



**DRAKENSTEIN**

MUNISIPALITEIT • MUNICIPALITY • UMASIPALA

Paarl | Wellington | Gouda | Saron | Simondium

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# AUDITED ANNUAL FINANCIAL STATEMENTS

**For the year ended 30 June 2023**

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 2023

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# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2023

## 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)   | LC ARENDSE           |
| MAYORAL COMMITTEE MEMBER OF CORPORATE SERVICES  | E BARON              |
| MAYORAL COMMITTEE MEMBER OF PUBLIC SAFETY   | AMB APPOLLIS         |
| MAYORAL COMMITTEE MEMBER OF COMMUNICATION AND INTERGOVERNMENTAL RELATIONS (IGR)                                 | RH VAN NIEUWENHUYZEN |
| MAYORAL COMMITTEE MEMBER OF ENGINEERING SERVICES  | TG BESTER            |
| MAYORAL COMMITTEE MEMBER OF PARKS, WASTE AND CEMETERIES   | L CYSTER             |
| MAYORAL COMMITTEE MEMBER OF GOVERNANCE AND 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 (FROM JULY 2022 UP UNTIL MARCH 2023)<br>MR D DELANEY (ACTING FOR APRIL 2023)<br>MR S JOHAAR (ACTING FROM MAY 2023 UP UNTIL JUNE 2023) |
| EXECUTIVE DIRECTOR: ENGINEERING SERVICES     | MR M WÜST (FROM JULY 2022 UP UNTIL JANUARY 2023)<br>MR L PIENAAR (ACTING FROM FEBRUARY 2023 UP UNTIL JUNE 2023)                                   |
| 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 2023

## General Information

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### Council members as at 30 June 2023

| Nr | Surname       | Initials | Nr | Surname           | Initials |
|----|---------------|----------|----|-------------------|----------|
| 1  | ADAMS         | JH       | 34 | KORABIE           | S        |
| 2  | ADRIAANSE *   | MM       | 35 | KROUTZ            | C        |
| 3  | ALBERTYN      | P        | 36 | KULSEN            | G        |
| 4  | ANDERSON      | JV       | 37 | LANDSBERG         | S        |
| 5  | ANDREAS       | MA       | 38 | LANDU             | L        |
| 6  | APPOLLIS      | AMB      | 39 | LE ROUX *         | JF       |
| 7  | ARENDSE       | LC       | 40 | LIEBENBERG        | SJ       |
| 8  | ARNOLDS       | RB       | 41 | MANGENA           | TC       |
| 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 | POOLE *           | CJ       |
| 15 | CUPIDO        | FP       | 48 | RICHARDS          | AM       |
| 16 | CUPIDO        | PBA      | 49 | ROSS              | S        |
| 17 | CYSTER        | L        | 50 | SAMBOKWE          | LS       |
| 18 | DE KOCK       | J        | 51 | SAUERMAN          | ND       |
| 19 | DU PLESSIS    | AJ       | 52 | SEPTEMBER         | JA       |
| 20 | DUBA          | BP       | 53 | SMIT              | J        |
| 21 | DE WAAL       | C        | 54 | SOLOMONS          | EA       |
| 22 | FOURIE        | A        | 55 | STOFFELS          | JNH      |
| 23 | GANANDANA     | S        | 56 | STOWMAN *         | A        |
| 24 | GERTSE        | KJ       | 57 | STULWENI          | AM       |
| 25 | GODONGWANA    | N        | 58 | VAN NIEKERK       | LT       |
| 26 | GOUWS *       | E        | 59 | VAN NIEUWENHUYZEN | RH       |
| 27 | GRAVEL        | S        | 60 | VAN ROOYEN        | A        |
| 28 | JACOBS        | B        | 61 | VAN SANTEN        | AJ       |
| 29 | JACOBS        | CM       | 62 | VAN WILLINGH      | B        |
| 30 | JACOBS        | F        | 63 | XHEGO             | Z        |
| 31 | KEARNS *      | C        | 64 | ZOYA              | N        |
| 32 | KLAASTE       | CO       | 65 | ZWINYE            | M        |
| 33 | KOEGELEBERG * | RA       |    |                   |          |

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

# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2023

## General Information

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|   |  |
|---|--|
| Legal form of entity                                | 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)   |
| Nature of business and principal activities         | 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  |
| Legislation governing the municipality's operations | CONSTITUTION OF THE REPUBLIC OF SOUTH AFRICA (ACT 108 OF 1998)<br>LOCAL GOVERNMENT: MUNICIPAL FINANCE MANAGEMENT ACT (ACT 56 OF 2003)<br>LOCAL GOVERNMENT: MUNICIPAL SYSTEMS ACT (ACT 32 OF 2000)<br>LOCAL GOVERNMENT: MUNICIPAL STRUCTURES ACT (ACT 117 OF 1998)<br>MUNICIPAL PROPERTY RATES ACT (ACT OF 6 2004)<br>DIVISION OF REVENUE ACT (ACT 1 OF 2007) |
| Other information                                   |  |
| Executive Mayor                                     | ALDERMAN CJ POOLE  |
| Executive Deputy Mayor                              | ALDERMAN GC COMBRINK   |
| Speaker   | ALDERMAN JF LE ROUX  |
| Registered head office                              | DRAKENSTEIN MUNICIPALITY<br>CIVIC CENTRE<br>BERG RIVER BOULEVARD<br>PAARL<br>7646  |
| Physical address                                    | CIVIC CENTRE<br>BERG RIVER BOULEVARD<br>PAARL<br>7646  |
| Postal address                                      | P O BOX 1<br>PAARL<br>7622   |
| Telephone   | (021) 807 - 4500   |
| Fax   | (021) 872 - 8054   |
| Bankers   | NEDBANK  |
| Auditors  | AUDITOR-GENERAL OF SOUTH AFRICA (AGSA)   |
| Demarcation code                                    | WC023  |
| VAT registration number                             | 4500109717   |

# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2023

## 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.

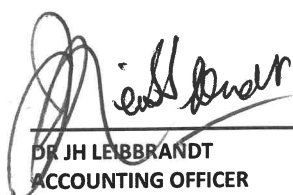
The audited annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

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 39 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 7 to 139, 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 2023:



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DR JH LEIBBRANDT  
ACCOUNTING OFFICER

# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2023

## 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 Financial 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 2023

## Statement of Financial Position as at 30 June 2023

| Figures in Rand  | Note(s) | 2023                 | 2022<br>Restated*    |
|--|---------|----------------------|----------------------|
| <b>Assets</b>  |         |                      |                      |
| <b>Non-Current Assets</b>                              |         |                      |                      |
| Property, plant and equipment                          | 3       | 6,514,191,479        | 6,572,470,755        |
| Heritage assets  | 4       | 47,633,645           | 47,633,645           |
| Intangible assets                                      | 5       | 3,689,458            | 4,614,906            |
| Investment property                                    | 6       | 81,900,000           | 59,096,957           |
| Non-current receivables from exchange transactions     | 7       | 104                  | 94,875               |
|  |         | <b>6,647,414,686</b> | <b>6,683,911,138</b> |
| <b>Current Assets</b>                                  |         |                      |                      |
| Inventories  | 8       | 41,178,585           | 36,141,887           |
| Trade and other receivables from exchange transactions | 9       | 320,263,751          | 353,402,801          |
| Receivables from non-exchange transactions             | 10      | 107,144,596          | 102,085,654          |
| Cash and cash equivalents                              | 11      | 445,270,431          | 189,883,617          |
| Short term investments                                 | 12      | -                    | 40,000,000           |
| Current portion of non-current receivables             | 13      | 18,121               | 26,762               |
| VAT control receivable                                 | 14      | 14,398,047           | 14,998,240           |
|  |         | <b>928,273,531</b>   | <b>736,538,961</b>   |
| <b>Total Assets</b>                                    |         | <b>7,575,688,217</b> | <b>7,420,450,099</b> |
| <b>Liabilities</b>                                     |         |                      |                      |
| <b>Non-Current Liabilities</b>                         |         |                      |                      |
| Borrowings   | 15      | 1,455,252,441        | 1,539,712,710        |
| Finance lease liabilities                              | 16      | 472,639              | -                    |
| Employee benefits                                      | 17      | 245,809,000          | 240,145,000          |
| Provisions   | 18      | 258,561,070          | 217,913,609          |
|  |         | <b>1,960,095,150</b> | <b>1,997,771,319</b> |
| <b>Current Liabilities</b>                             |         |                      |                      |
| Consumer deposits                                      | 19      | 72,713,346           | 65,330,962           |
| Payables from exchange transactions                    | 20      | 299,223,623          | 267,421,494          |
| Unspent conditional grants and receipts                | 21      | 11,211,654           | 9,705,960            |
| Borrowings   | 15      | 84,460,268           | 78,688,302           |
| Finance lease liabilities                              | 16      | 345,347              | 26,762               |
| Provisions   | 18      | 462,350              | 570,790              |
| Employee benefits                                      | 17      | 85,372,523           | 81,769,882           |
|  |         | <b>553,789,111</b>   | <b>503,514,152</b>   |
| <b>Total Liabilities</b>                               |         | <b>2,513,884,261</b> | <b>2,501,285,471</b> |
| <b>Net Assets</b>                                      |         | <b>5,061,803,956</b> | <b>4,919,164,628</b> |
| <b>Net assets presented by:</b>                        |         |                      |                      |
| Housing Development Fund                               | 22      | 30,625,309           | 28,144,553           |
| Reserves and Funds                                     | 23      | 1,713,539,005        | 1,787,635,465        |
| Accumulated surplus                                    | 24      | 3,317,639,642        | 3,103,384,610        |
| <b>Total Net Assets</b>                                |         | <b>5,061,803,956</b> | <b>4,919,164,628</b> |

\* See Note 49





# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2023

## Statement of Financial Performance

| Figures in Rand                                      | Note(s) | 2023                 | 2022<br>Restated*    |
|--|---------|----------------------|----------------------|
| <b>Revenue</b>                                       |         |                      |                      |
| <b>Exchange Revenue</b>                              |         |                      |                      |
| Services charges - Electricity                       | 25      | 1,368,866,561        | 1,385,887,089        |
| Services charges - Water                             | 25      | 193,211,551          | 169,325,936          |
| Services charges - Waste management                  | 25      | 155,442,459          | 135,738,979          |
| Services charges - Waste water management            | 25      | 144,103,900          | 125,716,049          |
| Sales of goods and rendering of services             | 27      | 34,761,614           | 36,575,897           |
| Rental from fixed assets                             | 28      | 7,081,620            | 5,248,483            |
| Interests on investments                             | 29      | 36,829,830           | 9,673,336            |
| Interest on receivables                              | 30      | 12,884,062           | 7,271,333            |
| Operational revenue                                  | 31      | 14,217,491           | 16,207,814           |
| Licences or permits                                  | 32      | 21,094,733           | 20,745,433           |
| Gain on disposal of assets                           | 33      | -                    | 345,676              |
| <b>Total Exchange Revenue</b>                        |         | <b>1,988,493,821</b> | <b>1,912,736,025</b> |
| <b>Non-Exchange Revenue</b>                          |         |                      |                      |
| Property rates                                       | 34      | 437,182,802          | 416,883,723          |
| Availability charges - Electricity                   | 26      | 2,250,026            | 1,902,418            |
| Availability charges - Water                         | 26      | 2,171,116            | 1,841,167            |
| Availability charges - Waste management              | 26      | 3,893,471            | 3,153,904            |
| Availability charges - Waste water management        | 26      | 3,304,521            | 2,804,994            |
| Surcharges and taxes                                 |         | 2,230,462            | 1,170,821            |
| Fines, penalties and forfeits                        | 35      | 104,450,941          | 105,224,151          |
| Transfers and subsidies                              | 36      | 324,693,658          | 302,972,397          |
| Operational revenue                                  | 31      | 1,770,924            | 1,507,493            |
| Construction contract revenue                        | 37      | -                    | 204,277              |
| <b>Total Non-Exchange Revenue</b>                    |         | <b>881,947,921</b>   | <b>837,665,345</b>   |
| <b>Total Revenue</b>                                 |         | <b>2,870,441,742</b> | <b>2,750,401,370</b> |
| <b>Expenditure</b>                                   |         |                      |                      |
| Employee related cost                                | 38      | 735,660,751          | 716,436,654          |
| Remuneration of councillors                          | 39      | 33,213,291           | 31,654,071           |
| Depreciation and amortisation                        | 40      | 246,464,166          | 242,046,334          |
| Impairment losses on financial assets                | 41      | 169,280,705          | 117,214,549          |
| Impairment losses on PPE, IA and HA                  | 42      | 214,518              | 2,468,069            |
| Finance costs  | 43      | 176,390,519          | 180,161,754          |
| Bulk purchases                                       | 44      | 959,067,970          | 977,740,575          |
| Inventory consumed                                   |         | 74,330,682           | 61,162,547           |
| Contracted services                                  | 45      | 173,600,618          | 148,352,036          |
| Transfers and subsidies                              |         | 24,907,429           | 15,343,996           |
| Operational cost                                     | 46      | 104,757,524          | 92,354,301           |
| Operating leases                                     | 47      | 17,838,685           | 22,590,214           |
| Fair value and loss on disposal adjustment of assets | 33      | 11,999,426           | -                    |
| <b>Total Expenditure</b>                             |         | <b>2,727,726,284</b> | <b>2,607,525,100</b> |
| <b>Surplus for the year</b>                          |         | <b>142,715,458</b>   | <b>142,876,270</b>   |

\* See Note 49



# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2023

## Cash Flow Statement

| Figures in Rand  | Note(s) | 2023                 | 2022<br>Restated*    |
|--|---------|----------------------|----------------------|
| <b>Cash flows from operating activities</b>                      |         |                      |                      |
| <b>Receipts</b>  |         |                      |                      |
| Property rates   |         | 431,732,760          | 407,320,443          |
| Service charges  |         | 2,073,057,834        | 1,985,265,637        |
| Transfers, subsidies and construction contracts revenue received |         | 304,647,013          | 308,629,107          |
| Interest   |         | 37,941,766           | 10,643,651           |
| Other receipts and fines received                                |         | 212,948,519          | 234,692,112          |
| <b>Payments</b>  |         |                      |                      |
| Employees cost   |         | (761,227,712)        | (748,339,189)        |
| Suppliers  |         | (1,550,780,588)      | (1,648,776,370)      |
| Interest charges   |         | (176,390,519)        | (180,161,754)        |
| Net VAT paid   |         | (66,720,146)         | (69,737,664)         |
| <b>Net cash from(used) operating activities</b>                  | 48      | <b>505,208,927</b>   | <b>299,535,973</b>   |
| <b>Cash flows from investing activities</b>                      |         |                      |                      |
| <b>Receipts</b>  |         |                      |                      |
| Proceeds on disposal of fixed and intangible assets              |         | 5,961,122            | 8,606,209            |
| Decrease in investments  |         | -                    | (2,373)              |
| Decrease in short term investments                               |         | 40,000,000           | -                    |
| <b>Payments</b>  |         |                      |                      |
| Capital assets   |         | (216,807,606)        | (197,068,249)        |
| Increase in short term investments                               |         | -                    | (40,000,000)         |
| <b>Net cash flows from investing activities</b>                  |         | <b>(170,846,484)</b> | <b>(228,464,413)</b> |
| <b>Cash flows from financing activities</b>                      |         |                      |                      |
| <b>Payments</b>  |         |                      |                      |
| Decrease in finance leases                                       |         | (287,326)            | (1,413,432)          |
| Decrease in borrowing long-term                                  |         | (78,688,303)         | (18,555,870)         |
| <b>Net cash flows from financing activities</b>                  |         | <b>(78,975,629)</b>  | <b>(19,969,302)</b>  |
| <b>Net increase/(decrease) in cash</b>                           |         | <b>255,386,814</b>   | <b>51,102,258</b>    |
| Cash and cash equivalents at year begin                          |         | 189,883,617          | 138,781,359          |
| <b>Cash and cash equivalents at year end</b>                     |         | <b>445,270,431</b>   | <b>189,883,617</b>   |

\* See Note 49



# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2023

## Statement of changes in net assets

|   | Housing<br>development<br>fund | Revaluation<br>reserve | Accumulated<br>surplus | Total net assets     |
|---|--------------------------------|------------------------|------------------------|----------------------|
| <b>Figures in Rand</b>                      |                                |                        |                        |                      |
| Opening balance as previously reported      | 25,851,737                     | 1,407,367,304          | 2,897,891,411          | 4,331,110,452        |
| Adjustments                                 |                                |                        |                        |                      |
| Correction of errors                        | -                              | (116,935)              | 2,790,730              | 2,673,795            |
| <b>Balance at 01 July 2021 as restated*</b> | <b>25,851,737</b>              | <b>1,407,250,369</b>   | <b>2,900,682,141</b>   | <b>4,333,784,247</b> |
| Surplus for the year                        | -                              | -                      | 142,876,270            | 142,876,270          |
| Transfers to Housing Development Fund       | 2,292,816                      | -                      | (2,523,692)            | (230,876)            |
| Offsetting of depreciation                  | -                              | (54,526,050)           | 54,526,050             | -                    |
| Revaluation of PPE                          | -                              | 435,862,989            | -                      | 435,862,989          |
| Revaluation of HA                           | -                              | 6,872,000              | -                      | 6,872,000            |
| Offsetting of land inventory                | -                              | (7,823,842)            | 7,823,842              | -                    |
| Total changes                               | 2,292,816                      | 380,385,097            | 202,702,470            | 585,380,383          |
| <b>Restated* Balance at 01 July 2022</b>    | <b>28,144,553</b>              | <b>1,787,635,466</b>   | <b>3,103,384,610</b>   | <b>4,919,164,629</b> |
| Surplus for the year                        | -                              | -                      | 142,715,458            | 142,715,458          |
| Transfers to Housing Development Fund       | 2,480,756                      | -                      | (2,595,678)            | (114,922)            |
| Increase in revaluation reserve             | -                              | 38,800                 | 74,135,254             | 74,174,054           |
| Offsetting depreciation                     | -                              | (54,244,587)           | -                      | (54,244,587)         |
| Offsetting of land inventory                | -                              | (19,890,673)           | -                      | (19,890,673)         |
| Total changes                               | 2,480,756                      | (74,096,460)           | 214,255,034            | 142,639,330          |
| <b>Balance at 30 June 2023</b>              | <b>30,625,309</b>              | <b>1,713,539,005</b>   | <b>3,317,639,642</b>   | <b>5,061,803,956</b> |
| Note(s)                                     | 22                             | 23                     | 24                     |                      |

\* See Note 49



# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2023

## Comparison of Budget and Actual Amounts for the year ended 30 June 2023

|  | Original<br>budget     | *Budget<br>adjustments | Final<br>adjustments<br>budget | Final<br>budget        | Actual<br>outcome      | Variance           | Actual<br>outcome as<br>% of final<br>budget | Actual<br>outcome as<br>% of original<br>budget |
|--|------------------------|------------------------|--------------------------------|------------------------|------------------------|--------------------|--|---|
| <b>Figures in Rand</b>   |                        |                        |                                |                        |                        |                    |  |   |
| <b>2023</b>  |                        |                        |                                |                        |                        |                    |  |   |
| <b>Statement of financial performance</b>                        |                        |                        |                                |                        |                        |                    |  |   |
| <b>Revenue</b>   |                        |                        |                                |                        |                        |                    |  |   |
| Property rates   | 421,689,006            | 12,412,412             | 434,101,418                    | 434,101,418            | 437,182,802            | 3,081,384          | 100.71 %                                     | 103.67 %  |
| Services charges   | 1,966,626,230          | (141,744,377)          | 1,824,881,853                  | 1,824,881,853          | 1,873,243,605          | 48,361,752         | 102.65 %                                     | 95.25 %   |
| Investment revenue   | 6,000,000              | 29,000,000             | 35,000,000                     | 35,000,000             | 36,829,830             | 1,829,830          | 105.23 %                                     | 613.83 %  |
| Transfer recognised - operational                                | 252,396,304            | (17,787,810)           | 234,608,494                    | 234,608,494            | 206,950,334            | (27,658,160)       | 88.21 %                                      | 81.99 %   |
| Other own revenue  | 189,854,262            | 1,764,642              | 191,618,904                    | 191,618,904            | 226,557,014            | 34,938,110         | 118.23 %                                     | 119.33 %  |
| <b>Total Revenue (excl. capital transfers and contributions)</b> | <b>2,836,565,802</b>   | <b>(116,355,133)</b>   | <b>2,720,210,669</b>           | <b>2,720,210,669</b>   | <b>2,780,763,585</b>   | <b>60,552,916</b>  | <b>102.23 %</b>                              | <b>98.03 %</b>                                  |
| <b>Expenditure</b>   |                        |                        |                                |                        |                        |                    |  |   |
| Employee costs   | (793,645,814)          | 28,482,387             | (765,163,427)                  | (765,163,427)          | (749,944,399)          | 15,219,028         | 98.01 %                                      | 94.49 %   |
| Remuneration of councillors                                      | (35,255,123)           | -                      | (35,255,123)                   | (35,255,123)           | (33,213,291)           | 2,041,832          | 94.21 %                                      | 94.21 %   |
| Depreciation and asset impairment                                | (246,074,231)          | (8,925,769)            | (255,000,000)                  | (255,000,000)          | (246,464,159)          | 8,535,841          | 96.65 %                                      | 100.16 %  |
| Finance charges  | (176,521,240)          | -                      | (176,521,240)                  | (176,521,240)          | (176,390,519)          | 130,721            | 99.93 %                                      | 99.93 %   |
| Inventory consumed and bulk purchases                            | (1,114,608,983)        | 57,385,859             | (1,057,223,124)                | (1,057,223,124)        | (1,033,398,650)        | 23,824,474         | 97.75 %                                      | 92.71 %   |
| Transfers and subsidies  | (27,160,000)           | 1,935,322              | (25,224,678)                   | (25,224,678)           | (24,907,428)           | 317,250            | 98.74 %                                      | 91.71 %   |
| Other expenditure  | (484,737,838)          | (18,807,280)           | (503,545,118)                  | (503,545,118)          | (493,243,931)          | 10,301,187         | 97.95 %                                      | 101.75 %  |
| <b>Total Expenditure</b>   | <b>(2,878,003,229)</b> | <b>60,070,519</b>      | <b>(2,817,932,710)</b>         | <b>(2,817,932,710)</b> | <b>(2,757,562,377)</b> | <b>60,370,333</b>  | <b>97.86 %</b>                               | <b>95.82 %</b>                                  |
| <b>Surplus</b>   | <b>(41,437,427)</b>    | <b>(56,284,614)</b>    | <b>(97,722,041)</b>            | <b>(97,722,041)</b>    | <b>23,201,208</b>      | <b>120,923,249</b> | <b>(23.74)%</b>                              | <b>(55.99)%</b>                                 |
| Transfers and subsidies - capital                                | 79,249,152             | 50,736,575             | 129,985,727                    | 129,985,727            | 119,514,249            | (10,471,478)       | 91.94 %                                      | 150.81 %  |
| <b>Surplus for the year</b>                                      | <b>37,811,725</b>      | <b>(5,548,039)</b>     | <b>32,263,686</b>              | <b>32,263,686</b>      | <b>142,715,457</b>     | <b>110,451,771</b> | <b>442.34 %</b>                              | <b>377.44 %</b>                                 |



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# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2023

## Comparison of Budget and Actual Amounts for the year ended 30 June 2023

|  | Original<br>budget | *Budget<br>adjustments | Final<br>adjustments<br>budget | Final<br>budget     | Actual<br>outcome  | Variance           | Actual<br>outcome as<br>% of final<br>budget | Actual<br>outcome as<br>% of original<br>budget |
|--|--------------------|------------------------|--------------------------------|---------------------|--------------------|--------------------|--|---|
| <b>Figures in Rand</b>                       |                    |                        |                                |                     |                    |                    |  |   |
| <b>Capital expenditure and funds sources</b> |                    |                        |                                |                     |                    |                    |  |   |
| Capital expenditure                          | 130,609,152        | 65,444,770             | 196,053,922                    | 196,053,922         | 190,904,487        | (5,149,435)        | 97.37 %                                      | 146.16 %  |
| Transfers recognised – capital               | 79,249,152         | 39,929,239             | 119,178,391                    | 119,178,391         | 115,698,279        | (3,480,112)        | 97.08 %                                      | 145.99 %  |
| Borrowings                                   | -                  | -                      | -                              | -                   | -                  | -                  | - %  | - %   |
| Internally generated funds                   | 51,360,000         | 25,515,531             | 76,875,531                     | 76,875,531          | 75,206,208         | (1,669,323)        | 97.83 %                                      | 146.43 %  |
|  | <b>130,609,152</b> | <b>65,444,770</b>      | <b>196,053,922</b>             | <b>196,053,922</b>  | <b>190,904,487</b> | <b>(5,149,435)</b> | <b>97.37 %</b>                               | <b>146.16 %</b>                                 |
| <b>Financial position</b>                    |                    |                        |                                |                     |                    |                    |  |   |
| Total non-current assets                     | 6,358,748,979      | 65,444,770             | 6,424,193,749                  | 6,424,193,749       | 6,647,414,686      | 223,220,937        | 103.47 %                                     | 104.54 %  |
| Total current assets                         | 676,275,704        | (43,644,901)           | 632,630,803                    | 632,630,803         | 928,273,531        | 295,642,728        | 146.73 %                                     | 137.26 %  |
| Total non-current assets                     | (1,968,951,716)    | -                      | (1,968,951,716)                | (1,968,951,716)     | (1,960,095,150)    | 8,856,566          | 99.55 %                                      | 99.55 %   |
| Total current liabilities                    | (611,467,394)      | -                      | (611,467,394)                  | (611,467,394)       | (553,789,111)      | 57,678,283         | 90.57 %                                      | 90.57 %   |
| Community wealth/equity                      | (4,454,605,573)    | (21,799,869)           | (4,476,405,442)                | (4,476,405,442)     | (5,061,803,956)    | (585,398,514)      | 113.08 %                                     | 113.63 %  |
|  | -                  | -                      | -                              | -                   | -                  | -                  | - %  | - %   |
| <b>Cash flow</b>                             |                    |                        |                                |                     |                    |                    |  |   |
| Net cash from (used) operating               | 226,425,598        | 22,411,592             | 248,837,190                    | 248,837,190         | 497,826,542        | 248,989,352        | 200.06 %                                     | 219.86 %  |
| Net cash from (used) investing               | (115,759,274)      | (66,056,493)           | (181,815,767)                  | (181,815,767)       | (170,846,484)      | 10,969,283         | 93.97 %                                      | 147.59 %  |
| Net cash from (used) financing               | (78,688,303)       | -                      | (78,688,303)                   | (78,688,303)        | (71,593,245)       | 7,095,058          | 90.98 %                                      | 90.98 %   |
|  | <b>31,978,021</b>  | <b>(43,644,901)</b>    | <b>(11,666,880)</b>            | <b>(11,666,880)</b> | <b>255,386,813</b> | <b>267,053,693</b> | <b>(2,188.99)%</b>                           | <b>798.63 %</b>                                 |



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# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2023

## 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 (Revised)                                    |
| GRAP 21        | Impairment of Non-cash-generating Assets                               |
| GRAP 23        | Revenue from Non-exchange Transactions (Taxes and Transfers)           |
| GRAP 24        | Presentation of Budget Information in Financial Statements             |
| GRAP 25        | Employee Benefits  |
| GRAP 26        | Impairment of Cash-generating Assets                                   |
| GRAP 27        | Agriculture  |
| GRAP 31        | Intangible Assets  |
| GRAP 32        | Service Concession Arrangements: Grantor                               |
| GRAP 100       | Discontinued Operations  |
| GRAP 103       | Heritage Assets  |
| GRAP 104       | Financial Instruments  |
| GRAP 108       | Statutory Receivables  |
| GRAP 109       | Accounting by Principals and Agents                                    |
| GRAP 110       | Living and Non-living Resources  |
| IFRS 4         | Insurance contracts  |
| IAS 12         | Income taxes   |
| IGRAP 1        | Applying The Probability Test On Initial Recognition Of Revenue        |



# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2023

## 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 2023

## 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 been set to 1 April 2023. 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. The transitional provisions require the adoption of the revised Standard taken as a whole. Partial or incremental adoption is not permitted. iGRAP7 becomes effective with GRAP 25

GRAP 104 on Financial Instruments and effective date for the reporting periods has been set as 1 April 2025. 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 changes mostly relate to financial instrument categories and the calculation of impairment losses. This is expected to have a significant impact on all municipalities. The policy currently recommendation states that the changes are not expected to have a significant impact.

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.

GRAP 1: Materiality the Standard has an effective date of 1 April 2023. The transitional provisions require the adoption of the revised Standard taken as a whole. Partial or incremental adoption is not permitted.

GRAP 1: Going concern the amendments are approved by the Board. The effective date is yet to be determined by the Minister of Finance. The transitional provisions are specified in the revised Standard. The Standard may be used by entities in developing an accounting policy.

GRAP 103 The amendments are approved by the Board. The effective date is yet to be determined by the Minister of Finance. The transitional provisions are specified in the revised Standard. The Standard may be used by entities in developing an accounting policy. Improvement to GRAP standards The improvements have an effective date of 1 April 2023. The improvements may be early adopted per Standard.

iGRAP 21 The Interpretation has an effective date of 1 April 2023. The guideline should be applied from the effective date of the Improvements to the Standards of GRAP (2020), particularly the improvement to GRAP 17 on Property, Plant and Equipment.

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.





# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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### 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.

### 1.5 Comparative 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 on 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 2022 to 30 June 2023.

#### 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.



# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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### 1.6 Housing development reserve (continued)

#### Un-realized housing proceeds

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

### 1.7 Internal reserves and revaluation reserve

#### Revaluation Reserve

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

### 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.

If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provision shall be reversed.

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 and financial position.

#### 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 and financial position.



# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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### 1.9 Property, plant and equipment

#### Initial recognition

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

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

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

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

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

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

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.



# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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

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.

#### 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 assets                          |   |
| • 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  |
| Moveable assets                       |   |
| • Transport assets                    | 5 - 20  |
| • Computer and other office equipment | 3 - 10  |
| • Furniture and fittings              | 3 - 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 2023

## 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   |
| • Resorts                             | 1 - 100   |
| • Housing assets                      | 1 - 60  |
| Other assets                          |   |
| • 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  |
| Moveable assets                       |   |
| • Transport assets                    | 5 - 35  |
| • Computer and other office equipment | 1 - 45  |
| • Furniture and fittings              | 1 - 45  |
| • Machinery and equipment             | 1 - 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 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 and financial position 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

An intangible asset shall be recognised if, and only if it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the entity; and if the cost or fair value of the asset can be measured reliably.

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.

#### Subsequent measurement

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

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

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 and financial position.

### 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.

# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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### 1.11 Investment property (continued)

#### Initial recognition

Investment property shall be recognised as an asset when, and only when it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the entity; and the cost or fair value of the investment property can be measured reliably.

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

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.

#### 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 and financial position.

### 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.



## Accounting Policies

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### 1.12 Heritage assets (continued)

#### 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.

#### 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.

If a heritage asset's carrying amount is increased as a result of a revaluation, the increase is credited directly to a revaluation surplus. However, the increase is recognised in the Statement of Financial Performance to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in the Statement of Financial Performance.

If a heritage asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in the Statement of Financial Performance. However, the decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

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.





# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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### 1.13 Inventory (continued)

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.

Inventories shall be 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 entity; and the cost of the inventories can be measured reliably. Inventories that qualify for recognition as assets shall initially be measured at cost. Where inventories are acquired through a non-exchange transaction, their cost shall be measured at their fair value as at the date of acquisition.

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 and financial position 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.

#### 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.



# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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### 1.14 Living and non-living resources

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

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

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

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

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

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

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

#### Impairment of cash-generating assets

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

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

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

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

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.



## 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.

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

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

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

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

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

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

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

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

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

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

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

### 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 and financial position 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 and financial position in the period in which the service is rendered by the relevant employees.



## Accounting Policies

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### 1.16 Employee benefits (continued)

#### 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 and financial position.

#### 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.

The liability in respect of current pensioners is regarded as fully accrued and is therefore not split between a past (or accrued) and future in-service element.

Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation.

#### 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.

The Municipality's obligation under these plans is valued by independent qualified actuaries, and the corresponding liability is raised.

Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation. Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries

# Drakenstein Municipality

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## 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 and financial position.

Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation.

#### 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 every 3 years 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, SALA pension fund, Consolidated retirement fund, Municipal Councillors' pension fund, National fund for municipal workers.

#### 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. Rand value is used to determine the leave pay, such as the remuneration package of the employee. Accumulated leave is carried forward and can be used in future periods if the current period's entitlement is not used in full. All unused leave will be paid out to the specific employee at the end of that employee's employment term. Accumulated leave is vesting.

#### 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.

The performance bonus provisions are based on the employment contract stipulations as well as previous performance bonus payment trends.

### 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.



# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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### 1.17 Leases (continued)

#### 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.

#### 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 and financial position 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



# Drakenstein Municipality

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## Accounting Policies

### 1.19 Financial instruments (continued)

- 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  |
| Non-current receivables from exchange transactions | Financial assets at amortised cost  |
| Current portion of non-current receivables         | Financial assets at amortised cost  |
| Receivables from exchange transactions             | Financial assets at amortised cost  |
| Receivables from non-exchange transactions         | Financial assets at amortised cost  |
| Short-term investments                             | Financial assets at amortised cost  |
| Cash and cash equivalents                          | Financial assets at amortised cost  |
| 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 Cash flow or in the notes thereto:

| Type of financial liability             | Classification in terms of GRAP 104   |
|---|---------------------------------------|
| Long-term borrowings                    | Financial liability at amortised cost |
| Current portion of long-term borrowings | Financial liability at amortised cost |
| Payables from Exchange Transactions     | Financial liability at amortised cost |
| Bank overdraft                          | Financial liability at amortised cost |
| Consumer Deposits                       | Financial liability at amortised cost |

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

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

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



# Drakenstein Municipality

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## Accounting Policies

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### 1.19 Financial instruments (continued)

#### 1.19.2 Initial and subsequent measurement

##### Initial recognition and measurement

###### Financial assets:

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

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

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

###### Financial liabilities:

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

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 and financial position 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.





# Drakenstein Municipality

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## Accounting Policies

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### 1.19 Financial instruments (continued)

#### 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 and financial position.

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 and financial position 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:



# Drakenstein Municipality

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## Accounting Policies

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### 1.20 Statutory receivables (continued)

- 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.

#### 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 and financial position.



## Accounting Policies

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### 1.20 Statutory receivables (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 and financial position 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.

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



# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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### 1.21 Revenue (continued)

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.

#### 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 licenses 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.



# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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### 1.21 Revenue (continued)

#### 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.

##### 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.



# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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### 1.21 Revenue (continued)

#### Government grants and receipts

##### - Unconditional grants

Equitable share allocations are recognised in revenue upon receipt of funds during 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 and financial position 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.

