



# **AUDITED ANNUAL FINANCIAL STATEMENTS**

## **for the year ended 30 June 2017**

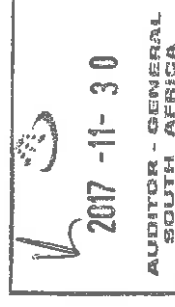
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“A City of Excellence”



## TABLE OF CONTENTS

<u>NR</u>	<u>CONTENT</u>	<u>PAGE</u>
1.	GENERAL INFORMATION	1 - 3
2.	APPROVAL OF FINANCIAL STATEMENTS	4
3.	STATEMENT OF FINANCIAL POSITION	5
4.	STATEMENT OF FINANCIAL PERFORMANCE	6
5.	CASH FLOW STATEMENT	7
6.	STATEMENT OF CHANGES IN NET ASSETS	8
7.	STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS	9 – 11
8.	ACCOUNTING POLICIES	12 – 57
9.	NOTES APPLYING TO ANNUAL FINANCIAL STATEMENTS	58 – 107
10.	APPENDICES	
A)	SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2017	108
B1)	RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE (REVENUE AND EXPENDITURE BY STANDARD CLASSIFICATION)	109
B2)	RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE (REVENUE AND EXPENDITURE BY MUNICIPAL VOTE)	110
B3)	RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE (REVENUE AND EXPENDITURE)	111
B4)	RECONCILIATION OF BUDGETED CAPITAL EXPENDITURE BY VOTE, STANDARD CLASSIFICATION AND FUNDING	112 - 113
B5)	RECONCILIATION OF BUDGETED CASH FLOW	114
C)	DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF THE MFMA, 56 OF 2003	115 – 116



**GENERAL INFORMATION**

**MEMBERS OF THE EXECUTIVE MAYORAL COMMITTEE**


<b><u>COUNCILLOR</u></b>	<b><u>PORTFOLIO</u></b>
<b>CJ POOLE</b>	EXECUTIVE MAYOR AND CHAIR PERSON OF MAYORAL COMMITTEE
<b>G COMBRINK</b>	DEPUTY EXECUTIVE MAYOR & MAYORAL COMMITTEE MEMBER OF FINANCE PORTFOLIO COMMITTEE , CHAIRPERSON FINANCE COMMITTEE
<b>R ANDREAS</b>	MAYORAL COMMITTEE MEMBER (RURAL DEVELOPMENT)
<b>F JACOBS</b>	MAYORAL COMMITTEE MEMBER OF SOCIAL SERVICES
<b>L WILLEMSE</b>	MAYORAL COMMITTEE MEMBER HUMAN SETTLEMENTS AND PROPERTY DEVELOPMENT
<b>C KEARNS</b>	MAYORAL COMMITTEE MEMBER OF ENVIROMENT AND OPEN SPACES
<b>P MAKOENA</b>	MAYORAL COMMITTEE MEMBER OF CORPORATE SERVICES
<b>R SMUTS</b>	MAYORAL COMMITTEE MEMBER OF PUBLIC SAFETY
<b>R VAN NIEUWENHUIZEN</b>	MAYORAL COMMITTEE MEMBER OF COMMUNICATION AND INTERGOVERNMENTAL RELATIONS
<b>K LE ROUX</b>	MAYORAL COMMITTEE MEMBER OF ENGINEERING SERVICES
<b>J MILLER</b>	MAYORAL COMMITTEE MEMBER OF PLANNING & ECONOMIC DEVELOPMENT AND TOURISM
<b>L VAN NIEKERK</b>	MAYORAL COMMITTEE MEMBER OF RECREATION, ARTS AND CULTURE

AUDITOR - GENERAL  
SOUTH AFRICA  
2017 -11- 30  

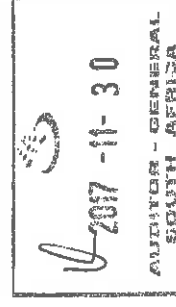

## COUNCIL MEMBERS

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

I certify that the remuneration, allowances and benefits of the above Councillors as disclosed in note 31 of the Annual Financial Statements are within the upper limits of the framework envisaged in section 219 of the constitution, read with the Remuneration of Public Office Bearers Act and the Minister of Provincial and Local Governments determination in accordance with this Act.

  
**DR JH LEIBBRANDT**  
**MUNICIPAL MANAGER**

31 August 2017



**MEMBERS OF THE AUDIT COMMITTEE**

MR R KINGWILL  
DR WJ SEWELL  
MS K MONTGOMERY  
MR T ARENDSE

CHAIRPERSON  
MEMBER  
MEMBER  
MEMBER

**GENERAL INFORMATION**

AUDITORS  
BANKERS  
REGISTERED OFFICE  
PHYSICAL ADDRESS  
  
POSTAL ADDRESS  
  
TELEPHONE  
FAX  
MUNICIPAL MANAGER  
CHIEF FINANCIAL OFFICER  
EXECUTIVE MAYOR  
EXECUTIVE DEPUTY MAYOR  
SPEAKER

THE AUDITOR-GENERAL OF SOUTH AFRICA  
NEDBANK LIMITED  
DRAKENSTEIN MUNICIPALITY  
BERG RIVER BOULEVARD  
PAARL  
7622  
P O BOX 1  
PAARL  
7646  
(021) 807 - 4500  
(021) 872 - 8054  
DR JH LEIBBRANDT  
MR J CARSTENS  
COUNCILLOR CJ POOLE  
COUNCILLOR G COMBRINK  
COUNCILLOR AC STOWMAN

**EXECUTIVE MANAGEMENT**

MUNICIPAL MANAGER  
EXECUTIVE MANAGER: CORPORATE SERVICES  
CHIEF FINANCIAL OFFICER  
EXECUTIVE MANAGER: PLANNING & ECONOMIC DEVELOPMENT  
EXECUTIVE MANAGER: INFRASTRUCTURE SERVICES  
EXECUTIVE MANAGER: COMMUNITY SERVICES

DR JH LEIBBRANDT  
MR S JOHAAR  
MR J CARSTENS  
MRS L WARING  
MR D HATTINGH  
MR G BOSHOFF




**APPROVAL OF FINANCIAL STATEMENTS**

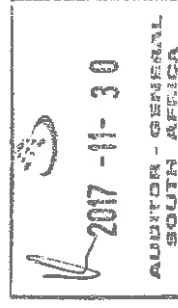
I am responsible for the preparation of these Annual Financial Statements, which are set out on

Pages 1 to 107, in terms of Section 126(1) of the Municipal Finance Management Act

(Act No 56 of 2003) and which I have signed on behalf of the municipality.

  
**DR JH LEIBBRANDT**  
**MUNICIPAL MANAGER**

31 August 2017



**DRAKENSTEIN MUNICIPALITY**  
**STATEMENT OF FINANCIAL POSITION**  
**AT 30 JUNE 2017**

	Note	2017	2016
		R	Restated R
<b>ASSETS</b>			
<b>Non-current assets</b>		<b>5,049,816,268</b>	<b>4,690,215,485</b>
Property, Plant and Equipment	11	4,972,858,992	4,595,395,496
Heritage assets	14	27,542,700	27,542,700
Intangible assets	12	6,464,390	6,649,854
Investment property	13	40,650,000	57,430,000
Non-current investments	15	132,990	393,475
Non-current receivables from exchange transactions	16	2,167,195	2,803,961
<b>Current assets</b>		<b>665,381,675</b>	<b>633,368,706</b>
Inventory	17	28,070,108	19,756,470
Trade and other receivables from exchange transactions	19	234,189,002	198,612,518
Receivables from non-exchange transactions	20	74,580,052	72,337,820
Current portion of non-current receivables	16	320,176	349,909
Cash and cash equivalents	21	289,280,521	324,705,061
VAT receivable	18	38,941,816	17,606,929
<b>Total Assets</b>		<b>5,715,197,943</b>	<b>5,323,584,191</b>
<b>NET ASSETS AND LIABILITIES</b>			
<b>Non-current liabilities</b>		<b>1,309,659,085</b>	<b>1,050,502,689</b>
Borrowings	5	1,029,648,672	768,548,875
Non-current defined benefit obligations	6	110,360,000	121,978,000
Non-current provisions	7	167,585,754	157,994,385
Non-current finance lease liability	5	2,064,660	1,981,429
<b>Current liabilities</b>		<b>535,675,618</b>	<b>486,630,812</b>
Consumer deposits	8	37,806,852	33,951,535
Trade and other payables from exchange transactions	9	252,471,509	225,297,003
Unspent conditional grants and receipts	10	50,601,266	43,946,325
Current portion of non-current borrowings	5	160,839,692	134,288,458
Current portion of finance lease liabilities	5	1,924,571	1,080,956
VAT payable (Control)	18	0	222,482
Current defined benefit obligations	6	7,144,000	7,469,000
Current provisions	7	24,887,727	40,375,051
<b>Net assets</b>		<b>3,869,863,240</b>	<b>3,786,450,691</b>
Reserves and funds	3	1,287,644,331	1,320,315,451
Housing development fund	2	24,102,259	20,144,124
Accumulated surplus / (deficit)	4	2,558,116,650	2,445,991,116
<b>Total Net Assets and Liabilities</b>		<b>5,715,197,943</b>	<b>5,323,584,191</b>


2017 -11- 30

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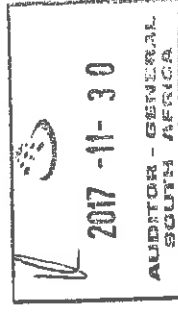
**DRAKENSTEIN MUNICIPALITY  
STATEMENT OF FINANCIAL PERFORMANCE  
FOR THE YEAR ENDED 30 JUNE 2017**

	Note	2017	2016
		R	Restated R
<b>REVENUE</b>			
<b>Revenue from exchange transactions</b>			
Service charges	23	1,256,863,907	1,163,136,561
Sale of Goods and Rendering of Services	24	12,115,073	13,524,518
Rental from fixed assets	25	27,518,658	24,468,307
Finance income and dividends	26	36,716,831	30,414,008
Operational revenue (exchange)	29	19,869,275	2,858,823
<b>Revenue from non-exchange transactions</b>			
Property rates	22	224,772,167	208,032,753
Surcharges and taxes		1,356,616	1,076,449
Fines, penalties and forfeits	27	66,815,216	52,589,650
Licences and permits		17,333,829	15,856,836
Transfers and subsidies	28	219,228,804	204,670,166
Operational revenue ( non - exchange)	29	440,748	717,800
<b>Total Revenue</b>		<b>1,883,031,124</b>	<b>1,717,345,872</b>
<b>EXPENDITURE</b>			
Employee related cost	30	458,902,739	428,697,279
Councillor related costs	31	26,343,238	21,053,960
Depreciation and amortisation	33	176,925,836	172,647,287
Operating leases		15,774,551	14,229,405
Interest paid	35	93,989,644	76,579,560
Bulk purchases : water	36	23,623,213	33,971,210
Bulk purchases : electricity	36	635,415,938	592,626,886
Contracted services	37	163,232,959	127,932,929
Inventory		37,939,284	37,981,620
Transfers and subsidies : operational expenditure		5,488,776	4,875,157
Operational cost	38	62,135,054	91,769,034
<b>Total Expenditure</b>		<b>1,699,771,232</b>	<b>1,602,364,326</b>
<b>GAINS AND LOSSES</b>			
Impairment losses on financial assets	32	102,784,454	84,493,556
Impairment losses on PPE, IA, IP & HA	34	48,796	0
(Gains)/losses on disposal of PPE, IA, IP & HA		10,792,454	2,673,381
Fair value adjustments Financial Assets		3,472	36,487
Fair value adjustments Investment Property		(3,070,000)	(2,550,000)
(Gains)/losses on Inventory		345,878	34,301
Gains from assets from non-exchange transactions		(7,993,136)	(17,056,978)
		<b>102,911,918</b>	<b>67,630,747</b>
<b>Surplus / (Deficit) from continued operations</b>		<b>80,347,974</b>	<b>47,350,799</b>
<b>Total Surplus / (Deficit) from operations</b>		<b>80,347,974</b>	<b>47,350,799</b>

  
**2017 -11- 30**  
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**DRAKENSTEIN MUNICIPALITY  
CASH FLOW STATEMENT  
FOR THE YEAR ENDED 30 JUNE 2017**

	Note	2017	2016
		R	Restated R
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
<b>RECEIPTS</b>			
Property rates		226,527,649	207,369,241
Sale of goods and services		1,142,091,383	1,078,161,964
Grants received		225,883,745	205,237,086
Interest received		36,701,711	30,398,888
Dividends received		15,120	15,120
Other receipts and fines received		107,100,566	71,755,853
<b>PAYMENTS</b>			
Employee cost		(485,245,977)	(449,751,239)
Suppliers		(930,282,832)	(841,948,953)
Interest paid		(93,989,644)	(76,579,560)
VAT paid		(21,557,370)	(2,004,358)
<b>NET CASH FROM OPERATING ACTIVITIES</b>	39	<b>207,244,351</b>	<b>222,654,042</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment and intangible assets		(535,995,862)	(329,375,483)
Proceeds on disposal of property, plant and equipment		0	3,936,341
Decrease/(Increase) in non-current receivables		636,765	521,630
(Decrease)/Increase in non current investment		257,013	0
<b>NET CASH FROM INVESTING ACTIVITIES</b>		<b>(535,102,084)</b>	<b>(324,917,512)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
(Decrease) / Increase in long-term liabilities		287,651,031	161,598,399
Increase in consumer deposits		3,855,317	2,782,081
Increase/(Decrease) in Financial Lease Liability		926,846	3,062,385
<b>NET CASH FROM FINANCING ACTIVITIES</b>		<b>292,433,194</b>	<b>167,442,865</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>(35,424,540)</b>	<b>65,179,395</b>
Cash and cash equivalents at the beginning of the year	21	324,705,061	259,525,666
Cash and cash equivalents at the end of the year	21	289,280,521	324,705,061





2017 -11- 30

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**DRAKENSTEIN MUNICIPALITY  
STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2017**

