<b>19,619,171</b>
<b>47.2 Contractors</b>			
<b>General services</b>			
Housing project expenditure		378,897	3,970,285
Catering services		102,982	29,594
Management of informal settlements		5,710,643	2,119,685
Other contractor services		4,148,644	12,066,187
Safeguard and security		35,145,579	34,413,327
<b>Total general services</b>		<b>45,486,745</b>	<b>52,599,078</b>
<b>Maintenance services</b>			
Maintenance of buildings and facilities		12,745,209	11,528,388
Maintenance of equipment		27,589,204	27,804,694
Maintenance of unspecified assets		30,841,275	22,683,760
<b>Total maintenance service</b>		<b>71,175,688</b>	<b>62,016,842</b>
<b>Total contractor</b>		<b>116,662,433</b>	<b>114,615,920</b>
<b>47.3 Outsourced services</b>			
<b>General services</b>			
Traffic Fines Management		5,945,094	4,562,168
Waste management		3,951,740	5,635,642
Other outsourced services		3,946,566	3,589,876
<b>Total outsourced services</b>		<b>13,843,400</b>	<b>13,787,686</b>

The prior year comparatives have been restated, please refer to note 51 for more detail information.

# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

## Notes to the Audited Annual Financial Statements

Figures in Rand	2022	2021
<b>48. Operational cost</b>		
Advertising, Publicity and Marketing	2,759,290	2,410,088
Bank Charges, Facility and Card Fees	7,002,989	6,418,440
Commission	10,025,457	10,319,833
Communication	4,701,201	4,325,519
Contribution to provision for rehab and landfill site	15,074,446	10,530,942
External Audit Fees	5,954,970	6,444,898
External Computer Service	12,864,023	12,391,317
Insurance Underwriting	9,862,382	10,120,264
Licences	2,299,882	2,119,207
Other operational cost	4,245,756	2,202,736
Printing, Publications and Books	918,265	1,001,676
Professional Bodies, Membership and Subscription	7,168,053	6,996,011
Skills Development Fund Levy	5,711,596	4,137,413
Standing time claim	1,199,312	-
Uniform and Protective Clothing	2,566,679	2,809,641
<b>Total</b>	<b>92,354,301</b>	<b>82,227,985</b>
<b>49. Operating leases</b>		
Operating leases	20,467,526	18,956,121
<b>Operating leases (municipality as a lessee)</b>		
<b>Land and buildings</b>		
Payable within one year	3,472,263	4,335,511
Payable in second to fifth year inclusive	2,090,144	7,158,751
<b>Total</b>	<b>5,562,407</b>	<b>11,494,262</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% (2021: 5.6% up to 8.5%).

No other restrictions were imposed.

The prior year comparatives have been restated, please refer to note 51 for more detail information.

# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

## Notes to the Audited Annual Financial Statements

Figures in Rand	2022	2021
<b>50. Net cash from/(used) operating activities</b>		
Surplus after capital transfers and contributions	143,478,286	111,113,784
<b>Adjustments for:</b>		
Depreciation and amortisation	241,745,868	219,436,028
(Gains) / Losses on disposal of assets	(2,207,807)	3,218,300
Fair value adjustment	(3,644,000)	(583,767)
(Gain) / Losses on disposal of inventory	(139,954)	(320,590)
Increase / (Decrease) in provisions	23,105,473	26,428,217
Impairment losses	119,682,618	175,240,951
Overtime and standby	4,146,535	303,163
Council remuneration provision	937,677	-
Provision for landfill rehab - iGRAP 2 adjustment	(8,031,027)	(15,897,275)
Housing development fund	(230,923)	(39,419)
Assets from capital grant in-kind	(10,448,667)	(33,664,166)
Fair value adjustments on listed stock	2,373	5,258
Lease smoothing	3,690	1,923
Leave provision	1,759,186	1,819,097
13th Cheque provision	625,355	47,482
Long service award provision	9,644,072	7,997,567
Task provision	-	6,627,428
Post retirement provision	18,490,023	30,311,532
Performance bonus provision	1,042,099	986,298
Ex-gratia provision	(145,274)	68,400
Water losses	7,847,709	8,511,138
<b>Movement in working capital</b>		
(Decrease) / Increase in consumer deposits	6,221,332	6,502,977
(Increase) / Decrease in receivables from non-exchange transactions	(86,312,828)	(109,017,358)
(Increase) / Decrease in inventory	(10,362,220)	(72,123)
(Increase) / Decrease in receivables from exchange transactions	(69,936,222)	(49,299,026)
Increase / (Decrease) in Employee benefits	(27,422,944)	(38,641,184)
(Increase) / Decrease in long term receivable	307,450	4,496
Increase / (Decrease) in trade and other payables	(61,876,957)	(41,971,911)
Increase / (Decrease) in unspent conditional grants and receipts	1,779,503	(5,158,210)
Increase / (Decrease) in VAT	(15,539,987)	(3,352,693)
<b>Net cash flows from operating activities</b>	<b>284,520,439</b>	<b>300,606,317</b>



# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

## Notes to the Audited Annual Financial Statements

Figures in Rand		2022	2021		
<b>51. GRAP 3 adjustments</b>					
The following restatements and adjustments occurred which are set out below:					
<b>51.1 Adjustments of Statement of Financial Performance items</b>					
<b>2021</b>					
	<b>Note</b>	<b>Previously reported</b>	<b>Correction of error</b>	<b>Re-classification</b>	<b>Restated</b>
<b>Revenue</b>					
<b>Exchange revenue</b>					
Services charges - Electricity	26	1,221,112,686	9,108,597	-	1,230,221,283
Services charges - Water	26	150,466,866	-	-	150,466,866
Services charges - Waste management	26	125,627,467	-	-	125,627,467
Services charges - Waste water management	26	121,448,845	-	-	121,448,845
Sales of goods and rendering of services	28	11,062,873	-	512,336	11,575,209
Rental from fixed assets	29	5,190,130	-	-	5,190,130
Interest on investments	30	5,215,173	-	-	5,215,173
Dividends	31	7,560	-	-	7,560
Interest on receivables	32	7,084,609	-	-	7,084,609
Operational revenue	33	12,011,611	-	(512,336)	11,499,275
Licences or permits	34	20,628,986	-	-	20,628,986
		<b>1,679,856,806</b>	<b>9,108,597</b>	<b>-</b>	<b>1,688,965,403</b>
<b>Non-exchange revenue</b>					
Property rates	36	343,711,355	-	-	343,711,355
Availability charges - Electricity	27	1,639,713	-	-	1,639,713
Availability charges - Water	27	1,601,232	-	-	1,601,232
Availability charges - Waste management	27	2,779,837	-	-	2,779,837
Availability charges - Waste water management	27	2,500,447	-	-	2,500,447
Surcharges and taxes		1,060,460	-	-	1,060,460
Fines, penalties and forfeits	37	128,602,942	-	-	128,602,942
Transfers and subsidies	38	396,564,647	1,477,296	-	398,041,943
Operational revenue		8,798,882	-	-	8,798,882
Construction contract revenue	39	3,830,730	-	-	3,830,730
		<b>891,090,245</b>	<b>1,477,296</b>	<b>-</b>	<b>892,567,541</b>
<b>Total revenue</b>		<b>2,570,947,051</b>	<b>10,585,893</b>	<b>-</b>	<b>2,581,532,944</b>
<b>Expenditure</b>					
Employee related cost	40	714,717,910	(1,684,195)	-	713,033,715
Remuneration of councillors	41	31,101,146	-	-	31,101,146
Depreciation, amortisation and impairment	42	227,481,741	(8,045,713)	-	219,436,028
Impairment losses on financial assets	43	175,487,279	-	-	175,487,279
Impairment losses on PPE, IA and HA	44	(246,328)	-	-	(246,328)
Finance costs	45	179,830,803	-	-	179,830,803
Bulk purchases	46	828,326,127	6,667,464	-	834,993,591
Inventory consumed		53,129,377	(231,827)	-	52,897,550
Contracted services	47	147,688,674	334,103	-	148,022,777
Transfers and subsidies		8,534,159	-	-	8,534,159
Operational cost	48	82,293,420	(65,435)	-	82,227,985
Operating leases	49	18,956,121	-	-	18,956,121
Fair value and loss on disposal adjustment of assets	35	2,319,201	3,825,131	-	6,144,332
<b>Total expenditure</b>		<b>2,469,619,630</b>	<b>799,528</b>	<b>-</b>	<b>2,470,419,158</b>
<b>Surplus for the year</b>		<b>101,327,421</b>	<b>9,786,365</b>	<b>-</b>	<b>111,113,786</b>



# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

## Notes to the Audited Annual Financial Statements

Figures in Rand		2022	2021		
51. GRAP 3 adjustments (continued)					
51.2 Adjustments of Statement of Financial Position items					
2021					
	Note	Previously reported	Correction of error	Re-classification	Restated
<b>Assets</b>					
<b>Non-current assets</b>					
Property, plant and equipment	3	6,178,954,703	35,061,066	-	6,214,015,769
Heritage assets	4	40,373,700	387,945	-	40,761,645
Intangible assets	5	5,255,000	-	-	5,255,000
Investment property	6	45,620,000	9,229,000	-	54,849,000
Investments	7	-	-	-	-
Non-current receivables from exchange transactions	8	272,299	-	-	272,299
		<b>6,270,475,702</b>	<b>44,678,011</b>	<b>-</b>	<b>6,315,153,713</b>
<b>Current assets</b>					
Inventories	9	23,344,372	-	-	23,344,372
Trade and other receivables from exchange transactions	10	292,074,802	18,715,768	513,799	311,304,369
Receivables from non-exchange transactions	11	104,011,621	-	(513,799)	103,497,822
Cash and cash equivalents	12	138,781,359	-	-	138,781,359
Current portion of non-current receivables	14	156,788	-	-	156,788
VAT control	19	19,455,955	-	-	19,455,955
		<b>577,824,897</b>	<b>18,715,768</b>	<b>-</b>	<b>596,540,665</b>
<b>Total assets</b>		<b>6,848,300,599</b>	<b>63,393,779</b>	<b>-</b>	<b>6,911,694,378</b>
<b>Net assets and liabilities</b>					
<b>Non-current liabilities</b>					
Borrowings	15	1,618,401,012	-	-	1,618,401,012
Finance lease liabilities	16	26,762	-	-	26,762
Employee benefits	17	227,049,000	-	-	227,049,000
Provisions	18	195,378,926	-	-	195,378,926
		<b>2,040,855,700</b>	<b>-</b>	<b>-</b>	<b>2,040,855,700</b>
<b>Current liabilities</b>					
Consumer deposits	20	59,109,630	-	-	59,109,630
Payables from exchange transactions	21	358,674,661	471,679	-	359,146,340
Unspent conditional grants and receipts	22	18,527,914	(7,898,327)	-	10,629,587
Borrowings	15	18,555,870	-	-	18,555,870
Finance lease liabilities	16	1,413,432	-	-	1,413,432
Employee benefits	17	90,873,365	-	-	90,873,365
		<b>547,154,872</b>	<b>(7,426,648)</b>	<b>-</b>	<b>539,728,224</b>
<b>Total net assets</b>					
Housing Development Fund	23	25,851,738	-	-	25,851,738
Reserves and Funds	24	1,421,127,598	(13,760,294)	-	1,407,367,304
Accumulated surplus	25	2,813,310,691	84,580,721	-	2,897,891,412
		<b>4,260,290,027</b>	<b>70,820,427</b>	<b>-</b>	<b>4,331,110,454</b>
<b>Total net assets and liabilities</b>		<b>6,848,300,599</b>	<b>63,393,779</b>	<b>-</b>	<b>6,911,694,378</b>

# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

## Notes to the Audited Annual Financial Statements

Figures in Rand		2022		2021	
51. GRAP 3 adjustments (continued)					
51.3 Adjustment of Cash flow statement items					
	Note	Previously reported	Correction of error	Re-classification	Restated
Cash flows from operating activities					
Receipts					
Property rates		342,405,926	-	-	342,405,926
Service charges		1,593,352,476	-	-	1,593,352,476
Transfers, subsidies and construction contracts revenue received		375,862,779	-	-	375,862,779
Interest		8,738,749	-	-	8,738,749
Dividends		7,560	-	-	7,560
Other receipts and fines received		59,597,333	-	2,139,874	61,737,207
Payments					
Employees		(736,602,436)	-	154,012	(736,448,424)
Suppliers		(1,143,895,152)	(334,103)	(17,637,203)	(1,161,866,458)
Interest paid		(179,830,803)	-	-	(179,830,803)
Net VAT paid		(18,700,507)	-	15,347,813	(3,352,694)
Net cash from operating activities		300,935,925	(334,103)	4,496	300,606,318
Cash flows from investing activities					
Receipts					
Proceeds on disposal of fixed and intangible assets		3,115,991	-	-	3,115,991
Increase in non-current receivables		4,496	-	(4,496)	-
Increase in call investment deposits		77,040	-	-	77,040
Payments					
Purchase of PPE and intangible assets		(224,552,145)	334,103	-	(224,218,042)
Net cash from investing activities		(221,354,618)	334,103	(4,496)	(221,025,011)
Cash flows from financing activities					
Decrease in long-term liabilities		(19,681,847)	-	-	(19,681,847)
Decrease in finance lease liability		(1,717,999)	-	-	(1,717,999)
Net increase/(decrease) in cash		58,181,461	-	-	58,181,461
Cash and cash equivalents at the beginning of the year		80,599,898	-	-	80,599,898
Cash and cash equivalents at the end of the year		138,781,359	-	-	138,781,359
Net increase/(decrease) in cash		58,181,461	-	-	58,181,461

# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

## Notes to the Audited Annual Financial Statements

Figures in Rand	2022	2021		
51. GRAP 3 adjustments (continued)				
51.4 Adjustment of opening balances				
	Note	Previously reported	Correction of error	Restated
Net assets				
Accumulated surplus				
		2,684,543,970	-	2,684,543,970
Property, Plant and Equipment		-	46,893,239	46,893,239
Heritage Assets		-	387,945	387,945
Investment Property		-	9,229,000	9,229,000
Unspent Conditional Grants and Receipts		-	7,898,327	7,898,327
Trade and other receivables from exchange transactions		-	9,607,169	9,607,169
<b>Total</b>		<b>2,684,543,970</b>	<b>74,015,680</b>	<b>2,758,559,650</b>
Revaluation reserve				
		1,452,457,291	-	1,452,457,291
Property, Plant and Equipment		-	(12,981,618)	(12,981,618)
<b>Total</b>		<b>1,452,457,291</b>	<b>(12,981,618)</b>	<b>1,439,475,673</b>
Assets and liabilities				
Property, plant and equipment		6,141,427,027	34,383,300	6,175,810,327
Heritage assets		41,223,700	387,945	41,611,645
Investment property		42,193,200	9,229,000	51,422,200
Trade and other receivables from exchange transactions		316,367,637	9,607,169	325,974,806
Payables from exchange transactions		(385,804,014)	(471,679)	(386,275,693)
Unspent conditional grants and receipts		(23,686,124)	7,898,327	(15,787,797)

### 51.5 Correction of errors

The following prior period errors adjustments occurred:

#### Property, Plant and Equipment

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 legal ownership.

#### Opening balances at 1 July 2020 effects

Accumulated Surplus	(46,893,239)
Revaluation Reserve	12,981,618
Property, Plant and Equipment	34,383,300
Retention	(471,679)

#### Prior year at 30 June 2021 effects

Depreciation and amortisation (Depreciation on PPE)	465,426
Operational revenue (In-kind donations)	(1,477,296)
Contracted services (Maintenance of unspecified assets)	334,103
Property, Plant and Equipment	677,767
Accumulated Surplus	71,324
Revaluation Reserve	(71,324)
Accumulated Surplus	(850,000)
Revaluation Reserve	850,000
	-

# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

## Notes to the Audited Annual Financial Statements

Figures in Rand	2022	2021
<b>51. GRAP 3 adjustments (continued)</b>		
<b>Heritage Assets</b>		
During the financial year items were identified which were not previously included in the disclosure for Heritage assets. These corrections relate to books and a monument.		
<b>Opening balances at 1 July 2020 effects</b>		
Accumulated Surplus	(387,945)	
Heritage Assets	387,945	
	-	
<b>Investment Property</b>		
During the financial year properties were reviewed to determine the correct classification. Corrections were made to correct and include properties as part of Investment properties.		
<b>Opening balances at 1 July 2020 effects</b>		
Accumulated Surplus	(9,229,000)	
Investment Property	9,229,000	
	-	
<b>Unspent Conditional Grants and Receipts</b>		
During the year under review it was discovered that expenditure relating to grants were expensed, but the income side of the transaction was not recognised.		
<b>Opening balances at 1 July 2020 effects</b>		
Accumulated Surplus	(7,898,327)	
Unspent Conditional Grants and Receipts	7,898,327	
	-	
<b>Electricity Income levied incorrectly</b>		
During the financial year, a billing correction was performed which had an impact on previous financial year disclosures relating to electricity billed.		
<b>Opening balances at 1 July 2020 effects</b>		
Accumulated Surplus	(9,607,169)	
Trade and other receivables from exchange transactions	9,607,169	
<b>Prior year at 30 June 2021 effects</b>		
Trade and other receivables from exchange transactions	9,108,598	
Service charges - electricity	(9,108,598)	
	-	



# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

## Notes to the Audited Annual Financial Statements

Figures in Rand	2022	2021
<b>51. GRAP 3 adjustments (continued)</b>		
<b>Correction of prior year water inventory consumed and water losses recognised</b>		
During the prior year water inventory consumed and water losses recognised were corrected, based on the guidance issued by NT.		
<b>Prior year at 30 June 2021 effects</b>		
Operational cost - other		(65,436)
Bulk purchases - water		7,422,424
Bulk purchases - electricity		(754,960)
Employee related cost - basic salaries		(1,684,196)
Inventory consumed		(231,828)
Depreciation and amortisation		(8,511,137)
Loss on disposal of PPE, IA, IP & inventory		3,825,133
		-

### Retirement benefit information

Previously the comparative amounts disclosed for the valuation of the National Fund for Municipal Workers was R17,107,067,000 and this should be R18,423,317,000.

### Principal and agent arrangements

Previously it was reported that the amount of revenue received on behalf of principal (incl. commission) was R105,023,031, this amount should have been R105,145,209 and corrected accordingly. This also resulted in the total amount being reported as R61,070, which was corrected to R183,248.

### Other

#### 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.

#### Financial instruments

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.

# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

## Notes to the Audited Annual Financial Statements

Figures in Rand	2022	2021
<b>51. GRAP 3 adjustments (continued)</b>		
<b>51.6 Reclassification</b>		
The following reclassifications adjustment occurred:		
<b>Sale of good and operational revenue</b>		
<b>Nature of reclassification</b>		
Sale of goods and services		512,336
Operational Revenue		(512,336)
		-

### Property Rates

During the period under review some more detail line items in the property rates note 36 are disclosed. The total amount of the note previously reported does not change and therefore only more detail for the user of the financial statements are given.

### Trade and other receivables from exchange and receivables from non-exchange

During the year vote numbers, previously incorrectly classified under non-exchange transactions, where reallocated to Trade and other receivables from exchange transactions due to the nature of the transactions. This was corrected in the year under review.

### Nature of reclassification

Trade and other receivables from exchange transactions	513,799
Receivables from non-exchange transactions	(513,799)
	-

## 52. Adjusting events after the reporting date

### Unauthorised, irregular, fruitless and wasteful expenditure

With the issuing of the financial statements for audit, Drakenstein Municipality was in the process of a salary exemption application process, where it applied for the exemption from the Circular 32/2018 - Salary and Wage Collective Agreement 2018-2021 for the 2020/21.

a) The following expenditure was written off by Council on 25 August 2022:

Irregular expenditure - R2,007,928.

The write-off was taken into account in note 53.

b) The following expenditure was identified after the financial year end, but before submission to the auditors:

Irregular expenditure - R4,598,244

A forensic investigation into certain allegations of collusion resulted in certain expenditure incurred being declared irregular. The investigation focussed on one tender. Furthermore, the investigation into the rest of the services provided by the tender will be undertaken, which may result in further identification of irregular and/or fruitless and wasteful expenditure.

### Contingent liabilities

Paarl Print (Pty) Ltd - Destruction of property - claim for damages - after submission of the unaudited annual financial statements to the AGSA, the municipality became aware on 27 October 2022 that the case was concluded.

# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

## Notes to the Audited Annual Financial Statements

Figures in Rand	2022	2021
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### 52. Adjusting events after the reporting date (continued)

#### Senior Officials remuneration adjustment

On 18 November the notice on Upper Limits of Total Remuneration Packages payable to Municipal Managers and Managers directly accountable to Municipal Managers, was issued. The impact is that additional provision to the amount of R273,083 had to be made to the remuneration payable in 2021/22.

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

#### 53.1 Unauthorised expenditure

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

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
Less: Amounts written-off – current	-	(34,503,469)
<b>Closing balance</b>	<b>-</b>	<b>-</b>

#### 2022

	Budget	Actual expenditure	Unauthorised expenditure	Amount written off by council
<b>Unauthorised expenditure per Vote (Department)</b>				
Office of the City Manager	4,432,875	4,385,618	-	-
Financial Services	121,449,981	111,841,624	-	-
Corporate Services	176,808,541	167,878,836	-	-
Planning and Development	134,814,827	126,125,846	-	-
Community Services	490,420,316	482,112,643	-	-
Engineering Services	1,723,075,726	1,709,999,023	-	-
Department of Chief Audit Executive	9,396,923	9,165,012	-	-
Department of Risk And Compliance	2,084,104	2,022,938	-	-
Department of IDP And PMS	6,407,908	5,756,114	-	-
Department of Communication	5,203,849	4,913,747	-	-
	<b>2,674,095,050</b>	<b>2,624,201,401</b>	<b>-</b>	<b>-</b>

# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

## Notes to the Audited Annual Financial Statements

Figures in Rand	2022	2021
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### 53. 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	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	1,661,164,537	-	-
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>2,476,850,878</b>	-	-

#### 53.2 Irregular expenditure

Opening balance as previously reported	1,135,168	3,024,725
Add: Irregular expenditure - current	8,382,160	3,201,819
Add: Irregular expenditure – prior periods	18,935,731	-
Less: Amounts approved by Council - current	(20,968,419)	(5,091,376)
Less: Amounts approved by Council - prior period	(1,046,406)	-
<b>Closing balance</b>	<b>6,438,234</b>	<b>1,135,168</b>

All above mentioned amounts include VAT.



# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

## Notes to the Audited Annual Financial Statements

Figures in Rand		2022	2021
<b>53. Unauthorised, irregular, fruitless and wasteful expenditure (continued)</b>			
<b>Incident</b>	<b>Disciplinary steps/criminal proceedings</b>		
Composition of bid committees	Investigated and report submitted to Council. Prior and current year amount written off as recommended.	1,994,603	2,066,651
Deviation: Emergency repair to damaged Sulzer Pump no.4 at Pentz Street, Wellington.	Investigated and report submitted to Council. Prior year amount written off as recommended.	-	334,834
Deviation: Emergency repair to damaged Sulzer Pump no.2 at Pentz Street, Wellington.	Investigated and report submitted to Council. Prior year amount written off as recommended.	-	711,572
The expenditure was deemed to be irregular due to incorrect processes followed for repairs at Mbekweni Fire Station.	Investigated and report submitted to Council and written off.	24,760	-
Prior year: A recent report from the Public Protector pertaining to Knysna Municipality, revealed that procuring services from the SPCA/Tourism must be done in line with section 217 of the Constitution, section 112(1)(a) of the Local Government: Municipal Finance Management Act, 2003 (MFMA), Supply Chain Management Regulations (SCM Regulations) 11, 12 and 36(1)(a) and paragraphs 11, 12 and 36(1)(a) of the Municipality's Supply Chain Management Policy (SCM Policy), in terms of which it was required to follow a fair, equitable, transparent, competitive and cost effective tender process and only to deviate from it, inter alia, in an emergency.	Investigated and report submitted to Council and written off.	18,935,731	-
Current year: A recent report from the Public Protector pertaining to Knysna Municipality, revealed that procuring services from the SPCA/Tourism must be done in line with section 217 of the Constitution, section 112(1)(a) of the Local Government: Municipal Finance Management Act, 2003 (MFMA), Supply Chain Management Regulations (SCM Regulations) 11, 12 and 36(1)(a) and paragraphs 11, 12 and 36(1)(a) of the Municipality's Supply Chain Management Policy (SCM Policy), in terms of which it was required to follow a fair, equitable, transparent, competitive and cost effective tender process and only to deviate from it, inter alia, in an emergency.	Matter will be investigated and reported to Council.	1,577,938	-

# Drakenstein Municipality

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## Notes to the Audited Annual Financial Statements

Figures in Rand		2022	2021
<b>53. Unauthorised, irregular, fruitless and wasteful expenditure (continued)</b>			
In service of the state payment for an individual who was newly appointed as a teacher.	Matter will be investigated and reported to Council.	173,290	88,762
The sole director of the supplier became a councillor at the Cape Winelands District Municipality after the November 2021 local government elections. Work instructions were given to the supplier prior to the sole director becoming a councillor. Although payment was done based on actual work performed, the payment occurred during the time that the sole director was in the service of the state.	Investigated and report submitted to Council and written off.	13,325	-
Forensic investigation into certain allegations concluded that some expenditure are irregular of nature.	Matter was investigated and will be reported to Council.	4,598,244	-
<b>Total</b>		<b>27,317,891</b>	<b>3,201,819</b>
<b>53.3 Fruitless and wasteful expenditure</b>			
Opening balance as previously reported		-	463,947
Add: Fruitless and wasteful expenditure – current		10,000	-
Less: Amount recovered of prior period expenditure		-	(207,406)
Less: Amounts written-off – current		(10,000)	(256,541)
<b>Closing balance</b>		<b>-</b>	<b>-</b>
<b>Incident</b>	<b>Disciplinary steps/criminal proceedings</b>		
Payment of interest to supplier on outstanding account. Engagement with the supplier was entered into in order to avoid paying the interest. However, the supplier maintained its position of claiming interest although it could not be traced to individual invoices. After negotiations the amount was reduced to R10,000. It was decided to pay the invoice to ensure that there is no disruption in service delivery with the delivery of suppliers.	None	10,000	-
All above mentioned amounts include VAT.			

# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

## Notes to the Audited Annual Financial Statements

Figures in Rand	2022		2021			
54. Additional disclosures in terms of Municipal Finance Management Act						
	SALGA contributions	Audit fees	PAYE	UIF	Pension	Medical aid
As at 30 June 2022						
Opening balance	(5,411,586)	-	9,044,845	618,803	-	-
Subscription/fees	7,079,783	6,848,214	100,315,838	5,438,784	169,904,964	44,594,350
Amount paid – current year	(7,835,634)	(6,826,839)	(109,360,683)	(6,057,587)	(169,904,964)	(44,594,350)
Balance (prepaid) / unpaid **	(6,167,437)	21,375	-	-	-	-
	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	-	-

\*\* 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 2022

## Notes to the Audited Annual Financial Statements

### Figures in Rand

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

##### 55.1. 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. All amounts listed below are VAT inclusive.

SCM paragraph reference	Description of deviation		
36 (1)(a) i	Dispense with the official procurement processes in an emergency	5,909,437	1,649,496
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.	8,220,587	8,508,009
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.	5,300,371	132,945
<b>Total deviations</b>		<b>19,430,395</b>	<b>10,290,450</b>

##### 55.2. 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	4,896,465	4,157,848
D Uren Construction *	Z Naidoo	Child	Drakenstein Municipality: Finance	688,305	821,148
	U Naidoo	Son-in-law	Drakenstein Municipality: Engineering		
Wab Printmedia (Pty) Ltd *	A Brink	Spouse	Drakenstein Municipality: Finance	48,215	93,841
Zutari (Pty) Ltd (previous Aurecon South Africa (Pty) Ltd) ***	P W Pansegrouw	Spouse	Drakenstein Municipality: Engineering Services	2,165,540	2,763,421
Harold's Auto Repairs *	B van Rooy	Child	Drakenstein Municipality: Engineering Services	262,000	528,435
EHH Building Construction *	H Fredericks	Brother	Drakenstein Municipality	41,283	1,039,035
Roll-a-add CC *	R Jaftha	Spouse	Drakenstein Municipality: Internal Audit	-	22,000
Imivisiwano Infrastructure Development (Pty) Ltd **	C Boonzaaier	Sister	Drakenstein Municipality: Finance	-	35,514
BD Uren *	Z Naidoo	Sister	Drakenstein Municipality: Finance	250,017	111,343
	U Naidoo	Brother-in-law	Drakenstein Municipality: Engineering		
				<b>8,351,825</b>	<b>9,572,885</b>

# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

## Notes to the Audited Annual Financial Statements

### Figures in Rand

#### 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	91,262	657,479
Mubeko Africa (PTY) Ltd *	J Niehaus	Spouse	Northern Cape department of Health	24,581	103,500
Motheo Construction Group (Pty) Ltd **	R Mantlhasi	Parent	Department of Home Affairs	-	2,861,193
Humafeld (Pty) Ltd **	N Kobeli	Spouse	South Africa Social Security Agency (SASSA)	-	207,262
Servelec (Pty) Ltd *	L de Lange	Spouse	South African Revenue Services	604,385	805,255
Van Der Spuy (Wes-Kaap) Inc Van Der Spuy en Vennote *	M Van Zyl	Spouse	Western Cape Department of Education	2,011,636	2,338,582
Webber Wentzel *	Dr E Watson	Brother	Road Accident Fund	2,593,368	784,565
	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	22,682	509,136
Masiqhamo Trading ZZ CC *	S Gxilishe	Parent	Western Cape Department of Education	9,755	2,402
	B Gxilishe	Parent	Department of Agriculture and Fisheries		
WRP Consulting Engineers (Pty) Ltd *	K Mamphita	Spouse	South African Broadcasting Corporation	135,597	584,660
J Walters T/A JC Travel *	J Walters	Spouse	Western Cape Department of Education	2,900	11,800
Multimode Trading (Pty) Ltd *	H Esterhuizen	Spouse	South African Police Services	857,904	439,768
Piston Power Chemicals *	N Anidhee	Spouse	KNZ Department of Education	357,221	252,902
JPCE (Pty) Ltd *	J Minnie	Spouse	City of Cape Town	1,001,106	696,967
Neil Lyners and Associates CC t/a Lyners *	H Lyners	Brother	Western Cape Provincial Government	3,006,866	4,705,945
Rhode Bros Steel Projects CC *	D Rhode	Child	South African Police Services	8,050	13,800
Ikapa Reticulation & Flow CC *	S Davids	Spouse	Western Cape Department of Education	3,749,202	1,098,547
Kozain Panel Beaters **	J Kozain	Child	Western Cape Department of Education	39,423	61,494
	T Kozain	Child	Western Cape Department of Health		



# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

## Notes to the Audited Annual Financial Statements

### Figures in Rand

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

Supplier name	Employee name	Relationship	Department		
Zutari (Pty) Ltd (previous Aurecon South Africa (Pty) Ltd) ***	WZ Erasmus	Spouse	Cape Nature	2,165,540	2,763,421
TC Events Co (Pty) Ltd **	L Johnson	Brother	South African Police Services	193,900	32,275
JF van Wyk **	M Renier	Sister	Western Cape Department of Education	90,480	61,500
	D Renier	Brother-in-law	South African Police Service		
LJ Projects and Events *	C Jafta	Spouse	Department of Water Affairs	87,600	-
Massamatic (Pty) Ltd *	M Barnard	Inlaw	Department of Health	21,614	-
<b>All amounts include VAT</b>				<b>17,075,072</b>	<b>18,992,453</b>

#### References:

\*\*\* Rates and fixed - Awards were made based on tendered rates and fixed amounts.

\*\* Fixed - Awards were made based on fixed amounts only.

\* Rates - Awards were made based on tendered rates only.



# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

## Notes to the Audited Annual Financial Statements

Figures in Rand	2022	2021
<b>56. Capital commitments</b>		
Commitments in respect of capital expenditure:		
<b>Approved and contracted for:</b>		
Infrastructure	12,310,042	39,193,792
Other	3,069,995	789,926
Intangibles	2,586,103	2,879,608
	<b>17,966,140</b>	<b>42,863,326</b>

All above mentioned amounts include VAT.

## 57. Financial instruments

### 57.1 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 Cash flow, are as follow:

		2022		2021	
		Carrying amount	Fair value	Carrying amount	Fair value
<b>Financial assets</b>					
<b>Fair value</b>					
Listed investments	7&12	-	-	39,706	39,706
<b>Amortised cost</b>					
Non-current receivables from exchange transactions	8	94,875	94,875	272,299	272,299
Trade and other receivables from exchange transactions	10	351,898,123	351,898,123	310,790,566	310,790,566
Receivables from non-exchange transactions	11	3,212,031	3,212,031	2,935,096	2,935,096
Current portion of non-current receivables	8	26,762	26,762	156,788	156,788
Short-term investments		40,000,000	40,000,000	-	-
Cash and cash equivalents	12	189,883,617	189,883,617	138,741,652	138,741,652
		<b>585,115,408</b>	<b>585,115,408</b>	<b>452,896,401</b>	<b>452,896,401</b>
<b>Total financial assets</b>		<b>585,115,408</b>	<b>585,115,408</b>	<b>452,936,106</b>	<b>452,936,106</b>
<b>Financial liabilities</b>					
<b>Amortised cost</b>					
<b>Unsecured bank facilities:</b>					
Annuity Loans	15	1,539,712,709	1,539,712,709	1,618,401,012	1,618,401,012
Finance Leases	15	-	-	26,762	26,762
		<b>1,539,712,709</b>	<b>1,539,712,709</b>	<b>1,618,427,774</b>	<b>1,618,427,774</b>
<b>Trade and other payables:</b>					
Consumer deposits	20	65,330,962	65,330,962	59,109,630	59,109,630
Trade and other payables from exchange transactions	21	166,310,687	166,310,687	267,367,249	267,367,249
Current portion of financial liabilities	15	78,688,303	78,688,303	18,555,870	18,555,870
Current portion of Finance Leases	15	26,762	26,762	1,413,432	1,413,432
		<b>310,356,714</b>	<b>310,356,714</b>	<b>346,446,181</b>	<b>346,446,181</b>
<b>Total financial liabilities</b>		<b>1,850,069,423</b>	<b>1,850,069,423</b>	<b>1,964,873,954</b>	<b>1,964,873,954</b>
<b>Total financial instruments</b>		<b>(1,264,954,015)</b>	<b>(1,264,954,015)</b>	<b>(1,511,937,848)</b>	<b>(1,511,937,848)</b>

# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

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### 57. Financial instruments (continued)

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.

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 2022

	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>				
<b>Financial instruments at fair value:</b>				
Listed investments	-	-	-	-
Call deposits	-	-	-	-
Short-term portion of Investments	-	-	-	-
Bank balances and cash	-	-	-	-
<b>Total financial assets</b>	-	-	-	-
<b>Financial liabilities</b>				
<b>Financial instruments at fair value:</b>				
Other loans	-	-	-	-
Bank overdraft	-	-	-	-
<b>Total financial liabilities</b>	-	-	-	-



# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

## Notes to the Audited Annual Financial Statements

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### 57. Financial instruments (continued)

30 June 2021

	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>				
<b>Financial instruments at fair value:</b>				
Listed investment	39,706	-	-	39,706
Call deposits	-	-	-	-
Short-term portion of Investments	-	-	-	-
Bank balances and cash	-	-	-	-
<b>Total financial assets</b>	<b>39,706</b>	<b>-</b>	<b>-</b>	<b>39,706</b>
<b>Financial liabilities</b>				
<b>Financial instruments at fair value:</b>				
Other loans	-	-	-	-
Bank overdraft	-	-	-	-
<b>Total financial liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

### 57.2 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.

The capital structure of the municipality consists of debt, which includes the Long-term Borrowings disclosed in Note 15, Cash and Cash Equivalents disclosed in Note 12; and Equity, comprising Funds, Reserves and Accumulated Surplus as disclosed in Note(s) 23&24&25 and the Statement of changes in net assets.

### 57.3 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.

### 57.4 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.

### 57.5 Market risk

The municipality's activities expose it primarily to the financial risks of changes in interest rates (see Note 57.6 below). No formal policy exists to hedge volatilities in the interest rate market.

### 57.6 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.

# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

## Notes to the Audited Annual Financial Statements

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### 57. Financial instruments (continued)

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.

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.

#### 57.7 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 2022

	Within 1 year	2 to 5 years	5 years +	Total
<b>Maturity analysis</b>				
Annuity loans	254,774,703	999,329,870	1,773,082,018	3,027,186,591
Finance leases	27,037	-	-	27,037
Payables from exchange transaction	166,310,687	-	-	166,310,687
Consumer deposits	65,330,962	-	-	65,330,962
	<b>486,443,389</b>	<b>999,329,870</b>	<b>1,773,082,018</b>	<b>3,258,855,277</b>

#### 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	1,481,969	27,037	-	1,509,006
Payables from exchange transaction	267,367,249	-	-	267,367,249
Consumer deposits	59,109,629	-	-	59,109,629
	<b>526,597,935</b>	<b>1,004,750,303</b>	<b>2,022,463,325</b>	<b>3,553,811,563</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.

#### 57.8 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.

# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

## Notes to the Audited Annual Financial Statements

Figures in Rand	2022	2021
<b>57. Financial instruments (continued)</b>		
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:		
Listed Investments	-	39,706
Non-current receivables from exchange transactions	94,875	272,299
Trade and other receivables from exchange transactions	351,898,123	310,790,566
Receivables from non-exchange transactions	3,212,031	2,935,096
Current portion of non-current receivables	26,762	156,788
Short term investments	40,000,000	-
Cash and cash equivalents	189,883,617	138,741,652
<b>Maximum credit and interest risk exposure</b>	<b>585,115,408</b>	<b>452,936,107</b>

### 57.9 Other price risks

The municipality is not exposed to equity price risks arising from equity investments as the municipality does not trade these investments.

### 58. 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.

# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

## Notes to the Audited Annual Financial Statements

Figures in Rand	2022	2021
<b>59. Related party disclosures</b>		
<b>59.1 Nature of related party relationships</b>		
<b>Related party</b>		
Compensation made to Senior management		
Remuneration of Councillors		
<b>Nature of relationship</b>		
Refer to note 40.1		
Refer to note 41		
<b>59.2 Related party transactions</b>		
<b>Revenue</b>		
Consumer services rendered to Key Management Personnel	55,464	50,812
Consumer services rendered to Councillors	1,482,488	1,459,749
	<b>1,537,952</b>	<b>1,510,561</b>
<b>59.3 Related party balances</b>		
<b>Outstanding balances</b>		
<b>Consumer accounts</b>		
Key Management Personnel	-	-
Councillors	114,143	73,065
	<b>114,143</b>	<b>73,065</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 45, awards to close family members of persons in the service of the state are disclosed in note 55.2 .

