



DRAKENSTEIN

MUNISIPALITEIT • MUNICIPALITY • UMASIPALA

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AUDITED ANNUAL FINANCIAL STATEMENTS

For the year ended 30 June 2024



AUDITOR-GENERAL
SOUTH AFRICA

Melanie Joffe - 30 November 2024

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Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

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General Information

Executive mayor and mayoral committee (1 July 2023 up until 31 May 2024)

Portfolio	Councillor
EXECUTIVE MAYOR AND CHAIRPERSON OF MAYORAL COMMITTEE	CJ POOLE (1 July 2023 up until 28 February 2024) GC COMBRINK (Acting: 1 March 2024 up until 4 April 2024) SE KORABIE (5 April 2024 up until 31 May 2024)
DEPUTY EXECUTIVE MAYOR & MAYORAL COMMITTEE MEMBER OF FINANCE	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



Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

General Information

Executive mayor and mayoral committee (1 June 2024 up until 30 June 2024)

Portfolio	Councillor
EXECUTIVE MAYOR AND CHAIRPERSON OF MAYORAL COMMITTEE	SE KORABIE
DEPUTY EXECUTIVE MAYOR & MAYORAL COMMITTEE MEMBER OF FINANCE	GC COMBRINK
MAYORAL COMMITTEE MEMBER OF PLANNING, ECONOMIC DEVELOPMENT AND TOURISM	LT VAN NIEKERK
MAYORAL COMMITTEE MEMBER OF SOCIAL DEVELOPMENT, SPORT AND RECREATION	LC ARENDSE
MAYORAL COMMITTEE MEMBER OF URBANISATION AND HUMAN SETTLEMENTS	E BARON
MAYORAL COMMITTEE MEMBER OF PARKS, RESORTS AND CEMETERIES	L CYSTER
MAYORAL COMMITTEE MEMBER OF CORPORATE AND GOVERNANCE	D AMERICA
MAYORAL COMMITTEE MEMBER OF PUBLIC SAFETY	AMB APPOLLIS
MAYORAL COMMITTEE MEMBER OF COMMUNICATION AND INTERGOVERNMENTAL RELATIONS (IGR)	R ANDREAS
MAYORAL COMMITTEE MEMBER OF WATER AND SANITATION	J MILLER
MAYORAL COMMITTEE MEMBER OF ELECTRICITY AND ROADS	A KOEGELENBERG
MAYORAL COMMITTEE MEMBER OF WASTE MANAGEMENT	TG BESTER



Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

General Information

Executive management

Position	Name
CITY MANAGER	DR JH LEIBBRANDT
CHIEF FINANCIAL OFFICER	MR B BROWN
EXECUTIVE DIRECTOR: CORPORATE AND PLANNING SERVICES	MR S JOHAAR
EXECUTIVE DIRECTOR: PUBLIC SAFETY	MS E BARNARD
EXECUTIVE DIRECTOR: ENGINEERING SERVICES	MR L PIENAAR
EXECUTIVE DIRECTOR: COMMUNITY SERVICES	MR G ESAU

Members of the Audit Committee (1 July 2023 up until 31 July 2024)

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

Members of the Audit Committee (1 August 2024 up until currently)

CHAIRPERSON	MR P STRAUSS
MEMBER	MR M BURTON
MEMBER	MR M BASSON
MEMBER	MS K TALMAKKIES

Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

General Information

Council members as at 30 June 2024

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

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



Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

General Information

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) LOCAL GOVERNMENT: MUNICIPAL FINANCE MANAGEMENT ACT (ACT 56 OF 2003) LOCAL GOVERNMENT: MUNICIPAL SYSTEMS ACT (ACT 32 OF 2000) LOCAL GOVERNMENT: MUNICIPAL STRUCTURES ACT (ACT 117 OF 1998) MUNICIPAL PROPERTY RATES ACT (ACT OF 6 2004) DIVISION OF REVENUE ACT (ACT 1 OF 2007)
Other information	
Executive Mayor	COUNCILLOR SE KORABIE
Executive Deputy Mayor	ALDERMAN GC COMBRINK
Speaker	ALDERMAN JF LE ROUX
Registered head office	DRAKENSTEIN MUNICIPALITY CIVIC CENTRE BERG RIVER BOULEVARD PAARL 7646
Physical address	CIVIC CENTRE BERG RIVER BOULEVARD PAARL 7646
Postal address	P O BOX 1 PAARL 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 2024

Accounting Officer's Statement

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

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

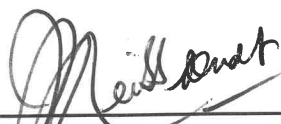
The audited annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

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

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

I certify that the salaries, allowances and benefits of councillors as disclosed in note 37 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 9 to 156, 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 2024:



DR. H. LEIBBRANDT
ACCOUNTING OFFICER



Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Abbreviations

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
mSCOA	Municipal Standard Chart of Accounts



Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Statement of Financial Position as at 30 June 2024

Figures in Rand	Note(s)	2024	2023 Restated*
Assets			
Non-Current Assets			
Property, plant and equipment	3	6,742,599,182	6,521,880,699
Heritage assets	4	47,633,645	47,633,645
Intangible assets	5	3,051,767	3,689,458
Investment property	6	88,655,000	81,900,000
Non-current receivables from exchange transactions	7	-	104
Total Non-Current Assets		6,881,939,594	6,655,103,906
Current Assets			
Inventories	8	44,006,655	41,178,585
Trade and other receivables from exchange transactions	9	381,802,648	320,264,030
Receivables from non-exchange transactions	10	110,499,746	106,960,780
Cash and cash equivalents	11	697,505,821	445,270,431
Current portion of non-current receivables	12	802	18,121
VAT control receivable	13	41,783,287	12,820,098
Total Current Assets		1,275,598,959	926,512,045
Total Assets		8,157,538,553	7,581,615,951
Liabilities			
Non-Current Liabilities			
Borrowings	14	1,364,427,699	1,455,252,441
Finance lease liabilities	15	-	472,639
Employee benefits	16	247,664,000	245,809,000
Provision	17	189,527,311	258,561,070
Total Non-Current Liabilities		1,801,619,010	1,960,095,150
Current Liabilities			
Consumer deposits	18	80,367,377	72,713,346
Trade and other payables from exchange transactions	19	335,296,888	282,991,202
Unspent conditional grants and receipts	20	17,540,042	11,211,654
Borrowings	14	90,824,743	84,460,268
Finance lease liabilities	15	472,639	345,347
Employee benefits	16	94,358,362	85,372,523
Provision	17	69,674,427	462,350
Total Current Liabilities		688,534,478	537,556,690
Total Liabilities		2,490,153,488	2,497,651,840
Net Assets		5,667,385,065	5,083,964,111
Net assets presented by:			
Housing Development Fund	21	31,607,100	30,625,309
Reserves and Funds	22	1,657,921,383	1,713,429,005
Accumulated Surplus	23	3,977,856,582	3,339,909,797
Total Net Assets		5,667,385,065	5,083,964,111

* See Note 48



Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Statement of Financial Performance

Figures in Rand	Note(s)	2024	2023 Restated*
Revenue			
Exchange Revenue			
Services charges – Electricity	24	1,524,505,542	1,349,427,510
Services charges – Water	24	236,510,660	193,211,551
Services charges – Waste management	24	169,957,737	155,442,459
Services charges – Waste water management	24	153,561,417	144,103,900
Sales of goods and rendering of services	25	33,907,961	34,761,614
Rental from fixed assets	26	8,312,161	7,081,620
Interests on investments	27	73,656,906	36,829,830
Interest earned from receivables	28	19,480,489	12,884,062
Operational revenue	29	29,349,935	13,898,928
Licences or permits	30	21,786,042	21,094,733
Total Exchange Revenue		2,271,028,850	1,968,736,207
Non-Exchange Revenue			
Property rates	31	466,404,866	437,182,802
Availability charges – Electricity	32	2,527,545	2,250,026
Availability charges – Water	32	2,226,690	2,171,116
Availability charges – Waste management	32	4,002,553	3,893,471
Availability charges – Waste water management	32	3,385,134	3,304,521
Surcharges and taxes		3,084,653	2,230,462
Fines, penalties and forfeits	33	97,292,325	104,450,941
Transfers and subsidies	34	687,684,123	358,981,940
Operational revenue	29	1,741,571	1,770,924
Construction contract revenue	35	1,317,020	-
Total Non-Exchange Revenue		1,269,666,480	916,236,203
Total Revenue		3,540,695,330	2,884,972,410
Expenditure			
Employee related cost	37	785,352,002	735,660,751
Remuneration of councillors	38	34,340,227	33,213,291
Bad Debts Written Off	39	98,252,872	103,647,744
Depreciation and amortisation	40	249,015,369	246,263,533
Impairment losses on financial assets	39	29,903,348	65,632,959
Impairment losses on PPE, IA and HA	41	600,287	214,518
Finance costs	42	167,821,823	176,390,519
Bulk purchases	43	1,149,421,997	959,067,970
Inventory consumed		78,558,903	74,330,682
Contracted services	44	209,962,486	173,600,618
Transfers and subsidies		14,850,554	24,907,429
Operational cost	45	109,157,815	104,757,524
Operating leases	46	20,106,781	17,838,685
Fair value and loss on disposal adjustment of assets	36	9,970,424	11,999,426
Total Expenditure		2,957,314,888	2,727,525,649
Surplus for the year		583,380,442	157,446,761

* See Note 48



Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Cash Flow Statement

Figures in Rand	Note(s)	2024	2023 Restated*
Cash flows from operating activities			
Receipts			
Property rates		457,254,080	431,732,759
Service charges		2,266,430,816	2,053,618,786
Transfers, subsidies and construction contracts revenue received		708,946,130	330,268,592
Interest		72,977,684	37,941,765
Other receipts and fines received		267,501,977	226,137,864
Payments			
Employees cost		(811,651,058)	(761,227,712)
Suppliers		(1,890,984,371)	(1,570,152,456)
Interest charges		(166,944,742)	(176,390,519)
Net VAT paid		(46,245,953)	(66,720,145)
Net cash from(used) operating activities	47	857,284,563	505,208,934
Cash flows from investing activities			
Receipts			
Proceeds on disposal of fixed and intangible assets		3,593,465	5,961,123
Decrease in short term investments		-	40,000,000
Payments			
Capital assets		(523,837,024)	(216,807,614)
Net cash flows from investing activities		(520,243,559)	(170,846,491)
Cash flows from financing activities			
Payments			
Decrease in finance leases		(345,347)	(287,326)
Decrease in borrowing long-term		(84,460,267)	(78,688,303)
Net cash flows from financing activities		(84,805,614)	(78,975,629)
Net increase/(decrease) in cash		252,235,390	255,386,814
Cash and cash equivalents at year begin		445,270,431	189,883,617
Cash and cash equivalents at year end		697,505,821	445,270,431

* See Note 48



Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Statement of changes in net assets

	Housing development fund	Revaluation reserve	Accumulated Surplus	Total net assets
Figures in Rand				
Opening balance as previously reported	28,144,553	1,787,635,465	3,103,384,610	4,919,164,628
Adjustments				
Correction of errors	-	(110,000)	7,538,850	7,428,850
Balance at 01 July 2022 as restated*	28,144,553	1,787,525,465	3,110,923,460	4,926,593,478
Surplus for the year	-	-	157,446,761	157,446,761
Transfers to Housing Deveopment Fund	2,480,756	-	(2,595,678)	(114,922)
Decrease 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)	228,986,337	157,370,633
Restated* Balance at 01 July 2023	30,625,309	1,713,429,005	3,339,909,797	5,083,964,111
Surplus for the year	-	-	583,380,442	583,380,442
Transfers to Housing Deveopment Fund	981,791	-	(941,280)	40,511
Decrease in revaluation reserve	-	-	55,507,622	55,507,622
Offsetting depreciation	-	(53,998,522)	-	(53,998,522)
Offsetting of sale of land	-	(1,509,100)	-	(1,509,100)
Total changes	981,791	(55,507,622)	637,946,784	583,420,953
Balance at 30 June 2024	31,607,100	1,657,921,383	3,977,856,582	5,667,385,065
Note(s)	21	22	23	

* See Note 48



Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Comparison of Budget and Actual Amounts for the year ended 30 June 2024

	Original budget	*Budget adjustments	Final adjustments budget	***Virement	Final budget	Actual outcome	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Figures in Rand									
2024									
Statement of financial performance									
Property rates	455,371,887	5,908,672	461,280,559		461,280,559	466,404,865	5,124,306	101.11 %	102.42 %
Services charges	2,042,174,620	38,881,917	2,081,056,537		2,081,056,537	2,096,677,278	15,620,741	100.75 %	102.67 %
Investment revenue	35,000,000	33,000,000	68,000,000		68,000,000	73,656,906	5,656,906	108.32 %	210.45 %
Transfer recognised - operational	278,722,000	(25,996,775)	252,725,225		252,725,225	231,790,279	(20,934,946)	91.72 %	83.16 %
Other own revenue	181,113,233	49,780,154	230,893,387		230,893,387	247,753,265	16,859,878	107.30 %	136.79 %
Total Revenue (excl. capital transfers and contributions)	2,992,381,740	101,573,968	3,093,955,708		3,093,955,708	3,116,282,593	22,326,885	100.72 %	104.14 %
Employee costs	(834,244,973)	9,365,039	(824,879,934)	-	(824,879,934)	(801,749,439)	23,130,495	97.20 %	96.10 %
Remuneration of councillors	(37,158,900)	-	(37,158,900)	-	(37,158,900)	(34,340,227)	2,818,673	92.41 %	92.41 %
Depreciation and amortisation	(264,180,001)	-	(264,180,001)	-	(264,180,001)	(249,615,652)	14,564,349	94.49 %	94.49 %
Finance charges	(167,160,523)	-	(167,160,523)	-	(167,160,523)	(167,821,823)	(661,300)	100.40 %	100.40 %
Inventory consumed and bulk purchases	(1,209,724,063)	(56,348,482)	(1,266,072,545)	677,557	(1,265,394,988)	(1,227,980,899)	37,414,089	97.04 %	101.51 %
Transfers and subsidies	(18,245,000)	2,837,792	(15,407,208)	1,966	(15,405,242)	(14,850,554)	554,688	96.40 %	81.40 %
Other expenditure	(534,246,801)	(20,925,147)	(555,171,948)	(679,523)	(555,851,471)	(495,495,959)	60,355,512	89.14 %	92.75 %
Total Expenditure	(3,064,960,261)	(65,070,798)	(3,130,031,059)	-	(3,130,031,059)	(2,991,854,553)	138,176,506	95.59 %	97.61 %
Surplus	(72,578,521)	36,503,170	(36,075,351)	-	(36,075,351)	124,428,040	160,503,391	(344.91)%	(171.44)%
Transfers and subsidies - capital	444,641,000	10,255,119	454,896,119		454,896,119	450,756,565	(4,139,554)	99.09 %	101.38 %
Transfers and subsidies - capital (in-kind)	-	-	-		-	8,195,837	8,195,837	- %	- %
Surplus for the year	372,062,479	46,758,289	418,820,768	-	418,820,768	583,380,442	164,559,674	139.29 %	156.80 %



Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Comparison of Budget and Actual Amounts for the year ended 30 June 2024

	Original budget	*Budget adjustments	Final adjustments budget	***Virement	Final budget	Actual outcome	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Figures in Rand									
Capital expenditure and funds sources									
Capital expenditure	457,423,210	38,318,928	495,742,138	-	495,742,138	487,715,852	(8,026,286)	98.38 %	106.62 %
Transfers recognised – capital	391,794,565	12,661,642	404,456,207	-	404,456,207	401,278,924	(3,177,283)	99.21 %	102.42 %
Borrowings	-	-	-	-	-	-	-	- %	- %
Internally generated funds	65,628,645	25,657,286	91,285,931	-	91,285,931	86,436,928	(4,849,003)	94.69 %	131.71 %
	457,423,210	38,318,928	495,742,138	-	495,742,138	487,715,852	(8,026,286)	98.38 %	106.62 %
Financial position									
Total current assets	832,807,570	403,452,215	1,236,259,785	-	1,236,259,785	1,275,598,959	39,339,174	103.18 %	153.17 %
Total non-current assets	6,993,234,811	(88,674,956)	6,904,559,855	-	6,904,559,855	6,881,939,594	(22,620,261)	99.67 %	98.41 %
Total current liabilities	(651,264,154)	-	(651,264,154)	-	(651,264,154)	(688,534,478)	(37,270,324)	105.72 %	105.72 %
Total non-current assets	(2,013,797,436)	87,545,911	(1,926,251,525)	-	(1,926,251,525)	(1,801,619,010)	124,632,515	93.53 %	89.46 %
Community wealth/equity	(5,160,980,791)	(402,323,170)	(5,563,303,961)	-	(5,563,303,961)	(5,667,385,065)	(104,081,104)	101.87 %	109.81 %
Cash flow									
Net cash from (used) operating	597,364,998	36,582,112	633,947,110	-	633,947,110	849,466,467	215,519,357	134.00 %	142.20 %
Net cash from (used) investing	(457,418,363)	(37,823,775)	(495,242,138)	-	(495,242,138)	(520,079,495)	(24,837,357)	105.02 %	113.70 %
Net cash from (used) financing	(84,460,268)	-	(84,460,268)	-	(84,460,268)	(77,151,583)	7,308,685	91.35 %	91.35 %
	55,486,367	(1,241,663)	54,244,704	-	54,244,704	252,235,389	197,990,685	465.00 %	454.59 %

Commentary

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

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

All explanations of variances greater than 10% for Final Budget and Actual Amounts are listed and explained in note 66.



Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

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 in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

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

A summary of the significant accounting policies, which have been consistently applied in the preparation of these audited annual financial statements, is disclosed below:

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



Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1. Summary of significant accounting policies (continued)

IFRS 4	Insurance Contracts
IAS 12	Income Taxes
IGRAP 1	Applying The Probability Test On Initial Recognition Of Revenue
IGRAP 2	Changes in Existing Decommissioning Restoration and Similar Liabilities
IGRAP 3	Determining Whether an Arrangement Contains a Lease
IGRAP 4	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
IGRAP 5	Applying the Restatement Approach under the Standard of GRAP on Financial Reporting in Hyperinflationary Economies
IGRAP 6	Loyalty Programmes
IGRAP 7	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
IGRAP 8	Agreements for the Construction of Assets from Exchange Transactions
IGRAP 9	Distributions of Non-cash Assets to Owners
IGRAP 10	Assets Received from Customers
IGRAP 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
IGRAP 21	The Effect of Past Decisions on Materiality
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

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

No new Standards have been adopted, except the revised GRAP 25 that became effective.

Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.1 New standards and interpretations (continued)

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

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 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: 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.

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

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

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

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

1.2 Presentation currency

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

1.3 Going concern assumption

These unaudited 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 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.

Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.5 Comparative information (continued)

Explanatory comment is provided in the notes to the audited annual financial statements giving motivations for over- or under spending on line items where it is found to be material. In general, a difference of 10% or more is considered material, although the surrounding circumstances are taken into account if it could influence the decisions or assessments of the users of the audited annual financial statements in determining whether a difference between the budgeted and actual amount is material.

The annual budget figures included in the audited annual financial statements are for the municipality and do not include budget information relating to subsidiaries or associates. These figures are those approved by the Council at the beginning and during the year following a period of consultation with the public as part of the Integrated Development Plan. The budget is approved on an accrual basis by nature classification. The approved budget covers the period from 01 July 2023 to 30 June 2024.

Prior year comparatives

The comparative figures of one prior period is disclosed. When the presentation or classification of items in the audited annual financial statements is amended, prior period comparative amounts are 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 2024

Accounting Policies

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 2024

Accounting Policies

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 2024

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	5 - 100
• Stormwater	5 - 100
• Electricity	5 - 75
• Water	5 - 100
• Sewerage	5 - 100
• Solid Waste	5 - 100
Buildings	
• Buildings	30 - 50
• Recreational and sports facilities	5 - 100
• Resorts	5 - 100
• Housing assets	30 - 50
Other Structures and facilities	
• Parks, gardens and cemeteries	5 - 100
• Parking structures	30 - 50
• Other structures	5 - 50
• Communication assets	30 - 50
• Leasehold improvements	30 - 50
• Containerized structures	5 - 50
Moveable assets	
• Transport assets	5 - 20
• Computer equipment	3 - 10
• Furniture and office equipment	3 - 10
• Machinery and equipment	5 - 10
• Other movable assets	3 - 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 2024

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	5 - 100
• Stormwater	5 - 100
• Electricity	5 - 80
• 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 Structures and facilities	
• Parks, gardens and cemeteries	1 - 100
• Parking structures	30 - 50
• Other structures	3 - 50
• Communication assets	30 - 50
• Leasehold improvements	30 - 50
• Containerized structures	5 - 50
Moveable assets	
• Transport assets	5 - 35
• Computer equipment	1 - 30
• Furniture and office equipment	1 - 35
• Machinery and equipment	1 - 35
• Other movable assets	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.

Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

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.

Accounting Policies

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

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.

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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.

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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

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

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

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Accounting Policies

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.

Accounting Policies

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

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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

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.

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Accounting Policies

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 directly through the Statement of Financial Performance. Subsequent recoveries of amounts previously written off are recognised in the Statement of Financial Performance. 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:

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Accounting Policies

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.

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.

Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.20 Statutory receivables (continued)

1.20.5 De-recognition of statutory receivables

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

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

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

1.21 Revenue

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

Recognition and measurement

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

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

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

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

Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.21 Revenue (continued)

1.21.1 Revenue from exchange transactions

Service charges

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

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

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

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

Pre-paid electricity

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

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.

Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.21 Revenue (continued)

Housing rental and instalments

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

Sale of goods

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

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

1.21.2 Revenue from non-exchange transactions

Rates and taxes

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

Fines

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

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

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 2024

Accounting Policies

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 2024

Accounting Policies

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 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.

Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

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-in-aid

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

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.

Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

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 2024

Accounting Policies

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 2024

Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023
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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.

	2024	
	Base Rand	Level of materiality Rand
Classes of transactions		
Revenue	3,548,851,827	17,744,259
Capital and Operational Expenditure	3,625,773,197	18,128,866
Total Assets	7,575,688,217	37,878,441
Equity (Net Assets)	5,061,803,956	25,309,020

Based on professional judgement the quantitative value of materiality for the 2024 financial year is set at R17.7 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 2024

Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023
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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.



Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023
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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 2024

Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023
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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 2.95% of the value of the fines issued, whereas it was estimated that 83.43% 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.



Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023
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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 2024

Notes to the Audited Annual Financial Statements

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3. Property, plant and equipment

3.1 Summary

	2024			2023		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	1,082,809,843	(73,689)	1,082,736,154	1,085,110,891	(73,689)	1,085,037,202
Buildings	1,163,764,738	(208,559,930)	955,204,808	1,148,589,232	(139,579,694)	1,009,009,538
Other Structures and Facilities	51,319,213	(15,784,651)	35,534,562	49,870,143	(12,872,684)	36,997,459
Electrical Infrastructure	2,587,464,362	(1,370,096,374)	1,217,367,988	2,514,691,906	(1,333,632,649)	1,181,059,257
Water Supply Infrastructure	1,732,492,649	(716,419,938)	1,016,072,711	1,702,064,296	(684,181,318)	1,017,882,978
Solid Waste Infrastructure	185,053,536	(115,211,316)	69,842,220	197,558,813	(108,317,356)	89,241,457
Sanitation Infrastructure	2,014,515,537	(646,547,250)	1,367,968,287	1,741,519,738	(607,956,663)	1,133,563,075
Roads Infrastructure	1,570,217,332	(913,823,392)	656,393,940	1,537,435,725	(877,130,889)	660,304,836
Storm water Infrastructure	269,336,202	(128,742,861)	140,593,341	256,048,147	(125,184,338)	130,863,809
Transport Assets	232,476,905	(106,518,814)	125,958,091	213,500,986	(99,942,274)	113,558,712
Machinery and Equipment	48,720,370	(37,135,097)	11,585,273	44,257,706	(34,754,541)	9,503,165
Furniture and Office Equipment	53,985,849	(43,228,658)	10,757,191	51,462,827	(39,816,994)	11,645,833
Computer Equipment	58,073,011	(40,577,609)	17,495,402	52,953,988	(35,023,153)	17,930,835
Other Movable Assets	34,054,018	(19,052,861)	15,001,157	29,756,438	(16,884,212)	12,872,226
Capital Spares	20,088,057	-	20,088,057	12,410,317	-	12,410,317
Total	11,104,371,622	(4,361,772,440)	6,742,599,182	10,637,231,153	(4,115,350,454)	6,521,880,699

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

The prior year comparatives have been restated, please refer to note 48 for more detailed information



Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Annual Financial Statements

Figures in Rand

3. Property, plant and equipment (continued)

Included in the above are the following work-in-progress projects:

	2024		2023	
	Cost / Valuation	Carrying value	Cost / Valuation	Carrying value
Buildings	34,864,590	34,864,590	32,055,377	32,055,377
Other Structures and Facilities	1,554,679	1,554,679	7,618,322	7,618,322
Electrical Infrastructure	163,913,190	163,913,190	124,422,402	124,422,402
Water Supply Infrastructure	46,434,861	46,434,861	43,799,705	43,799,705
Solid Waste Infrastructure	5,387,943	5,387,943	3,207,078	3,207,078
Sanitation Infrastructure	281,142,085	281,142,085	27,686,228	27,686,228
Roads Infrastructure	14,494,794	14,494,794	6,563,626	6,563,626
Storm water Infrastructure	5,899,245	5,899,245	-	-
Machinery and Equipment	75,900	75,900	75,900	75,900
Total	553,767,287	553,767,287	245,428,638	245,428,638



Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Annual Financial Statements

Figures in Rand

3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment – 2024

	Opening balance	Additions	Disposals	Transfers received	Transfers made	Other changes, movements	Depreciation	Impairment loss/ reversal	Total
Land	1,085,037,202	7,000	(2,308,047)	-	-	-	-	-	1,082,736,155
Buildings	1,009,009,538	16,200,506	(376,677)	-	-	-	(69,628,559)	-	955,204,808
Other Structures and Facilities	36,997,459	1,449,070	-	-	-	-	(2,911,967)	-	35,534,562
Electrical Infrastructure	1,181,059,257	85,042,284	(4,988,525)	-	-	148,898	(43,893,926)	-	1,217,367,988
Water Supply Infrastructure	1,017,882,978	42,933,974	(374,419)	-	-	(10,865,859)	(33,503,963)	-	1,016,072,711
Solid Waste Infrastructure	89,241,457	2,999,000	-	50,834	(15,555,111)	-	(6,893,960)	-	69,842,220
Sanitation Infrastructure	1,133,563,075	272,434,261	(165,342)	-	-	942,675	(38,806,382)	-	1,367,968,287
Roads Infrastructure	660,304,836	26,652,640	(1,104,486)	-	-	7,677,733	(37,136,783)	-	656,393,940
Storm water Infrastructure	130,863,809	11,626,855	(67,655)	-	-	2,096,553	(3,926,221)	-	140,593,341
Transport Assets	113,558,711	19,935,228	(304,265)	-	-	-	(6,631,296)	(600,287)	125,958,091
Machinery and Equipment	9,503,165	4,518,010	(10,903)	-	-	-	(2,424,999)	-	11,585,273
Furniture and Office Equipment	11,645,833	2,589,624	(22,100)	-	-	-	(3,456,166)	-	10,757,191
Computer Equipment	17,930,835	5,225,692	(33,087)	-	-	-	(5,628,038)	-	17,495,402
Other Movable Assets	12,872,226	4,297,580	-	-	-	-	(2,168,649)	-	15,001,157
Capital Spares	12,410,317	-	-	-	-	7,677,739	-	-	20,088,056
Total	6,521,880,698	495,911,724	(9,755,506)	50,834	(15,555,111)	7,677,739	(257,010,909)	(600,287)	6,742,599,182

The remaining useful lives of assets were reviewed and adjusted where necessary during 2024. 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 2024

Notes to the Audited Annual Financial Statements

Figures in Rand

3. Property, plant and equipment (continued)

Included in the above are the following work-in-progress projects:

	Opening balance	Additions	WIP converted to capital	Total
Buildings	32,055,377	6,132,599	(3,323,386)	34,864,590
Other Structures and Facilities	7,618,322	401,157	(6,464,800)	1,554,679
Electrical Infrastructure	124,422,402	47,096,360	(7,605,572)	163,913,190
Water Supply Infrastructure	43,799,705	19,115,160	(16,480,004)	46,434,861
Solid Waste Infrastructure	3,207,078	2,999,000	(818,135)	5,387,943
Sanitation Infrastructure	27,686,228	257,604,762	(4,148,905)	281,142,085
Roads Infrastructure	6,563,626	8,004,537	(73,369)	14,494,794
Storm water Infrastructure	-	5,899,245	-	5,899,245
Machinery and Equipment	75,900	-	-	75,900
Total	245,428,638	347,252,820	(38,914,171)	553,767,287

Reconciliation of property, plant and equipment – 2023



Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Annual Financial Statements

Figures in Rand

3. Property, plant and equipment (continued)

	Opening balance	Additions	Disposals	Transfers received	Transfers made	Revaluations	Other changes, movements	Depreciation	Impairment loss/ reversal	Total
Land	1,114,230,941	792,000	(13,320,833)	-	(16,703,706)	38,800	-	-	-	1,085,037,202
Buildings	1,072,867,990	9,386,338	(223,573)	-	(3,486,270)	-	-	(69,534,947)	-	1,009,009,538
Other Structures and Facilities	38,103,396	1,677,902	(290,365)	-	-	-	-	(2,493,474)	-	36,997,459
Electrical Infrastructure	1,148,194,988	81,786,129	(2,177,669)	-	-	-	-	(46,744,191)	-	1,181,059,257
Water Supply Infrastructure	1,021,429,748	29,784,790	(184,945)	-	-	-	-	(33,146,615)	-	1,017,882,978
Solid Waste Infrastructure	70,505,241	1,230,395	-	23,154,176	(1,367,754)	-	-	(4,280,601)	-	89,241,457
Sanitation Infrastructure	1,140,956,043	31,940,223	(413,428)	-	-	-	-	(38,919,763)	-	1,133,563,075
Roads Infrastructure	678,808,691	18,602,267	(161,199)	-	-	-	-	(36,944,923)	-	660,304,836
Storm water Infrastructure	125,656,880	9,187,454	(22,998)	-	-	-	-	(3,957,527)	-	130,863,809
Transport Assets	103,927,320	15,274,228	-	-	-	-	-	(5,632,764)	(10,073)	113,558,711
Machinery and Equipment	8,330,758	3,697,643	(16,923)	-	-	-	-	(2,303,868)	(204,445)	9,503,165
Furniture and Office Equipment	12,220,942	2,762,101	(81)	-	-	-	-	(3,337,129)	-	11,645,833
Computer Equipment	12,402,866	10,594,067	(7,693)	-	-	-	-	(5,058,405)	-	17,930,835
Other Movable Assets	12,055,678	2,634,661	-	-	-	-	-	(1,818,113)	-	12,872,226
Capital Spares	14,747,326	-	-	-	-	-	(2,337,008)	-	-	12,410,318
Total	6,574,438,808	219,350,198	(16,819,707)	23,154,176	(21,557,730)	38,800	(2,337,008)	(254,172,320)	(214,518)	6,521,880,699

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 2024

Notes to the Audited Annual Financial Statements

Figures in Rand

3. Property, plant and equipment (continued)

Included in the above are the following work-in-progress projects:

	Opening balance	Additions	WIP converted to capital	Total
Buildings	33,009,861	4,095,505	(5,049,989)	32,055,377
Other Structures and Facilities	6,264,221	1,599,181	(245,080)	7,618,322
Electrical Infrastructure	91,136,966	45,572,565	(12,287,129)	124,422,402
Water Supply Infrastructure	35,335,412	10,829,589	(2,365,296)	43,799,705
Solid Waste Infrastructure	2,388,943	818,135	-	3,207,078
Sanitation Infrastructure	16,609,924	11,278,904	(202,600)	27,686,228
Roads Infrastructure	3,826,626	2,737,000	-	6,563,626
Machinery and Equipment	-	75,900	-	75,900
Total	188,571,953	77,006,779	(20,150,094)	245,428,638



Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023
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3. Property, plant and equipment (continued)

3.2 Land and buildings carried at revalued value

Land and buildings were revalued to fair value during the 2021/2022 financial year. The effective date of revaluation was 01-Jul-2021 and the valuation was performed by registered and independent valuers. The independent valuers are not connected to the municipality.

3.3 Property, plant and equipment pledged as security

No assets have been pledged as security.

3.4 Impairment of property, plant and equipment

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

The following impairment losses were recognised during the year:

Impairments

Machinery and equipment	-	204,445
Transport assets	600,287	10,073
Total	600,287	214,518

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 7,018,593 (2023: R 4,295,858). It is impracticable to estimate the effect of these changes on future periods.

3.6 Property, plant and equipment under construction

2024

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



Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023
3. Property, plant and equipment (continued)		
3.7 Maintenance of property, plant and equipment		
Preventative and corrective maintenance		
Electrical infrastructure	64,227,538	62,286,205
Water supply infrastructure	27,720,216	26,428,584
Sanitation infrastructure	34,739,698	30,924,792
Solid waste infrastructure	31,923,513	28,692,283
Machinery and equipment	45,103,093	33,832,537
Furniture and office equipment	1,891,784	1,399,826
Computer equipment	5,736,583	4,876,244
Roads infrastructure	8,848,542	8,860,426
Buildings	85,745,442	74,095,867
Other Structures and Facilities	498,478	-
Total	306,434,887	271,396,764

4. Heritage assets

4.1 Reconciliation of carrying value

2024

	Land and buildings	Conservation areas and nature reserves	Other assets	Total
Opening carrying value as at 01 July 2023				
Cost	24,295,000	22,250,000	1,088,645	47,633,645
Cost	24,295,000	22,250,000	1,088,645	47,633,645
Accumulated impairment losses	-	-	-	-
	24,295,000	22,250,000	1,088,645	47,633,645

2023

	Land and buildings	Conservation areas and nature reserves	Other assets	Total
Opening carrying value as at 01 July 2022				
Cost	24,295,000	22,250,000	1,088,645	47,633,645
Cost	24,295,000	22,250,000	1,088,645	47,633,645
Accumulated impairment losses	-	-	-	-
	24,295,000	22,250,000	1,088,645	47,633,645



Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023
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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 2021/2022 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

2024

The following maintenance costs were incurred:

	Land and buildings	Conservation areas and nature reserves	Other assets	Total
Contracted Services	-	575,752	-	575,752
Employee Related Cost	-	5,836,025	-	5,836,025
Inventory	-	118,695	-	118,695
Operational Cost	-	-	-	-
Total	-	6,530,472	-	6,530,472



Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023
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4. Heritage assets (continued)

2023

The following maintenance costs were incurred:

	Land and buildings	Conservation areas and nature reserves	Other assets	Total
Contracted Services	-	396,501	-	396,501
Employee Related Cost	-	5,252,303	-	5,252,303
Inventory	-	232,351	-	232,351
Operational Cost	-	-	-	-
Total	-	5,881,155	-	5,881,155

The prior year comparatives for maintenance have been restated, please refer to note 48 for more detail information.

5. Intangible assets

5.1 Reconciliation of carrying value

2024

		Computer software	Plans and designs	Licence and rights	Total
Opening carrying value as at 01 July 2023					
Cost		9,667,731	-	887,832	10,555,563
Accumulated depreciation and impairment		(6,011,003)	-	(855,102)	(6,866,105)
		3,656,728	-	32,730	3,689,458
Amortisation	40	(611,178)	-	(13,489)	(624,667)
Carrying value of disposals / transfers					
Cost		(120,805)	-	(724,133)	(844,938)
Accumulated depreciation and impairment		120,805	-	711,107	831,912
		-	-	(13,026)	(13,026)
Closing carrying value as at 30 June 2024		3,045,550	-	6,215	3,051,765
Cost		9,546,926	-	163,699	9,710,625
Accumulated amortisation and impairment		(6,501,375)	-	(157,483)	(6,658,858)
		3,045,551	-	6,216	3,051,767



Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Annual Financial Statements

Figures in Rand		2024	2023		
5. Intangible assets (continued)					
2023					
		Computer software	Plans and design	Licence and rights	Total
Opening carrying value as at 01 July 2022					
Cost		10,734,352	-	965,715	11,700,067
Accumulated amortisation and impairment		(6,203,851)	-	(881,310)	(7,085,161)
		4,530,501	-	84,405	4,614,906
Amortisation	40	(695,278)	-	(16,134)	(711,412)
Carrying value of disposals / transfers					
Cost		(1,066,622)	-	(77,883)	(1,144,505)
Accumulated amortisation and impairment		888,126	-	42,343	930,469
		(178,496)	-	(35,540)	(214,036)
Closing carrying value as at 30 June 2023					
		3,656,727	-	32,731	3,689,458
Cost		9,667,730	-	887,833	10,555,563
Accumulated amortisation and impairment		(6,011,003)	-	(855,102)	(6,866,105)
		3,656,727	-	32,731	3,689,458

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 any 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 62,511 (2023: R 57,183). 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 2024

Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023
6. Investment property		
6.1 Reconciliation of carrying value		
Opening carrying value		
Cost	81,900,000	59,096,957
Accumulated depreciation and impairment losses	-	-
	81,900,000	59,096,957
Fair Value Adjustments	6,755,000	4,877,766
Other movements (transfers to IP)	-	18,810,277
	6,755,000	23,688,043
Carrying value of disposals / transfers		
Cost	-	(885,000)
Closing carrying value	88,655,000	81,900,000
Cost	88,655,000	81,900,000
Accumulated depreciation and impairment losses	-	-
	88,655,000	81,900,000

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 2023/2024

The date of fair value assessment was on 30 June 2024.

Valuations were performed by an independent valuer, (Reg no. 4729), Jean Marais, of Real Direct Property Valuations. The independent valuers are not connected to the municipality and have recent experience in location and category of the investment property being valued.

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.

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 215,224 (2023: R 121,891).

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.

Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Annual Financial Statements

Figures in Rand		2024	2023
7. Non-current receivables			
Other receivables			
Housing selling schemes		802	18,225
Transferred to current receivables	12	(802)	(18,121)
Total non-current other receivables	7.1	-	104

7.1 Non-current receivables from exchange transactions

	2024			2023		
	Gross	Impairment	Total	Gross	Impairment	Total
Housing selling schemes	11,658	(10,856)	802	38,388	(20,163)	18,225
Public organisations	-	-	-	77,834	(77,834)	-
Total	11,658	(10,856)	802	116,222	(97,997)	18,225

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.

7.1.1 Impairment reconciliation of non-current receivables from exchange transactions

	2024			2023		
	Opening balance	Impairment reversed / debt written off	Closing balance	Opening balance	Impairment reversed / debt written off	Closing balance
Housing selling schemes	20,163	(9,307)	10,856	98,443	(78,280)	20,163
Public organisations	77,834	(77,834)	-	77,834	-	77,834
Total	97,997	(87,141)	10,856	176,277	(78,280)	97,997

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 2024

Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023
8. Inventories		
Consumables	7,521,803	4,280,313
Materials and supplies	47,897,619	38,322,856
Water	706,470	558,677
Spare parts for Plant & Equipment	404,248	460,028
Plants held for resale	174,011	129,317
Land for BNG housing	7,390,540	9,837,705
Less: Inventory held as spare parts for infrastructure assets	(20,088,036)	(12,410,311)
Total Inventories	44,006,655	41,178,585

No inventories were pledged as security for liabilities.

During the year inventory to the amount of R 248,064 (2023: R420,823) was written off due to discrepancies identified during the annual stock count. An amount of R 91,673 (2023: R 85,089) was written off due to valuation of inventory at the lower of cost and NRV in accordance with GRAP 12. Some prior year comparatives have been restated, please refer to note 48 for more detail information.

Inventories of R 20,088,036 (2023: R 12,410,311) are held as major spare parts for infrastructure assets and has been transferred to property, plant and equipment.

R78,558,903 (2023: R74,330,682) of total inventory was recognised as an expense in the current year.

9. Trade and other receivables from exchange transactions

Trade service and consumer service debtors	9.1		
Electricity		234,559,417	208,155,883
Water		57,500,939	43,697,263
Waste management		33,579,534	26,453,913
Waste water management		27,135,794	21,921,259
Housing rental scheme		1,667,824	1,488,383
Housing selling scheme		102,078	97,852
		354,545,586	301,814,553
Other receivables from exchange transactions	9.2		
Sundry debtors		23,148,237	22,809,917
Other receivables from exchange transactions		17,490,802	8,737,671
Less: Provision for impairment		(13,381,977)	(13,098,111)
		27,257,062	18,449,477
Total trade and other receivables from exchange transactions		381,802,648	320,264,030

The prior year comparatives have been restated, please refer to note 48 for more detail information.

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 ratio's of the municipality's consumer receivables.

Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023
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9. Trade and other receivables from exchange transactions (continued)

	2024			2023		
	Gross	Impairment	Total	Gross	Impairment	Total
Consumer receivables from exchange transactions						
Electricity	259,876,921	(25,317,505)	234,559,416	231,747,711	(23,591,828)	208,155,883
Water	130,466,826	(72,965,886)	57,500,940	104,008,795	(60,311,532)	43,697,263
Waste management	85,631,129	(52,051,595)	33,579,534	71,530,842	(45,076,929)	26,453,913
Waste water management	58,109,502	(30,973,708)	27,135,794	48,841,147	(26,919,888)	21,921,259
Housing rental scheme	7,509,950	(5,842,126)	1,667,824	7,081,338	(5,592,955)	1,488,383
Housing selling scheme	1,209,240	(1,107,162)	102,078	1,051,875	(954,023)	97,852
Total	542,803,568	(188,257,982)	354,545,586	464,261,708	(162,447,155)	301,814,553

9.1.1 Ageing of impaired consumer receivables

2024

	Not due			Past due		
	Current	Current impaired	31 - 60	31 - 60 impaired	61 - 90	61 - 90 Impaired
Consumer receivables						
Ageing by debt type						
Electricity	199,846,177	1,914,443	8,074,515	1,834,729	3,239,024	1,538,380
Water	33,287,704	1,857,601	6,521,072	2,124,167	5,852,521	3,298,865
Waste management	14,673,893	481,486	3,958,306	511,610	2,932,054	1,142,762
Waste water management	14,719,200	435,046	2,890,945	445,888	1,963,173	821,543
Housing rental scheme	566,351	4,407	354,644	9,162	269,622	36,849
Housing selling scheme	26,036	943	22,028	944	20,475	784
Total	263,119,361	4,693,926	21,821,510	4,926,500	14,276,869	6,839,183



Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023
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9. Trade and other receivables from exchange transactions (continued)

	Past due				
	91 - 120+	91 - 120+ impaired	Total	Total impaired	Total - Past due but not impaired
Consumer receivables					
Ageing by debt type					
Electricity	48,717,205	20,029,953	259,876,921	25,317,505	36,627,682
Water	84,805,529	65,685,253	130,466,826	72,965,886	26,070,837
Waste management	64,066,876	49,915,737	85,631,129	52,051,595	19,387,127
Waste water management	38,536,184	29,271,231	58,109,502	30,973,708	12,851,640
Housing rental scheme	6,319,333	5,791,708	7,509,950	5,842,126	1,105,880
Housing selling scheme	1,140,701	1,104,491	1,209,240	1,107,162	76,985
Total	243,585,828	171,798,373	542,803,568	188,257,982	96,120,151

2023

	Not due		Past due			
	Current	Current impaired	31 - 60	31 - 60 impaired	61 - 90	61 - 90 Impaired
Consumer receivables						
Ageing by debt type						
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
Total	220,462,728	4,013,817	21,098,872	4,301,563	12,548,293	6,051,755



Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023
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9. Trade and other receivables from exchange transactions (continued)

	Past due				
	91 - 120+	91 - 120+ impaired	Total	Total impaired	Total - Past due but not impaired
Consumer receivables					
Ageing by debt type					
Electricity	51,516,741	18,964,661	231,747,711	23,591,828	41,014,740
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
Total	210,151,815	148,080,020	464,261,708	162,447,155	85,365,642

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.

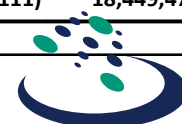
In determining the recoverability of a Consumer receivable, the municipality considers any change in the credit quality of the Consumer receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and 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 R2,807,846 (2023: R1,862,221) 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.

9.2 Other receivables

	2024			2023		
	Gross	Impairment	Total	Gross	Impairment	Total
Other receivables from exchange transactions						
Sundry debtors	23,148,237	-	23,148,237	22,809,917	-	22,809,917
Other receivables from exchange transactions	17,490,802	-	17,490,802	8,737,671	-	8,737,671
Less: Provision for impairment	-	(13,381,977)	(13,381,977)	-	(13,098,111)	(13,098,111)
Total	40,639,039	(13,381,977)	27,257,062	31,547,588	(13,098,111)	18,449,477



Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Annual Financial Statements

Figures in Rand

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

9.2.1 Impairment reconciliation of other receivables from exchange transactions

	2024				2023			
	Opening balance	Impairment raised	Impairment reversed / debt written off	Closing balance	Opening balance	Impairment raised	Impairment reversed / debt written off	Closing balance
Other receivables from exchange transactions								
Consumer receivables	162,447,154	49,117,072	(23,306,242)	188,257,984	93,984,824	83,019,511	(14,557,181)	162,447,154
Other receivables	13,098,111	925,121	(641,255)	13,381,977	12,030,822	1,749,882	(682,593)	13,098,111
Total	175,545,265	50,042,193	(23,947,497)	201,639,961	106,015,646	84,769,393	(15,239,774)	175,545,265



Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Annual Financial Statements

Figures in Rand		2024	2023
10. Receivables from non-exchange transactions			
Consumer receivables	10.1		
Property rates		52,418,725	41,470,262
Electricity		833,436	628,595
Water		958,984	578,468
Waste management		1,939,735	1,286,451
Waste water management		1,335,724	761,348
Fines		28,986,334	34,218,439
		86,472,938	78,943,563
Other receivables	10.1		
Grants and subsidies		9,716,813	14,617,459
Prepayments		9,064,682	8,640,357
Other receivables		5,245,313	4,751,056
Rental leases : straight line		-	8,345
		24,026,808	28,017,217
Total receivables		110,499,746	106,960,780

10.1 Receivables from non-exchange transactions

	2024			2023		
	Gross	Impairment	Total	Gross	Impairment	Total
Consumer receivables						
Property rates	74,017,297	(21,598,572)	52,418,725	62,558,049	(21,087,787)	41,470,262
Electricity	1,376,039	(542,602)	833,436	1,267,692	(639,097)	628,595
Water	2,784,573	(1,825,590)	958,984	2,355,498	(1,777,030)	578,468
Waste management	4,442,034	(2,502,299)	1,939,735	3,751,253	(2,464,802)	1,286,451
Waste water management	3,806,358	(2,470,634)	1,335,724	3,299,853	(2,538,505)	761,348
Fines	186,575,754	(157,589,420)	28,986,334	186,089,864	(151,871,425)	34,218,439
	273,002,055	(186,529,117)	86,472,938	259,322,209	(180,378,646)	78,943,563
Other receivables						
Grants and subsidies	9,716,813	-	9,716,813	14,617,459	-	14,617,459
Prepayments	9,064,682	-	9,064,682	8,640,357	-	8,640,357
Other receivables	5,245,313	-	5,245,313	4,751,056	-	4,751,056
Rental leases: Straight line	-	-	-	8,345	-	8,345
	24,026,808	-	24,026,808	28,017,217	-	28,017,217
Total	297,028,863	(186,529,117)	110,499,746	287,339,426	(180,378,646)	106,960,780



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Notes to the Audited Annual Financial Statements

Figures in Rand

10. Receivables from non-exchange transactions (continued)

10.1.1 Impairment reconciliation of receivables from non-exchange transactions

	2024				2023			
	Opening balance	Impairment raised	Impairment reversed / debt written off	Closing balance	Opening balance	Impairment raised	Impairment reversed / debt written off	Closing balance
Consumer receivables								
Property rates	(21,087,787)	(1,286,977)	776,192	(21,598,572)	(8,308,729)	(13,380,119)	601,061	(21,087,787)
Availability charges receivables	(7,419,434)	(185,311)	263,620	(7,341,125)	(1,590,866)	(5,993,229)	164,661	(7,419,434)
Fines	(151,871,425)	(78,983,561)	73,265,566	(157,589,420)	(166,321,479)	(73,192,195)	87,642,249	(151,871,425)
Total	(180,378,646)	(80,455,849)	74,305,378	(186,529,117)	(176,221,074)	(92,565,543)	88,407,971	(180,378,646)



Drakenstein Municipality

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Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023
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10. Receivables from non-exchange transactions (continued)

10.1.2 Ageing of receivables from non-exchange transactions

2024

	Not due		Past due			
	Current	Current impaired	31 - 60	31 - 60 impaired	61 - 90	61 - 90 Impaired
Consumer receivables						
Aging by debt type						
Property rates	34,061,008	678,160	4,083,603	674,194	2,143,647	707,273
Electricity	210,164	6,182	70,058	6,182	56,530	6,012
Water	190,935	5,004	78,505	5,004	67,020	27,130
Waste management	744,346	14,021	166,183	14,021	122,251	55,724
Waste water management	284,691	7,434	117,412	7,434	99,132	40,641
Fines	7,782,425	6,730,114	8,033,975	7,022,213	7,989,881	6,979,958
Total	43,273,569	7,440,915	12,549,736	7,729,048	10,478,461	7,816,738

Past due				
91 - 120+	91 - 120+ impaired	Total	Total impaired	Total - Past due but not impaired

Consumer receivables

Aging by debt type

Property rates	33,729,039	19,538,945	74,017,297	21,598,572	19,035,877
Electricity	1,039,287	524,226	1,376,039	542,602	629,455
Water	2,448,113	1,788,452	2,784,573	1,825,590	773,052
Waste management	3,409,254	2,418,533	4,442,034	2,502,299	1,209,410
Waste water management	3,305,123	2,415,125	3,806,358	2,470,634	1,058,467
Fines	162,769,473	136,857,135	186,575,754	157,589,420	27,934,023
Total	206,700,289	163,542,416	273,002,055	186,529,117	50,640,284



Drakenstein Municipality

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Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023
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10. Receivables from non-exchange transactions (continued)

2023

	Not due		Past due			
	Current	Current impaired	31 - 60	31 - 60 impaired	61 - 90	61 - 90 Impaired
Consumer receivables						
Aging by debt type						
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
Total	35,047,785	6,107,174	13,606,750	8,704,857	13,442,022	9,529,789

Past due				
91 - 120+	91 - 120+ impaired	Total	Total impaired	Total - Past due but not impaired

Consumer receivables

Aging by debt type

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
Total	197,225,652	156,036,826	259,322,209	180,378,646	50,002,952

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 4 years, with supplementary valuations inbetween.