	Note Ref.	Housing Development Fund		Revaluation Reserve		Total Accumulated Surplus		Total	
		R	R	R	R	R	R	R	R
<b>OPENING BALANCES 30 JUNE 2015</b>		<b>17,107,562</b>	<b>1,350,881,639</b>		<b>2,362,155,942</b>		<b>3,730,145,143</b>		
<b>PRIOR YEAR ADJUSTMENTS</b>									
Correction of stale cheques	40(b)(w)(a)	0	0	0	96,198	96,198	96,198		
Correction of lease liability	40(b)(w)(d)	0	0	0	1,337	1,337	1,337		
Correction of incorrect levied electricity	40(b)(w)(e)	0	0	0	(3,782,126)	(3,782,126)	(3,782,126)		
Correction of traffic fines	40(b)(w)(f)	0	0	0	(23,389)	(23,389)	(23,389)		
Correction of lease asset	40(b)(w)(g)	0	0	0	(1,461)	(1,461)	(1,461)		
Correction of assets	40(b)(w)(h)	0	(2,173,346)	(2,173,346)	983,301	(1,190,045)	(1,190,045)		
Correction of electricity deposit	40(b)(w)(i)	0	0	0	(4,198,050)	(4,198,050)	(4,198,050)		
Correction of integration error	40(b)(w)(j)	0	0	0	20,556	20,556	20,556		
Correction of Council condemnation	40(b)(w)(k)	0	0	0	(14,475)	(14,475)	(14,475)		
Correction of grants	40(b)(w)(l)	0	0	0	14,970,936	14,970,936	14,970,936		
Correction of consumer deposit	40(b)(w)(m)	0	0	0	3,230	3,230	3,230		
<b>RESTATED OPENING BALANCES 30 JUNE 2015</b>		<b>17,107,562</b>	<b>1,348,708,293</b>		<b>2,370,211,998</b>		<b>3,736,027,854</b>		
<b>2016</b>									
Restated net surplus/(deficit) for the year		0	0	0	47,350,799	47,350,799	47,350,799		
Asset Disposals		0	(3,416,166)	(3,416,166)	3,416,166	0	0		
Transfer to Housing Development Fund		3,036,563	0	0	35,476	35,476	3,072,039		
Offsetting of Depreciation		0	(24,976,677)	(24,976,677)	24,976,677	0	0		
<b>RESTATED BALANCE AT 30 JUNE 2016</b>		<b>20,144,124</b>	<b>1,320,315,451</b>		<b>2,445,991,116</b>		<b>3,786,450,692</b>		
<b>2017</b>									
Net surplus/(deficit) for the year		0	0	0	80,347,974	80,347,974	80,347,974		
Asset Disposals		0	(7,849,824)	(7,849,824)	7,849,824	0	0		
Transfer to Housing Development Fund		3,958,134	0	0	(893,558)	(893,558)	3,064,576		
Offsetting of Depreciation		0	(24,821,295)	(24,821,295)	24,821,295	0	0		
<b>BALANCE AT 30 JUNE 2017</b>		<b>24,102,259</b>	<b>1,287,644,332</b>		<b>2,558,116,652</b>		<b>3,869,853,241</b>		
<b>NOTE REFERENCE</b>		<b>2</b>	<b>3</b>	<b>4</b>					



  
**2017 -11-30**  
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 2017-11-30  
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**DRAKENSTEIN MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2017**

DESCRIPTIONS	Original Budget	Budget Adjustments	Total Budget	Final Adjustments	Final Budget	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Original Budget as % of Actual Outcome
<b>FINANCIAL POSITION</b>											
Inventories	24,817,591	2,999,989	27,817,580	27,817,590	27,817,590	28,070,108	252,518	100.91%	113.11%	100.91%	113.11%
Receivables from Exchange Transactions	190,445,812	30,000,000	220,445,812	220,445,812	220,445,812	234,189,002	13,743,190	106.23%	122.97%	106.23%	122.97%
Receivables from Non-exchange Transactions	53,529,740	58,470,260	112,000,000	112,000,000	112,000,000	74,580,052	(37,419,948)	66.58%	139.32%	66.58%	139.32%
VAT Receivable	0	0	0	0	0	38,941,816	38,941,816	0.00%	0.00%	0.00%	0.00%
Cash and Cash Equivalents	185,974,801	105,810,614	291,785,415	291,785,415	291,785,415	289,280,521	(2,504,895)	99.14%	155.55%	99.14%	155.55%
Current Portion of Long-term Receivables	251,000	74,000	325,000	325,000	325,000	320,176	(4,824)	98.52%	127.56%	98.52%	127.56%
<b>Non-Current Assets</b>											
Property, Plant and Equipment	5,151,002,711	(300,482,571)	4,850,520,140	4,850,520,140	4,850,520,140	4,972,858,992	122,338,852	102.52%	96.54%	102.52%	96.54%
Intangible Assets	7,047,119	(371,399)	6,675,720	6,675,720	6,675,720	6,464,390	(211,330)	96.83%	91.73%	96.83%	91.73%
Investment Property	93,057,000	(35,627,000)	57,430,000	57,430,000	57,430,000	40,650,000	(16,780,000)	70.78%	43.68%	70.78%	43.68%
Heritage Assets	146,153	(13,163)	132,990	132,990	132,990	132,990	0	100.00%	90.99%	100.00%	90.99%
Non-current Investments	0	27,542,700	27,542,700	27,542,700	27,542,700	27,542,700	0	100.00%	168.53%	100.00%	168.53%
Long-term Receivables	1,285,946	1,000,000	2,285,946	2,285,946	2,285,946	2,167,195	(118,750)	94.81%	100.13%	94.81%	100.13%
<b>Total Assets</b>	<b>5,707,557,872</b>	<b>(110,596,559)</b>	<b>5,596,961,313</b>	<b>5,596,961,313</b>	<b>5,596,961,313</b>	<b>5,715,197,943</b>	<b>118,236,630</b>	<b>102.11%</b>	<b>100.13%</b>	<b>102.11%</b>	<b>100.13%</b>
<b>Current Liabilities</b>											
Consumer Deposits	32,113,317	4,000,000	36,113,317	36,113,317	36,113,317	37,806,852	1,693,535	104.69%	117.73%	104.69%	117.73%
Provisions	49,289,573	(15,000,000)	34,289,573	34,289,573	34,289,573	24,887,727	(9,401,846)	72.68%	50.49%	72.68%	50.49%
Unspent Conditional Grants and Receipts	0	0	0	0	0	50,601,266	50,601,266	0.00%	200.25%	0.00%	200.25%
VAT Payable	0	0	0	0	0	0	0	0.00%	0.00%	0.00%	0.00%
Retirement Benefit Liabilities - short term portion	0	0	0	0	0	7,144,000	7,144,000	0.00%	0.00%	0.00%	0.00%
Current Portion of Long-term Liabilities	155,364,411	5,475,281	160,839,692	160,839,692	160,839,692	160,839,692	(0)	100.00%	103.52%	100.00%	103.52%
Current Portion of Finance leases	0	0	0	0	0	2,064,660	2,064,660	0.00%	0.00%	0.00%	0.00%
Non-Current Liabilities	1,139,369,990	(98,194,001)	1,041,175,989	1,041,175,989	1,041,175,989	1,029,648,672	(11,527,317)	98.89%	90.37%	98.89%	90.37%
Long-term Liabilities	0	0	0	0	0	0	0	0.00%	0.00%	0.00%	0.00%
Retirement Benefit Liabilities	0	0	0	0	0	110,960,000	110,960,000	0.00%	0.00%	0.00%	0.00%
Non-current Provisions	310,866,680	(34,000,000)	276,866,680	276,866,680	276,866,680	167,565,754	(109,300,926)	60.53%	53.91%	60.53%	53.91%
Finance lease liability	0	0	0	0	0	1,924,571	1,924,571	0.00%	0.00%	0.00%	0.00%
<b>Total Liabilities</b>	<b>1,813,104,365</b>	<b>67,501,386</b>	<b>1,880,605,751</b>	<b>1,880,605,751</b>	<b>1,880,605,751</b>	<b>1,845,334,703</b>	<b>(35,271,048)</b>	<b>98.12%</b>	<b>101.78%</b>	<b>98.12%</b>	<b>101.78%</b>
<b>Total Assets and Liabilities</b>	<b>3,894,453,507</b>	<b>(178,097,945)</b>	<b>3,716,355,562</b>	<b>3,716,355,562</b>	<b>3,716,355,562</b>	<b>3,869,863,241</b>	<b>153,507,678</b>	<b>104.13%</b>	<b>99.37%</b>	<b>104.13%</b>	<b>99.37%</b>
<b>Net Assets (Equity)</b>											
Statutory Funds	0	0	0	0	0	24,102,259	24,102,259	0.00%	0.00%	0.00%	0.00%
Reserves	2,281,995,003	(201,068,383)	2,080,926,620	2,080,926,620	2,080,926,620	1,287,644,331	(793,282,289)	61.88%	56.43%	61.88%	56.43%
Accumulated Surplus / (Deficit)	1,612,458,504	22,970,438	1,635,428,942	1,635,428,942	1,635,428,942	2,558,118,650	922,687,708	156.42%	158.65%	156.42%	158.65%
<b>Total Net Assets</b>	<b>3,894,453,507</b>	<b>(178,097,945)</b>	<b>3,716,355,562</b>	<b>3,716,355,562</b>	<b>3,716,355,562</b>	<b>3,869,863,240</b>	<b>153,507,678</b>	<b>104.13%</b>	<b>99.37%</b>	<b>104.13%</b>	<b>99.37%</b>

DESCRIPTIONS	Original Budget	Total Budget	Budget Adjustments	Final Adjustments	Shifting of funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Original Budget as % of Actual Outcome
<b>FINANCIAL PERFORMANCE</b>												
Revenue from Non-exchange Transactions	223,574,211	223,574,211	0	223,574,211	0	0	223,574,211	223,762,258	237,762,258	14,188,047	106.35%	106.35%
Property Rates	1,471,979	1,471,979	0	1,471,979	0	0	1,471,979	1,356,616	1,356,616	(115,363)	92.16%	92.16%
Property Rates - Penalties imposed and collection charges	0	0	0	0	0	0	0	0	0	0	0.00%	0.00%
Fines	53,627,226	53,627,226	0	53,627,226	0	0	53,627,226	66,815,216	66,815,216	(9,630,599)	87.40%	124.59%
Licences and Permits	15,428,932	15,428,932	0	15,428,932	0	0	15,428,932	17,333,829	17,333,829	1,904,897	112.35%	112.35%
Transfers recognised - operational	182,601,418	182,601,418	(6,219,122)	177,382,296	0	0	177,382,296	158,678,744	158,678,744	(18,703,552)	89.46%	86.90%
Revenue from Exchange Transactions	1,404,527,143	1,404,527,143	0	1,404,527,143	0	0	1,404,527,143	1,421,811,181	1,421,811,181	17,284,038	101.23%	101.23%
Service Charges	25,207,408	25,207,408	36,159	25,243,567	(36,159)	0	25,207,408	27,479,590	27,479,590	2,272,182	109.01%	109.01%
Rental of Facilities and Equipment	15,384,880	15,384,880	4,000,000	19,384,880	15,120	0	19,400,000	22,070,191	22,070,191	2,670,191	113.76%	143.45%
Interest Earned - External Investments	12,064,761	12,064,761	(36,159)	12,028,602	0	0	12,028,602	14,648,759	14,648,759	2,620,157	121.78%	121.42%
Dividends Received	15,120	15,120	0	15,120	(15,120)	0	0	0	0	0	0.00%	0.00%
Other Revenue	20,287,950	20,287,950	1,079,000	21,366,950	0	0	21,403,109	41,458,850	41,458,850	20,055,741	193.70%	204.35%
Gains on Disposal of Property, Plant and Equipment	250,000	250,000	0	250,000	0	0	250,000	0	0	(250,000)	0.00%	0.00%
<b>Total Revenue</b>	<b>1,954,441,028</b>	<b>22,678,466</b>	<b>1,977,119,494</b>	<b>1,977,119,494</b>	<b>(36,159)</b>	<b>0</b>	<b>1,977,119,494</b>	<b>2,009,415,236</b>	<b>32,295,742</b>	<b>1.61%</b>	<b>102.81%</b>	
<b>Expenditure</b>												
Employee Related Costs	477,652,266	(14,676,683)	462,975,583	452,967,579	0	0	452,967,579	452,967,579	452,967,579	6,756,087	98.53%	94.83%
Remuneration of Councilors	23,967,168	3,221,143	27,188,311	26,785,411	0	0	26,785,411	26,328,161	26,328,161	457,250	98.29%	109.85%
Finance Charges	89,108,928	6,619,760	95,728,688	95,728,688	0	0	95,728,688	188,506,432	176,925,836	11,580,596	93.86%	92.87%
Bulk Purchases	629,717,315	0	629,717,315	635,717,315	0	0	635,717,315	93,989,644	93,989,644	1,739,044	98.18%	105.48%
Contracted Services	159,467,959	13,889,259	173,357,218	173,357,218	0	0	173,357,218	157,664,069	157,664,069	301,377	99.95%	100.90%
Transfers and grants	736,170	5,418,613	6,154,783	476,170	0	0	476,170	472,070	472,070	4,100	90.95%	98.87%
Debt Impairment	30,690,153	104,619,153	104,619,153	104,619,153	0	0	104,619,153	102,784,454	102,784,454	1,834,699	98.25%	139.03%
Other Expenditure	400,821,257	(30,227,707)	370,593,550	364,162,426	0	0	364,162,426	345,111,558	345,111,558	19,050,868	94.77%	86.10%
Loss on Disposal of Property, Plant and Equipment	2,000,000	0	2,000,000	10,841,250	0	0	10,841,250	10,841,250	10,841,250	2,923,305	78.76%	542.06%
<b>Total Expenditure</b>	<b>2,047,906,494</b>	<b>14,934,538</b>	<b>2,062,841,032</b>	<b>2,062,841,034</b>	<b>0</b>	<b>0</b>	<b>2,062,841,034</b>	<b>2,002,500,560</b>	<b>60,340,474</b>	<b>97.07%</b>	<b>97.78%</b>	
<b>Surplus/(Deficit)</b>	<b>(93,465,466)</b>	<b>7,743,928</b>	<b>(85,721,538)</b>	<b>(85,721,540)</b>	<b>0</b>	<b>0</b>	<b>(85,721,540)</b>	<b>6,914,676</b>	<b>92,336,216</b>	<b>1339.70%</b>	<b>-7.40%</b>	
Transfers Recognised - Capital	57,546,082	7,933,785	65,479,867	65,479,867	0	0	65,479,867	65,440,162	65,440,162	(39,705)	99.94%	113.72%
Contributed assets	0	0	0	0	0	0	0	0	0	0	0.00%	0.00%
Contributions Recognised - Capital and Contributed Assets	57,546,082	7,933,785	65,479,867	65,479,867	0	0	65,479,867	65,440,162	65,440,162	(39,705)	99.94%	113.72%
<b>Surplus/(Deficit) for the Year</b>	<b>(35,919,384)</b>	<b>15,677,713</b>	<b>(20,241,671)</b>	<b>(20,241,673)</b>	<b>0</b>	<b>0</b>	<b>(20,241,673)</b>	<b>80,347,974</b>	<b>100,589,647</b>	<b>125.19%</b>	<b>-223.69%</b>	