## 60. 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 169,904,964 (2021: R 115,534,139) 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.

# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

## Notes to the Audited Annual Financial Statements

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### 60. Retirement benefit information (continued)

#### 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 2021 disclosed an actuarial valuation amounting to R1,486,110,000 (30 June 2020: R1,420,856,000), with a net accumulated surplus of R69,420,000 (2020: R0), with a funding level of 104.9% (30 June 2020: 100.00%).

##### Defined contribution scheme

The actuarial valuation report at 30 June 2021 indicated that the defined contribution scheme of the fund is in a sound financial position, with assets amounting to R2,082,488,000 (30 June 2020: R1,891,631,000), net investment reserve of R0 (30 June 2020: R0) and with a funding level of 100% (2020: 100%).

The actuary concluded that:

- The Pensioner Account has a funding level of 104.9% and is in a sound financial condition;
- The DC Section has a funding level of 100% and is in a sound financial condition;
- The Fund is in a sound financial condition with a funding level of 102%;
- The Trustees awarded a 3.41% pension increase effective 1 January 2022; and
- The Trustees awarded 100% of monthly pension bonus to pensioners payable in December 2021.

#### b) Consolidated Retirement Fund for local government (Previously Cape Joint Retirement Fund)

The last statutory valuation performed as at 30 June 2021 revealed that the net assets of the Fund amounted to R34,148,000,000 (30 June 2020: R28,560,000,000). The members share account and processing reserve account had assets amounting to R33,231,698,000 (2020: R27,710,650,000), and the pensions account had assets amounting to R672,300,000 (2020: R619,700,000) with funding levels of 100.5% and 133.0% (30 June 2020 100.5% and 132.2%) for the Share Account and the Pensions Account respectively. The Preservation Pension Account amounted to R84,364,000 (30 June 2020: R93,944,000), with a funding level of 100% (30 June 2020: 100%). 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

#### c) SALA Pension Fund

The SALA Pension Fund operates both as a defined benefit and defined contribution scheme.

The statutory valuation performed as at 01 July 2021 revealed that the assets of the fund amounted to R12,238,000.00 (01 July 2018: R14,298,600), with funding levels of 85.5% (01 July 2018: 96.0%). Recommended that employers continue to contribute at the current rate of 18.97% and the participating employees' contribute rate increased from 19.18% to 21.03% of pensionable salaries.

It is the actuary's opinion that:

- The Fund is 85.5% funded at the current valuation date. The financial position of the Fund has deteriorated since the previous statutory valuation date;
- The deficit at the valuation date has increased since the previous statutory valuation. The drop in the funding level is mainly due to the poor investment returns experienced over the valuation period; and
- I further certify that I am satisfied with the investment policy of the Fund and that the nature of the assets is, in my opinion, suitable for the nature of the liabilities of the Fund at the valuation date.

# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

## Notes to the Audited Annual Financial Statements

Figures in Rand	2022	2021
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### 60. Retirement benefit information (continued)

#### 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 on defined contribution principles, 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% or 5% of their remuneration respectively.

The local authority must, in respect of category A and category C members contribute 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 category C and the local authority must, on behalf of such members, not contribute less than 7% of their remuneration.

The contribution rates specified above include the amounts payable towards the insured risk benefits policy as well as an allowance for administration fees.

The exact member contribution rate and employer contribution rate payable by each of the local authorities are specified in the schedule to the consolidated rules.

The last statutory valuation performed as at 30 June 2021 revealed that the assets of the fund amounted to R22,598,540,000 (30 June 2020: R18,423,317,000), with funding levels of 100.00% (30 June 2020: 100%). The actuary certifies that as at 30 June 2021 the assets of the fund were sufficient to cover 100.0% members' liabilities and reserve account balances. They thus confirm that, the fund continues to be able to meet its liabilities.

#### 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 2022

## Notes to the Audited Annual Financial Statements

Figures in Rand	2022	2021
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### 61. Contingent liabilities

#### 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 (2021: R7,000) was not refunded. The claim 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.

#### NORSA Community Care

In February 2021, near Wellington a collision occurred. The driver of Defendant, Amos Thelethe, collided with the plaintiffs parked vehicle while trying to pass. The matter is currently in settlement negotiations. The amount claimed was R18,779 (2021: R18,799), The claim is currently with attorneys appointed by the Municipality.

#### IM Lawrence

During November 2021, the plaintiff drove through a pothole/exposed excavated trench. The incident occurred on the corner of Jan van Riebeeck & Orleans Ave Charleston Hill. As a result of this incident, the applicant lodged a claim against the municipality to the amount of R37,537. A combined summons was received on 30 May 2022 and the matter is currently with attorneys appointed by the municipality. The appointed attorneys filed a notice to defend.

#### ND Muller

The applicant filled a Salary Dispute against the Municipality. As a result of this incident, the applicant lodged a claim of R22 700 000 against the municipality. The claim is currently with attorneys appointed by the municipality.

#### L Britz

During October 2021, an incident took place in Geffer Street, Charleston Hill. The driver(applicant) attempted to park on the side of the road and the vehicle collided with an unsecured manhole. As a result of this incident the applicant lodge a claim against the municipality to the amount of R18,687. The matter was referred to the internal insurance section and was rejected. The claim is the in the process of settlement with the Legal Services.

#### N Largardien

In January 2022, the applicant drove through a pothole in Annie Benjamin Street. As a result of this incident the applicant lodge a claim against the municipality to the amount of R11,814.24. The matter was referred to the internal insurance section and was rejected. The claim is in settlement negotiations with a legal advisor.

#### Baruch Security

The applicant filled a security services claim against the Municipality. As a result of this incident, the applicant lodged a claim of R897,717.13. The claim is current with attorneys appointed by the Municipality.

#### Francois Levens, WJ de Kock, A Gelderblom and S Lagardien

These cases were reported in the previous year, but were finalised during the current year under review.

#### Various other insurance claims

To date a total of 6 (2021: 14) cases are being dealt with at the Municipality's insurer and amounts to R3,613,729 (2021: R2,423,105) in total claims. In the event that the claims are successful, the Municipality will be liable for the amount of R110,000 (2021: 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 (2021: R1,596,747)

# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

## Notes to the Audited Annual Financial Statements

Figures in Rand	2022	2021
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### 61. Contingent liabilities (continued)

#### Arbitration cases

The municipality has 4 (2021: 6) ongoing arbitration cases, which varies in circumstances. The maximum exposure for the municipality amounts to R856,282 (2021: R143,050).

#### 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 2022 will be R 18,377,342 (2021: R 15,394,464).

According to Section 217 (3) of the Tax Administration Act (TAA), the municipality may remit to The South African Revenue Service (SARS) for the reversal of the penalty imposed in terms of section 213, if SARS is satisfied that the penalty which has been imposed in respect of a "first incidence" of non-compliance; reasonable grounds for the non-compliance exist; and the non-compliance in issue has been remedied, it may result in the total liability being reduced by R1,592,072 (2021: R1,331,150).

### 62. Contingent assets

#### Neil Lyners & Associates CC

Claim of R300,000 (2021: R300,000) for damages during installation of Civil Infrastructure services under contract CES9/2011 Siyahlala. 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 R25,007,410.00 (2021: R24,394,037).

### 63. 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.



# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

## Notes to the Audited Annual Financial Statements

Figures in Rand	2022	2021
<b>64. Registered IUDG programme</b>		
<b>2021/2022</b>	<b>Received</b>	<b>Expenditure      Unspent</b>
Development of existing cemetery	1,203,432	(1,203,432) -
Upgrading of parks and main roads	1,116,602	(1,116,602) -
Upgrade swimming pools	3,165,966	(3,165,966) -
Development of De Kraal sport complex	4,470,896	(4,470,896) -
Upgrading of main roads: van der Stel & Klein drakenstein road	863,621	(863,621) -
Upgrading of Parys Cemetery	2,316,202	(2,316,202) -
Dal sports stadium: upgrading facility	1,424,082	(1,424,082) -
Zanddrift fencing	1,133,363	(1,133,363) -
Solid waste vehicles	5,684,409	(5,684,409) -
Solid waste mini drop offs	600,316	(600,316) -
Solid waste diversion infrastructure at landfill	447,287	(447,287) -
Replace / upgrade water reticulation system	9,649,934	(9,649,934) -
Paarl Wastewater Treatment Works mechanical	232,990	(232,990) -
Replace / upgrade sewerage system	4,002,927	(4,002,927) -
Upgrading of areas around Paarl East aprons	2,603,567	(2,603,567) -
Reseal of streets /road network	4,599,477	(4,599,477) -
Upgrading of sidewalks	1,149,930	(1,149,930) -
Electrical transformer upgrade Dal Weide substation	3,941,963	(3,941,963) -
Electrical switchgear	1,725,000	(1,725,000) -
Spruit River water pipeline	774,036	(774,036) -
Paint my story	1,150,000	(1,150,000) -
	<b>52,256,000</b>	<b>(52,256,000) -</b>
<b>2020/2021</b>	<b>Received</b>	<b>Expenditure      Unspent</b>
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>

# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

## Notes to the Audited Annual Financial Statements

Figures in Rand	2022	2021
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### 65. 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.

### 66. 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	183,246	429,781
Revenue received on behalf of principal (including commission)	102,434,607	105,145,209
Revenue recognised by the municipality as agency*	(19,213,894)	(20,111,698)
Revenue paid over to principal	(83,081,183)	(85,280,044)

\* VAT included

<b>322,776</b>	<b>183,248</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	436,900	454,300
Revenue received on behalf of principal	158,700	240,600
Revenue recognised by the municipality as agency fee	-	-
Revenue paid over to the principal	(160,500)	(258,000)
	<u>435,100</u>	<u>436,900</u>

# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

## Notes to the Audited Annual Financial Statements

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### Principal arrangements: Traffic services

#### Issuing of traffic fines

The municipality has a service provider TMT (2021: 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	5,945,094	4,562,168

### Principal arrangements: Financial Services

#### Agent for the Drakenstein Municipality

The municipality has a service provider EasyPay & Pay@ (2021: 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	739,550	757,260
Commission received by the agent	3,716,327	3,385,597

### Principal arrangements: Financial Services

#### Agent for the Drakenstein Municipality

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	3,445,482	4,396,326
Commission received by the agent	10,025,457	8,179,388

# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

## Notes to the Audited Annual Financial Statements

Figures in Rand	2022	2021
<b>67. 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		143,478,271
<b>Revenue by Source</b>		
Property rates	-	-
Property rates - penalties & collection charges (Surcharges and Taxes*)	(1,170,821)	(1,385,887,089)
Service charges - electricity revenue	(169,325,937)	(169,325,937)
Service charges - water revenue	(125,716,050)	(125,716,050)
Service charges - sanitation revenue	(135,738,980)	(135,738,980)
Service charges - refuse revenue	1,826,370,540	1,826,370,540
Service charges	(3,153,904)	(3,153,904)
Availability charges - Waste management	(1,841,167)	(1,841,167)
Availability charges - Water	(2,804,994)	(2,804,994)
Availability charges - Waste water management	(1,902,418)	(1,902,418)
Availability charges - Electricity	-	-
Availability charges	(5,248,483)	(5,248,483)
Rental of facilities and equipment (Rental of Fixed Assets*)	-	-
Investment revenue (Interest earned - external investments)	(7,271,334)	(7,271,334)
Interest earned - outstanding debtors	-	-
Finance income and Dividends*	(20,745,433)	(20,745,433)
Licences and permits	(105,224,152)	(105,224,152)
Fines (Fines, Penalties & Forfeits*)	(116,101,016)	(116,101,016)
Transfers recognised - operational / (Transfers and Subsidies*)	179,494,956	179,494,956
Other revenue (Operational Revenue (Exchange)*)	(1,507,493)	(1,507,493)
Operational Revenue ( Non - Exchange)*	(19,181,115)	(19,181,115)
Sale of Goods and Rendering of Services*	-	-
Inventory Surpluses (Gains/losses on Inventory)	(563,150)	(563,150)
Gains /(losses) on disposal of assets	(204,277)	(204,277)
Construction Contract Revenue		
<b>Total</b>		<b>(97,722,317)</b>

# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

## Notes to the Audited Annual Financial Statements

Figures in Rand	2022	2021
<b>67. Reconciliation of budget surplus/(deficit) with surplus/(deficit) with Statement of Financial Performance (continued)</b>		
<b>Expenditure By Type</b>		
Employee related costs		(3,795,473)
Remuneration of councillors (Councillor Related Cost *)		-
Collection cost		-
Debt impairment		-
Impairment losses on financial assets		117,214,549
Depreciation & asset impairment (Depreciation and Amortisation *)		-
Impairment Losses		2,468,069
Interest, Dividends and Rent on Land (Interest paid *)		-
Materials and Bulk purchases		(1,037,912,149)
Bulk Purchases		977,740,575
Contracted services		-
Amounts remitted, but not received at year end		148,352,033
Transfers and grants (Transfers and Subsidies : Operational Exp*)		-
Other expenditure (Operational cost*)		(304,797,172)
Inventory*		60,171,574
Operating Leases*		20,467,525
Loss on disposal of Assets (Gains /(losses) on disposal of PPE, IA, IP & HA*)		-
<b>Total</b>		<b>(20,090,469)</b>
<b>Surplus/(Deficit)</b>		
Transfers recognised - capital		117,812,786
Contributions recognised - capital		-
		<b>117,812,786</b>
Amounts remitted, but not received at year end		-
Amounts remitted, but not received at year end		-
<b>Net surplus/(deficit) per statement of budget comparison</b>		<b>143,478,271</b>

\* - Statement of Financial Performance classifications

Budget basis differences mainly relate to grouping differences of revenue and expenditure items between budget items per the Budget Schedules as issued by National Treasury, 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 2021/22 Budget and GRAP Annual Financial Statements.