#### Revenue recognition of unclaimed deposits

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

#### Availability fees

Revenue arising from legislation is recognised in accordance with the approved tariffs.

### 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.



# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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

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.

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.



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## Accounting Policies

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### 1.23 Housing arrangements (continued)

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 and financial position 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 and financial position.

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.

### 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:





## Accounting Policies

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### 1.26 Unauthorised expenditure (continued)

- 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 and financial position 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 and financial position. 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 and financial position 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 and financial position. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

### 1.29 Foreign currencies

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

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

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

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

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

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

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

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



## Accounting Policies

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### 1.30 Change in accounting policies, estimates and errors (continued)

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.

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

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



# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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### 1.34 Segmental reporting

A segment is an activity of an entity:

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

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

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

The 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.

### 1.35 Capital commitments

Capital commitments disclosed in the financial statements represent the balance committed to capital projects on reporting date that will be incurred in the period subsequent to the specific reporting date.

### 1.36 Consumer deposits

Consumer deposits are disclosed as a current liability. Consumer deposits are levied in line with the council's policy to consumers when services are initially connected. When services are disconnected or terminated, the outstanding deposit is utilised against any arrear accounts the consumer might be liable for on that date. Any excess deposit after all debt is settled is refunded to the specific consumer.

### 1.37 Unspent conditional grants and receipts

Unspent conditional grants are liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies, and contributions from government organs. Unspent conditional grants are not considered to be financial instruments as there are no contractual arrangements as required per GRAP 104. The revenue is driven by legislation.

Once the conditional grant becomes repayable to the donor due to conditions not met, the remaining portion of the unspent conditional grant is reclassified as payables, which is considered a financial instrument

The liability must always be cash-backed.

Unspent conditional grants are recognised as a liability when the grant is received.

When grant conditions are met an amount equal to the conditions met is transferred to revenue in the Statement of Financial Performance.



# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2023

## Notes to the Audited Annual Financial Statements

| Figures in Rand | 2023 | 2022 |
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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.

|                                     | 2023          |                           |
|-------------------------------------|---------------|---------------------------|
|                                     | Base Rand     | Level of materiality Rand |
| <b>Classes of transactions</b>      |               |                           |
| Revenue                             | 2,923,812,901 | 14,619,065                |
| Capital and Operational Expenditure | 3,082,183,528 | 15,410,918                |
| Total Assets                        | 7,418,939,239 | 37,094,696                |
| Equity (Net Assets)                 | 4,915,175,184 | 24,575,876                |

Based on professional judgement the quantitative value of materiality for the 2023 financial year is set at R 14.6 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 2023

## Notes to the Audited Annual Financial Statements

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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 2023

## Notes to the Audited Annual Financial Statements

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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 2023

## Notes to the Audited Annual Financial Statements

| Figures in Rand | 2023 | 2022 |
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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 non-cash generating Assets and GRAP 26: Impairment of 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 and financial position.

#### Revenue recognition

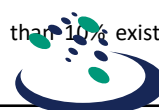
The Accounting Policies on Revenue from Exchange Transactions and Revenue from Non-exchange Transactions describes the conditions under which revenue will be recorded by the management of the municipality. In making their judgement, the management considered the detailed criteria for the recognition 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 97.3% of the value of the fines issued, whereas it was estimated that 83.8% 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 2023

## Notes to the Audited Annual Financial Statements

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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 2023

## Notes to the Audited Annual Financial Statements

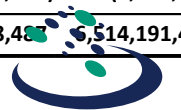
Figures in Rand

### 3. Property, plant and equipment

#### 3.1 Reconciliation of carrying value

2023

|  | Land                 | Infrastructure assets | Buildings            | Other assets      | Capital spares     | Movable assets     | Total                |
|--|----------------------|-----------------------|----------------------|-------------------|--------------------|--------------------|----------------------|
| <b>Opening carrying value at 01 July 2022</b>    |                      |                       |                      |                   |                    |                    |                      |
| Cost   | 1,112,704,630        | 7,617,870,563         | 1,109,718,941        | 42,256,734        | 14,747,358         | 357,460,840        | 10,254,759,066       |
| Construction work-in-progress                    | -                    | 144,785,003           | 33,074,063           | 6,264,221         | -                  | -                  | 184,123,287          |
| Accumulated depreciation                         | (73,689)             | (3,577,213,015)       | (70,021,931)         | (10,417,559)      | -                  | (208,685,403)      | (3,866,411,597)      |
|  | <b>1,112,630,941</b> | <b>4,185,442,551</b>  | <b>1,072,771,073</b> | <b>38,103,396</b> | <b>14,747,358</b>  | <b>148,775,437</b> | <b>6,572,470,756</b> |
| Additions from acquisitions                      | 792,000              | 95,774,572            | 5,290,832            | 78,721            | -                  | 34,886,800         | 136,822,925          |
| WIP additions                                    | -                    | 71,236,193            | 4,095,505            | 1,599,181         | -                  | 75,900             | 77,006,779           |
| Additions - Transfers from WIP                   | -                    | 14,855,026            | 5,049,989            | 245,080           | -                  | -                  | 20,150,095           |
| Revaluation adjustments                          | 38,800               | -                     | -                    | -                 | -                  | -                  | 38,800               |
| Depreciation                                     | 40                   | (164,026,244)         | (69,512,804)         | (2,493,474)       | -                  | (18,340,434)       | (254,372,956)        |
|  | <b>830,800</b>       | <b>17,839,547</b>     | <b>(55,076,478)</b>  | <b>(570,492)</b>  | <b>-</b>           | <b>16,622,266</b>  | <b>(20,354,357)</b>  |
| <b>Carrying value of disposals / transfers</b>   |                      |                       |                      |                   |                    |                    |                      |
| Cost - disposals                                 | (13,320,833)         | (7,189,806)           | (254,000)            | (328,715)         | -                  | (577,143)          | (21,670,497)         |
| Cost - WIP Transfer to complete                  | -                    | (14,855,026)          | (5,049,989)          | (245,080)         | -                  | -                  | (20,150,095)         |
| Cost - Transfer                                  | (16,703,706)         | 21,786,423            | (3,984,308)          | -                 | -                  | -                  | 1,098,409            |
| Accumulated depreciation - disposals             | -                    | 4,229,567             | 30,427               | 38,350            | -                  | 552,445            | 4,850,789            |
| Accumulated depreciation - Transfers             | -                    | -                     | 498,039              | -                 | -                  | -                  | 498,039              |
|  | <b>(30,024,539)</b>  | <b>3,971,158</b>      | <b>(8,759,831)</b>   | <b>(535,445)</b>  | <b>-</b>           | <b>(24,698)</b>    | <b>(35,373,355)</b>  |
| Impairment loss / reversal of impairment loss    | -                    | -                     | -                    | -                 | -                  | (214,518)          | (214,518)            |
| Other changes                                    | -                    | -                     | -                    | -                 | (2,337,047)        | -                  | (2,337,047)          |
|  | <b>-</b>             | <b>-</b>              | <b>-</b>             | <b>-</b>          | <b>(2,337,047)</b> | <b>(214,518)</b>   | <b>(2,551,565)</b>   |
| <b>Closing carrying value as at 30 June 2023</b> | <b>1,083,437,202</b> | <b>4,207,253,256</b>  | <b>1,008,934,764</b> | <b>36,997,459</b> | <b>12,410,311</b>  | <b>165,158,483</b> | <b>6,514,191,479</b> |



# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2023

## Notes to the Audited Annual Financial Statements

Figures in Rand

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

|                               |                      |                      |                      |                   |                   |                    |                      |
|-------------------------------|----------------------|----------------------|----------------------|-------------------|-------------------|--------------------|----------------------|
| Cost                          | 1,083,510,891        | 7,743,096,777        | 1,115,821,454        | 42,251,820        | 12,410,311        | 391,770,499        | 10,388,861,752       |
| Construction work-in-progress | -                    | 201,166,171          | 32,119,579           | 7,618,322         | -                 | 75,900             | 240,979,972          |
| Accumulated depreciation      | (73,689)             | (3,737,009,692)      | (139,006,269)        | (12,872,683)      | -                 | (226,687,912)      | (4,115,650,245)      |
|                               | <b>1,083,437,202</b> | <b>4,207,253,256</b> | <b>1,008,934,764</b> | <b>36,997,459</b> | <b>12,410,311</b> | <b>165,158,487</b> | <b>6,514,191,479</b> |

The remaining useful lives of assets were reviewed and adjusted where necessary during 2023. This was treated as a change in accounting estimate. All changes in accounting estimates are applied prospectively and accordingly no prior year adjustments were made due to the review of remaining useful lives of assets.



# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2023

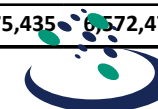
## Notes to the Audited Annual Financial Statements

Figures in Rand

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

2022

|   | Land                 | Infrastructure assets | Buildings            | Other assets      | Capital spares    | Movable assets     | Total                |
|---|----------------------|-----------------------|----------------------|-------------------|-------------------|--------------------|----------------------|
| <b>Opening carrying value at 01 July 2021</b>           |                      |                       |                      |                   |                   |                    |                      |
| Cost  | 947,451,220          | 7,271,187,678         | 1,026,777,580        | 38,716,330        | 11,528,909        | 359,589,559        | 9,655,251,276        |
| Construction work-in-progress                           | -                    | 376,507,948           | 25,401,957           | 3,512,416         | -                 | -                  | 405,422,321          |
| Accumulated depreciation                                | -                    | (3,423,918,173)       | (195,826,849)        | (8,907,462)       | -                 | (209,763,145)      | (3,838,415,629)      |
|   | <b>947,451,220</b>   | <b>4,223,777,453</b>  | <b>856,352,688</b>   | <b>33,321,284</b> | <b>11,528,909</b> | <b>149,826,414</b> | <b>6,222,257,968</b> |
| Additions from acquisitions                             | 1,603,700            | 86,010,055            | 13,956,305           | 3,632,189         | -                 | 15,256,810         | 120,459,059          |
| WIP additions   | -                    | 34,783,728            | 8,306,106            | 2,751,805         | -                 | -                  | 45,841,639           |
| Additions - transfers from WIP                          | -                    | 266,506,673           | 634,000              | -                 | -                 | -                  | 267,140,673          |
| Revaluation adjustments                                 | 171,404,310          | -                     | 264,458,679          | -                 | -                 | -                  | 435,862,989          |
| Reversal of Depreciation against asset cost             | -                    | -                     | (195,811,822)        | -                 | -                 | -                  | (195,811,822)        |
| Reversal of Depreciation against asset Acc depreciation | -                    | -                     | 195,811,822          | -                 | -                 | -                  | 195,811,822          |
| Depreciation  | 40                   | (163,669,960)         | (69,241,133)         | (1,601,882)       | -                 | (14,392,933)       | (248,905,908)        |
|   | <b>173,008,010</b>   | <b>223,630,496</b>    | <b>218,113,957</b>   | <b>4,782,112</b>  | <b>-</b>          | <b>863,877</b>     | <b>620,398,452</b>   |
| <b>Carrying value of disposals / transfers</b>          |                      |                       |                      |                   |                   |                    |                      |
| Cost - disposals  | (2,240,810)          | (13,864,870)          | (295,800)            | (91,785)          | -                 | (17,385,530)       | (33,878,795)         |
| Cost - WIP Transfer to complete                         | -                    | (266,506,673)         | (634,000)            | -                 | -                 | -                  | (267,140,673)        |
| Accumulated depreciation - disposals                    | -                    | 10,375,119            | 19,822               | 91,785            | -                 | 17,079,462         | 27,566,188           |
| Cost - Transfers  | (5,513,791)          | 8,031,027             | -                    | -                 | -                 | -                  | 2,517,236            |
|   | <b>(7,754,601)</b>   | <b>(261,965,397)</b>  | <b>(909,978)</b>     | <b>-</b>          | <b>-</b>          | <b>(306,068)</b>   | <b>(270,936,044)</b> |
| Impairment loss / reversal of impairment loss           | (73,689)             | -                     | (785,593)            | -                 | -                 | (1,608,788)        | (2,468,070)          |
| Other changes   | -                    | -                     | -                    | -                 | 3,218,449         | -                  | 3,218,449            |
|   | <b>(73,689)</b>      | <b>-</b>              | <b>(785,593)</b>     | <b>-</b>          | <b>3,218,449</b>  | <b>(1,608,788)</b> | <b>750,379</b>       |
| <b>Closing carrying value as at 30 June 2022</b>        | <b>1,112,630,940</b> | <b>4,185,442,552</b>  | <b>1,072,771,074</b> | <b>38,103,396</b> | <b>14,747,358</b> | <b>148,775,435</b> | <b>6,572,470,755</b> |



# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2023

## Notes to the Audited Annual Financial Statements

Figures in Rand

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

|                               |                      |                      |                      |                   |                   |                    |                      |
|-------------------------------|----------------------|----------------------|----------------------|-------------------|-------------------|--------------------|----------------------|
| Cost                          | 1,112,704,629        | 7,617,870,564        | 1,109,718,942        | 42,256,734        | 14,747,358        | 357,460,838        | 10,254,759,065       |
| Construction work-in-progress | -                    | 144,785,003          | 33,074,063           | 6,264,221         | -                 | -                  | 184,123,287          |
| Accumulated depreciation      | (73,689)             | (3,577,213,015)      | (70,021,931)         | (10,417,559)      | -                 | (208,685,403)      | (3,866,411,597)      |
|                               | <b>1,112,630,940</b> | <b>4,185,442,552</b> | <b>1,072,771,074</b> | <b>38,103,396</b> | <b>14,747,358</b> | <b>148,775,435</b> | <b>6,572,470,755</b> |

The remaining useful lives of assets were reviewed and adjusted where necessary during 2022. This was treated as a change in accounting estimate. All changes in accounting estimates are applied prospectively and accordingly no prior year adjustments were made due to the review of remaining useful lives of assets.

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

Included in the carrying value for land is an amount of R2,945,685 (2022: R2,945,685) 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 2023

## Notes to the Audited Annual Financial Statements

| Figures in Rand | 2023 | 2022 |
|-----------------|------|------|
|-----------------|------|------|

### 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 2021/22 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 impairment losses were recognised during the year:

|              |                |                  |
|--------------|----------------|------------------|
| Land         | -              | 73,689           |
| Buildings    | -              | 785,592          |
| Other assets | 214,518        | 1,608,788        |
| <b>Total</b> | <b>214,518</b> | <b>2,468,069</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 remaining useful lives and residual values of items of property, plant and equipment has been performed. The change in the estimated remaining useful lives and residual values of various assets of the municipality has resulted in a decrease in depreciation of R 4,295,858 (2022: R 7,098,696). It is impracticable to estimate the effect of these changes on future periods.

#### 3.6 Property, plant and equipment under construction

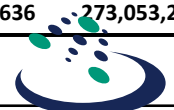
No projects were identified where construction or development has been halted, or that is taking a significantly longer period of time to complete than expected.

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

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

##### 2023

|                       | Buildings, structures and other assets | Infrastructure assets | Moveable assets   | Total              |
|-----------------------|--|-----------------------|-------------------|--------------------|
| <b>Expenditure</b>    |  |                       |                   |                    |
| Contracted Services   | 12,136,118                             | 34,819,399            | 30,543,341        | 77,498,858         |
| Employee Related Cost | 59,180,643                             | 112,653,866           | 5,828,507         | 177,663,016        |
| Inventory             | 3,115,571                              | 9,405,820             | 5,053,788         | 17,575,179         |
| Operation Cost        | 3,010                                  | 313,204               | -                 | 316,214            |
|                       | <b>74,435,342</b>                      | <b>157,192,289</b>    | <b>41,425,636</b> | <b>273,053,267</b> |



# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2023

## Notes to the Audited Annual Financial Statements

| Figures in Rand | 2023 | 2022 |
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### 3. Property, plant and equipment (continued)

#### 2022

|                       | Buildings, structures and other assets | Infrastructure assets | Movable 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> |

### 4. Heritage assets

#### 4.1 Reconciliation of carrying value

#### 2023

|  | Land and buildings | Monuments and parks | Other assets     | Total             |
|--|--------------------|---------------------|------------------|-------------------|
| <b>Opening carrying value as at 01 July 2022</b> |                    |                     |                  |                   |
| Cost   | 24,295,000         | 22,250,000          | 1,088,645        | 47,633,645        |
| Accumulated impairment losses                    | -                  | -                   | -                | -                 |
|  | <b>24,295,000</b>  | <b>22,250,000</b>   | <b>1,088,645</b> | <b>47,633,645</b> |
| <b>Closing carrying value as at 30 June 2023</b> | <b>24,295,000</b>  | <b>22,250,000</b>   | <b>1,088,645</b> | <b>47,633,645</b> |

#### 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>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> |
| <b>Cost</b>                                      | <b>24,295,000</b>  | <b>22,250,000</b>   | <b>1,088,645</b> | <b>47,633,645</b> |



# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2023

## 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.

### 4.2 Maintenance of heritage assets

#### 2023

The following maintenance costs were incurred:

|                       | Land and buildings | Monuments and parks | Other assets | Total            |
|-----------------------|--------------------|---------------------|--------------|------------------|
| Contracted Services   | -                  | 57,024              | -            | 57,024           |
| Employee Related Cost | -                  | 5,252,303           | -            | 5,252,303        |
| Inventory             | -                  | 232,351             | -            | 232,351          |
| Operational Cost      | -                  | -                   | -            | -                |
| <b>Total</b>          | <b>-</b>           | <b>5,541,678</b>    | <b>-</b>     | <b>5,541,678</b> |



# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2023

## Notes to the Audited Annual Financial Statements

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|-----------------|------|------|

### 4. Heritage assets (continued)

#### 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>-</b>           | <b>5,518,385</b>    | <b>-</b>     | <b>5,518,385</b> |

### 5. Intangible assets

#### 5.1 Reconciliation of carrying value

#### 2023

|  | Computer software | Plan and designs | Licence and rights | Total            |
|--|-------------------|------------------|--------------------|------------------|
| <b>Opening carrying value as at 01 July 2022</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> |
| Amortisation                                     | (695,278)         | -                | (16,134)           | (711,412)        |
| <b>Carrying value of disposals / transfers</b>   |                   |                  |                    |                  |
| Cost   | (1,066,622)       | -                | (77,883)           | (1,144,505)      |
| Accumulated amortisation and impairment          | 888,126           | -                | 42,343             | 930,469          |
|  | <b>(178,496)</b>  | <b>-</b>         | <b>(35,540)</b>    | <b>(214,036)</b> |
| <b>Closing carrying value as at 30 June 2023</b> | <b>3,656,727</b>  | <b>-</b>         | <b>32,731</b>      | <b>3,689,458</b> |
| Cost   | 9,667,730         | -                | 887,833            | 10,555,563       |
| Accumulated amortisation and impairment          | (6,011,003)       | -                | (855,102)          | (6,866,105)      |
|  | <b>3,656,727</b>  | <b>-</b>         | <b>32,731</b>      | <b>3,689,458</b> |





# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2023

## Notes to the Audited Annual Financial Statements

| Figures in Rand                           |    | 2023              | 2022             |                    |             |
|---|----|-------------------|------------------|--------------------|-------------|
| 5. Intangible assets (continued)          |    |                   |                  |                    |             |
| 2022                                      |    |                   |                  |                    |             |
|   |    | Computer software | Plan and designs | Licence and rights | Total       |
| Opening carrying value as at 01 July 2021 |    |                   |                  |                    |             |
| Cost                                      |    | 10,591,041        | 89,659           | 965,715            | 11,646,415  |
| Accumulated amortisation and impairment   |    | (5,587,596)       | (60,968)         | (742,852)          | (6,391,416) |
|   |    | 5,003,445         | 28,691           | 222,863            | 5,254,999   |
| Additions from acquisitions               |    | 348,031           | -                | -                  | 348,031     |
| Amortisation                              | 40 | (820,975)         | (28,691)         | (138,458)          | (988,124)   |
|   |    | (472,944)         | (28,691)         | (138,458)          | (640,093)   |
| Carrying value of disposals / transfers   |    |                   |                  |                    |             |
| Cost                                      |    | (204,720)         | (89,659)         | -                  | (294,379)   |
| Accumulated amortisation and impairment   |    | 204,720           | 89,659           | -                  | 294,379     |
|   |    | -                 | -                | -                  | -           |
| Closing carrying value as at 30 June 2022 |    | 4,530,501         | -                | 84,405             | 4,614,906   |
|   |    |                   |                  |                    |             |
| Cost                                      |    | 10,734,353        | -                | 965,715            | 11,700,068  |
| Accumulated amortisation and impairment   |    | (6,203,852)       | -                | (881,310)          | (7,085,162) |
|   |    | 4,530,501         | -                | 84,405             | 4,614,906   |

The amortisation expense has been included in the line item 'Depreciation and Amortisation' in the Statement of financial performance and financial position (see Note 40).

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.

### 5.2 Change in estimate

A review of the remaining useful lives for intangible assets has been performed. The change in the estimated remaining useful lives of various intangible assets of the municipality has resulted in a decrease in amortisation of R 57,183 (2022: R 1,954). It is impracticable to estimate the effect of these changes on future periods.



# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2023

## Notes to the Audited Annual Financial Statements

| Figures in Rand                                | 2023              | 2022              |
|--|-------------------|-------------------|
| <b>6. Investment property</b>                  |                   |                   |
| <b>6.1 Reconciliation of carrying value</b>    |                   |                   |
| <b>Opening carrying value</b>                  |                   |                   |
| Cost   | 59,096,957        | 55,452,957        |
| Accumulated depreciation and impairment losses | -                 | -                 |
|  | <b>59,096,957</b> | <b>55,452,957</b> |
| Fair Value Adjustments                         | 4,877,766         | 3,644,000         |
| Other movements (transfers to IP)              | 18,810,277        | -                 |
|  | <b>23,688,043</b> | <b>3,644,000</b>  |
| <b>Carrying value of disposals / transfers</b> |                   |                   |
| Cost   | (885,000)         | -                 |
| <b>Closing carrying value</b>                  | <b>81,900,000</b> | <b>59,096,957</b> |
| Cost   | 81,900,000        | 59,096,957        |
| Accumulated depreciation and impairment losses | -                 | -                 |
|  | <b>81,900,000</b> | <b>59,096,957</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 2022/2023

The date of fair value assessment was on 30 June 2023.

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 and financial position include rental revenue earned from investment property to the amount of R 121,891 (2022: R 193,303).

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 49 for more detailed information.



# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2023

## Notes to the Audited Annual Financial Statements

| Figures in Rand  |            | 2023       | 2022          |
|--|------------|------------|---------------|
| <b>7. Non-current receivables from exchange transactions</b> |            |            |               |
| <b>Other receivables</b>                                     |            |            |               |
| Housing selling schemes                                      |            | 18,225     | 121,637       |
| Transferred to current receivables                           | 13         | (18,121)   | (26,762)      |
| <b>Total non-current other receivables</b>                   | <b>7.1</b> | <b>104</b> | <b>94,875</b> |



# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2023

## Notes to the Audited Annual Financial Statements

Figures in Rand

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

#### 7.1 Other non-current receivables

|                         | 2023           |                 |               | 2022           |                  |                |
|-------------------------|----------------|-----------------|---------------|----------------|------------------|----------------|
|                         | Gross          | Impairment      | Total         | Gross          | Impairment       | Total          |
| Housing selling schemes | 38,388         | (20,163)        | 18,225        | 220,080        | (98,443)         | 121,637        |
| Public organisations    | 77,834         | (77,834)        | -             | 77,834         | (77,834)         | -              |
| <b>Total</b>            | <b>116,222</b> | <b>(97,997)</b> | <b>18,225</b> | <b>297,914</b> | <b>(176,277)</b> | <b>121,637</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 2023

## Notes to the Audited Annual Financial Statements

Figures in Rand

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

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

|                         | 2023            |                   |                 | 2022            |  |                 |
|-------------------------|-----------------|-------------------|-----------------|-----------------|--|-----------------|
|                         | Opening balance | Impairment raised | Closing balance | Opening balance | Impairment reversed / debt written off | Closing balance |
| Housing selling schemes | 98,443          | (78,280)          | 20,163          | 203,340         | (104,897)                              | 98,443          |
| Public organisation     | 77,834          | -                 | 77,834          | -               | 77,834                                 | 77,834          |
| <b>Total</b>            | <b>176,277</b>  | <b>(78,280)</b>   | <b>97,997</b>   | <b>203,340</b>  | <b>(27,063)</b>                        | <b>176,277</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 2023

## Notes to the Audited Annual Financial Statements

| Figures in Rand   | 2023              | 2022              |
|---|-------------------|-------------------|
| <b>8. Inventories</b>   |                   |                   |
| Consumables   | 4,280,313         | 3,900,542         |
| Materials and supplies  | 38,322,856        | 37,694,388        |
| Water   | 558,677           | 535,720           |
| Spare parts for Plant & Equipment                             | 460,028           | 176,810           |
| Plants held for resale  | 129,317           | 123,762           |
| Land for BNG housing  | 9,837,705         | 8,458,006         |
| Less: Inventory held as spare parts for infrastructure assets | (12,410,311)      | (14,747,341)      |
| <b>Total Inventories</b>                                      | <b>41,178,585</b> | <b>36,141,887</b> |

No inventories were pledged as security for liabilities.

During the year inventory to the amount of R 83,684 (2022: R 59,321) was written off due to discrepancies identified during the annual stock count. An amount of R 85,089 (2022: R 0) was written off due to valuation of inventory at the lower of cost and NRV in accordance with GRAP 12. A gain of R0 (2022: R139,953) due to the reversal of prior year NRV adjustments was recognised.

Inventories of R 12,410,311 (2022: R 14,474,341) are held as major spare parts for infrastructure assets and has been transferred to property, plant and equipment.

## 9. Trade and other receivables from exchange transactions

|  |     |                    |                    |
|--|-----|--------------------|--------------------|
| <b>Consumer receivables from exchange transactions</b> | 9.1 |                    |                    |
| Electricity  |     | 208,155,887        | 212,396,000        |
| Water  |     | 43,697,263         | 44,815,858         |
| Waste management                                       |     | 26,453,913         | 45,897,535         |
| Waste water management                                 |     | 21,921,259         | 33,188,202         |
| Housing rental scheme                                  |     | 1,488,383          | 925,001            |
| Housing selling scheme                                 |     | 97,852             | 58,125             |
|  |     | <b>301,814,557</b> | <b>337,280,721</b> |
| <b>Other receivables from exchange transactions</b>    | 9.2 |                    |                    |
| Sundry debtors   |     | 22,809,917         | 20,568,938         |
| Other receivables from exchange transactions           |     | 8,737,388          | 7,583,964          |
| Less: Provision for impairment                         |     | (13,098,111)       | (12,030,822)       |
|  |     | <b>18,449,194</b>  | <b>16,122,080</b>  |
| <b>Total receivables from exchange transactions</b>    |     | <b>320,263,751</b> | <b>353,402,801</b> |

### 9.1 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.



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

|                             | 2023               |                      |                    | 2022               |                     |                    |
|-----------------------------|--------------------|----------------------|--------------------|--------------------|---------------------|--------------------|
|                             | Gross              | Impairment           | Total              | Gross              | Impairment          | Total              |
| <b>Consumer receivables</b> |                    |                      |                    |                    |                     |                    |
| Electricity                 | 231,747,715        | (23,591,828)         | 208,155,887        | 237,865,760        | (25,469,760)        | 212,396,000        |
| Water                       | 104,008,795        | (60,311,532)         | 43,697,263         | 89,862,858         | (45,047,000)        | 44,815,858         |
| Waste management            | 71,530,842         | (45,076,929)         | 26,453,913         | 56,209,809         | (10,312,274)        | 45,897,535         |
| Waste water management      | 48,841,147         | (26,919,888)         | 21,921,259         | 40,239,101         | (7,050,899)         | 33,188,202         |
| Housing rental scheme       | 7,081,338          | (5,592,955)          | 1,488,383          | 6,225,471          | (5,300,470)         | 925,001            |
| Housing selling scheme      | 1,051,875          | (954,023)            | 97,852             | 862,547            | (804,422)           | 58,125             |
| <b>Total</b>                | <b>464,261,712</b> | <b>(162,447,155)</b> | <b>301,814,557</b> | <b>431,265,546</b> | <b>(93,984,825)</b> | <b>337,280,721</b> |

#### 9.1.1 Ageing of consumer receivables

##### 2023

|                             | Not due            |                  | Past due          |                  |                   |                  |
|-----------------------------|--------------------|------------------|-------------------|------------------|-------------------|------------------|
|                             | Current            | Current impaired | 31 - 60           | 31 - 60 impaired | 61 - 90           | 61 - 90 Impaired |
| <b>Consumer receivables</b> |                    |                  |                   |                  |                   |                  |
| <b>Ageing by debt type</b>  |                    |                  |                   |                  |                   |                  |
| Electricity                 | 168,726,304        | 1,585,161        | 8,033,760         | 1,500,548        | 3,470,906         | 1,541,458        |
| Water                       | 25,836,885         | 1,442,332        | 6,451,764         | 1,774,696        | 3,905,416         | 2,211,361        |
| Waste management            | 12,511,300         | 561,065          | 3,703,556         | 583,757          | 2,990,559         | 1,376,034        |
| Waste water management      | 12,869,205         | 399,958          | 2,584,739         | 412,253          | 1,938,292         | 891,698          |
| Housing rental schemes      | 489,859            | 22,996           | 301,847           | 28,012           | 221,312           | 28,858           |
| Housing selling scheme      | 29,175             | 2,305            | 23,206            | 2,297            | 21,808            | 2,346            |
| <b>Total</b>                | <b>220,462,728</b> | <b>4,013,817</b> | <b>21,098,872</b> | <b>4,301,563</b> | <b>12,548,293</b> | <b>6,051,755</b> |

|                             | Past due           |                    |                    |                    |                                   |
|-----------------------------|--------------------|--------------------|--------------------|--------------------|-----------------------------------|
|                             | 91 - 120+          | 91 - 120+ impaired | Total              | Total impaired     | Total - Past due but not impaired |
| <b>Consumer receivables</b> |                    |                    |                    |                    |                                   |
| <b>Ageing by debt type</b>  |                    |                    |                    |                    |                                   |
| Electricity                 | 51,516,746         | 18,964,661         | 231,747,716        | 23,591,828         | 41,014,745                        |
| Water                       | 67,814,730         | 54,883,143         | 104,008,795        | 60,311,532         | 19,302,710                        |
| Waste management            | 52,325,427         | 42,556,073         | 71,530,842         | 45,076,929         | 14,503,678                        |
| Waste water management      | 31,448,911         | 25,215,979         | 48,841,147         | 26,919,888         | 9,452,012                         |
| Housing rental scheme       | 6,068,320          | 5,513,089          | 7,081,338          | 5,592,955          | 1,021,520                         |
| Housing selling scheme      | 977,686            | 947,075            | 1,051,875          | 954,023            | 70,982                            |
| <b>Total</b>                | <b>210,151,820</b> | <b>148,080,020</b> | <b>464,261,713</b> | <b>162,447,155</b> | <b>85,365,647</b>                 |



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

2022

|                             | Not due            |                  | Past due          |                  |                   |                  |
|-----------------------------|--------------------|------------------|-------------------|------------------|-------------------|------------------|
|                             | Current            | Current impaired | 31 - 60           | 31 - 60 impaired | 61 - 90           | 61 - 90 Impaired |
| <b>Consumer receivables</b> |                    |                  |                   |                  |                   |                  |
| <b>Ageing by debt type</b>  |                    |                  |                   |                  |                   |                  |
| Electricity                 | 186,455,173        | 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 schemes      | 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>232,587,122</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</b> |                    |                    |                    |                   |                                   |
| <b>Ageing by debt type</b>  |                    |                    |                    |                   |                                   |
| Electricity                 | 36,968,763         | 20,028,121         | 237,865,760        | 25,469,760        | 27,717,573                        |
| Water                       | 56,674,409         | 40,145,662         | 89,862,858         | 45,047,000        | 22,827,876                        |
| Waste management            | 40,342,004         | 9,129,965          | 56,209,809         | 10,312,274        | 35,712,523                        |
| Waste water management      | 24,794,263         | 6,112,938          | 40,239,101         | 7,050,899         | 21,743,548                        |
| Housing rental scheme       | 5,531,223          | 5,246,802          | 6,225,471          | 5,300,470         | 563,509                           |
| Housing selling scheme      | 805,784            | 778,885            | 862,547            | 804,422           | 42,064                            |
| <b>Total</b>                | <b>165,116,446</b> | <b>81,442,373</b>  | <b>431,265,546</b> | <b>93,984,825</b> | <b>108,607,093</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.

In 2023 the model for the impairment of debtors was further refined and the credit control measures available per ward was considered. Drakenstein normally restricts electricity on outstanding accounts as per its Credit Control and Debt Collection Policy, by means of a block on prepaid electricity meters (see par 8.9 of the Credit Control and Debt Collection Policy) or disconnection of credit meters. However, the municipality does not have any credit control mechanisms to restrict electricity (via prepaid meter blocking) in the areas of Saron, Gouda & Hermon (Wards 30 & 31), where a consumer account falls in arrears, as these areas are serviced by Eskom directly, prohibiting credit control measures. All debt older than 60 days is regarded as fully impaired for these areas.