  
 2017 - 11 - 30  
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DESCRIPTIONS	Original Total Budget	Budget Adjustments	Final Adjustments	Shifting of funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Original Budget as % of Actual Outcome
Executive and Council	15,989,907	(10,596,420)	5,393,487	0	(224,349)	5,169,138	5,020,531	0	(148,607)	97.13%	31.40%
Budget and Treasury Office	0	438,913	438,913	0	0	438,913	438,471	0	(442)	99.90%	0.00%
Corporate Services	13,368,752	11,303,210	24,671,962	0	(2,410,814)	22,261,148	22,105,293	0	(155,855)	99.30%	165.35%
Planning and Development	537,500	773,268	1,310,768	0	0	1,310,768	1,298,746	0	(12,022)	99.08%	241.63%
Environmental Protection	370,500	220,981	591,481	0	0	591,481	591,439	0	(42)	99.99%	159.63%
Community and Social Services	8,135,500	(1,099,319)	7,036,181	0	0	7,036,181	6,966,701	0	(469,480)	93.33%	80.72%
Housing	1,600,000	597,040	2,197,040	0	(244,406)	1,952,634	1,952,634	0	0	100.00%	122.04%
Public Safety	2,640,000	4,657,985	7,497,985	0	0	7,497,985	7,470,284	0	(27,701)	99.63%	282.97%
Sport and Recreation	21,107,991	(653,590)	20,454,401	0	0	20,454,401	20,179,288	0	(275,113)	98.65%	95.60%
Waste Management	5,625,000	552,439	6,177,439	0	(730,591)	5,446,848	5,353,592	0	(93,256)	98.29%	95.17%
Waste Water Management	206,656,631	(18,317,710)	188,338,921	0	2,828,724	191,167,645	191,144,431	0	(23,214)	99.99%	92.49%
Road Transport	65,327,542	2,689,525	68,017,067	0	(82,889)	67,924,178	67,895,159	0	(29,019)	99.96%	103.93%
Water	149,616,142	(27,388,029)	122,228,113	0	2,275,264	124,503,377	124,472,320	0	(31,057)	99.98%	83.19%
Electricity	101,498,977	(9,780,540)	91,718,437	0	(1,400,939)	90,317,498	89,870,819	0	(446,679)	99.51%	88.64%
Other	0	0	0	0	0	0	0	0	0	0.00%	0.00%
<b>Total Sources of Capital Funds</b>	<b>592,474,442</b>	<b>(46,402,247)</b>	<b>546,072,195</b>	<b>0</b>	<b>0</b>	<b>546,072,195</b>	<b>544,359,708</b>	<b>0</b>	<b>(1,712,487)</b>	<b>99.69%</b>	<b>91.88%</b>
<b>CASH FLOW</b>											
Cash Flows from/(used in) Operating Activities	241,685,298	(78,365,390)	163,319,908	0	0	163,319,908	207,244,351	0	43,924,442	126.89%	85.75%
Cash Flows from/(used in) Investing Activities	(574,436,209)	46,738,075	(527,698,134)	0	0	(527,698,134)	(535,102,084)	0	(7,403,950)	101.40%	83.15%
Cash Flows from/(used in) Financing Activities	377,737,023	(83,109,858)	294,627,165	0	0	294,627,165	292,433,194	0	(2,193,972)	99.26%	77.42%
Cash/Cash equivalents at the year begin:	44,986,113	(114,737,173)	(69,751,060)	0	0	(69,751,060)	(35,424,540)	0	34,326,520	50.79%	-78.75%
Cash/Cash equivalents at the year end:	140,986,688	220,547,787	361,536,475	0	0	361,536,475	324,705,061	0	324,705,061	89.81%	230.31%
	185,974,801	105,810,614	291,785,415	0	0	291,785,415	289,280,521	0	359,031,581	99.14%	155.55%

## DRAKENSTEIN MUNICIPALITY

### SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

#### 1. BASIS OF PRESENTATION

The annual financial statements were prepared in accordance with 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 No 56 of 2003).

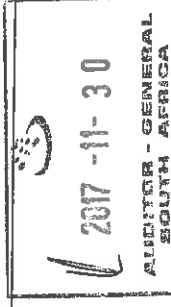
The annual financial statements were prepared on the accrual basis of accounting and incorporate the historical cost conventions as the basis of measurement, except where specified otherwise.

In the absence of an 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.

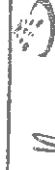
The principal accounting policies, applied in the preparation of the annual financial statements, are set out below. These accounting policies are consistent with those applied in the preparation of the prior year annual financial statements, unless specified otherwise. Details of any changes in the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

These standards are summarised as follows:

Reference	Topic
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 19	Provisions, Contingent Liabilities and Contingent Assets
GRAP 21	Impairment of Non-cash-generating Assets
GRAP 23	Revenue from Non-exchange Transactions
GRAP 24	Presentation of Budget Information in Financial Statements
GRAP 25	Employee Benefits - issued December 2009
GRAP 26	Impairment of Cash-generating Assets
GRAP 27	Agriculture
GRAP 31	Intangible Assets
GRAP 100	Discontinued Operations
GRAP 103	Heritage Assets
GRAP 104	Financial Instruments
GRAP 105	Transfers of Functions Between Entities Under Common Control
GRAP 106	Transfers of Functions Between Entities Not Under Common Control
GRAP 107	Mergers
IFRS 4	Insurance contracts
IFRS 6	Exploration for and evaluation of mineral resources
IAS 12	Income taxes
IGRAP 1	Applying the probable 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 Interest Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
IGRAP 5	Applying the Restatement Approach under the Standard of GRAP on Financial Reporting in Hyperinflationary Economies
IGRAP 6	Loyalty Programmes
IGRAP 7	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
IGRAP 8	Agreements for the construction of Assets from Exchange Transactions
IGRAP 9	Distributions of Non-cash Assets to Owners
IGRAP 10	Assets Received from Customers
IGRAP 11	Consolidations – Special Purpose Entities
IGRAP 12	Jointly Controlled Entities – Non-monetary Contributions by Ventures
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
IFRIC 12	Service concession arrangements
IFRIC 21	Levies



2017 -11- 30

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SIC 25	Income taxes – Changes in the status of an enterprise or its shareholders
SIC 29	Disclosure service concession
Directive 1	Repeal of existing transitional provisions in, and consequential amendments to, standards of GRAP
Directive 3	Transitional provisions for high capacity municipalities
Directive 5	Determine the GRAP reporting framework
Directive 7	The Application of Deemed Cost
Directive 11	Changes in the Measurement Bases Following the Initial Adoption of the Standards of GRAP
ASB Guide 1	Guideline on accounting for public private partnerships

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

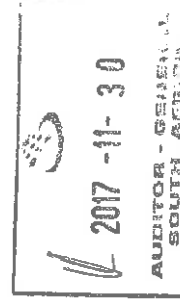
Accounting policies for material transactions, events or conditions not covered by the above GRAP standards have been developed in accordance with GRAP 3. Where required, accounting policies were developed for standards of GRAP that have been issued by the Accounting Standards Board, but for which an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

## 2. STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

Reference	Topic
GRAP 18	Segment Reporting - issued March 2005
GRAP 20	Related Party Disclosures (Revised)
GRAP 32	Service Concession Arrangement Grantor
GRAP 108	Statutory Receivables
GRAP 109	Accounting by Principals and Agents
IGRAP 17	Service Concession Arrangements Where a Grantor Controls a Significant Residual Interest in an Asset

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



The ASB 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 Standard 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.

### **3. PRESENTATION CURRENCY**

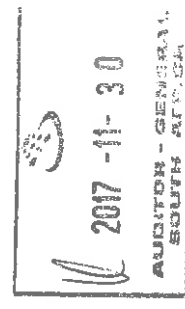
These annual financial statements are presented in South African Rand and are rounded off to the nearest Rand.

### **4. GOING CONCERN ASSUMPTION**

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

### **5. 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.



## 6. COMPARATIVE INFORMATION AND BUDGET INFORMATION

### 6.1 Current year comparatives

The annual budget figures have been prepared in accordance with the GRAP standard and are consistent with the accounting policies adopted by the Council for the preparation of these financial statements. The amounts are scheduled as a separate additional financial statement, called the Statement of Comparison of Budget and Actual amounts. Explanatory comment is provided in the notes to the annual financial statements giving motivations for over- or under spending on line items where it is found to be material. The annual budget figures included in the 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 1 July 2016 to 30 June 2017.

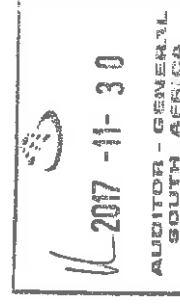
In general a difference of 10% or more is considered material, although the surrounding circumstances are taken into account if it could influence the decisions or assessments of the users of the financial statements in determining whether a difference between the budgeted and actual amount is material.

### 6.2 Prior year comparatives

The comparative figures of one prior period disclosed. When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are reclassified. The nature and reasons for the reclassification are disclosed.

## 7. HOUSING DEVELOPMENT FUND

The Housing Development Fund was established in terms of the Housing Act (Act No. 107 of 1997).



## 7.1 Housing Development Fund

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

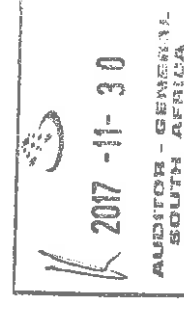
The Housing Act also requires in terms of Section 14(4) (d) (ii) (aa), read with, *inter alia*, Section 16(2), that the net proceeds of any letting, sale or alienation of property, previously financed from government housing funds, be paid into a separate operating account, and be utilised by the Municipality for housing 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 are shown as transfers in the Statement of Changes in Net Assets.
- Interest earned on the investments of the fund is disclosed as interest earned in the Statement of Financial Performance.

## 7.2 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.



## **8. INTERNAL RESERVES AND REVALUATION RESERVE**

### **8.1 Insurance Reserve**

A general Insurance Reserve has been established and, subject to re-insurance where deemed necessary, it covers claims not covered by external insurance. Premiums are charged to the respective services taking into account claims history and replacement value of the insured assets.

Insurance premiums paid to external insurers are regarded as an expense and are shown as such in the Statement of Financial Performance. The net surplus or deficit on the insurance operating account is transferred to or from the insurance reserve via the Statement of Changes in Net Assets.

The cash in the municipal bank or investment account, as per cash and cash equivalents in the Statement of Financial Position, is ring-fenced and can only be utilised to finance items of property, plant and equipment.

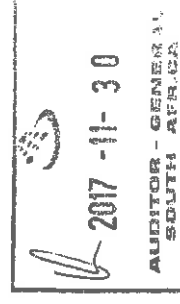
### **8.2 Revaluation Reserve**

The surplus arising from the revaluation of land and buildings is credited to a non-distributable reserve. The revaluation surplus is realised as re-valued 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 re-valued amounts are credited or charged to the Statement of Financial Performance.

## **9. PROVISIONS**

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

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



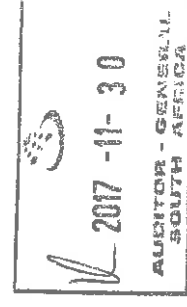
entity, supplemented by experience of similar transactions and, in some cases, reports from independent experts. The evidence considered includes any additional evidence provided by events after the reporting date. Uncertainties surrounding the amount to be recognised as a provision are dealt with by various means according to the circumstances, where the provision being measured involves a large population of items; the obligation is estimated by weighting all possible outcomes by their associated probabilities.

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

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

## **9.1 Environmental rehabilitation provisions**

Estimated long-term environmental provisions, comprising rehabilitation and landfill site closure, 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.



## 10. PROPERTY, PLANT AND EQUIPMENT

### 10.1 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.

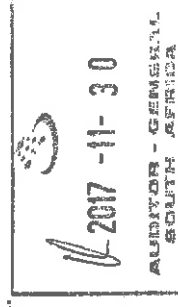
Property, plant and equipment are initially recognised at cost on its acquisition date. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended 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.



## 10.2 Subsequent measurement

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 entity 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.

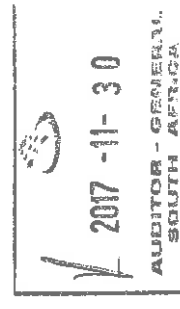
Subsequent to initial recognition, land and buildings are carried at a revalued amount based on municipal valuations, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed by external independent valuers every four years to coincide with 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. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset.

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

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

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

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





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

### 10.3 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 shall be depreciated separately. The depreciation rates are based on the following estimated useful lives.

The estimated useful life, residual values and depreciation method are reviewed annually at the end of the financial year. Any adjustments arising from the annual review are applied prospectively.

<b>Asset class</b>	<b>Useful lives as applied in the AR (years)</b>
<b>Infrastructure</b>	
Roads and storm water	5-100
Electricity	5-75
Water	5-100
Sewerage	5-100
Solid Waste	5-100
<b>Buildings, structures and facilities</b>	
Buildings	50
Recreational and sports facilities	5-100
Parks, gardens and cemeteries	5-100
Housing assets	50
<b>Other assets</b>	
Transport Assets	5-20
Computer and other office equipment	3-10
Furniture & fittings	5-10
Machinery and equipment	5-10

The useful lives, residual values and depreciation method are reviewed annually at the end of the financial year where there is any indication that the entity's expectations about the residual



amount and the useful life of an asset has changed since the preceding reporting date. Any adjustments arising from the annual review are applied prospectively.