## 68. Reconciliation of cash flows per the budget regulations with the cash flows per the cash flow statement

Net cash from operating activities	(6,221,332)
Net cash from investing activities	-
Net cash from financing activities	6,221,332
<b>Net increase /(decrease) in cash and cash equivalents</b>	<b>-</b>

# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

## Notes to the Audited Annual Financial Statements

Figures in Rand	2022	2021
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### 69. 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.

#### 69.1. Cash flow

##### Net cash from (used) financing, investing and financing

- Due to the direct impact of our continues cost containment procedures, more cash were generated in operations. This result in the increase in operating activities.
- Budget amount in lower than the actual amounts spend, thus resulting in a increase in cash outflow or investment activities.
- The movement in consumer deposits were not budgeted for.

#### 69.2. Statement of financial performance

##### Revenue

- *Investment revenue*  
Due to increase in investment portfolio and stabilisation of the economy, higher interest rates were acquired and thus the increase in interest was received on our investments

##### Current Assets and Accumulated Surplus

- Due to the increase in cash, as a result of our continues cost containment procedures, more cash were available. This result in the increase in current assets. Also impacting on the accumulated surplus due to this increase.

# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

## Notes to the Audited Annual Financial Statements

### Figures in Rand

#### 70. Segment information

Segment surplus or deficit, assets and liabilities

By Department

	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	-	-	-	-	-	1,385,887,089	-	-	-	-	1,385,887,089
Services charges - Water	-	-	-	-	-	169,325,936	-	-	-	-	169,325,936
Services charges - Waste management	-	-	-	-	135,738,979	-	-	-	-	-	135,738,979
Services charges - Waste water management	-	-	-	-	-	125,716,049	-	-	-	-	125,716,049
Sales of goods and rendering of services	-	3,454,636	1,069,843	8,170,431	6,062,727	423,477	-	-	-	-	19,181,114
Rental from fixed assets	-	(9,867,307)	-	12,705,111	575,049	1,835,630	-	-	-	-	5,248,483
Interests on investments	-	9,673,336	-	-	-	-	-	-	-	-	9,673,336
Interest on receivables	-	-	6,646	-	1,998,551	5,266,136	-	-	-	-	7,271,333
Operational revenue - Exchange revenue	-	10,353,921	599,766	117,962	395,992	1,804,958	-	-	-	-	13,272,599
Operational revenue - Non-exchange revenue	-	1,507,493	-	-	-	-	-	-	-	-	1,507,493
Licences or permits	-	-	-	286,674	20,452,619	6,140	-	-	-	-	20,745,433
Gain on disposal of assets	-	139,954	-	-	-	423,197	-	-	-	-	563,151
Property rates	-	416,883,723	-	-	-	-	-	-	-	-	416,883,723
Availability charges - Electricity	-	-	-	-	-	1,902,418	-	-	-	-	1,902,418
Availability charges - Water	-	-	-	-	-	1,841,167	-	-	-	-	1,841,167
Availability charges - Waste management	-	-	-	-	-	3,153,904	-	-	-	-	3,153,904
Availability charges - Waste water management	-	-	-	-	2,804,994	-	-	-	-	-	2,804,994
Surcharges and taxes	-	1,170,821	-	-	-	-	-	-	-	-	1,170,821
Fines, penalties and forfeits	-	-	-	242,837	104,254,844	726,470	-	-	-	-	105,224,151
Transfers and subsidies	-	40,792,842	2,200,442	8,535,716	72,152,582	196,591,216	-	-	-	-	320,272,798
Construction contract revenue	-	151,981	-	52,296	-	-	-	-	-	-	204,277
<b>Total segment revenue</b>	-	<b>474,261,400</b>	<b>3,876,697</b>	<b>30,111,027</b>	<b>344,436,337</b>	<b>1,894,903,787</b>	-	-	-	-	<b>2,747,589,248</b>



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M. Joffe - 30 November 2022

# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

## Notes to the Audited Annual Financial Statements

### Figures in Rand

#### 70. 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	4,234,666	74,164,354	82,865,779	70,802,541	238,520,410	227,451,188	8,608,159	1,973,018	4,676,011	3,140,528	716,436,654
Remuneration of councillors	-	-	31,654,071	-	-	-	-	-	-	-	31,654,071
Debt impairment / write-off	-	-	-	-	-	-	-	-	-	-	-
Depreciation and amortisation	123,940	3,194,745	5,275,008	33,138,797	25,370,486	174,528,129	24,271	8,171	35,336	46,985	241,745,868
Impairment losses on financial assets	-	(801,018)	-	2,744,614	95,628,794	19,642,159	-	-	-	-	117,214,549
Impairment losses on PPE, IA and HA	-	1,608,788	-	-	-	859,281	-	-	-	-	2,468,069
Finance costs	-	78,537	261,228	4,814,048	7,333,026	167,674,915	-	-	-	-	180,161,754
Bulk purchases	-	-	-	-	-	977,740,575	-	-	-	-	977,740,575
Inventory consumed	21,023	1,764,373	1,777,743	3,420,249	24,900,671	28,276,277	(38,028)	4,406	44,902	(38)	60,171,578
Contracted services	2,000	4,894,450	10,250,438	7,687,909	63,733,675	59,999,293	542,930	30,823	800,268	410,250	148,352,036
Transfers and subsidies	-	-	3,098,651	1,030,013	983,732	10,000,000	-	-	-	231,600	15,343,996
Operational cost	3,990	27,074,977	23,624,672	2,227,028	20,671,068	17,434,345	27,680	6,522	199,596	1,084,423	92,354,301
Operating leases	-	-	-	260,650	4,970,796	15,236,080	-	-	-	-	20,467,526
<b>Total segment expenditure</b>	<b>4,385,619</b>	<b>111,979,206</b>	<b>158,807,590</b>	<b>126,125,849</b>	<b>482,112,658</b>	<b>1,698,842,242</b>	<b>9,165,012</b>	<b>2,022,940</b>	<b>5,756,113</b>	<b>4,913,748</b>	<b>2,604,110,977</b>
<b>Sub-total</b>	<b>(4,385,619)</b>	<b>362,282,194</b>	<b>(154,930,893)</b>	<b>(96,014,822)</b>	<b>(137,676,321)</b>	<b>196,061,545</b>	<b>(9,165,012)</b>	<b>(2,022,940)</b>	<b>(5,756,113)</b>	<b>(4,913,748)</b>	<b>143,478,271</b>
<b>Internal charges</b>											
OC : Municipal services	-	339,239	-	8,743,846	20,648,481	44,563,634	-	-	-	-	74,295,200
OC : Municipal services (Income)	-	-	-	-	(6,118,452)	(68,176,748)	-	-	-	-	(74,295,200)
<b>Total segment internal charges</b>	<b>-</b>	<b>339,239</b>	<b>-</b>	<b>8,743,846</b>	<b>14,530,029</b>	<b>(23,613,114)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total segment (Surplus) / Deficit</b>	<b>(4,385,619)</b>	<b>362,621,433</b>	<b>(154,930,893)</b>	<b>(87,270,976)</b>	<b>(123,146,292)</b>	<b>172,448,431</b>	<b>(9,165,012)</b>	<b>(2,022,940)</b>	<b>(5,756,113)</b>	<b>(4,913,748)</b>	<b>143,478,271</b>





# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

## Notes to the Audited Annual Financial Statements

### Figures in Rand

#### 70. Segment information (continued)

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	-	-	-	-	-	1,230,221,283	-	-	-	-	1,230,221,283
Services charges - Water	-	-	-	-	-	150,466,866	-	-	-	-	150,466,866
Services charges - Waste management	-	-	-	-	125,627,467	-	-	-	-	-	125,627,467
Services charges - Waste water management	-	-	-	-	-	121,448,845	-	-	-	-	121,448,845
Sales of goods and rendering of services	-	512,336	1,145,301	4,551,523	5,106,851	259,198	-	-	-	-	11,575,209
Rental from fixed assets	-	(11,409,897)	-	14,233,128	356,514	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	-	1,909,173	5,166,939	-	-	-	-	7,084,609
Operational revenue - Exchange revenue	-	5,887,847	471,944	121,240	1,707,376	3,310,868	-	-	-	-	11,499,275
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
Availability charges - Electricity	-	-	-	-	-	1,639,713	-	-	-	-	1,639,713
Availability charges - Water	-	-	-	-	-	1,601,232	-	-	-	-	1,601,232
Availability charges - Waste management	-	-	-	-	2,779,837	-	-	-	-	-	2,779,837
Availability charges - Waste water management	-	-	-	-	-	2,500,447	-	-	-	-	2,500,447
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	-	71,383,411	716,797	15,426,839	74,737,672	235,572,782	-	204,442	-	-	398,041,943
Construction contract revenue	-	2,645,398	-	1,185,332	-	-	-	-	-	-	3,830,730
<b>Total segment revenue</b>	-	<b>427,812,525</b>	<b>2,342,539</b>	<b>35,697,683</b>	<b>360,924,409</b>	<b>1,754,551,346</b>	-	<b>204,442</b>	-	-	<b>2,581,532,944</b>



# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

## Notes to the Audited Annual Financial Statements

### Figures in Rand

#### 70. 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	4,033,439	71,979,279	92,322,090	70,100,376	227,492,791	229,429,039	8,129,537	1,858,942	4,837,513	2,850,709	713,033,715
Remuneration of councillors	-	-	31,101,146	-	-	-	-	-	-	-	31,101,146
Debt impairment / write-off	-	-	-	-	-	-	-	-	-	-	-
Depreciation and amortisation	117,826	2,920,264	4,093,858	30,294,378	24,473,156	157,451,179	21,969	7,681	31,985	23,732	219,436,028
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	4,801,066	7,313,251	167,222,727	-	-	-	-	179,830,803
Bulk purchases	-	-	-	-	-	834,993,591	-	-	-	-	834,993,591
Inventory consumed	45,931	1,264,021	1,103,757	4,628,132	9,356,227	36,391,271	53,151	9,925	13,672	31,463	52,897,550
Contracted services	22,089	4,945,581	9,033,350	19,619,314	54,717,821	58,087,805	493,280	226,620	716,008	160,909	148,022,777
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	350,147	14,562,286	18,612,468	22,905	6,595	115,325	1,178,768	82,227,985
Operating leases	-	12,280	2,818,123	82,657	2,943,061	13,097,220	2,780	-	-	-	18,956,121
Fair value and loss on disposal adjustment of assets	-	56,810	22,591	35	1,534,919	4,529,977	-	-	-	-	6,144,332
<b>Total segment expenditure</b>	<b>4,227,404</b>	<b>111,936,178</b>	<b>162,486,963</b>	<b>132,356,698</b>	<b>456,898,208</b>	<b>1,581,626,396</b>	<b>8,723,622</b>	<b>2,109,763</b>	<b>5,714,503</b>	<b>4,339,423</b>	<b>2,470,419,158</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>(4,227,404)</b>	<b>315,684,468</b>	<b>(160,144,424)</b>	<b>(96,659,015)</b>	<b>(124,645,591)</b>	<b>201,788,621</b>	<b>(8,723,622)</b>	<b>(1,905,321)</b>	<b>(5,714,503)</b>	<b>(4,339,423)</b>	<b>111,113,786</b>



# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

## Notes to the Audited Annual Financial Statements

Figures in Rand

### 70. Segment information (continued)

By GFS

2022

	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	-	-	-	-	-	-	-	-	-	-	1,385,887,089	-	-	-	1,385,887,089
Services charges - Water	-	-	-	-	-	-	-	-	-	-	-	-	169,325,936	-	169,325,936
Services charges - Waste management	-	-	-	-	-	-	-	-	-	-	-	135,738,979	-	-	135,738,979
Services charges - Waste water management	-	-	-	-	-	-	-	-	-	-	-	-	-	125,716,049	125,716,049
Sales of goods and rendering of services	1,069,843	3,523,349	-	4,273,366	1,721,060	-	-	8,167,822	27,118	-	-	2,197	-	396,359	19,181,114
Rental from fixed assets	-	(8,008,289)	-	305,849	264,134	522	12,545,406	122,600	-	-	18,261	-	-	-	5,248,483
Interests on investments	-	9,673,336	-	-	-	-	-	-	-	-	-	-	-	-	9,673,336
Interest on receivables	6,646	-	-	-	-	-	-	-	-	-	1,552,416	1,998,551	2,461,701	1,252,019	7,271,333
Operational revenue - Exchange revenue	599,307	11,690,630	-	33,371	-	234,126	56,565	61,397	-	-	108,387	-	478,886	9,930	13,272,599
Licences or permits	-	286,674	-	-	109,356	20,343,263	-	-	-	-	-	-	6,140	-	20,745,433
Gain on disposal of assets	-	9,479,138	-	-	-	-	-	-	-	-	(1,732,928)	-	(5,710,103)	(1,472,956)	563,151
Property rates	-	416,883,723	-	-	-	-	-	-	-	-	-	-	-	-	416,883,723
Availability charges - Electricity	-	-	-	-	-	-	-	-	-	-	1,902,418	-	-	-	1,902,418
Availability charges - Electricity	-	-	-	-	-	-	-	-	-	-	-	-	1,841,167	-	1,841,167
Availability charges - Waste management	-	-	-	-	-	-	-	-	-	-	-	3,153,904	-	-	3,153,904
Availability charges - Waste water management	-	-	-	-	-	-	-	-	-	-	-	-	-	2,804,994	2,804,994
Surcharges and taxes	-	1,170,821	-	-	-	-	-	-	-	-	-	-	-	-	1,170,821
Fines, penalties and forfeits	-	-	-	40,989	-	104,213,855	-	242,837	-	-	726,470	-	-	-	105,224,151
Transfers and subsidies	93,872	63,775,438	-	-	2,385,156	860,000	5,752,876	5,287,000	17,498,009	-	67,414,441	51,502,295	24,745,555	80,958,156	320,272,798
Operational revenue - Non- exchange revenue	-	1,507,493	-	-	-	-	-	-	-	-	-	-	-	-	1,507,493
Construction contract revenue	-	151,981	-	-	-	-	52,296	-	-	-	-	-	-	-	204,277
<b>Total segment revenue</b>	<b>1,769,668</b>	<b>510,134,294</b>	<b>-</b>	<b>4,653,575</b>	<b>4,479,706</b>	<b>125,651,766</b>	<b>18,407,143</b>	<b>13,881,656</b>	<b>17,525,127</b>	<b>-</b>	<b>1,455,876,554</b>	<b>192,395,926</b>	<b>193,149,282</b>	<b>209,664,551</b>	<b>2,747,589,248</b>



# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

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### 70. 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	51,019,045	213,765,150	8,608,159	26,657,533	51,091,716	75,266,198	26,501,693	54,468,191	44,179,915	1,691,433	60,507,084	34,748,697	23,980,959	43,950,881	716,436,654
Remuneration of councillors	31,654,071	-	-	-	-	-	-	-	-	-	-	-	-	-	31,654,071
Debt impairment / write-off	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation and amortisation	583,759	32,470,752	24,271	3,818,608	7,741,472	381,145	32,821,580	210,114	52,812,409	-	49,167,516	8,767,841	29,671,387	23,275,014	241,745,868
Impairment losses on financial assets	-	(801,018)	-	-	-	88,557,866	2,744,614	-	-	-	1,562,092	7,070,928	12,230,933	5,849,134	117,214,549
Impairment losses on PPE, IA and HA	-	2,468,069	-	-	-	-	-	-	-	-	-	-	-	-	2,468,069
Finance costs	-	19,353,351	-	-	-	261,226	4,814,048	-	28,604,385	-	67,270,367	6,810,572	10,691,659	42,356,146	180,161,754
Bulk purchases	-	-	-	-	-	-	-	-	-	-	949,723,831	-	28,016,744	-	977,740,575
Inventory consumed	25,981,990	4,501,758	(38,028)	2,740,246	2,926,785	423,130	2,774,752	254,799	3,180,071	-	10,685,462	3,376,288	1,319,767	2,044,558	60,171,578
Contracted services	22,586,206	16,777,936	542,930	1,502,151	3,004,418	42,196,333	6,828,452	800,268	6,056,930	-	18,645,856	6,769,838	7,511,669	15,129,049	148,352,036
Transfers and subsidies	2,551,656	1,736,928	-	-	400,000	583,732	71,680	-	10,000,000	-	-	-	-	-	15,343,996
Operational cost	3,052,283	56,488,720	27,680	3,008,639	533,473	538,572	1,519,385	579,087	642,444	-	10,204,023	15,387,317	113,826	258,852	92,354,301
Operating leases	-	6,409,898	-	45,437	(727)	-	164,683	80,237	2,953,774	-	4,609,113	4,926,086	-	1,279,025	20,467,526
<b>Total segment expenditure</b>	<b>137,429,010</b>	<b>353,171,544</b>	<b>9,165,012</b>	<b>37,772,614</b>	<b>65,697,137</b>	<b>208,208,202</b>	<b>78,240,887</b>	<b>56,392,696</b>	<b>148,429,928</b>	<b>1,691,433</b>	<b>1,172,375,344</b>	<b>87,857,567</b>	<b>113,536,944</b>	<b>134,142,659</b>	<b>2,604,110,977</b>
<b>Total segment (Surplus) / Deficit</b>	<b>(135,659,342)</b>	<b>156,962,750</b>	<b>(9,165,012)</b>	<b>(33,119,039)</b>	<b>(61,217,431)</b>	<b>(82,556,436)</b>	<b>(59,833,744)</b>	<b>(42,511,040)</b>	<b>(130,904,801)</b>	<b>(1,691,433)</b>	<b>283,501,210</b>	<b>104,538,359</b>	<b>79,612,338</b>	<b>75,521,892</b>	<b>143,478,271</b>
<b>Internal charges</b>															
OC : Municipal services	-	6,193,343	-	1,415,835	17,461,396	205,117	8,743,846	-	9,250,655	-	5,001,536	273,261	6,801,169	18,949,042	74,295,200
OC : Municipal services (Income)	-	-	-	-	-	-	-	-	-	-	(54,296,771)	(6,118,452)	(11,949,581)	(1,930,396)	(74,295,200)
<b>Total segment internal charges</b>	<b>-</b>	<b>6,193,343</b>	<b>-</b>	<b>1,415,835</b>	<b>17,461,396</b>	<b>205,117</b>	<b>8,743,846</b>	<b>-</b>	<b>9,250,655</b>	<b>-</b>	<b>(49,295,235)</b>	<b>(5,845,191)</b>	<b>(5,148,412)</b>	<b>17,018,646</b>	<b>-</b>
<b>Total segment (Surplus) / Deficit</b>	<b>(135,659,342)</b>	<b>163,156,093</b>	<b>(9,165,012)</b>	<b>(31,703,204)</b>	<b>(43,756,035)</b>	<b>(82,351,319)</b>	<b>(51,089,898)</b>	<b>(42,511,040)</b>	<b>(121,654,146)</b>	<b>(1,691,433)</b>	<b>234,205,975</b>	<b>98,693,168</b>	<b>74,463,926</b>	<b>92,540,538</b>	<b>143,478,271</b>



# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

## Notes to the Audited Annual Financial Statements

### Figures in Rand

#### 70. Segment information (continued)

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	-	-	-	-	-	-	-	-	-	-	1,230,221,283	-	-	-	1,230,221,283
Services charges - Water	-	-	-	-	-	-	-	-	-	-	-	-	150,466,866	-	150,466,866
Services charges - Waste management	-	-	-	-	-	-	-	-	-	-	-	125,627,467	-	-	125,627,467
Services charges - Waste water management	-	-	-	-	-	-	-	-	-	-	-	-	-	121,448,845	121,448,845
Sales of goods and rendering of services	1,145,301	540,234	-	3,962,704	1,120,084	-	-	4,547,688	22,895	-	-	-	-	236,303	11,575,209
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	8,273,182	-	45,912	964,748	566,595	1,559	117,491	529,892	-	21,500	-	480,919	26,236	11,499,275
Operational revenue - Non- exchange revenue	-	8,798,882	-	-	-	-	-	-	-	-	-	-	-	-	8,798,882
Licences or permits	-	7,388	-	-	30,296	20,585,277	-	-	-	-	-	-	6,025	-	20,628,986
Gain on disposal of assets	-	3,595,727	-	(4,938)	(32)	(1,528,794)	(35)	-	-	-	(2,803,724)	-	(4,018,278)	(1,384,258)	(6,144,332)
Property rates	-	343,711,355	-	-	-	-	-	-	-	-	-	-	-	-	343,711,355
Availability charges - Electricity	-	-	-	-	-	-	-	-	-	-	1,639,713	-	-	-	1,639,713
Availability charges - Water	-	-	-	-	-	-	-	-	-	-	-	-	1,601,232	-	1,601,232
Availability charges - Waste management	-	-	-	-	-	-	-	-	-	-	-	2,779,837	-	-	2,779,837
Availability charges - Waste water management	-	-	-	-	-	-	-	-	-	-	-	-	-	2,500,447	2,500,447
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	96,656,419	-	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	398,041,943
Construction contract revenue	-	2,645,398	-	-	-	-	1,185,332	-	-	-	-	-	-	-	3,830,730
<b>Total segment revenue</b>	<b>1,636,658</b>	<b>461,186,380</b>	<b>-</b>	<b>5,843,549</b>	<b>3,218,771</b>	<b>148,145,828</b>	<b>27,808,788</b>	<b>9,786,750</b>	<b>57,800,786</b>	<b>-</b>	<b>1,308,476,675</b>	<b>183,531,517</b>	<b>167,401,477</b>	<b>200,551,433</b>	<b>2,575,388,612</b>



# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2022

## Notes to the Audited Annual Financial Statements

### Figures in Rand

#### 70. 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	68,373,273	206,517,127	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	23,973,908	43,961,923	713,033,715
Remuneration of councillors	31,101,146	-	-	-	-	-	-	-	-	-	-	-	-	-	31,101,146
Debt impairment / write-off	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation and amortisation	510,081	28,752,142	21,969	4,109,443	6,903,425	303,485	30,013,890	198,079	48,072,483	-	44,745,850	8,946,796	25,985,651	20,872,734	219,436,028
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	-	-	-	-	-	-	-	-	-	-	813,409,181	-	21,584,410	-	834,993,591
Inventory consumed	153,402	23,781,711	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	1,451,866	52,897,550
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	-	13,486,248	7,968,464	7,130,681	11,244,753	148,022,777
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	96,412	290,345	82,227,985
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
<b>Total segment expenditure</b>	<b>108,473,539</b>	<b>375,396,482</b>	<b>8,723,622</b>	<b>37,815,230</b>	<b>62,982,899</b>	<b>222,699,595</b>	<b>85,919,352</b>	<b>60,190,275</b>	<b>132,683,977</b>	<b>1,658,762</b>	<b>1,038,628,906</b>	<b>89,652,918</b>	<b>111,859,577</b>	<b>127,589,692</b>	<b>2,464,274,826</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	15,790,750	67,308,740
OC : Municipal services (Income)	-	-	-	-	-	-	-	-	-	-	(45,852,573)	(5,669,730)	(13,935,791)	(1,850,646)	(67,308,740)
<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>(5,406,099)</b>	<b>(7,374,729)</b>	<b>13,940,104</b>	<b>-</b>
<b>Total segment (Surplus) / Deficit</b>	<b>(106,836,881)</b>	<b>82,758,636</b>	<b>(8,723,622)</b>	<b>(33,240,930)</b>	<b>(77,421,461)</b>	<b>(74,773,847)</b>	<b>(66,223,966)</b>	<b>(50,403,525)</b>	<b>(80,966,159)</b>	<b>(1,658,762)</b>	<b>307,381,339</b>	<b>99,284,698</b>	<b>62,916,629</b>	<b>59,021,637</b>	<b>111,113,786</b>



# Drakenstein Municipality

## Appendix A

### Schedule of external loans as at 30 June 2022

External Loans	Interest Rate %	Loan Number	Redeemable Date	Balance at 30 June 2021 Rand	Redeemed/ written off during the period Rand	Balance at 30 June 2022 Rand
<b>Annuity and other loans</b>						
DBSA	10.734 %	61007616	2037	962,981,450	-	962,981,450
NEDBANK	11.480 %	7831030646-0011	2029	198,701,741	-	198,701,741
STANDARD BANK	11.440 %	0053-7722	2028	433,066,762	11,379,716	421,687,046
STANDARD BANK	10.970 %	0053-8368	2028	30,149,419	1,663,322	28,486,097
STANDARD BANK	9.680 %	0053-7738	2022	1,094,848	1,094,848	-
STANDARD BANK	9.870 %	0053-7565	2023	6,371,532	3,032,193	3,339,339
STANDARD BANK	9.840 %	0053-1097	2024	4,591,130	1,385,791	3,205,339
				<b>1,636,956,882</b>	<b>18,555,870</b>	<b>1,618,401,012</b>