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

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

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



Drakenstein Municipality

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10. Receivables from non-exchange transactions (continued)

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

Availability charges on water, electricity, refuse and sewerage

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

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

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

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

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

Traffic fines

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

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

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

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

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

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

Other receivables

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

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



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10. Receivables from non-exchange transactions (continued)

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

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

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

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

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

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

The prior year comparatives have been restated, please refer to note 48 for more detail information.

11. Cash and cash equivalents

11.1 Bank accounts

The municipality has the following cash book accounts:

Nedbank Primary Bank Account	92,154,604	89,615,886
Nedbank Secondary Bank Account	425,745	4,064,561
Nedbank Traffic Fines Bank Account	4,210	5,718
Nedbank Motor Vehicle Licensing Bank Account	2,142	16,459
Nedbank Sundry Receipts Bank Account	(1,813,861)	138,702
Total	90,772,840	93,841,326
Bank statement balance at beginning of year	97,756,214	19,487,755
Bank statement balance at end of year	259,021,492	97,756,214
Cash book balance at beginning of year	93,841,326	19,916,665
Bank statement balance at end of year	259,021,492	97,765,214
Net movement / reconciling items	(168,248,652)	(3,923,888)
Cash book balance at end of year	90,772,840	93,841,326



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11. Cash and cash equivalents (continued)		
The municipality has the following bank accounts:		
(Bank statement balances)		
Nedbank Primary Bank Account (122-750-451-9)	259,021,492	97,765,214
Nedbank Secondary Bank Account (122-906-183-5)	-	-
Nedbank Traffic Fines Bank Account (122-906-180-0)	-	-
Nedbank Motor Vehicle Licensing Bank Account (122-906-181-9)	-	-
Nedbank Sundry Receipts Bank Account (122-906-184-3)	-	-
	259,021,492	97,765,214

11.2 Cash and cash equivalents

Cash and cash equivalents consist of the following:

Call deposits and investments		
Short term investment deposits	606,724,781	351,404,153
Cash at bank		
Bank account	90,772,840	93,841,326
Cash on hand	8,200	24,952
Total cash and cash equivalents	697,505,821	445,270,431

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.



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11. Cash and cash equivalents (continued)				
Call deposits and investments by financial institution				
Institution	Account number	Account type		
ABSA BANK	93-5338-8392	CALL DEPOSIT	132,181,336	48,777,383
ABSA BANK	93-5591-4684	CALL DEPOSIT	67,468,699	61,854,655
ABSA BANK	93-5612-6210	CALL DEPOSIT	68,524,079	62,694,374
ABSA BANK	90-5907-5162	CALL DEPOSIT	71	71
			268,174,185	173,326,483
NEDBANK	03/7881536373/000052	CALL DEPOSIT	6,649,089	5,153,403
NEDBANK	03/7881182954/000002	NOTICE DEPOSIT ACCOUNT	17,825,000	-
			24,474,089	5,153,403
GRINDROD BANK	110-0061-1166	CALL DEPOSIT	197,857,096	17,000,000
			197,857,096	17,000,000
STANDARD BANK	07-875-830-0-057	CALL DEPOSIT	28,844,157	26,741,692
STANDARD BANK	07-875-830-0-060	CALL DEPOSIT	60,220,781	104,007,404
STANDARD BANK	07-875-830-0-063	CALL DEPOSIT	27,154,475	25,175,171
			116,219,413	155,924,267
Total investments			606,724,783	351,404,153
12. Current portion of non-current receivables				
Other receivables from non-exchange transactions				
Housing Selling Schemes			802	18,121
13. VAT control receivable				
Accrual VAT transactions			35,242,303	3,392,687
VAT return balance			6,540,984	9,427,411
Total			41,783,287	12,820,098
The prior year comparatives have been restated, please refer to note 48 for more detail information.				
VAT receivable, interest and other charges arises from Value Added Tax Act 89 of 1991.				
14. Borrowings				
Total borrowings				
Annuity Loans			1,455,252,442	1,539,712,709
Less: Current portion transferred to current liabilities				
Annuity Loans			(90,824,743)	(84,460,268)
Total non-current borrowings			1,364,427,699	1,455,252,441



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14. Borrowings (continued)

14.1 Summary of arrangements

Annuity loans are repaid over periods varying from 4 to 13 (2023: 1 to 14) years and at interest rates varying from 10.73% to 11.48% (2023: 9.87% 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.

15. Finance lease liabilities

Finance lease liabilities	15.1	472,639	817,986
Less: Transferred to current liabilities		(472,639)	(345,347)
Total non-current liabilities		-	472,639

15.1 Obligation under finance leases

The municipality as lessee

The obligations under finance leases are as follow:

Total future minimum lease payments

Payable within 1 year	564,408	564,408
Payable within 2 to 5 years	-	564,408
Total minimum lease payments	564,408	1,128,816
Less: Future finance charges	(91,769)	(310,830)
Total	472,639	817,986

Present value of minimum lease payments

Payable within 1 year	472,639	345,347
Payable within 2 to 5 years	-	472,639
Total	472,639	817,986

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.



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16. Employee benefits			
Non-current employee benefits			
Post employment health care benefits	16.1	204,669,000	201,416,000
Ex-Gratia pension benefits	16.2	370,000	688,000
Provision for long-service awards	16.3	42,625,000	43,705,000
		247,664,000	245,809,000
Current employee benefits			
Post employment health care benefits	16.1	12,708,000	11,856,000
Ex-Gratia pension benefits	16.2	58,000	108,000
Provision for long-service awards	16.3	8,696,000	5,109,000
Provision for bonuses	16.4	22,053,981	20,568,587
Performance bonuses	16.5	2,284,468	2,762,856
Leave	16.6	48,557,913	44,968,080
		94,358,362	85,372,523
Total		342,022,362	331,181,523

16.1 Post employment health care benefits

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

Subsidy Arrangements

The Municipality has agreed to subsidise the medical aid contributions of retired members in the following way:

- All new pensioners (that are currently still in service) will receive a 70% subsidy (payable should they be a member of a medical scheme at retirement).
- All existing continuation members (pensioners) will continue to receive a 70% subsidy.
- Widow(er)s and orphans of eligible in-service members are not entitled to receive a subsidy on and after the death in-service of an employee.
- Upon a member's death-in-retirement, the surviving dependants will continue to receive the same 70% subsidy subject to no subsidy cap.

Due to the nature of the benefit, the Municipality is mainly exposed to the risk of changes in the assumed level of mortality; changes in medical aid inflation (including to possible effect of the implementation of the NHI); and changes in the average retirement age.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2024 by Mr Julian van der Spuy and Ms Elmarie Swanepoel of ZAQEN Actuaries Pty (Ltd). The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

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

	Number	
In-service members (Employees)	723	713
Continuation members (Retirees)	218	215
Total members	941	928



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16. Employee benefits (continued)

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

In-service members (Employees)	103,846,000	105,127,000
Continuation members (Retirees)	113,531,000	108,145,000
Total liability	217,377,000	213,272,000
Current	12,708,000	11,856,000
Non-current	204,669,000	201,416,000
Total liability	217,377,000	213,272,000

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

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

The Future-service Cost for the ensuing year is estimated to be R 6,596,000 whereas the Interest Cost is estimated to be R 26,342,000.

Valuation assumptions:

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

i) Rates of interest

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

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

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

The Actuaries used the nominal and real zero curves as at 28 June 2024 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.



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16. Employee benefits (continued)

Although the actuaries have used the yield curve for the discount rates and the corresponding inflation rates, for indicative purposes the actuaries show that the discount rate and CPI corresponds to the implied duration of the liability. The implied duration of the liability for this valuation is 13.35 years. It is however important to note that this is solely for indicative purposes as the actuaries used the entire yield curve to obtain the financial variables.

Rates of Interest

Discount rate	13.35 %
CPI (Consumer Price Inflation)	7.94 %
Normal salary increase rate	8.94 %
Net effective discount rate	4.21 %

Medical aid inflation

The Medical Aid Contribution Inflation rate was set with reference to the past relationship between the (yield curve based) Discount Rate for each relevant time period and the (yield curve based) Medical Aid Contribution Inflation for each relevant time period.

South Africa has experienced high health care cost inflation in recent years. The annualised compound rates of increases for the last ten years show that registered medical aid schemes contribution inflation outstripped general CPI by almost 3% year on year. We do not consider these increases to be sustainable and have assumed that medical aid contribution increases would out-strip general inflation by 1% per annum over the foreseeable future.

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) Average and 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

The actuaries 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.

Age band	Withdrawal rate males	Withdrawal rate females
20 - 24	16.00 %	24.00 %
25 - 29	12.00 %	18.00 %
30 - 34	10.00 %	15.00 %
35 - 39	8.00 %	10.00 %
40 - 44	6.00 %	6.00 %
45 - 49	4.00 %	4.00 %
50 - 54	2.00 %	2.00 %
55 - 59	1.00 %	1.00 %
60 +	0.00 %	0.00 %



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16. Employee benefits (continued)

Amounts recognised in the statement of financial position

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

Present value of unfunded obligations	217,377,000	213,272,000
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Amounts recognised in the statement of financial performance and financial performance

The amounts recognised in the statement of financial performance and financial performance is as follows:

Current service cost	5,961,000	7,525,000
Interest cost	27,170,000	24,178,000
Actuarial loss/ (gain) recognised in the year	(17,341,902)	(13,696,556)
Total post-retirement benefit included in employee related costs	37	15,789,098

The main reasons for the actuarial gain can be attributed to the following factors:

- Changes in economic variables - over the past year, there have been various changes in the discount rates and inflation rates. The discount rates have increased over the past year and the inflation has also since updated since the previous valuation date. The net effect of this was an overall decrease in liability of around R14 335 000.
- Membership changes and other experience items - Membership changes and other demographic experience over the past year was different to what was expected at the previous valuation date. Despite a slight increase in membership, the average years of service amongst in-service members decreased more than expected. The medical schemes of certain members also changed. The net effect of this, along with other smaller changes, resulted in a decrease in liability of around R3 006 902.

Movements in the present value of the defined benefit obligation

Opening Balance	213,272,000	206,094,001
Current service cost	5,961,000	7,525,000
Interest cost	27,170,000	24,178,000
Actual employer benefit payments	(11,684,098)	(10,828,445)
Actuarial loss/(gain) (Financial Assumptions)	(14,335,000)	(27,409,000)
Actuarial loss/(gain) (Demographic Assumptions)	(3,006,902)	13,712,444
Present value of fund obligation at the end of the year	217,377,000	213,272,000

Movements in the present value of the defined benefit assets

Contributions from the employer	11,684,098	10,828,445
Benefits paid	(11,684,098)	(10,828,445)
Closing balance	-	-

History of experienced adjustments

	2020	2021	2022	2023	2024
Present value of defined benefit obligation	177,959,000	198,323,000	206,094,000	213,272,000	217,377,000
Fair value of plan assets	-	-	-	-	-
Deficit	177,959,000	198,323,000	206,094,000	213,272,000	217,377,000
Experienced adjustments on defined benefit obligation	-	-	-	-	-



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16. Employee benefits (continued)

Sensitivity analysis

In order to illustrate the sensitivity of our results to changes in certain key variables, we have recalculated the liabilities using the following assumptions:

- 20% increase/decrease in the assumed level of mortality;
- 1% increase/decrease in the Medical Aid inflation;
- 1% increase/decrease in the discount rate;
- 1 year increase/decrease in the average retirement age

Mortality rate

Deviations from the assumed level of mortality experience of the current employees and the continuation members (pensioners) will have a large impact on the actual cost to the Municipality. If the actual rates of mortality turn out higher than the rates assumed in the valuation basis, the cost to the Municipality in the form of subsidies will reduce and vice versa.

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

	-20% Mortality rate	+20% Mortality rate
Total accrued liability	235,404,000	202,575,000
Effect on the aggregate of the interest cost	28,591,000	24,495,000
Effect on the aggregate of the current service cost	7,160,000	6,123,000

Medical aid inflation

The cost of the subsidy after retirement is dependent on the increase in the contributions to the medical aid scheme before and after retirement. The rate at which these contributions increase will thus have a direct effect on the liability of future retirees.

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

	-1% Decrease	+1% Increase
Effect on the defined benefit obligation	194,432,000	244,686,000
Effect on the aggregate of the interest cost	23,459,000	29,776,000
Effect on the aggregate of the current service cost	5,545,000	7,904,000

Total accrued liability

Discount rate

The value of the liability is directly dependent on the level of the discount rate used to discount the future expected cashflows. If the discount rate is higher the present value of the liability will be lower and vice versa.

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

	-1% Discount rate	+1% Discount rate
Total accrued liability	243,752,000	195,452,000
Effect on the aggregate of the interest cost	29,659,000	23,587,000
Effect on the aggregate of the current service cost	7,857,000	5,591,000

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16. Employee benefits (continued)

Average retirement age

The liability value is directly influenced by the assumption about the average retirement age of members as this determines the length these benefits are paid out to members.

The effect of a one-year movement in the assumed retirement age are as follow on the ensuing years assumptions:

	-1 year average retirement age	+1 year average retirement age
Total accrued liability	230,648,000	205,673,000
Effect on the aggregate of the interest cost	27,952,000	24,855,000
Effect on the aggregate of the current service cost	6,668,000	5,744,000

Maturity analysis of the defined benefit obligations

The following table presents information about the distribution of the timing of benefit payments:

	Within one year from valuation date	Between 1 and 5 years from valuation date	Longer than 5 years from valuation date	Total
Post Employment Health Care Benefits	12,708,000	27,233,000	177,436,000	217,377,000

The municipality expects to make a contribution of R 12,708,000 to the Defined Benefit Plan during the next financial year.

Refer to note 57 Retirement Benefit Information to the audited annual financial statements for more information regarding the municipality's other retirement funds that is Provincially and Nationally administered.

16.2 Ex-Gratia pension benefits

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

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out by Mr Julian van der Spuy and Ms Elmarie Swanepoel 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.

Due to the nature of the plan, the Municipality is mainly exposed to the risk of changes in the assumed level of mortality and changes in the average retirement age.

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

	Number	
In-service members (Employees)	89	105
Continuation members (Retirees)	2	4
Total members	91	109



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16. Employee benefits (continued)		
The liability in respect of past service has been estimated as follow:		
In-service members (Employees)	374,000	552,000
Continuation members (Retirees)	54,000	244,000
Total liability	428,000	796,000
Lump sum benefit	374,000	552,000
Pension benefit	54,000	244,000
Total liability	428,000	796,000
Current	58,000	108,000
Non-current	370,000	688,000
Total liability	428,000	796,000

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.

Valuation Assumptions

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

i) Rates of interest

	Lump sum valuation	Lump sum valuation
Discount rate	9.96 %	9.76 %
Consumer Price Inflation (CPI)	6.29 %	5.66 %
Pension increase rate (Pensioners)	7.29 %	6.66 %
Net effective discount rate	2.49 %	2.91 %
	Pensioner Valuation	Pensioner Valuation
Discount rate	9.52 %	9.23 %
Consumer Price Inflation (CPI)	4.82 %	5.23 %
Pension increase rate (Pensioners)	5.82 %	6.23 %
Net effective discount rate	3.50 %	2.82 %

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 28 June 2024 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 and average 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.



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16. Employee benefits (continued)		
Withdrawal rates		
Assumptions have also been made on the withdrawal rates from service per 5 years of age gap and per gender.		
Age band	Withdrawal rate males	Withdrawal rate females
20 - 24	16.00 %	24.00 %
25 - 29	12.00 %	18.00 %
30 - 34	10.00 %	15.00 %
35 - 39	8.00 %	10.00 %
40 - 44	6.00 %	6.00 %
45 - 49	4.00 %	4.00 %
50 - 54	2.00 %	2.00 %
55 +	1.00 %	1.00 %
Amounts recognised in the statement of financial position		
The amounts recognised in the statement of financial performance are as follow:		
Present value of unfunded obligations	428,000	796,000
Amounts recognised in the statement of financial performance		
The amounts recognised in the statement of financial performance are as follow:		
Interest cost	67,000	74,000
Actuarial (gains) / losses recognised	(396,328)	(136,343)
Total post-retirement benefit included in employee related costs	37	(62,343)
The main reasons for the actuarial gain can be attributed to the following factor:		
<ul style="list-style-type: none"> Change in economic assumptions: Over the past year the discount and inflation rates changed significantly. As a result, the liability increased by approximately R 6 000. Membership changes: There were changes in membership during the past financial year. The members who received Lump Sum benefits has decreased from 105 to 91 over the past financial year. Amongst the in-service members, there were certain members whose salary decreased more than expected, and the members that left were those who had a larger liability than those who remained. The average subsidy amongst the continuation members also decreased with over 50%. This, along with some other smaller factors, led to a decrease in liability of around R 402 328. 		
Movements in the present value of the defined benefit obligation		
Opening Balance	796,000	915,000
Interest cost	67,000	74,000
Actual employer benefit payments	(38,672)	(56,657)
Actuarial loss/(gain) (Financial Assumptions)	6,000	(49,000)
Actuarial loss/(gain) (Demographic Assumptions)	(402,328)	(87,343)
Present value of fund obligation at the end of the year	428,000	796,000
Movements in the present value of the defined benefit assets		
Contribution from the employer	38,672	56,657
Benefits paid	(38,672)	(56,657)
Closing balance	-	-



Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023
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16. Employee benefits (continued)

History of experienced adjustments

	2020	2021	2022	2023	2024
Present value of defined benefit obligation	1,141,000	1,123,000	915,000	796,000	428,000
Experienced adjustments on defined benefit obligation	-	-	-	-	-

Sensitivity analysis

In order to illustrate the sensitivity of our results to changes in certain key variables, we have recalculated the liabilities using the following assumptions:

- 1% increase/decrease in the pension inflation;
- 1% increase/decrease in the discount rate.

Pension inflation

The cost of the Ex-gratia Benefits is dependent on the increase in the annual pensions paid to employees. The rate at which salaries increase will thus have a direct effect on the liability of future retirees.

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

	-1% Pension inflation	+1% Pension inflation
Effect on the defined benefit obligation	411,000	447,000
Effect on the interest cost	36,000	41,000

Discount rate

The value of the liability is directly dependent on the level of the discount rate used to discount the future expected cashflows. If the discount rate is higher the present value of the liability will be lower and vice versa.

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

	-1% Discount rate	+1% Discount rate
Effect on the defined benefit obligation	447,000	411,000
Effect on the interest cost	36,000	41,000

Maturity analysis of the defined benefit obligations

The following table presents information about the distribution of the timing of benefit payments:

	Within one year from valuation date	Between 1 and 5 years from valuation date	Longer than 5 years from valuation date	Total
Ex-Gratia Pension Benefits	58,000	145,000	225,000	428,000

The municipality expects to make a contribution of R 58,000 to the Defined Benefit Plan during the next financial year.



Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023
16. Employee benefits (continued)		
Refer to note 57 Retirement Benefit Information to the audited annual financial statements for more information regarding the municipality's other retirement funds that is Provincially and Nationally administered.		
16.3 Provision for long-service awards		
Current	8,696,000	5,109,000
Non-current	42,625,000	43,705,000
Total liability	51,321,000	48,814,000

Long-service awards

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

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2024 by Julian van der Spuy and Ms Elmarie Swanepoel 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 1640 (2023: 1646) employees were eligible for Long Services Awards.

Valuation assumption:

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 follows:

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

The Actuaries used the nominal and real zero curves as at 28 June 2024 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.

Although the actuaries have used the yield curve for the discount rates and the corresponding inflation rates, for indicative purposes the actuaries show that the discount rate and CPI corresponds to the implied duration of the liability. The implied duration of the liability for this valuation is 6.35 years. It is however important to note that this is solely for indicative purposes as the actuaries used the entire yield curve to obtain the financial variables.



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16. Employee benefits (continued)

Rates of Interest

Discount rate	10.98 %
CPI (Consumer Price Inflation)	5.67 %
Normal salary increase rate	6.67 %
Net effective discount rate	4.04 %

Average 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.

Normal retirement age

The normal retirement age (NRA) for all active employees was assumed to be 65 years.

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.

Normal salary increase rates

The actuaries have derived the underlying future rate of consumer price index inflation (CPI inflation) from the relationship between the (yield curve based) Conventional Bond Rate for each relevant time period and the (yield curve based) Inflation-linked Bond rate for each relevant time period. The actuaries assumed rate of salary inflation was set as the assumed value of CPI plus 1%. The salaries used in the valuation include an increase on 01 July 2024 of 6.5% (as provided by the Municipality).

Promotional salary increase rates

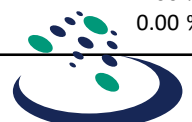
Assumptions have also been made on the Promotional Salary Increase rates per 5 years of age gap.

Age band	Promotional increase
20 - 24	5.00 %
25 - 29	4.00 %
30 - 34	3.00 %
35 - 39	2.00 %
40 - 44	1.00 %
45 and over	0.00 %

Withdrawal rates

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

Age band	Withdrawal rate males	Withdrawal rate females
20 - 24	16.00 %	24.00 %
25 - 29	12.00 %	18.00 %
30 - 34	10.00 %	15.00 %
35 - 39	8.00 %	10.00 %
40 - 44	6.00 %	6.00 %
45 - 49	4.00 %	4.00 %
50 - 54	2.00 %	2.00 %
55 - 59	1.00 %	1.00 %
60 +	0.00 %	0.00 %



Drakenstein Municipality

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16. Employee benefits (continued)

Amounts recognised in the statement of financial position

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

Fair value of plan assets	-	-
Present value of unfunded obligations	51,321,000	48,814,000
Total benefit provision	51,321,000	48,814,000

Amounts recognised in the statement of financial performance

Current service cost	3,244,000	3,313,000
Interest cost	6,287,000	5,625,000
Actuarial losses / (gains) recognised	(2,357,697)	(3,872,840)
Total expense included in employee related costs	7,173,303	5,065,160

The main reasons for the actuarial gain can be attributed to the following factors:

- Changes in economic variables – We used the nominal and real zero curves as at 28 June 2024 supplied by the JSE to determine our discount rates and CPI assumptions at each relevant time period. As a result, the interest rates, bond yields and inflation figures have increased. This resulted in an overall decrease in liability of around R 1 733 000.
- Membership and other experience items – Membership and other demographic changes over the past financial year was different to what was expected at the previous valuation date, which includes a decrease in the total members and a smaller increase than expected in the average years of past service. The net effect of this and some other smaller factors, resulted in an overall decrease in the liability of around R 624 697.

Movements in the present value of the defined benefit obligation

Opening Balance	48,814,000	47,926,000
Current service costs	3,244,000	3,313,000
Interest cost	6,287,000	5,625,000
Benefits paid	(4,666,303)	(4,177,158)
Actuarial loss/(gain) (Financial Assumptions)	(1,733,000)	(3,729,000)
Actuarial loss/(gain) (Demographic Assumptions)	(624,697)	(143,842)
Closing balance	51,321,000	48,814,000

Movements in the present value of the defined benefit assets

Contribution from the employer	4,666,303	4,177,158
Benefits paid	(4,666,303)	(4,177,158)
Closing balance	-	-

The history of experienced adjustments are as follows:

	2020	2021	2022	2023	2024
Present value of defined benefit obligation	39,894,000	43,253,000	47,926,000	48,814,000	51,321,000
Experienced adjustments on defined benefit obligation	-	-	-	-	-

Sensitivity analysis



Drakenstein Municipality

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Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023
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16. Employee benefits (continued)

In order to illustrate the sensitivity of the results to changes in certain key variables, the liabilities were recalculated using the following assumptions:

- 20% increase/decrease in the assumed level of withdrawal rates;
- 1% increase/decrease in the normal salary cost inflation;
- 1% increase/decrease in the discount rate;
- 1 year increase/decrease in the average retirement age

Withdrawal rates

Deviations from the assumed level of withdrawal experience of the eligible employees will have a large impact on the actual cost to the Municipality. If the actual rates of withdrawal turn out to be higher than the rates assumed in the valuation basis, then the cost to the Municipality in the form of benefits will reduce and vice versa.

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

	-20% Withdrawal rate	+20% Withdrawal rate
Effect on the defined benefit obligation	53,180,000	49,617,000
Effect on the aggregate of the current service cost	3,542,000	3,182,000
Effect on the aggregate of the interest cost	6,487,000	6,028,000

Normal salary inflation

The cost of the long service awards is dependent on the increase in the annual salaries paid to employees. The rate at which salaries increase will thus have a direct effect on the liability of future employees.

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

	-1% Normal salary inflation	+1% Normal salary inflation
Effect on the defined benefit obligation	48,462,000	54,456,000
Effect on the aggregate of the current service cost	3,131,000	3,597,000
Effect on the aggregate of the interest cost	5,883,000	6,647,000

Discount rate

The value of the liability is directly dependent on the level of the discount rate used to discount the future expected cashflows. If the discount rate is higher the present value of the liability will be lower and vice versa.

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

	-1% Discount rate	+1% Discount rate
Effect on the defined benefit obligation	54,356,000	48,591,000
Effect on the aggregate of the current service cost	3,589,000	3,141,000
Effect on the aggregate of the interest cost	6,095,000	6,379,000

Average retirement age

The liability value is directly influenced by the assumption about the average retirement age of members as this determines the length these benefits are paid out to members.



Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023
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16. Employee benefits (continued)

The effect of a one-year movement in the assumed retirement age are as follows on the ensuing years assumptions:

	-1 year average retirement age	+1 year average retirement age
Effect on the defined benefit obligation	47,088,000	54,984,000
Effect on the aggregate of the current service cost	3,133,000	3,547,000
Effect on the aggregate of the interest cost	5,714,000	6,709,000

Maturity analysis of the defined benefit obligations

The following table presents information about the distribution of the timing of benefit payments:

	Within one year from valuation date	Between 1 and 5 years from valuation date	Longer than 5 years from valuation date	Total
Long service awards	8,696,000	20,473,000	22,152,000	51,321,000

The municipality expects to make a contribution of R 8,696,000 to the Defined Benefit Plan during the next financial year.

The Future-service Cost for the ensuing year is estimated to be R 3,351,000 whereas the Interest Cost is estimated to be R 6,247,000.

16.4 Provision for bonuses

The movement in provision for bonuses are reconciled as follow:

Balance at the beginning of the year	20,568,587	19,901,977
Net movement	1,485,394	666,610
Balance at the end of the year	22,053,981	20,568,587
Current	22,053,981	20,568,587

16.5 Performance bonuses

Performance bonuses payable	16.5.2	2,284,468	2,762,856
Current		2,284,468	2,762,856

16.5.1 Performance bonuses

Provision has been made for performance bonuses in accordance with the performance agreements with each Executive Directors and the City 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:

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Figures in Rand	2024	2023	
16. Employee benefits (continued)			
Strategic Management Team			
Leibbrandt, JH (City Manager)	300,481	290,882	
Brown, B (Chief Financial Officer)	241,417	233,705	
Johaar, S (Executive Director: Corporate and Planning Services)	241,417	233,705	
Wüst, M (Executive Director: Engineering Services)	-	233,705	
L Pienaar (Executive Director: Engineering Services)	241,417	-	
Esau, G (Executive Director: Community Services)	241,417	233,705	
Samson-Swartz, JJ (Executive Director: Planning and Economic Development)	-	233,705	
Barnard, E (Executive Director: Public Safety)	241,417	-	
	1,507,566	1,459,407	
16.5.2 Performance bonuses payable			
Provision for performance bonuses			
Balance at beginning of the year	2,762,856	2,400,800	
Bonus paid	(1,303,451)	(1,004,841)	
Reversal of prior provision	(682,503)	(92,510)	
Increase in provision	1,507,566	1,459,407	
Closing balance	2,284,468	2,762,856	
16.6 Leave			
Leave accrual	48,557,913	44,968,080	
Current	48,557,913	44,968,080	
Non-current	-	-	
17. Provision			
Provision for rehabilitation of landfill sites	17.1	259,201,738	259,023,420
Balance of current provision for rehabilitation at end of year		69,674,427	462,350
Balance of non-current provision for rehabilitation at end of year		189,527,311	258,561,070
17.1 Provision for rehabilitation of landfill sites			
Opening Balance		259,023,421	218,484,399
Change in estimate: asset increase ito iGRAP2		50,834	23,154,176
Change in estimate: Provision liability increase/(decrease) ito iGRAP2		-	-
Change in estimate: asset decrease ito iGRAP2		(15,555,111)	(1,367,754)
Unwinding of discount & other changes		15,682,594	18,752,599
Closing balance		259,201,738	259,023,420
Current		69,674,427	462,350
Non-current		189,527,311	258,561,070
		259,201,738	259,023,420

The council will incur further rehabilitation cost on its unrehabilitated dumping/landfill sites over the period 2028/29 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 2024.



Drakenstein Municipality

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Figures in Rand			2024	2023
17. Provision (continued)				
Location	Proposed rehabilitation date	Post closure monitoring date		
Wellington existing	2031/2032	2061/2062	80,876,383	79,981,486
Wellington old	2031/2032	2059/2060	44,936,902	43,378,853
Gouda	Rehabilitation complete	2053/2054	1,040,843	1,051,091
Saron	Rehabilitation complete	2053/2054	634,123	1,445,007
Hermon	Rehabilitation complete	2053/2054	978,669	1,003,751
Dal Josafat	2024/2025	2054/2055	23,222,198	21,656,168
Orleans	2024/2025	2054/2055	43,027,340	40,103,667
Boy Louw	2028/2029	2058/2059	62,466,924	68,359,988
Klapmuts Landfill	Rehabilitation complete	2029/2030	1,364,633	1,388,159
Wateruintjiesvlei Landfill	Rehabilitation complete	2029/2030	653,723	655,250
			259,201,738	259,023,420

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

Based on the work provided by JPCE, an applicable inflation rate of 4.90% - 5.15% has been determined and a discounted rate of 8.72% - 11.97% has been utilised.

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

18. Consumer deposits

Deposits	80,367,377	72,713,346
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Guarantees held in lieu of deposits were R 20,450,361 (2023: R 21,276,222).

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.

19. Trade and other payables from exchange transactions

Trade Creditors	19.1	191,090,642	165,704,755
Payments received in advance	19.2	41,462,751	55,100,339
Retention	19.3	31,017,530	6,114,393
Other payables	19.4	15,689,472	19,620,273
Net VAT accrual on outstanding receivables	19.5	56,036,493	36,451,442
Total		335,296,888	282,991,202



Drakenstein Municipality

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Figures in Rand	2024	2023
19. Trade and other payables from exchange transactions (continued)		
19.1 Trade Creditors		
Eskom Limited (Electricity bulk purchases)	146,758,946	132,801,735
Other trade creditors	44,331,696	32,903,020
Total	191,090,642	165,704,755
19.2 Payments received in advance		
Payments received in advance	41,462,751	55,100,339
19.3 Retention		
Retentions	31,017,530	6,114,393
19.4 Other payables		
Other payables and accruals	15,689,472	19,620,273
19.5 Net VAT accrual on outstanding receivables		
VAT accrual on receivables	77,538,342	55,620,781
VAT on provision for doubtful debt	(21,501,849)	(19,169,339)
Total	56,036,493	36,451,442

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

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

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

The prior year comparatives have been restated, please refer to note 48 for more detailed information.

Drakenstein Municipality

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Notes to the Audited Annual Financial Statements

Figures in Rand

20. Unspent conditional grants and receipts

		2024					2023			
		Opening balance	Funds received	Transfer to revenue	Repayment unspent grants	Closing balance	Opening balance	Funds received	Transfer to revenue	Closing balance
Capital										
Monetary Allocations	20.1	2	462,865,699	(455,198,967)	(6)	7,666,728	1,526,743	153,819,562	(153,868,358)	1,477,947
Operational										
Monetary Allocations	20.2	11,211,653	17,771,078	(18,718,911)	(390,506)	9,873,314	8,179,228	13,393,927	(11,839,448)	9,733,707
Total		11,211,655	480,636,777	(473,917,878)	(390,512)	17,540,042	9,705,971	167,213,489	(165,707,806)	11,211,654

The above mentioned disclosure do not include information on Equitable Share as it is directly recognised as revenue on receipt as it is a unconditional grant.

Additional to this, mSCOA does not make provision for any liability vote for the Equitable Share funds.



Drakenstein Municipality

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20. Unspent conditional grants and receipts (continued)

20.1 Unspent capital monetary allocations

	2024					2023				
	Opening balance	Funds received	Transfer to revenue	Repayment unspent grants	Closing balance	Opening balance	Funds received	Transfer to revenue	Closing balance	
Other grants										
Other	-	479,792	(479,792)	-	-	1,526,741	1,185,440	(1,234,236)	1,477,945	
National Government										
Integrated National Electrification Programme Grant	-	10,000,000	(10,000,000)	-	-	-	16,000,000	(16,000,000)	-	
Integrated Urban Development Grant	1	58,616,000	(58,615,997)	(4)	-	1	61,354,143	(61,354,143)	1	
Neighbourhood Development Partnership Grant	-	10,000,000	(2,668,576)	-	7,331,424	-	-	-	-	
Regional Bulk Infrastructure Grant	-	290,310,000	(290,310,000)	-	-	-	-	-	-	
Water Services Infrastructure Grant	1	13,400,000	(13,399,999)	(2)	-	1	-	-	1	
Total	2	382,326,000	(374,994,572)	(6)	7,331,424	2	77,354,143	(77,354,143)	2	
Provincial Government										
Western Cape	-	32,434,863	(32,099,559)	-	335,304	-	19,145,030	(19,145,030)	-	
Donations and other contributions										
Other	-	47,625,044	(47,625,044)	-	-	-	56,134,949	(56,134,949)	-	
Total unspent capital monetary allocations	2	462,865,699	(455,198,967)	(6)	7,666,728	1,526,743	153,819,562	(153,868,358)	1,477,947	



Drakenstein Municipality

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Figures in Rand

20. Unspent conditional grants and receipts (continued)

20.2 Unspent operational monetary allocations

	2024					2023			
	Opening balance	Funds received	Transfer to revenue	Repayment unspent grants	Closing balance	Opening balance	Funds received	Transfer to revenue	Closing balance
Other grants									
Other	3,140,673	2,944,995	(3,851,588)	-	2,234,080	2,630,666	1,717,523	(2,685,459)	1,662,730
National Government									
Expanded Public Works Programme Integrated Grant	-	4,363,000	(4,363,000)	-	-	-	4,139,000	(4,139,000)	-
Local Government Financial Management Grant	-	1,550,000	(1,550,000)	-	-	-	1,550,000	(1,550,000)	-
Municipal Disaster Recovery Grant	-	435,000	(197,873)	-	237,127	-	634,857	(634,857)	-
Total	-	6,348,000	(6,110,873)	-	237,127	-	6,323,857	(6,323,857)	-
Provincial Government									
Western Cape	7,707,408	8,478,083	(8,756,450)	(390,506)	7,038,535	5,184,990	5,352,547	(2,830,132)	7,707,405
Donations and other contributions									
Other	363,572	-	-	-	363,572	363,572	-	-	363,572
Total unspent operational monetary allocations	11,211,653	17,771,078	(18,718,911)	(390,506)	9,873,314	8,179,228	13,393,927	(11,839,448)	9,733,707



Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023
21. Housing Development Fund		
Realising housing proceeds		
Opening balance	30,509,090	27,846,641
Plus: Interest and redemption, and other on housing schemes	4,488	15,640
Plus: (Net loss) / surplus on letting schemes	1,081,868	2,777,371
Less: Housing subsidies expenditure	-	(130,562)
Balance at the end of the year	31,595,446	30,509,090
Unrealised housing proceeds		
Opening balance	116,219	297,912
Long term housing loans	(104,565)	(181,693)
Balance at the end of the year	11,654	116,219
Total	31,607,100	30,625,309

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

22. Reserves and Funds

Re-valuation reserve	1,657,921,383	1,713,429,005
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The Re-valuation reserve arises on the revaluation of Land and Buildings. Where revalued Land or Buildings are sold, the portion of the Re-valuation reserve that relates to that asset, and is effectively realised, is transferred directly to Accumulated Surplus.

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

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

23. Accumulated surplus / (deficit)

Accumulated Surplus/(Deficit)	3,977,856,582	3,339,909,797
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Refer to the Statement of changes in net assets for more detail and the movement on Accumulated surplus.

24. Services charges

Electricity		
Exchange – Consumption	1,576,865,615	1,396,743,777
Less: Income forgone	(52,360,073)	(47,316,267)
Sub-total	1,524,505,542	1,349,427,510
Water		
Exchange – Consumption	253,677,596	207,689,921
Less: Income forgone	(17,166,936)	(14,478,370)
Sub-total	236,510,660	193,211,551



Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023
24. Services charges (continued)		
Waste management		
Exchange – Consumption	224,242,084	204,123,496
Less: Income forgone	(54,284,347)	(48,681,037)
Sub-total	169,957,737	155,442,459
Waste water management		
Exchange – Consumption	182,702,723	169,228,224
Less: Income forgone	(29,141,306)	(25,124,324)
Sub-total	153,561,417	144,103,900
Total	2,084,535,356	1,842,185,420

The prior year comparatives have been restated, please refer to note 48 for more detail information.

25. Sales of goods and rendering of services

Advertisements	34,924	3,739
Building Plan Approval	8,231,330	9,860,093
Camping Fees	1,022,572	877,320
Cemetery and Burial	3,015,825	3,143,541
Cleaning and Removal	193,277	336,996
Demolition Application Fees	5,387	11,406
Entrance Fees	623,569	781,260
Legal Fees	1,137,622	1,451,554
Library Fees	24,990	37,476
Management Fees (Library)	18,606,957	17,351,304
Occupation Certificates	707,287	599,141
Photocopies and Faxes	262,755	244,833
Sale of Goods	41,466	62,951
Total	33,907,961	34,761,614

26. Rental from fixed assets

Land and buildings	2,447,485	1,987,767
Housing rentals	14,403,286	13,783,830
Other rental revenue	1,723,741	1,161,669
Less: Income forgone	(10,262,351)	(9,851,646)
Total	8,312,161	7,081,620

Operating leases (municipality as lessor)

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

Within one year	581,275	745,731
In second to fifth year inclusive	931,907	1,513,582
Total	1,513,182	2,259,313

The Municipality has significant current lease arrangements for land and buildings over a period varying from 2 up to 32 years (2023: 2 up to 32 years) being subject to increased lease payments.



Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023
26. Rental from fixed assets (continued)		
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.		
27. Interests on investments		
Short-term investments and call accounts	73,656,906	36,829,830
28. Interest earned from receivables		
Exchange receivables	19,480,489	12,884,062
29. Operational revenue		
Revenue from exchange transactions		
Operation revenue from exchange transactions	18,774,540	5,821,341
Development Charges	10,575,395	8,077,587
Total	29,349,935	13,898,928
Revenue from non-exchange transactions		
Goods and services received in kind	1,741,571	1,770,924
Exchange Revenue	29,349,935	13,898,928
Non-exchange revenue	1,741,571	1,770,924
Total operational revenue	31,091,506	15,669,852
Services received in kind		
During the financial year, the municipality received goods and services in kind, that was recognised in terms of GRAP 23.		
30. Licences or permits		
Exchange revenue	21,786,042	21,094,733
Included in licenses and permits is an amount of R17,652,143 (2023: R17,301,982) 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.		

Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023
31. Property rates		
Residential properties	359,848,432	330,814,272
Business and commercial properties	118,301,109	107,664,133
Farm properties	70,659,784	66,772,294
Mining properties	284,918	274,231
Municipal properties	17,204,334	16,513,433
National monument properties	172,523	166,054
Other categories	25,439,011	26,064,037
Protected areas	282,220	278,706
Public benefit organisations	2,232,622	1,863,549
Public service infrastructure properties	1,209,655	1,167,223
State-owned properties	29,674,480	28,482,741
Less: Income forgone / rebates	(158,904,222)	(142,877,871)
Total	466,404,866	437,182,802

Valuation as at 30 June 2024

Residential	49,969,714,800	47,122,505,800
Agricultural	9,697,117,850	9,431,304,850
Commercial	9,680,771,000	9,267,406,000
Other categories	6,235,068,700	6,454,101,900
State-owned properties	2,965,493,500	2,953,750,500
Total property valuations	78,548,165,850	75,229,069,050

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.

32. Availability charges

Electricity		
Availability charges	2,527,545	2,250,026
Water management		
Availability charges	2,226,690	2,171,116
Waste management		
Availability charges	4,002,553	3,893,471
Waste water management		
Availability charges	3,385,134	3,304,521
Total	12,141,922	11,619,134



Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Annual Financial Statements

Figures in Rand		2024	2023
33. Fines, penalties and forfeits			
Fines, penalties and forfeits	33.1	97,292,325	104,450,941
33.1 Fines, penalties and forfeits			
Traffic fines			
Service provider fines		92,595,113	101,720,697
Other fines			
Building fines		381,471	209,499
Illegal connections - Electricity		379,313	356,148
Overdue books		24,388	22,148
Pound fees		3,912,040	2,142,449
		4,697,212	2,730,244
Total		97,292,325	104,450,941
34. Transfers and subsidies - Revenue			
Operational			
Allocations		228,731,686	205,179,410
Capital			
Allocations		458,952,437	153,802,530
Total		687,684,123	358,981,940
Unconditional grants			
Equitable share		215,718,000	194,354,999
Conditional grants			
National Government		381,105,447	83,678,000
Provincial Government		40,856,010	21,975,162
Other grants		4,331,380	3,919,697
Donations and other contributions		47,625,044	56,134,950
Total conditional grants		473,917,881	165,707,809
Subtotal		689,635,881	360,062,808
Offsetting of housing expenditure where municipality is seen as an agent		(634,738)	(1,080,868)
Recognition of revenue in terms of GRAP 11		(1,317,020)	-
Total Government Grant and Subsidies		687,684,123	358,981,940



Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Annual Financial Statements

Figures in Rand		2024	2023
34. Transfers and subsidies - Revenue (continued)			
National Government (Unconditional Grants)			
Balance unspent at beginning of year		-	-
Current year		(215,718,000)	(194,354,999)
Conditions met - transferred to revenue		215,718,000	194,354,999
Conditions still to be met - transferred to liabilities	20	-	-

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.

National Government (Conditional Grants)

Balance unspent at beginning of year		-	-
Current year receipts		(388,674,000)	(83,678,000)
Conditions met - transferred to revenue		381,105,450	83,678,000
Conditions still to be met - transferred to liabilities	20	(7,568,550)	-

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

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

Provincial Government (Conditional Grants)

Balance unspent at beginning of year		(7,707,406)	(5,184,980)
Current year receipts		(40,912,947)	(24,497,588)
Conditions met - transferred to revenue		40,856,010	21,975,162
Repayments		390,504	-
Conditions still to be met - transferred to liabilities	20	(7,373,839)	(7,707,406)

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 R634,735 (2023: R1,080,868). 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 R2,932,948 (2023: R2,513,787) is included in unspent conditional grants and receipts for this project.

Other Grants

Balance unspent at beginning of year		(3,140,674)	(4,157,407)
Current year receipts		(3,424,786)	(2,902,964)
Conditions met - transferred to revenue		4,331,380	3,919,697
Conditions still to be met - transferred to liabilities	20	(2,234,080)	(3,140,674)

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.



Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Annual Financial Statements

Figures in Rand		2024	2023
34. Transfers and subsidies - Revenue (continued)			
Donations and other contributions			
Balance unspent at beginning of year		(363,572)	(363,572)
Current year receipts		(47,625,044)	(56,134,950)
Conditions met - transferred to revenue		47,625,044	56,134,950
Conditions still to be met - transferred to liabilities	20	(363,572)	(363,572)

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 48 for more detail information.

35. Construction contract revenue

Housing projects			
Erf 557 Mbekweni		1,317,020	-

36. Fair value and loss on disposal adjustments on assets

Gains/(losses) on disposals	36.1	(19,395,046)	(18,517,658)
Fair value adjustment	36.2	6,755,000	4,877,766
Gain on Raw water at fair value		2,669,622	1,640,466
Total		(9,970,424)	(11,999,426)

36.1 Gains/(losses) on disposals

Gains / (losses) on disposal on PPE, IA, IP & HA		(7,694,967)	(12,365,610)
Gains / (losses) on fair value adjustment		(91,764)	(85,089)
Water losses		(11,608,315)	(6,066,959)
Total		(19,395,046)	(18,517,658)

36.2 Fair value adjustment

Investment property		6,755,000	4,877,766
Financial assets		-	-
Total		6,755,000	4,877,766

The comparative figures have been restated, refer to note 48 for more detail information.

37. Employee related cost

Employee related cost		785,352,002	735,660,751
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Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Annual Financial Statements

Figures in Rand

37. Employee related cost (continued)

37.1 Senior management costs

2024

	JH Leibbrandt City Manager	B Brown Chief Financial Officer	JJ Samson Executive Director: Planning and Development	S Johaar Executive Director: Corporate Services	M Wüst Executive Director: Engineering Services	G Esau Executive Director: Community Services	L Pienaar Executive Director: Engineering Services	E Barnard Executive Director: Public Safety	Total
Cost to company package	2,146,294	1,724,406	-	1,724,406	-	1,724,406	1,650,267	1,149,604	10,119,383
Performance bonuses	282,410	226,898	145,863	210,691	226,898	210,691	-	-	1,303,451
Other allowances and reimbursement	32,714	29,356	-	49,539	177	26,058	23,341	16,981	178,166
Arbitration settlement	-	-	1,113,056	-	-	-	-	-	1,113,056
Gratuity	21,816	20,340	-	20,340	-	20,340	19,410	13,560	115,806
	2,483,234	2,001,000	1,258,919	2,004,976	227,075	1,981,495	1,693,018	1,180,145	12,829,862



Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Annual Financial Statements

Figures in Rand

37. Employee related cost (continued)

2023

	JH Leibbrandt City Manager	B Brown Chief Financial Officer	JJ Samson Executive Director: Planning and Development	S Johaar Executive Director: Corporate Services	M Wüst Executive Director: Engineering Services	G Esau Executive Director: Community Services	L Pienaar Acting Executive Director: Engineering Services	LA Waring Executive Director: Planning and Development	Total
Cost to company packages	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 reimbursement	45,507	70,366	166,360	37,924	89,973	37,924	-	177	448,231
Acting Allowance	-	-	-	-	-	-	34,070	-	34,070
Gratuity	9,938	7,983	7,983	7,983	7,983	7,983	-	-	49,853
	2,391,536	1,923,310	1,426,332	1,874,901	1,231,400	1,858,933	34,070	107,957	10,848,439

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

Included in the post-employment health care liability (see Note 16.1) are benefits that the City Manager, Dr JH Leibbrandt, Mr L Pienaar and Ms E Barnard will receive after termination. At 30 June 2024 the present value of the associated liability for the City Manager amounted to R587,149 (2023: R590,632), Mr L Pienaar amounts to R7,418 and Ms E Barnard amounts to R10,276.

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 2024

Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023
37. Employee related cost (continued)		
37.2 Municipal staff costs		
Basic Salary	514,968,139	490,597,504
Social Contributions	121,680,976	116,650,456
Travel or Motor Vehicle	31,635,238	30,394,882
Housing Benefits	3,732,572	3,619,893
Overtime payments	55,245,847	41,913,970
Acting and Post Related Allowances	1,135,454	920,341
Shift Additional Remuneration	2,369,012	2,371,877
Standby Allowance	12,097,696	9,718,918
Night Shift	3,419,433	3,203,880
Workman Compensation	3,698,468	3,422,103
Cellular and Telephone	4,616,563	4,468,034
Contribution to leave reserve	7,294,466	4,002,737
Provision for Performance Bonuses	825,065	1,366,897
Defined Benefit Plan Expenses: Post Employment Health Care		
Current Service Cost	5,961,000	7,525,000
Actuarial Gains and Losses	(17,341,902)	(13,696,556)
Interest Cost	27,170,000	24,178,000
Defined Benefit Plan Expenses: Ex Gratia Pension Benefits		
Actuarial Gains and Losses	(396,328)	(136,343)
Interest Cost	67,000	74,000
Defined Benefit Plan Expenses: Long Services		
Current Service Cost	3,244,000	3,313,000
Actuarial (Gains) / Losses	(2,357,697)	(3,872,842)
Interest Cost	6,287,000	5,625,000
Total	785,352,002	735,660,751



Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023
38. Remuneration of councillors		
Executive Mayor (Poole, CJ) (until 28 February 2024)	762,019	1,119,387
Executive Mayor (Korabie, SE) (from 5 April 2024)	275,431	-
Speaker (JK Le Roux)	922,371	895,506
Deputy Executive Mayor (Combrink, GC)	922,371	895,506
Chief Whip (C Kearns)	864,725	839,539
Mayoral Committee Members - up until 31 May 2024		
Mayoral Committee Member of Sport, Recreation Arts and Culture (LC Arendse)	792,665	839,539
Mayoral Committee Member of Social Development (E Gouws)	792,665	839,539
Mayoral Committee Member of Human Settlements (MA Andreas)	792,665	839,539
Mayoral Committee Member of Parks, Waste & Cemeteries (L Cyster)	792,665	839,539
Mayoral Committee Member of Corporate Services (E Baron)	792,665	839,539
Mayoral Committee Member of Public Safety (AMB Appollis)	792,665	839,539
Mayoral Committee Member of Communication And Intergovernmental Relations (RH Van Nieuwenhuizen)	792,665	839,539
Mayoral Committee Member of Engineering Services (TG Bester)	792,665	839,539
Mayoral Committee Member of Planning & Development (LT van Niekerk)	792,665	839,539
Mayoral Committee Member of Governance Compliance (J Miller)	792,665	839,539
Mayoral Committee Member of Corporate Services (LP Mokoena)	-	7,095
Mayoral Committee Members - after 1 June 2024		
Mayoral Committee Member of Planning, Economic Development and Tourism (LT Van Niekerk)	72,060	-
Mayoral Committee Member of Social Development, Sport and Recreation (LC Arendse)	72,060	-
Mayoral Committee Member of Urbanisation and Human Settlements (E Baron)	72,060	-
Mayoral Committee Member of Parks, Resorts and Cemeteries (L Cyster)	72,060	-
Mayoral Committee Member of Corporate and Governance (D America)	72,060	-
Mayoral Committee Member of Public Safety (AMB Appollis)	72,060	-
Mayoral Committee Member of Communication and Intergovernmental Relations (IGR) (R Andreas)	72,060	-
Mayoral Committee Member of Water and Sanitation (J Miller)	72,060	-
Mayoral Committee Member of Electricity and Roads (A Koegelenberg)	72,060	-
Mayoral Committee Member of Waste Management (TG Bester)	72,060	-
All other councillors	18,725,342	17,963,329
Cell phone allowance	3,220,718	3,097,539
Total	34,340,227	33,213,291



Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023
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38. 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 49,608 (2023: R 44,400) per year, as a cellphone and data allowance in accordance with the notice. Other councillors receive an average of R 366,642 (2023: R 354,243) per year, except the chairperson of MPAC, who receives an average of R 470,524 (2023: R 454,613) per year. Take note that the MPAC chairperson changed during the cause of the year. The average was obtained by multiplying the previous year with the budgeted increase of 3.0%.