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

#### **10.4 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 de-recognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. Gains are not classified as revenue.

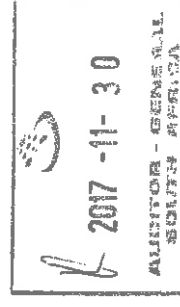
Gains or losses are calculated as the difference between the carrying values of assets (Cost less accumulated depreciation and accumulated impairment losses) and the disposal proceeds is included in the Statement of Financial Performance as a gain or loss on disposal of property, plant and equipment.

### **11. 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.

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

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



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

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

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 asset is determined as the difference between the net disposals proceeds and the carrying value and is recognised in the Statement of Financial Performance.

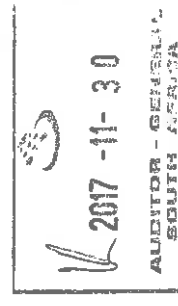
## 12. INVESTMENT PROPERTIES

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) 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.

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.



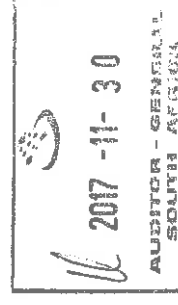
- Land held for a currently undetermined future use.
- A building owned (or held by under a finance lease) and leased out under one or more operating leases.
- Leased properties that are held to provide a social (community) service or that are necessary for employees to perform their job functions, but 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;

Investment property is subsequently measured using the fair value model. Investment property is carried at fair value, representing open market value determined by external valuers 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 entity measures that investment property using the cost model (as per the accounting policy for property, plant and equipment).

An investment property shall be 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.



### 13. 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 as 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 assets, 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 assets.

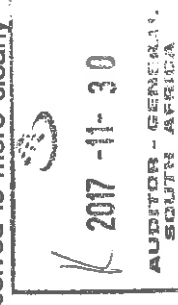
#### 13.1 Initial recognition

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.

### **13.2 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 entity and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

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

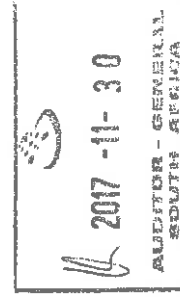
Subsequent to initial recognition, land and buildings which qualify as Heritage Assets are carried at a revalued amount based on municipal valuations less subsequent accumulated impairment losses. Revaluations are performed by external independent valuers every four years to coincide with the implementation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

### **13.3 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.

The gain or loss arising from the de-recognition of an item of heritage assets is included in surplus or deficit when the item is derecognised.

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.



## 14. INVENTORIES

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

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

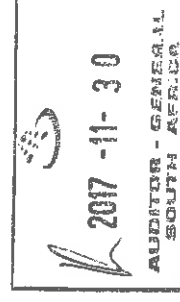
Redundant and slow moving inventories are identified and written down to their estimated net realisable values. Inventories are written down according to their age, condition and utility. Differences arising on the measurement of such inventory at the lower of cost and net realisable value are recognised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

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

### 14.1 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.

#### 14.2 Housing inventory

Housing inventory is BNG (Building New Ground) houses still in process of construction, or completed and not yet transferred. These houses are entirely funded by the National Department of Human Settlements, through the Western Cape Department of Human Settlements, but the Municipality is regarded as a principal in terms of the current interpretation of GRAP of Agent and Principal transactions and therefore recognises these costs as inventory up to the point of transfer to the allocated beneficiary where after the cost is expensed through the Statement of Financial Performance. Housing inventory is measured at the lower of cost and current replacement cost as they will be distributed through a non-exchange transaction.

### 15. DISCONTINUED OPERATIONS

#### 15.1 Initial recognition

A discontinued operation refers to the disposal of a significant operating activity within the Municipality.

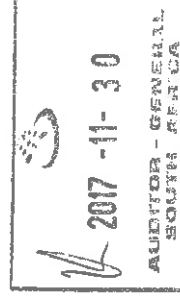
#### 15.2 Subsequent measurement

Disposal groups were measured at the lower of their previous carrying amount and fair value less costs to sell in the previous reporting period.

The non-current assets were not depreciated (or amortised) while they were held as of a disposal group classified.

Interest and other expenses attributable to the liabilities of the disposal group classified as held for sale were recognised in surplus or deficit.

The gain or loss on the disposal of the discontinued operation is presented separately from continuing operations on the face of the Statement of Financial Performance.





## **16. IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT, 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.

### **16.1 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.

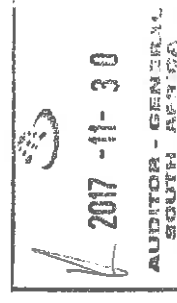
The best evidence of fair value less cost to sell is the price in a binding sale agreement in an arm's length transaction, adjusted for the incremental cost that would be directly attributable to the disposal of the asset.

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.

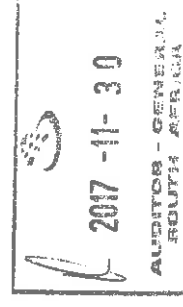
A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

#### **16.2 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.

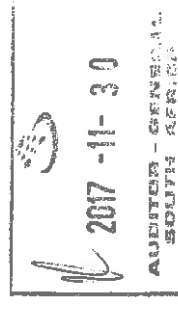
A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

## **17. EMPLOYEE BENEFITS**

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

### **17.1 Short-term employee benefits**

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



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

## 17.2 Post-employment benefits: Defined contribution plans

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

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

## 17.3 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.

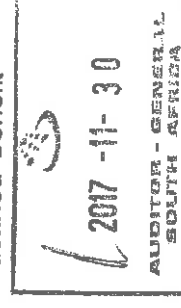
The **defined benefit liability** is the aggregate of the present value of the defined benefit obligation and unrecognised actuarial gains and losses, reduced by unrecognised past service costs. The plan is unfunded. The defined benefit obligation is calculated using the projected unit credit method, 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.

### 17.3.1 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 in income, 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.

### **17.3.2 Ex-gratia Pension Benefits:**

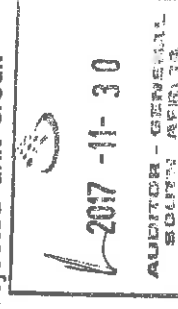
The Municipality provides pension and retirement gratuity benefits to certain employees who were in the employment of the former Paarl and Wellington Municipalities (now incorporated into the Drakenstein Municipality) at 31 December 1994 (Paarl) and 31 March 1995 (Wellington) and still in the employment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

### **17.4 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.

### **17.5 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 triennially 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 GRAP as multi-employer plans, as sufficient information is not available to apply the principles involved. As a result, GRAP 25 is applied and such funds are accounted for as defined contribution funds.

Salaries 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.

#### **17.6 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.

#### **17.7 Provision for bonus**

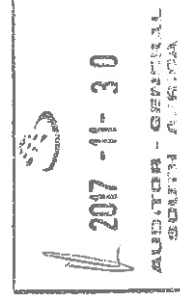
The municipality recognises the expected cost of bonuses as a provision only when the municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made at reporting date.

### **18. LEASES**

#### **18.1 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 of property, plant and equipment, in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.



### 18.2 The 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.

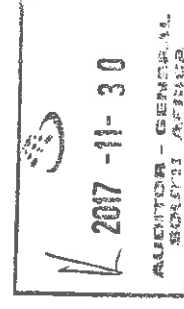
### 18.3 The Municipality as lessor

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.

## 19. BORROWINGS

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



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

## 20. 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.

### 20.1 Classification of financial instruments

#### 20.1.1 Financial Assets

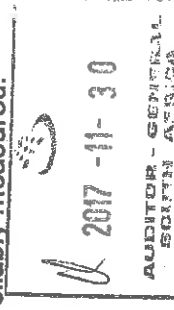
A financial asset is any asset that is a cash or contractual right to receive cash. In accordance with GRAP 104 the Financial Assets of the municipality are classified as follows into the three categories allowed by this standard:

*Financial asset at amortised cost* being a non-derivative financial assets 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:

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

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





The municipality has the following types of financial assets as reflected on the face of the Statement of Financial Position or in the notes thereto:

Type of Financial Asset	Classification in terms of GRAP 104
Finance Lease Receivables	Financial assets at amortised cost
Long-term Receivables	Financial assets at amortised cost
Current portion of Long-term Receivables	Financial assets at amortised cost
Consumer Debtors	Financial assets at amortised cost
Other Debtors	Financial assets at amortised cost
Short-term Investment Deposits – Call	Financial assets at amortised cost
Bank Balances and Cash	Financial assets at amortised cost
Investments in stock – ESKOM	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.

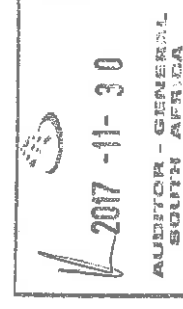
#### 20.1.2 Financial Liabilities

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:

- (i) Financial liabilities measured at fair value; or
- (ii) Financial liabilities measured at amortised cost

The municipality has the following types of financial liabilities as reflected on the face of the Statement of Financial Position or in the notes thereto:



Type of Financial Liabilities	Classification in terms of GRAP 104
Long term Liabilities	Financial liability at amortised cost
Other Creditors	Financial liability at amortised cost
Bank overdraft	Financial liability at amortised cost
Short-term Loans	Financial liability at amortised cost
Current portion of Long-Term Liabilities	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 instruments 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.

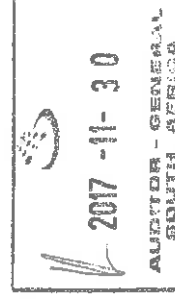
#### Initial and subsequent measurement

##### **Financial assets:**

Financial asset at amortised cost are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. 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 Municipality entities and loans that have fixed and determinable payments that are not quoted in an active market are classified as financial asset 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.



### **20.2.2 Financial liabilities:**

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

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

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

Prepayments are carried at cost less any accumulated impairment losses.

### **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:

### **20.3.3.1 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.

### **20.3.3.2 Other debtors**

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

### **20.3.3.3 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.

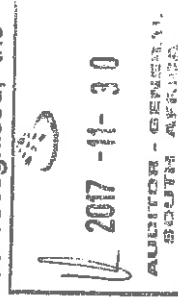
- Other Long Term Debtors

No provision for impairment is made for Other Long term Debtors, 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 asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the Statement of Financial Performance.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the



previously recognised impairment loss is reversed through the Statement of Financial Performance to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

#### **20.4 De-recognition of 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 asset 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 asset, the municipality continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

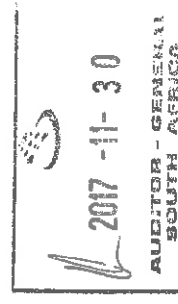
#### **20.5 De-recognition of financial liabilities**

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

### **21. REVENUE RECOGNITION**

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.

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.

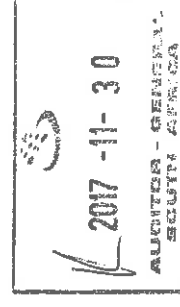
Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable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

## **21.1 Revenue from exchange transactions**

### **21.1.1 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.

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.

#### **21.1.2 Pre-paid electricity**

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

#### **21.1.3 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. Interest may be transferred from the Accumulated Surplus to the Housing Development Fund or the Insurance Reserve.

Interest earned on the following investments is not recognized in the Statement of Financial Performance:-

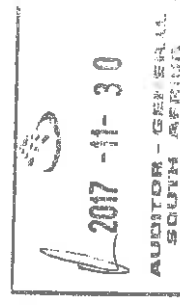
- Interest earned on unutilised conditional grants is allocated directly to the creditor: unutilised conditional grants, if the grant conditions indicate that interest is payable to the funder.

#### **21.1.4 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.

#### **21.1.5 Tariff charges**

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



### **21.1.6 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.

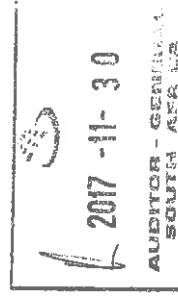
### **21.1.7 Housing rental and instalments**

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

### **21.1.8 Sale of goods**

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

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





## 21.2 Revenue from non-exchange transactions

### 21.2.1 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.

### 21.2.2 Fines

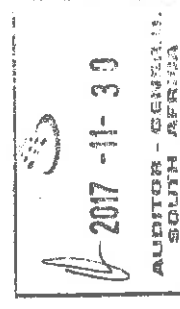
Fines constitute both spot fines and camera fines. Fines are recognised when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset. It is measured at the best estimate, based on past experience, of the amount of revenue the Municipality is entitled to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

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

### 21.2.3 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.

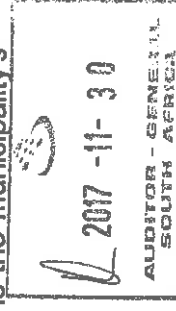
Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use.



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

#### **21.2.4 Government grants and receipts**

- Unconditional grants  
Equitable share allocations are recognised in revenue at the start of the financial year if no time-based restrictions exist.
- Conditional grants and receipts  
Conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. 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 investments is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor and if it is the municipality's



interest it is recognised as interest earned in the Statement of Financial Performance in accordance with GRAP 9.

#### **21.2.5 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 No.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.

#### **21.2.6 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 entity 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.

#### **21.2.7 Revenue recognition of unclaimed deposits**

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

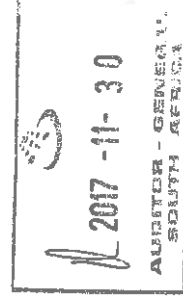
### **22. VALUE ADDED TAX**

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

### **23. 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 recognized in the financial statements as expenses in the period that the events giving rise to the transfer occurred.

## 24. UNAUTHORISED EXPENDITURE

Section 1 of the Municipal Finance Management Act (MFMA), No 56 of 2003, defines “unauthorised expenditure” as follows -

- (a) Overspending of the total amount appropriated in the municipality’s approved budget;
- (b) Overspending of the total amount appropriated for a vote in the approved budget;
- (c) Expenditure from a vote unrelated to the department or functional area covered by the vote;
- (d) Expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose or
- (e) Spending of an allocation referred to in paragraph (b), (c) or (d) of the definition of “allocation” otherwise than in accordance with any conditions of the allocation; or
- (f) a grant by the municipality otherwise than in accordance with this Act;

Section 1 of the MFMA also defines a “vote” as:

- a) 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
- b) Which specifies the total amount that is appropriated for the purposes of the department or functional area concerned.