# Drakenstein Municipality

## Appendix B1

### Reconciliation of Budgeted Financial Performance (Revenue and Expenditure by Standard Classification)

	2022/2021										
Description	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	%	%
Revenue - Standard											
Governance and administration	476,119,224	28,027,325	504,146,549	-		504,146,549	523,130,738		18,984,189	104 %	110 %
Executive and council	436,663	1,486,380	1,923,043	-		1,923,043	10,840,919		8,917,876	564 %	2,483 %
Finance and administration	475,682,561	26,540,945	502,223,506	-		502,223,506	512,289,819		10,066,313	102 %	108 %
Internal audit	-	-	-	-		-	-		-	- %	- %
Community and public safety	137,272,026	13,533,876	150,805,902	-		150,805,902	153,139,895		2,333,993	102 %	112 %
Community and social services	3,525,928	3,776,186	7,302,114	-		7,302,114	4,653,576		(2,648,538)	64 %	132 %
Sport and recreation	6,472,440	(475,014)	5,997,426	-		5,997,426	4,479,707		(1,517,719)	75 %	69 %
Public safety	99,631,569	3,290,000	102,921,569	-		102,921,569	125,651,765		22,730,196	122 %	126 %
Housing	27,642,089	6,942,704	34,584,793	-		34,584,793	18,354,847		(16,229,946)	53 %	66 %
Health	-	-	-	-		-	-		-	- %	- %
Economic and environmental services	24,363,854	6,495,010	30,858,864	-		30,858,864	31,406,783		547,919	102 %	129 %
Planning and development	7,812,450	4,065,000	11,877,450	-		11,877,450	13,881,656		2,004,206	117 %	178 %
Road transport	16,551,404	2,430,010	18,981,414	-		18,981,414	17,525,127		(1,456,287)	92 %	106 %
Environmental protection	-	-	-	-		-	-		-	- %	- %
Trading services	2,067,425,340	(9,123,568)	2,058,301,772	-		2,058,301,772	2,060,002,303		1,700,531	100 %	100 %
Energy sources	1,482,824,918	(18,183,165)	1,464,641,753	-		1,464,641,753	1,457,609,483		(7,032,270)	100 %	98 %
Water management	194,533,993	9,174,541	203,708,534	-		203,708,534	198,859,386		(4,849,148)	98 %	102 %
Waste water management	203,371,722	(1,958,849)	201,412,873	-		201,412,873	211,137,507		9,724,634	105 %	104 %
Waste management	186,694,707	1,843,905	188,538,612	-		188,538,612	192,395,927		3,857,315	102 %	103 %
Other	-	-	-	-		-	-		-	- %	- %
Other	-	-	-	-		-	-		-	- %	- %
Total Revenue - Standard	2,705,180,444	38,932,643	2,744,113,087	-		2,744,113,087	2,767,679,719		23,566,632	101 %	102 %
Expenditure - Standard											
Governance and administration	532,663,305	11,049,685	543,712,990	-	(3,333,589)	540,379,401	510,940,024	-	(29,439,377)	95 %	96 %
Executive and council	142,072,286	9,773,251	151,845,537	-	5,401,581	157,247,118	146,500,252	-	(10,746,866)	93 %	103 %
Finance and administration	381,201,779	1,268,751	382,470,530	-	(8,735,170)	373,735,360	355,274,760	-	(18,460,600)	95 %	93 %
Internal audit	9,389,240	7,683	9,396,923	-	-	9,396,923	9,165,012	-	(231,911)	98 %	98 %
Community and public safety	375,955,636	2,239,812	378,195,448	-	19,902,816	398,098,264	389,918,822	-	(8,179,442)	98 %	104 %
Community and social services	38,844,069	(1,631,009)	37,213,060	-	(559,868)	36,653,192	37,772,608	-	1,119,416	103 %	97 %
Sport and recreation	72,372,584	(4,149,369)	68,223,215	-	(800,057)	67,423,158	65,697,128	-	(1,726,030)	97 %	91 %
Public safety	185,250,764	1,281,100	186,531,864	-	21,679,241	208,211,105	208,208,200	-	(2,905)	100 %	112 %
Housing	79,488,219	6,739,090	86,227,309	-	(416,500)	85,810,809	78,240,886	-	(7,569,923)	91 %	98 %
Economic and environmental services	211,994,400	(776,313)	211,218,087	-	(210,710)	211,007,377	206,514,058	-	(4,493,319)	98 %	97 %
Planning and development	60,562,922	(520,921)	60,042,001	-	(51,871)	59,990,130	56,392,696	-	(3,597,434)	94 %	93 %
Road transport	149,742,912	(269,270)	149,473,642	-	(158,839)	149,314,803	148,429,930	-	(884,873)	99 %	99 %
Environmental protection	1,688,566	13,878	1,702,444	-	-	1,702,444	1,691,432	-	(11,012)	99 %	100 %
Trading services	1,539,955,020	1,013,505	1,540,968,525	-	(16,358,517)	1,524,610,008	1,516,828,497	-	(7,781,511)	99 %	98 %
Energy sources	1,210,061,306	(18,108,595)	1,191,952,711	-	(15,377,844)	1,176,574,867	1,174,108,276	-	(2,466,591)	100 %	97 %
Water management	115,228,407	8,740,067	123,968,474	-	(979,919)	122,988,555	119,247,043	-	(3,741,512)	97 %	103 %
Waste water management	126,100,942	8,140,003	134,240,945	-	1,456,571	135,697,516	135,615,610	-	(81,906)	100 %	108 %
Waste management	88,564,365	2,242,030	90,806,395	-	(1,457,325)	89,349,070	87,857,568	-	(1,491,502)	98 %	99 %
Other	-	-	-	-	-	-	-	-	-	- %	- %
Other	-	-	-	-	-	-	-	-	-	- %	- %



**Drakenstein Municipality**

**Appendix B1**

**Reconciliation of Budgeted Financial Performance (Revenue and Expenditure by Standard Classification)**

Description	2022/2021										
	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	%	%
Total Expenditure - Standard	2,660,568,361	13,526,689	2,674,095,050	-	-	2,674,095,050	2,624,201,401	-	(49,893,649)	98 %	99 %
Surplus/(Deficit) for the year	44,612,083	25,405,954	70,018,037	-	-	70,018,037	143,478,318	-	73,460,281	205 %	322 %

# Drakenstein Municipality

## Appendix B2

### Reconciliation of Budgeted Financial Performance (Revenue and expenditure by Municipal Vote)

	2022/2021										
	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		
Revenue by Vote											
Office of the City Manager	-	-	-	-		-	-		-	- %	- %
Financial Services	430,605,298	19,313,525	449,918,823	-		449,918,823	474,173,743		24,254,920	105 %	110 %
Corporate Services	22,658,353	3,311,049	25,969,402	-		25,969,402	12,947,948		(13,021,454)	50 %	57 %
Planning and Development	32,841,414	12,695,672	45,537,086	-		45,537,086	30,058,730		(15,478,356)	66 %	92 %
Community Services	312,310,144	10,010,860	322,321,004	-		322,321,004	344,785,248		22,464,244	107 %	110 %
Engineering Services	1,906,765,235	(6,398,463)	1,900,366,772	-		1,900,366,772	1,905,714,050		5,347,278	100 %	100 %
Department of Chief Audit Executive	-	-	-	-		-	-		-	- %	- %
Department of Risk And Compliance	-	-	-	-		-	-		-	- %	- %
Department of IDP And PMS	-	-	-	-		-	-		-	- %	- %
Department of Communication	-	-	-	-		-	-		-	- %	- %
Total Revenue by Vote	2,705,180,444	38,932,643	2,744,113,087	-		2,744,113,087	2,767,679,719		23,566,632	101 %	102 %

## Drakenstein Municipality

### Appendix B2

#### Reconciliation of Budgeted Financial Performance (Revenue and expenditure by Municipal Vote)

2022/2021										
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>Expenditure by Vote to be appropriated</b>										
Office of the City Manager	4,448,444	(15,569)	4,432,875	-	-	4,432,875	4,385,618	-	(47,257)	99 %
Financial Services	124,291,137	1,884,021	126,175,158	-	(4,725,177)	121,449,981	111,841,624	-	(9,608,357)	92 %
Corporate Services	173,965,255	2,737,142	176,702,397	-	106,144	176,808,541	167,878,836	-	(8,929,705)	95 %
Planning and Development	134,848,837	880,085	135,728,922	-	(914,095)	134,814,827	126,125,846	-	(8,688,981)	94 %
Community Services	462,452,043	5,141,812	467,593,855	-	22,826,461	490,420,316	482,112,643	-	(8,307,673)	98 %
Engineering Services	1,736,829,408	3,531,780	1,740,361,188	-	(17,285,462)	1,723,075,726	1,709,999,023	-	(13,076,703)	99 %
Department of Chief Audit Executive	9,389,240	7,683	9,396,923	-	-	9,396,923	9,165,012	-	(231,911)	98 %
Department of Risk And Compliance	2,136,694	(52,590)	2,084,104	-	-	2,084,104	2,022,938	-	(61,166)	97 %
Department of IDP And PMS	6,914,865	(499,086)	6,415,779	-	(7,871)	6,407,908	5,756,114	-	(651,794)	90 %
Department of Communication	5,292,438	(88,589)	5,203,849	-	-	5,203,849	4,913,747	-	(290,102)	94 %
<b>Total Expenditure by Vote</b>	<b>2,660,568,361</b>	<b>13,526,689</b>	<b>2,674,095,050</b>	<b>-</b>	<b>-</b>	<b>2,674,095,050</b>	<b>2,624,201,401</b>	<b>-</b>	<b>(49,893,649)</b>	<b>98 %</b>
<b>Surplus/(Deficit) for the year</b>	<b>44,612,083</b>	<b>25,405,954</b>	<b>70,018,037</b>	<b>-</b>		<b>70,018,037</b>	<b>143,478,318</b>		<b>73,460,281</b>	<b>205 %</b>

## Drakenstein Municipality

### Appendix B3

#### Reconciliation of Budgeted Capital Expenditure by Vote, Standard Classification and Funding

	2022/2021										
	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	500,000	143,379	643,379	-	(1,681)	641,698	641,698	-	-	100 %	128 %
Planning and Development	10,800,000	1,855,779	12,655,779	-	-	12,655,779	4,452,796	-	(8,202,983)	35 %	41 %
Community Services	2,110,000	609,314	2,719,314	-	(102,544)	2,616,770	2,616,769	-	(1)	100 %	124 %
Engineering Services	27,822,783	10,657,648	38,480,431	-	(40,619)	38,439,812	38,439,710	-	(102)	100 %	138 %
Department of Chief Audit Executive	-	-	-	-	-	-	-	-	-	- %	- %
Department of Risk And Compliance	-	-	-	-	-	-	-	-	-	- %	- %
Department of IDP And PMS	-	-	-	-	-	-	-	-	-	- %	- %
Department of Communication	-	-	-	-	-	-	-	-	-	- %	- %
Capital multi-year expenditure sub-total	41,232,783	13,266,120	54,498,903	-	(144,844)	54,354,059	46,150,973	-	(8,203,086)	85 %	112 %
Single-year expenditure											
Office of the City Manager	-	-	-	-	-	-	-	-	-	- %	- %
Financial Services	250,000	1,202,752	1,452,752	-	(35,973)	1,416,779	1,216,426	-	(200,353)	86 %	487 %
Corporate Services	10,530,000	304,504	10,834,504	-	(423,333)	10,411,171	10,388,430	-	(22,741)	100 %	99 %
Planning and Development	416,500	2,551,483	2,967,983	-	(333,610)	2,634,373	2,212,254	-	(422,119)	84 %	531 %
Community Services	31,651,088	(456,232)	31,194,856	-	22,200	31,217,056	29,362,067	-	(1,854,989)	94 %	93 %
Engineering Services	43,826,198	24,663,106	68,489,304	-	1,106,292	69,595,596	67,575,033	-	(2,020,563)	97 %	154 %
Department of Chief Audit Executive	-	7,000	7,000	-	(1,450)	5,550	5,550	-	-	100 %	- %
Department of Risk And Compliance	-	-	-	-	-	-	-	-	-	- %	- %
Department of IDP And PMS	-	14,000	14,000	-	(4,679)	9,321	9,321	-	-	100 %	- %
Department of Communication	196,000	120,000	316,000	-	(184,603)	131,397	131,397	-	-	100 %	67 %
Capital single-year expenditure sub-total	86,869,786	28,406,613	115,276,399	-	144,844	115,421,243	110,900,478	-	(4,520,765)	96 %	128 %
Total Capital Expenditure - Vote	128,102,569	41,672,733	169,775,302	-	-	169,775,302	157,051,451	-	(12,723,851)	93 %	123 %