Included in the Allowance for Doubtful Debts are individually impaired Consumer receivables with a balance of R1,862,221 (2022: R2,421,935) 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

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

#### 9.2 Other receivables from exchange transactions

|  | 2023              |                     |                   | 2022              |                     |                   |
|--|-------------------|---------------------|-------------------|-------------------|---------------------|-------------------|
|  | Gross             | Impairment          | Total             | Gross             | Impairment          | Total             |
| Sundry debtors                               | 22,809,917        | -                   | 22,809,917        | 20,568,938        | -                   | 20,568,938        |
| Other receivables from exchange transactions | 8,737,388         | -                   | 8,737,388         | 7,583,964         | -                   | 7,583,964         |
| Less: Provision for impairment               | -                 | (13,098,111)        | (13,098,111)      | -                 | (12,030,822)        | (12,030,822)      |
| <b>Total</b>                                 | <b>31,547,305</b> | <b>(13,098,111)</b> | <b>18,449,194</b> | <b>28,152,902</b> | <b>(12,030,822)</b> | <b>16,122,080</b> |

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

|                      | 2023               |                   |  |                    | 2022               |                   |  |                    |
|----------------------|--------------------|-------------------|--|--------------------|--------------------|-------------------|--|--------------------|
|                      | Opening balance    | Impairment raised | Impairment reversed / debt written off | Closing balance    | Opening balance    | Impairment raised | Impairment reversed / debt written off | Closing balance    |
| Consumer receivables | 93,984,824         | 83,019,511        | (14,557,181)                           | 162,447,154        | 108,980,741        | 26,453,720        | (41,449,637)                           | 93,984,824         |
| Other receivables    | 12,030,822         | 1,749,882         | (682,593)                              | 13,098,111         | 11,303,911         | 1,839,114         | (1,112,203)                            | 12,030,822         |
| <b>Total</b>         | <b>106,015,646</b> | <b>84,769,393</b> | <b>(15,239,774)</b>                    | <b>175,545,265</b> | <b>120,284,652</b> | <b>28,292,834</b> | <b>(42,561,840)</b>                    | <b>106,015,646</b> |



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## Notes to the Audited Annual Financial Statements

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|---|--------------------|--------------------|
| <b>10. Receivables from non-exchange transactions</b> |                    |                    |
| <b>Consumer receivables</b>                           | 10.1               |                    |
| Property rates  | 41,470,262         | 47,169,876         |
| Electricity   | 628,595            | 836,131            |
| Water   | 578,468            | 1,028,144          |
| Waste management                                      | 1,286,451          | 2,773,083          |
| Waste water management                                | 761,348            | 2,668,515          |
| Fines   | 34,218,439         | 15,918,401         |
|   | <b>78,943,563</b>  | <b>70,394,150</b>  |
| <b>Other receivables</b>                              |                    |                    |
| Grants and subsidies                                  | 14,617,459         | 15,992,655         |
| Prepayments   | 8,640,357          | 8,405,196          |
| Other receivables                                     | 4,934,872          | 7,279,718          |
| Rental leases: straight line                          | 8,345              | 13,935             |
|   | <b>28,201,033</b>  | <b>31,691,504</b>  |
| <b>Total receivables</b>                              | <b>107,144,596</b> | <b>102,085,654</b> |

### 10.1 Receivables from non-exchange transactions

|                              | 2023               |                      |                    | 2022               |                      |                    |
|------------------------------|--------------------|----------------------|--------------------|--------------------|----------------------|--------------------|
|                              | Gross              | Impairment           | Total              | Gross              | Impairment           | Total              |
| <b>Consumer receivables</b>  |                    |                      |                    |                    |                      |                    |
| Property rates               | 62,558,049         | (21,087,787)         | 41,470,262         | 55,478,606         | (8,308,730)          | 47,169,876         |
| Electricity                  | 1,267,692          | (639,097)            | 628,595            | 1,015,247          | (179,116)            | 836,131            |
| Water                        | 2,355,498          | (1,777,030)          | 578,468            | 2,061,718          | (1,033,574)          | 1,028,144          |
| Waste management             | 3,751,253          | (2,464,802)          | 1,286,451          | 3,045,275          | (272,192)            | 2,773,083          |
| Waste water management       | 3,299,853          | (2,538,505)          | 761,348            | 2,774,499          | (105,984)            | 2,668,515          |
| Fines                        | 186,089,864        | (151,871,425)        | 34,218,439         | 182,239,880        | (166,321,479)        | 15,918,401         |
|                              | <b>259,322,209</b> | <b>(180,378,646)</b> | <b>78,943,563</b>  | <b>246,615,225</b> | <b>(176,221,075)</b> | <b>70,394,150</b>  |
| <b>Other receivables</b>     |                    |                      |                    |                    |                      |                    |
| Grants and subsidies         | 14,617,459         | -                    | 14,617,459         | 15,992,655         | -                    | 15,992,655         |
| Prepayments                  | 8,640,357          | -                    | 8,640,357          | 8,405,196          | -                    | 8,405,196          |
| Other receivables            | 4,934,872          | -                    | 4,934,872          | 7,279,718          | -                    | 7,279,718          |
| Rental leases: straight line | 8,345              | -                    | 8,345              | 13,935             | -                    | 13,935             |
|                              | <b>28,201,033</b>  | <b>-</b>             | <b>28,201,033</b>  | <b>31,691,504</b>  | <b>-</b>             | <b>31,691,504</b>  |
| <b>Total</b>                 | <b>287,523,242</b> | <b>(180,378,646)</b> | <b>107,144,596</b> | <b>278,306,729</b> | <b>(176,221,075)</b> | <b>102,085,654</b> |



# Drakenstein Municipality

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## Notes to the Audited Annual Financial Statements

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

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

|   | 2023               |                   |  |                    | 2022               |                   |  |                    |
|---|--------------------|-------------------|--|--------------------|--------------------|-------------------|--|--------------------|
|   | Opening balance    | Contributions     | Impairment reversed / debt written off | Closing balance    | Opening balance    | Contributions     | Impairment reversed / debt written off | Closing balance    |
| <b>Reconciliation of impairment provision</b> |                    |                   |  |                    |                    |                   |  |                    |
| Property rates                                | 8,308,729          | 13,380,119        | (601,061)                              | 21,087,787         | 10,555,208         | (801,017)         | (1,445,461)                            | 8,308,730          |
| Availability charges receivables              | 1,590,866          | 5,993,229         | (164,661)                              | 7,419,434          | 2,597,223          | (668,921)         | (337,436)                              | 1,590,866          |
| Fines   | 166,321,479        | 73,192,195        | (87,642,249)                           | 151,871,425        | 170,894,084        | 88,557,866        | (93,130,471)                           | 166,321,479        |
| <b>Total</b>                                  | <b>176,221,074</b> | <b>92,565,543</b> | <b>(88,407,971)</b>                    | <b>180,378,646</b> | <b>184,046,515</b> | <b>87,087,928</b> | <b>(94,913,368)</b>                    | <b>176,221,075</b> |



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

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

2023

|                             | Not due           |                  | Past due          |                  |                   |                  |
|-----------------------------|-------------------|------------------|-------------------|------------------|-------------------|------------------|
|                             | Current           | Current impaired | 31 - 60           | 31 - 60 impaired | 61 - 90           | 61 - 90 Impaired |
| <b>Consumer receivables</b> |                   |                  |                   |                  |                   |                  |
| <b>Aging by debt type</b>   |                   |                  |                   |                  |                   |                  |
| Property rates              | 27,475,615        | 788,759          | 3,836,205         | 789,100          | 2,619,323         | 855,119          |
| Electricity                 | 274,287           | 10,204           | 69,467            | 10,204           | 52,273            | 10,204           |
| Water                       | 172,813           | 7,587            | 78,820            | 7,587            | 66,085            | 33,343           |
| Waste management            | 668,296           | 19,186           | 156,751           | 19,186           | 132,793           | 71,356           |
| Waste water management      | 260,281           | 12,276           | 119,195           | 12,276           | 103,020           | 55,469           |
| Fines                       | 6,196,493         | 5,269,162        | 9,346,312         | 7,866,504        | 10,468,528        | 8,504,298        |
| <b>Total</b>                | <b>35,047,785</b> | <b>6,107,174</b> | <b>13,606,750</b> | <b>8,704,857</b> | <b>13,442,022</b> | <b>9,529,789</b> |

|                             | Past due           |                    |                    |                    |                                   |
|-----------------------------|--------------------|--------------------|--------------------|--------------------|-----------------------------------|
|                             | 91 - 120+          | 91 - 120+ impaired | Total              | Total impaired     | Total - Past due but not impaired |
| <b>Consumer receivables</b> |                    |                    |                    |                    |                                   |
| <b>Aging by debt type</b>   |                    |                    |                    |                    |                                   |
| Property rates              | 28,626,906         | 18,654,809         | 62,558,049         | 21,087,787         | 14,783,406                        |
| Electricity                 | 871,665            | 608,485            | 1,267,692          | 639,097            | 364,512                           |
| Water                       | 2,037,780          | 1,728,513          | 2,355,498          | 1,777,030          | 413,242                           |
| Waste management            | 2,793,413          | 2,355,074          | 3,751,253          | 2,464,802          | 637,341                           |
| Waste water management      | 2,817,357          | 2,458,484          | 3,299,853          | 2,538,505          | 513,343                           |
| Fines                       | 160,078,531        | 130,231,461        | 186,089,864        | 151,871,425        | 33,291,108                        |
| <b>Total</b>                | <b>197,225,652</b> | <b>156,036,826</b> | <b>259,322,209</b> | <b>180,378,646</b> | <b>50,002,952</b>                 |



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

2022

|                             | Not due           |                  | Past due          |                  |                   |                  |
|-----------------------------|-------------------|------------------|-------------------|------------------|-------------------|------------------|
|                             | Current           | Current impaired | 31 - 60           | 31 - 60 impaired | 61 - 90           | 61 - 90 Impaired |
| <b>Consumer receivables</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</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            | 173,476            | 1,015,247          | 179,116            | 664,051                           |
| Water                       | 1,796,870          | 1,028,758          | 2,061,718          | 1,033,574          | 882,505                           |
| Waste management            | 2,231,573          | 220,888            | 3,045,275          | 272,192            | 2,218,920                         |
| Waste water management      | 2,369,248          | 94,380             | 2,774,499          | 105,984            | 2,447,411                         |
| Fines                       | 156,981,811        | 144,533,123        | 182,239,880        | 166,321,479        | 14,848,939                        |
| <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>                 |

#### Property rates

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

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

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

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

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



# Drakenstein Municipality

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

#### 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.

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.



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|-----------------|------|------|

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

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

The fair value of other receivables was determined after considering the standard terms and conditions of agreements entered into between the municipality and National / Provincial Departments as well as other receivables. The current payment ratio 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.

### 11. Cash and cash equivalents

#### 11.1 Bank accounts

The municipality has the following bank accounts:

|  |                |                   |                   |
|--|----------------|-------------------|-------------------|
| FNB Primary Bank Account                     | 627-023-103-85 | -                 | 19,916,665        |
| FNB Secondary Account                        | 627-023-123-49 | -                 | -                 |
| FNB Traffic Fines Bank Account               | 620-715-265-14 | -                 | -                 |
| FNB Motor Vehicle Licensing Bank Account     | 628-046-375-70 | -                 | -                 |
| Nedbank Primary Bank Account                 | 122-750-451-9  | 89,615,886        | -                 |
| Nedbank Secondary Bank Account               | 122-906-183-5  | 4,064,561         | -                 |
| Nedbank Traffic Fines Bank Account           | 122-906-180-0  | 5,718             | -                 |
| Nedbank Motor Vehicle Licensing Bank Account | 122-906-181-9  | 16,459            | -                 |
| Nedbank Sundry Receipts Bank Account         | 122-906-184-3  | 138,702           | -                 |
| <b>Total</b>                                 |                | <b>93,841,326</b> | <b>19,916,665</b> |
| Bank statement balance at beginning of year  |                | 19,487,755        | 86,252,360        |
| Bank statement balance at end of year        |                | 97,765,214        | 19,487,755        |
| Cash book balance at beginning of year       |                | 19,916,665        | 87,671,202        |
| Bank statement balance at end of year        |                | 97,765,214        | 19,487,755        |
| Net movement / reconciling items             |                | (3,923,888)       | 428,910           |
| <b>Cash book balance at end of year</b>      |                | <b>93,841,326</b> | <b>19,916,665</b> |

Comparative figures have been restated, refer to note 49 for more detail information.



# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2023

## Notes to the Audited Annual Financial Statements

| Figures in Rand                                     | 2023               | 2022               |
|---|--------------------|--------------------|
| <b>11. Cash and cash equivalents (continued)</b>    |                    |                    |
| <b>11.2 Cash and cash equivalents</b>               |                    |                    |
| Cash and cash equivalents consist of the following: |                    |                    |
| <b>Call deposits and investments</b>                |                    |                    |
| Short term investment deposits                      | 351,404,153        | 169,942,000        |
| <b>Cash at bank</b>                                 |                    |                    |
| Bank account  | 93,841,326         | 19,916,665         |
| Cash on hand  | 24,952             | 24,952             |
| <b>Total cash and cash equivalents</b>              | <b>445,270,431</b> | <b>189,883,617</b> |

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

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                | 93-5338-8392         | CALL DEPOSIT           | 48,777,383         | 17,309,378         |
| ABSA BANK                | 93-5591-4684         | CALL DEPOSIT           | 61,854,655         | 38,984,463         |
| ABSA BANK                | 93-5612-6210         | CALL DEPOSIT           | 62,694,374         | 58,394,773         |
| ABSA BANK                | 90-5907-5162         | CALL DEPOSIT           | 71                 | 71                 |
|                          |                      |                        | <b>173,326,483</b> | <b>114,688,685</b> |
| NEDBANK                  | 03/7881536373/000052 | CALL DEPOSIT           | 5,153,403          | -                  |
| NEDBANK                  | 03/7881536373/000211 | NOTICE DEPOSIT ACCOUNT | -                  | 10,000,000         |
|                          |                      |                        | <b>5,153,403</b>   | <b>10,000,000</b>  |
| GRINDROD BANK            | 611166               | CALL DEPOSIT           | 17,000,000         | -                  |
|                          |                      |                        | <b>17,000,000</b>  | -                  |
| STANDARD BANK            | 07-875-830-0-056     | CALL DEPOSIT           | -                  | 20,253,315         |
| STANDARD BANK            | 07-875-830-0-057     | CALL DEPOSIT           | 26,741,692         | 25,000,000         |
| STANDARD BANK            | 07-875-830-0-060     | CALL DEPOSIT           | 104,007,404        | -                  |
| STANDARD BANK            | 07-875-830-0-063     | CALL DEPOSIT           | 25,175,171         | -                  |
|                          |                      |                        | <b>155,924,267</b> | <b>45,253,315</b>  |
| <b>Total investments</b> |                      |                        | <b>351,404,153</b> | <b>169,942,000</b> |

### 12. Short term investments

|               |   |            |
|---------------|---|------------|
| Grindrod Bank | - | 40,000,000 |
|---------------|---|------------|

Short term investments consisted of two notice deposits accounts in 2022 with account numbers respectively 196420 and 198235 of R20,000,000 each which matures within 5 months after year end. All investments are call deposits at year end 2023.





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|---|---|-------------------|-------------------|
| <b>13. Current portion of non-current receivables</b> |   |                   |                   |
| Current portion of non-current receivables            | 7 | 18,121            | 26,762            |
| <b>14. VAT control receivable</b>                     |   |                   |                   |
| Accrual VAT transactions                              |   | 4,970,636         | 4,147,971         |
| VAT return balance                                    |   | 9,427,411         | 10,850,269        |
| <b>Total</b>  |   | <b>14,398,047</b> | <b>14,998,240</b> |

VAT receivable, interest and other charges arises from Value Added Tax Act 89 of 1991.

Comparative figures have been restated, refer to note 49 for more detail information.

### 15. Borrowings

|   |  |                      |                      |
|---|--|----------------------|----------------------|
| <b>Total borrowings</b>   |  |                      |                      |
| Annuity Loans   |  | 1,539,712,709        | 1,618,401,012        |
| <b>Less: Current portion transferred to current liabilities</b> |  |                      |                      |
| Annuity Loans   |  | (84,460,268)         | (78,688,302)         |
| <b>Non-current borrowings</b>                                   |  | <b>1,455,252,441</b> | <b>1,539,712,710</b> |

#### 15.1 Summary of arrangements

Annuity loans are repaid over periods varying from 1 to 14 (2022: 1 to 15) years and at interest rates varying from 9.87% to 11.48% (2022: 9.68% to 11.48%) per annum.

Annuity loans are not secured.

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

##### 2023

|  | Amortised cost | Total          |
|--|----------------|----------------|
| <b>Carrying value as at 30 June 2023</b> |                |                |
| Finance lease liability                  | 817,986        | 817,986        |
| Transferred to current liabilities       | (345,347)      | (345,347)      |
| <b>Total non-current liabilities</b>     | <b>472,639</b> | <b>472,639</b> |

##### 2022

|  | Amortised cost | Total    |
|--|----------------|----------|
| <b>Carrying value as at 30 June 2022</b> |                |          |
| Finance lease liability                  | 26,762         | 26,762   |
| Transferred to current liabilities       | (26,762)       | (26,762) |
| <b>Total non-current liabilities</b>     | <b>-</b>       | <b>-</b> |



# Drakenstein Municipality

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| <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                             | 564,408          | 27,036        |
| Payable within two to five years                    | 564,408          | -             |
| <b>Total minimum lease payments</b>                 | <b>1,128,816</b> | <b>27,036</b> |
| Less: Future finance charges                        | (310,830)        | (274)         |
|   | <b>817,986</b>   | <b>26,762</b> |
| <b>Present value of minimum lease payments</b>      |                  |               |
| Payable within one year                             | 345,347          | 26,762        |
| Payable within two to five years                    | 472,639          | -             |
|   | <b>817,986</b>   | <b>26,762</b> |

Finance leases were entered into for certain photocopier machines for a lease period of 36 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 | 201,416,000        | 195,128,000        |
| Ex-Gratia pension benefits           | 17.2 | 688,000            | 807,000            |
| Provision for long-service awards    | 17.3 | 43,705,000         | 44,210,000         |
|                                      |      | <b>245,809,000</b> | <b>240,145,000</b> |

### Current employee benefits

|                                      |      |                    |                    |
|--------------------------------------|------|--------------------|--------------------|
| Post-employment health care benefits | 17.1 | 11,856,000         | 10,966,001         |
| Ex-Gratia pension benefits           | 17.2 | 108,000            | 108,000            |
| Provision for long-service awards    | 17.3 | 5,109,000          | 3,716,000          |
| Provision for bonuses                | 17.4 | 20,568,587         | 19,901,977         |
| Performance bonuses                  | 17.5 | 2,762,856          | 2,400,802          |
| Provision for staff leave            | 17.6 | 44,968,080         | 44,677,102         |
|                                      |      | <b>85,372,523</b>  | <b>81,769,882</b>  |
| <b>Total employee benefits</b>       |      | <b>331,181,523</b> | <b>321,914,882</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 municipality operates an unfunded defined benefit plan for these qualifying employees.

The most recent actuarial valuations of the present value of the defined benefit obligation were carried out at 30 June 2023 by Mr Julian van der Spuy and Ms Gabriella Knipe 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.



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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)  | 713        | 731        |
| Continuation members (Retirees) | 215        | 213        |
| <b>Total members</b>            | <b>928</b> | <b>944</b> |

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

|                                 |                    |                    |
|---------------------------------|--------------------|--------------------|
| In-service members (Employees)  | 105,127,000        | 106,249,000        |
| Continuation members (Retirees) | 108,145,000        | 99,845,001         |
| <b>Total liability</b>          | <b>213,272,000</b> | <b>206,094,001</b> |
| Non-current                     | 201,416,000        | 195,128,000        |
| Current                         | 11,856,000         | 10,966,001         |
| <b>Total liability</b>          | <b>213,272,000</b> | <b>206,094,001</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 5,961,000 whereas the Interest Cost is estimated to be R 27,170,000.

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.'



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### 17. Employee benefits (continued)

The Actuaries used the nominal and real zero curves as at 30 June 2023 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   | 213,272,000        | 206,094,001        |
| <b>Total benefit liability</b>          | <b>213,272,000</b> | <b>206,094,001</b> |

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

|   |                   |                   |
|---|-------------------|-------------------|
| Current service cost  | 7,525,000         | 6,380,000         |
| Interest cost   | 24,178,000        | 20,954,000        |
| Actuarial loss/ (gain) recognised in the year                           | (13,696,556)      | (8,843,977)       |
| <b>Total post-retirement benefit included in employee related costs</b> | <b>18,006,444</b> | <b>18,490,023</b> |

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

|  |                    |                    |
|--|--------------------|--------------------|
| Balance at the beginning of the year                           | 206,094,001        | 198,323,001        |
| Current service cost   | 7,525,000          | 6,380,000          |
| Interest cost  | 24,178,000         | 20,954,000         |
| Actual employer benefit payments                               | (10,828,445)       | (10,719,023)       |
| Actuarial loss/ (gain) recognised in the year                  | (13,696,556)       | (8,843,977)        |
| <b>Present value of fund obligation at the end of the year</b> | <b>213,272,000</b> | <b>206,094,001</b> |



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| <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   | 10,828,444   | 10,719,023   |
| Benefits paid   | (10,828,444) | (10,719,023) |
| <b>Balance at the end of the year</b>   | <b>-</b>     | <b>-</b>     |

History of experienced adjustments are as follow:

|   | 2019               | 2020               | 2021               | 2022               | 2023               |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|
| Present value of defined benefit obligation | 210,897,000        | 177,959,000        | 198,323,000        | 206,094,000        | 213,272,000        |
| Fair value of plan assets                   | -                  | -                  | -                  | -                  | -                  |
| <b>Deficit</b>                              | <b>210,897,000</b> | <b>177,959,000</b> | <b>198,323,000</b> | <b>206,094,000</b> | <b>213,272,000</b> |

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

|   | -1%<br>Decrease | +1%<br>Increase |
|---|-----------------|-----------------|
| Effect on the defined benefit obligation            | 190,083,000     | 241,001,000     |
| Effect on the aggregate of the interest cost        | 24,113,000      | 30,830,000      |
| Effect on the aggregate of the current service cost | 4,967,000       | 7,205,000       |

### Total accrued liability

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

|   | -20%<br>Mortality rate | +20%<br>Mortality rate |
|---|------------------------|------------------------|
| Total accrued liability                             | 231,627,000            | 198,281,000            |
| Effect on the aggregate of the interest cost        | 29,575,000             | 25,206,000             |
| Effect on the aggregate of the current service cost | 6,500,000              | 5,510,000              |

The municipality expects to make a contribution of R 11,856,000 to the Defined Benefit Plan during the next financial year.

Refer to note 58 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

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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 Gouda) 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 2023 by Mr Julian van der Spuy and Ms Gabriella Knipe 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)  | 105        | 114        |
| Continuation members (Retirees) | 4          | 4          |
| <b>Total members</b>            | <b>109</b> | <b>118</b> |

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

|                                 |                |                |
|---------------------------------|----------------|----------------|
| In-service members (Employees)  | 552,000        | 640,000        |
| Continuation members (Retirees) | 244,000        | 275,000        |
| <b>Total liability</b>          | <b>796,000</b> | <b>915,000</b> |

|                        |                |                |
|------------------------|----------------|----------------|
| Non-current            | 688,000        | 807,000        |
| Current                | 108,000        | 108,000        |
| <b>Total liability</b> | <b>796,000</b> | <b>915,000</b> |

|                  |                |                |
|------------------|----------------|----------------|
| Lump sum benefit | 552,000        | 640,000        |
| Pension benefit  | 244,000        | 275,000        |
|                  | <b>796,000</b> | <b>915,000</b> |

The interest-cost for the next year is estimated to be R 67,000. 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                      | 9.76 % | 9.06 % |
| Consumer Price Inflation (CPI)     | 5.66 % | 6.61 % |
| Pension increase rate (Pensioners) | 6.66 % | 7.61 % |
| Net effective discount rate        | 2.91 % | 1.35 % |

##### Pensioner valuation

|                                    |        |        |
|------------------------------------|--------|--------|
| Discount rate                      | 9.23 % | 8.13 % |
| Consumer Price Inflation (CPI)     | 5.23 % | 5.83 % |
| Pension increase rate (Pensioners) | 6.23 % | 6.83 % |
| Net effective discount rate        | 2.82 % | 1.22 % |



# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2023

## Notes to the Audited Annual Financial Statements

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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 2023 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   | 796,000        | 915,000        |
| <b>Total benefit liability</b>          | <b>796,000</b> | <b>915,000</b> |

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

|   |                 |                  |
|---|-----------------|------------------|
| Service cost  | -               | -                |
| Interest cost   | 74,000          | 82,000           |
| Actuarial (Gains) / Losses recognised                                   | (136,343)       | (227,274)        |
| <b>Total post-retirement benefit included in employee related costs</b> | <b>(62,343)</b> | <b>(145,274)</b> |

(Note 38)

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

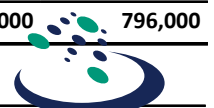
|  |                |                |
|--|----------------|----------------|
| Balance at the beginning of the year                               | 915,000        | 1,123,000      |
| Service cost   | -              | -              |
| Interest cost  | 74,000         | 82,000         |
| Benefits paid  | (56,657)       | (62,726)       |
| Actuarial (Gains) / Losses recognised                              | (136,343)      | (227,274)      |
| <b>Present value of the fund obligation at the end of the year</b> | <b>796,000</b> | <b>915,000</b> |

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

|                                       |          |          |
|---------------------------------------|----------|----------|
| Balance at the beginning of the year  | -        | -        |
| Contributions from employer           | (56,657) | (62,726) |
| Benefits paid                         | 56,657   | 62,726   |
| <b>Balance at the end of the year</b> | <b>-</b> | <b>-</b> |

The history of experienced adjustments are as follow:

|   | 2019             | 2020             | 2021             | 2022           | 2023           |
|---|------------------|------------------|------------------|----------------|----------------|
| Present value of defined benefit obligation | 1,771,000        | 1,141,000        | 1,123,000        | 915,000        | 796,000        |
| Fair value of plan assets                   | -                | -                | -                | -              | -              |
| <b>Deficit</b>                              | <b>1,771,000</b> | <b>1,141,000</b> | <b>1,123,000</b> | <b>915,000</b> | <b>796,000</b> |



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## Notes to the Audited Annual Financial Statements

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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%<br>Decrease | 1%<br>Increase |
|--|----------------|----------------|
| Effect on the interest cost              | 767,000        | 825,000        |
| Effect on the defined benefit obligation | 64,000         | 69,000         |

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

Refer to note 58 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              | 48,814,000        | 47,926,000        |
| Less: Transfer to current provisions           | (5,109,000)       | (3,716,000)       |
| <b>Total non-current provisions</b>            | <b>43,705,000</b> | <b>44,210,000</b> |
| Non-current                                    | 43,705,000        | 44,210,000        |
| Current  | 5,109,000         | 3,716,000         |
| <b>Total provisions at the end of the year</b> | <b>48,814,000</b> | <b>47,926,000</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 2023 by Mr Julian van der Spuy and Ms Gabriella Knipe 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 1646 (2022: 1701) employees were eligible for Long Service 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.





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### 17. Employee benefits (continued)

The Actuaries used the nominal and real zero curves as at 30 June 2023 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 | 48,814,000        | 47,926,000        |
| <b>Total benefit liability</b>        | <b>48,814,000</b> | <b>47,926,000</b> |

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

|   |                  |                  |
|---|------------------|------------------|
| Current service cost                                    | 3,313,000        | 3,037,000        |
| Interest cost   | 5,625,000        | 4,560,000        |
| Actuarial losses / (gains) recognised                   | (3,872,842)      | 2,053,072        |
| <b>Total expense included in employee related costs</b> | <b>5,065,158</b> | <b>9,650,072</b> |

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

|                                       |                   |                   |
|---------------------------------------|-------------------|-------------------|
| Balance at the beginning of the year  | 47,926,000        | 43,253,000        |
| Service cost                          | 3,313,000         | 3,037,000         |
| Interest cost                         | 5,625,000         | 4,560,000         |
| Benefits paid                         | (4,177,158)       | (4,977,072)       |
| Actuarial losses / (gains) recognised | (3,872,842)       | 2,053,072         |
| <b>Balance at the end of the year</b> | <b>48,814,000</b> | <b>47,926,000</b> |

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

|                                       |             |             |
|---------------------------------------|-------------|-------------|
| Balance at the beginning of the year  | -           | -           |
| Contributions from the employer       | 4,177,158   | 4,977,072   |
| Benefits paid                         | (4,177,158) | (4,977,072) |
| <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%<br>Decrease | +1%<br>Increase |
|---|-----------------|-----------------|
| Effect on the defined benefit obligation            | 45,943,000      | 51,965,000      |
| Effect on the aggregate of the current service cost | 3,021,000       | 3,492,000       |
| Effect on the aggregate of the interest cost        | 5,903,000       | 6,710,000       |

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

|   | -20%<br>Withdrawal<br>rate | +20%<br>Withdrawal<br>rate |
|---|----------------------------|----------------------------|
| Effect on the defined benefit obligation            | 50,743,000                 | 47,053,000                 |
| Effect on the aggregate of the current service cost | 3,440,000                  | 3,070,000                  |
| Effect on the aggregate of the interest cost        | 6,549,000                  | 6,040,000                  |

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### 17. Employee benefits (continued)

The municipality expects to make a contribution of R 5,109,000 to the Defined Benefit Plan during the next financial year.

The Future-service Cost for the ensuing year is estimated to be R 3,244,000 whereas the Interest Cost is estimated to be R 6,287,000.

#### 17.4 Provision for bonuses

The movement in provisions for bonuses are reconciled as follow:

|   |                   |                   |
|---|-------------------|-------------------|
| Balance at the beginning of the year          | 19,901,977        | 19,276,622        |
| Net movement                                  | 666,610           | 625,355           |
| <b>Balance at the end of the year</b>         | <b>20,568,587</b> | <b>19,901,977</b> |
| Non-current                                   | -                 | -                 |
| Current                                       | 20,568,587        | 19,901,977        |
| <b>Total provision at the end of the year</b> | <b>20,568,587</b> | <b>19,901,977</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.

#### 17.5 Performance bonuses

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

##### Strategic management team

|   |                  |                  |
|---|------------------|------------------|
| Leibbrandt, JH (City Manager)   | 290,882          | 278,236          |
| Brown, B (Chief Financial Officer)  | 233,705          | 223,545          |
| Johaar, S (Executive Director: Corporate Services)                        | 233,705          | 223,545          |
| Wüst, M (Executive Director: Engineering Services)                        | 233,705          | 223,545          |
| Esau, G (Executive Director: Community Services)                          | 233,705          | 223,545          |
| Samson-Swartz, JJ (Executive Director: Planning and Economic Development) | 233,705          | 223,545          |
|   | <b>1,459,407</b> | <b>1,395,961</b> |

##### Provision for performance bonuses

|                                  |                  |                  |
|----------------------------------|------------------|------------------|
| Balance at beginning of the year | 2,400,800        | 2,311,734        |
| Bonus paid                       | (1,004,841)      | (953,033)        |
| Reversal of prior provision      | (92,510)         | (353,860)        |
| Increase in provision            | 1,459,407        | 1,395,961        |
| <b>Closing balance</b>           | <b>2,762,856</b> | <b>2,400,802</b> |
| Non-current                      | -                | -                |
| Current                          | 2,762,856        | 2,400,802        |
| <b>Closing balance</b>           | <b>2,762,856</b> | <b>2,400,802</b> |



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Audited Annual Financial Statements for the year ended 30 June 2023

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|--|------|--------------------|--------------------|
| <b>17. Employee benefits (continued)</b>                               |      |                    |                    |
| <b>17.6 Provision for staff leave</b>                                  |      |                    |                    |
| Staff leave provision  |      | 44,968,080         | 44,677,102         |
| Non-current  |      | -                  | -                  |
| Current  |      | 44,968,080         | 44,677,102         |
| <b>Total provisions at the end of the year</b>                         |      | <b>44,968,080</b>  | <b>44,677,102</b>  |
| <b>18. Provisions</b>  |      |                    |                    |
| Provision for rehabilitation of landfill sites                         | 18.1 | 259,023,420        | 218,484,399        |
| Transferred to current provisions                                      |      | (462,350)          | (570,790)          |
| <b>Total non-current provisions</b>                                    |      | <b>258,561,070</b> | <b>217,913,609</b> |
| Balance of non-current provision for rehabilitation at end of year     |      | 258,561,070        | 217,913,609        |
| Balance of current provision for rehabilitation at end of year         |      | 462,350            | 570,790            |
| <b>Total</b>   |      | <b>259,023,420</b> | <b>218,484,399</b> |
| <b>18.1 Provision for rehabilitation of landfill sites</b>             |      |                    |                    |
| Opening Balance  |      | 218,484,399        | 195,378,926        |
| Change in estimate: asset increase ito iGRAP2                          |      | 23,154,176         | 8,807,999          |
| Change in estimate: asset decrease ito iGRAP2                          |      | (1,367,754)        | (776,972)          |
| Change in estimate: Provision liability increase/(decrease) ito iGRAP2 |      | -                  | -                  |
| Unwinding of discount & other changes                                  |      | 18,752,599         | 15,074,446         |
| <b>Closing balance</b>   |      | <b>259,023,420</b> | <b>218,484,399</b> |
| Transferred to current provisions                                      |      | (462,350)          | (570,790)          |
| <b>Total non-current provision</b>                                     |      | <b>258,561,070</b> | <b>217,913,609</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 2023.



# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2023

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|-----------------------------------|------------------------------|------------------------------|--------------------|--------------------|
| <b>18. Provisions (continued)</b> |                              |                              |                    |                    |
| Location                          | Proposed rehabilitation date | Post closure monitoring date |                    |                    |
| Wellington existing               | 2031/2032                    | 2061/2062                    | 79,981,486         | 60,581,357         |
| Wellington old                    | 2031/2032                    | 2059/2060                    | 43,378,853         | 34,066,629         |
| Gouda                             | Rehabilitation complete      | 2052/2053                    | 1,051,091          | 721,662            |
| Saron                             | Rehabilitation complete      | 2052/2053                    | 1,445,007          | 610,010            |
| Hermon                            | Rehabilitation complete      | 2052/2053                    | 1,003,751          | 704,452            |
| Dal Josafat                       | 2024/2025                    | 2054/2055                    | 21,656,168         | 19,504,514         |
| Orleans                           | 2024/2025                    | 2054/2055                    | 40,103,667         | 36,297,061         |
| Boy Louw                          | 2024/2025                    | 2054/2055                    | 68,359,988         | 62,680,227         |
| Klapmuts Landfill                 | Rehabilitation complete      | 2029/2030                    | 1,388,159          | 1,164,745          |
| Wateruintjiesvlei Landfill        | Rehabilitation complete      | 2029/2030                    | 655,250            | 2,153,742          |
|                                   |                              |                              | <b>259,023,420</b> | <b>218,484,399</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 5.60% - 6.50% has been determined and a discounted rate of 9.19%-12.32% 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. Consumer deposits

|          |            |            |
|----------|------------|------------|
| Deposits | 72,713,346 | 65,330,962 |
|----------|------------|------------|

Guarantees held in lieu of deposits were R 21,276,222 (2022: R 20,618,922).

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.



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|--|------|--------------------|--------------------|
| <b>20. Trade and other payables from exchange transactions</b> |      |                    |                    |
| Trade Creditors  | 20.1 | 165,704,755        | 151,064,804        |
| Payments received in advance                                   | 20.2 | 66,578,191         | 45,779,189         |
| Retention  | 20.3 | 7,850,299          | 13,009,574         |
| Other payables   | 20.4 | 19,803,806         | 14,343,658         |
| Net VAT accrual on outstanding receivables                     | 20.5 | 39,286,572         | 43,224,269         |
| <b>Total</b>   |      | <b>299,223,623</b> | <b>267,421,494</b> |

### 20.1 Trade Creditors

|  |                    |                    |
|--|--------------------|--------------------|
| Eskom Limited (Electricity bulk purchases) | 132,801,735        | 114,035,749        |
| Other trade creditors                      | 32,903,020         | 37,029,055         |
| <b>Total</b>                               | <b>165,704,755</b> | <b>151,064,804</b> |

### 20.2 Payments received in advance

|                              |            |            |
|------------------------------|------------|------------|
| Payments received in advance | 66,578,191 | 45,779,189 |
|------------------------------|------------|------------|

### 20.3 Retention

|            |           |            |
|------------|-----------|------------|
| Retentions | 7,850,299 | 13,009,574 |
|------------|-----------|------------|

### 20.4 Other payables

|                             |            |            |
|-----------------------------|------------|------------|
| Other payables and accruals | 19,803,806 | 14,343,658 |
|-----------------------------|------------|------------|

### 20.5 Net VAT accrual on outstanding receivables

|                                    |                   |                   |
|------------------------------------|-------------------|-------------------|
| VAT accrual on receivables         | 58,455,911        | 54,417,656        |
| VAT on provision for doubtful debt | (19,169,339)      | (11,193,387)      |
| <b>Total</b>                       | <b>39,286,572</b> | <b>43,224,269</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.