The Municipality uses the Government Finance Statistics (GFS) functions as well as directorates as the main groupings of segments of the Municipality’s budget segments within the Municipality are grouped per directorate to facilitate greater accountability and budget implementation by the respective Executive Managers as well as per GFS classification to facilitate comparisons on a higher level.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered,



it is subsequently accounted for as revenue in the statement of financial performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

## **25. IRREGULAR EXPENDITURE**

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No 56 of 2003), the Municipal Systems Act (Act No 32 of 2000), and the Public Office Bearers Act (Act No 20 of 1998) or is in contravention of the Municipality's or Municipal Entities' supply chain management policies. Irregular expenditure excludes unauthorised expenditure. 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. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

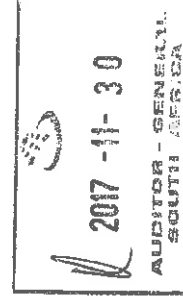
## **26. FRUITLESS AND WASTEFUL EXPENDITURE**

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

## **27. FOREIGN CURRENCIES**

Transactions in foreign currencies are translated to the functional currency of the entity 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 gain or loss on monetary items is the difference between amortised cost or fair value in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, 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.

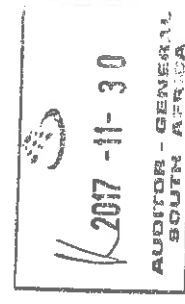
## **28. CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND ERRORS**

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

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

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

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



## 29. RELATED PARTIES

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.

## 30. EVENTS AFTER THE REPORTING DATE

Events after the reporting date that are classified as adjusting events have been accounted for in the 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 Annual Financial Statements.

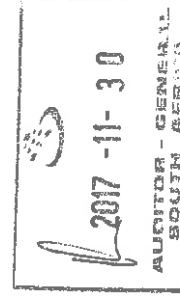
## 31. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

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 entity.

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 entity.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in the notes to the annual financial statements.



**DRAKENSTEIN MUNICIPALITY  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

**1. 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.

**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 Annual Financial Statements:

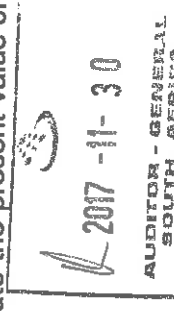
- **Lease classification – Municipality as lessor**

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 are as follows:**

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 Properties.

Land held for currently undetermined future use.

Leases 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.

- **Determination of Repairs and Maintenance costs**

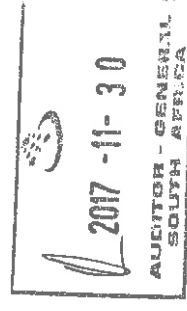
Repairs and Maintenance is based on Management's own judgement of costs incurred in cost centres responsible for the maintenance and repair of Municipal owned assets. This includes internal charges (inter departmental charges) such as internal transport costs, charged out to the different departments.

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 financial assets**

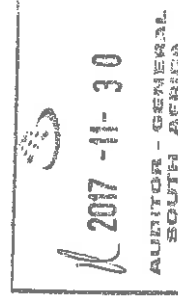
The Accounting Policy on Financial Instruments describes the process followed to determine the value by which financial assets should be impaired. In making the estimation of the impairment, the management of the municipality considers the detailed criteria of impairment of financial assets as set out 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.



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

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

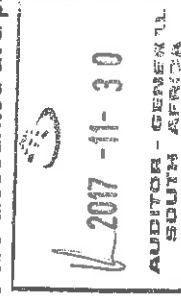
- **Impairment of property plant and equipment, intangible assets, heritage assets and inventory**

The Accounting Policies on Impairment of Cash and Non-cash generating assets as well as Inventory describes the conditions under which non-financial assets are tested for potential impairment losses by the management of the municipality. Significant estimates and judgements are made relating to the impairment of Property, Plant and Equipment, Intangible Assets and Heritage Assets and the write down of Inventories to the lowest of Cost and Net Realisable Values (NRV).

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

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

Assumptions were used in determining the provision for rehabilitation of landfill sites. Provision is made for the estimated cost to be incurred on the long-term environmental obligations, comprising expenditure on pollution control and closure over the estimated life of the landfill. The provision is based on the advice and judgment of qualified engineers. The estimates are discounted at a pre-



tax discount rate that reflect current market assessments of the time value of money. The increase in the rehabilitation provision due to passage of time is recognized as finance cost in the statement of financial performance.

- **Revenue recognition**

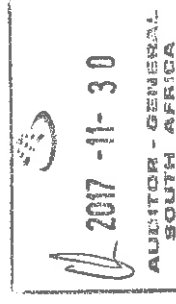
The Accounting Policies on Revenue from Exchange Transactions and Revenue from Non-exchange Transactions describes the conditions under which revenue will be recorded by the management of the municipality. In making their judgement, the management considered the detailed criteria for the recognition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

In particular: in regards to revenue from exchange revenue - when goods are sold, whether the municipality 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 regards to revenue from non-exchange transactions - significant estimations were made to the initial recognition and measurement of revenue on fines, on the estimated reductions on initial recognition and measurement. Based on past experience, of the amount of revenue the Municipality is entitled to collect was calculated as 97.6% of the value of the fines issued, whereas it was estimated that 79.0% 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 annual financial statements.



**DRAKENSTEIN MUNICIPALITY  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

2017  
R

Restated  
2016  
R

**2. HOUSING DEVELOPMENT FUND**

*Realised Housing Proceeds*

Balance at beginning of the year  
Plus : Interest & Redemption & Other on Housing Schemes  
Plus : (Net Loss) / Surplus on letting schemes  
Less : Housing Subsidies Expenditure  
Balance at the end of the year

	16,968,574	13,464,171
	5,686,853	4,107,347
	(293,933)	(35,475)
	(725,080)	(587,469)
	21,636,414	16,968,574

*Unrealised Housing Proceeds*

Balance at beginning of the year  
Long term Housing Loans  
Balance at the end of the year

	3,175,550	3,643,390
	(709,706)	(467,840)
	2,465,845	3,175,550

**TOTAL**

	<b>24,102,259</b>	<b>20,144,124</b>
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**3. RESERVES AND FUNDS**

Re-valuation Reserve  
Total Reserves

	1,287,644,331	1,320,315,451
	<b>1,287,644,331</b>	<b>1,320,315,451</b>

The Revaluation Reserve arises on the revaluation of Land and Buildings. Where revalued Land or Buildings are sold, the portion of the Revaluation Reserve that relates to that asset, and is effectively realised, is transferred directly to Accumulated Surplus.

Distributions from the Revaluation 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 accounting policy. These restrictions do not apply to any amounts transferred to the Accumulated Surplus. Council do not currently intend to make any distribution from the Revaluation Reserve.

Refer to *Statement of Changes in Net Assets* for more detail and the movement on Reserves.

**4. ACCUMULATED SURPLUS / (DEFICIT)**

Total Accumulated Surplus

	<b>2,558,116,650</b>	<b>2,445,991,116</b>
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Refer to *Statement of Changes in Net Assets* for more detail and the movement on Accumulated Surplus.

Accumulated surplus has been restated according to GRAP 3. Refer to Note 40 on "Prior Period Adjustments" for details of the restatement.

**5. BORROWINGS**

Annuity Loans

Finance Leases

Sub-total

Less : Current portion transferred to current liabilities

Annuity Loans

Finance Leases

Total Borrowings

Annuity Loans

Finance Leases

	1,190,488,364	902,837,333
	3,989,231	3,062,386
	<b>1,194,477,595</b>	<b>905,899,718</b>
	(162,764,283)	(135,369,414)
	<b>(160,839,692)</b>	<b>(134,288,458)</b>
	(1,924,571)	(1,080,956)
	<b>1,031,713,331</b>	<b>770,530,304</b>
	1,029,648,672	768,548,875
	2,064,660	1,981,429

**5.1 Summary of Arrangements**

Annuity Loans are repaid over periods varying from 3 to 10 (2015/16: 3 to 10) years and at interest rates varying from 6.75% to 12.65% (2015/16: 6.75% to 12.65%) 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.

**5.2 Obligations under Finance Leases**

The Municipality as Lessee:

Finance Leases relate to Equipment with lease terms not more than 3 years.

The obligations under Finance Leases are as follow:

Minimum lease payments payable

Payable within one year

Payable within two to five years

Payable after five years

Total minimum lease payments

Future finance charges

Present value of minimum lease payments

	2,313,302	1,391,518
	2,243,123	2,186,946
	0	0
	<b>4,556,425</b>	<b>3,578,464</b>
	567,194	516,079
	<b>3,989,231</b>	<b>3,062,385</b>



**DRAKENSTEIN MUNICIPALITY  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

	2017 R	Restated 2016 R
Present value of minimum lease payments		
Payable within one year	1,924,571	1,080,956
Payable within two to five years	2,064,660	1,981,429
Payable after five years	0	0
<b>Present value of lease obligations</b>	<b>3,989,231</b>	<b>3,062,385</b>

Finance leases were entered into for certain photocopy machines during 2015/16 and 2016/17. The period of the leases are 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 equals the fair value of the equipment.

**6. DEFINED BENEFIT OBLIGATION**

Post-Employment Health Care Benefits	114,913,000	126,078,000
Ex-Gratia Pension Benefits	2,591,000	3,369,000
	<b>117,504,000</b>	<b>129,447,000</b>
Less: Transfer to Current Obligations	(7,144,000)	(7,469,000)
Post-Employment Health Care Benefits	(6,935,000)	(7,222,000)
Ex-Gratia Pension Benefits	(209,000)	(247,000)
<b>Non-Current defined Benefit Plan Obligation</b>	<b>110,360,000</b>	<b>121,978,000</b>

**6.1 Post Employment Health Care Benefits**

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

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2017 by Mr Niel Fourie and Mr Julian van der Spuy 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 Employment Health Care Benefit Plan is a defined benefit plan, of which the members are made up as follows:

In-service Members (Employees)	578	594
Continuation Members (Retirees)	194	212
<b>Total Members</b>	<b>772</b>	<b>806</b>

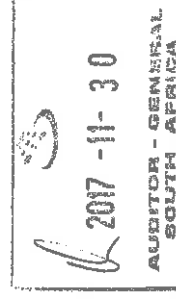
The liability in respect of past service has been estimated as follows:

In-service Members	47,966,000	53,865,000
Continuation Members	66,947,000	72,213,000
<b>Total Liability</b>	<b>114,913,000</b>	<b>126,078,000</b>

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

- Bonitas
- Hosmed
- Key Health
- LA Health
- Samwummed

The Future-service Cost for the ensuing year is estimated to be R 3,440,000 whereas the Interest Cost for the year after is estimated to be R 11,540,000



**DRAKENSTEIN MUNICIPALITY  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

2017  
R

Restated  
2016  
R

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

i) Rates of Interest	Yield curve	Yield curve
Discount Rate	Difference between nominal and yield	Difference between nominal and yield
CPI (Consumer Price Inflation)	CPI+1%	CPI+1%
Health Care Cost Inflation Rate	Yield curve based	Yield curve based
Net Effective Discount Rate		

GRAP 25 defines the determination of the Discount rate assumption to be used as follow:

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

The Actuaries used the nominal and real zero curves as at 30 June 2017 supplied by the JSE to determine the discount rates and CPI assumptions at each relevant time period. In the event that the valuation is performed prior to the effective valuation date, they used the prevailing yield at the time of performing their calculations. The methodology was changed from a point estimate to that of a curve in order to present a more accurate depiction of the liability. Previously only one discount rate was used to value all the liabilities. This changed methodology would be seen as a change in estimate basis.

**ii) Mortality rates**

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

**iii) Normal retirement age**

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

The amounts recognised in the Statement of Financial Position are as follow:

Fair value of plan assets	0	0
Unrecognised Actuarial Gains / (Losses)	0	0
Present value of unfunded obligations	114,913,000	126,078,000
<b>Total Benefit Liability</b>	<b>114,913,000</b>	<b>126,078,000</b>

The amounts recognised in the Statement of Financial Performance are as follow:

Current service cost	3,092,000	2,923,000
Interest cost	12,325,000	11,500,000
Actuarial losses / (gains) recognised	(18,133,730)	(8,406,873)
<b>Total Post-retirement Benefit Included In Employee Related Costs (Note 30)</b>	<b>(2,716,730)</b>	<b>6,016,127</b>

Movements in the present value of the Defined Benefit Obligation were as follow:

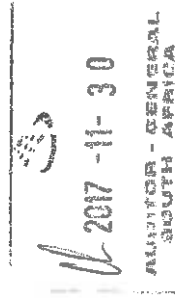
Balance at the beginning of the year	126,078,000	127,693,000
Service costs	3,092,000	2,923,000
Interest cost	12,325,000	11,500,000
Benefits paid	(8,448,270)	(7,631,127)
Actuarial losses / (gains) recognised	(18,133,730)	(8,406,873)
<b>Present Value of Fund Obligation at the end of the year</b>	<b>114,913,000</b>	<b>126,078,000</b>

Movements in the present value of the Defined Benefit Assets were as follow:

Balance at the beginning of the year	0	0
Contributions from the employer	8,448,270	7,631,127
Benefits paid	(8,448,270)	(7,631,127)
<b>Balance at the end of the year</b>	<b>0</b>	<b>0</b>

The history of experienced adjustments are as follow:

	2017 R	2016 R	2015 R	2014 R	2013 R
Present Value of Defined Benefit	114,913,000	126,078,000	127,693,000	117,522,000	111,610,119
Fair Value of Plan Assets	0	0	0	0	0
<b>Deficit</b>	<b>114,913,000</b>	<b>126,078,000</b>	<b>127,693,000</b>	<b>117,522,000</b>	<b>111,610,119</b>
Experienced adjustments on Plan	0	0	0	0	0



**DRAKENSTEIN MUNICIPALITY  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

	2017 R	Restated 2016 R
	-1% Decrease	1% Increase
	112,110,000	117,078,000
	11,249,000	11,763,000
	3,350,000	3,502,000

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

Effect on the defined benefit obligation		
Effect on the aggregate of the interest cost		
Effect on the aggregate of the current service cost		
<b>Total accrued liability</b>		

The effect of a 20% movement in the assumed mortality rates are as follow on the ensuing years assumptions:		
<b>Total accrued liability</b>	122,839,000	108,224,000
Effect on the aggregate of the interest cost	12,358,000	10,848,000
Effect on the aggregate of the current service cost	3,658,000	3,248,000

The municipality expects to make a contribution of R 6,935,000 to the Defined Benefit Plan during the next financial year.