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

FEBRUARY 2024

DE WAAL/RE C	5,431
	5,431

39. Impairment losses on financial assets

Trade and other receivables from exchange transactions and availability charges	9	23,683,876	67,382,236
Receivables from non-exchange transactions	10	510,784	12,779,057
Traffic fines	10	5,717,995	(14,450,054)
Long term receivables	7	(9,307)	(78,280)
Total		29,903,348	65,632,959

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.

Irrecoverable debts written-off

Consumer receivables and availability charges receivables	24,211,116	15,404,434
Statutory receivables: Property rates	776,192	601,061
Statutory receivables: Traffic fines	73,265,566	87,642,249
Total	98,252,874	103,647,744

The prior year comparatives have been restated, please refer to note 48 for more detailed information.



Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Annual Financial Statements

Figures in Rand		2024	2023
40. Depreciation and amortisation			
Amortisation			
Intangible assets	5.1	624,665	711,414
Depreciation			
Property, plant and equipment		248,390,704	245,552,119
Total		249,015,369	246,263,533
The amount of depreciation disclosed in note 3 will differ due to the recognition of water inventory as disclosed in note 8.			
The prior year comparatives have been restated, please refer to note 48 for more detail information.			
41. Impairment losses on PPE, IA and HA			
Property, plant and equipment		600,287	214,518
42. Finance cost			
Interest	42.1	167,821,823	176,390,519
42.1 Interest cost			
Financial liabilities			
• Long-term liabilities - interest paid		167,602,762	176,086,401
• Finance leases		219,061	304,118
		167,821,823	176,390,519
Total		167,821,823	176,390,519
43. Bulk purchases			
Electricity: Eskom		1,107,097,905	927,237,466
Electricity: Independent power producers		4,331,983	2,709,221
Water inventory consumed		37,992,109	29,121,283
Total		1,149,421,997	959,067,970
43.1 Electricity losses			
Reconciliation of kWh losses			
kWh units purchased		630,434,093	603,483,467
kWh units sold		(585,777,037)	(579,640,015)
Total loss		44,657,056	23,843,452
Average value of losses (cost)		78,507,355	36,770,399
Percentage loss:			
Technical losses		7.08 %	3.95 %
Norm of losses		10.00 %	10.00 %



Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023	
43. Bulk purchases (continued)			
Reasons for the losses			
Losses occurred because of the following reasons:			
<ul style="list-style-type: none">• Technical losses• Unmetered services• Theft			
43.2 Water losses			
Unavoidable annual real losses	11,608,315	6,066,959	
System input volume (Kilolitres)	17,286,138	14,454,747	
Billed metered consumption (Kilolitres)	(13,236,789)	(12,003,898)	
Total loss	4,049,349	2,450,849	
Comprising of:			
Technical losses (Kilolitres)	3,794,139	2,305,452	
Non-technical losses (Kilolitres)	255,210	145,397	
Total	4,049,349	2,450,849	
Percentage loss: *			
Technical losses	21.90 %	15.90 %	
Non-technical losses	1.50 %	1.10 %	
Total	23.40 %	17.00 %	
Norm of losses:			
Minimum Level	15.00 %	15.00 %	
Maximum Level	30.00 %	30.00 %	
Reasons for the losses			
Losses occurred because of the following reasons:			
<ul style="list-style-type: none">• 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.			
<p>* 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 21.90% (2023: 15.90%), as unbilled metered water and unbilled unmetered water is not taken into account.</p>			
44. Contracted services			
Consultants and professional services	44.1	27,331,170	22,435,754
Contractors	44.2	152,139,708	126,804,557
Outsourced services	44.3	30,491,608	24,360,307
Total		209,962,486	173,600,618



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Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023
44. Contracted services (continued)		
44.1 Consultants and professional services		
Business advisory services	16,445,344	13,647,261
Legal advice and litigation	8,466,870	5,757,529
Other consultants and professional services	2,418,956	3,030,964
Total consultants and professional services	27,331,170	22,435,754
44.2 Contractors		
General services		
Housing project expenditure	2,304,299	-
Catering services	242,558	103,578
Management of informal settlements	6,170,314	9,140,772
Other contractor services	4,659,266	3,845,650
Safeguard and security	41,927,721	36,577,461
Total general services	55,304,158	49,667,461
Maintenance services		
Maintenance of buildings and facilities	15,328,955	11,596,065
Maintenance of equipment	43,797,111	29,462,457
Maintenance of unspecified assets	37,709,484	36,078,574
Total maintenance service	96,835,550	77,137,096
Total contractor	152,139,708	126,804,557
44.3 Outsourced services		
General services		
Traffic Fines Management	5,810,985	5,253,124
Waste management	21,411,041	17,326,578
Other outsourced services	3,269,582	1,780,605
Total outsourced services	30,491,608	24,360,307
45. Operational cost		
Advertising, Publicity and Marketing	3,537,481	2,832,553
Bank Charges, Facility and Card Fees	8,105,326	7,246,751
Commission	11,456,104	9,316,658
Communication	4,247,502	4,288,668
Contribution to provision for rehab and landfill site	15,682,594	18,752,599
External Audit Fees	6,330,842	6,850,233
External Computer Service	16,616,066	14,924,967
Insurance Underwriting	13,111,269	12,981,171
Other operational cost	6,909,873	5,444,420
Printing, Publications and Books	950,514	774,915
Professional Bodies, Membership and Subscription	8,188,126	8,045,053
Skills Development Fund Levy	6,325,059	5,932,632
Uniform and Protective Clothing	5,128,900	4,873,542
Vehicle licences	2,568,159	2,493,362
Total	109,157,815	104,757,524



Drakenstein Municipality

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Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023
46. Operating leases		
Investment Properties	177,195	441,023
Machinery and Equipment	5,228,024	3,593,107
Land and buildings	2,649,416	5,266,298
Transport Assets	12,052,146	8,538,257
Total	20,106,781	17,838,685
Operating leases (municipality as a lessee)		
Land and buildings		
Within one year	-	2,090,144
After five years	-	-
Total	-	2,090,144
Machinery and equipment		
Within one year	4,280,988	4,180,728
In second to fifth year inclusive	-	4,280,988
After five years	-	-
Total	4,280,988	8,461,716

The Municipality has no current lease arrangements for land and buildings.

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% (2023: 5.6% up to 8.5%).

No other restrictions were imposed.

Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023
47. Net cash from/(used) operating activities		
Surplus for the year	583,380,442	157,446,761
Adjustments for:		
Depreciation and amortisation	249,015,369	246,263,533
Bad debts written off	98,252,872	103,647,744
(Gains) / Losses on disposal of assets	5,532,777	12,712,294
Fair value adjustment	(6,755,000)	(4,877,766)
Increase / (Decrease) in provisions	178,318	40,539,022
Impairment loss (Financial assets and property, plant & equipment)	30,503,635	65,847,479
(Gain) / Losses on disposal of inventory	2,253,953	(261,594)
Gain on raw at fair value	(2,669,622)	(1,640,467)
Raw water purchases at fair value	2,669,622	1,640,467
Housing Development Fund	(4,489)	(114,921)
Provision for landfill rehab - iGRAP 2 adjustment	15,504,277	(21,786,423)
Lease smoothing	8,345	5,590
Assets from capital grant in-kind	(8,195,872)	(27,367,161)
Leave provision	7,294,466	4,002,737
13th Cheque provision	1,437,233	666,610
Long service award provision	7,173,303	5,065,158
Post retirement provision	15,789,098	18,006,444
Performance bonus provision	873,224	1,366,893
Ex-gratia provision	(329,328)	(62,343)
Water losses	8,620,211	8,620,210
Movement in working capital		
(Increase) / Decrease in receivables from non-exchange transactions	(83,808,541)	(91,558,564)
(Decrease) / Increase in consumer deposits	7,654,031	7,382,384
(Increase) / Decrease in inventory	(12,759,749)	(1,058,374)
(Increase) / Decrease in receivables from exchange transactions	(109,433,608)	(49,647,625)
Increase / (Decrease) in Employee benefits	(21,397,158)	(19,778,861)
(Increase) / Decrease in long term receivable	17,423	103,412
Increase / (Decrease) in trade and other payables	(4,687,352)	26,348,987
Increase / (Decrease) in unspent conditional grants and receipts	6,328,388	1,505,694
Increase / (Decrease) in VAT	64,838,295	22,191,614
Net cash flows from operating activities	857,284,563	505,208,934



Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Annual Financial Statements

Figures in Rand		2024	2023		
48. GRAP 3 adjustments					
The following restatements and adjustments occurred which are set out below:					
48.1 Adjustments of Statement of Financial Performance items					
2023					
	Note	Previously reported	Correction of error	Change in accounting policy	Restated
Revenue					
Exchange revenue					
Services charges - Electricity	24	1,368,866,561	(19,439,051)	-	1,349,427,510
Services charges - Water	24	193,211,551	-	-	193,211,551
Services charges - Waste management	24	155,442,458	-	-	155,442,458
Services charges - Waste water management	24	144,103,900	-	-	144,103,900
Sales of goods and rendering of services	25	34,761,614	-	-	34,761,614
Rental from fixed assets	26	7,081,620	-	-	7,081,620
Interests on investments	27	36,829,830	-	-	36,829,830
Interest earned from receivables	28	12,884,062	-	-	12,884,062
Operational revenue	29	14,217,491	(318,563)	-	13,898,928
Licences or permits	30	21,094,733	-	-	21,094,733
		1,988,493,820	(19,757,614)	-	1,968,736,206
Non-exchange revenue					
Property rates	31	437,182,802	-	-	437,182,802
Availability charges - Electricity	32	2,250,026	-	-	2,250,026
Availability charges - Water	32	2,171,116	-	-	2,171,116
Availability charges - Waste management	32	3,893,471	-	-	3,893,471
Availability charges - Waste water management	32	3,304,521	-	-	3,304,521
Surcharges and taxes		2,230,462	-	-	2,230,462
Fines, penalties and forfeits	33	104,450,941	-	-	104,450,941
Transfers and subsidies	34	324,693,658	34,288,282	-	358,981,940
Operational revenue	29	1,770,924	-	-	1,770,924
		881,947,921	34,288,282	-	916,236,203
Total revenue		2,870,441,741	14,530,668	-	2,884,972,409
Expenditure					
Employee related cost	37	735,660,751	-	-	735,660,751
Remuneration of councillors	38	33,213,291	-	-	33,213,291
Bad debts written off		-	-	103,647,744	103,647,744
Depreciation and amortisation	40	246,464,166	(200,633)	-	246,263,533
Impairment losses on financial assets	39	169,280,705	-	(103,647,744)	65,632,961
Impairment losses on PPE	41	214,518	-	-	214,518
Finance costs	42	176,390,519	-	-	176,390,519
Bulk purchases	43	959,067,970	-	-	959,067,970
Inventory consumed		74,330,682	-	-	74,330,682
Contracted services	44	173,600,618	-	-	173,600,618
Transfers and subsidies		24,907,429	-	-	24,907,429
Operational cost	45	104,757,524	-	-	104,757,524
Operating leases	46	17,838,685	-	-	17,838,685
Fair value and loss on disposal adjustments on assets	36	11,999,426	-	-	11,999,426
Total expenditure		2,727,726,284	(200,633)	-	2,727,525,651
Surplus for the year		142,715,457	14,731,301	-	157,446,758

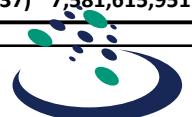


Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Annual Financial Statements

Figures in Rand		2024	2023		
48. GRAP 3 adjustments (continued)					
48.2 Adjustments of Statement of Financial Position items					
2023					
	Note	Previously reported	Correction of error	Re-classification	Restated
Assets					
Non-current assets					
Property, plant and equipment	3	6,514,191,479	9,198,700	(1,509,480)	6,521,880,699
Heritage assets	4	47,633,645	-	-	47,633,645
Intangible assets	5	3,689,458	-	-	3,689,458
Investment property	6	81,900,000	-	-	81,900,000
Non-current receivables	7	104	-	-	104
		6,647,414,686	9,198,700	(1,509,480)	6,655,103,906
Current assets					
Inventories	8	41,178,585	-	-	41,178,585
Trade and other receivables from exchange transactions	9	320,263,751	-	281	320,264,032
Receivables from non-exchange transactions	10	107,144,596	-	(183,816)	106,960,780
Cash and cash equivalents	11	445,270,431	-	-	445,270,431
Current portion of non-current receivable	12	18,121	-	-	18,121
VAT control receivable	13	14,398,047	(1,351,526)	(226,423)	12,820,098
		928,273,531	(1,351,526)	(409,958)	926,512,047
Total assets		7,575,688,217	7,847,174	(1,919,438)	7,581,615,953
Net assets and liabilities					
Non-current liabilities					
Borrowings	14	1,455,252,441	-	-	1,455,252,441
Finance lease liabilities	15	472,639	-	-	472,639
Employee benefits	16	245,809,000	-	-	245,809,000
Provisions	17	258,561,070	-	-	258,561,070
		1,960,095,150	-	-	1,960,095,150
Current liabilities					
Consumer deposits	18	72,713,346	-	-	72,713,346
Payables from exchange transactions	19	299,223,623	(14,312,984)	(1,919,437)	282,991,202
Unspent conditional grants and receipts	20	11,211,654	-	-	11,211,654
Borrowings	14	84,460,268	-	-	84,460,268
Finance lease liabilities	15	345,347	-	-	345,347
Employee benefits	16	85,372,523	-	-	85,372,523
Provisions	17	462,350	-	-	462,350
		553,789,111	(14,312,984)	(1,919,437)	537,556,690
Total net assets					
Housing Development Fund	21	30,625,309	-	-	30,625,309
Reserves and Funds	22	1,713,539,005	(110,000)	-	1,713,429,005
Accumulated Surplus	23	3,317,639,642	22,270,155	-	3,339,909,797
		5,061,803,956	22,160,155	-	5,083,964,111
Total net assets and liabilities		7,575,688,217	7,847,171	(1,919,437)	7,581,615,951



Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023		
48. GRAP 3 adjustments (continued)				
48.3 Adjustment of Cash flow statement items				
	Note	As previously reported	Correction of error	Restated
Cash flows from operating activities				
Receipts				
Property rates		431,732,759	-	431,732,759
Service charges		2,073,057,837	(19,439,051)	2,053,618,786
Transfers, subsidies and construction contracts revenue received		304,647,013	25,621,579	330,268,592
Interest		37,941,765	-	37,941,765
Other receipts and fines received		212,948,516	13,189,348	226,137,864
Payments				
Employees cost		(761,227,712)	-	(761,227,712)
Suppliers		(1,550,780,588)	(19,371,868)	(1,570,152,456)
Interest charges		(176,390,519)	-	(176,390,519)
Net VAT paid		(66,720,145)	-	(66,720,145)
Net cash from operating activities		505,208,926	8	505,208,934
Cash flows from investing activities				
Receipts				
Proceeds on disposal of fixed and intangible assets		5,961,123	-	5,961,123
Decrease in short term investments		40,000,000	-	40,000,000
Payments				
Capital assets		(216,807,606)	(8)	(216,807,614)
Net cash from investing activities		(170,846,483)	(8)	(170,846,491)
Cash flows from financing activities				
Payments				
Decrease in finance leases		(287,326)	-	(287,326)
Decrease in borrowing long-term		(78,688,303)	-	(78,688,303)
Net cash from financing activities		(78,975,629)	-	(78,975,629)
Net increase/(decrease) in cash		255,386,814	-	255,386,814
Cash and cash equivalents at year begin		189,883,617	-	189,883,617
Cash and cash equivalents at year end		445,270,431	-	445,270,431
Net increase/(decrease) in cash		255,386,814	-	255,386,814

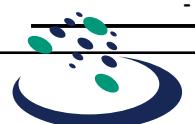


Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Annual Financial Statements

Figures in Rand		2024		2023
48. GRAP 3 adjustments (continued)				
48.4 Adjustment of opening balances				
	Note	As previously reported	Correction of error	Restated
Net assets				
Accumulated surplus				
		3,103,384,610	-	3,103,384,610
Property, Plant and Equipment		-	3,587,570	3,587,570
Library VAT correction		-	2,835,130	2,835,130
Development charges		-	1,116,152	1,116,152
Total		3,103,384,610	7,538,852	3,110,923,462
Revaluation reserve				
		1,787,635,465	-	1,787,635,465
Property, Plant and Equipment		-	(110,000)	(110,000)
Total		1,787,635,465	(110,000)	1,787,525,465
Assets and liabilities				
Property, plant and equipment (Opening balance as at 1 July 2022)	6,572,470,755	3,477,570	(1,509,483)	6,574,438,842
Receivables from non-exchange transactions (Opening balance as at 1 July 20xx)	102,085,654	-	(183,816)	101,901,838
Trade and other receivables from exchange transactions (Opening balance as at 1 July 2022)	353,402,801	-	283	353,403,084
VAT control receivable (Opening balance as at 1 July 2022)	14,998,240	-	(226,423)	14,771,817
Payables from exchange transactions (Opening balance as at 1 July 2022)	(267,421,494)	3,951,282	1,919,439	(261,550,773)
48.5 Correction of errors				
The following prior period errors adjustments occurred:				
Property, Plant and Equipment				
During the financial year errors on PPE were corrected. These corrections include assets incorrectly included in the asset register based on classification, existence and legal ownership. The corrections also include historical assets donated to the municipality not previously recognised.				
Opening balance at 1 July 2022 effects				
Accumulated Surplus				(3,587,570)
Property, Plant and Equipment				3,477,570
Revaluation reserve				110,000
				-
Prior year at 30 June 2023 effects				
Depreciation and amortisation				(200,635)
Transfers and subsidies (In-kind donations)				(5,520,494)
Property, Plant and Equipment				5,721,129
				-



Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023
48. GRAP 3 adjustments (continued)		
Library Grant output VAT correction		
During the year the output VAT payable to SARS was reviewed and adjustments were made accordingly.		
Opening balance as at 1 July 2022 effects		
Accumulated surplus		(2,835,130)
Trade and other payables from exchange transactions (VAT accrual on receivables)		2,835,130
		<u>-</u>

Developers Contributions

During the prior year income relating to developers contributions were not recognised as income. The accounting treatment of capital expenditure funded by developers contributions was also corrected. All corrections were done retrospectively.

Opening balance at 1 July 2022 effects		
Accumulated surplus		(1,116,152)
Trade and other payables from exchange transactions (Payments received in advance)		1,116,152
Prior year at 30 June 2023 effects		
Transfers and subsidies		(9,010,174)
Trade and other payables from exchange transactions (Payments received in advance)		10,361,700
VAT control receivable		(1,351,526)
Service charges: Electricity		19,757,614
Transfers and subsidies		(19,757,614)
		<u>-</u>

Other corrections made

Cash flow statement - reclassifications and corrections

Prior year comparatives were restated on the reconciliation note, due to the effect of the corrections and detailed above.

Segmental reporting

During the year under review structural organisational changes were approved by Council and all these changes were adjusted retrospectively. In addition to the above, it was also discovered that availability charges was incorrectly included in the service charges, which were corrected accordingly.

Inventory

The amount for inventory write-off was incorrectly disclosed as R83,684, and should have been R420,823. The amount was corrected accordingly.

Heritage Assets - Maintenance

The amount for maintenance was incorrectly disclosed as R5,541,678, and should have been R5,881,154. The amount was corrected accordingly.

IUDG projects

During the year it was discovered that the projects were listed in the disclosure note excluding VAT. The adjustments have been made accordingly to ensure all amounts include VAT.



Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023
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48. GRAP 3 adjustments (continued)

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 54.

Principal / Agent Relationships

Certain of the comparative information was restated due to errors detected.

Irregular Expenditure

The error relates to "strip and quote" procurement transactions with regards to the repair of vehicles and equipment that are required for service delivery. The expenditure was classified under Regulation 16 and Regulation 17 in terms of the Municipal Supply Chain Management Regulations. The application and use of these regulations for this category of expenditure were deemed as incorrect, resulting in expenditure being categorised as irregular expenditure. Refer to note 50.2 for more detail regarding this error.

Effect of the strip and quote

Opening balance as at 1 July 2022	93,511,027
Prior year irregular expenditure	32,236,766
	125,747,793

48.6 Change in accounting policy

The following change in accounting policies occurred:

GRAP 104 - Impairment of financial assets & Irrecoverable debts written off

Impairment of financial assets was restated to align it with mSCOA, which does not use the alternative method of write-off directly to the allowance account as allowed in GRAP 104.

Impairment losses on financial assets	Previously stated	Restated
Consumer receivables & availability charges receivables	82,786,672	67,382,237
Statutory receivables: Property Rates	13,380,118	12,779,057
Statutory receivables: Traffic fines	73,192,195	(14,450,054)
Long term receivables	(78,280)	(78,280)
Total	169,280,705	65,632,960

Irrecoverable debts written-off	Previously stated	Restated
Trade and other receivables from exchange transactions	(15,404,434)	15,404,434
Property rates	(601,061)	601,061
Servic charges	(87,642,249)	87,642,249
Total	(103,647,744)	103,647,744

48.7 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.



Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023
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48. GRAP 3 adjustments (continued)

Nature of reclassification - opening balance as at 1 July 2022

Property, Plant and Equipment	(1,509,483)
VAT control receivable	(226,423)
Payables from exchange transactions (Retention)	1,735,906
	-

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 - opening balance as at 1 July 2022

Trade and other receivables from exchange transactions (other receivables)	283
Receivables from non-exchange transactions (other receivables)	(183,816)
Payables from exchange transactions (other payables)	183,533
	-

49. Events after the reporting date

Unauthorised, irregular, fruitless and wasteful expenditure

a) The following expenditure was written off by Council on 23 August 2024:

Irregular expenditure (2023) - R3,306,136; and
Irregular expenditure (2024) - R5,961,128.

The write-off was taken into account in note 50.

Adjusting events:

The municipality had accounted for the councillors remuneration for the 2023/20224 financial year based on the draft gazette issued on 21 August 2024 which indicated an increase percentage of 3.0%. This percentage increase was confirmed by gazette 51407 on 17 October 2024. These accounting adjustments were journalised after year end but before submission to the auditors.

50. Unauthorised, irregular, fruitless and wasteful expenditure

50.1 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	-	-
Opening balance as restated	-	-

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



Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023
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50. Unauthorised, irregular, fruitless and wasteful expenditure (continued)

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	-	-
Opening balance as restated	-	-

2024

	Budget	Actual expenditure	Unauthorised expenditure	Amount written off by council
Unauthorised expenditure per Vote (Department)				
Office of the City Manager	4,707,019	4,411,219	-	-
Financial Services	142,072,827	127,650,496	-	-
Corporate and Planning Services	269,259,166	258,502,401	-	-
Public Safety	257,080,117	233,571,662	-	-
Community Services	279,272,606	243,912,996	-	-
Engineering Services	2,151,978,878	2,086,960,745	-	-
Department of Chief Audit Executive	10,597,400	10,538,006	-	-
Department of Risk And Compliance	2,746,745	2,495,150	-	-
Department of IDP And PMS	5,371,464	5,194,514	-	-
Department of Communication	6,944,837	6,678,496	-	-
	3,130,031,059	2,979,915,685	-	-

2023

	Budget	Actual expenditure	Unauthorised expenditure	Amount written off by council
Unauthorised expenditure per Vote (Department)				
Office of the City Manager	4,370,362	4,363,676	-	-
Financial Services	134,834,482	134,698,587	-	-
Corporate and Planning Services	194,116,555	180,562,796	-	-
Public Safety	139,128,288	128,611,334	-	-
Community Services	525,671,095	521,121,699	-	-
Engineering Services	1,794,848,519	1,765,586,681	-	-
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	-	-
	2,817,932,710	2,757,764,944	-	-

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	-	-
Opening balance as restated	-	-



Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023
50. Unauthorised, irregular, fruitless and wasteful expenditure (continued)		
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	-	-
Opening balance as restated	-	-

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

50.2 Irregular expenditure

Opening balance as previously reported	125,774,652	6,438,234
Correction of prior period error - Strip and quote expenditure	-	93,511,027
Opening balance as restated	125,774,652	99,949,261
Add: Irregular expenditure - current	5,961,128	449,274
Add: Irregular expenditure – prior period	3,306,136	-
Add: Irregular expenditure – Strip and quote expenditure (Prior Period Error)	37,257,657	32,236,766
Less: Amounts written-off – current	(5,961,128)	(422,415)
Less: Amounts written-off – prior period	(3,306,136)	(6,438,234)
Less: Amount recovered	(26,859)	-
Closing balance	163,005,450	125,774,652

All above mentioned amounts include VAT.

Strip and quote expenditure (Prior Period Error)

Included in the opening balance are transactions from 1 July 2018 to 30 June 2022. It is impractical to disclose expenditure prior to 1 July 2018 as the information is not available.

Reports extracted from the financial system prior to 2022/2023 does not include the order classes or classifications used to categorise the transactions, due to a system release that had overridden these functions that were site specific to Drakenstein Municipality.