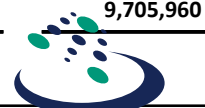
The management of the municipality is of the opinion that the carrying value of creditors approximate their fair values.

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

## 21. Unspent conditional grants and receipts

### Conditional grants from other spheres of government

|  |                   |                  |
|--|-------------------|------------------|
| National Government                          | -                 | -                |
| Provincial Government                        | 7,707,407         | 5,184,981        |
| Other Grants                                 | 3,140,675         | 4,157,407        |
| Donations and other contributions            | 363,572           | 363,572          |
| <b>Total conditional grants and receipts</b> | <b>11,211,654</b> | <b>9,705,960</b> |



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|--|-------------------|-------------------|
| <b>21. Unspent conditional grants and receipts (continued)</b>   |                   |                   |
| These amounts are separately invested in terms of section 12 of the MFMA. Refer note 36 for more detail of grants from National and Provincial Government. |                   |                   |
| Refer to Appendix "C" for more detail on Conditional Grants.   |                   |                   |
| The prior year comparatives have been restated, please refer to note 49 for more detail information.   |                   |                   |
| <b>22. Housing Development Fund</b>  |                   |                   |
| <b>Realising housing proceeds</b>  |                   |                   |
| Opening balance  | 27,846,641        | 25,219,314        |
| Plus: Interest and redemption, and other on housing schemes  | 15,640            | 56,486            |
| Plus: (Net loss) / surplus on letting schemes  | 2,777,371         | 2,858,250         |
| Less: Housing subsidies expenditure  | (130,562)         | (287,409)         |
| <b>Balance at the end of the year</b>  | <b>30,509,090</b> | <b>27,846,641</b> |
| <b>Unrealised housing proceeds</b>   |                   |                   |
| Opening balance  | 297,912           | 632,424           |
| Long term housing loans  | (181,693)         | (334,512)         |
| <b>Balance at the end of the year</b>  | <b>116,219</b>    | <b>297,912</b>    |
| <b>Total</b>   | <b>30,625,309</b> | <b>28,144,553</b> |

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

## 23. Reserves and Funds

|                      |               |               |
|----------------------|---------------|---------------|
| Re-valuation reserve | 1,713,539,005 | 1,787,635,465 |
|----------------------|---------------|---------------|

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 49 for more detail information.

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

## 24. Accumulated surplus/ (deficit)

|                               |               |               |
|-------------------------------|---------------|---------------|
| Accumulated Surplus/(Deficit) | 3,317,639,642 | 3,103,384,610 |
|-------------------------------|---------------|---------------|

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

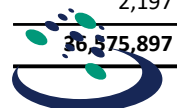


# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2023

## Notes to the Audited Annual Financial Statements

| Figures in Rand                                     | 2023                 | 2022                 |
|---|----------------------|----------------------|
| <b>25. Service charges</b>                          |                      |                      |
| <b>Electricity</b>                                  |                      |                      |
| Consumption - Electricity                           | 1,416,182,828        | 1,436,339,113        |
| Less: Income forgone                                | (47,316,267)         | (50,452,024)         |
| <b>Total</b>  | <b>1,368,866,561</b> | <b>1,385,887,089</b> |
| <b>Water</b>  |                      |                      |
| Consumption - Water                                 | 207,689,921          | 185,981,326          |
| Less: Income forgone                                | (14,478,370)         | (16,655,390)         |
| <b>Total</b>  | <b>193,211,551</b>   | <b>169,325,936</b>   |
| <b>Waste management</b>                             |                      |                      |
| Consumption - Waste management                      | 204,123,496          | 186,791,866          |
| Less: Income forgone                                | (48,681,037)         | (51,052,887)         |
| <b>Total</b>  | <b>155,442,459</b>   | <b>135,738,979</b>   |
| <b>Waste water management</b>                       |                      |                      |
| Consumption - Waste water management                | 169,228,224          | 154,349,187          |
| Less: Income forgone                                | (25,124,324)         | (28,633,138)         |
| <b>Total</b>  | <b>144,103,900</b>   | <b>125,716,049</b>   |
| <b>Total service charges</b>                        | <b>1,861,624,471</b> | <b>1,816,668,053</b> |
| <b>26. Availability charges</b>                     |                      |                      |
| <b>Electricity</b>                                  |                      |                      |
| Availability charges                                | 2,250,026            | 1,902,418            |
| <b>Waste management</b>                             |                      |                      |
| Availability charges                                | 3,893,471            | 3,153,904            |
| <b>Waste water management</b>                       |                      |                      |
| Availability charges                                | 3,304,521            | 2,804,994            |
| <b>Water</b>  |                      |                      |
| Availability charges                                | 2,171,116            | 1,841,167            |
| <b>Total availability charges</b>                   | <b>11,619,134</b>    | <b>9,702,483</b>     |
| <b>27. Sales of goods and rendering of services</b> |                      |                      |
| Advertisements                                      | 3,739                | 2,609                |
| Building Plan Approval                              | 9,860,093            | 7,569,421            |
| Camping Fees  | 877,320              | 1,173,750            |
| Cemetery and Burial                                 | 3,143,541            | 4,097,651            |
| Cleaning and Removal                                | 336,996              | 403,750              |
| Demolition Application Fees                         | 11,406               | 6,213                |
| Entrance Fees                                       | 781,260              | 562,115              |
| Legal Fees  | 1,451,554            | 1,069,843            |
| Library Fees  | 37,476               | 66,098               |
| Management Fees (Library)                           | 17,351,304           | 17,394,783           |
| Occupation Certificates                             | 599,141              | 592,188              |
| Photocopies and Faxes                               | 244,833              | 175,721              |
| Sale of Goods                                       | 62,951               | 3,459,558            |
| Scrap, Waste & Other Goods                          | -                    | 2,197                |
| <b>Total</b>  | <b>34,761,614</b>    | <b>36,575,897</b>    |

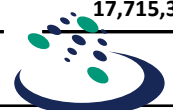


# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2023

## Notes to the Audited Annual Financial Statements

| Figures in Rand  | 2023              | 2022              |
|--|-------------------|-------------------|
| <b>27. Sales of goods and rendering of services (continued)</b>  |                   |                   |
| The library "grant" was retrospectively reclassified as funds received for sales of goods and rendering of services. The comparative figures have been restated, refer to note 49 for more detail information. |                   |                   |
| <b>28. Rental from fixed assets</b>  |                   |                   |
| Land and buildings   | 1,987,767         | 1,809,665         |
| Housing rentals  | 13,783,830        | 12,349,004        |
| Other rental revenue   | 1,161,669         | 957,121           |
| Less: Income foregone  | (9,851,646)       | (9,867,307)       |
| <b>Total</b>   | <b>7,081,620</b>  | <b>5,248,483</b>  |
| <b>Operating leases (municipality as lessor)</b>   |                   |                   |
| <b>At Statement of Financial Performance date the municipality has contracted with tenants for the following future minimum lease payments:</b>  |                   |                   |
| Within one year  | 745,731           | 522,771           |
| In second to fifth year inclusive  | 1,513,582         | 1,008,002         |
| After five years   | -                 | 825               |
| <b>Total</b>   | <b>2,259,313</b>  | <b>1,531,598</b>  |
| The Municipality has significant current lease arrangements for land and buildings over a period varying from 2 up to 32 years (2022: 2 up to 32 years) being subject to increased lease payments.             |                   |                   |
| All contingent lease payments are based on the actual contract value of the property leased and the escalations vary from 7.5% up to 12.32%.   |                   |                   |
| No other restrictions were imposed.  |                   |                   |
| <b>29. Interests on investments</b>  |                   |                   |
| Short-term investments and call accounts   | 36,829,830        | 9,673,336         |
| <b>30. Interest on receivables</b>   |                   |                   |
| Exchange receivables   | 12,884,062        | 7,271,333         |
| <b>31. Operational revenue</b>   |                   |                   |
| <b>Revenue from exchange transactions</b>  |                   |                   |
| Operation revenue from exchange transactions   | 5,821,341         | 13,272,599        |
| Development Charges  | 8,396,150         | 2,935,215         |
| <b>Total</b>   | <b>14,217,491</b> | <b>16,207,814</b> |
| <b>Revenue from non-exchange transactions</b>  |                   |                   |
| Goods and services received in kind  | 1,770,924         | 1,507,493         |
| Exchange Revenue   | 14,217,491        | 16,207,814        |
| Non-exchange revenue   | 1,770,924         | 1,507,493         |
| <b>Total operational revenue</b>   | <b>15,988,415</b> | <b>17,715,307</b> |





# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2023

## Notes to the Audited Annual Financial Statements

| Figures in Rand   |      | 2023                | 2022               |
|---|------|---------------------|--------------------|
| <b>31. Operational revenue (continued)</b>  |      |                     |                    |
| <b>Services received in kind</b>  |      |                     |                    |
| During the financial year, the municipality received goods and services in kind, that was recognised in terms of GRAP 23.   |      |                     |                    |
| <b>32. Licences or permits</b>  |      |                     |                    |
| Exchange revenue  |      | 21,094,733          | 20,745,433         |
| Included in licenses and permits is an amount of R17,301,982 (2022: R16,707,734) 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>33. Fair value and loss on disposal adjustments on assets</b>  |      |                     |                    |
| Gains/(losses) on disposals   | 33.1 | (18,864,341)        | (3,295,951)        |
| Fair value adjustment   | 33.2 | 4,877,766           | 3,641,627          |
| Gain on Raw water at fair value   |      | 1,987,149           | -                  |
| <b>Total</b>  |      | <b>(11,999,426)</b> | <b>345,676</b>     |
| <b>33.1 Gains/(losses) on disposals</b>   |      |                     |                    |
| Gains / (losses) on disposal on PPE, IA, IP & HA  |      | (12,712,293)        | 1,990,332          |
| Gains / (losses) on fair value adjustment   |      | (85,089)            | 139,954            |
| Water losses  |      | (6,066,959)         | (5,426,237)        |
| <b>Total</b>  |      | <b>(18,864,341)</b> | <b>(3,295,951)</b> |
| <b>33.2 Fair value adjustment</b>   |      |                     |                    |
| Investment property   |      | 4,877,766           | 3,644,000          |
| Financial assets  |      | -                   | (2,373)            |
| <b>Total</b>  |      | <b>4,877,766</b>    | <b>3,641,627</b>   |

The comparative figures have been restated, refer to note 49 for more detail information.



# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2023

## Notes to the Audited Annual Financial Statements

| Figures in Rand                          | 2023               | 2022               |
|--|--------------------|--------------------|
| <b>34. Property rates</b>                |                    |                    |
| Residential properties                   | 330,814,272        | 320,323,110        |
| Business and commercial properties       | 107,664,133        | 101,262,789        |
| Farm properties                          | 66,772,294         | 67,144,384         |
| Mining properties                        | 274,231            | 274,231            |
| Municipal properties                     | 16,513,433         | 15,375,307         |
| National monument properties             | 166,054            | 166,054            |
| Other categories                         | 26,064,037         | 21,385,360         |
| Protected areas                          | 278,706            | 275,548            |
| Public benefit organisations             | 1,863,549          | 1,846,402          |
| Public service infrastructure properties | 1,167,223          | 1,166,705          |
| State-owned properties                   | 28,482,741         | 35,244,448         |
| Less: Income forgone / rebates           | (142,877,871)      | (147,580,615)      |
| <b>Total</b>                             | <b>437,182,802</b> | <b>416,883,723</b> |

### Valuation as at 30 June 2023

|                                  |                       |                       |
|----------------------------------|-----------------------|-----------------------|
| Residential                      | 47,122,505,800        | 45,391,306,400        |
| Agricultural                     | 9,431,304,850         | 9,439,584,850         |
| Commercial                       | 9,267,406,000         | 8,797,771,000         |
| Other categories                 | 6,454,101,900         | 5,696,746,400         |
| State-owned properties           | 2,953,750,500         | 2,947,382,500         |
| <b>Total property valuations</b> | <b>75,229,069,050</b> | <b>72,272,791,150</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.

### 35. Fines, penalties and forfeits

|                               |      |             |             |
|-------------------------------|------|-------------|-------------|
| Fines, penalties and forfeits | 35.1 | 104,450,941 | 105,224,151 |
|-------------------------------|------|-------------|-------------|

#### 35.1 Fines, penalties and forfeits

|                                   |  |                    |                    |
|-----------------------------------|--|--------------------|--------------------|
| <b>Traffic fines</b>              |  |                    |                    |
| Service provider fines            |  | 101,720,697        | 101,474,435        |
| <b>Other fines</b>                |  |                    |                    |
| Building fines                    |  | 209,499            | 242,837            |
| Illegal connections - Electricity |  | 356,148            | 726,470            |
| Overdue books                     |  | 22,148             | 40,989             |
| Pound fees                        |  | 2,142,449          | 2,739,420          |
|                                   |  | <b>2,730,244</b>   | <b>3,749,716</b>   |
| <b>Total</b>                      |  | <b>104,450,941</b> | <b>105,224,151</b> |

# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2023

## Notes to the Audited Annual Financial Statements

| Figures in Rand  | 2023               | 2022               |
|--|--------------------|--------------------|
| <b>36. Transfers and subsidies - Revenue</b>   |                    |                    |
| <b>Operational</b>   |                    |                    |
| Allocations  | 205,179,410        | 185,065,228        |
| <b>Capital</b>   |                    |                    |
| Allocations  | 119,514,248        | 117,907,169        |
| <b>Total</b>   | <b>324,693,658</b> | <b>302,972,397</b> |
| <b>Unconditional grants</b>  |                    |                    |
| Equitable share  | 194,354,999        | 171,259,001        |
| <b>Conditional grants</b>  |                    |                    |
| National Government  | 83,678,000         | 83,573,000         |
| Provincial Government  | 21,975,162         | 27,921,148         |
| Other grants   | 3,919,697          | 9,880,476          |
| Donations and other contributions  | 21,846,668         | 10,543,049         |
| <b>Total conditional grants</b>  | <b>131,419,527</b> | <b>131,917,673</b> |
| <b>Subtotal</b>  | <b>325,774,526</b> | <b>303,176,674</b> |
| Offsetting of housing expenditure where municipality is seen as an agent   | (1,080,868)        | -                  |
| Recognition of revenue in terms of GRAP 11   | -                  | (204,277)          |
| <b>Total Government Grant and Subsidies</b>  | <b>324,693,658</b> | <b>302,972,397</b> |
| <b>National Government (Unconditional Grants)</b>  |                    |                    |
| Balance unspent at beginning of year   | -                  | -                  |
| Current year   | (194,354,999)      | (171,259,000)      |
| Conditions met - transferred to revenue  | 194,354,999        | 171,259,000        |
| <b>Conditions still to be met - transferred to liabilities</b>   | <b>21 -</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</b>   |                    |                    |
| Balance unspent at beginning of year   | -                  | -                  |
| Current year receipts  | (83,678,000)       | (83,573,000)       |
| Conditions met - transferred to revenue  | 83,678,000         | 83,573,000         |
| <b>Conditions still to be met - transferred to liabilities</b>   | <b>21 -</b>        | <b>-</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 2023

## Notes to the Audited Annual Financial Statements

| Figures in Rand  |    | 2023               | 2022               |
|--|----|--------------------|--------------------|
| <b>36. Transfers and subsidies - Revenue (continued)</b>       |    |                    |                    |
| <b>Provincial Government</b>                                   |    |                    |                    |
| Balance unspent at beginning of year                           |    | (5,184,980)        | (6,750,594)        |
| Current year receipts  |    | (24,497,588)       | (26,355,534)       |
| Conditions met - transferred to revenue                        |    | 21,975,162         | 27,921,148         |
| <b>Conditions still to be met - transferred to liabilities</b> | 21 | <b>(7,707,406)</b> | <b>(5,184,980)</b> |

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 R1,080,868 (2022: R 0). 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.

The municipality acted as agent for the Provincial Department of Human Settlements for the Fairy Land PHP project. An amount of R2,513,787 (2022: R2,027,050) is included in unspent conditional grants and receipts for this project.

### Other Grants

|  |    |                    |                    |
|--|----|--------------------|--------------------|
| Balance unspent at beginning of year                           |    | (4,157,407)        | (2,807,714)        |
| Current year receipts  |    | (2,902,964)        | (11,230,169)       |
| Conditions met - transferred to revenue                        |    | 3,919,697          | 9,880,476          |
| <b>Conditions still to be met - transferred to liabilities</b> | 21 | <b>(3,140,674)</b> | <b>(4,157,407)</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.

### Donations and other contributions

|  |    |                  |                  |
|--|----|------------------|------------------|
| Balance unspent at beginning of year                           |    | (363,572)        | (363,572)        |
| Current year receipts  |    | (21,846,668)     | (10,543,048)     |
| Conditions met - transferred to revenue                        |    | 21,846,668       | 10,543,048       |
| <b>Conditions still to be met - transferred to liabilities</b> | 21 | <b>(363,572)</b> | <b>(363,572)</b> |

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

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

### 37. Construction contract revenue

#### Housing projects

|                                   |   |                |
|-----------------------------------|---|----------------|
| Kingston / Lantana (Construction) | - | 151,981        |
| Paarl East Housing (Planning)     | - | 52,296         |
| <b>Total</b>                      | - | <b>204,277</b> |

### 38. Employee related cost

|                       |             |             |
|-----------------------|-------------|-------------|
| Employee related cost | 735,660,751 | 716,436,654 |
|-----------------------|-------------|-------------|



# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2023

## Notes to the Audited Annual Financial Statements

Figures in Rand

### 38. Employee related cost (continued)

#### 38.1 Senior management costs

2023

|                                       | JH Leibbrandt<br>City Manager | B Brown<br>Chief Financial<br>Officer | JJ Samson<br>Executive<br>Director:<br>Planning and<br>Development | S Johaar<br>Executive<br>Director:<br>Corporate<br>Services | M Wüst<br>Executive<br>Director:<br>Engineering<br>Services | G Esau<br>Executive<br>Director:<br>Community<br>Services | L Pienaar<br>Acting Executive<br>Director:<br>Engineering<br>Services | LA Waring<br>Executive<br>Director:<br>Planning and<br>Development | Total             |
|---------------------------------------|-------------------------------|---------------------------------------|--|---|---|---|---|--|-------------------|
| Cost to company package               | 2,077,729                     | 1,669,319                             | 1,251,989  | 1,669,319   | 973,769   | 1,669,319   | -   | -  | 9,311,444         |
| Performance bonuses                   | 258,362                       | 175,642                               | -  | 159,675   | 159,675   | 143,707   | -   | 107,780  | 1,004,841         |
| Other allowances and<br>reimbursement | 45,507                        | 70,366                                | 166,360  | 37,924  | 89,973  | 37,924  | -   | 177  | 448,231           |
| Acting allowance                      | -                             | -                                     | -  | -   | -   | -   | 34,070  | -  | 34,070            |
| Back pay of increase in salary        | 9,938                         | 7,983                                 | 7,983  | 7,983   | 7,983   | 7,983   | -   | -  | 49,853            |
|                                       | <b>2,391,536</b>              | <b>1,923,310</b>                      | <b>1,426,332</b>   | <b>1,874,901</b>  | <b>1,231,400</b>  | <b>1,858,933</b>  | <b>34,070</b>   | <b>107,957</b>   | <b>10,848,439</b> |



# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2023

## Notes to the Audited Annual Financial Statements

Figures in Rand

### 38. Employee related cost (continued)

2022

|                                    | JH Leibbrandt<br>City Manager | B Brown<br>Chief Financial<br>Officer | JJ Samson<br>Executive<br>Director:<br>Planning and<br>Development | S Johaar<br>Executive<br>Director:<br>Corporate<br>Services | M Wüst<br>Executive<br>Director:<br>Engineering<br>Services | G Esau<br>Executive<br>Director:<br>Community<br>Services | J Carstens<br>Chief Financial<br>Officer | LA Waring<br>Executive<br>Director:<br>Planning and<br>Development | Total             |
|------------------------------------|-------------------------------|---------------------------------------|--|---|---|---|--|--|-------------------|
| Cost to company packages           | 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> |

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 17.1) is a benefit that the City Manager, Dr JH Leibbrandt, will receive after termination. At 30 June 2023 the present value of the associated liability amounted to R590,632 (2022: R632,085).

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 2023

## Notes to the Audited Annual Financial Statements

| Figures in Rand   | 2023               | 2022               |
|---|--------------------|--------------------|
| <b>38. Employee related cost (continued)</b>                      |                    |                    |
| <b>38.2 Municipal staff costs</b>                                 |                    |                    |
| Basic Salary  | 490,597,504        | 481,502,170        |
| Social Contributions  | 116,650,456        | 112,508,161        |
| Travel or Motor Vehicle   | 30,394,882         | 29,210,676         |
| Housing Benefits  | 3,619,893          | 3,501,891          |
| Overtime payments   | 41,913,970         | 34,964,714         |
| Acting and Post Related Allowances                                | 920,341            | 1,710,542          |
| Shift Additional Remuneration                                     | 2,371,877          | 2,290,229          |
| Standby Allowance   | 9,718,918          | 9,645,665          |
| Night Shift   | 3,203,880          | 3,001,029          |
| Workman Compensation  | 3,422,103          | 3,222,706          |
| Cellular and Telephone  | 4,468,034          | 4,082,765          |
| Contribution to leave reserve                                     | 4,002,737          | 1,759,186          |
| Provision for Performance Bonuses                                 | 1,366,897          | 1,042,099          |
| <b>Defined Benefit Plan Expenses: Post Employment Health Care</b> |                    |                    |
| Current Service Cost  | 7,525,000          | 6,380,000          |
| Actuarial Gains and Losses  | (13,696,556)       | (8,843,977)        |
| Interest Cost   | 24,178,000         | 20,954,000         |
| <b>Defined Benefit Plan Expenses: Ex Gratia Pension Benefits</b>  |                    |                    |
| Actuarial Gains and Losses  | (136,343)          | (227,274)          |
| Interest Cost   | 74,000             | 82,000             |
| <b>Defined Benefit Plan Expenses: Long Services</b>               |                    |                    |
| Current Service Cost  | 3,313,000          | 3,037,000          |
| Actuarial (Gains) / Losses  | (3,872,842)        | 2,053,072          |
| Interest Cost   | 5,625,000          | 4,560,000          |
| <b>Total</b>  | <b>735,660,751</b> | <b>716,436,654</b> |



# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2023

## Notes to the Audited Annual Financial Statements

| Figures in Rand  | 2023              | 2022              |
|--|-------------------|-------------------|
| <b>39. Remuneration of councillors</b>   |                   |                   |
| Executive Mayor (Poole, CJ)  | 1,119,387         | 1,066,454         |
| Speaker (Stowman, AC)  | -                 | 306,746           |
| Speaker (JK Le Roux)   | 895,506           | 539,202           |
| Deputy Executive Mayor (Combrink, GC)  | 895,506           | 845,948           |
| Chief Whip (Koegelenberg, RA)  | -                 | 287,575           |
| Chief Whip (C Kearns)  | 839,539           | 505,502           |
| <b>Mayoral Committee Members - before elections</b>  |                   |                   |
| Mayoral Committee Member of Rural Development (MA Andreas)                                       | -                 | 279,199           |
| Mayoral Committee Member of Social Services (E Gouws)  | -                 | 279,199           |
| Mayoral Committee Member of Human Settlements And Property Development (L Cyster)                | -                 | 279,199           |
| Mayoral Committee Member of Environment And Open Spaces (C Kearns)                               | -                 | 279,199           |
| Mayoral Committee Member of Corporate Services (LP Mokoena)                                      | 7,095             | 279,199           |
| Mayoral Committee Member of Public Safety (R Smuts)  | -                 | 279,199           |
| Mayoral Committee Member of Communication And Intergovernmental Relations (RH Van Nieuwenhuizen) | -                 | 279,199           |
| Mayoral Committee Member of Engineering Services (JF Le Roux)                                    | -                 | 279,199           |
| Mayoral Committee Member of Planning & Economic Development And Tourism (J Miller)               | -                 | 279,199           |
| Mayoral Committee Member of Recreation, Arts And Culture (LT Van Niekerk)                        | -                 | 279,199           |
| <b>Mayoral Committee Members - after elections</b>   |                   |                   |
| Mayoral Committee Member of Sport, Recreation Arts and Culture (L Arendse)                       | 839,539           | 490,779           |
| Mayoral Committee Member of Social Development (E Gouws)   | 839,539           | 490,779           |
| Mayoral Committee Member of Human Settlements (MA Andreas)                                       | 839,539           | 490,779           |
| Mayoral Committee Member of Parks, Waste & Cemeteries (L Cyster)                                 | 839,539           | 490,779           |
| Mayoral Committee Member of Corporate Services (E Baron)   | 839,539           | 490,779           |
| Mayoral Committee Member of Public Safety (A Appollis)   | 839,539           | 490,779           |
| Mayoral Committee Member of Communication And Intergovernmental Relations (RH Van Nieuwenhuizen) | 839,539           | 490,779           |
| Mayoral Committee Member of Engineering Services (T Bester)                                      | 839,539           | 490,779           |
| Mayoral Committee Member of Planning & Development (LT van Niekerk)                              | 839,539           | 492,134           |
| Mayoral Committee Member of Governance Compliance (J Miller)                                     | 839,539           | 491,620           |
| All other councillors  | 17,963,329        | 17,756,472        |
| Cell phone allowance   | 3,097,539         | 2,644,196         |
| <b>Total</b>   | <b>33,213,291</b> | <b>31,654,071</b> |





# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2023

## Notes to the Audited Annual Financial Statements

| Figures in Rand | 2023 | 2022 |
|-----------------|------|------|
|-----------------|------|------|

### 39. 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 44,400 (2022: R 40,800) per year, as a cellphone and data allowance in accordance with the notice. Other councillors receive an average of R 354,243 (2022: R 341,275) per year, except the chairperson of MPAC, who receives an average of R 454,613 (2022: R 437,970) per year.

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

**Amount outstanding  
for more than 90  
days**

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

#### JULY 2022

JACOBS/DOUW M/N/L

42,420

**42,420**

#### AUGUST 2022

JACOBS/DOUW M/N/L

43,085

**43,085**

#### SEPTEMBER 2022

JACOBS/DOUW M/N/L

4,226

VAN NIEKERK HW/LT

2,729

**6,955**

#### OCTOBER 2022

JACOBS/DOUW M/N/L

5,648

VAN WILLINGH/B G

3,956

**9,604**

#### NOVEMBER 2022

JACOBS/DOUW M/N/L

6,997

**6,997**

#### DECEMBER 2022

JACOBS/DOUW M/N/L

11,455

LANDU L

3,688

**15,143**

#### JANUARY 2023

JACOBS/DOUW M/N/L

15,943

**15,943**



# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2023

## Notes to the Audited Annual Financial Statements

| Figures in Rand  |      | 2023                 | 2022                 |
|--|------|----------------------|----------------------|
| <b>40. Depreciation and amortisation</b>   |      |                      |                      |
| <b>Amortisation</b>  |      |                      |                      |
| Intangible assets  | 5.1  | 711,414              | 988,126              |
| <b>Depreciation</b>  |      |                      |                      |
| Property, plant and equipment  | 3.1  | 245,752,752          | 241,058,208          |
| <b>Total</b>   |      | <b>246,464,166</b>   | <b>242,046,334</b>   |
| <b>41. Impairment losses on financial assets</b>   |      |                      |                      |
| Trade and other receivables from exchange transactions   | 9    | 82,786,672           | 29,484,764           |
| Receivables from non-exchange transactions   | 10   | 13,380,118           | (801,018)            |
| Traffic fines  | 10   | 73,192,195           | 88,557,866           |
| Long term receivable   | 7    | (78,280)             | (27,063)             |
| <b>Total</b>   |      | <b>169,280,705</b>   | <b>117,214,549</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  |      | (15,404,434)         | (42,899,275)         |
| Statutory receivables: Property Rates  |      | (601,061)            | (1,445,461)          |
| Statutory receivables: Traffic Fines   |      | (87,642,249)         | (93,130,471)         |
| <b>Total</b>   |      | <b>(103,647,744)</b> | <b>(137,475,207)</b> |
| <b>42. Impairment losses on PPE, IA and HA</b>   |      |                      |                      |
| <b>Impairment losses on fixed assets recognised</b>  |      |                      |                      |
| Property, plant and equipment  |      | 214,518              | 2,468,069            |
| <b>43. Interest, dividends and rent on land</b>  |      |                      |                      |
| Interest   | 43.1 | 176,390,519          | 180,161,754          |
| <b>43.1 Interest cost</b>  |      |                      |                      |
| Financial liabilities  |      |                      |                      |
| • Long-term liabilities - interest paid  |      | 176,086,401          | 180,083,217          |
| • Finance leases   |      | 304,118              | 68,537               |
|  |      | <b>176,390,519</b>   | <b>180,151,754</b>   |
| Overdue accounts   |      | -                    | 10,000               |
| <b>Total</b>   |      | <b>176,390,519</b>   | <b>180,161,754</b>   |
| <b>44. Bulk purchases</b>  |      |                      |                      |
| Electricity: Eskom   |      | 927,237,466          | 947,924,224          |
| Electricity: Independent power producers   |      | 2,709,221            | 1,799,607            |
| Water inventory consumed   |      | 29,121,283           | 28,016,744           |
| <b>Total</b>   |      | <b>959,067,970</b>   | <b>977,740,575</b>   |



# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2023

## Notes to the Audited Annual Financial Statements

| Figures in Rand                                   | 2023              | 2022              |
|---|-------------------|-------------------|
| <b>44. Bulk purchases (continued)</b>             |                   |                   |
| <b>44.1 Electricity losses</b>                    |                   |                   |
| <b>Reconciliation of kWh losses</b>               |                   |                   |
| kWh units purchased                               | 603,483,467       | 704,042,625       |
| kWh units sold                                    | (579,640,015)     | (659,354,788)     |
| <b>Total loss</b>                                 | <b>23,843,452</b> | <b>44,687,837</b> |
| <br>Average value of losses (cost)                | <br>36,770,399    | <br>60,405,037    |
| <br><b>Percentage loss:</b>                       |                   |                   |
| Technical losses                                  | 3.95 %            | 6.35 %            |
| Norm of losses                                    | 10.00 %           | 10.00 %           |
| <br><b>Reasons for the losses</b>                 |                   |                   |
| Losses occurred because of the following reasons: |                   |                   |
| • Technical losses                                |                   |                   |
| • Unmetered services                              |                   |                   |
| • Theft   |                   |                   |
| <br><b>44.2 Water losses</b>                      |                   |                   |
| System input volume (Kilolitres)                  | 14,454,747        | 14,106,456        |
| Billed metered consumption (Kilolitres)           | (12,003,898)      | (11,802,368)      |
| <b>Total loss</b>                                 | <b>2,450,849</b>  | <b>2,304,088</b>  |
| <br><b>Comprising of:</b>                         |                   |                   |
| Technical losses (Kilolitres)                     | 2,305,452         | 2,220,308         |
| Non-technical losses (Kilolitres)                 | 145,397           | 83,780            |
| <b>Total</b>                                      | <b>2,450,849</b>  | <b>2,304,088</b>  |
| <br><b>Percentage loss: *</b>                     |                   |                   |
| Technical losses                                  | 15.90 %           | 15.70 %           |
| Non-technical losses                              | 1.10 %            | 0.60 %            |
| <b>Total</b>                                      | <b>17.00 %</b>    | <b>16.30 %</b>    |
| <br><b>Norm of losses:</b>                        |                   |                   |
| Minimum Level                                     | 15.00 %           | 15.00 %           |
| Maximum Level                                     | 30.00 %           | 30.00 %           |

### 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 15.90% (2022: 15.70%), 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 2023

## Notes to the Audited Annual Financial Statements

| Figures in Rand                                    |      | 2023               | 2022               |
|--|------|--------------------|--------------------|
| <b>45. Contracted services</b>                     |      |                    |                    |
| Consultants and professional services              | 45.1 | 22,435,754         | 17,846,203         |
| Contractors  | 45.2 | 126,804,557        | 116,662,433        |
| Outsourced services                                | 45.3 | 24,360,307         | 13,843,400         |
| <b>Total</b>                                       |      | <b>173,600,618</b> | <b>148,352,036</b> |
| <b>45.1 Consultants and professional services</b>  |      |                    |                    |
| Business advisory services                         |      | 13,647,261         | 9,266,508          |
| Legal advice and litigation                        |      | 5,757,529          | 6,288,491          |
| Other consultants and professional services        |      | 3,030,964          | 2,291,204          |
| <b>Total consultants and professional services</b> |      | <b>22,435,754</b>  | <b>17,846,203</b>  |
| <b>45.2 Contractors</b>                            |      |                    |                    |
| <b>General services</b>                            |      |                    |                    |
| Housing project expenditure                        |      | -                  | 378,897            |
| Catering services                                  |      | 103,578            | 102,982            |
| Management of informal settlements                 |      | 9,140,772          | 5,710,643          |
| Other contractor services                          |      | 3,845,650          | 4,148,644          |
| Safeguard and security                             |      | 36,577,461         | 35,145,579         |
| <b>Total general services</b>                      |      | <b>49,667,461</b>  | <b>45,486,745</b>  |
| <b>Maintenance services</b>                        |      |                    |                    |
| Maintenance of buildings and facilities            |      | 11,596,065         | 12,745,209         |
| Maintenance of equipment                           |      | 29,462,457         | 27,589,204         |
| Maintenance of unspecified assets                  |      | 36,078,574         | 30,841,275         |
| <b>Total maintenance service</b>                   |      | <b>77,137,096</b>  | <b>71,175,688</b>  |
| <b>Total contractor</b>                            |      | <b>126,804,557</b> | <b>116,662,433</b> |
| <b>45.3 Outsourced services</b>                    |      |                    |                    |
| <b>General services</b>                            |      |                    |                    |
| Traffic Fines Management                           |      | 5,253,124          | 5,945,094          |
| Waste management                                   |      | 17,326,578         | 3,951,740          |
| Other outsourced services                          |      | 1,780,605          | 3,946,566          |
| <b>Total outsourced services</b>                   |      | <b>24,360,307</b>  | <b>13,843,400</b>  |



# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2023

## Notes to the Audited Annual Financial Statements

| Figures in Rand                                       | 2023               | 2022              |
|---|--------------------|-------------------|
| <b>46. Operational cost</b>                           |                    |                   |
| Advertising, Publicity and Marketing                  | 2,832,553          | 2,759,290         |
| Bank Charges, Facility and Card Fees                  | 7,246,751          | 7,002,989         |
| Commission  | 9,316,658          | 10,025,457        |
| Communication   | 4,288,668          | 4,701,201         |
| Contribution to provision for rehab and landfill site | 18,752,599         | 15,074,446        |
| External Audit Fees                                   | 6,850,233          | 5,954,970         |
| External Computer Service                             | 14,924,967         | 12,864,023        |
| Insurance Underwriting                                | 12,981,171         | 9,862,382         |
| Other operational cost                                | 5,444,420          | 4,245,756         |
| Printing, Publications and Books                      | 774,915            | 918,265           |
| Professional Bodies, Membership and Subscription      | 8,045,053          | 7,168,053         |
| Skills Development Fund Levy                          | 5,932,632          | 5,711,596         |
| Standing time claim                                   | -                  | 1,199,312         |
| Uniform and Protective Clothing                       | 4,873,542          | 2,566,679         |
| Vehicle licences                                      | 2,493,362          | 2,299,882         |
| <b>Total</b>  | <b>104,757,524</b> | <b>92,354,301</b> |
| <b>47. Operating leases</b>                           |                    |                   |
| Investment Properties                                 | 441,023            | 6,394,168         |
| Machinery and Equipment                               | 3,593,107          | 2,774,836         |
| Land and buildings                                    | 5,266,298          | 4,609,113         |
| Transport Assets                                      | 8,538,257          | 8,812,097         |
| <b>Total</b>  | <b>17,838,685</b>  | <b>22,590,214</b> |
| <b>Operating leases (municipality as a lessee)</b>    |                    |                   |
| <b>Land and buildings</b>                             |                    |                   |
| Within one year                                       | 2,090,144          | 3,472,263         |
| In second to fifth year inclusive                     | -                  | 2,090,144         |
| After five years                                      | -                  | -                 |
| <b>Total</b>  | <b>2,090,144</b>   | <b>5,562,407</b>  |
| <b>Machinery and equipment</b>                        |                    |                   |
| Within one year                                       | 4,180,728          | 4,080,468         |
| In second to fifth year inclusive                     | 4,280,988          | 8,461,716         |
| After five years                                      | -                  | -                 |
| <b>Total</b>  | <b>8,461,716</b>   | <b>12,542,184</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% (2022: 5.6% up to 8.5%).