Refer to Note 49 "Retirement Benefit Information" to the Annual Financial Statements for more information regarding the municipality's other retirement funds that is Provincially and Nationally administered.

#### 6.2 Ex-Gratia Pension Benefits

The Municipality provides pension and retirement gratuity benefits to certain employees who were in the employment of the former Paarl and Wellington 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 most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2017 by Mr Niel Fourie and Mr Julian van der Spuy 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 Ex-Gratia Pension Benefit Plan is a defined benefit plan, of which the members are made up as follow:

In-service Members (Employees)	215	230
Continuation Members (Retirees)	15	20
<b>Total Members</b>	<b>230</b>	<b>250</b>

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

In-service Members	0	0
Continuation Members	2,591,000	3,369,000
<b>Total Liability</b>	<b>2,591,000</b>	<b>3,369,000</b>
Lump Sum Benefit	1,544,000	1,797,000
Pension Benefit	1,047,000	1,572,000
	<b>2,591,000</b>	<b>3,369,000</b>

The interest-cost for the next year is estimated to be R 224,000. Actuaries are of opinion that future service cost need not be determined for pension fund liability as all benefits vests immediately.

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

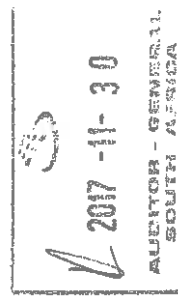
	Lump sum valuation	Lump sum valuation
<b>f) Rates of interest</b>		
Discount Rate	8.74%	8.49%
Consumer Price Inflation (CPI)	6.18%	6.69%
Pension increase rate - pensioners	7.18%	7.69%
Net Effective Discount Rate	1.46%	0.74%

	Pensioner Valuation	Pensioner Valuation
Discount Rate	9.36%	8.38%
Consumer Price Inflation (CPI)	6.86%	6.68%
Pension increase rate - pensioners	7.86%	7.68%
Net Effective Discount Rate	1.39%	0.65%

In accordance with GRAP 26 the discount rate was determined using the implied duration of the liability to obtain an appropriate interest rate on the yield curve. The nominal and real zero curves as at 30 June 2017 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.





**DRAKENSTEIN MUNICIPALITY  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

2017 R  
Restated  
2016 R

iii) Normal retirement age

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

The amounts recognised in the Statement of Financial Position are as follows:

Fair value of plan assets	0	0
Unrecognised Actuarial Gains / (Losses)	0	0
Present value of unfunded obligations	2,591,000	3,369,000
<b>Total Benefit Liability</b>	<b>2,591,000</b>	<b>3,369,000</b>

The amounts recognised in the Statement of Financial Performance are as follows:

Current service cost	0	0
Interest cost	275,000	326,000
Actuarial losses / (gains) recognised	(885,260)	(689,900)
<b>Total Post-retirement Benefit Included in Employee Related Costs (Note 30)</b>	<b>(610,260)</b>	<b>(363,900)</b>

Movements in the present value of the Defined Benefit Obligation were as follows:

Balance at the beginning of the year	3,964,000	3,964,000
Service costs	0	0
Interest cost	275,000	326,000
Benefits paid	(167,740)	(231,100)
Actuarial losses / (gains) recognised	(885,260)	(689,900)
<b>Present Value of Fund Obligation at the end of the year</b>	<b>2,591,000</b>	<b>3,369,000</b>

Movements in the present value of the Defined Benefit Assets were as follows:

Balance at the beginning of the year	0	0
Contributions from the employer	(167,740)	(231,100)
Benefits paid	167,740	231,100
<b>Balance at the end of the year</b>	<b>0</b>	<b>0</b>

The history of experienced adjustments is as follows:

	2017 R	2016 R	2015 R	2014 R	2013 R
Present Value of Defined Benefit	2,591,000	3,369,000	3,964,000	4,978,000	5,602,123
Fair Value of Plan Assets	0	0	0	0	0
<b>Deficit</b>	<b>2,591,000</b>	<b>3,369,000</b>	<b>3,964,000</b>	<b>4,978,000</b>	<b>5,602,123</b>
Experienced adjustments on Plan	0	0	0	0	0

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

Effect on the interest cost	2,532,000	1% Decrease	2,657,000	1% Increase
Effect on the defined benefit obligation	218,000		218,000	230,000

The municipality expects to make a contribution of R 209,000 to the Defined Benefit Plan during the next financial year.

Refer to Note 49 "Retirement Benefit Information" to the Annual Financial Statements for more information regarding the municipality's other retirement funds that is Provincially and Nationally administered.

**7. PROVISIONS**

Balance of Current Provisions at end of year  
Balance of Non-current Provisions at end of year  
**Balance of Provisions at end of year**

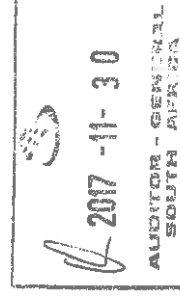
	24,887,727	40,375,051
	167,585,754	157,894,385
<b>Balance of Provisions at end of year</b>	<b>192,473,481</b>	<b>198,269,436</b>

7.1 Provision for rehabilitation are reconciled as follows:

The movement in Non-current Provisions are reconciled as follows:

Landfill site		
Balance at beginning of year	150,981,865	130,113,333
Change in estimate	(5,491,603)	21,751,020
Rehabilitation expenditure during the year	(1,306,966)	(892,687)
<b>Balance of landfill site at end of year</b>	<b>144,183,296</b>	<b>150,981,665</b>
Balance of Current Provisions for Rehabilitation at end of year	7,859,343	24,167,282
Balance of Non-current Provisions for Rehabilitation at end of year	136,323,753	126,814,383
<b>Balance of Provisions for Rehabilitation at end of year</b>	<b>144,183,096</b>	<b>150,981,665</b>

The council will incur further rehabilitation cost on its seven unrehabilitated dumping/landfill sites over the period 2017/18 up to 2020/21. Provision has been made for the net present value of this cost based on the *status quo* as at 30 June 2017. Future interventions such as the proposed management of the Wellington Landfill site or the Waste to Energy programme (refer to Note 47) may in future adjust the date and cost of rehabilitation.



**DRAKENSTEIN MUNICIPALITY  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

2017  
R

Restated  
2016  
R

**Proposed rehabilitation**

Wellington Existing	2020/2021	28,826,576	28,157,012
Wellington Old	2020/2021	20,074,989	19,984,423
Gouda	2017/2018	2,401,230	4,162,248
Saron	2017/2018	5,458,113	8,602,561
Herman	2018/2019	4,359,471	11,402,473
Dal Josafat	2019/2020	13,428,156	12,529,929
Orleans	2018/2019	23,686,086	23,139,927
Boy Louw (Zanddrif)	2018/2019	45,948,466	43,023,093
		<u>144,183,096</u>	<u>150,981,665</u>

JG Afrika 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 JG Afrika, an applicable inflation rate of 5.6% to 6.4% has been determined and a discounted rate of 6.88% has been utilised.

The funding required by the municipality to fund the rehabilitation has been assessed and based on the cost of, loss of revenue from investments per the rates as disclosed in note 46.6. 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.

**7.2 Provision for long service awards  
Provision for Long Service Awards**

Less: Transfer to Current Provisions  
**Total Non-current Provisions**

	34,108,000	34,257,000
	<u>34,108,000</u>	<u>34,257,000</u>
	<u>(2,846,000)</u>	<u>(3,977,000)</u>
	<u>31,262,000</u>	<u>31,180,000</u>

**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 2017 by Mr Niel Fourie and Mr Julian van der Spuy of ZAOEN 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, 1,682 employees were eligible for Long-services Awards.

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

Discount Rate  
CPI (Consumer Price Inflation)

Normal Salary Increase Rate  
Net Effective Discount Rate

Yield curve  
Difference between  
nominal and yield  
curve  
CPI+1%  
Yield curve based

Yield curve  
Difference between  
nominal and yield  
curve  
CPI+1%  
Yield curve based

GRAP 25 defines the determination of the Discount rate assumption to be used as follow:

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

The Actuaries used the nominal and real zero curves as at 30 June 2017 supplied by the JSE to determine the discount rates and CPI assumptions at each relevant time period. In the event that the valuation is performed prior to the effective valuation date, they used the prevailing yield at the time of performing their calculations. The methodology was changed from a point estimate to that of a curve in order to present a more accurate depiction of the liability. Previously only one discount rate was used to value all the liabilities. This changed methodology would be seen as a change in estimate basis.

The amounts recognised in the Statement of Financial Position are as follow:

Fair value of plan assets  
Present value of unfunded obligations  
**Total Benefit Provision**

	0	0
	<u>34,108,000</u>	<u>34,257,000</u>
	<u>34,108,000</u>	<u>34,257,000</u>

The amounts recognised in the Statement of Financial Performance are as follow:

Current service cost  
Interest cost  
Past service cost  
Actuarial Losses / (gains) recognised  
**Total expense included in Employee Related Costs (Note 30)**

	2,454,000	2,341,000
	3,382,000	2,916,000
	0	0
	<u>(2,958,656)</u>	<u>68,124</u>
	<u>2,877,344</u>	<u>5,325,124</u>

2017 -11- 30  
AUDITOR - GENERAL  
SOUTH AFRICA

**DRAKENSTEIN MUNICIPALITY  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

Restated  
2016  
R

**Movements in the present value of the Defined Benefit Obligation were as follow:**

Balance at the beginning of the year	31,925,000	
Current service costs	2,464,000	
Interest cost	3,382,000	
Benefits paid	(2,993,124)	
Actuarial Losses / (gains) recognised	(2,993,124)	
Balance at the end of the year	68,124	
	<u>34,108,000</u>	<u>34,257,000</u>
<b>Total Current Provisions at end of the year</b>	<b>2,846,000</b>	<b>3,077,000</b>
<b>Total Non-current Provisions at end of the year</b>	<b>31,262,000</b>	<b>31,180,000</b>
<b>Total Provisions at the end of the year</b>	<b>34,108,000</b>	<b>34,257,000</b>

**Movements in the present value of the Defined Benefit Assets were as follow:**

Balance at the beginning of the year	0	
Contributions from the employer	3,026,344	2,993,124
Benefits paid	(3,026,344)	(2,993,124)
Balance at the end of the year	0	0

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

Effect on the defined benefit obligation	31,701,000	1% Decrease	36,788,000	1% Increase
Effect on the aggregate of the interest cost	2,256,000		2,666,000	
Effect on the aggregate of the current service cost	3,215,000		3,756,000	

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

Effect on the defined benefit obligation	36,890,000	-20% Withdrawal rate	32,509,000	+20% Withdrawal rate
Effect on the aggregate of the interest cost	2,666,000		2,287,000	
Effect on the aggregate of the current service cost	3,683,000		3,299,000	

The municipality expects to make a contribution of R 2,846,000 to the defined benefit plan during the next financial year.

The Future-service Cost for the ensuing year is estimated to be R 2,462,000 whereas the Interest Cost for the year after is estimated to be R 3,471,000.

**7.3 Provision for bonuses**

Provision for bonuses are reconciled as follow:

<b>The movement in Provisions are reconciled as follow:</b>	12,932,103	12,052,180
<b>Provision for bonuses</b>		
Balance at beginning of year	12,052,180	11,148,735
Net movement	879,923	903,445
Balance at the end of the year	<u>12,932,103</u>	<u>12,052,180</u>
<b>Balance of Current Provisions for Bonuses at beginning of year</b>	<b>12,052,180</b>	<b>11,148,735</b>
<b>Balance of Current Provisions for Bonuses at end of year</b>	<b>12,932,103</b>	<b>12,052,180</b>

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

**7.4 Provision for performance bonuses**

Provision has been made for performance bonuses in accordance with the performance agreements with each Executive Manager and the Municipal Manager using the best estimate of the potential performance bonus payable. The actual bonuses will only be paid once the evaluation committee appointed in terms of the Performance Management regulations has reviewed the performance agreements of the Executive Management team and made a recommendation to the Council for final approval. This process will be performed once the draft annual report for the 2016/17 year has been submitted to Council in January 2018. The performance bonuses have been provided as follow:

<b>Executive Management Team</b>	0	130,271
JF Mettler (Municipal Manager)	71,016	0
JH Leibbrandt (Municipal Manager)	0	0
J Carstens (Acting Municipal Manager)	206,778	201,226
CE Lategan (Acting CFO)	0	0
GBF Boshoff (Executive Manager Social Services)	209,481	197,624
AME De Beer (Executive Manager Corporate Services)	177,750	201,226
S Johaar (Executive Manager Corporate Services)	29,028	0
J Louw (Executive Manager Infrastructure)	174,568	197,624
D Hattingh (Executive Manager Infrastructure)	29,028	0
AM Adam (Executive Manager Planning and Economic Development)	0	150,618
D Smit (Acting Executive Manager Planning and Economic Development)	0	0
L Waring (Executive Manager Planning and Economic Development)	200,275	0
L Waring (Executive Manager Planning and Economic Development)	0	0
N Keiketsi (Acting CFO)	0	0
H Strijdom (Acting Executive Manager: Planning and Economic Development)	0	0
	<u>1,097,923</u>	<u>1,078,589</u>



2017 -11- 30

AUDITOR - GENERAL  
SOUTH AFRICA

**DRAKENSTEIN MUNICIPALITY  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

2017  
R

Restated  
2016  
R

The movement in Provisions are reconciled as follow:

Provision for performance bonuses		
Balance at beginning of year	1,078,593	1,176,700
Bonuses paid	(760,004)	(1,110,040)
Increase in provision	931,692	1,011,933
Balance at the end of the year	<u>1,250,281</u>	<u>1,078,593</u>
Balance of Current Provisions for performance bonuses at beginning of year	1,078,593	1,176,700
Balance of Current Provisions for performance bonuses at end of year	<u>1,250,281</u>	<u>1,078,593</u>

Included in the balance of the provision is an amount of R152,357 pertaining to the 2015/16 performance evaluation that has not yet been paid to Ms AME De Beer as at 30 June 2017.