The Regulation 16 and 17 reports were consulted to assist with the exercise in quantifying the irregular expenditure. These reports are only available in hard copy as far back as 2018/2019 as the older files were stored in the basement and badly damaged in the flood. Soft copies of the reports prior to 2022/2023 were lost during the cyber-attack, which also impacts on confirming the expenditure per year.

The manual exercise was completed and the results are included above.

The prior year comparatives have been restated, please refer to note 48 for more detailed information.



Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023
50. Unauthorised, irregular, fruitless and wasteful expenditure (continued)		
Incident	Disciplinary steps/criminal proceedings	
The expenditure relates to “strip and quote” procurement transactions with regards to the repair of vehicles and equipment that are required for service delivery. The expenditure was classified under Regulation 16 and Regulation 17 in terms of the Municipal Supply Chain Management Regulations. The application and use of these regulations for this category of expenditure were deemed as incorrect, resulting in expenditure being categorised as irregular expenditure.	Matter will be investigated and reported to Council.	37,257,657 32,236,766
Prior year: The Auditor-General of South Africa identified irregular expenditure due to non-compliance with the Preferential Procurement Regulations 2022 relating to the preferential points system not applied for written quotations below R30 000 (VAT included). The period is 16 January 2023 to 30 June 2023. The reason for the irregular expenditure was identified as arising from a failure to apply the required preference point system. The Auditor-General of South Africa identified irregular expenditure due to non-compliance with the Preferential Procurement Regulations 2022 regarding to preferential points system not applied to written quotations below R30 000 (VAT included). The period is 16 January 2023 to 30 June 2023.	Investigated and report submitted to Council and written off.	3,306,136 -
Current year: The Auditor-General of South Africa identified irregular expenditure due to non-compliance with the Preferential Procurement Regulations 2022 relating to the preferential points system not applied for written quotations below R30 000 (VAT included). The period is 1 July 2023 to 31 January 2024. The reason for the irregular expenditure was identified as arising from a failure to apply the required preference point system. The Auditor-General of South Africa identified irregular expenditure due to non-compliance with the Preferential Procurement Regulations 2022 regarding to preferential points system not applied to written quotations below R30 000 (VAT included). The period is 1 July 2023 to 31 January 2024.	Investigated and report submitted to Council and written off.	5,961,128 -
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
Irregular expenditure was identified that relates to an overpayment to a supplier.	Matter was investigated, reported to Council and funds were recouped.	- 26,859
Total		46,524,921 32,686,040



Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023
50. Unauthorised, irregular, fruitless and wasteful expenditure (continued)		
50.3 Fruitless and wasteful expenditure		
Opening balance as previously reported	1,454,220	-
Add: Fruitless and wasteful expenditure – current	790,951	-
Add: Fruitless and wasteful expenditure expenditure – prior period	-	1,454,220
Closing balance	2,245,171	1,454,220
Incident	Disciplinary steps/criminal proceedings	
The municipality became aware that a former employee paid money (intended for creditors) into her personal bank account. This amounts to fraud.	In progress	790,951 -
This pertains to overpayment to a contractor that performed work under contract COM P5/2020.	In progress	- 1,454,220
Total	790,951	1,454,220

All above mentioned amounts include VAT.

51. Additional disclosures in terms of Municipal Finance Management Act

	SALGA contributions	Audit fees	PAYE	UIF	Pension	Medical aid
As at 30 June 2024						
Opening balance	(6,295,434)	-	-	-	-	-
Subscription/fees	8,051,444	7,286,673	113,209,575	7,517,392	117,545,819	49,325,090
Amount paid – current year	(8,186,887)	(7,286,673)	(113,209,575)	(7,517,392)	(117,545,819)	(49,325,090)
Balance (prepaid) / unpaid **	(6,430,877)	-	-	-	-	-
	SALGA 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)	-	-	-	-	-



Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023
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51. Additional disclosures in terms of Municipal Finance Management Act (continued)

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

VAT output payables and VAT input receivables are shown in Note 13. All VAT returns have been submitted by the due date throughout the year.

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

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

CHAPTER	SECTION	SUB-SECTION
8	74	1

Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Annual Financial Statements

Figures in Rand		2024	2023
52. Additional disclosures in terms of the supply chain management regulations			
52.1. Deviation from, and ratification of minor breaches of, the procurement processes			
In terms of section 35(2) of the Supply Chain Management Policy approved by Council it is stipulated that bids where the formal procurement processes could not be followed, must be noted in the financial statements. All amounts listed below are VAT inclusive.			
SCM paragraph reference	Description of deviation		
35 (1)(a) i	Dispense with the official procurement processes in an emergency	8,820,758	15,671,644
35 (1)(a) ii	Dispense with official procurement processes if such goods or services are produced or available from a single source or sole provider.	38,295,732	20,127,400
35 (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.	28,900,540	325,084
Total deviations		76,017,030	36,124,128

52.2. Awards to close family members of persons in service of the state - SCM Regulation 44

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
D Uren Construction *	Z Naidoo	Child	Drakenstein Municipality: Finance	45,350	1,147,928
	U Naidoo	Son-in-law	Drakenstein Municipality: Engineering		
Zutari (Pty) Ltd (previous Aurecon South Africa (Pty) Ltd) ***	P W Pansegrouw	Spouse	Drakenstein Municipality: Engineering Services	-	8,804,201
Harold's Auto Repairs *	B van Rooy	Child	Drakenstein Municipality: Engineering Services	83,877	208,798
Mynhardt Joubert (Pty) Ltd **	I Engelmohr	Spouse	Drakenstein Municipality: Finance	23,288	-
EHH Building Construction *	H Fredericks	Brother	Drakenstein Municipality: Community Services	280,051	571,529
BD Uren *	Z Naidoo	Sister	Drakenstein Municipality: Finance	91,497	429,140
	U Naidoo	Brother-in-law	Drakenstein Municipality: Engineering		
E-zee Handyworks (Pty) Ltd **	E Arendse	Parent	Drakenstein Municipality: Councillor	-	466,236
VE Sovile *	A Stulweni	Partner	Drakenstein Municipality: Councillor	68,374	-



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Notes to the Audited Annual Financial Statements

Figures in Rand				2024	2023
Elana Uren *	Z Naidoo	Child	Drakenstein Municipality: Finance	812,438	-
				1,404,875	15,818,901

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

Supplier name	Employee name	Relationship	Department		
Servelec (Pty) Ltd *	L de Lange	Spouse	South African Revenue Services	1,569,562	566,531
Van Der Spuy (Wes-Kaap) Inc Van Der Spuy en Vennote *	M Van Zyl	Spouse	Western Cape Department of Education	1,795,446	1,897,585
Webber Wentzel *	Dr E Watson	Brother	Road Accident Fund	2,106,715	1,421,313
	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)		
Masiqhame Trading ZZ CC *	S Gxilishe	Parent	Western Cape Department of Education	-	84,870
	B Gxilishe	Parent	Department of Agriculture and Fisheries		
WRP Consulting Engineers (Pty) Ltd *	EK Mamphita	Spouse	South African Broadcasting Corporation	154,328	187,341
	HE Furumele	Brother	Department of Education		
	KS Furumele	Brother	Department of Education		
	ME Phathutshedzo	Sister	Department of Defence		
	DG Mamphitha	Sister-in-law	Fezile Dabi District Municipality		
	A Mare	Daughter-in-law	Department of Education		
J Walters T/A JC Travel *	J Walters	Spouse	Western Cape Department of Education	-	30,500
Piston Power Chemicals *	N Anidhee	Spouse	KNZ Department of Education	-	431,213
JPCE (Pty) Ltd *	J Minnie	Spouse	City of Cape Town	1,062,909	845,308
Neil Lyners and Associates CC t/a Lyners *	A du Toit	Child	City of Cape Town	4,664,009	3,663,503
Ikapa Reticulation & Flow CC *	C Davids	Child	Western Cape Department of Education	673,554	1,239,476
Kozain Panel Beaters **	J Kozain	Child	Western Cape Department of Education	35,424	19,155
	T Kozain	Child	Western Cape Department of Health		



Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Annual Financial Statements

Figures in Rand				2024	2023
Awards to close family members of persons in the service of other state departments and entities (not listed above)(continue)					
Supplier name	Employee name	Relationship	Department		
Zutari (Pty) Ltd (previous Aurecon South Africa (Pty) Ltd) ***	HC Ahlschlager	Spouse	Special Investigation Unit	30,858,146	8,804,201
	S Seegers	Sibling	City of Cape Town		
	N Allie	Sibling	SARS		
	M Gasant	Sibling	SARS		
	K Nadasen	Spouse	National Department of Public Works		
	MR Marques	Spouse	Department of Home Affairs		
	TJ Ndala	Spouse	Gauteng Department of Education		
TC Events Co (Pty) Ltd **	L Johnson	Brother	South African Police Services	1,646,826	1,455,182
JF van Wyk **	M Renier	Sister	Western Cape Department of Education	-	30,250
	D Renier	Brother-in-law	South African Police Service		
LJ Projects and Events *	C Jafta	Spouse	Department of Water Affairs	28,640	-
Nedbank Limited*	MM Matoqane	Brother	Ekurhuleni Metro Municipality	2,982,983	2,406,700
	B Radebe	Spouse	Department of Education		
JC Verkoeling (Pty) Ltd*	H Esterhuizen	Sister-in-law	South African Police Service	214,303	136,457
Wamtech Systems (Pty) Ltd**	M Le Roux	Sister	City of Cape Town	59,695	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	325,717	243,725
	P Marais	Father	Provincial Parliament		
Adapt IT (Pty) Ltd***	D Mbmabo	Spouse	SANRAL	601,299	561,808
Lynamic*	J Smith	Brother	Department of Social Development	1,457,941	-
	C Smith	Sister-in-law	Department of Health		
Organ of State Advisory and Research (Pty) Ltd**	M Renier	Sister	Western Cape Education Department	51,750	-
	D Renier	Brother-in-law	South African Police Services		
Casella Holdings (Pty) Ltd**	B Kies	Sister	Metro - Emergency Medical Services	24,550	-
Hiload Inyanga Construction (Pty) Ltd*	A van Wyk	Spouse	Western Cape Education Department	2,383,717	-
Munsoft (Pty) Ltd**	M Nondzaba	Parent	Bojanala Platinum District Municipality	691,844	461,092
JVZ Construction (Pty) Ltd***	RE Matthee	Spouse	Department of Correctional Services	13,619,193	133,379,469
Macsteel Service Centres SA (Pty) Ltd*	CB Vilakzi	Spouse	Board of Eskom SOC Ltd	273,687	-
All amounts include VAT				67,282,238	158,092,833



Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023
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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 48 for more detail.



Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023
53. Capital commitments		
Commitments in respect of capital expenditure:		
Approved and contracted for:		
Infrastructure	345,592,340	418,129,787
Other	5,244,694	10,552,357
Intangibles	25,001	-
	350,862,035	428,682,144

All capital commitments include VAT.

54. Financial instruments

54.1 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:



Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Annual Financial Statements

Figures in Rand		2024		2023	
54. Financial instruments (continued)					
		2024		2023	
		Carrying amount	Fair value	Carrying amount	Fair value
Financial assets					
Amortised cost					
Non-current receivables from exchange transactions	7	-	-	104	104
Trade and other receivables from exchange transactions	9	380,172,614	380,172,614	318,633,530	318,633,530
Receivables from non-exchange transactions	10	4,613,873	4,613,873	3,239,350	3,239,350
Current portion of non-current receivables	7	802	802	18,121	18,121
Cash and cash equivalents	11	697,505,822	697,505,822	445,270,431	445,270,431
		1,082,293,111	1,082,293,111	767,161,536	767,161,536
Financial liabilities					
Amortised cost					
Unsecured bank facilities:					
Annuity Loans	14	1,364,427,698	1,364,427,698	1,455,252,441	1,455,252,441
Finance Leases	15	-	-	472,639	472,639
		1,364,427,698	1,364,427,698	1,455,725,080	1,455,725,080
Trade and other payables:					
Consumer deposits	18	80,367,377	80,367,377	72,713,346	72,713,346
Trade and other payables from exchange transactions	19	230,842,219	230,842,219	177,443,206	177,443,206
Current portion of financial liabilities	14	90,824,743	90,824,743	84,460,268	84,460,268
Current portion of Finance Leases	15	472,639	472,639	345,347	345,347
		402,506,978	402,506,978	334,962,167	334,962,167
Total financial liabilities		1,766,934,676	1,766,934,676	1,790,687,247	1,790,687,247
Total financial instruments		(684,641,565)	(684,641,565)	(1,023,525,711)	(1,023,525,711)

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

The Fair Value of Long-term liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

The fair value of Other Financial Assets and Financial Liabilities were determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties as well as the current payment ratio's of the municipality's debtors.

54.2 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 14, Cash and Cash Equivalents disclosed in Note 11; and Equity, comprising Funds, Reserves and Accumulated Surplus as disclosed in Note(s) 21&22&23 and the Statement of changes in net assets.

Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023
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54. Financial instruments (continued)

54.3 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.

54.4 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.

54.5 Market risk

The municipality's activities expose it primarily to the financial risks of changes in interest rates (see Note 54.6 below). No formal policy exists to hedge volatilities in the interest rate market.

54.6 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.

54.7 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.

Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023
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54. Financial instruments (continued)

30 June 2024

	Within 1 year	2 to 5 years	5 years +	Total
Maturity analysis				
Annuity loans	249,381,307	990,918,378	1,280,926,254	2,521,225,939
Finance leases	564,408	-	-	564,408
Payables from exchange transaction	230,842,219	-	-	230,842,219
Consumer deposits	80,367,377	-	-	80,367,377
	561,155,311	990,918,378	1,280,926,254	2,832,999,943

30 June 2023

	Within 1 year	2 to 5 years	5 years +	Total
Maturity analysis				
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	177,443,206	-	-	177,443,206
Consumer deposits	72,713,346	-	-	72,713,346
	501,906,909	998,089,636	1,523,700,711	3,023,697,256

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.

54.8 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 2024

Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023
54. Financial instruments (continued)		
Non-current receivables from exchange transactions	-	104
Trade and other receivables from exchange transactions	380,172,614	318,633,530
Short term investments	-	-
Receivables from non-exchange transactions	4,613,873	3,239,350
Current portion of non-current receivable	802	18,225
Cash and cash equivalents	697,505,822	445,270,431
Maximum credit and interest risk exposure	1,082,293,111	767,161,640

54.9 Other price risks

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

55. 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.

56. Related party disclosures

56.1 Nature of related party relationships

Related party	Nature of relationship
Compensation made to Senior Management	Refer to note 37.1
Remuneration of Councillors	Refer to note 38

56.2 Related party transactions

Revenue

Consumer servicees rendered to Key Management	62,621	56,024
Consumer services rendered to Councillors	1,482,280	1,278,855
	1,544,901	1,334,879

56.3 Related party balances

Outstanding balances

Consumer accounts

Key Management Personnel	-	-
Councillors	77,121	50,856
	77,121	50,856

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 44, awards to close family members of persons in the service of the state are disclosed in note 52.2



Drakenstein Municipality

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57. 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 117,545,819 (2023: R 112,807,835) 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 2023 disclosed an actuarial valuation amounting to R1,338,791,000 (30 June 2022: R1,391,841,000), with a net accumulated surplus of R226,285,000 (2022: R144,158,000), with a funding level of 120.3% (30 June 2022: 111.60%).

Defined contribution scheme

The actuarial valuation report at 30 June 2023 indicated that the defined contribution scheme of the fund is in a sound financial position, with assets amounting to R2,163,627,000 (30 June 2022: R1,976,184,000), net investment reserve of R0 (30 June 2022: R0) and with a funding level of 100% (2022: 100%).

The actuary concluded that:

- The Pensioner Account has a funding level of 120.3% 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 106.9%;
- The Trustees awarded a 4.50% pension increase effective 1 January 2024; and
- The Trustees awarded 100% of monthly pension bonus to pensioners payable in December 2023.

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 R42,710,035,000 (30 June 2022: R36,502,914,000). The members share account and processing reserve account had assets amounting to R41,498,826,000 (2022: R35,552,304,000), and the pensions account had assets amounting to R633,281,000 (2022: R609,285,000) with funding levels of 100.2% and 120.1% (30 June 2022 100.4% and 131.6%) for the Share Account and the Pensions Account respectively. The Preservation Pension Account amounted to R97,435,000 (30 June 2022: R83,977,000), with a funding level of 100% (30 June 2022: 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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57. 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 2022 revealed that the assets of the fund amounted to R27,542,846,000 (30 June 2022: R23,160,928,000), with funding levels of 100.00% (30 June 2022: 100%). The actuary certifies that as at 30 June 2023 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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57. 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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58. 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 (2023: R7,000) was not refunded.

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 (2023: R26,767,475). 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 (2023: R11,814). 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 (2023: R897,717). The claim is current with attorneys appointed by the Municipality.

ML Botha

Third Party participated in the Winelands cycle race and a car bumped him, accidentally the third party died due to this incident. The applicant lodged a claim of R7,496,457. The matter was referred to the municipal insurers and if the claim is successful, the Municipality will be liable for the excess amount of R25,000.

HA Shakur

Third Party alleges that the municipality intentionally and unlawfully destroyed and/or removed his shop from the leased property. The applicant lodged a claim of R1,501,839. The matter was referred to the municipal insurers and if the claim is successful, the Municipality will be liable for the excess amount of R25,000.

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. The applicant lodged a claim of R3,229,035.

KSR Civil and Construction (Pty) Ltd

It is alleged that the decision by the Municipality to approve 6 residential units instead of 8 to be reviewed and set aside as well as the loss suffered by the party due to the decision. The applicant lodged a claim of R1,687,258.

GC du Plessis

The applicant drove through a pothole and as a result of this incident the applicant lodge a claim against the municipality to the amount of R33,783.

Various other insurance claims

To date a total of 16 (2023: 12) cases are being dealt with at the Municipality's insurer and amounts to R5,229,902 (2023: R4,253,474) in total claims. In the event that the claims are successful, the Municipality will be liable for the amount of R365,000 (2023: R260,000), 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 (D 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 (2023: R1,596,747)



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58. Contingent liabilities (continued)

Arbitration cases

The municipality has 4 (2023: 4) ongoing arbitration cases, which varies in circumstances. The maximum exposure for the municipality amounts to R1,466,378 (2023: R1,058,962).

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 need to be taken into account to calculate this amount. The municipality's best estimate for these penalties and interest payable amounts to R2,431,888 (2023: R3,129,520).

59. 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 (2023: R25,007,410).

60. 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.

61. Registered IUDG programme

	Received	Expenditure	Unspent
2023/2024			
Solid waste skips	998,200	(998,200)	-
Replacement of Ysterbrug -Victoria pump	11,810,379	(11,810,379)	-
Extensio of basic services: informal settlements (water)	2,300,000	(2,300,000)	-
Replace / upgrade sewerage system	3,444,250	(3,444,250)	-
Disinfectant system for Wellington WWTW	546,502	(546,502)	-
Extension of basic services: informal settlements (sanitation)	2,300,000	(2,300,000)	-
Traffic lights	2,057,771	(2,057,771)	-
Reseal of streets in terms of the rams	7,443,774	(7,443,774)	-
Upgrading of sidewalks	3,980,852	(3,980,852)	-
Refurbish storm water systems	5,633,331	(5,633,331)	-
Increase existing HT network capacity	6,083,667	(6,083,667)	-
Increase existing MT network capacity	4,600,000	(4,600,000)	-
Replacement program for old and redundant	3,449,787	(3,449,787)	-
Increase existing LT network capacity	1,379,999	(1,379,999)	-
Electrification of informal areas	2,587,488	(2,587,488)	-
	58,616,000	(58,616,000)	-



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61. Registered IUDG programme (continued)			
	Received	Expenditure	Unspent
2022/2023			
Upgrade swimming pools	1,066,913	(1,066,913)	-
Installation of electric equipment at Boy Louw sport fields	320,598	(320,598)	-
Install electric cables at Dal Josaphat Stadium	138,160	(138,160)	-
Upgrading of Faure street sports stadium	1,815,676	(1,815,676)	-
Upgrading of Gouda sports fields	445,988	(445,988)	-
Solid waste mini drop offs	460,000	(460,000)	-
Replace / upgrade water reticulation system	7,440,187	(7,440,187)	-
Water distribution system upgrade	1,150,000	(1,150,000)	-
Paarl wastewater treatment works mechanical	2,298,319	(2,298,319)	-
Replace / upgrade sewerage system	5,869,157	(5,869,157)	-
Extension of basic services: informal settlements	1,150,000	(1,150,000)	-
Replace pump at Newton pumpstation	5,033,990	(5,033,990)	-
Reseal of streets in terms of the rams	5,772,305	(5,772,305)	-
Drommedaris road rebuild	5,749,959	(5,749,959)	-
Upgrading of sidewalks	1,721,564	(1,721,564)	-
Refurbish storm water systems	5,743,685	(5,743,685)	-
Increase existing network capacity	2,069,999	(2,069,999)	-
Drakenstein streetlight projects	172,500	(172,500)	-
Replacement program for old and redundant	3,450,000	(3,450,000)	-
Increase existing LT network capacity	2,070,000	(2,070,000)	-
Electrification of informal areas	1,150,000	(1,150,000)	-
Palmiet substation transformer 3 refurbish	6,900,000	(6,900,000)	-
	61,989,000	(61,989,000)	-

The prior year comparatives have been restated, please refer to note 48 for more detailed information.

62. 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.

63. 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.



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Reconciliation of amounts payable to the WC Department of Transport and Public Works		
Balance at beginning of year	(85,809)	322,777
Revenue received on behalf of principal (incl. commission)	96,706,880	96,556,257
Revenue recognised by municipality as agency fee *	(20,299,965)	(19,897,279)
Revenue paid over to the municipality	(76,595,375)	(77,067,564)
* VAT included		
Balance at the end of the year	(274,269)	(85,809)

Agent for the Road Traffic Infringement Agency (RTIA)

The municipality acts as agent for Road Traffic Infringement Agency (RTIA), where it collects AARTO fines on behalf of the RTIA and receives a 3% agency fee.

Reconciliation of amounts payable to the RTIA

Balance at beginning of year	-	-
Revenue received on behalf of principal (incl. commission)	107,235	348,240
Revenue recognised by municipality as agency fee *	(3,217)	(10,447)
Revenue paid over to the principal	(104,018)	(337,793)
* VAT included		
	-	-

Agent for the National Department of Justice

The municipality acts as agent for the National Department of Justice, where it collects Contempt of court fines imposed for non-appearance in court of traffic fine offenders. The municipality does not derive any revenue from this functions.

Reconciliation of amounts payable to the Department of Justice

Balance at beginning of year	445,600	401,500
Revenue received on behalf of principal	305,400	194,400
Revenue recognised by municipality as agency fee	-	-
Revenue paid over to the principal	-	(150,300)
Balance at the end of the year	751,000	445,600

Agent arrangements: Housing services

Agent for the Western Cape Department of Human Settlements

The municipality acts as agent for the Western Cape Department of Human Settlements, where it acts as account administrator for certain housing projects. Refer to note 34, for amounts recognised as revenue and amounts receivable.

The prior year comparatives have been restated, please refer to note 48 for more detailed information.



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Principal arrangements: Traffic services

Issuing of Traffic fines

The municipality has a service provider TMT (2023: 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 (Incl VAT)	6,682,633	6,073,894

Principal arrangements: Financial Services

Agent for the Drakenstein Municipality

The municipality has a service provider EasyPay & Pay At (2023: 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	1,725,801	1,570,423
Commission received by the agent (Incl VAT)	5,770,785	5,236,453

Principal arrangements: Financial Services

Agent for the Drakenstein Municipality

The municipality has a service provider ONTEC (2023: 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	10,280,359	4,389,640
Commission received by the agent (Incl VAT)	10,695,698	11,334,556



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64. Reconciliation of budget surplus/(deficit) with surplus/(deficit) with Statement of Financial Performance		
Net surplus/(deficit) per the statement of financial performance		
Basis differences		583,380,442
Revenue by Source		
Property rates		-
Property rates - penalties & collection charges (Surcharges and Taxes*)		(3,084,653)
Service charges - electricity revenue		(1,524,505,542)
Service charges - water revenue		(236,510,660)
Service charges - sanitation revenue		(153,561,418)
Service charges - refuse revenue		(169,957,737)
Service charges		2,096,677,278
Availability charges - Waste management		(4,002,553)
Availability charges - Water		(2,226,690)
Availability charges - Waste water management		(3,385,134)
Availability charges - Electricity		(2,527,545)
Rent on land		-
Rental of facilities and equipment (Rental of Fixed Assets*)		(8,312,162)
Investment revenue (Interest earned - external investments)		-
Interest earned - outstanding debtors		(19,480,489)
Finance income and Dividends*		-
Licences and permits		(21,786,042)
Fines (Fines, Penalties & Forfeits*)		(97,292,325)
Transfers recognised - operational / (Transfers and Subsidies*)		(455,893,846)
Other revenue (Operational Revenue (Exchange)*)		218,403,332
Operational Revenue (Non - Exchange)*		(1,741,571)
Sale of Goods and Rendering of Services*		(33,907,962)
Inventory Surpluses (Gains/losses on Inventory)		-
Construction Contract Revenue		(1,317,020)
Total		(424,412,739)
Expenditure By Type		
Employee related costs		(16,397,459)
Remuneration of councillors (Councillor Related Cost *)		-
Collection cost		-
Debt impairment		-
Irrecoverable debts written off		98,252,871
Impairment losses on financial assets		29,903,348
Depreciation & asset impairment (Depreciation and Amortisation *)		(600,287)
Impairment Losses		600,287
Interest, Dividends and Rent on Land (Interest paid *)		-
Materials and Bulk purchases		(1,227,980,899)
Bulk Purchases		1,149,421,998
Contracted services		209,962,491
Transfers and grants (Transfers and Subsidies : Operational Exp*)		-
Other expenditure (Operational cost*)		(386,338,150)
Inventory*		78,558,902
Operating Leases*		20,106,774
Loss on disposal of Assets (Gains /(losses) on disposal of PPE, IA, IP & HA*)		9,970,425
Total		(34,539,699)



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Surplus/(Deficit)		
Transfers recognised - capital		458,952,438
Contributions recognised - capital		-
		<u>458,952,438</u>
Net surplus/(deficit) per statement of budget comparison		<u>583,380,442</u>
* - 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 2023/24 Budget and GRAP Annual Financial Statements.		
65. Reconciliation of cash flow per the budget regulations with the cash flows per cash flow statement		
Net cash from operating activities		(7,654,031)
Net cash from investing activities		-
Net cash from financing activities		7,654,031
Net increase / (decrease) in cash and cash equivalents		<u>-</u>



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66. 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.