No other restrictions were imposed.

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



# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2023

## Notes to the Audited Annual Financial Statements

| Figures in Rand   | 2023               | 2022               |
|---|--------------------|--------------------|
| <b>48. Net cash from/(used) operating activities</b>                |                    |                    |
| Surplus after capital transfers and contributions                   | 142,715,458        | 142,876,270        |
| <b>Adjustments for:</b>   |                    |                    |
| Depreciation and amortisation                                       | 246,464,166        | 242,046,334        |
| (Gains) / Losses on disposal of assets                              | 12,712,294         | (1,990,332)        |
| Fair value adjustment   | (4,877,766)        | (3,644,000)        |
| (Gain) / Losses on disposal of inventory                            | (261,594)          | (139,954)          |
| Increase / (Decrease) in provisions                                 | 40,539,022         | 23,105,473         |
| Impairment losses   | 169,495,223        | 119,682,615        |
| Gain on raw at fair value   | (1,640,467)        | -                  |
| Raw water purchases at fair value                                   | 1,640,467          | -                  |
| Provision for landfill rehab - iGRAP 2 adjustment                   | (21,786,423)       | (8,031,027)        |
| Housing development fund  | (114,921)          | (230,923)          |
| Assets from capital grant in-kind                                   | (21,846,667)       | (10,543,049)       |
| Fair value adjustments on listed stock                              | -                  | 2,373              |
| Lease smoothing   | 5,590              | 3,690              |
| Leave provision   | (3,700,476)        | 1,759,186          |
| 13th Cheque provision   | 666,610            | 625,355            |
| Long service award provision  | 5,065,158          | 9,644,072          |
| Post retirement provision   | 18,006,444         | 18,490,023         |
| Performance bonus provision   | (1,366,896)        | 1,042,099          |
| Ex-gratia provision   | (62,343)           | (145,274)          |
| Water losses  | 8,620,210          | 7,847,709          |
| <b>Movement in working capital</b>                                  |                    |                    |
| (Decrease) / Increase in consumer deposits                          | 7,382,384          | 6,221,332          |
| (Increase) / Decrease in receivables from non-exchange transactions | (91,558,566)       | (88,456,686)       |
| (Increase) / Decrease in inventory                                  | (1,058,374)        | (10,362,220)       |
| (Increase) / Decrease in receivables from exchange transactions     | (49,647,622)       | (71,583,196)       |
| Increase / (Decrease) in Employee benefits                          | (9,341,856)        | (27,422,944)       |
| (Increase) / Decrease in long term receivable                       | 103,412            | 307,450            |
| Increase / (Decrease) in trade and other payables                   | 35,359,154         | (59,668,004)       |
| Increase / (Decrease) in unspent conditional grants and receipts    | 1,505,694          | (923,612)          |
| Increase / (Decrease) in VAT  | 22,191,612         | 9,023,213          |
| <b>Net cash flows from operating activities</b>                     | <b>505,208,927</b> | <b>299,535,973</b> |



# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2023

## Notes to the Audited Annual Financial Statements

| Figures in Rand | 2023 | 2022 |
|-----------------|------|------|
|-----------------|------|------|

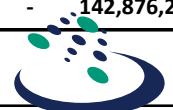
### 49. GRAP 3 adjustments

The following restatements and adjustments occurred which are set out below:

#### 49.1 Adjustments of Statement of Financial Performance items

##### 2022

|   | Note | Previously reported  | Correction of error | Re-classification | Restated             |
|---|------|----------------------|---------------------|-------------------|----------------------|
| <b>Revenue</b>                                |      |                      |                     |                   |                      |
| <b>Exchange revenue</b>                       |      |                      |                     |                   |                      |
| Services charges - Electricity                | 25   | 1,385,887,089        | -                   | -                 | 1,385,887,089        |
| Services charges - Water                      | 25   | 169,325,936          | -                   | -                 | 169,325,936          |
| Services charges - Waste management           | 25   | 135,738,979          | -                   | -                 | 135,738,979          |
| Services charges - Waste water management     | 25   | 125,716,049          | -                   | -                 | 125,716,049          |
| Sales of goods and rendering of services      | 27   | 19,181,114           | 17,394,783          | -                 | 36,575,897           |
| Rental from fixed assets                      | 28   | 5,248,483            | -                   | -                 | 5,248,483            |
| Interests on investments                      | 29   | 9,673,336            | -                   | -                 | 9,673,336            |
| Interest on receivables                       | 30   | 7,271,333            | -                   | -                 | 7,271,333            |
| Operational revenue                           | 31   | 13,272,599           | 2,935,215           | -                 | 16,207,814           |
| Licences or permits                           | 32   | 20,745,433           | -                   | -                 | 20,745,433           |
| Gain on disposal of assets                    | 33   | 563,151              | (217,475)           | -                 | 345,676              |
|   |      | <b>1,892,623,502</b> | <b>20,112,523</b>   | <b>-</b>          | <b>1,912,736,025</b> |
| <b>Non-exchange revenue</b>                   |      |                      |                     |                   |                      |
| Property rates                                | 34   | 416,883,723          | -                   | -                 | 416,883,723          |
| Availability charges - Electricity            | 26   | 1,902,418            | -                   | -                 | 1,902,418            |
| Availability charges - Water                  | 26   | 1,841,167            | -                   | -                 | 1,841,167            |
| Availability charges - Waste management       | 26   | 3,153,904            | -                   | -                 | 3,153,904            |
| Availability charges - Waste water management | 26   | 2,804,994            | -                   | -                 | 2,804,994            |
| Surcharges and taxes                          |      | 1,170,821            | -                   | -                 | 1,170,821            |
| Fines, penalties and forfeits                 | 35   | 105,224,151          | -                   | -                 | 105,224,151          |
| Transfers and subsidies                       | 36   | 320,272,798          | (17,300,401)        | -                 | 302,972,397          |
| Interest on receivables                       | 31   | 1,507,493            | -                   | -                 | 1,507,493            |
| Construction contract revenue                 | 37   | 204,277              | -                   | -                 | 204,277              |
|   |      | <b>854,965,746</b>   | <b>(17,300,401)</b> | <b>-</b>          | <b>837,665,345</b>   |
| <b>Total revenue</b>                          |      | <b>2,747,589,248</b> | <b>2,812,122</b>    | <b>-</b>          | <b>2,750,401,370</b> |
| <b>Expenditure</b>                            |      |                      |                     |                   |                      |
| Employee related cost                         | 38   | 716,436,654          | -                   | -                 | 716,436,654          |
| Remuneration of councillors                   | 39   | 31,654,071           | -                   | -                 | 31,654,071           |
| Depreciation and amortisation                 | 40   | 241,745,868          | 300,466             | -                 | 242,046,334          |
| Impairment losses on financial assets         | 41   | 117,214,549          | -                   | -                 | 117,214,549          |
| Impairment losses on PPE, IA and HA           | 42   | 2,468,069            | -                   | -                 | 2,468,069            |
| Finance costs                                 | 43   | 180,161,754          | -                   | -                 | 180,161,754          |
| Bulk purchases                                | 44   | 977,740,575          | -                   | -                 | 977,740,575          |
| Inventory consumed                            |      | 60,171,578           | 990,969             | -                 | 61,162,547           |
| Contracted services                           | 45   | 148,352,036          | -                   | -                 | 148,352,036          |
| Transfers and subsidies                       |      | 15,343,996           | -                   | -                 | 15,343,996           |
| Operational cost                              | 46   | 92,354,301           | -                   | -                 | 92,354,301           |
| Operating leases                              | 47   | 20,467,527           | 2,122,687           | -                 | 22,590,214           |
| <b>Total expenditure</b>                      |      | <b>2,604,110,978</b> | <b>3,414,122</b>    | <b>-</b>          | <b>2,607,525,100</b> |
| <b>Surplus for the year</b>                   |      | <b>143,478,270</b>   | <b>(602,000)</b>    | <b>-</b>          | <b>142,876,270</b>   |



# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2023

## Notes to the Audited Annual Financial Statements

| Figures in Rand   |      | 2023                 | 2022                |                    |                      |
|---|------|----------------------|---------------------|--------------------|----------------------|
| 49. GRAP 3 adjustments (continued)                        |      |                      |                     |                    |                      |
| 49.2 Adjustments of Statement of Financial Position items |      |                      |                     |                    |                      |
| 2022  |      |                      |                     |                    |                      |
|   | Note | Previously reported  | Correction of error | Re-classification  | Restated             |
| <b>Assets</b>   |      |                      |                     |                    |                      |
| <b>Non-current assets</b>                                 |      |                      |                     |                    |                      |
| Property, plant and equipment                             | 3    | 6,563,309,255        | 10,462,267          | (1,300,767)        | 6,572,470,755        |
| Heritage assets   | 4    | 47,633,645           | -                   | -                  | 47,633,645           |
| Intangible assets   | 5    | 4,614,906            | -                   | -                  | 4,614,906            |
| Investment property                                       | 6    | 58,493,000           | 603,957             | -                  | 59,096,957           |
| Non-current receivables from exchange transactions        | 7    | 94,875               | -                   | -                  | 94,875               |
|   |      | <b>6,674,145,681</b> | <b>11,066,224</b>   | <b>(1,300,767)</b> | <b>6,683,911,138</b> |
| <b>Current assets</b>                                     |      |                      |                     |                    |                      |
| Inventories   | 8    | 36,141,887           | -                   | -                  | 36,141,887           |
| Trade and other receivables from exchange transactions    | 9    | 351,755,826          | 1,454,220           | 192,755            | 353,402,801          |
| Receivables from non-exchange transactions                | 10   | 102,179,554          | (93,900)            | -                  | 102,085,654          |
| Cash and cash equivalents                                 | 11   | 189,883,617          | -                   | -                  | 189,883,617          |
| Short term investments                                    | 12   | 40,000,000           | -                   | -                  | 40,000,000           |
| Current portion of non-current receivables                | 13   | 26,762               | -                   | -                  | 26,762               |
| VAT control receivable                                    | 14   | 24,805,911           | (9,807,671)         | -                  | 14,998,240           |
|   |      | <b>744,793,557</b>   | <b>(8,447,351)</b>  | <b>192,755</b>     | <b>736,538,961</b>   |
| <b>Total assets</b>                                       |      | <b>7,418,939,238</b> | <b>2,618,873</b>    | <b>(1,108,012)</b> | <b>7,420,450,099</b> |
| <b>Net assets and liabilities</b>                         |      |                      |                     |                    |                      |
| <b>Non-current liabilities</b>                            |      |                      |                     |                    |                      |
| Borrowings  | 15   | 1,539,712,710        | -                   | -                  | 1,539,712,710        |
| Employee benefits   | 17   | 240,145,000          | -                   | -                  | 240,145,000          |
| Provisions  | 18   | 217,913,609          | -                   | -                  | 217,913,609          |
|   |      | <b>1,997,771,319</b> | <b>-</b>            | <b>-</b>           | <b>1,997,771,319</b> |
| <b>Current liabilities</b>                                |      |                      |                     |                    |                      |
| Consumer deposits   | 19   | 65,330,962           | -                   | -                  | 65,330,962           |
| Payables from exchange transactions                       | 20   | 267,904,642          | 624,868             | (1,108,016)        | 267,421,494          |
| Unspent conditional grants and receipts                   | 21   | 11,701,396           | (1,995,436)         | -                  | 9,705,960            |
| Borrowings  | 15   | 78,688,302           | -                   | -                  | 78,688,302           |
| Finance lease liabilities                                 | 16   | 26,762               | -                   | -                  | 26,762               |
| Provisions  | 18   | 570,790              | -                   | -                  | 570,790              |
| Employee benefits   | 17   | 81,769,882           | -                   | -                  | 81,769,882           |
|   |      | <b>505,992,736</b>   | <b>(1,370,568)</b>  | <b>(1,108,016)</b> | <b>503,514,152</b>   |
| <b>Total net assets</b>                                   |      |                      |                     |                    |                      |
| Housing Development Fund                                  | 22   | 28,144,553           | -                   | -                  | 28,144,553           |
| Reserves and Funds  | 23   | 1,785,178,262        | 2,457,203           | -                  | 1,787,635,465        |
| Accumulated surplus                                       | 24   | 3,101,852,369        | 1,532,241           | -                  | 3,103,384,610        |
|   |      | <b>4,915,175,184</b> | <b>3,989,444</b>    | <b>-</b>           | <b>4,919,164,628</b> |
| <b>Total net assets and liabilities</b>                   |      | <b>7,418,939,239</b> | <b>2,618,876</b>    | <b>(1,108,016)</b> | <b>7,420,450,099</b> |



# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2023

## Notes to the Audited Annual Financial Statements

| Figures in Rand  | 2023 | 2022                   |                     |                      |
|--|------|------------------------|---------------------|----------------------|
| 49. GRAP 3 adjustments (continued)                               |      |                        |                     |                      |
| 49.3 Adjustment of Cash flow statement items                     |      |                        |                     |                      |
|  | Note | As previously reported | Correction of error | Restated             |
| <b>Cash flows from operating activities</b>                      |      |                        |                     |                      |
| <b>Receipts</b>  |      |                        |                     |                      |
| Property rates   |      | 407,320,443            | -                   | 407,320,443          |
| Service charges  |      | 1,764,593,821          | 220,671,816         | 1,985,265,637        |
| Other receipts and fines received                                |      | 76,051,735             | 158,640,377         | 234,692,112          |
| Transfers, subsidies and construction contracts revenue received |      | 328,523,212            | (19,894,105)        | 308,629,107          |
| Interest   |      | 10,643,651             | -                   | 10,643,651           |
| <b>Payments</b>  |      |                        |                     |                      |
| Employees cost   |      | (741,836,543)          | (6,502,646)         | (748,339,189)        |
| Suppliers  |      | (1,365,074,153)        | (283,702,217)       | (1,648,776,370)      |
| Interest charges   |      | (180,161,753)          | (1)                 | (180,161,754)        |
| Net VAT paid   |      | (15,539,974)           | (54,197,690)        | (69,737,664)         |
| <b>Net cash from operating activities</b>                        |      | <b>284,520,439</b>     | <b>15,015,534</b>   | <b>299,535,973</b>   |
| <b>Cash flows from investing activities</b>                      |      |                        |                     |                      |
| <b>Receipts</b>  |      |                        |                     |                      |
| Proceeds on disposal of fixed and intangible assets              |      | 8,297,948              | 308,261             | 8,606,209            |
| Decrease in investments  |      | (2,373)                | -                   | (2,373)              |
| <b>Payments</b>  |      |                        |                     |                      |
| Capital assets   |      | (181,744,454)          | (15,323,795)        | (197,068,249)        |
| Decrease in other non-current assets                             |      | (40,000,000)           | -                   | (40,000,000)         |
| <b>Net cash from investing activities</b>                        |      | <b>(213,448,879)</b>   | <b>(15,015,534)</b> | <b>(228,464,413)</b> |
| <b>Cash flows from financing activities</b>                      |      |                        |                     |                      |
| <b>Payments</b>  |      |                        |                     |                      |
| Decrease in finance leases                                       |      | (1,413,432)            | -                   | (1,413,432)          |
| Decrease in borrowing long-term                                  |      | (18,555,870)           | -                   | (18,555,870)         |
| <b>Net cash from financing activities</b>                        |      | <b>(19,969,302)</b>    | <b>-</b>            | <b>(19,969,302)</b>  |
| <b>Net increase/(decrease) in cash</b>                           |      | <b>51,102,258</b>      | <b>-</b>            | <b>51,102,258</b>    |
| Cash and cash equivalents at year begin                          |      | 138,781,359            | -                   | 138,781,359          |
| Cash and cash equivalents at year end                            |      | 189,883,617            | -                   | 189,883,617          |
| <b>Net increase/(decrease) in cash</b>                           |      | <b>51,102,258</b>      | <b>-</b>            | <b>51,102,258</b>    |



# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2023

## Notes to the Audited Annual Financial Statements

| Figures in Rand   | 2023 | 2022                   |                     |               |
|---|------|------------------------|---------------------|---------------|
| 49. GRAP 3 adjustments (continued)  |      |                        |                     |               |
| 49.4 Adjustment of opening balances   |      |                        |                     |               |
|   | Note | As previously reported | Correction of error | Restated      |
| Net assets  |      |                        |                     |               |
| Accumulated surplus   |      |                        |                     |               |
|   |      | 2,897,891,411          | -                   | 2,897,891,411 |
| Property, Plant and Equipment   |      | -                      | 9,659,887           | 9,659,887     |
| Investment Property   |      | -                      | 603,957             | 603,957       |
| Library grant ouput VAT correction  |      | -                      | (7,473,130)         | (7,473,130)   |
| Total   |      | 2,897,891,411          | 2,790,714           | 2,900,682,125 |
| Revaluation reserve   |      |                        |                     |               |
|   |      | 1,407,367,304          | -                   | 1,407,367,304 |
| Property, Plant and Equipment   |      | -                      | (116,935)           | (116,935)     |
| Total   |      | 1,407,367,304          | (116,935)           | 1,407,250,369 |
| Assets and liabilities  |      |                        |                     |               |
| Property, plant and equipment (Opening balance as at 1 July 2021)   |      | 6,214,015,769          | 9,542,952           | 6,223,558,721 |
| Investment property (Opening balance as at 1 July 2021)   |      | 54,849,000             | 603,957             | 55,452,957    |
| Receivables from non-exchange transactions (Opening balance as at 1 July 2021)  |      | 103,497,822            | (93,900)            | 103,403,922   |
| VAT control receivable (Opening balance as at 1 July 2021)  |      | 19,455,955             | (7,473,130)         | 11,982,825    |
| Unspent conditional grants and receipts (Opening balance as at 1 July 2021)   |      | (10,629,587)           | (613,781)           | (11,243,368)  |
| 49.5 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 balance at 1 July 2021 effects  |      |                        |                     |               |
| Accumulated surplus   |      |                        |                     | (9,659,887)   |
| Revaluation Reserve   |      |                        |                     | 116,935       |
| Property, Plant and Equipment   |      |                        |                     | 9,542,952     |
| Prior year at 30 June 2022 effects  |      |                        |                     |               |
| Depreciation and amortisation   |      |                        |                     | 300,466       |
| Transfers and subsidies (In-kind donations)   |      |                        |                     | (94,382)      |
| Inventory consumed  |      |                        |                     | 17,932        |
| Gain on disposal of assets  |      |                        |                     | 217,475       |
| Property, Plant and Equipment   |      |                        |                     | 2,183,853     |
| Revaluation Reserve   |      |                        |                     | (2,625,344)   |
| Accumulated surplus (Depreciation offsetting)   |      |                        |                     | (51,206)      |
| Revaluation Reserve (Depreciation offsetting)   |      |                        |                     | 51,206        |
| Property, Plant and Equipment   |      |                        |                     | (1,264,539)   |
| Consumer receivables and availability charges   |      |                        |                     | 1,454,220     |
| VAT control receivable  |      |                        |                     | (189,681)     |

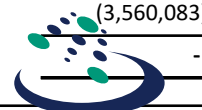


# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2023

## Notes to the Audited Annual Financial Statements

| Figures in Rand   | 2023 | 2022        |
|---|------|-------------|
| <b>49. GRAP 3 adjustments (continued)</b>   |      |             |
| <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 balance at 1 July 2021 effects</b>   |      |             |
| Accumulated surplus   |      | (603,957)   |
| Investment Property   |      | 603,957     |
|   |      | -           |
| <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 balance at 1 July 2021 effects</b>   |      |             |
| Accumulated surplus   |      | 707,681     |
| Receivables from non-exchange transactions  |      | (93,900)    |
| Unspent conditional grants and receipts   |      | (613,781)   |
|   |      | -           |
| <b>Library Grant output VAT correction</b>  |      |             |
| During the 2021/22 financial statements, an amount was disclosed under contingent liability for the output VAT payable. The municipality submitted a request for a non-binding VAT ruling 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. After year-end (1 August 2023) the municipality received a non-binding VAT ruling from SARS and therefor adjusted accordingly. |      |             |
| In addition to the above, the funds received for the library services were adjusted accordingly to Sales of good and rendering of services to the amount of R17,351,304 (2022: R17,394,783) from transfers and subsidies received.  |      |             |
| <b>Opening balance at 1 July 2021 effects</b>   |      |             |
| Accumulated surplus   |      | 7,473,130   |
| VAT control receivable  |      | (7,473,130) |
| <b>Prior year at 30 June 2022 effects</b>   |      |             |
| Unspent conditional grants and receipts   |      | 2,609,217   |
| VAT control receivable  |      | (2,609,217) |
|   |      | -           |
| <b>Photocopy lease machines</b>   |      |             |
| During the financial year it was discovered that lease payments were never allocated to the correct expenditure vote numbers. Corrections were made to correct.   |      |             |
| <b>Prior year at 30 June 2022 effects</b>   |      |             |
| Inventory consumed  |      | 973,036     |
| Operating leases  |      | 2,122,687   |
| VAT control receivable  |      | 464,360     |
| Payables from exchange transactions   |      | (3,560,083) |
|   |      | -           |



# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2023

## Notes to the Audited Annual Financial Statements

| Figures in Rand   | 2023 | 2022        |
|---|------|-------------|
| <b>49. GRAP 3 adjustments (continued)</b>   |      |             |
| <b>Developers Contributions</b>   |      |             |
| During the prior year income relating to developers contributions were not recognised as income. The corrections were adjusted accordingly. |      |             |
| <b>Prior year at 30 June 2022 effects</b>   |      |             |
| Operation revenue   |      | (2,935,215) |
| Payables from exchange transactions   |      | 2,935,215   |
|   |      | -           |

### Other corrections made

#### **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.

#### **Contingent liabilities**

During the year we discovered that the case of Mr Bosman was not disclosed with all other contingent liabilities. The case has been listed in the contingent liability disclosure. Refer to note 59 for more information.

#### **Contingent Assets**

The narrative or description of the disclosure was updated to reflect all plaintiffs in the relevant claims.

#### **Operating leases**

During the year under review it was discovered that machinery and equipment contracts were not disclosed under the municipal as a lessee commitments. These amounts have been included in note 47.

#### **Awards to close family members of persons in the state - SCM Regulation 45**

One supplier (Mubesko) was removed as the director in question resigned a few years ago, while one supplier (Adapt IT) was added to the list with prior year disclosure.

#### **Other grants (unconditional)**

During the year under review, amounts were previously reported as "Other grants (unconditional)" were all adjusted to other grants (conditional). Please refer to note 36 for more information.

#### **Provisions**

In note 18, two line items relating to Wellington were corrected, but the total provision did not change. The corrections were updated accordingly.

#### **Financial Instruments**

Prior year comparatives were restated on the note, due to the effect of the corrections and detailed above as well as other errors identified between items within the note 55.

#### **Pension fund contributions**

During the year we discovered that an error was made when all payments to the pension funds were reconciled. This resulted in the amount being disclosed as R169,904,964, which should have been R109,904,964. Refer to note 52 for more detail regarding this disclosure.

In addition to the above the note regarding "Retirement Benefit Information" was also incorrectly disclosed and corrected accordingly.

#### **Principal / Agent Relationships**

Certain of the comparative information was restated due to errors detected, this included the incorrect inclusion of Natis fees payable to the RTMC erroneously included in the note "Agent for the Western Cape Department of Transport and Public Works"



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## Notes to the Audited Annual Financial Statements

| Figures in Rand | 2023 | 2022 |
|-----------------|------|------|
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### 49. GRAP 3 adjustments (continued)

#### 49.6 Reclassification

The following reclassifications adjustment occurred:

##### Property, Plant and Equipment to retention

During the financial year reclassification of PPE were corrected. These corrections include assets incorrectly included in the asset register based on classification, existence and legal ownership.

##### Nature of reclassification

|   |             |
|---|-------------|
| Payables from exchange transactions (retention) | 1,300,767   |
| Property, Plant and Equipment                   | (1,300,767) |
|   | <hr/>       |
|   | -           |
|   | <hr/>       |

##### Receivables and Payables reclassification

During the year under review some votes were reallocated due to their nature. Therefore some prior year balances have changed, and these were adjusted.

##### Nature of reclassification

|  |           |
|--|-----------|
| Payables from exchange transactions                    | (192,751) |
| Trade and other receivables from exchange transactions | 192,751   |
|  | <hr/>     |
|  | -         |
|  | <hr/>     |



# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2023

## Notes to the Audited Annual Financial Statements

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|-----------------|------|------|
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### 50. Events after the reporting date

#### Non-adjusting events:

The municipality has a current arbitration process with the former Director of Planning and Economic Development (Ms, JJ Samson), who claims an alleged unfair dismissal. The alleged claim was submitted to the municipality on 24 July 2023. The maximum exposure for the municipality is the payment of the former director's contract package for 12 months, amounting to R1,669,319.

Additional to the above mentioned case, a dispute regarding planning approval was received on 10 July 2023 for the plaintiff (KSR Civils and construction (Pty) Ltd) for decisions made by the municipality that negatively impacts the operations of the plaintiff. The maximum exposure for the municipality is the payment of R1,687,258.

#### Adjusting events:

a) 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. After year end (1 August 2023) the non-binding VAT ruling was received from SARS and adjustments were made accordingly. The interest and penalty portion were kept on the contingent liability register as the municipality is unsure which penalties will be applicable to our declaration.

Additional to the above, Risk Management completed their investigation report dated 23 August 2023, which relates to a capital project linked to COMP 5. The necessary changes were adjusted in note 49 the AFS accordingly.

The upper limits notice for all office bearers (Government Gazette number 49142) was approved on the 18th of August 2023, but applicable on the 2022/2023 financial year. The provision was made accordingly.

b) The following expenditure was identified during the audit process, but before submission of the audit report:

Irregular expenditure - R26,859.36

The matter was investigated and contact with the relevant supplier was made to refund the overpayment. The funds were recovered in this period as well.

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

#### 51.1 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 | -        | -        |
| Unauthorised expenditure for the year  | -        | -        |
| <b>Opening balance as restated</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 | -        | -        |
| Unauthorised expenditure for the year  | -        | -        |
| <b>Opening balance as restated</b>     | <b>-</b> | <b>-</b> |



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## Notes to the Audited Annual Financial Statements

| Figures in Rand | 2023 | 2022 |
|-----------------|------|------|
|-----------------|------|------|

### 51. Unauthorised, irregular, fruitless and wasteful expenditure (continued)

#### 2023

|   | Budget               | Actual expenditure   | Unauthorised expenditure | Amount written off by council |
|---|----------------------|----------------------|--------------------------|-------------------------------|
| <b>Unauthorised expenditure per Vote (Department)</b> |                      |                      |                          |                               |
| Office of the City Manager                            | 4,370,362            | 4,363,676            | -                        | -                             |
| Financial Services                                    | 134,834,482          | 134,585,726          | -                        | -                             |
| Corporate Services                                    | 194,116,555          | 180,540,533          | -                        | -                             |
| Planning and Development                              | 139,128,288          | 128,611,334          | -                        | -                             |
| Community Services                                    | 525,671,095          | 521,121,699          | -                        | -                             |
| Engineering Services                                  | 1,794,848,519        | 1,765,521,169        | -                        | -                             |
| Department of Chief Audit Executive                   | 9,855,530            | 9,537,011            | -                        | -                             |
| Department of Risk And Compliance                     | 3,379,917            | 2,973,105            | -                        | -                             |
| Department of IDP And PMS                             | 5,670,139            | 4,887,355            | -                        | -                             |
| Department of Communication                           | 6,057,823            | 5,422,700            | -                        | -                             |
|   | <b>2,817,932,710</b> | <b>2,757,564,308</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            | 4,394,913            | -                        | -                             |
| Financial Services                                    | 121,449,981          | 112,866,537          | -                        | -                             |
| Corporate Services                                    | 176,808,541          | 168,386,485          | -                        | -                             |
| Planning and Development                              | 134,814,827          | 126,360,438          | -                        | -                             |
| Community Services                                    | 490,420,316          | 482,944,285          | -                        | -                             |
| Engineering Services                                  | 1,723,075,726        | 1,710,717,943        | -                        | -                             |
| Department of Chief Audit Executive                   | 9,396,923            | 9,238,746            | -                        | -                             |
| Department of Risk And Compliance                     | 2,084,104            | 2,030,325            | -                        | -                             |
| Department of IDP And PMS                             | 6,407,908            | 5,762,105            | -                        | -                             |
| Department of Communication                           | 5,203,849            | 4,913,747            | -                        | -                             |
|   | <b>2,674,095,050</b> | <b>2,627,615,524</b> | -                        | -                             |

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

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

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

|  |          |          |
|--|----------|----------|
| Opening balance as previously reported | -        | -        |
| Unauthorised expenditure for the year  | -        | -        |
| <b>Opening balance as restated</b>     | <b>-</b> | <b>-</b> |

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

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

##### Unauthorised expenditure (Vote - Department)

|  |          |          |
|--|----------|----------|
| Opening balance as previously reported | -        | -        |
| Unauthorised expenditure for the year  | -        | -        |
| <b>Opening balance as restated</b>     | <b>-</b> | <b>-</b> |

No unauthorised capital expenditure as per Sec (a) and (b) as per definition in terms of the MFMA.



# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2023

## Notes to the Audited Annual Financial Statements

| Figures in Rand  | 2023          | 2022             |
|--|---------------|------------------|
| <b>51. Unauthorised, irregular, fruitless and wasteful expenditure (continued)</b> |               |                  |
| <b>51.2 Irregular expenditure</b>  |               |                  |
| Opening balance as previously reported   | 6,438,234     | 1,135,168        |
| Add: Irregular expenditure - current   | 449,274       | 8,382,160        |
| Add: Irregular expenditure – prior period  | -             | 18,935,731       |
| Less: Amounts written-off – current  | (422,415)     | (20,968,419)     |
| Less: Amounts written-off – prior period   | (6,438,234)   | (1,046,406)      |
| <b>Closing balance</b>   | <b>26,859</b> | <b>6,438,234</b> |

An amount of R4,598,244 was disclosed in the 2021/2022 audited financial statements as irregular expenditure incurred, of that amount R3,749,811 was actually spent and the amount of R848,433 relates to commitments/orders where there was no cash outflows. The R848,433 amount is deemed to be written off as the basis of irregular expenditure is the same as those amounts where there was physical outflow of cash.

All above mentioned amounts include VAT.





# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2023

## Notes to the Audited Annual Financial Statements

| Figures in Rand  |   | 2023 | 2022       |
|--|---|------|------------|
| <b>51. 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  |
| 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 |
| 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.   | -    | 1,577,938  |
| In service of the state payment for an individual who was newly appointed as a teacher.  | Investigated and report submitted to Council and written off.   | -    | 173,290    |
| 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 reports submitted to Council and written off.  | -    | 13,325     |



# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2023

## Notes to the Audited Annual Financial Statements

| Figures in Rand   |  | 2023             | 2022              |
|---|--|------------------|-------------------|
| <b>51. Unauthorised, irregular, fruitless and wasteful expenditure (continued)</b>  |  |                  |                   |
| Executive Director: Planning and Development was employed for an addition 3 months after contractual termination would have become effective.   | Matter was investigated and was reported to Council and written off. | 422,415          | -                 |
| Forensic investigation into certain allegations concluded that some expenditure are irregular of nature.  | Investigated and report submitted to Council and written off.        | -                | 4,598,244         |
| Irregular expenditure was identified that relates to an overpayment to a supplier   | Matter will be investigated and will be reported to Council.         | 26,859           | -                 |
| <b>Total</b>  |  | <b>449,274</b>   | <b>27,317,891</b> |
| <b>51.3 Fruitless and wasteful expenditure</b>  |  |                  |                   |
| Add: Fruitless and wasteful expenditure – current   |  | -                | 10,000            |
| Add: Fruitless and wasteful expenditure expenditure – prior period  |  | 1,454,220        | -                 |
| Less: Amounts written-off – current   |  | -                | (10,000)          |
| <b>Closing balance</b>  |  | <b>1,454,220</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            |
| This pertains to overpayment to a contractor that performed work under contract COM P5/2020.  | In progress  | 1,454,220        | -                 |
| <b>Total</b>  |  | <b>1,454,220</b> | <b>10,000</b>     |

All above mentioned amounts include VAT.



# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2023

## Notes to the Audited Annual Financial Statements

| Figures in Rand   | 2023                   |             | 2022          |             |               |              |
|---|------------------------|-------------|---------------|-------------|---------------|--------------|
| 52. Additional disclosures in terms of Municipal Finance Management Act |                        |             |               |             |               |              |
|   | SALGA<br>contributions | Audit fees  | PAYE          | UIF         | Pension       | Medical aid  |
| As at 30 June 2023  |                        |             |               |             |               |              |
| Opening balance   | (6,167,437)            | 21,376      | -             | -           | -             | -            |
| Subscription/fees   | 7,878,299              | 7,933,405   | 101,486,652   | 7,518,346   | 112,807,836   | 48,071,265   |
| Amount paid – current year  | (8,006,296)            | (7,933,405) | (101,486,652) | (7,518,346) | (112,807,836) | (48,071,265) |
| Amount paid – with regards to previous years                            | -                      | (21,376)    | -             | -           | -             | -            |
| Balance (prepaid) / unpaid **   | (6,295,434)            | -           | -             | -           | -             | -            |
|   | SALGA<br>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   | 109,904,964   | 44,594,350   |
| Amount paid – current year  | (7,835,634)            | (6,826,839) | (109,360,683) | (6,057,587) | (109,904,964) | (44,594,350) |
| Balance (prepaid) / unpaid **   | (6,167,437)            | 21,375      | -             | -           | -             | -            |

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

VAT output payables and VAT input receivables are shown in Note 14. 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           |
| 11      | 112     | 1(m)(II)    |



# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2023

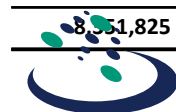
## Notes to the Audited Annual Financial Statements

| Figures in Rand   |  | 2023              | 2022              |
|---|--|-------------------|-------------------|
| <b>53. Additional disclosures in terms of the supply chain management regulations</b>   |  |                   |                   |
| <b>53.1. Deviation from, and ratification of minor breaches of, the procurement processes</b>   |  |                   |                   |
| 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. |  |                   |                   |
| <b>SCM paragraph reference</b>  | <b>Description of deviation</b>  |                   |                   |
| 36 (1)(a) i   | Dispense with the official procurement processes in an emergency   | 15,671,644        | 5,909,437         |
| 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.                        | 20,127,400        | 8,220,587         |
| 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. | 325,084           | 5,300,371         |
| <b>Total deviations</b>   |  | <b>36,124,128</b> | <b>19,430,395</b> |

### 53.2. 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 | 4,191,069         | 4,896,465        |
| D Uren Construction *  | Z Naidoo       | Child          | Drakenstein Municipality: Finance                | 1,147,928         | 688,305          |
|  | U Naidoo       | Son-in-law     | Drakenstein Municipality: Engineering            |                   |                  |
| Wab Printmedia (Pty) Ltd *                                     | A Brink        | Spouse         | Drakenstein Municipality: Finance                | -                 | 48,215           |
| Zutari (Pty) Ltd (previous Aurecon South Africa (Pty) Ltd) *** | P W Pansegrouw | Spouse         | Drakenstein Municipality: Engineering Services   | 8,804,201         | 2,165,540        |
| Harold's Auto Repairs *  | B van Rooy     | Child          | Drakenstein Municipality: Engineering Services   | 208,798           | 262,000          |
| EHH Building Construction *                                    | H Fredericks   | Brother        | Drakenstein Municipality                         | 571,529           | 41,283           |
| BD Uren *  | Z Naidoo       | Sister         | Drakenstein Municipality: Finance                | 429,140           | 250,017          |
|  | U Naidoo       | Brother-in-law | Drakenstein Municipality: Engineering            |                   |                  |
| E-zee Handyworks (Pty) Ltd**                                   | E Arendse      | Parent         | Drakenstein Municipality (Councillor)            | 466,236           | -                |
|  |                |                |  | <b>15,818,901</b> | <b>8,551,825</b> |



# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2023

## Notes to the Audited Annual Financial Statements

| Figures in Rand  |               |              |  | 2023      | 2022      |
|--|---------------|--------------|--|-----------|-----------|
| <b>Awards to close family members of persons in the service of other state departments and entities (not listed above)</b> |               |              |  |           |           |
| Supplier name  | Employee name | Relationship | Department                                       |           |           |
| CSM Consulting Services (Pty) Ltd *  | A Van Collie  | Child        | Department of Environmental Affairs              | -         | 91,262    |
| Servelec (Pty) Ltd *   | L de Lange    | Spouse       | South African Revenue Services                   | 566,531   | 604,385   |
| Van Der Spuy (Wes-Kaap) Inc Van Der Spuy en Vennote *  | M Van Zyl     | Spouse       | Western Cape Department of Education             | 1,897,585 | 2,011,636 |
| Webber Wentzel *   | Dr E Watson   | Brother      | Road Accident Fund                               | 1,421,313 | 2,593,368 |
|  | E Watson      | Parent       | Department of Public Services and Administration |           |           |
|  | JCL Smit      | Parent       | Beaufort West Municipality                       |           |           |
|  | N Ndebele     | Sister       | Gauteng Department of Education                  |           |           |
|  | Dr D Singh    | 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    |
| Masiqhame Trading ZZ CC *  | S Gxilishe    | Parent       | Western Cape Department of Education             | 84,870    | 9,755     |
|  | B Gxilishe    | Parent       | Department of Agriculture and Fisheries          |           |           |
| WRP Consulting Engineers (Pty) Ltd *   | K Mamphita    | Spouse       | South African Broadcasting Corporation           | 187,341   | 135,597   |
|  | Z van Rooyen  | Spouse       | Department of Public Works                       |           |           |
| J Walters T/A JC Travel *  | J Walters     | Spouse       | Western Cape Department of Education             | 30,500    | 2,900     |
| Multimode Trading (Pty) Ltd *  | H Esterhuizen | Spouse       | South African Police Services                    | -         | 857,904   |
| Piston Power Chemicals *   | N Anidhee     | Spouse       | KNZ Department of Education                      | 431,213   | 357,221   |
| JPCE (Pty) Ltd *   | J Minnie      | Spouse       | City of Cape Town                                | 845,308   | 1,001,106 |
| Neil Lyners and Associates CC t/a Lyners *   | H Lyners      | Brother      | Western Cape Provincial Government               | 3,663,503 | 3,006,866 |
| Rhode Bros Steel Projects CC *   | D Rhode       | Child        | South African Police Services                    | -         | 8,050     |
| Ikapa Reticulation & Flow CC *   | S Davids      | Spouse       | Western Cape Department of Education             | 1,239,476 | 3,749,202 |
| Kozain Panel Beaters **  | J Kozain      | Child        | Western Cape Department of Education             | 19,155    | 39,423    |
|  | T Kozain      | Child        | Western Cape Department of Health                |           |           |



# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2023

## Notes to the Audited Annual Financial Statements

| Figures in Rand  |                      |                     |                                      | 2023              | 2022              |
|--|----------------------|---------------------|--------------------------------------|-------------------|-------------------|
| <b>Awards to close family members of persons in the service of other state departments and entities (not listed above)(continue)</b> |                      |                     |                                      |                   |                   |
| <b>Supplier name</b>   | <b>Employee name</b> | <b>Relationship</b> | <b>Department</b>                    |                   |                   |
| Zutari (Pty) Ltd (previous Aurecon South Africa (Pty) Ltd) ***   | WZ Erasmus           | Spouse              | Cape Nature                          | 8,804,201         | 2,165,540         |
| TC Events Co (Pty) Ltd **  | L Johnson            | Brother             | South African Police Services        | 1,455,182         | 193,900           |
| JF van Wyk **  | M Renier             | Sister              | Western Cape Department of Education | 30,250            | 90,480            |
|  | D Renier             | Brother-in-law      | South African Police Service         |                   |                   |
| LJ Projects and Events *   | C Jaftha             | Spouse              | Department of Water Affairs          | -                 | 87,600            |
| Nedbank Limited*   | MM Matoqane          | Brother             | Ekurhuleni Metro Municipality        | 2,406,700         | -                 |
|  | V Subramoney         | Spouse              | Department of Education              |                   |                   |
| Massamatic (Pty) Ltd *   | M Barnard            | Inlaw               | Department of Health                 | -                 | 21,614            |
| JC Verkoeling (Pty) Ltd*   | H Esterhuizen        | Sister-in-law       | South African Police Service         | 136,457           | -                 |
| Wamtech Systems (Pty) Ltd**  | M Le Roux            | Sister              | City of Cape Town                    | 66,039            | -                 |
| C and M Raadgewende Ingenieurs (Pty) Ltd**   | CB Nyele             | Spouse              | SA Weather Services                  | 161,115           | -                 |
| Van Zyl Kruger Inc*  | G Marais             | Brother             | City of Cape Town                    | 243,725           | -                 |
|  | P Marais             | Father              | Provincial Parliament                |                   |                   |
| Adapt IT (Pty) Ltd***  | D Mbmabo             | Husband             | SANRAL                               | 561,808           | 652,072           |
| <b>All amounts include VAT</b>   |                      |                     |                                      | <b>24,252,272</b> | <b>17,702,563</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.

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



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Melanie Joffe - 30 November 2023

# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2023

## Notes to the Audited Annual Financial Statements

| Figures in Rand                                | 2023               | 2022              |
|--|--------------------|-------------------|
| <b>54. Capital commitments</b>                 |                    |                   |
| Commitments in respect of capital expenditure: |                    |                   |
| <b>Approved and contracted for:</b>            |                    |                   |
| Infrastructure                                 | 418,129,787        | 12,310,042        |
| Other  | 10,552,357         | 3,069,995         |
| Intangibles                                    | -                  | 2,586,103         |
|  | <b>428,682,144</b> | <b>17,966,140</b> |

All capital commitments include VAT.

## 55. Financial instruments

### 55.1 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:

|  |    | 2023                   |                        | 2022                   |                        |
|--|----|------------------------|------------------------|------------------------|------------------------|
|  |    | Carrying amount        | Fair value             | Carrying amount        | Fair value             |
| <b>Financial assets</b>                                |    |                        |                        |                        |                        |
| <b>Fair value</b>                                      |    |                        |                        |                        |                        |
| Listed investments                                     | 11 | -                      | -                      | -                      | -                      |
| <b>Amortised cost</b>                                  |    |                        |                        |                        |                        |
| Non-current receivables from exchange transactions     | 7  | 104                    | 104                    | 94,875                 | 94,875                 |
| Trade and other receivables from exchange transactions | 9  | 318,633,247            | 318,633,247            | 352,115,515            | 352,115,515            |
| Receivables from non-exchange transactions             | 10 | 3,423,166              | 3,423,166              | 3,212,031              | 3,212,031              |
| Current portion of non-current receivables             | 7  | 18,121                 | 18,121                 | 26,762                 | 26,762                 |
| Short-term investments                                 | 12 | -                      | -                      | 40,000,000             | 40,000,000             |
| Cash and cash equivalents                              | 11 | 445,270,431            | 445,270,431            | 189,883,617            | 189,883,617            |
|  |    | <b>767,345,069</b>     | <b>767,345,069</b>     | <b>585,332,800</b>     | <b>585,332,800</b>     |
| <b>Financial liabilities</b>                           |    |                        |                        |                        |                        |
| <b>Amortised cost</b>                                  |    |                        |                        |                        |                        |
| <b>Unsecured bank facilities:</b>                      |    |                        |                        |                        |                        |
| Annuity Loans  | 15 | 1,455,252,441          | 1,455,252,441          | 1,539,712,709          | 1,539,712,709          |
| Finance Leases   | 16 | 472,639                | 472,639                | -                      | -                      |
|  |    | <b>1,455,725,080</b>   | <b>1,455,725,080</b>   | <b>1,539,712,709</b>   | <b>1,539,712,709</b>   |
| <b>Trade and other payables:</b>                       |    |                        |                        |                        |                        |
| Consumer deposits                                      | 19 | 72,713,346             | 72,713,346             | 65,330,962             | 65,330,962             |
| Trade and other payables from exchange transactions    | 20 | 179,362,651            | 179,362,651            | 169,511,671            | 169,511,671            |
| Current portion of financial liabilities               | 15 | 84,460,268             | 84,460,268             | 78,688,303             | 78,688,303             |
| Current portion of Finance Leases                      | 16 | 345,347                | 345,347                | 26,762                 | 26,762                 |
|  |    | <b>336,881,612</b>     | <b>336,881,612</b>     | <b>313,557,698</b>     | <b>313,557,698</b>     |
| <b>Total financial liabilities</b>                     |    | <b>1,792,606,692</b>   | <b>1,792,606,692</b>   | <b>1,853,270,407</b>   | <b>1,853,270,407</b>   |
| <b>Total financial instruments</b>                     |    | <b>(1,025,261,623)</b> | <b>(1,025,261,623)</b> | <b>(1,267,937,606)</b> | <b>(1,267,937,606)</b> |

The Fair Values of Financial Assets and Financial Liabilities are determined as follow:



# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2023

## Notes to the Audited Annual Financial Statements

| Figures in Rand | 2023 | 2022 |
|-----------------|------|------|
|-----------------|------|------|

### 55. Financial instruments (continued)

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.

#### 55.2 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 11; and Equity, comprising Funds, Reserves and Accumulated Surplus as disclosed in Note(s) 22&23&24 and the Statement of changes in net assets.

#### 55.3 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.

#### 55.4 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.

#### 55.5 Market risk

The municipality's activities expose it primarily to the financial risks of changes in interest rates (see Note 55.6 below). No formal policy exists to hedge volatilities in the interest rate market.

#### 55.6 Interest rate risk

Interest rate risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

Potential concentrations of interest rate risk on financial assets consist mainly of fixed deposit investments and bank and cash balances.

The municipality is not exposed to a high level of interest rate risk on its financial liabilities. All of the municipality's interest bearing external loan liabilities, as detailed in Appendix 'A', are fixed interest rate loans. Similarly with financial assets, the municipality invests its surplus funds on call deposit interest rate deposits with banks for fixed terms not exceeding one year.

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.





# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2023

## Notes to the Audited Annual Financial Statements

| Figures in Rand | 2023 | 2022 |
|-----------------|------|------|
|-----------------|------|------|

### 55. Financial instruments (continued)

#### 55.7 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 2023

|                                    | Within 1 year      | 2 to 5 years       | 5 years +            | Total                |
|------------------------------------|--------------------|--------------------|----------------------|----------------------|
| <b>Maturity analysis</b>           |                    |                    |                      |                      |
| Annuity loans                      | 251,185,949        | 997,525,228        | 1,523,700,711        | 2,772,411,888        |
| Finance leases                     | 564,408            | 564,408            | -                    | 1,128,816            |
| Payables from exchange transaction | 179,362,651        | -                  | -                    | 179,362,651          |
| Consumer deposits                  | 72,713,346         | -                  | -                    | 72,713,346           |
|                                    | <b>503,826,354</b> | <b>998,089,636</b> | <b>1,523,700,711</b> | <b>3,025,616,701</b> |

#### 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 | 169,511,671        | -                  | -                    | 169,511,671          |
| Consumer deposits                  | 65,330,962         | -                  | -                    | 65,330,962           |
|                                    | <b>489,644,373</b> | <b>999,329,870</b> | <b>1,773,082,018</b> | <b>3,262,056,261</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.

#### 55.8 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 10 to the audited annual financial statements.

The municipality does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The municipality defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings.

The carrying amount of financial assets recorded in the audited annual financial statements, which is net of impairment losses, represents the municipality's maximum exposure to credit risk without taking account of the value of any collateral obtained.

The maximum credit and interest risk exposure in respect of the relevant financial instruments is as follow:



# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2023

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|--|--------------------|--------------------|
| <b>55. Financial instruments (continued)</b>           |                    |                    |
| Non-current receivables from exchange transactions     | 104                | 94,875             |
| Trade and other receivables from exchange transactions | 318,633,247        | 352,115,515        |
| Receivables from non-exchange transactions             | 3,423,166          | 3,212,031          |
| Current portion of non-current receivables             | 18,121             | 26,762             |
| Short term investments                                 | -                  | 40,000,000         |
| Cash and cash equivalents                              | 445,270,431        | 189,883,617        |
| <b>Maximum credit and interest risk exposure</b>       | <b>767,345,069</b> | <b>585,332,800</b> |

### 55.9 Other price risks

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

### 56. 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.

### 57. Related party disclosures

#### 57.1 Nature of related party relationships

| Related party                          | Nature of relationship |
|--|------------------------|
| Compensation made to Senior Management | Refer to note 38.1     |
| Remuneration of Councillors            | Refer to note 39       |

#### 57.2 Related party transactions

|  |                  |                  |
|--|------------------|------------------|
| <b>Revenue</b>                               |                  |                  |
| Consumer services rendered to Key Management | 56,024           | 55,464           |
| Consumer services rendered to Councillors    | 1,278,855        | 1,482,488        |
|  | <b>1,334,879</b> | <b>1,537,952</b> |

#### 57.3 Related party balances

##### Outstanding balances

##### Consumer accounts

|                          |               |                |
|--------------------------|---------------|----------------|
| Key Management Personnel | -             | -              |
| Councillors              | 50,856        | 114,143        |
|                          | <b>50,856</b> | <b>114,143</b> |

The consumer services are in accordance with approved tariffs that was advertised to the public.

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 53.2



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### 58. 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 and financial position of R 112,807,835 (2022: R 109,904,964) represents contributions payable to these plans by the municipality at rates specified in the rules of the plans.

These schemes are subject to a tri-annual, bi-annual or annual actuarial valuation as set out hereunder.

#### a) LA Retirement Fund (Previously Cape Joint Pension Fund)

The LA Retirement Fund operates both as a defined benefit and defined contribution scheme.

##### Defined benefit scheme

The contribution rate payable is under the defined benefit section is 27%, 9% by the members and 18% by their councils. The actuarial valuation report at 30 June 2022 disclosed an actuarial valuation amounting to R1,391,841,000 (30 June 2021: R1,486,110,000), with a net accumulated surplus of R144,158,000 (2021: R69,420,000), with a funding level of 111.60% (30 June 2021: 104.90%).

##### Defined contribution scheme

The actuarial valuation report at 30 June 2022 indicated that the defined contribution scheme of the fund is in a sound financial position, with assets amounting to R1,976,184,000 (30 June 2021: R2,082,488,000), net investment reserve of R0 (30 June 2021: R0) and with a funding level of 100% (2021: 100%).

The actuary concluded that:

- The Pensioner Account has a funding level of 111.6% 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 104.5%;
- The Trustees awarded a 5.20% pension increase effective 1 January 2023; and
- The Trustees awarded 100% of monthly pension bonus to pensioners payable in December 2022.

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

The last statutory valuation performed as at 30 June 2022 revealed that the net assets of the Fund amounted to R36,502,914,000 (30 June 2021: R34,148,000,000). The members share account and processing reserve account had assets amounting to R35,552,304,000 (2021: R33,231,698,000), and the pensions account had assets amounting to R609,285,000 (2021: R672,300,000) with funding levels of 100.4% and 131.6% (30 June 2021 100.5% and 133.0%) for the Share Account and the Pensions Account respectively. The Preservation Pension Account amounted to R83,977,000 (30 June 2021: R84,364,000), with a funding level of 100% (30 June 2021: 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.



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### 58. Retirement benefit information (continued)

#### c) SALA Pension Fund

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

The statutory valuation performed as at 01 July 2021 revealed that the assets of the fund amounted to R12,238,000 (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.

#### 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.



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### 58. Retirement benefit information (continued)

#### f) The Municipal Workers Retirement Fund (Previously South African Municipal Workers Union Provident Fund)

The fund does statutory valuations every three years. Information below is extracted from the latest report on March 2022. Comparatives therefore differ from disclosures in previous years AFS.

The statutory valuation performed as at 30 June 2020 revealed that the assets of the fund amounted to R9,021,008,000 (30 June 2019: R9,272,763,000), with funding levels of 102.2% (30 June 2019: 110.6%). The funding level before allowing for the reserves has reduced to 102.2%, largely as a result of the poor investment returns over the year to 30 June 2020.

The Rules require that member and employer contribution rates shall be as agreed between the employer and the Fund but shall be not less than 7.5% and 18% respectively, unless the employer is part of a bargaining forum that permits lower contribution rates and/or does not apply higher member and employer contribution rates for any of its employees. The employer contribution rates applicable shall not be less than those contributed by the employer to any other fund.

Based on June 2020 contributions, it appears that members contribute at an average rate of around 8.2%, and employers at an average rate of around 19.5%.

The Fund's assets were sufficient to cover the members' Fund Credits and to provide a margin for contingency reserves as at 30 June 2020. The valuator therefore consider that the Fund was in a sound financial position at the valuation date.



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### 59. 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 (2022: 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 R26,767,475 (2022: 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.

#### 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.

#### 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.

#### JJ Bosman\*\*

The plaintiff's vehicle crossed over a pothole and caused damages to his vehicle. As a result of this incident, the applicant lodged a claim of R45,645. The claim is current with attorneys appointed by the Municipality.

#### Pincore Solutions (Pty) Ltd

Plaintiff alleges that the Municipality has not paid invoices for work completed. As a result of this incident, the applicant lodged a claim of R400,000. The claim is currently with attorneys appointed by the Municipality.

#### Fox Properties (Pty) Ltd

It is alleged that the conveyancing transaction was incorrectly processed, the building works was incomplete and there was a loss of rental income.

#### NORSA Community Care; IM Lawrence and L Britz

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 12 (2022: 6) cases are being dealt with at the Municipality's insurer and amounts to R4,253,474 (2022: R3,613,729) in total claims. In the event that the claims are successful, the Municipality will be liable for the amount of R260,000 (2022: R110,000), 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. Arbitration award was delivered on 1 October 2021 in favor of the municipality. The applicant (J Hattingh) referred the matter to the Labour Court for review. The Labour Court matter is still pending. The maximum exposure for the municipality is the payment of the former director's contract package for 12 months, amounting to R1,596,747 (2022: R1,596,747)

#### Arbitration cases

The municipality has 4 (2022: 4) ongoing arbitration cases, which varies in circumstances. The maximum exposure for the municipality amounts to R1,058,962 (2022: R856,282).



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Audited Annual Financial Statements for the year ended 30 June 2023

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### 59. Contingent liabilities (continued)

#### 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. The municipality has received a non-binding VAT ruling regarding the matter and provision was made for the output VAT payable.

According to Section 217 (3) of the Tax Administration Act (TAA), the municipality may be levied with penalties and interest by SARS for the late declaration and payment of output VAT. The penalty rate and interest charged will be determined by SARS as various considerations needs to be taken into account to calculate this amount. The municipality's best estimate for these penalties and interest payable amounts to R3,129,520.

\*\*The case should have been included in last year's disclosures, please refer to note 49 for more detailed information.

### 60. Contingent assets

#### Insurance Claim - Parys Substation fire & Grysbok Flats fire

A dispute with the insured underwriter and broker with regards to the amount of the insurance claims to be paid out by the insurance company, and the uncertainty on the claim amount to be paid out. The claim is estimated at R25,007,410 (2022: R25,007,410).

### 61. 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.

### 62. Registered IUDG programme

| 2022/2023   | Received          | Expenditure         | Unspent  |
|---|-------------------|---------------------|----------|
| Upgrade swimming pools                                      | 927,749           | (927,749)           | -        |
| Installation of electric equipment at Boy Louw sport fields | 278,781           | (278,781)           | -        |
| Install electric cables at Dal Josaphat Stadium             | 120,139           | (120,139)           | -        |
| Upgrading of Faure street sports stadium                    | 1,578,849         | (1,578,849)         | -        |
| Upgrading of Gouda sports fields                            | 387,816           | (387,816)           | -        |
| Solid waste mini drop offs                                  | 400,000           | (400,000)           | -        |
| Replace / upgrade water reticulation system                 | 6,469,728         | (6,469,728)         | -        |
| Water distribution system upgrade                           | 1,000,000         | (1,000,000)         | -        |
| Paarl wastewater treatment works mechanical                 | 1,998,538         | (1,998,538)         | -        |
| Replace / upgrade sewerage system                           | 5,103,615         | (5,103,615)         | -        |
| Extension of basic services: informal settlements           | 1,000,000         | (1,000,000)         | -        |
| Replace pump at Newton pumpstation                          | 4,377,383         | (4,377,383)         | -        |
| Reseal of streets in terms of the rams                      | 5,019,396         | (5,019,396)         | -        |
| Drommedaris road rebuild                                    | 4,999,964         | (4,999,964)         | -        |
| Upgrading of sidewalks                                      | 1,497,012         | (1,497,012)         | -        |
| Refurbish storm water systems                               | 4,994,509         | (4,994,509)         | -        |
| Increase existing network capacity                          | 1,799,999         | (1,799,999)         | -        |
| Drakenstein streetlight projects                            | 150,000           | (150,000)           | -        |
| Replacement program for old and redundant                   | 3,000,000         | (3,000,000)         | -        |
| Increase existing LT network capacity                       | 1,800,000         | (1,800,000)         | -        |
| Electrification of informal areas                           | 1,000,000         | (1,000,000)         | -        |
| Palmiet substation transformer 3 refurbish                  | 6,000,000         | (6,000,000)         | -        |
|   | <b>53,903,478</b> | <b>(53,903,478)</b> | <b>-</b> |



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Audited Annual Financial Statements for the year ended 30 June 2023

## Notes to the Audited Annual Financial Statements

| Figures in Rand  | 2023       | 2022         |         |
|--|------------|--------------|---------|
| 62. Registered IUDG programme (continued)                      |            |              |         |
| 2021/2022  | Received   | Expenditure  | Unspent |
| 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)  | -       |
|  | 52,256,000 | (52,256,000) | -       |

### 63. 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.

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.

### 64. 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                                   | 322,776      | 183,246      |
| Revenue received on behalf of principal (including commission) | 96,745,382   | 96,184,215   |
| Revenue recognised by the municipality as agency*              | (19,897,279) | (19,209,323) |
| Revenue paid over to principal                                 | (77,067,564) | (76,835,362) |

\* VAT included

|                |                |
|----------------|----------------|
| <b>103,315</b> | <b>322,776</b> |
|----------------|----------------|

This note has been restated due to errors identified in the prior year information.



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| <b>Agent for the National Department of Justice</b>   |                |                |
| 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. |                |                |
| <b>Reconciliation of amounts payable to the Department of Justice</b>   |                |                |
| Balance at beginning of year  | 401,500        | 436,900        |
| Revenue received on behalf of principal   | 194,400        | 158,700        |
| Revenue recognised by the municipality as agency fees   | -              | -              |
| Revenue paid over to principal  | (150,300)      | (194,100)      |
|   | <b>445,600</b> | <b>401,500</b> |

This note has been restated due to errors identified in the prior year information.

### Principal arrangements: Traffic services

#### Agent for the Drakenstein Municipality

The municipality has a service provider TMT (2022: 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 (Including VAT) | 6,073,894 | 5,945,094 |

### Principal arrangements: Financial Services

#### Agent for the Drakenstein Municipality

The municipality has a service provider EasyPay & Pay At (2022: EasyPay & Pay At) 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   | 1,570,423 | 739,550   |
| Commission received by the agent (Including VAT) | 5,236,453 | 4,357,072 |

This note has been restated due to the commission received by the agent presented not including VAT in the prior year information.

### 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   | 3,360,125  | 3,445,482  |
| Commission received by the agent (Including VAT) | 11,334,556 | 10,619,773 |

This note has been restated due to the commission received by the agent presented not including VAT in the prior year information.



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| <b>65. 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  |      | 142,715,457         |
| <b>Revenue by Source</b>   |      |                     |
| Property rates   |      | -                   |
| Property rates - penalties & collection charges (Surcharges and Taxes*)  |      | (2,230,462)         |
| Service charges - electricity revenue  |      | (1,368,866,562)     |
| Service charges - water revenue  |      | (193,211,551)       |
| Service charges - sanitation revenue   |      | (144,103,899)       |
| Service charges - refuse revenue   |      | (155,442,460)       |
| Service charges  |      | 1,873,243,605       |
| Availability charges - Waste management  |      | (3,893,471)         |
| Availability charges - Water   |      | (2,171,116)         |
| Availability charges - Waste water management  |      | (3,304,521)         |
| Availability charges - Electricity   |      | (2,250,026)         |
| Availability charges   |      | -                   |
| Rental of facilities and equipment (Rental of Fixed Assets*)   |      | (7,081,619)         |
| Investment revenue (Interest earned - external investments)  |      | -                   |
| Interest earned - outstanding debtors  |      | (12,884,063)        |
| Finance income and Dividends*  |      | -                   |
| Licences and permits   |      | (21,094,734)        |
| Fines (Fines, Penalties & Forfeits*)   |      | (104,450,942)       |
| Transfers recognised - operational / (Transfers and Subsidies*)  |      | (117,743,324)       |
| Other revenue (Operational Revenue (Exchange)*)  |      | 212,339,525         |
| Operational Revenue ( Non - Exchange)*   |      | (1,770,924)         |
| Sale of Goods and Rendering of Services*   |      | (34,761,610)        |
| Inventory Surpluses (Gains/losses on Inventory)  |      | -                   |
| Construction Contract Revenue  |      | -                   |
| <b>Total</b>   |      | <b>(89,678,154)</b> |



# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2023

## Notes to the Audited Annual Financial Statements

| Figures in Rand  | 2023 | 2022                |
|--|------|---------------------|
| <b>65. Reconciliation of budget surplus/(deficit) with surplus/(deficit) with Statement of Financial Performance (continued)</b> |      |                     |
| <b>Expenditure By Type</b>   |      |                     |
| Employee related costs   |      | (14,283,638)        |
| Remuneration of councillors (Councillor Related Cost *)  |      | -                   |
| Collection cost  |      | -                   |
| Debt impairment  |      | -                   |
| Impairment losses on financial assets  |      | 169,280,704         |
| Depreciation & asset impairment (Depreciation and Amortisation *)  |      | -                   |
| Impairment Losses  |      | 214,518             |
| Interest, Dividends and Rent on Land (Interest paid *)   |      | -                   |
| Materials and Bulk purchases   |      | (1,033,398,650)     |
| Bulk Purchases   |      | 959,067,970         |
| Contracted services  |      | 173,600,619         |
| Transfers and grants (Transfers and Subsidies : Operational Exp*)  |      | -                   |
| Other expenditure (Operational cost*)  |      | (388,486,412)       |
| Inventory*   |      | 74,330,680          |
| Operating Leases*  |      | 17,838,689          |
| Loss on disposal of Assets (Gains /(losses) on disposal of PPE, IA, IP & HA*)  |      | 11,999,426          |
| <b>Total</b>   |      | <b>(29,836,094)</b> |
| <b>Surplus/(Deficit)</b>   |      |                     |
| Transfers recognised - capital   |      | 119,514,248         |
| Contributions recognised - capital   |      | -                   |
|  |      | <b>119,514,248</b>  |
| <b>Net surplus/(deficit) per statement of budget comparison</b>  |      | <b>142,715,457</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 2022/23 Budget and GRAP Annual Financial Statements.

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

|  |             |
|--|-------------|
| Net cash from operating activities                           | (7,382,384) |
| Net cash from investing activities                           | -           |
| Net cash from financing activities                           | 7,382,384   |
| <b>Net increase /(decrease) in cash and cash equivalents</b> | <b>-</b>    |



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## Notes to the Audited Annual Financial Statements

| Figures in Rand | 2023 | 2022 |
|-----------------|------|------|
|-----------------|------|------|

### 67. Budget information

The budget has been prepared on the accrual basis of accounting in accordance with the prescripts of the Municipal budget regulations as well as MFMA budget circulars. In accordance with the Municipal budget regulations, the classification basis the municipality presents its budget is per economic as well as per functional classification (per Vote (Department) and GFS classification). It should be noted that minor budget differences between the basis the budget is prepared (accrual basis and prescripts of NT guidance) and actual financial results (accrual basis in accordance with GRAP) exists, mainly related to technical GRAP adjustments required. These differences are not material and as the basis of preparation is the same (accrual basis) no restatements have been made to the financial information compared to the budgeted amounts, but where found to be material is explained below:

#### Explanation of variances between approved and final budget amounts

The reason for the variances between the approved and final budgets are mainly due to reallocations made within the approved budget parameters allowed for by the Virement Policy of Drakenstein Municipality as approved by Council.

Explanation of variances greater than 10%: Final Budget and Actual Amounts.

#### 67.1. Cash flow

##### Cash flows from operating activities

- The actual cash collected for Service Charges was much higher than anticipated.

#### 67.2. Statement of financial performance and financial position

##### Revenue

- *Transfers recognised - operational*  
Due to the reallocation of library grant income to sale and rendering of goods and services.
- *Other revenue*  
Agency Services - Due to the reallocation of library grant income to sale and rendering of goods and services.  
Gains - Recognition of current year medical actuarial gain. (Not budgeted)  
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

- Due to increase in cash, as a result of our continuous cost containment procedures, more cash was available.  
The increase in current assets also impacts on the accumulated surplus as a result of this increase.



# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2023

## Notes to the Audited Annual Financial Statements

### Figures in Rand

#### 68. Segment information

##### Segment surplus or deficit, assets and liabilities

##### By Department

2023

|   | Office of the City<br>Manager | Financial Services | Corporate Services | Planning and<br>Development | Community Services | Engineering Services | Department of Chief<br>Audit Executive | Department of Risk<br>And Compliance | Department of IDP<br>And PMS | Department of<br>Communication | Total                |
|---|-------------------------------|--------------------|--------------------|-----------------------------|--------------------|----------------------|--|--------------------------------------|------------------------------|--------------------------------|----------------------|
| <b>Revenue</b>                                |                               |                    |                    |                             |                    |                      |  |                                      |                              |                                |                      |
| Services charges - Electricity                | -                             | -                  | -                  | -                           | -                  | 1,371,116,587        | -                                      | -                                    | -                            | -                              | 1,371,116,587        |
| Services charges - Water                      | -                             | -                  | -                  | -                           | -                  | 195,382,667          | -                                      | -                                    | -                            | -                              | 195,382,667          |
| Services charges - Waste<br>management        | -                             | -                  | -                  | -                           | 159,335,930        | -                    | -                                      | -                                    | -                            | -                              | 159,335,930          |
| Services charges - Waste water<br>management  | -                             | -                  | -                  | -                           | -                  | 147,408,421          | -                                      | -                                    | -                            | -                              | 147,408,421          |
| Sales of goods and rendering of<br>services   | -                             | 59,081             | 1,451,554          | 10,474,379                  | 22,398,818         | 377,782              | -                                      | -                                    | -                            | -                              | 34,761,614           |
| Rental from fixed assets                      | -                             | (9,851,646)        | -                  | 14,158,770                  | 791,476            | 1,983,020            | -                                      | -                                    | -                            | -                              | 7,081,620            |
| Interests on investments                      | -                             | 36,829,614         | 216                | -                           | -                  | -                    | -                                      | -                                    | -                            | -                              | 36,829,830           |
| Interest on receivables                       | -                             | -                  | 6,843              | -                           | 3,693,840          | 9,183,379            | -                                      | -                                    | -                            | -                              | 12,884,062           |
| Operational revenue - Exchange<br>revenue     | -                             | 2,668,524          | 1,104,519          | 52,280                      | 396,418            | 9,995,750            | -                                      | -                                    | -                            | -                              | 14,217,491           |
| Operational revenue - Non-exchange<br>revenue | -                             | 1,770,924          | -                  | -                           | -                  | -                    | -                                      | -                                    | -                            | -                              | 1,770,924            |
| Licences or permits                           | -                             | -                  | -                  | 2,908                       | 21,087,025         | 4,800                | -                                      | -                                    | -                            | -                              | 21,094,733           |
| Property rates                                | -                             | 437,182,802        | -                  | -                           | -                  | -                    | -                                      | -                                    | -                            | -                              | 437,182,802          |
| Surcharges and taxes                          | -                             | 2,230,462          | -                  | -                           | -                  | -                    | -                                      | -                                    | -                            | -                              | 2,230,462            |
| Fines, penalties and forfeits                 | -                             | -                  | -                  | 209,499                     | 103,885,294        | 356,148              | -                                      | -                                    | -                            | -                              | 104,450,941          |
| Transfers and subsidies                       | -                             | 37,556,810         | 2,043,941          | 10,630,586                  | 28,068,132         | 246,394,189          | -                                      | -                                    | -                            | -                              | 324,693,658          |
| <b>Total segment revenue</b>                  | -                             | <b>508,446,571</b> | <b>4,607,073</b>   | <b>35,528,422</b>           | <b>339,656,933</b> | <b>1,982,202,743</b> | -                                      | -                                    | -                            | -                              | <b>2,870,441,742</b> |



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# Drakenstein Municipality

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## Notes to the Audited Annual Financial Statements

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### 68. Segment information (continued)

|  | Office of the City Manager | Financial Services | Corporate Services   | Planning and Development | Community Services   | Engineering Services | Department of Chief Audit Executive | Department of Risk And Compliance | Department of IDP And PMS | Department of Communication | Total                |
|--|----------------------------|--------------------|----------------------|--------------------------|----------------------|----------------------|-------------------------------------|-----------------------------------|---------------------------|-----------------------------|----------------------|
| <b>Expenditure</b>                     |                            |                    |                      |                          |                      |                      |                                     |                                   |                           |                             |                      |
| Employee related cost                  | 4,152,593                  | 77,057,954         | 79,994,578           | 72,988,907               | 242,114,967          | 239,654,211          | 9,210,067                           | 2,535,765                         | 4,163,152                 | 3,788,557                   | 735,660,751          |
| Remuneration of councillors            | -                          | -                  | 33,213,291           | -                        | -                    | -                    | -                                   | -                                 | -                         | -                           | 33,213,291           |
| Debt impairment / write-off            | -                          | -                  | -                    | -                        | -                    | -                    | -                                   | -                                 | -                         | -                           | -                    |
| Depreciation and amortisation          | 125,310                    | 3,422,260          | 5,142,292            | 33,841,631               | 25,929,945           | 177,914,888          | 24,788                              | 8,281                             | 36,088                    | 18,683                      | 246,464,166          |
| Impairment losses on financial assets  | -                          | 13,380,118         | -                    | 2,444,851                | 109,704,476          | 43,751,260           | -                                   | -                                 | -                         | -                           | 169,280,705          |
| Impairment losses on PPE, IA and HA    | -                          | 214,518            | -                    | -                        | -                    | -                    | -                                   | -                                 | -                         | -                           | 214,518              |
| Finance costs                          | -                          | 304,118            | 255,430              | 4,707,204                | 7,170,274            | 163,953,493          | -                                   | -                                 | -                         | -                           | 176,390,519          |
| Bulk purchases                         | -                          | -                  | -                    | -                        | -                    | 959,067,970          | -                                   | -                                 | -                         | -                           | 959,067,970          |
| Inventory consumed                     | 36,344                     | 3,168,389          | 1,814,273            | 5,772,380                | 28,541,629           | 34,860,278           | 39,504                              | 7,328                             | 16,866                    | 73,691                      | 74,330,682           |
| Contracted services                    | 6,685                      | 4,114,814          | 11,779,740           | 6,059,235                | 76,349,237           | 74,097,707           | 5,948                               | 379,134                           | 620,100                   | 188,018                     | 173,600,618          |
| Transfers and subsidies                | -                          | -                  | 3,324,138            | 373,760                  | 1,209,531            | 20,000,000           | -                                   | -                                 | -                         | -                           | 24,907,429           |
| Operational cost                       | 33,946                     | 31,920,604         | 26,877,755           | 1,602,180                | 25,989,911           | 16,726,195           | 175,810                             | 33,800                            | 43,571                    | 1,353,752                   | 104,757,524          |
| Operating leases                       | 8,797                      | 832,249            | 433,304              | 821,175                  | 3,897,687            | 11,748,205           | 80,893                              | 8,797                             | 7,578                     | -                           | 17,838,685           |
| Loss on disposal of assets             | -                          | (261,594)          | -                    | -                        | 214,036              | 12,046,984           | -                                   | -                                 | -                         | -                           | 11,999,426           |
| <b>Total segment expenditure</b>       | <b>4,363,675</b>           | <b>134,153,430</b> | <b>162,834,801</b>   | <b>128,611,323</b>       | <b>521,121,693</b>   | <b>1,753,821,191</b> | <b>9,537,010</b>                    | <b>2,973,105</b>                  | <b>4,887,355</b>          | <b>5,422,701</b>            | <b>2,727,726,284</b> |
| <b>Sub-total</b>                       | <b>(4,363,675)</b>         | <b>374,293,141</b> | <b>(158,227,728)</b> | <b>(93,082,901)</b>      | <b>(181,464,760)</b> | <b>228,381,552</b>   | <b>(9,537,010)</b>                  | <b>(2,973,105)</b>                | <b>(4,887,355)</b>        | <b>(5,422,701)</b>          | <b>142,715,458</b>   |
| <b>Internal charges</b>                |                            |                    |                      |                          |                      |                      |                                     |                                   |                           |                             |                      |
| OC : Municipal services (Income)       | -                          | -                  | -                    | -                        | (6,325,426)          | (70,979,936)         | -                                   | -                                 | -                         | -                           | (77,305,362)         |
| OC : Municipal services                | -                          | 195,991            | -                    | 8,230,817                | 23,409,867           | 45,468,687           | -                                   | -                                 | -                         | -                           | 77,305,362           |
| <b>Total segment internal charges</b>  | <b>-</b>                   | <b>195,991</b>     | <b>-</b>             | <b>8,230,817</b>         | <b>17,084,441</b>    | <b>(25,511,249)</b>  | <b>-</b>                            | <b>-</b>                          | <b>-</b>                  | <b>-</b>                    | <b>-</b>             |
| <b>Total segment surplus/(deficit)</b> | <b>(4,363,675)</b>         | <b>374,489,132</b> | <b>(158,227,728)</b> | <b>(84,852,084)</b>      | <b>(164,380,319)</b> | <b>202,870,303</b>   | <b>(9,537,010)</b>                  | <b>(2,973,105)</b>                | <b>(4,887,355)</b>        | <b>(5,422,701)</b>          | <b>142,715,458</b>   |
| <b>Capital expenditure</b>             |                            |                    |                      |                          |                      |                      |                                     |                                   |                           |                             |                      |
| Actual outcome                         | 8,802                      | 279,165            | 10,208,022           | 14,021,795               | 14,332,893           | 151,976,008          | -                                   | 42,097                            | 11,046                    | 24,659                      | 190,904,487          |



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#### 68. Segment information (continued)

2022

|   | 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                | 23,457,510         | 423,477              | -                                   | -                                 | -                         | -                           | 36,575,897           |
| 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            | 4,740,173            | -                                   | -                                 | -                         | -                           | 16,207,814           |
| 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                    | -                          | 137,581            | -                  | -                        | -                  | 208,095              | -                                   | -                                 | -                         | -                           | 345,676              |
| 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                       | -                          | 40,887,224         | 2,200,442          | 8,535,716                | 54,757,799         | 196,591,216          | -                                   | -                                 | -                         | -                           | 302,972,397          |
| Other Non-Exchange Revenue 1                  | -                          | 151,981            | -                  | 52,296                   | -                  | -                    | -                                   | -                                 | -                         | -                           | 204,277              |
| <b>Total segment revenue</b>                  | -                          | <b>474,353,409</b> | <b>3,876,697</b>   | <b>30,111,027</b>        | <b>344,785,247</b> | <b>1,897,274,990</b> | -                                   | -                                 | -                         | -                           | <b>2,750,401,370</b> |



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### 68. Segment information (continued)

|  | Office of the City Manager | Financial Services | Corporate Services   | Planning and Development | Community Services   | Engineering Services | Department of Chief Audit Executive | Department of Risk And Compliance | Department of IDP And PMS | Department of Communication | Total                |
|--|----------------------------|--------------------|----------------------|--------------------------|----------------------|----------------------|-------------------------------------|-----------------------------------|---------------------------|-----------------------------|----------------------|
| <b>Expenditure</b>                     |                            |                    |                      |                          |                      |                      |                                     |                                   |                           |                             |                      |
| Employee related cost                  | 4,234,666                  | 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                    | 3,196,988          | 5,348,255            | 33,149,385               | 25,343,500           | 174,769,503          | 24,271                              | 8,171                             | 35,336                    | 46,985                      | 242,046,334          |
| 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                     | 24,202                     | 2,208,533          | 1,910,946            | 3,481,597                | 25,059,852           | 28,446,678           | (20,524)                            | 5,677                             | 45,624                    | (38)                        | 61,162,547           |
| 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                       | 6,115                      | 578,510            | 301,197              | 423,308                  | 5,670,245            | 15,543,226           | 56,230                              | 6,115                             | 5,268                     | -                           | 22,590,214           |
| <b>Total segment expenditure</b>       | <b>4,394,913</b>           | <b>113,004,119</b> | <b>159,315,237</b>   | <b>126,360,443</b>       | <b>482,944,302</b>   | <b>1,699,561,163</b> | <b>9,238,746</b>                    | <b>2,030,326</b>                  | <b>5,762,103</b>          | <b>4,913,748</b>            | <b>2,607,525,100</b> |
| <b>Internal charges</b>                |                            |                    |                      |                          |                      |                      |                                     |                                   |                           |                             |                      |
| OC : Municipal services (Income)       | -                          | -                  | -                    | -                        | (6,118,452)          | (68,176,748)         | -                                   | -                                 | -                         | -                           | (74,295,200)         |
| OC : Municipal services                | -                          | 339,240            | -                    | 8,743,846                | 20,648,481           | 44,563,633           | -                                   | -                                 | -                         | -                           | 74,295,200           |
| <b>Total segment internal charges</b>  | <b>-</b>                   | <b>339,240</b>     | <b>-</b>             | <b>8,743,846</b>         | <b>14,530,029</b>    | <b>(23,613,115)</b>  | <b>-</b>                            | <b>-</b>                          | <b>-</b>                  | <b>-</b>                    | <b>-</b>             |
| <b>Sub-total</b>                       | <b>(4,394,913)</b>         | <b>361,349,290</b> | <b>(155,438,540)</b> | <b>(96,249,416)</b>      | <b>(138,159,055)</b> | <b>197,713,827</b>   | <b>(9,238,746)</b>                  | <b>(2,030,326)</b>                | <b>(5,762,103)</b>        | <b>(4,913,748)</b>          | <b>142,876,270</b>   |
| <b>Total segment surplus/(deficit)</b> | <b>(4,394,913)</b>         | <b>361,688,530</b> | <b>(155,438,540)</b> | <b>(87,505,570)</b>      | <b>(123,629,026)</b> | <b>174,100,712</b>   | <b>(9,238,746)</b>                  | <b>(2,030,326)</b>                | <b>(5,762,103)</b>        | <b>(4,913,748)</b>          | <b>142,876,270</b>   |
| <b>Capital expenditure</b>             |                            |                    |                      |                          |                      |                      |                                     |                                   |                           |                             |                      |
| Actual outcome                         | 8,802                      | 279,165            | 10,208,022           | 14,021,795               | 14,332,893           | 151,976,008          | -                                   | 42,097                            | 11,046                    | 24,659                      | 190,904,487          |



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# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2023

## Notes to the Audited Annual Financial Statements

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### 68. Segment information (continued)

#### By GFS

2023

|  | Executive and<br>Council | Finance and<br>Administration | Internal Audit | Community and<br>Social Services | Sport and<br>Recreation | Public Safety      | Housing           | Planning and<br>Development | Road Transport   | Environmental<br>Protection | Energy Sources       | Waste<br>Management | Water<br>Management | Waste Water<br>Management | Total                |
|--|--------------------------|-------------------------------|----------------|----------------------------------|-------------------------|--------------------|-------------------|-----------------------------|------------------|-----------------------------|----------------------|---------------------|---------------------|---------------------------|----------------------|
| <b>Revenue</b>                             |                          |                               |                |                                  |                         |                    |                   |                             |                  |                             |                      |                     |                     |                           |                      |
| Services charges - Electricity             | -                        | -                             | -              | -                                | -                       | -                  | -                 | -                           | -                | -                           | 1,371,116,587        | -                   | -                   | -                         | 1,371,116,587        |
| Services charges - Water                   | -                        | -                             | -              | -                                | -                       | -                  | -                 | -                           | -                | -                           | -                    | -                   | 195,382,667         | -                         | 195,382,667          |
| Services charges - Waste management        | -                        | -                             | -              | -                                | -                       | -                  | -                 | -                           | -                | -                           | -                    | 159,335,930         | -                   | -                         | 159,335,930          |
| Services charges - Waste water management  | -                        | -                             | -              | -                                | -                       | -                  | -                 | -                           | -                | -                           | -                    | -                   | -                   | 147,408,421               | 147,408,421          |
| Sales of goods and rendering of services   | 1,451,554                | 100,557                       | -              | 20,739,417                       | 1,621,664               | -                  | -                 | 10,470,640                  | 43,003           | -                           | -                    | -                   | -                   | 334,779                   | 34,761,614           |
| Rental from fixed assets                   | -                        | (7,833,333)                   | -              | 541,996                          | 235,772                 | 565                | 13,994,903        | 125,647                     | -                | -                           | 16,070               | -                   | -                   | -                         | 7,081,620            |
| Interests on investments                   | 216                      | 36,829,614                    | -              | -                                | -                       | -                  | -                 | -                           | -                | -                           | -                    | -                   | -                   | -                         | 36,829,830           |
| Interest on receivables                    | 6,843                    | -                             | -              | -                                | -                       | -                  | -                 | -                           | -                | -                           | 2,576,712            | 3,693,840           | 4,288,753           | 2,317,914                 | 12,884,062           |
| Operational revenue - Exchange revenue     | 671,245                  | 4,073,349                     | -              | 47,505                           | -                       | 243,046            | 1,652             | 50,628                      | 4,648,085        | -                           | 2,033                | -                   | 2,557,555           | 1,922,393                 | 14,217,491           |
| Operational revenue - Non-exchange revenue | -                        | 1,770,924                     | -              | -                                | -                       | -                  | -                 | -                           | -                | -                           | -                    | -                   | -                   | -                         | 1,770,924            |
| Licences or permits                        | -                        | 2,908                         | -              | -                                | 218,709                 | 20,868,316         | -                 | -                           | -                | -                           | -                    | -                   | 4,800               | -                         | 21,094,733           |
| Property rates                             | -                        | 437,182,802                   | -              | -                                | -                       | -                  | -                 | -                           | -                | -                           | -                    | -                   | -                   | -                         | 437,182,802          |
| Surcharges and taxes                       | -                        | 2,230,462                     | -              | -                                | -                       | -                  | -                 | -                           | -                | -                           | -                    | -                   | -                   | -                         | 2,230,462            |
| Fines, penalties and forfeits              | -                        | -                             | -              | 22,148                           | -                       | 103,863,146        | -                 | 209,499                     | -                | -                           | 356,148              | -                   | -                   | -                         | 104,450,941          |
| Transfers and subsidies                    | 203,836                  | 46,744,193                    | -              | -                                | 600,000                 | 1,141,712          | 9,283,308         | 4,139,000                   | 3,517,723        | -                           | 147,017,993          | 26,326,420          | 9,593,073           | 76,126,400                | 324,693,658          |
| <b>Total segment revenue</b>               | <b>2,333,694</b>         | <b>521,101,476</b>            | <b>-</b>       | <b>21,351,066</b>                | <b>2,676,145</b>        | <b>126,116,785</b> | <b>23,279,863</b> | <b>14,995,414</b>           | <b>8,208,811</b> | <b>-</b>                    | <b>1,521,085,543</b> | <b>189,356,190</b>  | <b>211,826,848</b>  | <b>228,109,907</b>        | <b>2,870,441,742</b> |



# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2023

## Notes to the Audited Annual Financial Statements

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### 68. Segment information (continued)

|  | Executive and Council | Finance and Administration | Internal Audit     | Community and Social Services | Sport and Recreation | Public Safety       | Housing             | Planning and Development | Road Transport       | Environmental Protection | Energy Sources       | Waste Management   | Water Management   | Waste Water Management | Total                |
|--|-----------------------|----------------------------|--------------------|-------------------------------|----------------------|---------------------|---------------------|--------------------------|----------------------|--------------------------|----------------------|--------------------|--------------------|------------------------|----------------------|
| <b>Expenditure</b>                       |                       |                            |                    |                               |                      |                     |                     |                          |                      |                          |                      |                    |                    |                        |                      |
| Employee related cost                    | 51,005,756            | 218,519,997                | 9,210,067          | 26,992,993                    | 50,551,133           | 80,373,904          | 26,447,903          | 60,214,891               | 46,153,413           | 1,770,721                | 62,106,137           | 32,905,851         | 26,172,763         | 43,235,222             | 735,660,751          |
| Remuneration of councillors              | 33,213,291            | -                          | -                  | -                             | -                    | -                   | -                   | -                        | -                    | -                        | -                    | -                  | -                  | -                      | 33,213,291           |
| Debt impairment / write-off              | -                     | -                          | -                  | -                             | -                    | -                   | -                   | -                        | -                    | -                        | -                    | -                  | -                  | -                      | -                    |
| Depreciation and amortisation            | 615,879               | 33,360,203                 | 24,788             | 3,899,838                     | 7,906,151            | 387,394             | 33,519,777          | 212,814                  | 53,921,544           | -                        | 50,196,228           | 8,954,354          | 29,696,861         | 23,768,335             | 246,464,166          |
| Impairment losses on financial assets    | -                     | 13,380,118                 | -                  | -                             | -                    | 73,192,195          | 2,444,851           | -                        | -                    | -                        | 1,365,686            | 36,512,281         | 20,478,457         | 21,907,117             | 169,280,705          |
| Impairment losses on PPE, IA and HA      | -                     | 214,518                    | -                  | -                             | -                    | -                   | -                   | -                        | -                    | -                        | -                    | -                  | -                  | -                      | 214,518              |
| Finance costs                            | -                     | 19,151,141                 | -                  | -                             | -                    | 255,428             | 4,707,204           | -                        | 27,969,532           | -                        | 65,777,352           | 6,659,416          | 10,454,365         | 41,416,081             | 176,390,519          |
| Bulk purchases                           | -                     | -                          | -                  | -                             | -                    | -                   | -                   | -                        | -                    | -                        | 929,946,687          | -                  | 29,121,283         | -                      | 959,067,970          |
| Inventory consumed                       | 38,984,165            | 6,093,313                  | 39,504             | 3,490,134                     | 2,358,841            | 841,953             | 5,032,672           | 201,236                  | 3,215,032            | -                        | 8,398,352            | 1,877,024          | 2,055,406          | 1,743,050              | 74,330,682           |
| Contracted services                      | 22,231,017            | 23,228,903                 | 5,948              | 530,383                       | 2,237,088            | 43,480,210          | 3,449,779           | 621,209                  | 7,461,022            | -                        | 24,288,943           | 18,514,520         | 8,079,181          | 19,472,415             | 173,600,618          |
| Transfers and subsidies                  | 3,279,138             | 45,000                     | -                  | 70,000                        | 245,000              | 894,531             | 373,760             | -                        | 20,000,000           | -                        | -                    | -                  | -                  | -                      | 24,907,429           |
| Operational cost                         | 5,091,546             | 63,322,735                 | 175,810            | 2,392,732                     | 618,319              | 1,246,236           | 632,271             | 798,969                  | 753,429              | -                        | 9,835,557            | 19,282,911         | 171,573            | 435,436                | 104,757,524          |
| Operating leases                         | 8,797                 | 1,823,342                  | 80,893             | 1,131,342                     | 412,147              | 346,083             | 609,275             | 210,678                  | 3,922,272            | -                        | 5,608,991            | 2,008,115          | -                  | 1,676,750              | 17,838,685           |
| Loss on disposal of assets               | -                     | 4,398,657                  | -                  | -                             | -                    | -                   | -                   | -                        | -                    | -                        | 2,177,669            | 214,036            | 4,611,438          | 597,626                | 11,999,426           |
| <b>Total segment expenditure</b>         | <b>154,429,589</b>    | <b>383,537,927</b>         | <b>9,537,010</b>   | <b>38,507,422</b>             | <b>64,328,679</b>    | <b>201,017,934</b>  | <b>77,217,492</b>   | <b>62,259,797</b>        | <b>163,396,244</b>   | <b>1,770,721</b>         | <b>1,159,701,602</b> | <b>126,928,508</b> | <b>130,841,327</b> | <b>154,252,032</b>     | <b>2,727,726,284</b> |
| <b>Sub-total</b>                         | <b>(152,095,895)</b>  | <b>137,563,549</b>         | <b>(9,537,010)</b> | <b>(17,156,356)</b>           | <b>(61,652,534)</b>  | <b>(74,901,149)</b> | <b>(53,937,629)</b> | <b>(47,264,383)</b>      | <b>(155,187,433)</b> | <b>(1,770,721)</b>       | <b>361,383,941</b>   | <b>62,427,682</b>  | <b>80,985,521</b>  | <b>73,857,875</b>      | <b>142,715,458</b>   |
| <b>Internal charges</b>                  |                       |                            |                    |                               |                      |                     |                     |                          |                      |                          |                      |                    |                    |                        |                      |
| OC : Municipal services (Income)         | -                     | -                          | -                  | -                             | -                    | -                   | -                   | -                        | -                    | -                        | (55,239,034)         | (6,325,426)        | (13,938,640)       | (1,802,262)            | (77,305,362)         |
| OC : Municipal services                  | -                     | 5,709,339                  | -                  | 1,420,416                     | 20,653,172           | 193,018             | 8,230,817           | -                        | 4,487,232            | -                        | 8,316,622            | 257,409            | 8,227,536          | 19,809,801             | 77,305,362           |
| <b>Total segment internal charges</b>    | <b>-</b>              | <b>5,709,339</b>           | <b>-</b>           | <b>1,420,416</b>              | <b>20,653,172</b>    | <b>193,018</b>      | <b>8,230,817</b>    | <b>-</b>                 | <b>4,487,232</b>     | <b>-</b>                 | <b>(46,922,412)</b>  | <b>(6,068,017)</b> | <b>(5,711,104)</b> | <b>18,007,539</b>      | <b>-</b>             |
| <b>Total segment surplus / (deficit)</b> | <b>(152,095,895)</b>  | <b>143,272,888</b>         | <b>(9,537,010)</b> | <b>(15,735,940)</b>           | <b>(40,999,362)</b>  | <b>(74,708,131)</b> | <b>(45,706,812)</b> | <b>(47,264,383)</b>      | <b>(150,700,201)</b> | <b>(1,770,721)</b>       | <b>314,461,529</b>   | <b>56,359,665</b>  | <b>75,274,417</b>  | <b>91,865,414</b>      | <b>142,715,458</b>   |
| <b>Capital expenditure</b>               |                       |                            |                    |                               |                      |                     |                     |                          |                      |                          |                      |                    |                    |                        |                      |
| Actual outcome                           | 309,017               | 35,211,748                 | -                  | 1,710,604                     | 6,066,618            | 2,463,440           | 12,678,579          | 76,356                   | 27,610,484           | -                        | 68,427,977           | 10,362,198         | 22,205,581         | 3,781,886              | 190,904,488          |

# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2023

## Notes to the Audited Annual Financial Statements

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### 68. Segment information (continued)

2022

|   | Executive and<br>Council | Finance and<br>Administration | Internal Audit | Community and<br>Social Services | Sport and<br>Recreation | Public Safety      | Housing           | Planning and<br>Development | Road Transport    | Environmental<br>Protection | Energy Sources       | Waste<br>Management | Water<br>Management | Waste Water<br>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                     | -              | 21,668,149                       | 1,721,060               | -                  | -                 | 8,167,822                   | 27,118            | -                           | -                    | 2,197               | -                   | 396,359                   | 36,575,897           |
| 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                      | 484,392           | -                           | 108,387              | -                   | 2,890,403           | 49,236                    | 16,207,814           |
| Operational revenue - Non-exchange revenue    | -                        | 1,507,493                     | -              | -                                | -                       | -                  | -                 | -                           | -                 | -                           | -                    | -                   | -                   | -                         | 1,507,493            |
| Licences or permits                           | -                        | 286,674                       | -              | -                                | 109,356                 | 20,343,263         | -                 | -                           | -                 | -                           | -                    | -                   | 6,140               | -                         | 20,745,433           |
| Gain on disposal of assets                    | -                        | 9,261,663                     | -              | -                                | -                       | -                  | -                 | -                           | -                 | -                           | (1,732,928)          | -                   | (5,710,103)         | (1,472,956)               | 345,676              |
| 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                 | -                        | -                             | -              | 40,989                           | -                       | 104,213,855        | -                 | 242,837                     | -                 | -                           | 726,470              | -                   | -                   | -                         | 105,224,151          |
| Transfers and subsidies                       | 93,872                   | 46,475,037                    | -              | -                                | 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                | 302,972,397          |
| Construction contract revenue                 | -                        | 151,981                       | -              | -                                | -                       | -                  | 52,296            | -                           | -                 | -                           | -                    | -                   | -                   | -                         | 204,277              |
| <b>Total segment revenue</b>                  | <b>1,769,668</b>         | <b>492,616,418</b>            | <b>-</b>       | <b>22,048,358</b>                | <b>4,479,706</b>        | <b>125,651,766</b> | <b>18,407,143</b> | <b>13,881,656</b>           | <b>18,009,519</b> | <b>-</b>                    | <b>1,455,876,554</b> | <b>192,395,926</b>  | <b>195,560,799</b>  | <b>209,703,857</b>        | <b>2,711,401,370</b> |

# Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2023

## Notes to the Audited Annual Financial Statements

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### 68. Segment information (continued)

|   | Executive and Council | Finance and Administration | Internal Audit     | Community and Social Services | Sport and Recreation | Public Safety       | Housing             | Planning and Development | Road Transport       | Environmental Protection | Energy Sources       | Waste Management   | Water Management   | Waste Water Management | Total                |
|---|-----------------------|----------------------------|--------------------|-------------------------------|----------------------|---------------------|---------------------|--------------------------|----------------------|--------------------------|----------------------|--------------------|--------------------|------------------------|----------------------|
| <b>Expenditure</b>                      |                       |                            |                    |                               |                      |                     |                     |                          |                      |                          |                      |                    |                    |                        |                      |
| Employee related cost                   | 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               | 32,545,104                 | 24,271             | 3,818,608                     | 7,714,486            | 381,145             | 32,832,168          | 210,114                  | 52,931,160           | -                        | 49,224,894           | 8,767,841          | 29,737,770         | 23,275,014             | 242,046,334          |
| 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                      | 25,985,169            | 5,140,169                  | (20,524)           | 2,819,891                     | 2,926,785            | 495,153             | 2,789,794           | 301,827                  | 3,180,071            | -                        | 10,796,086           | 3,383,801          | 1,319,767          | 2,044,558              | 61,162,547           |
| 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                        | 6,115                 | 7,364,654                  | 56,230             | 491,310                       | (727)                | 240,568             | 194,851             | 217,995                  | 2,953,774            | -                        | 4,847,325            | 4,939,094          | -                  | 1,279,025              | 22,590,214           |
| <b>Total segment expenditure</b>        | <b>137,438,304</b>    | <b>354,839,063</b>         | <b>9,238,746</b>   | <b>38,298,132</b>             | <b>65,670,151</b>    | <b>208,520,793</b>  | <b>78,296,685</b>   | <b>56,577,482</b>        | <b>148,548,679</b>   | <b>1,691,433</b>         | <b>1,172,781,558</b> | <b>87,878,088</b>  | <b>113,603,327</b> | <b>134,142,659</b>     | <b>2,607,525,100</b> |
| <b>Sub-total</b>                        | <b>(135,668,636)</b>  | <b>137,777,355</b>         | <b>(9,238,746)</b> | <b>(16,249,774)</b>           | <b>(61,190,445)</b>  | <b>(82,869,027)</b> | <b>(59,889,542)</b> | <b>(42,695,826)</b>      | <b>(130,539,160)</b> | <b>(1,691,433)</b>       | <b>283,094,996</b>   | <b>104,517,838</b> | <b>81,957,472</b>  | <b>75,561,198</b>      | <b>142,876,270</b>   |
| <b>Internal charges</b>                 |                       |                            |                    |                               |                      |                     |                     |                          |                      |                          |                      |                    |                    |                        |                      |
| OC : Municipal services (Income)        | -                     | -                          | -                  | -                             | -                    | -                   | -                   | -                        | -                    | -                        | (54,296,771)         | (6,118,452)        | (11,949,581)       | (1,930,396)            | (74,295,200)         |
| 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           |
| <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>(135,668,636)</b>  | <b>143,970,698</b>         | <b>(9,238,746)</b> | <b>(14,833,939)</b>           | <b>(43,729,049)</b>  | <b>(82,663,910)</b> | <b>(51,145,696)</b> | <b>(42,695,826)</b>      | <b>(121,288,505)</b> | <b>(1,691,433)</b>       | <b>233,799,761</b>   | <b>98,672,647</b>  | <b>76,809,060</b>  | <b>92,579,844</b>      | <b>142,876,270</b>   |
| <b>Capital expenditure</b>              |                       |                            |                    |                               |                      |                     |                     |                          |                      |                          |                      |                    |                    |                        |                      |
| Actual outcome                          | 55,050                | 16,099,593                 | 5,550              | 1,379,008                     | 18,950,694           | 3,154,082           | 6,515,291           | 14,281                   | 35,888,081           | -                        | 45,041,508           | 15,570,633         | 6,153,445          | 8,224,235              | 157,051,451          |



# Drakenstein Municipality

## Appendix A

### Schedule of external loans as at 30 June 2023

| External Loans                 | Interest<br>Rate<br>% | Loan Number     | Redeemable Date | Balance at 30 June 2022<br><br>Rand | Redeemed/ written off<br>during the period<br>Rand | Balance at 30 June 2023<br><br>Rand |
|--------------------------------|-----------------------|-----------------|-----------------|-------------------------------------|--|-------------------------------------|
| <b>Annuity and other loans</b> |                       |                 |                 |                                     |  |                                     |
| DBSA                           | 10.734 %              | 61007616        | 2037            | 962,981,450                         | 27,996,059   | 934,985,391                         |
| NEDBANK                        | 11.480 %              | 7831030646-0011 | 2029            | 198,701,741                         | 17,925,279   | 180,776,462                         |
| STANDARD BANK                  | 11.440 %              | 0053-7722       | 2028            | 421,687,046                         | 24,324,954   | 397,362,092                         |
| STANDARD BANK                  | 10.970 %              | 0053-8368       | 2028            | 28,486,097                          | 3,576,921  | 24,909,176                          |
| STANDARD BANK                  | 9.870 %               | 0053-7565       | 2023            | 3,339,339                           | 3,339,339  | -                                   |
| STANDARD BANK                  | 9.840 %               | 0053-1097       | 2024            | 3,205,339                           | 1,525,750  | 1,679,589                           |
|                                |                       |                 |                 | <b>1,618,401,012</b>                | <b>78,688,302</b>                                  | <b>1,539,712,710</b>                |

# Drakenstein Municipality

## Appendix B1

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

|                                     | 2022/2023       |   |                    |  |  |               |                |                          |              |                                     |  |
|-------------------------------------|-----------------|---|--------------------|--|--|---------------|----------------|--------------------------|--------------|-------------------------------------|--|
| 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       | 489,830,555     | 53,543,592  | 543,374,147        | -  |  | 543,374,147   | 551,630,797    |                          | 8,256,650    | 102 %                               | 113 %                                  |
| Executive and council               | 1,904,096       | 91,223  | 1,995,319          | -  |  | 1,995,319     | 20,039,435     |                          | 18,044,116   | 1,004 %                             | 1,052 %                                |
| Finance and administration          | 487,926,459     | 53,452,369  | 541,378,828        | -  |  | 541,378,828   | 531,591,362    |                          | (9,787,466)  | 98 %                                | 109 %                                  |
| Internal audit                      | -               | -   | -                  | -  |  | -             | -              |                          | -            | - %                                 | - %                                    |
| Community and public safety         | 201,729,451     | (17,544,718)  | 184,184,733        | -  |  | 184,184,733   | 173,423,858    |                          | (10,760,875) | 94 %                                | 86 %                                   |
| Community and social services       | 7,897,337       | (3,143,100)   | 4,754,237          | -  |  | 4,754,237     | 21,351,066     |                          | 16,596,829   | 449 %                               | 270 %                                  |
| Sport and recreation                | 3,160,496       | (802,500)   | 2,357,996          | -  |  | 2,357,996     | 2,676,145      |                          | 318,149      | 113 %                               | 85 %                                   |
| Public safety                       | 129,869,404     | 13,404,730  | 143,274,134        | -  |  | 143,274,134   | 126,116,785    |                          | (17,157,349) | 88 %                                | 97 %                                   |
| Housing                             | 60,802,214      | (27,003,848)  | 33,798,366         | -  |  | 33,798,366    | 23,279,862     |                          | (10,518,504) | 69 %                                | 38 %                                   |
| Health                              | -               | -   | -                  | -  |  | -             | -              |                          | -            | - %                                 | - %                                    |
| Economic and environmental services | 13,954,506      | 658,933   | 14,613,439         | -  |  | 14,613,439    | 23,204,225     |                          | 8,590,786    | 159 %                               | 166 %                                  |
| Planning and development            | 11,085,959      | -   | 11,085,959         | -  |  | 11,085,959    | 14,995,414     |                          | 3,909,455    | 135 %                               | 135 %                                  |
| Road transport                      | 2,868,547       | 658,933   | 3,527,480          | -  |  | 3,527,480     | 8,208,811      |                          | 4,681,331    | 233 %                               | 286 %                                  |
| Environmental protection            | -               | -   | -                  | -  |  | -             | -              |                          | -            | - %                                 | - %                                    |
| Trading services                    | 2,210,300,442   | (102,276,365)                                       | 2,108,024,077      | -  |  | 2,108,024,077 | 2,152,018,954  |                          | 43,994,877   | 102 %                               | 97 %                                   |
| Energy sources                      | 1,567,700,634   | (113,855,184)                                       | 1,453,845,450      | -  |  | 1,453,845,450 | 1,521,085,543  |                          | 67,240,093   | 105 %                               | 97 %                                   |
| Water management                    | 213,258,189     | (1,731,437)   | 211,526,752        | -  |  | 211,526,752   | 213,467,315    |                          | 1,940,563    | 101 %                               | 100 %                                  |
| Waste water management              | 223,715,747     | 10,356,725  | 234,072,472        | -  |  | 234,072,472   | 228,109,905    |                          | (5,962,567)  | 97 %                                | 102 %                                  |
| Waste management                    | 205,625,872     | 2,953,531   | 208,579,403        | -  |  | 208,579,403   | 189,356,191    |                          | (19,223,212) | 91 %                                | 92 %                                   |
| Other                               | -               | -   | -                  | -  |  | -             | -              |                          | -            | - %                                 | - %                                    |
| Other                               | -               | -   | -                  | -  |  | -             | -              |                          | -            | - %                                 | - %                                    |
| Total Revenue - Standard            | 2,915,814,954   | (65,618,558)  | 2,850,196,396      | -  |  | 2,850,196,396 | 2,900,277,834  |                          | 50,081,438   | 102 %                               | 99 %                                   |