**7.5 Provision for legal fees**

Provision for legal fees are reconciled as follow:

The movement in Provisions are reconciled as follow:		
Provision for legal fees		
Balance at beginning of year	0	483,613
Increase in provision	0	0
Settlement of provision	0	(392,764)
Reversal of provision	0	(90,849)
Balance at the end of the year	<u>0</u>	<u>0</u>
Balance of Current Provisions for legal fees at beginning of year	0	0
Balance of Current Provisions for legal fees at end of year	<u>0</u>	<u>0</u>

The provision in the prior year related to an application that was lodged to set aside the tender award for the development of the Paarl Waterfront by the Paarl Waterfront Development Company and the Drakenstein Heritage Foundation & Others during November 2013. A provision was made for the estimated legal fees of R483 613. During the 1516 year, the claim was settled.

**8. CONSUMER DEPOSITS**

Electricity and Water

Guarantees held in lieu of Electricity and Water Deposits

Guarantees held in lieu of Electricity and Water Deposits were R 17,669,222 (2016: R 20,398,134)

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.

Consumer deposits has been restated according to GRAP 3. Refer to Note 40 on "Prior Period Adjustments" for details of the restatement.

**9. TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS**

Trade Creditors	112,988,487	98,052,817
Staff Leave provision	29,082,946	25,648,330
Payments received in advance	15,191,205	23,650,674
Other creditors	105,344,572	87,936,668
Rental Leases Expenditure : Straight lining	85,025	89,169
VAT on provision for doubtful debt	(10,220,725)	(10,080,654)
Total Creditors	<u>252,471,509</u>	<u>225,297,003</u>

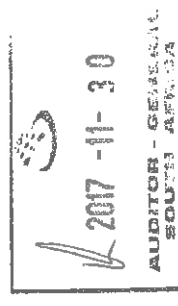
The average credit period on purchases is 30 days from the receipt of the statement, as determined by the MFMA. No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors 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 total liability in respect of leave amounts to R 29,082,946 (2016: R 25,648,330) as at 30 June 2017, the full amount is provided for.

Payables from exchange transactions has been restated according to GRAP 3. Refer to Note 40 on "Prior Period Adjustments" for details of the restatement.



2017 R  
Restated 2016 R

10. UNSPENT CONDITIONAL GRANTS AND RECEIPTS

<i>Conditional Grants from other spheres of Government</i>		
National Government (Unconditional Grants)	50,601,266	43,946,325
National Government (Other)	0	0
National Government (Conditional Grants)	929,391	9,953,500
Provincial Government (Conditional Grants)	30,921,107	17,981,365
Guarantees and Donations (Unconditional)	16,747,273	13,878,096
	2,003,495	2,133,364
<b>Total Conditional Grants and Receipts</b>	<b>50,601,266</b>	<b>43,946,325</b>

These amounts are separately invested in terms of section 12 of the MFMA. Refer note 28 for more detail of grants from National and Provincial Government.

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

Unspent Conditional Grants and Receipts has been restated according to GRAP 3. Refer to Note 40 on "Prior Period Adjustments" for details of the restatement.

11. PROPERTY, PLANT AND EQUIPMENT

Balance as at 30 June 2017			
Land	R	R	R
Buildings, structures and facilities	869,857,712	(2,015,000)	867,842,712
Infrastructure	908,498,259	(154,118,158)	754,380,101
Other Assets	6,051,955,791	(2,824,943,022)	3,227,012,769
Capital Spares	289,134,735	(171,940,781)	117,193,954
	6,429,457	0	6,429,457
<b>Total Property, Plant and Equipment</b>	<b>8,125,875,953</b>	<b>(3,153,016,961)</b>	<b>4,972,858,993</b>
Restated balance as at 30 June 2016			
Land	R	R	R
Buildings, structures and facilities	853,876,262	(2,015,000)	851,861,262
Infrastructure	864,354,789	(114,086,410)	750,268,389
Other Assets	5,583,619,809	(2,704,338,363)	2,879,281,446
Capital Spares	267,219,988	(158,458,924)	108,761,064
	5,223,335	0	5,223,335
<b>Total Property, Plant and Equipment</b>	<b>7,574,294,193</b>	<b>(2,978,898,697)</b>	<b>4,595,395,496</b>

Total Property, Plant and Equipment held by the municipality at 30 June 2017 comprised the amounts analysed as above.

Revaluation of all land & buildings in 2013/14 was performed by an accredited valuator Mr. E Marais of Erik Marais and Associates (T/A Rode Valuations Wellington) Reg. No. 1988/011175/23).

RECONCILIATION OF CARRYING VALUE OF PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings, structures and facilities	Infrastructure	Other Assets	Capital Spares	Total
<b>Carrying values at 1 July 2016</b>	<b>851,861,262</b>	<b>750,268,388</b>	<b>2,879,281,446</b>	<b>108,761,064</b>	<b>5,223,335</b>	<b>4,595,395,495</b>
Cost and revaluation	853,876,262	860,059,026	4,930,212,506	267,219,988	5,223,335	6,916,591,117
Cost - assets under construction (WIP)	0	4,295,772	653,407,303	0	0	657,703,075
Accumulated depreciation	(2,015,000)	(114,086,410)	(2,704,338,363)	(158,458,924)	0	(2,978,898,697)
Additions	736,000	29,027,522	106,802,187	22,345,967	0	158,911,676
Work in progress	0	22,022,308	361,533,795	0	0	383,556,103
Transfer from IP	19,850,000	0	0	0	0	19,850,000
Other changes	0	0	0	0	1,206,122	1,206,122
Depreciation	0	(40,902,413)	(120,604,659)	(13,757,346)	0	(175,264,418)
Impairment	0	0	0	(48,796)	0	(48,796)
Carrying value of disposals	(4,604,550)	(6,035,704)	0	(106,935)	0	(10,747,189)
Cost	(4,604,550)	(6,906,369)	0	(431,220)	0	(11,942,139)
Accumulated Depreciation	0	870,665	0	324,285	0	1,194,950
<b>Carrying Values at 30 June 2017</b>	<b>867,842,712</b>	<b>754,380,101</b>	<b>3,227,012,769</b>	<b>117,193,954</b>	<b>6,429,457</b>	<b>4,972,858,993</b>
Cost and revaluation	869,857,712	882,180,179	5,037,014,693	289,134,735	6,429,457	7,084,616,775
Cost - assets under construction (WIP)	0	26,318,080	1,014,941,098	0	0	1,041,259,178
Accumulated depreciation & Impairment	(2,015,000)	(154,118,158)	(2,824,943,022)	(171,940,781)	0	(3,153,016,961)

2017 -11- 30

	Land	Buildings, structures and facilities	Infrastructure	Other Assets	Capital Spares	Total
<b>Restated carrying values at 1 July 2015</b>	<b>838,594,412</b>	<b>748,377,933</b>	<b>2,729,658,921</b>	<b>103,961,025</b>	<b>7,046,408</b>	<b>4,427,638,699</b>
Cost and revaluation	840,609,412	822,200,216	5,320,803,199	256,838,310	7,046,408	7,247,497,545
Accumulated depreciation	(2,015,000)	(73,822,283)	(2,591,144,278)	(152,877,285)	0	(2,819,858,846)
Additions	15,196,700	40,685,702	77,403,937	20,772,416	0	154,058,755
Work in progress	0	3,942,531	188,519,180	0	0	192,461,711
Transfer from IP	25,000	0	0	0	0	25,000
Other changes	0	0	0	0	(1,823,073)	(1,823,073)
Depreciation	0	(40,483,695)	(115,707,489)	(14,062,789)	0	(170,253,873)
Carrying value of disposals	(1,954,850)	(2,254,082)	(593,103)	(1,909,588)	0	(6,711,623)
Cost	(1,954,850)	(2,473,660)	(3,106,507)	(10,380,738)	0	(17,925,745)
Accumulated Depreciation	0	219,568	2,513,404	8,481,150	0	11,214,122
<b>Restated carrying values at 30 June 2016</b>	<b>851,861,262</b>	<b>750,266,389</b>	<b>2,879,281,446</b>	<b>108,761,064</b>	<b>5,223,335</b>	<b>4,595,395,495</b>
Cost and revaluation	853,876,262	864,354,799	5,583,619,809	287,219,988	5,223,335	7,574,294,192
Accumulated depreciation & Impairment	(2,015,000)	(114,086,410)	(2,704,338,363)	(158,458,924)	0	(2,978,898,697)

Other Assets: Vehicles  
Total Impairments recognised

48,796  
48,796  
0

Property, Plant and Equipment has been restated according to GRAP 3. Refer to Note 40 on "Prior Period Adjustments" for details of the restatement.

**11.1 Land and Buildings carried at Fair Value:**

Land and Buildings were revalued to fair value during the 2013/14 financial period. The effective date of revaluation was 30 June 2014 and the valuation was performed by registered and independent valuers.

**11.2 Assets pledged as security:**

No assets have been pledged as security.

**11.3 Impairment of Property, Plant and Equipment:**

The municipality assessed its firms of Property, Plant and Equipment, Intangible assets, Investment property and Heritage assets for any potential impairment losses on assets.

The following impairment losses were recognised during the year (2016: RNil):

Other Assets: Vehicles  
Total Impairments recognised

No impairments were reversed in the current year, furthermore no impairment losses were recognised on revalued assets directly in the Statement of Net assets.

No material impairments were recognised related to a single asset during the financial year.

Impairment losses on the abovementioned assets exist, predominantly due to the assets being damaged beyond repair.

**11.4 Change in Estimate - Useful Life of Property, Plant and Equipment reviewed:**

A review of the useful lives and residual values of items of Property, Plant and Equipment has been performed. The change in the estimated useful life of various assets of the municipality has resulted in a decrease in depreciation of R3,440,580 (2016: R667,613).

The change in estimate is expected to have an effect in future periods. It is however considered impracticable to estimate these effects, due to the fact that, while an assessment at each reporting date is made, indicators and the specific assets affected thereby cannot be estimated for future periods.

**11.5 Property, plant and equipment in the process of being constructed or developed:**

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

**11.6 Repairs and maintenance**

Repairs and maintenance per detail asset category and expenditure classifications was as follows:

Asset Category	2016/17				Grand Total
	Contracted Services	Employee Related Cost	Inventory	Operating Leases	
Buildings, Structures and Facilities	2,959,850	48,298,349	258,694	68,100	60,113,832
Infrastructure	46,689,553	73,566,643	1,930,487	1,342,611	147,689,775
Other Assets	211,146	7,752,124	0	867,849	8,830,919
	<b>49,870,549</b>	<b>129,617,116</b>	<b>2,189,181</b>	<b>1,410,711</b>	<b>216,634,526</b>

2017 -11- 30  
AUDITOR - GENERAL  
SOUTH AFRICA

**DRAKENSTEIN MUNICIPALITY  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

2017  
R

Restated  
2016  
R

Asset Category	2015/16				Grand Total
	Contracted Services	Employee Related Cost	Inventory	Operating Leases	
Buildings, Structures and Facilities	2,590,612	45,876,193	292,770	22,115	9,335,962
Infrastructure	40,077,451	66,846,621	2,773,136	999,256	21,997,945
Other Assets	84,310	6,699,391	0	0	578,994
	<u>42,752,373</u>	<u>119,422,204</u>	<u>3,065,905</u>	<u>1,021,371</u>	<u>31,912,902</u>
					<u>196,174,756</u>

**12. INTANGIBLE ASSETS**

	2017		2016	
	Cost	Accumulated Amortisation	Cost	Accumulated Amortisation
Balance as at 30 June 2017				
Computer Software and Systems	19,272,791	(12,808,399)	16,412,916	(10,919,483)
Plans and Designs	1,930,928	(1,419,812)	928,947	(469,104)
Licenses and Rights	18,029,212	(11,379,359)	15,243,208	(9,733,806)
Restated balance as at 30 June 2016	15,243,208	(9,733,806)	1,930,928	(1,249,441)
Computer Software and Systems	1,930,928	(1,249,441)	855,076	(396,109)
Plans and Designs	18,029,212	(11,379,359)	15,243,208	(9,733,806)
Licenses and Rights	18,029,212	(11,379,359)	15,243,208	(9,733,806)

	Cost	Accumulated Amortisation	Carrying Value
The movement in intangible assets are reconciled as follows:			
Carrying value at the beginning of the year	9,146,200		9,146,200
Cost	18,029,212		18,029,212
Accumulated amortisation		(9,148,856)	(9,148,856)
Additions resulting from acquisitions	1,521,220		1,521,220
Amortisation		(45,265)	(45,265)
Carrying value of disposal (de-recognition)			0
Cost	(1,661,419)		(2,476,372)
Accumulated Surplus			(19,974)
Carrying value at the end of the year	232,377		(265,842)
Cost	6,464,391		245,868
Accumulated amortisation	19,272,791		6,464,391
	(12,808,401)		18,029,213
			(11,379,359)

The amortisation expense has been included in the line item "Depreciation and Amortisation" in the Statement of Financial Performance (see Note 33).

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.

**13. INVESTMENT PROPERTY**

Land and Buildings	40,650,000	57,430,000
	<u>40,650,000</u>	<u>57,430,000</u>

The fair model is applied to Investment property.

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.

The movement in Investment properties are reconciled as follows:

Carrying value at the beginning of the year	57,430,000	54,905,000
Fair value	57,430,000	54,905,000
Fair value adjustment gain	3,070,000	2,550,000
Minus: Transfers from Investment property to PPE	(19,850,000)	(25,000)
Carrying value at the end of the year	40,650,000	57,430,000
Fair value	40,650,000	57,430,000

Method of Asset Valuation 2016/17

The date of fair value assessment was on 30 June 2017.

Each property was identified and inspected and fair values adjusted where appropriate. Each of the three main methods (Compare sales method, Capitalization of Income approach and Replacement cost minus depreciation valuation) of valuing property was adopted, depending on the specific property.