66.1. Cash flow

Cash flows from operating activities

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

66.2. Statement of financial performance and financial position

Expenditure

- *Other Expenses*
Underspending on the allocation from Department of Human Settlements due to various reasons.



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67. Segment information

Segment surplus or deficit, assets and liabilities

By Department

2024

	Office of the City Manager	Financial Services	Corporate and Planning Services	Public Safety	Community Services	Engineering Services	Department of Chief Audit Executive	Department of Risk And Compliance	Department of IDP And PMS	Department of Communication	Total
Revenue											
Services charges - Electricity	-	-	-	-	-	1,524,505,542	-	-	-	-	1,524,505,542
Services charges - Water	-	-	-	-	-	236,510,660	-	-	-	-	236,510,660
Services charges - Waste management	-	-	-	-	-	169,957,737	-	-	-	-	169,957,737
Services charges - Waste water management	-	-	-	-	-	153,561,417	-	-	-	-	153,561,417
Sales of goods and rendering of services	-	37,043	10,116,550	-	23,531,194	223,174	-	-	-	-	33,907,961
Rental from fixed assets	-	(10,262,351)	165,994	957	15,833,772	2,573,789	-	-	-	-	8,312,161
Interests on investments	-	73,656,906	-	-	-	-	-	-	-	-	73,656,906
Interest earned from receivables	-	-	6,632	-	-	19,473,857	-	-	-	-	19,480,489
Operational revenue (Exchange)	-	12,781,356	1,259,948	179,202	244,493	14,884,936	-	-	-	-	29,349,935
Licences or permits	-	-	8,336	21,659,633	113,803	4,270	-	-	-	-	21,786,042
Property rates	-	466,404,866	-	-	-	-	-	-	-	-	466,404,866
Availability charges - Electricity	-	-	-	-	-	2,527,545	-	-	-	-	2,527,545
Availability charges - Water	-	-	-	-	-	2,226,690	-	-	-	-	2,226,690
Availability charges - Waste management	-	-	-	-	-	4,002,553	-	-	-	-	4,002,553
Availability charges - Waste water management	-	-	-	-	-	3,385,134	-	-	-	-	3,385,134
Surcharges and taxes	-	3,084,653	-	-	-	-	-	-	-	-	3,084,653
Fines, penalties and forfeits	-	-	381,471	96,507,153	24,388	379,313	-	-	-	-	97,292,325
Transfers and subsidies	-	42,664,305	4,136,886	1,623,087	31,673,573	607,586,272	-	-	-	-	687,684,123
Operational revenue (Non-exchange)	-	1,741,571	-	-	-	-	-	-	-	-	1,741,571
Construction contract revenue	-	-	-	-	1,317,020	-	-	-	-	-	1,317,020
Total segment revenue	-	590,108,349	16,075,817	119,970,032	72,738,243	2,741,802,889	-	-	-	-	3,540,695,330



Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

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67. Segment information (continued)

	Office of the City Manager	Financial Services	Corporate and Planning Services	Public Safety	Community Services	Engineering Services	Department of Chief Audit Executive	Department of Risk And Compliance	Department of IDP And PMS	Department of Communication	Total
Expenditure											
Employee related cost	4,136,438	81,329,624	136,471,209	98,533,701	125,262,693	318,577,055	9,767,426	2,366,236	4,332,409	4,575,211	785,352,002
Remuneration of councillors	-	-	34,340,227	-	-	-	-	-	-	-	34,340,227
Debt impairment / write-off	-	776,192	-	73,265,566	1,259,923	22,951,191	-	-	-	-	98,252,872
Depreciation and amortisation	125,337	3,424,406	5,433,092	461,235	18,343,191	221,137,236	24,797	11,284	36,102	18,689	249,015,369
Impairment losses on financial assets	-	510,784	-	5,717,995	697,423	22,977,146	-	-	-	-	29,903,348
Impairment losses on PPE, IA and HA	-	600,287	-	-	-	-	-	-	-	-	600,287
Finance costs	-	219,061	-	-	-	167,602,762	-	-	-	-	167,821,823
Bulk purchases	-	-	-	-	-	1,149,421,997	-	-	-	-	1,149,421,997
Inventory consumed	72,862	2,270,391	2,150,391	1,687,682	22,221,895	49,890,198	52,895	18,637	18,939	175,013	78,558,903
Contracted services	23,324	4,611,466	18,282,484	50,849,802	12,101,422	122,510,107	377,910	42,000	739,730	424,241	209,962,486
Transfers and subsidies	-	-	3,642,578	703,101	504,875	10,000,000	-	-	-	-	14,850,554
Operational cost	27,243	32,576,966	31,845,183	1,879,831	4,501,668	36,517,531	272,966	30,979	46,122	1,459,326	109,157,815
Operating leases	26,015	748,381	828,525	351,163	1,074,543	16,962,903	42,011	26,015	21,210	26,015	20,106,781
Loss on disposal of assets	-	(193,212)	2,447,165	-	-	7,716,471	-	-	-	-	9,970,424
Total segment expenditure	4,411,219	126,874,346	235,440,854	233,450,076	185,967,633	2,146,264,597	10,538,005	2,495,151	5,194,512	6,678,495	2,957,314,888
Sub-total	(4,411,219)	463,234,003	(219,365,037)	(113,480,044)	(113,229,390)	595,538,292	(10,538,005)	(2,495,151)	(5,194,512)	(6,678,495)	583,380,442
Internal charges											
OC : Municipal services (Income)	-	-	-	-	-	97,936,042	-	-	-	-	97,936,042
OC : Municipal services	-	(400,355)	(8,486,808)	(365,135)	(28,419,145)	(60,264,599)	-	-	-	-	(97,936,042)
Total segment internal charges	-	(400,355)	(8,486,808)	(365,135)	(28,419,145)	37,671,443	-	-	-	-	-
Total segment surplus/(deficit)	(4,411,219)	462,833,648	(227,851,845)	(113,845,179)	(141,648,535)	633,209,735	(10,538,005)	(2,495,151)	(5,194,512)	(6,678,495)	583,380,442
Capital expenditure											
Actual outcome	14,756	1,002,944	6,514,477	7,448,364	44,595,500	428,010,222	29,534	34,880	8,980	56,195	487,715,852



Drakenstein Municipality

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67. Segment information (continued)

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	Office of the City Manager	Financial Services	Corporate and Planning Services	Public Safety	Community Services	Engineering Services	Department of Chief Audit Executive	Department of Risk And Compliance	Department of IDP And PMS	Department of Communication	Total
Revenue											
Services charges - Electricity	-	-	-	-	-	1,349,427,510	-	-	-	-	1,349,427,510
Services charges - Water	-	-	-	-	-	193,211,551	-	-	-	-	193,211,551
Services charges - Waste management	-	-	-	-	-	155,442,459	-	-	-	-	155,442,459
Services charges - Waste water management	-	-	-	-	-	144,103,900	-	-	-	-	144,103,900
Sales of goods and rendering of services	-	59,081	11,925,933	-	22,398,818	377,782	-	-	-	-	34,761,614
Rental from fixed assets	-	(9,851,646)	163,867	565	14,785,814	1,983,020	-	-	-	-	7,081,620
Interests on investments	-	36,829,614	216	-	-	-	-	-	-	-	36,829,830
Interest earned from receivables	-	-	6,843	-	-	12,877,219	-	-	-	-	12,884,062
Operational revenue (Exchange)	-	2,668,524	1,155,147	243,046	153,372	9,678,839	-	-	-	-	13,898,928
Licences or permits	-	-	2,908	20,868,316	218,709	4,800	-	-	-	-	21,094,733
Property rates	-	437,182,802	-	-	-	-	-	-	-	-	437,182,802
Services charges - Electricity	-	-	-	-	-	2,250,026	-	-	-	-	2,250,026
Availability charges - Water	-	-	-	-	-	2,171,116	-	-	-	-	2,171,116
Availability charges - Waste management	-	-	-	-	-	3,893,471	-	-	-	-	3,893,471
Availability charges - Waste water management	-	-	-	-	-	3,304,521	-	-	-	-	3,304,521
Surcharges and taxes	-	2,230,462	-	-	-	-	-	-	-	-	2,230,462
Fines, penalties and forfeits	-	-	209,499	103,863,146	22,148	356,148	-	-	-	-	104,450,941
Transfers and subsidies	-	43,077,304	3,391,219	1,141,712	9,883,308	301,488,397	-	-	-	-	358,981,940
Operational revenue (Non-exchange)	-	1,770,924	-	-	-	-	-	-	-	-	1,770,924
Total segment revenue	-	513,967,065	16,855,632	126,116,785	47,462,169	2,180,570,759	-	-	-	-	2,884,972,410



Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Annual Financial Statements

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67. Segment information (continued)

	Office of the City Manager	Financial Services	Corporate and Planning Services	Public Safety	Community Services	Engineering Services	Department of Chief Audit Executive	Department of Risk And Compliance	Department of IDP And PMS	Department of Communication	Total
Expenditure											
Employee related cost	4,152,593	77,057,954	125,036,732	91,521,966	119,614,533	298,579,432	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	-	601,061	-	87,642,249	1,136,792	14,267,642	-	-	-	-	103,647,744
Depreciation and amortisation	125,310	3,309,400	5,435,805	415,509	18,305,099	218,584,570	24,788	8,281	36,088	18,683	246,263,533
Impairment losses on financial assets	-	12,779,057	-	(14,450,054)	1,386,339	65,917,617	-	-	-	-	65,632,959
Impairment losses on PPE, IA and HA	-	214,518	-	-	-	-	-	-	-	-	214,518
Finance costs	-	304,118	255,430	510,858	-	175,320,113	-	-	-	-	176,390,519
Bulk purchases	-	-	-	-	-	959,067,970	-	-	-	-	959,067,970
Inventory consumed	36,344	3,168,389	2,554,631	841,953	26,927,163	40,664,813	39,504	7,328	16,866	73,691	74,330,682
Contracted services	6,685	4,114,814	14,389,196	43,480,210	15,260,525	95,155,988	5,948	379,134	620,100	188,018	173,600,618
Transfers and subsidies	-	-	3,697,898	894,531	315,000	20,000,000	-	-	-	-	24,907,429
Operational cost	33,946	31,920,604	27,847,664	1,247,736	5,923,042	36,177,599	175,810	33,800	43,571	1,353,752	104,757,524
Operating leases	8,797	832,249	645,204	346,083	1,965,358	13,943,726	80,893	8,797	7,578	-	17,838,685
Loss on disposal of assets	-	(261,594)	-	-	-	12,261,020	-	-	-	-	11,999,426
Total segment expenditure	4,363,675	134,040,570	213,075,851	212,451,041	190,833,851	1,949,940,490	9,537,010	2,973,105	4,887,355	5,422,701	2,727,525,649
Internal charges											
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)
Total segment internal charges	-	(195,991)	-	(8,230,817)	(17,084,441)	25,511,249	-	-	-	-	-
Sub-total	(4,363,675)	379,926,495	(196,220,219)	(86,334,256)	(143,371,682)	230,630,269	(9,537,010)	(2,973,105)	(4,887,355)	(5,422,701)	157,446,761
Total segment surplus/(deficit)	(4,363,675)	379,730,504	(196,220,219)	(94,565,073)	(160,456,123)	256,141,518	(9,537,010)	(2,973,105)	(4,887,355)	(5,422,701)	157,446,761
Capital expenditure											
Actual outcome	8,802	279,165	10,208,022	14,021,795	14,332,893	151,976,008	-	42,097	11,046	24,660	190,904,488



Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

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67. Segment information (continued)

By GFS

2024

	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
Revenue															
Services charges -	-	-	-	-	-	-	-	-	-	-	1,524,505,542	-	-	-	1,524,505,542
Electricity															
Services charges -	-	-	-	-	-	-	-	-	-	-	-	-	236,510,660	-	236,510,660
Water															
Services charges -	-	-	-	-	-	-	-	-	-	-	-	169,957,737	-	-	169,957,737
Waste management															
Services charges -	-	-	-	-	-	-	-	-	-	-	-	-	-	153,561,417	153,561,417
Waste water															
management															
Sales of goods and	1,137,622	102,739	-	21,883,181	1,620,667	-	-	8,940,578	32,114	-	-	-	-	191,060	33,907,961
rendering of services															
Rental from fixed assets	-	(7,759,350)	-	893,441	284,175	957	14,646,234	127,774	-	-	118,930	-	-	-	8,312,161
Interests on	-	73,656,906	-	-	-	-	-	-	-	-	-	-	-	-	73,656,906
investments															
Interest earned from	6,632	-	-	-	-	-	-	-	-	-	3,720,374	5,611,934	6,628,095	3,513,454	19,480,489
receivables															
Operational revenue	818,253	16,936,685	-	61,687	-	179,202	2,391	88,093	3,564,406	-	4,221	-	3,163,977	4,531,020	29,349,935
(Exchange)															
Licences or permits	-	8,336	-	-	113,803	21,659,633	-	-	-	-	-	-	4,270	-	21,786,042
Property rates	-	466,404,866	-	-	-	-	-	-	-	-	-	-	-	-	466,404,866
Availability charges -	-	-	-	-	-	-	-	-	-	-	2,527,545	-	-	-	2,527,545
Electricity															
Availability charges -	-	-	-	-	-	-	-	-	-	-	-	-	2,226,690	-	2,226,690
Water															
Availability charges -	-	-	-	-	-	-	-	-	-	-	-	4,002,553	-	-	4,002,553
Waste management															
Availability charges -	-	-	-	-	-	-	-	-	-	-	-	-	-	3,385,134	3,385,134
Waste water															
management															
Surcharges and taxes	-	3,084,653	-	-	-	-	-	-	-	-	-	-	-	-	3,084,653
Fines, penalties and	-	-	-	24,388	-	96,507,153	-	381,471	-	-	379,313	-	-	-	97,292,325
forfeits															
Transfers and subsidies	112,991	46,688,200	-	73,630	-	1,623,087	31,599,943	4,363,000	7,502,448	-	118,261,993	58,221,487	35,018,985	384,218,359	687,684,123



Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

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67. Segment information (continued)

Operational revenue	-	1,741,571	-	-	-	-	-	-	-	-	-	-	-	-	-	1,741,571
(Non-exchange)																
Construction contract revenue	-	-	-	-	-	-	1,317,020	-	-	-	-	-	-	-	-	1,317,020
Total segment revenue	2,075,498	600,864,606	-	22,936,327	2,018,645	119,970,032	47,565,588	13,900,916	11,098,968	-	1,649,517,918	237,793,711	283,552,677	549,400,444	3,540,695,330	



Drakenstein Municipality

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67. 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
Expenditure															
Employee related cost	53,905,661	235,505,955	9,767,426	29,651,948	53,552,814	85,165,209	28,128,189	63,412,623	49,745,015	1,874,882	64,545,357	36,058,904	29,631,363	44,406,656	785,352,002
Remuneration of councillors	34,340,227	-	-	-	-	-	-	-	-	-	-	-	-	-	34,340,227
Debt impairment / write-off	-	776,192	-	-	-	73,265,566	1,259,923	-	-	-	2,876,630	6,711,406	9,496,179	3,866,976	98,252,872
Depreciation and amortisation	691,644	33,338,316	24,797	3,901,321	7,909,159	433,110	33,532,516	212,863	53,885,780	-	50,250,255	11,347,177	29,711,096	23,777,335	249,015,369
Impairment losses on financial assets	-	510,784	-	-	-	5,717,995	688,116	-	-	-	1,522,918	6,415,273	12,713,872	2,334,390	29,903,348
Impairment losses on PPE, IA and HA	-	600,287	-	-	-	-	-	-	-	-	-	-	-	-	600,287
Finance costs	-	219,061	-	-	-	-	-	-	16,569,386	-	62,608,274	26,369,973	22,634,425	39,420,704	167,821,823
Bulk purchases	-	-	-	-	-	-	-	-	-	-	1,111,429,888	-	37,992,109	-	1,149,421,997
Inventory consumed	32,207,553	9,300,589	52,895	4,146,299	2,312,973	770,807	8,452,713	206,202	3,429,354	-	11,647,116	2,347,129	1,784,829	1,900,444	78,558,903
Contracted services	31,333,047	32,574,016	377,910	800,199	713,756	49,748,033	2,476,256	841,477	6,726,349	-	26,824,946	22,327,319	11,897,266	23,321,912	209,962,486
Transfers and subsidies	2,744,220	898,358	-	-	504,875	703,101	-	-	10,000,000	-	-	-	-	-	14,850,554
Operational cost	3,659,556	69,467,706	272,966	2,635,093	811,842	1,854,983	823,776	553,454	711,278	-	11,741,114	16,070,813	216,599	338,636	109,157,815
Operating leases	158,787	12,480,469	42,011	626,971	360,561	351,163	185,555	194,523	996,106	-	2,868,146	54,128	49,317	1,739,044	20,106,781
Loss on disposal of assets	-	(5,681,721)	-	-	-	-	-	-	-	-	4,988,525	13,025	9,313,112	1,337,483	9,970,424
Total segment expenditure	159,040,695	389,990,012	10,538,005	41,761,831	66,165,980	218,009,967	75,547,044	65,421,142	142,063,268	1,874,882	1,351,303,169	127,715,147	165,440,167	142,443,580	2,957,314,888
Sub-total	(156,965,197)	210,874,594	(10,538,005)	(18,825,504)	(64,147,335)	(98,039,935)	(27,981,456)	(51,520,226)	(130,964,300)	(1,874,882)	298,214,749	110,078,564	118,112,510	406,956,864	583,380,441
Internal charges															
OC : Municipal services (Income)	-	-	-	-	-	-	-	-	-	-	71,367,088	6,427,583	18,129,859	2,011,512	97,936,042
OC : Municipal services	-	(6,266,100)	-	(1,832,396)	(23,063,102)	(227,649)	(10,808,681)	-	(4,088,205)	-	(7,974,260)	(357,151)	(17,373,277)	(25,945,221)	(97,936,042)
Total segment internal charges	-	(6,266,100)	-	(1,832,396)	(23,063,102)	(227,649)	(10,808,681)	-	(4,088,205)	-	63,392,828	6,070,432	756,582	(23,933,709)	-
Total segment surplus /(deficit)	(156,965,197)	204,608,494	(10,538,005)	(20,657,900)	(87,210,437)	(98,267,584)	(38,790,137)	(51,520,226)	(135,052,505)	(1,874,882)	361,607,577	116,148,996	118,869,092	383,023,155	583,380,441



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67. Segment information (continued)

Capital expenditure															
Actual outcome	55,115	31,679,817	29,534	2,682,306	6,530,314	7,437,257	34,788,085	8,980	32,099,190	-	76,886,555	26,039,715	262,548,159	6,930,825	487,715,852

Drakenstein Municipality

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67. Segment information (continued)

2023

	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
Revenue															
Services charges - Electricity	-	-	-	-	-	-	-	-	-	-	1,349,427,510	-	-	-	1,349,427,510
Services charges - Water	-	-	-	-	-	-	-	-	-	-	-	-	193,211,551	-	193,211,551
Services charges - Waste management	-	-	-	-	-	-	-	-	-	-	-	155,442,459	-	-	155,442,459
Services charges - Waste water management	-	-	-	-	-	-	-	-	-	-	-	-	-	144,103,900	144,103,900
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 earned from receivables	6,843	-	-	-	-	-	-	-	-	-	2,576,712	3,693,840	4,288,753	2,317,914	12,884,062
Operational revenue (Exchange)	671,245	4,073,349	-	47,505	-	243,046	1,652	50,628	4,329,522	-	2,033	-	2,557,555	1,922,393	13,898,928
Licences or permits	-	2,908	-	-	218,709	20,868,316	-	-	-	-	-	-	4,800	-	21,094,733
Property rates	-	437,182,802	-	-	-	-	-	-	-	-	-	-	-	-	437,182,802
Availability charges - Electricity	-	-	-	-	-	-	-	-	-	-	2,250,026	-	-	-	2,250,026
Services charges - Water	-	-	-	-	-	-	-	-	-	-	-	-	2,171,116	-	2,171,116
Availability charges - Waste management	-	-	-	-	-	-	-	-	-	-	-	3,893,471	-	-	3,893,471
Availability charges - Waste water management	-	-	-	-	-	-	-	-	-	-	-	-	-	3,304,521	3,304,521
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	52,264,687	-	-	600,000	1,141,712	9,283,308	4,139,000	3,517,723	-	175,467,218	26,326,420	9,911,636	76,126,400	358,981,940
Operational revenue (Non-exchange)	-	1,770,924	-	-	-	-	-	-	-	-	-	-	-	-	1,770,924
Total segment revenue	2,333,694	526,621,970	-	21,351,066	2,676,145	126,116,785	23,279,863	14,995,414	7,890,248	-	1,530,095,717	189,356,190	212,145,411	228,109,907	2,884,972,410



Drakenstein Municipality

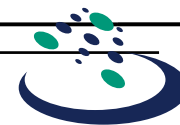
Audited Annual Financial Statements for the year ended 30 June 2024

Notes to the Audited Annual Financial Statements

Figures in Rand

67. 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
Expenditure															
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	-	601,061	-	-	-	87,642,249	1,136,792	-	-	-	2,501,993	3,624,357	6,116,101	2,025,191	103,647,744
Depreciation and amortisation	615,879	33,192,193	24,788	3,899,838	7,906,151	387,394	33,519,777	212,814	53,913,579	-	50,283,366	8,954,354	29,585,100	23,768,300	246,263,533
Impairment losses on financial assets	-	12,779,057	-	-	-	(14,450,054)	1,308,059	-	-	-	(1,136,308)	32,887,924	14,362,356	19,881,925	65,632,959
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
Total segment expenditure	154,429,589	383,369,917	9,537,010	38,507,422	64,328,679	201,017,934	77,217,492	62,259,797	163,388,279	1,770,721	1,159,788,739	126,928,508	130,729,566	154,251,996	2,727,525,649
Sub-total	(152,095,895)	143,252,053	(9,537,010)	(17,156,356)	(61,652,534)	(74,901,149)	(53,937,629)	(47,264,383)	(155,498,031)	(1,770,721)	370,306,978	62,427,682	81,415,845	73,857,911	157,446,761
Internal charges															
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)
Total segment internal charges	-	(5,709,339)	-	(1,420,416)	(20,653,172)	(193,018)	(8,230,817)	-	(4,487,232)	-	46,922,412	6,068,017	5,711,104	(18,007,539)	-
Total segment surplus /(deficit)	(152,095,895)	137,542,714	(9,537,010)	(18,576,772)	(82,305,706)	(75,094,167)	(62,168,446)	(47,264,383)	(159,985,263)	(1,770,721)	417,229,390	68,495,699	87,126,949	55,850,372	157,446,761



Drakenstein Municipality

Audited Annual Financial Statements for the year ended 30 June 2024

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67. Segment information (continued)

Capital expenditure															
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

Appendix A

Schedule of external loans as at 30 June 2024

External Loans	Interest Rate %	Loan Number	Redeemable Date	Balance at 30 June 2023 Rand	Redeemed/ written off during the period Rand	Balance at 30 June 2024 Rand
Annuity and other loans						
DBSA	10.734 %	61007616	2037	934,985,391	31,371,477	903,613,914
NEDBANK	11.480 %	7831030646-0011	2029	180,776,462	20,102,273	160,674,189
STANDARD BANK	11.440 %	0053-7722	2028	397,362,092	27,318,963	370,043,129
STANDARD BANK	10.970 %	0053-8368	2028	24,909,176	3,987,967	20,921,209
STANDARD BANK	9.840 %	0053-1097	2024	1,679,589	1,679,589	-
				1,539,712,710	84,460,269	1,455,252,441