# Drakenstein Municipality

## Appendix B3

### Reconciliation of Budgeted Capital Expenditure by Vote, Standard Classification and Funding

	2022/2021										
	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	15,977,500	1,731,083	17,708,583	-	(357,640)	17,350,943	16,160,193	-	(1,190,750)	93 %	101 %
Executive and council	-	88,000	88,000	-	(15,213)	72,787	55,050	-	(17,737)	76 %	- %
Finance and administration	15,977,500	1,636,083	17,613,583	-	(340,977)	17,272,606	16,099,593	-	(1,173,013)	93 %	101 %
Internal audit	-	7,000	7,000	-	(1,450)	5,550	5,550	-	-	100 %	- %
Community and public safety	32,261,088	8,402,107	40,663,195	-	(379,504)	40,283,691	29,999,075	-	(10,284,616)	74 %	93 %
Community and social services	330,000	1,424,712	1,754,712	-	(53,507)	1,701,205	1,379,008	-	(322,197)	81 %	418 %
Sport and recreation	18,126,088	2,084,310	20,210,398	-	55,821	20,266,219	18,950,694	-	(1,315,525)	94 %	105 %
Public safety	3,005,000	426,096	3,431,096	-	(154,401)	3,276,695	3,154,082	-	(122,613)	96 %	105 %
Housing	10,800,000	4,466,989	15,266,989	-	(227,417)	15,039,572	6,515,291	-	(8,524,281)	43 %	60 %
Health	-	-	-	-	-	-	-	-	-	- %	- %
Economic and environmental services	25,486,404	10,620,887	36,107,291	-	(161,268)	35,946,023	35,902,362	-	(43,661)	100 %	141 %
Planning and development	5,000	18,849	23,849	-	(9,567)	14,282	14,281	-	(1)	100 %	286 %
Road transport	25,481,404	10,602,038	36,083,442	-	(151,701)	35,931,741	35,888,081	-	(43,660)	100 %	141 %
Environmental protection	-	-	-	-	-	-	-	-	-	- %	- %
Trading services	54,377,577	20,918,656	75,296,233	-	898,412	76,194,645	74,989,821	-	(1,204,824)	98 %	138 %
Energy sources	22,382,577	21,564,969	43,947,546	-	1,093,972	45,041,518	45,041,508	-	(10)	100 %	201 %
Water management	10,095,000	6,551,281	16,646,281	-	34,510	16,680,791	15,570,633	-	(1,110,158)	93 %	154 %
Waste water management	9,600,000	(3,365,558)	6,234,442	-	(80,995)	6,153,447	6,153,445	-	(2)	100 %	64 %
Waste management	12,300,000	(3,832,036)	8,467,964	-	(149,075)	8,318,889	8,224,235	-	(94,654)	99 %	67 %
Other	-	-	-	-	-	-	-	-	-	- %	- %
Other	-	-	-	-	-	-	-	-	-	- %	- %
Total Capital Expenditure - Standard	128,102,569	41,672,733	169,775,302	-	-	169,775,302	157,051,451	-	(12,723,851)	93 %	123 %
Funded by:											
National Government	66,483,665	1,443,292	67,926,957	-		67,926,957	67,927,672		715	100 %	102 %
Provincial Government	27,288,000	4,985,789	32,273,789	-		32,273,789	23,964,459		(8,309,330)	74 %	88 %
District Municipality	1,250,000	1,918,865	3,168,865	-		3,168,865	3,168,663		(202)	100 %	253 %
Other transfers and grants	1,360,904	18,601,168	19,962,072	-		19,962,072	17,712,545		(2,249,527)	89 %	1,302 %
Transfers recognised - capital	96,382,569	26,949,114	123,331,683	-		123,331,683	112,773,339		(10,558,344)	91 %	117 %
Public contributions & donations	-	-	-	-		-	-		-	- %	- %
Borrowing	-	-	-	-		-	-		-	- %	- %
Internally generated funds	31,720,000	14,723,619	46,443,619	-		46,443,619	44,278,112		(2,165,507)	95 %	140 %
Total Capital Funding	128,102,569	41,672,733	169,775,302	-		169,775,302	157,051,451		(12,723,851)	93 %	123 %

**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-ments	Restated Opening Balance	Sep	Dec	Mar	Jun	Total	Sep	Dec	Mar	Jun	Total
	01 July 2021		01 July 2021										Closing Balance
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	30 June 2022 Rand
<b>National Government (Unconditional Grant)</b>													
EQUITABLE SHARE	-	-	-	(71,358,000)	(57,086,000)	-	(42,815,000)	(171,259,000)	31,210,605	97,233,395	468	42,814,532	171,259,000
	-	-	-	(71,358,000)	(57,086,000)	-	(42,815,000)	(171,259,000)	31,210,605	97,233,395	468	42,814,532	171,259,000
<b>National Government (Conditional Grant)</b>													
EXPANDED PUBLIC WORKS PROGRAMME	-	-	-	(822,000)	(1,479,000)	(986,000)	-	(3,287,000)	-	2,301,000	-	986,000	3,287,000
FINANCIAL MANAGEMENT GRANT	-	-	-	(2,550,000)	1,000,000	-	-	(1,550,000)	176,268	543,445	141,728	688,559	1,550,000
IUDG	-	-	-	-	(46,188,637)	-	(6,137,363)	(52,326,000)	-	8,832,112	11,707,125	31,786,763	52,326,000
INEP	-	-	-	(5,965,000)	(5,000,000)	-	(7,350,000)	(18,315,000)	505,682	3,681,574	-	14,127,744	18,315,000
ELECTRICITY DEMANDSIDE	-	-	-	-	-	(3,000,000)	(1,000,000)	(4,000,000)	-	2,308,939	690,078	1,000,983	4,000,000
G/G: WATER INFRASTRUCTURE	-	-	-	-	-	-	(4,095,000)	(4,095,000)	-	-	-	4,095,000	4,095,000
	-	-	-	(9,337,000)	(51,667,637)	(3,986,000)	(18,582,363)	(83,573,000)	681,950	17,667,070	12,538,931	52,685,049	83,573,000
<b>Provincial Government (Conditional Grant)</b>													
SIYASHLALA	(416,563)	-	(416,563)	-	-	-	-	(416,563)	-	-	-	-	(416,563)
KINGSTON / LANTANA	-	-	-	-	-	-	(151,981)	(151,981)	-	-	-	151,981	151,981
KINGSTON TOWN TRANSFERS	(53,000)	-	(53,000)	-	-	-	-	(53,000)	-	-	-	-	(53,000)
GOUDA	(603,924)	603,924	-	-	-	-	-	-	-	-	-	-	-
ERF 2220 (NOODKAMP)	(796,653)	796,653	-	-	-	-	-	-	-	-	-	-	-
NEW SIZAYAMA	(460,920)	460,920	-	-	-	-	-	-	-	-	-	-	-
P59 FAIRYLANDS INCOME	(2,027,050)	-	(2,027,050)	-	-	-	-	(2,027,050)	-	-	-	-	(2,027,050)
PAARL EAST HOUSING	-	-	-	-	-	-	(52,296)	(52,296)	-	-	-	52,296	52,296
DROMMEDARIS ST EHP	(168,249)	-	(168,249)	-	-	-	-	(168,249)	171,570	13,781	68,845	(254,196)	-
CARTERVILLE HOUSING PROJECT	(956,503)	-	(956,503)	-	-	-	-	(956,503)	-	-	-	-	(956,503)
1068 HUISE WD SKENKING	(202,144)	-	(202,144)	-	-	-	-	(202,144)	-	-	-	49,919	49,919
DALJOSAPHAT TRANSFERS	(453,180)	453,180	-	-	-	-	-	-	-	-	-	-	-
AMSTELHOF PROJECT 35	(10,348)	-	(10,348)	-	-	-	-	(10,348)	-	-	-	10,348	10,348
DROM 181/1407	(398,845)	398,845	-	-	-	-	-	-	-	-	-	-	-
DROMMEDARIS ST EHP	(140,064)	140,064	-	-	-	-	-	-	-	-	-	-	-
TITLE DEEDS	(5,443,586)	5,443,586	-	-	-	-	-	-	-	-	-	-	-
CHESTER WILLIAMS & PAARL LOVERS LANE	(425,478)	-	(425,478)	-	-	-	(241,231)	(666,709)	-	-	-	124,700	124,700
LIBRARY SERVICES CONDITIONAL GRANT	-	-	-	(7,950,000)	(8,849,000)	(3,205,000)	-	(20,004,000)	-	14,607,826	-	2,786,957	17,394,783
FINANCIAL MANAGEMENT SUPPORT GRANT	(11,558)	-	(11,558)	-	-	-	(1,000,000)	(1,011,558)	-	-	-	942,941	942,941
RSEP	-	-	-	-	(1,300,000)	-	-	(1,300,000)	-	1,300,000	-	-	1,300,000
MUNICIPAL ACCREDITATION AND CAPACITY BUILDING	(234,112)	-	(234,112)	-	-	-	(252,000)	(486,112)	-	-	-	125,460	125,460
SCHOONGEZIGHT	(1,456,934)	(398,845)	(1,855,779)	-	-	-	(2,597,017)	(4,452,796)	495,892	-	-	3,956,904	4,452,796
COMMUNITY DEVELOPMENT WORKERS	(454,184)	-	(454,184)	-	(113,000)	-	-	(567,184)	-	-	-	799,480	799,480
FINANCIAL MANAGEMENT CAPACITY BUILDING	(343,332)	-	(343,332)	-	-	-	-	(343,332)	69,521	(69,521)	-	686,664	686,664
FINANCIAL MANAGEMENT CAPACITY BUILDING	(300,000)	-	(300,000)	-	-	-	(250,000)	(550,000)	-	206,185	-	35,850	242,035
CAPE WINELANDS	(200,000)	200,000	-	-	-	-	-	-	-	-	-	-	-
DEVELOPMENT OF SPORT AND RECREATION	-	-	-	-	-	(900,000)	-	(900,000)	-	-	396,950	502,956	899,906
PUBLIC EMPLOYMENT	-	-	-	-	-	-	(2,000,000)	(2,000,000)	-	-	-	2,000,000	2,000,000
PUBLIC WORKS AND TRANSPORT (ROADS)	-	-	-	(3,155,751)	(4,095,000)	(27,591,436)	18,030,278	(16,811,909)	6,264,020	11,179,731	15,478,432	(16,110,274)	16,811,909
PUBLIC WORKS AND TRANSPORT (ROADS)	-	-	-	-	-	-	(780,000)	(780,000)	-	-	-	686,100	686,100

**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 2021	Restate- ments	Restated Opening Balance 01 July 2021	Sep	Dec	Mar	Jun	Total	Sep	Dec	Mar	Jun	Total	Closing Balance 30 June 2022
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
	(15,556,627)	8,098,327	(7,458,300)	(11,105,751)	(14,357,000)	(31,696,436)	10,705,753	(53,911,734)	7,001,003	27,238,002	15,944,227	(3,451,914)	46,731,318	(7,180,416)
Other Grants (Conditional Grant)														
CAPE WINELANDS DISTRICT MUNICIPALITY	-	(200,000)	(200,000)	-	-	(5,500,000)	(726,000)	(6,426,000)	-	-	1,407,074	4,137,973	5,545,047	(880,953)
NEUMARK	(1,245,158)	-	(1,245,158)	-	(1,230,306)	(2,522,171)	-	(4,997,635)	-	722,096	56,688	2,692,111	3,470,895	(1,526,740)
	(1,245,158)	(200,000)	(1,445,158)	-	(1,230,306)	(8,022,171)	(726,000)	(11,423,635)	-	722,096	1,463,762	6,830,084	9,015,942	(2,407,693)
Other Grants (Unconditional)														
TRAINING LEVY (LG SETA & NON EMPLOYEE BURSARIES)	(1,362,557)	-	(1,362,557)	(274,044)	-	-	(977,649)	(2,614,250)	-	-	-	864,535	864,535	(1,749,715)
	(1,362,557)	-	(1,362,557)	(274,044)	-	-	(977,649)	(2,614,250)	-	-	-	864,535	864,535	(1,749,715)
Other														
TRUST FUND : MUN WIDOW & PENSION FUND	(363,572)	-	(363,572)	-	-	-	-	(363,572)	-	-	-	-	-	(363,572)
BRB/CECILIA STREET INTERSECTION	-	-	-	-	-	-	(654,013)	(654,013)	-	-	-	654,013	654,013	-
CECILIA STREET	-	-	-	-	-	-	(3,854,001)	(3,854,001)	-	-	-	3,854,001	3,854,001	-
CAPE WINELANDS DISTRICT MUNICIPALITY (FIRE EQUIPMENT)	-	-	-	-	-	-	(151,950)	(151,950)	-	-	-	151,950	151,950	-
	(363,572)	-	(363,572)	-	-	-	(10,448,667)	(10,812,239)	-	-	-	10,448,667	10,448,667	(363,572)
Total	(18,527,914)	7,898,327	(10,629,587)	(92,074,795)	(124,340,943)	(43,704,607)	(62,843,926)	(333,593,858)	38,893,558	142,860,563	29,947,388	110,190,953	321,892,462	(11,701,396)