# Drakenstein Municipality

## Appendix B1

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

| Description                         | 2022/2023       |   |                    |  |  |               |                |                          |              |                                     |  |
|-------------------------------------|-----------------|---|--------------------|--|--|---------------|----------------|--------------------------|--------------|-------------------------------------|--|
|                                     | 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         | %                                   | %                                      |
|                                     |                 |   |                    |  |  |               |                |                          |              |                                     |  |
| Expenditure - Standard              |                 |   |                    |  |  |               |                |                          |              |                                     |  |
| Governance and administration       | 344,148,051     | 21,301,729  | 365,449,780        | -  | 41,046,098                                   | 406,495,878   | 387,176,027    | -                        | (19,319,851) | 95 %                                | 113 %                                  |
| Executive and council               | 112,533,350     | 26,944,318  | 139,477,668        | -  | 2,422,581                                    | 141,900,249   | 128,278,008    | -                        | (13,622,241) | 90 %                                | 114 %                                  |
| Finance and administration          | 228,263,809     | (5,810,195)   | 222,453,614        | -  | 38,623,517                                   | 261,077,131   | 255,698,040    | -                        | (5,379,091)  | 98 %                                | 112 %                                  |
| Internal audit                      | 3,350,892       | 167,606   | 3,518,498          | -  | -  | 3,518,498     | 3,199,979      | -                        | (318,519)    | 91 %                                | 95 %                                   |
| Community and public safety         | 475,344,651     | (10,428,128)  | 464,916,523        | -  | (40,040,122)                                 | 424,876,401   | 417,674,787    | -                        | (7,201,614)  | 98 %                                | 88 %                                   |
| Community and social services       | 43,002,291      | (2,627,144)   | 40,375,147         | -  | (412,439)                                    | 39,962,708    | 39,934,590     | -                        | (28,118)     | 100 %                               | 93 %                                   |
| Sport and recreation                | 96,156,257      | (2,974,814)   | 93,181,443         | -  | (3,865,826)                                  | 89,315,617    | 86,350,640     | -                        | (2,964,977)  | 97 %                                | 90 %                                   |
| Public safety                       | 222,504,131     | 12,258,674  | 234,762,805        | -  | (28,803,993)                                 | 205,958,812   | 205,802,906    | -                        | (155,906)    | 100 %                               | 92 %                                   |
| Housing                             | 113,681,972     | (17,084,844)  | 96,597,128         | -  | (6,957,864)                                  | 89,639,264    | 85,586,651     | -                        | (4,052,613)  | 95 %                                | 75 %                                   |
| Economic and environmental services | 245,302,712     | (3,777,530)   | 241,525,182        | -  | (1,584,494)                                  | 239,940,688   | 232,918,892    | -                        | (7,021,796)  | 97 %                                | 95 %                                   |
| Planning and development            | 60,926,263      | 2,677,707   | 63,603,970         | -  | (466,894)                                    | 63,137,076    | 58,344,966     | -                        | (4,792,110)  | 92 %                                | 96 %                                   |
| Road transport                      | 182,590,074     | (6,464,456)   | 176,125,618        | -  | (1,117,600)                                  | 175,008,018   | 172,803,205    | -                        | (2,204,813)  | 99 %                                | 95 %                                   |
| Environmental protection            | 1,786,375       | 9,219   | 1,795,594          | -  | -  | 1,795,594     | 1,770,721      | -                        | (24,873)     | 99 %                                | 99 %                                   |
| Trading services                    | 1,813,207,815   | (67,166,590)  | 1,746,041,225      | -  | 578,518                                      | 1,746,619,743 | 1,719,792,671  | -                        | (26,827,072) | 98 %                                | 95 %                                   |
| Energy sources                      | 1,291,310,957   | (64,364,525)  | 1,226,946,432      | -  | (45,135,479)                                 | 1,181,810,953 | 1,163,452,369  | -                        | (18,358,584) | 98 %                                | 90 %                                   |
| Water management                    | 176,454,663     | (1,104,131)   | 175,350,532        | -  | 4,967,653                                    | 180,318,185   | 173,198,564    | -                        | (7,119,621)  | 96 %                                | 98 %                                   |
| Waste water management              | 199,616,516     | 717,525   | 200,334,041        | -  | 18,319,074                                   | 218,653,115   | 218,564,602    | -                        | (88,513)     | 100 %                               | 109 %                                  |
| Waste management                    | 145,825,679     | (2,415,459)   | 143,410,220        | -  | 22,427,270                                   | 165,837,490   | 164,577,136    | -                        | (1,260,354)  | 99 %                                | 113 %                                  |
| Other                               | -               | -   | -                  | -  | -  | -             | -              | -                        | -            | - %                                 | - %                                    |
| Other                               | -               | -   | -                  | -  | -  | -             | -              | -                        | -            | - %                                 | - %                                    |
| Total Expenditure - Standard        | 2,878,003,229   | (60,070,519)  | 2,817,932,710      | -  | -  | 2,817,932,710 | 2,757,562,377  | -                        | (60,370,333) | 98 %                                | 96 %                                   |
| Surplus/(Deficit) for the year      | 37,811,725      | (5,548,039)   | 32,263,686         | -  | -  | 32,263,686    | 142,715,457    | -                        | 110,451,771  | 442 %                               | 377 %                                  |

## Drakenstein Municipality

### Appendix B2

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

|                                     | 2022/2023       |  |                 |  |  |               |                |                             |              |  |  |
|-------------------------------------|-----------------|--|-----------------|--|--|---------------|----------------|-----------------------------|--------------|--|--|
|                                     | Original Budget | Budget<br>Adjustments (i.t.o.<br>s28 and s31 of the<br>MFMA) | Adjusted Budget | Shifting of Funds<br>(i.t.o. s31 of the<br>MFMA) | Adjustments (i.t.o.<br>Council approved<br>by law) | Final Budget  | Actual Outcome | Unauthorised<br>expenditure | Variance     | Actual Outcome as<br>% of Final Budget | Actual Outcome as<br>% of Original<br>Budget |
|                                     | Rand            | Rand   | Rand            | Rand   | Rand   | Rand          | Rand           | Rand                        | Rand         |  |  |
| Revenue by Vote                     |                 |  |                 |  |  |               |                |                             |              |  |  |
| Office of the City Manager          | -               | -  | -               | -  |  | -             | -              |                             | -            | - %                                    | - %  |
| Financial Services                  | 451,200,915     | 40,997,587   | 492,198,502     | -  |  | 492,198,502   | 508,876,938    |                             | 16,678,436   | 103 %                                  | 113 %  |
| Corporate Services                  | 16,142,775      | 2,498,494  | 18,641,269      | -  |  | 18,641,269    | 22,312,814     |                             | 3,671,545    | 120 %                                  | 138 %  |
| Planning and Development            | 69,175,344      | (26,069,033)   | 43,106,311      | -  |  | 43,106,311    | 35,528,422     |                             | (7,577,889)  | 82 %                                   | 51 %   |
| Community Services                  | 364,078,335     | 15,015,357   | 379,093,692     | -  |  | 379,093,692   | 339,656,933    |                             | (39,436,759) | 90 %                                   | 93 %   |
| Engineering Services                | 2,015,217,585   | (98,060,963)   | 1,917,156,622   | -  |  | 1,917,156,622 | 1,993,902,727  |                             | 76,746,105   | 104 %                                  | 99 %   |
| Department of Chief Audit Executive | -               | -  | -               | -  |  | -             | -              |                             | -            | - %                                    | - %  |
| Department of Risk And Compliance   | -               | -  | -               | -  |  | -             | -              |                             | -            | - %                                    | - %  |
| Department of IDP And PMS           | -               | -  | -               | -  |  | -             | -              |                             | -            | - %                                    | - %  |
| Department of Communication         | -               | -  | -               | -  |  | -             | -              |                             | -            | - %                                    | - %  |
| Total Revenue by Vote               | 2,915,814,954   | (65,618,558)   | 2,850,196,396   | -  |  | 2,850,196,396 | 2,900,277,834  |                             | 50,081,438   | 102 %                                  | 99 %   |



## Drakenstein Municipality

### Appendix B2

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

| 2022/2023                                     |   |                     |  |  |              |                      |                          |          |                                     |  |
|---|---|---------------------|--|--|--------------|----------------------|--------------------------|----------|-------------------------------------|--|
| 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                    | 4,547,338   | (210,442)           | 4,336,896                                  | -  | 33,466       | 4,370,362            | 4,363,676                | -        | (6,686)                             | 100 %                                  |
| Financial Services                            | 136,558,052   | (2,509,059)         | 134,048,993                                | -  | 785,489      | 134,834,482          | 134,583,795              | -        | (250,687)                           | 100 %                                  |
| Corporate Services                            | 184,557,729   | 8,705,500           | 193,263,229                                | -  | 853,326      | 194,116,555          | 180,540,533              | -        | (13,576,022)                        | 93 %                                   |
| Planning and Development                      | 168,447,957   | (22,525,069)        | 145,922,888                                | -  | (6,794,600)  | 139,128,288          | 128,611,334              | -        | (10,516,954)                        | 92 %                                   |
| Community Services                            | 497,736,057   | 15,088,025          | 512,824,082                                | -  | 12,847,013   | 525,671,095          | 521,121,699              | -        | (4,549,396)                         | 99 %                                   |
| Engineering Services                          | 1,861,795,926                                       | (59,372,713)        | 1,802,423,213                              | -  | (7,574,694)  | 1,794,848,519        | 1,765,521,169            | -        | (29,327,350)                        | 98 %                                   |
| Department of Chief Audit Executive           | 9,687,924   | 167,606             | 9,855,530                                  | -  | -            | 9,855,530            | 9,537,011                | -        | (318,519)                           | 97 %                                   |
| Department of Risk And Compliance             | 2,196,474   | 1,183,443           | 3,379,917                                  | -  | -            | 3,379,917            | 2,973,105                | -        | (406,812)                           | 88 %                                   |
| Department of IDP And PMS                     | 6,636,852   | (966,713)           | 5,670,139                                  | -  | -            | 5,670,139            | 4,887,355                | -        | (782,784)                           | 86 %                                   |
| Department of Communication                   | 5,838,920   | 368,903             | 6,207,823                                  | -  | (150,000)    | 6,057,823            | 5,422,700                | -        | (635,123)                           | 90 %                                   |
| <b>Total Expenditure by Vote</b>              | <b>2,878,003,229</b>                                | <b>(60,070,519)</b> | <b>2,817,932,710</b>                       | <b>-</b>                                     | <b>-</b>     | <b>2,817,932,710</b> | <b>2,757,562,377</b>     | <b>-</b> | <b>(60,370,333)</b>                 | <b>98 %</b>                            |
| <b>Surplus/(Deficit) for the year</b>         | <b>37,811,725</b>                                   | <b>(5,548,039)</b>  | <b>32,263,686</b>                          | <b>-</b>                                     |              | <b>32,263,686</b>    | <b>142,715,457</b>       |          | <b>110,451,771</b>                  | <b>442 %</b>                           |

## Drakenstein Municipality

### Appendix B3

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

|   | 2022/2023       |   |                          |  |   |              |                |                          |             |                                     |  |
|---|-----------------|---|--------------------------|--|---|--------------|----------------|--------------------------|-------------|-------------------------------------|--|
|   | 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                        | -               | -   | -                        | -  | -   | -            | -              | -                        | -           | - %                                 | - %                                    |
| Planning and Development                  | 10,800,000      | (2,611,117)   | 8,188,883                | -  | -   | 8,188,883    | 8,072,451      | -                        | (116,432)   | 99 %                                | 75 %                                   |
| Community Services                        | 600,000         | -   | 600,000                  | -  | -   | 600,000      | 600,000        | -                        | -           | 100 %                               | 100 %                                  |
| Engineering Services                      | 2,000,000       | (1,000,000)   | 1,000,000                | -  | 92,288                                    | 1,092,288    | 1,092,288      | -                        | -           | 100 %                               | 55 %                                   |
| Department of Chief Audit Executive       | -               | -   | -                        | -  | -   | -            | -              | -                        | -           | - %                                 | - %                                    |
| Department of Risk And Compliance         | -               | -   | -                        | -  | -   | -            | -              | -                        | -           | - %                                 | - %                                    |
| Department of IDP And PMS                 | -               | -   | -                        | -  | -   | -            | -              | -                        | -           | - %                                 | - %                                    |
| Department of Communication               | -               | -   | -                        | -  | -   | -            | -              | -                        | -           | - %                                 | - %                                    |
| Capital multi-year expenditure sub-total  | 13,400,000      | (3,611,117)   | 9,788,883                | -  | 92,288                                    | 9,881,171    | 9,764,739      | -                        | (116,432)   | 99 %                                | 73 %                                   |
| Single-year expenditure                   |                 |   |                          |  |   |              |                |                          |             |                                     |  |
| Office of the City Manager                | -               | 10,000  | 10,000                   | -  | (1,198)                                   | 8,802        | 8,802          | -                        | -           | 100 %                               | - %                                    |
| Financial Services                        | 2,000,000       | (1,580,947)   | 419,053                  | -  | (139,749)                                 | 279,304      | 279,165        | -                        | (139)       | 100 %                               | 14 %                                   |
| Corporate Services                        | 4,200,000       | 6,026,718   | 10,226,718               | -  | -   | 10,226,718   | 10,208,022     | -                        | (18,696)    | 100 %                               | 243 %                                  |
| Planning and Development                  | 9,153,602       | 240,093   | 9,393,695                | -  | (134,018)                                 | 9,259,677    | 5,949,344      | -                        | (3,310,333) | 64 %                                | 65 %                                   |
| Community Services                        | 22,500,000      | (4,102,514)   | 18,397,486               | -  | (3,693,871)                               | 14,703,615   | 13,732,893     | -                        | (970,722)   | 93 %                                | 61 %                                   |
| Engineering Services                      | 79,255,550      | 68,495,667  | 147,751,217              | -  | 3,864,712                                 | 151,615,929  | 150,883,720    | -                        | (732,209)   | 100 %                               | 190 %                                  |
| Department of Chief Audit Executive       | -               | -   | -                        | -  | -   | -            | -              | -                        | -           | - %                                 | - %                                    |
| Department of Risk And Compliance         | 43,000          | -   | 43,000                   | -  | -   | 43,000       | 42,097         | -                        | (903)       | 98 %                                | 98 %                                   |
| Department of IDP And PMS                 | 10,000          | (5,393)   | 4,607                    | -  | 6,439                                     | 11,046       | 11,046         | -                        | -           | 100 %                               | 110 %                                  |
| Department of Communication               | 47,000          | (27,737)  | 19,263                   | -  | 5,397                                     | 24,660       | 24,659         | -                        | (1)         | 100 %                               | 52 %                                   |
| Capital single-year expenditure sub-total | 117,209,152     | 69,055,887  | 186,265,039              | -  | (92,288)                                  | 186,172,751  | 181,139,748    | -                        | (5,033,003) | 97 %                                | 155 %                                  |
| Total Capital Expenditure - Vote          | 130,609,152     | 65,444,770  | 196,053,922              | -  | -   | 196,053,922  | 190,904,487    | -                        | (5,149,435) | 97 %                                | 146 %                                  |

# Drakenstein Municipality

## Appendix B3

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

|                                      | 2022/2023       |   |                          |  |   |              |                |                          |             |                                     |  |
|--------------------------------------|-----------------|---|--------------------------|--|---|--------------|----------------|--------------------------|-------------|-------------------------------------|--|
|                                      | 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        | 14,707,978      | 22,724,805  | 37,432,783               | -  | (306,155)                                 | 37,126,628   | 35,520,765     | -                        | (1,605,863) | 96 %                                | 242 %                                  |
| Executive and council                | 220,000         | 105,371   | 325,371                  | -  | 19,948                                    | 345,319      | 309,017        | -                        | (36,302)    | 89 %                                | 140 %                                  |
| Finance and administration           | 14,487,978      | 22,619,434  | 37,107,412               | -  | (326,103)                                 | 36,781,309   | 35,211,748     | -                        | (1,569,561) | 96 %                                | 243 %                                  |
| Internal audit                       | -               | -   | -                        | -  | -   | -            | -              | -                        | -           | - %                                 | - %                                    |
| Community and public safety          | 32,930,000      | (1,938,804)   | 30,991,196               | -  | (4,572,231)                               | 26,418,965   | 22,919,241     | -                        | (3,499,724) | 87 %                                | 70 %                                   |
| Community and social services        | 1,300,000       | 850,770   | 2,150,770                | -  | (440,162)                                 | 1,710,608    | 1,710,604      | -                        | (4)         | 100 %                               | 132 %                                  |
| Sport and recreation                 | 9,250,000       | (885,290)   | 8,364,710                | -  | (1,437,405)                               | 6,927,305    | 6,066,618      | -                        | (860,687)   | 88 %                                | 66 %                                   |
| Public safety                        | 4,680,000       | 450,036   | 5,130,036                | -  | (2,584,110)                               | 2,545,926    | 2,463,440      | -                        | (82,486)    | 97 %                                | 53 %                                   |
| Housing                              | 17,700,000      | (2,354,320)   | 15,345,680               | -  | (110,554)                                 | 15,235,126   | 12,678,579     | -                        | (2,556,547) | 83 %                                | 72 %                                   |
| Health                               | -               | -   | -                        | -  | -   | -            | -              | -                        | -           | - %                                 | - %                                    |
| Economic and environmental services  | 18,781,490      | 9,094,812   | 27,876,302               | -  | (178,271)                                 | 27,698,031   | 27,686,840     | -                        | (11,191)    | 100 %                               | 147 %                                  |
| Planning and development             | 70,000          | (2,413)   | 67,587                   | -  | 8,769                                     | 76,356       | 76,356         | -                        | -           | 100 %                               | 109 %                                  |
| Road transport                       | 18,711,490      | 9,097,225   | 27,808,715               | -  | (187,040)                                 | 27,621,675   | 27,610,484     | -                        | (11,191)    | 100 %                               | 148 %                                  |
| Environmental protection             | -               | -   | -                        | -  | -   | -            | -              | -                        | -           | - %                                 | - %                                    |
| Trading services                     | 64,189,684      | 35,563,957  | 99,753,641               | -  | 5,056,657                                 | 104,810,298  | 104,777,642    | -                        | (32,656)    | 100 %                               | 163 %                                  |
| Energy sources                       | 29,945,652      | 34,583,474  | 64,529,126               | -  | 3,899,559                                 | 68,428,685   | 68,427,977     | -                        | (708)       | 100 %                               | 229 %                                  |
| Water management                     | 6,803,000       | 3,231,689   | 10,034,689               | -  | 327,753                                   | 10,362,442   | 10,362,198     | -                        | (244)       | 100 %                               | 152 %                                  |
| Waste water management               | 19,791,032      | 2,354,450   | 22,145,482               | -  | 60,104                                    | 22,205,586   | 22,205,581     | -                        | (5)         | 100 %                               | 112 %                                  |
| Waste management                     | 7,650,000       | (4,605,656)   | 3,044,344                | -  | 769,241                                   | 3,813,585    | 3,781,886      | -                        | (31,699)    | 99 %                                | 49 %                                   |
| Other                                | -               | -   | -                        | -  | -   | -            | -              | -                        | -           | - %                                 | - %                                    |
| Other                                | -               | -   | -                        | -  | -   | -            | -              | -                        | -           | - %                                 | - %                                    |
| Total Capital Expenditure - Standard | 130,609,152     | 65,444,770  | 196,053,922              | -  | -   | 196,053,922  | 190,904,488    | -                        | (5,149,434) | 97 %                                | 146 %                                  |
| Funded by:                           |                 |   |                          |  |   |              |                |                          |             |                                     |  |
| National Government                  | 62,599,130      | 4,582,534   | 67,181,664               | -  |   | 67,181,664   | 67,181,656     |                          | (8)         | 100 %                               | 107 %                                  |
| Provincial Government                | 15,400,000      | 5,593,327   | 20,993,327               | -  |   | 20,993,327   | 18,444,345     |                          | (2,548,982) | 88 %                                | 120 %                                  |
| District Municipality                | -               | -   | -                        | -  |   | -            | -              |                          | -           | - %                                 | - %                                    |
| Other transfers and grants           | 1,250,022       | 29,753,378  | 31,003,400               | -  |   | 31,003,400   | 30,072,278     |                          | (931,122)   | 97 %                                | 2,406 %                                |
| Transfers recognised - capital       | 79,249,152      | 39,929,239  | 119,178,391              | -  |   | 119,178,391  | 115,698,279    |                          | (3,480,112) | 97 %                                | 146 %                                  |
| Public contributions & donations     | -               | -   | -                        | -  |   | -            | -              |                          | -           | - %                                 | - %                                    |
| Borrowing                            | -               | -   | -                        | -  |   | -            | -              |                          | -           | - %                                 | - %                                    |
| Internally generated funds           | 51,360,000      | 25,515,531  | 76,875,531               | -  |   | 76,875,531   | 75,206,209     |                          | (1,669,322) | 98 %                                | 146 %                                  |
| Total Capital Funding                | 130,609,152     | 65,444,770  | 196,053,922              | -  |   | 196,053,922  | 190,904,488    |                          | (5,149,434) | 97 %                                | 146 %                                  |

**Drakenstein Municipality**
**Appendix C**
**Disclosure of Grants and Subsidies in Terms of Section 123 of the MFMA, 56 of 2003**

| Description                                      | Quarterly Receipts |           |              |              |              |              |             | Quarterly Expenditure (Capital and Operating) |            |            |            |            |                 |
|--|--------------------|-----------|--------------|--------------|--------------|--------------|-------------|---|------------|------------|------------|------------|-----------------|
|  | Opening Balance    | Restate-  | Restated     | Sep          | Dec          | Mar          | Jun         | Total   | Sep        | Dec        | Mar        | Jun        | Total           |
|  | 01 July 2022       | ments     | Opening      |              |              |              |             |   |            |            |            |            |                 |
|  | Rand               | Rand      | Balance      | Rand         | Rand         | Rand         | Rand        | Rand  | Rand       | Rand       | Rand       | Rand       | Closing Balance |
|  |                    |           | 01 July 2022 |              |              |              |             |   |            |            |            |            | 30 June 2023    |
|  |                    |           |              |              |              |              |             |   |            |            |            |            | Rand            |
| <b>National Government (Unconditional Grant)</b> |                    |           |              |              |              |              |             |   |            |            |            |            |                 |
| EQUITABLE SHARE                                  | -                  | -         | -            | (75,798,000) | (64,137,000) | (54,420,000) | -           | (194,355,000)                                 | 75,798,000 | 64,137,000 | 54,420,000 | -          | 194,355,000     |
|  | -                  | -         | -            | (75,798,000) | (64,137,000) | (54,420,000) | -           | (194,355,000)                                 | 75,798,000 | 64,137,000 | 54,420,000 | -          | 194,355,000     |
| <b>National Government (Conditional Grant)</b>   |                    |           |              |              |              |              |             |   |            |            |            |            |                 |
| EXPANDED PUBLIC WORKS PROGRAMME                  | -                  | -         | -            | -            | (2,898,000)  | (1,241,000)  | -           | (4,139,000)                                   | -          | 1,035,000  | 3,104,000  | -          | 4,139,000       |
| FINANCIAL MANAGEMENT GRANT                       | -                  | -         | -            | (1,550,000)  | -            | -            | -           | (1,550,000)                                   | 166,001    | 457,868    | 206,934    | 719,197    | 1,550,000       |
| IUDG   | -                  | -         | -            | -            | (37,194,000) | (24,795,000) | -           | (61,989,000)                                  | -          | 27,769,982 | 21,842,098 | 12,376,920 | 61,989,000      |
| INEP   | -                  | -         | -            | (6,035,000)  | (3,971,165)  | (6,000,000)  | 6,165       | (16,000,000)                                  | 6,225,056  | 2,470,595  | 1,501,073  | 5,803,276  | 16,000,000      |
|  | -                  | -         | -            | (7,585,000)  | (44,063,165) | (32,036,000) | 6,165       | (83,678,000)                                  | 6,391,057  | 31,733,445 | 26,654,105 | 18,899,393 | 83,678,000      |
| <b>Provincial Government (Conditional Grant)</b> |                    |           |              |              |              |              |             |   |            |            |            |            |                 |
| 1068 HUISE WD SKENKING                           | (152,225)          | -         | (152,225)    | -            | -            | -            | -           | (152,225)                                     | -          | -          | -          | -          | (152,225)       |
| CARTERVILLE HOUSING PROJECT                      | (956,503)          | -         | (956,503)    | -            | -            | -            | -           | (956,503)                                     | -          | -          | -          | -          | (956,503)       |
| CHESTER WILLIAMS & PAARL LOVERS LANE             | (542,009)          | -         | (542,009)    | -            | -            | -            | -           | (542,009)                                     | -          | -          | -          | -          | (542,009)       |
| COMMUNITY DEVELOPMENT WORKERS                    | 232,296            | (352,804) | (120,508)    | -            | (113,000)    | -            | -           | (233,508)                                     | -          | 17,507     | 27,741     | 158,588    | 203,836         |
| DEVELOPMENT OF SPORT AND RECREATION              | (94)               | -         | (94)         | -            | -            | -            | 94          | -   | -          | -          | -          | -          | -               |
| DROMMEDARIS ST EHP                               | (168,249)          | -         | (168,249)    | -            | -            | -            | -           | (168,249)                                     | -          | -          | -          | -          | (168,249)       |
| DROM 181/1407 HSDG                               | -                  | -         | -            | (2,537,744)  | 1,968,049    | -            | -           | (569,695)                                     | -          | -          | -          | -          | (569,695)       |
| ELECTRIC PLANNING                                | -                  | -         | -            | -            | -            | (800,000)    | -           | (800,000)                                     | -          | -          | -          | 799,993    | 799,993         |
| FINANCIAL MANAGEMENT CAPACITY BUILDING           | 343,332            | (343,332) | -            | -            | -            | -            | -           | -   | -          | -          | 63,789     | (63,789)   | -               |
| FINANCIAL MANAGEMENT CAPACITY BUILDING           | (307,965)          | -         | (307,965)    | -            | -            | (901,483)    | 701,483     | (507,965)                                     | -          | -          | -          | 409,398    | 409,398         |
| FINANCIAL MANAGEMENT SUPPORT GRANT               | (68,617)           | (11,545)  | (80,162)     | -            | -            | -            | -           | (80,162)                                      | -          | -          | -          | 80,027     | 80,027          |
| KINGSTON TOWN TRANSFERS                          | (53,000)           | -         | (53,000)     | -            | -            | -            | -           | (53,000)                                      | -          | -          | -          | -          | (53,000)        |
| LIBRARY SERVICES CONDITIONAL GRANT               | (2,609,217)        | 2,609,217 | -            | -            | -            | -            | -           | -   | -          | -          | -          | -          | -               |
| MBEKWENI 557                                     | -                  | -         | -            | -            | -            | -            | (693,182)   | (693,182)                                     | -          | -          | -          | -          | (693,182)       |
| MUNICIPAL ACCREDITATION AND CAPACITY BUILDING    | (360,652)          | -         | (360,652)    | -            | -            | -            | (256,000)   | (616,652)                                     | -          | -          | -          | 256,000    | 256,000         |
| P59 FAIRYLANDS INCOME                            | (2,027,050)        | -         | (2,027,050)  | -            | -            | (1,567,605)  | -           | (3,594,655)                                   | -          | 727,070    | 353,798    | -          | 1,080,868       |
| PUBLIC WORKS AND TRANSPORT (ROADS)               | -                  | -         | -            | -            | -            | (2,737,000)  | -           | (2,737,000)                                   | -          | 701,612    | 79,111     | 1,956,277  | 2,737,000       |
| PUBLIC WORKS AND TRANSPORT (ROADS)               | (93,900)           | 93,900    | -            | -            | -            | -            | (780,723)   | (780,723)                                     | -          | -          | -          | 780,723    | 780,723         |
| RSEP   | -                  | -         | -            | (600,000)    | -            | -            | -           | (600,000)                                     | -          | 600,000    | -          | -          | 600,000         |
| SCHOONGEZIGHT                                    | -                  | -         | -            | -            | (2,537,744)  | -            | (6,489,564) | (9,027,308)                                   | 1,710,044  | 3,964,343  | 1,085,966  | 2,266,955  | 9,027,308       |
| SIYASHLALA                                       | (416,563)          | -         | (416,563)    | -            | -            | -            | (1,153,160) | (1,569,723)                                   | -          | -          | -          | -          | (1,569,723)     |
| MUNICIPAL LOAD SHEDDING RELIEF GRANT             | -                  | -         | -            | -            | -            | (6,000,000)  | -           | (6,000,000)                                   | -          | -          | -          | 6,000,000  | 6,000,000       |
|  | (7,180,416)        | 1,995,436 | (5,184,980)  | (3,137,744)  | (682,695)    | (12,006,088) | (8,671,052) | (29,682,559)                                  | 1,710,044  | 6,010,532  | 1,610,405  | 12,644,172 | 21,975,153      |
|  |                    |           |              |              |              |              |             |   |            |            |            |            | (7,707,406)     |

**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<br>Balance<br>01 July 2022 | Restate-<br>ments | Restated<br>Opening<br>Balance<br>01 July 2022 | Sep          | Dec           | Mar          | Jun          | Total   | Sep        | Dec         | Mar        | Jun        | Total       | Closing<br>Balance<br>30 June<br>2023 |
|  | Rand                               | Rand              | Rand   | Rand         | Rand          | Rand         | Rand         | Rand  | Rand       | Rand        | Rand       | Rand       | Rand        | Rand                                  |
|  |                                    |                   |  |              |               |              |              |   |            |             |            |            |             |                                       |
|  |                                    |                   |  |              |               |              |              |   |            |             |            |            |             |                                       |
| Other Grants (Conditional Grant)                 |                                    |                   |  |              |               |              |              |   |            |             |            |            |             |                                       |
| TRAINING LEVY (LG SETA & NON EMPLOYEE BURSARIES) | (1,749,713)                        | -                 | (1,749,713)                                    | (29,025)     | (712,848)     | -            | (159,400)    | (2,650,986)                                   | 100,500    | 133,145     | (203,870)  | 1,400,932  | 1,430,707   | (1,220,279)                           |
| CAPE WINELANDS DISTRICT MUNICIPALITY             | -                                  | -                 | -  | -            | -             | -            | (150,000)    | (150,000)                                     | -          | -           | -          | 113,042    | 113,042     | (36,958)                              |
| CAPE WINELANDS DISTRICT MUNICIPALITY             | -                                  | -                 | -  | -            | (651,250)     | (165,000)    | 315,000      | (501,250)                                     | -          | -           | -          | 269,037    | 269,037     | (232,213)                             |
| CAPE WINELANDS DISTRICT MUNICIPALITY             | -                                  | -                 | -  | -            | -             | -            | (165,000)    | (165,000)                                     | -          | -           | -          | 58,638     | 58,638      | (106,362)                             |
| CAPE WINELANDS DISTRICT MUNICIPALITY             | (880,953)                          | -                 | (880,953)                                      | -            | -             | -            | -            | (880,953)                                     | -          | -           | -          | 814,035    | 814,035     | (66,918)                              |
| NEUMARK  | (1,526,741)                        | -                 | (1,526,741)                                    | -            | (1,185,440)   | -            | -            | (2,712,181)                                   | 531,705    | 353,390     | 36,113     | 313,028    | 1,234,236   | (1,477,945)                           |
|  | (4,157,407)                        | -                 | (4,157,407)                                    | (29,025)     | (2,549,538)   | (165,000)    | (159,400)    | (7,060,370)                                   | 632,205    | 486,535     | (167,757)  | 2,968,712  | 3,919,695   | (3,140,675)                           |
|  |                                    |                   |  |              |               |              |              |   |            |             |            |            |             |                                       |
| Donations and other contributions                |                                    |                   |  |              |               |              |              |   |            |             |            |            |             |                                       |
| SANTAM RISK AND RESILIENCE PROJECT               | -                                  | -                 | -  | -            | -             | -            | (243,581)    | (243,581)                                     | -          | -           | -          | 243,581    | 243,581     | -                                     |
| BERG EN DAL DEVELOPMENT                          | -                                  | -                 | -  | -            | -             | -            | (8,568,858)  | (8,568,858)                                   | -          | -           | -          | 8,568,858  | 8,568,858   | -                                     |
| HONEYDEW ESTATE                                  | -                                  | -                 | -  | -            | -             | -            | (3,082,155)  | (3,082,155)                                   | -          | -           | -          | 3,082,155  | 3,082,155   | -                                     |
| HUGO RUST PRIMARY                                | -                                  | -                 | -  | -            | -             | -            | (89,376)     | (89,376)                                      | -          | -           | -          | 89,376     | 89,376      | -                                     |
| MOUNTAIN DEW DEVELOPMENT                         | -                                  | -                 | -  | -            | -             | -            | (2,155,595)  | (2,155,595)                                   | -          | -           | -          | 2,155,595  | 2,155,595   | -                                     |
| PARK SINAGE                                      | -                                  | -                 | -  | -            | -             | -            | (18,916)     | (18,916)                                      | -          | -           | -          | 18,916     | 18,916      | -                                     |
| SPORTSMANS WAREHOUSE                             | -                                  | -                 | -  | -            | -             | -            | (1,541,799)  | (1,541,799)                                   | -          | -           | -          | 1,541,799  | 1,541,799   | -                                     |
| THE ACRES  | -                                  | -                 | -  | -            | -             | -            | (5,804,388)  | (5,804,388)                                   | -          | -           | -          | 5,804,388  | 5,804,388   | -                                     |
| TRUST FUND : MUN WIDOW & PENSION FUND            | (363,572)                          | -                 | (363,572)                                      | -            | -             | -            | -            | (363,572)                                     | -          | -           | -          | -          | -           | (363,572)                             |
| VESTING PUBLIC SPACES                            | -                                  | -                 | -  | -            | -             | -            | (326,000)    | (326,000)                                     | -          | -           | -          | 326,000    | 326,000     | -                                     |
| VESTING RESERVES                                 | -                                  | -                 | -  | -            | -             | -            | (16,000)     | (16,000)                                      | -          | -           | -          | 16,000     | 16,000      | -                                     |
|  | (363,572)                          | -                 | (363,572)                                      | -            | -             | -            | (21,846,668) | (22,210,240)                                  | -          | -           | -          | 21,846,668 | 21,846,668  | (363,572)                             |
| Total  | (11,701,395)                       | 1,995,436         | (9,705,959)                                    | (86,549,769) | (111,432,398) | (98,627,088) | (30,670,955) | (336,986,169)                                 | 84,531,306 | 102,367,512 | 82,516,753 | 56,358,945 | 325,774,516 | (11,211,653)                          |