Drakenstein Municipality

Appendix B1

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

	2023/2024										
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	545,231,002	37,878,844	583,109,846	-		583,109,846	634,810,144		51,700,298	109 %	116 %
Executive and council	1,984,198	13,896,475	15,880,673	-		15,880,673	22,171,425		6,290,752	140 %	1,117 %
Finance and administration	543,246,804	23,982,369	567,229,173	-		567,229,173	612,638,719		45,409,546	108 %	113 %
Internal audit	-	-	-	-		-	-		-	- %	- %
Community and public safety	229,037,211	13,052,013	242,089,224	-		242,089,224	192,490,592		(49,598,632)	80 %	84 %
Community and social services	5,065,368	20,209,704	25,275,072	-		25,275,072	22,936,326		(2,338,746)	91 %	453 %
Sport and recreation	1,841,642	(7,047)	1,834,595	-		1,834,595	2,018,644		184,049	110 %	110 %
Public safety	144,252,009	880,493	145,132,502	-		145,132,502	119,970,032		(25,162,470)	83 %	83 %
Housing	77,878,192	(8,031,137)	69,847,055	-		69,847,055	47,565,590		(22,281,465)	68 %	61 %
Health	-	-	-	-		-	-		-	- %	- %
Economic and environmental services	26,690,073	2,648,059	29,338,132	-		29,338,132	24,999,886		(4,338,246)	85 %	94 %
Planning and development	11,799,132	2,618,059	14,417,191	-		14,417,191	13,900,917		(516,274)	96 %	118 %
Road transport	14,890,941	30,000	14,920,941	-		14,920,941	11,098,969		(3,821,972)	74 %	75 %
Environmental protection	-	-	-	-		-	-		-	- %	- %
Trading services	2,636,064,454	58,250,171	2,694,314,625	-		2,694,314,625	2,722,934,373		28,619,748	101 %	103 %
Energy sources	1,599,002,155	60,329,475	1,659,331,630	-		1,659,331,630	1,649,517,918		(9,813,712)	99 %	103 %
Water management	254,664,860	1,911,378	256,576,238	-		256,576,238	286,222,298		29,646,060	112 %	112 %
Waste water management	559,371,179	(11,540,771)	547,830,408	-		547,830,408	549,400,446		1,570,038	100 %	98 %
Waste management	223,026,260	7,550,089	230,576,349	-		230,576,349	237,793,711		7,217,362	103 %	107 %
Other	-	-	-	-		-	-		-	- %	- %
Other	-	-	-	-		-	-		-	- %	- %
Total Revenue - Standard	3,437,022,740	111,829,087	3,548,851,827	-		3,548,851,827	3,575,234,995		26,383,168	101 %	104 %

Drakenstein Municipality

Appendix B1

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

Description	2023/2024										
	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	647,082,735	(194,556,140)	452,526,595	-	4,829,779	457,356,374	423,788,143	-	(33,568,231)	93 %	65 %
Executive and council	185,936,937	(67,910,101)	118,026,836	-	(2,928,885)	115,097,951	103,996,421	-	(11,101,530)	90 %	56 %
Finance and administration	450,709,816	(123,643,865)	327,065,951	-	9,987,409	337,053,360	314,646,052	-	(22,407,308)	93 %	70 %
Internal audit	10,435,982	(3,002,174)	7,433,808	-	(2,228,745)	5,205,063	5,145,670	-	(59,393)	99 %	49 %
Community and public safety	484,294,460	6,464,645	490,759,105	-	(7,105,030)	483,654,075	436,046,573	-	(47,607,502)	90 %	90 %
Community and social services	41,245,306	9,777,505	51,022,811	-	322,688	51,345,499	51,244,641	-	(100,858)	100 %	124 %
Sport and recreation	93,514,765	28,322,908	121,837,673	-	(5,667,674)	116,169,999	109,958,695	-	(6,211,304)	95 %	118 %
Public safety	230,989,182	(23,035,162)	207,954,020	-	(1,270,019)	206,684,001	184,169,257	-	(22,514,744)	89 %	80 %
Housing	118,545,207	(8,600,606)	109,944,601	-	(490,025)	109,454,576	90,673,980	-	(18,780,596)	83 %	76 %
Economic and environmental services	230,078,272	941,846	231,020,118	-	(850,530)	230,169,588	221,109,495	-	(9,060,093)	96 %	96 %
Planning and development	67,436,226	(1,162,424)	66,273,802	-	(783,128)	65,490,674	63,326,783	-	(2,163,891)	97 %	94 %
Road transport	160,755,656	2,108,101	162,863,757	-	(66,688)	162,797,069	155,901,119	-	(6,895,950)	96 %	97 %
Environmental protection	1,886,390	(3,831)	1,882,559	-	(714)	1,881,845	1,881,593	-	(252)	100 %	100 %
Trading services	1,703,504,794	252,217,113	1,955,721,907	-	3,126,374	1,958,848,281	1,910,907,601	-	(47,940,680)	98 %	112 %
Energy sources	1,309,243,243	86,260,363	1,395,503,606	-	20,032,150	1,415,535,756	1,369,244,567	-	(46,291,189)	97 %	105 %
Water management	137,645,357	57,657,148	195,302,505	-	(8,236,857)	187,065,648	187,062,670	-	(2,978)	100 %	136 %
Waste water management	162,643,221	35,470,292	198,113,513	-	(1,867,321)	196,246,192	196,235,188	-	(11,004)	100 %	121 %
Waste management	93,972,973	72,829,310	166,802,283	-	(6,801,598)	160,000,685	158,365,176	-	(1,635,509)	99 %	169 %
Other	-	3,334	3,334	-	(593)	2,741	2,741	-	-	100 %	- %
Other	-	3,334	3,334	-	(593)	2,741	2,741	-	-	100 %	- %
Total Expenditure - Standard	3,064,960,261	65,070,798	3,130,031,059	-	-	3,130,031,059	2,991,854,553	-	(138,176,506)	96 %	98 %
Surplus/(Deficit) for the year	372,062,479	46,758,289	418,820,768	-	-	418,820,768	583,380,442	-	164,559,674	139 %	157 %

Drakenstein Municipality

Appendix B2

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

	2023/2024										
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Adjusted Budget	Shifting of Funds (i.t.o. s31 of the MFMA)	Adjustments (i.t.o. Council approved by law)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand		
Revenue by Vote											
Office of the City Manager	-	-	-	-		-	-		-	- %	- %
Financial Services	517,280,495	42,424,054	559,704,549	-		559,704,549	590,911,555		31,207,006	106 %	114 %
Corporate and Planning Services	10,432,813	32,750,841	43,183,654	-		43,183,654	50,817,981		7,634,327	118 %	487 %
Public Safety	-	145,132,502	145,132,502	-		145,132,502	119,970,032		(25,162,470)	83 %	- %
Community Services	250,361,270	(167,278,481)	83,082,789	-		83,082,789	58,094,399		(24,988,390)	70 %	23 %
Engineering Services	2,658,948,162	58,800,171	2,717,748,333	-		2,717,748,333	2,755,441,065		37,692,732	101 %	104 %
Department of Chief Audit Executive	-	-	-	-		-	-		-	- %	- %
Department of Risk And Compliance	-	-	-	-		-	-		-	- %	- %
Department of IDP And PMS	-	-	-	-		-	-		-	- %	- %
Department of Communication	-	-	-	-		-	-		-	- %	- %
Total Revenue by Vote	3,437,022,740	111,829,087	3,548,851,827	-		3,548,851,827	3,575,235,032		26,383,205	101 %	104 %

Drakenstein Municipality

Appendix B2

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

2023/2024											
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			
Expenditure by Vote to be appropriated											
Office of the City Manager	5,953,446	(1,246,427)	4,707,019	-	-	4,707,019	4,411,219	-	(295,800)	94 %	74 %
Financial Services	156,329,192	(14,206,251)	142,122,941	-	(50,114)	142,072,827	127,677,573	-	(14,395,254)	90 %	82 %
Corporate and Planning Services	260,782,569	7,496,483	268,279,052	-	980,114	269,259,166	258,405,725	-	(10,853,441)	96 %	99 %
Public Safety	-	256,876,617	256,876,617	-	203,500	257,080,117	233,450,072	-	(23,630,045)	91 %	- %
Community Services	549,821,161	(270,082,855)	279,738,306	-	(465,700)	279,272,606	243,277,290	-	(35,995,316)	87 %	44 %
Engineering Services	2,067,636,868	85,012,010	2,152,648,878	-	(670,000)	2,151,978,878	2,099,726,544	-	(52,252,334)	98 %	102 %
Department of Chief Audit Executive	10,435,982	161,418	10,597,400	-	-	10,597,400	10,538,006	-	(59,394)	99 %	101 %
Department of Risk And Compliance	2,857,902	(111,157)	2,746,745	-	-	2,746,745	2,495,150	-	(251,595)	91 %	87 %
Department of IDP And PMS	5,559,177	(187,713)	5,371,464	-	-	5,371,464	5,194,514	-	(176,950)	97 %	93 %
Department of Communication	5,583,964	1,358,673	6,942,637	-	2,200	6,944,837	6,678,497	-	(266,340)	96 %	120 %
Total Expenditure by Vote	3,064,960,261	65,070,798	3,130,031,059	-	-	3,130,031,059	2,991,854,590	-	(138,176,469)	96 %	98 %
Surplus/(Deficit) for the year	372,062,479	46,758,289	418,820,768	-		418,820,768	583,380,442		164,559,674	139 %	157 %

Drakenstein Municipality

Appendix B3

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

	2023/2024										
	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 and Planning Services	3,105,000	1,056,538	4,161,538	-	312,779	4,474,317	4,471,069	-	(3,248)	100 %	144 %
Public Safety	-	-	-	-	-	-	-	-	-	- %	- %
Community Services	800,000	325,143	1,125,143	-	(105,082)	1,020,061	1,020,060	-	(1)	100 %	128 %
Engineering Services	355,323,229	19,884,577	375,207,806	-	7,182,700	382,390,506	379,663,981	-	(2,726,525)	99 %	107 %
Department of Chief Audit Executive	-	-	-	-	-	-	-	-	-	- %	- %
Department of Risk And Compliance	-	-	-	-	-	-	-	-	-	- %	- %
Department of IDP And PMS	-	-	-	-	-	-	-	-	-	- %	- %
Department of Communication	-	-	-	-	-	-	-	-	-	- %	- %
Capital multi-year expenditure sub-total	359,228,229	21,266,258	380,494,487	-	7,390,397	387,884,884	385,155,110	-	(2,729,774)	99 %	107 %
Single-year expenditure											
Office of the City Manager	-	14,756	14,756	-	-	14,756	14,756	-	-	100 %	- %
Financial Services	2,968,395	(1,844,825)	1,123,570	-	(17,297)	1,106,273	1,002,944	-	(103,329)	91 %	34 %
Corporate and Planning Services	500,250	1,927,741	2,427,991	-	(359,092)	2,068,899	2,043,407	-	(25,492)	99 %	408 %
Public Safety	-	9,671,643	9,671,643	-	(393,323)	9,278,320	7,448,364	-	(1,829,956)	80 %	- %
Community Services	49,569,130	(3,958,334)	45,610,796	-	(348,949)	45,261,847	43,575,440	-	(1,686,407)	96 %	88 %
Engineering Services	45,157,206	10,916,669	56,073,875	-	(6,098,512)	49,975,363	48,346,241	-	(1,629,122)	97 %	107 %
Department of Chief Audit Executive	-	30,000	30,000	-	-	30,000	29,534	-	(466)	98 %	- %
Department of Risk And Compliance	-	34,880	34,880	-	-	34,880	34,880	-	-	100 %	- %
Department of IDP And PMS	-	-	-	-	8,980	8,980	8,980	-	-	100 %	- %
Department of Communication	-	260,140	260,140	-	(182,204)	77,936	56,196	-	(21,740)	72 %	- %
Capital single-year expenditure sub-total	98,194,981	17,052,670	115,247,651	-	(7,390,397)	107,857,254	102,560,742	-	(5,296,512)	95 %	104 %
Total Capital Expenditure - Vote	457,423,210	38,318,928	495,742,138	-	-	495,742,138	487,715,852	-	(8,026,286)	98 %	107 %

Drakenstein Municipality

Appendix B3

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

	2023/2024										
	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	20,907,775	12,853,947	33,761,722	-	(897,742)	32,863,980	31,764,466	-	(1,099,514)	97 %	152 %
Executive and council	-	46,383	46,383	-	8,734	55,117	55,115	-	(2)	100 %	- %
Finance and administration	20,907,775	12,777,564	33,685,339	-	(906,476)	32,778,863	31,679,817	-	(1,099,046)	97 %	152 %
Internal audit	-	30,000	30,000	-	-	30,000	29,534	-	(466)	98 %	- %
Community and public safety	49,630,000	6,035,648	55,665,648	-	(895,146)	54,770,502	51,437,962	-	(3,332,540)	94 %	104 %
Community and social services	2,850,000	127,221	2,977,221	-	(219,195)	2,758,026	2,682,306	-	(75,720)	97 %	94 %
Sport and recreation	8,100,000	(894,399)	7,205,601	-	(426,984)	6,778,617	6,530,314	-	(248,303)	96 %	81 %
Public safety	5,135,000	4,523,343	9,658,343	-	(393,323)	9,265,020	7,437,257	-	(1,827,763)	80 %	145 %
Housing	33,545,000	2,279,483	35,824,483	-	144,356	35,968,839	34,788,085	-	(1,180,754)	97 %	104 %
Health	-	-	-	-	-	-	-	-	-	- %	- %
Economic and environmental services	34,619,493	3,739,201	38,358,694	-	(3,113,981)	35,244,713	32,108,170	-	(3,136,543)	91 %	93 %
Planning and development	-	-	-	-	8,980	8,980	8,980	-	-	100 %	- %
Road transport	34,619,493	3,739,201	38,358,694	-	(3,122,961)	35,235,733	32,099,190	-	(3,136,543)	91 %	93 %
Environmental protection	-	-	-	-	-	-	-	-	-	- %	- %
Trading services	352,265,942	15,690,132	367,956,074	-	4,906,869	372,862,943	372,405,254	-	(457,689)	100 %	106 %
Energy sources	41,400,797	31,097,329	72,498,126	-	4,390,114	76,888,240	76,886,555	-	(1,685)	100 %	186 %
Water management	27,204,688	(1,760,544)	25,444,144	-	613,509	26,057,653	26,039,715	-	(17,938)	100 %	96 %
Waste water management	275,810,457	(12,757,841)	263,052,616	-	(66,401)	262,986,215	262,548,159	-	(438,056)	100 %	95 %
Waste management	7,850,000	(888,812)	6,961,188	-	(30,353)	6,930,835	6,930,825	-	(10)	100 %	88 %
Other	-	-	-	-	-	-	-	-	-	- %	- %
Other	-	-	-	-	-	-	-	-	-	- %	- %
Total Capital Expenditure - Standard	457,423,210	38,318,928	495,742,138	-	-	495,742,138	487,715,852	-	(8,026,286)	98 %	107 %
Funded by:											
National Government	347,761,739	(15,304,347)	332,457,392	-		332,457,392	326,082,236		(6,375,156)	98 %	94 %
Provincial Government	35,532,826	974,213	36,507,039	-		36,507,039	35,287,724		(1,219,315)	97 %	99 %
District Municipality	-	-	-	-		-	-		-	- %	- %
Other transfers and grants	8,500,000	26,991,776	35,491,776	-		35,491,776	39,908,964		4,417,188	112 %	470 %
Transfers recognised - capital	391,794,565	12,661,642	404,456,207	-		404,456,207	401,278,924		(3,177,283)	99 %	102 %
Public contributions & donations	-	-	-	-		-	-		-	- %	- %
Borrowing	-	-	-	-		-	-		-	- %	- %
Internally generated funds	65,628,645	25,657,286	91,285,931	-		91,285,931	86,436,928		(4,849,003)	95 %	132 %
Total Capital Funding	457,423,210	38,318,928	495,742,138	-		495,742,138	487,715,852		(8,026,286)	98 %	107 %

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	Sep	Dec	Mar	Jun	Total	Sep	Dec	Mar	Jun	Total	Adjustments & Repayments	Closing Balance
	01 July 2023												30 June 2024
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
National Government (Unconditional Grant) [for disclosure purposes only]													
EQUITABLE SHARE	-	(89,882,000)	(71,906,000)	(53,930,000)	-	(215,718,000)	89,882,000	71,906,000	53,930,000	-	215,718,000	-	-
	-	(89,882,000)	(71,906,000)	(53,930,000)	-	(215,718,000)	89,882,000	71,906,000	53,930,000	-	215,718,000	-	-
National Government (Conditional Grant)													
EXPANDED PUBLIC WORKS PROGRAMME	-	(1,091,000)	(3,272,000)	-	-	(4,363,000)	1,309,370	1,989,760	-	1,063,870	4,363,000	-	-
FINANCIAL MANAGEMENT GRANT	-	(1,550,000)	-	-	-	(1,550,000)	222,254	620,173	-	707,573	1,550,000	-	-
IUDG PROJECTS	(1)	(23,446,000)	(35,170,000)	-	-	(58,616,001)	4,263,553	38,474,827	-	15,877,617	58,615,997	4	-
INEP FUNDING	-	(3,500,000)	(6,500,000)	-	-	(10,000,000)	409,039	5,798,798	-	3,792,163	10,000,000	-	-
DROMMEDARIS NEIGHBOURHOOD GRANT	-	-	-	-	(10,000,000)	(10,000,000)	-	-	-	2,668,576	2,668,576	-	(7,331,424)
DROMMEDARIS NEIGHBOURHOOD GRANT	-	-	(10,000,000)	-	10,000,000	-	-	1,393,874	-	(1,393,874)	-	-	-
REGIONAL BULK INFRASTRUCTURE GRANT	-	(9,100,000)	(281,210,000)	-	-	(290,310,000)	5,539,531	134,287,689	-	150,482,780	290,310,000	-	-
DISASTER RELIEF SUPPORT GRANT	-	-	-	-	(435,000)	(435,000)	-	-	-	197,873	197,873	-	(237,127)
WSIG	(1)	(2,587,000)	(10,813,000)	-	-	(13,400,001)	1,223,591	6,395,005	-	5,781,404	13,400,000	1	-
	(2)	(41,274,000)	(346,965,000)	-	(435,000)	(388,674,002)	12,967,338	188,960,126	-	179,177,982	381,105,446	5	(7,568,551)
Provincial Government (Conditional Grant)													
SIYASHLALA	(1,569,723)	-	-	-	-	(1,569,723)	-	-	-	-	-	1	(1,569,722)
P59 FAIRYLANDS	(2,513,787)	-	(844,725)	-	-	(3,358,512)	-	803,990	-	(169,255)	634,735	-	(2,723,777)
MBEKWENI 557	(693,182)	-	-	-	(897,209)	(1,590,391)	-	-	-	1,590,391	1,590,391	-	-
DIGNIFIED SITES	(542,009)	-	(8,801,520)	-	4,491,633	(4,851,896)	-	-	-	4,678,750	4,678,750	2	(173,144)
DROM 181/1407 (HSDG)	(569,695)	-	-	-	-	(569,695)	-	-	-	-	-	-	(569,695)
DROMMEDARIS ST EHP	(168,249)	-	(855,631)	-	855,631	(168,249)	-	-	-	-	-	-	(168,249)
CARTERVILLE HOUSING PROJECT	(956,503)	-	-	-	-	(956,503)	-	-	-	-	-	-	(956,503)
1068 HOUSE DONATIONS	(152,225)	-	-	-	-	(152,225)	-	-	-	-	-	-	(152,225)
KINGSON TOWN TRANSFER	(53,000)	-	-	-	-	(53,000)	-	-	-	-	-	-	(53,000)
ACCELERATED HOUSING (SIMONDIUM)	-	-	(20,000,000)	-	(4,589,516)	(24,589,516)	-	-	-	24,474,454	24,474,454	-	(115,062)
DEEDS TRANSFERS	-	-	-	-	(84,903)	(84,903)	-	-	-	84,903	84,903	-	-
LANTANA	-	-	(863,690)	-	863,690	-	-	-	-	-	-	-	-
ACCELERATED HOUSING (SCHOONGEZICHT)	-	-	(2,063,707)	-	-	(2,063,707)	-	1,089,031	-	754,434	1,843,465	-	(220,242)
MUNICIPAL ACCREDITATION AND CAPACITY BUILDING	(360,652)	-	(245,000)	-	-	(605,652)	-	137,783	-	107,217	245,000	360,652	-
MUNICIPALITY TOURISM CHALLENGE FUND	(138)	-	(435,000)	-	245,000	(190,138)	-	-	-	189,999	189,999	139	-
MUNICIPAL SERVICE DELIVERY AND CAPACITY BUILDING	(1)	-	(500,000)	-	-	(500,001)	-	-	-	-	-	1	(500,000)
WC FINANCE MANAGEMENT CAPABILITY	-	-	(740,000)	-	-	(740,000)	-	108,557	-	559,558	668,115	-	(71,885)
COMMUNITY DEVELOPMENT WORKERS	(29,672)	-	(113,000)	-	-	(142,672)	-	80,783	-	32,208	112,991	29,681	-
FIRE SERVICE CAPACITY BUILDING	-	-	(985,000)	-	-	(985,000)	-	34,081	(34,081)	985,000	985,000	-	-
MAINTENANCE THUSONG CENTRE	-	-	(116,000)	-	-	(116,000)	-	-	-	73,630	73,630	-	(42,370)
CAPACITY BUILDING (EXTERNAL BURSARIES)	(98,567)	(940,000)	940,000	-	(100,000)	(198,567)	-	139,230	-	1,372	140,602	-	(57,965)
MUNICIPAL ENERGY RESILIENCE GRANT	(4)	-	-	-	(800,000)	(800,004)	-	-	-	799,975	799,975	29	-
PUBLIC WORKS AND TRANSPORT (80%)	-	-	(64,760)	-	(4,269,240)	(4,334,000)	-	-	-	4,334,000	4,334,000	-	-
	(7,707,407)	(940,000)	(35,688,033)	-	(4,284,914)	(48,620,354)	-	2,393,455	(34,081)	38,496,636	40,856,010	390,505	(7,373,839)

Drakenstein Municipality

Appendix C

Disclosure of Grants and Subsidies in Terms of Section 123 of the MFMA, 56 of 2003

Description	Quarterly Receipts						Quarterly Expenditure (Capital and Operating)						
	Opening Balance 01 July 2023	Sep	Dec	Mar	Jun	Total	Sep	Dec	Mar	Jun	Total	Adjustment s & Repayments	Closing Balance 30 June 2024
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Other Grants (Conditional Grant)													
TRAINING LEVY (LG SETA & NON EMPLOYEE BURSARIES)	(1,220,279)	(256,511)	(1,399,519)	-	(694,464)	(3,570,773)	-	-	279,802	2,368,006	2,647,808	-	(922,965)
CAPE WINELANDS DISTRICT MUNICIPALITY	(66,916)	-	-	-	-	(66,916)	-	55,995	-	10,921	66,916	-	-
CAPE WINELANDS DISTRICT MUNICIPALITY	(36,958)	-	-	-	-	(36,958)	-	-	-	36,958	36,958	-	-
CAPE WINELANDS DISTRICT MUNICIPALITY (TOURISM)	(232,213)	-	(117,500)	-	117,500	(232,213)	14,100	15,715	-	202,398	232,213	-	-
CAPE WINELANDS DISTRICT MUNICIPALITY (TOURISM)	-	-	-	-	(100,000)	(100,000)	-	-	-	100,000	100,000	-	-
CAPE WINELANDS DISTRICT MUNICIPALITY (BOBBIES ON THE BEAT)	-	-	-	-	(500,000)	(500,000)	-	-	-	302,000	302,000	-	(198,000)
CAPE WINELANDS DISTRICT MUNICIPALITY (TOURISM CHALLENGE)	(106,362)	-	(270,500)	-	72,500	(304,362)	-	79,460	-	(79,460)	-	-	(304,362)
NEUMARK	(1,477,945)	-	(276,293)	-	-	(1,754,238)	363,355	312,414	-	269,716	945,485	-	(808,753)
	(3,140,673)	(256,511)	(2,063,812)	-	(1,104,464)	(6,565,460)	377,455	463,584	279,802	3,210,539	4,331,380	-	(2,234,080)
Donations and other contributions													
TRUST FUND : MUN WIDOW & PENSION FUND	(363,572)	-	-	-	-	(363,572)	-	-	-	-	-	-	(363,572)
NEWTON	-	-	-	-	(579,922)	(579,922)	-	-	-	579,922	579,922	-	-
LE PARC	-	-	-	-	(4,664,809)	(4,664,809)	-	-	-	4,664,809	4,664,809	-	-
HONEYDEW	-	-	-	-	(1,036,096)	(1,036,096)	-	-	-	1,036,096	1,036,096	-	-
SUN THATCH	-	-	-	-	(540,000)	(540,000)	-	-	-	540,000	540,000	-	-
WESTERN CAPE GOVERNMENT	-	-	-	-	(501,079)	(501,079)	-	-	-	501,079	501,079	-	-
WESTERN CAPE GOVERNMENT	-	-	-	-	(307,906)	(307,906)	-	-	-	307,906	307,906	-	-
CAPE WINELANDS DISTRICT MUNICIPALITY	-	-	-	-	(559,060)	(559,060)	-	-	-	559,060	559,060	-	-
VESTING TRANSFERS	-	-	-	-	(7,000)	(7,000)	-	-	-	7,000	7,000	-	-
DEVELOPERS CONTRIBUTION	-	-	-	-	(39,429,172)	(39,429,172)	-	-	-	39,429,172	39,429,172	-	-
	(363,572)	-	-	-	(47,625,044)	(47,988,616)	-	-	-	47,625,044	47,625,044	-	(363,572)
Total	(11,211,654)	(132,352,511)	(456,622,845)	(53,930,000)	(53,449,422)	(707,566,432)	103,226,793	263,723,165	54,175,721	268,510,201	689,635,880	390,510	(17,540,042)