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

Revaluation of all Investment Property was performed by a Professional Associated Valuer (Reg no. 5601), Coenraad Botha from HCB Valuations and Services.

Revenue and Expenditure disclosed in the Statement of Financial Performance include rental revenue earned from Investment Property to the amount of R 546,930 (2016: R577,419).

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

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



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

Repairs and maintenance

Repairs and maintenance per detail asset category and expenditure classifications was as follow:

Asset Category	2016/17					Grand Total
	Contracted Services	Employee Related Cost	Inventory	Operating Leases	Operational Cost	
Investment property	56,380	0	0	0	0	56,380
	<u>56,380</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>56,380</u>
Asset Category	2015/16					Grand Total
	Contracted Services	Employee Related Cost	Inventory	Operating Leases	Operational Cost	
Investment property	103,857	0	0	0	0	103,857
	<u>103,857</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>103,857</u>

14. HERITAGE ASSETS

At Revaluation amount 26,842,000  
At Cost less Accumulated Impairment Losses 700,700

The movement in Heritage Assets is reconciled as follow:

26,842,000	26,842,000
700,700	700,700
<u>27,542,700</u>	<u>27,542,700</u>

Carrying values at 30 June 2016  
Cost 26,842,000  
Accumulated Revaluation 700,700  
Accumulated Impairment 0

Carrying values at 30 June 2017  
Cost 26,842,000  
Accumulated Revaluation 700,700  
Accumulated Impairment 0

Historical and Natural Significant Land, Buildings and Structures	Works of Art, Regalia and Collections	Total
26,842,000	700,700	27,542,700
0	700,700	700,700
26,842,000	0	26,842,000
0	0	0
26,842,000	700,700	27,542,700
0	700,700	700,700
26,842,000	0	26,842,000
0	0	0

Restated carrying values at 1 July 2015  
Cost 26,842,000  
Accumulated Revaluation 700,700  
Accumulated Impairment 0

Restated carrying values at 30 June 2016  
Cost 26,842,000  
Accumulated Revaluation 700,700  
Accumulated Impairment 0

Historical and Natural Significant Land, Buildings and Structures	Works of Art, Regalia and Collections	Total
26,842,000	700,700	27,542,700
0	700,700	700,700
26,842,000	0	26,842,000
0	0	0
26,842,000	700,700	27,542,700
0	700,700	700,700
26,842,000	0	26,842,000
0	0	0

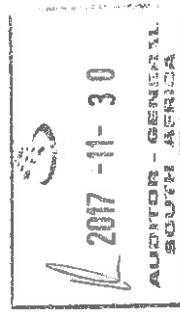
Included in the historical and naturally significant land and building above is amongst others the Paarl Mountain (Paarlberg) and the Paarl Arboretum. Paarl Mountain is particularly known for its mountain or "Paarl Rock". The huge granite rock is formed by three rounded outcrops that make up Paarl Mountain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

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

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

1. De Oude Woning, 214 Main Street, Paarl (SAHRA Nr 9/2/069/0105) dating from the late 1780's.
2. The Old Dutch Reformed Church Parsonage (now the Paarl Museum), Van der Lingen plein, Paarl (SAHRA Nr 9/2/069/0071). The Parsonage was built in 1787.
3. Ouma Granny's House, 37 Foinsein Street, Wellington (SAHRA Nr 9/2/106/0012), dating to the Victorian era.
4. Coronation Arch, Victoria Jubilee Park, Church Street, Wellington (SAHRA Nr 9/2/106/0019/1), dating to 1802.

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





**DRAKENSTEIN MUNICIPALITY  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

2017 R

Restated  
2016 R

**Repairs and maintenance**

Repairs and maintenance per detail asset category and expenditure classifications was as follow:

Asset Category	2016/17				Grand Total
	Contracted Services	Employee Related Cost	Inventory	Operational Cost	
Heritage Assets	210,433	0	12,500	0	222,933
	<u>210,433</u>	<u>0</u>	<u>12,500</u>	<u>0</u>	<u>222,933</u>
Asset Category	2015/16				Grand Total
	Contracted Services	Employee Related Cost	Inventory	Operational Cost	
Heritage Assets	65,124	0	0	0	65,124
	<u>65,124</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>65,124</u>

**15. NON-CURRENT INVESTMENTS**

Listed		
Eskom stock at fair value	132,990	136,462
SANLAM shares	0	257,013
<b>Total listed investments</b>	<b>132,990</b>	<b>393,475</b>
Unlisted		
Bank Deposits		
Other Short-term Deposits		
<b>Total unlisted investments</b>	<b>276,777,737</b>	<b>319,390,807</b>
	<b>276,777,737</b>	<b>319,390,807</b>

The fair value of the listed investments is estimated at R 132,990 (2016: R 393,475). Fair value of Eskom stock is determined based on discounted cash flow analysis, at a discounted rate of 8.5450%, (2016 : 8.7250%).

<b>Total</b>	<b>276,910,727</b>	<b>319,784,282</b>
Less: current portion maturing within next twelve months - refer note 21	<b>(276,777,737)</b>	<b>(319,390,807)</b>
<b>Total (non-current)</b>	<b>132,990</b>	<b>393,475</b>

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

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

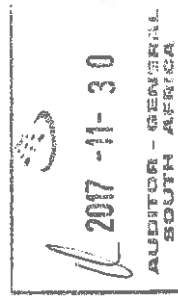
**16. RECEIVABLES FROM EXCHANGE TRANSACTIONS**

<b>As at 30 June 2017</b>				
Public organisations	77,834	0	77,834	
Housing selling scheme loans	2,537,745	(128,207)	2,409,537	
	<b>2,615,578</b>	<b>(128,207)</b>	<b>2,487,371</b>	
Less: Current Portion transferred to Current Receivables:-				
Public organisations				320,176
Housing selling scheme loans				0
				<b>320,176</b>
<b>Total Receivables from Exchange Transactions</b>				<b>2,167,195</b>
<b>As at 30 June 2016</b>				
Public organisations	77,834	0	77,834	
Housing selling scheme loans	3,187,301	(111,266)	3,076,036	
	<b>3,265,135</b>	<b>(111,266)</b>	<b>3,153,870</b>	
Less: Current Portion transferred to Current Receivables:-				
Public organisations				349,909
Housing selling scheme loans				0
				<b>349,909</b>
<b>Total Receivables from Exchange Transactions</b>				<b>2,803,961</b>

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.

**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.



**16.1 Reconciliation of the Provision for Impairment**

Balance at beginning of year	111,266	2,836,381
Net movement	16,942	(2,725,115)
<b>Balance at end of year</b>	<b>128,207</b>	<b>111,266</b>

In determining the recoverability of a Long-term Receivable, the municipality considers any change in the credit quality of the receivable from the date credit was initially granted up to the reporting date. The concentration of 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 Provision for Impairment.

**17. INVENTORY**

Consumable stores	4,644,325	4,006,204
Maintenance materials	24,264,469	18,595,139
Water	1,445,738	1,909,075
Spare parts for Plant & Equipment	154,887	139,794
Plants held for resale	626,145	330,593
Inventory BNG Houses	3,364,000	0
Less: Inventory held as spare parts for infrastructure assets	(6,429,456)	(5,223,334)
<b>Total Inventory</b>	<b>28,070,108</b>	<b>19,756,470</b>

No inventories were pledged as security for liabilities.

During the year inventory to the amount of R 101,396 (2016: R 54,497) was written off due to discrepancies identified during the annual stock count.

Inventories of R 6,429,456 (2016: R 5,223,334) are held as major spare parts for infrastructure assets and has been transferred to Property, Plant and Equipment.

At year end there were BNG houses to the value of R3,364,000 completed or still in process of construction. Although these houses are entirely funded by the National Department of Human Settlements, through the Western Cape Department of Human Settlements, the Municipality is regarded as a principal in terms of the current GRAP interpretation and is therefore obliged to disclose any BNG in the process of construction as well as completed houses still under the control of the Municipality as inventory up to the point of hand over to the allocated beneficiary where after the cost is expensed through the Statement of Financial Performance.

**18. VAT**

VAT Receivable	38,941,816	17,606,929
VAT Payable (Control)	0	(222,482)

Net VAT receivable. Only once payment is received from debtors is VAT paid over to SARS.

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

Value Added Tax has been restated according to GRAP 3. Refer to Note 40 on "Prior Period Adjustments" for details of the restatement.

**19. TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS**

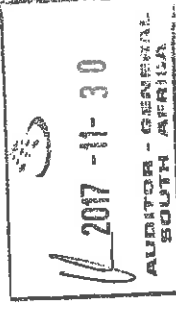
Consumer Debtors from exchange transactions	228,832,488	185,797,422
Other Debtors from exchange transactions	5,356,514	12,815,096
<b>Total Receivables from Exchange Transactions</b>	<b>234,189,002</b>	<b>198,612,518</b>

**19.1 Consumer Debtors from exchange transactions**

As at 30 June 2017	Gross Balances	Provision for Impairment	Net Balance
Service debtors	317,212,504	(90,992,015)	226,220,488
Trade: Electricity	152,439,447	(16,503,142)	135,936,305
Water	100,313,690	(33,173,423)	67,140,267
Waste Management (solid waste)	39,887,779	(26,526,438)	13,361,341
Waste Water Management (sewerage and sanitation)	24,571,589	(14,789,012)	9,782,577
Housing Rental Schemes	8,753,220	(6,491,983)	2,261,238.18
Housing Selling Schemes	967,048	(616,285)	350,761.74
<b>Total</b>	<b>326,932,772</b>	<b>(98,100,283)</b>	<b>228,832,488</b>

**As at 30 June 2016**

As at 30 June 2016	Gross Balances	Provision for Impairment	Net Balance
Service debtors	271,570,481	(88,162,708)	183,407,773
Trade: Electricity	128,690,343	(13,921,846)	114,768,497
Water	73,397,017	(26,915,867)	46,481,150
Waste Management (solid waste)	44,165,879	(30,794,941)	13,370,939
Waste Water Management (sewerage and sanitation)	25,317,242	(16,530,055)	8,787,187
Rental Schemes	8,838,730	(6,793,670)	2,045,059
Housing Selling Schemes	948,650	(604,061)	344,590
<b>Total</b>	<b>281,357,861</b>	<b>(95,560,439)</b>	<b>185,797,422</b>



The average credit period for Consumer Debtors is 30 days. No interest is charged on trade receivables for the first 30 days from the date of the invoice. Thereafter penalties of 10% and 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 Debtors.

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

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

**Analysis of Consumer Debtors Age in Days**

	Not due	Current	31 - 60	61 - 90	91 - 120+	Total	Past due but not impaired
<b>As at 30 June 2017</b>							
		R	R	R	R	R	R
Electricity	126,656,758	2,575,293	4,460,982	2,392,887	1,881,036	11,854,839	955,351
Water	51,835,824	1,200,099	3,918,512	1,525,449	3,015,972	16,504,543	1,207,623
Waste Management	5,355,669	213,228	1,751,832	336,632	1,389,715	8,218,899	277,919
Waste Water Management	4,868,108	178,074	1,134,380	232,807	848,409	5,094,543	176,238
Housing Rental Schemes	490,026	6,624	303,430	42,916	324,525	1,777,836	44,672
Housing Selling Schemes	189,768	7,937	27,156	7,834	21,466	188,932	5,119
<b>Total</b>	<b>189,374,153</b>	<b>4,181,255</b>	<b>11,596,293</b>	<b>4,538,625</b>	<b>7,485,122</b>	<b>43,639,591</b>	<b>2,666,922</b>

**As at 30 June 2017**

	91 - 120+ Impaired	Total	Total Impaired
Electricity	R 19,440,670	R 152,439,447	R 16,503,142
Water	R 41,543,383	R 100,313,680	R 33,173,423
Waste Management	R 31,386,582	R 39,887,779	R 26,526,438
Waste Water Management	R 17,722,692	R 24,571,589	R 14,789,012
Housing Rental Schemes	R 7,635,239	R 8,753,220	R 6,491,983
Housing Selling Schemes	R 748,658	R 967,048	R 616,285
<b>Total</b>	<b>118,477,204</b>	<b>326,932,172</b>	<b>98,100,283</b>

**As at 30 June 2016**

	Not due	Current	31 - 60	61 - 90	91 - 120+ Impaired	Total	Past due but not impaired
<b>As at 30 June 2016</b>							
		R	R	R	R	R	R
Electricity	101,178,260	3,205,605	3,624,890	1,216,832	2,206,265	110,431,842	659,317
Water	21,452,161	1,410,978	4,512,923	531,081	3,845,806	454,514	454,514
Waste Management	4,908,709	296,150	1,762,881	223,960	1,527,573	8,218,899	176,585
Waste Water Management	4,239,060	225,409	1,110,698	160,654	877,640	5,094,543	120,571
Housing Rental Schemes	316,252	11,745	301,566	5,931	301,777	1,777,836	4,113
Housing Selling Schemes	43,790	664	34,531	557	31,169	188,932	553
<b>Total</b>	<b>132,139,231</b>	<b>5,150,551</b>	<b>11,367,489</b>	<b>2,139,015</b>	<b>8,790,232</b>	<b>1,415,653</b>	<b>1,415,653</b>

**As at 30 June 2016**

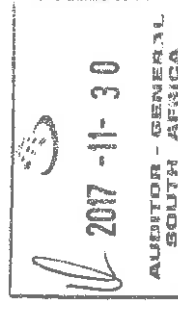
	Not due	Current	91 - 120+ Impaired	Total	Total Impaired	Total - Past due but not impaired
<b>As at 30 June 2016</b>						
		R	R	R	R	R
Electricity	101,178,260	21,679,928	8,840,093	128,698,281	13,921,847	16,794,841
Water	21,452,161	43,586,127	24,519,294	73,397,017	26,915,867	26,439,967
Waste Management	4,908,709	35,946,717	30,098,245	44,165,879	30,794,940	8,758,380
Waste Water Management	4,239,060	19,089,844	16,023,420	25,317,242	16,530,054	4,773,537
Housing Rental Schemes	316,252	7,919,134	6,771,882	8,838,730	6,793,671	1,740,552
Housing Selling Schemes	43,790	839,161	602,287	948,650	604,061	301,464
<b>Total</b>	<b>132,139,231</b>	<b>129,060,910</b>	<b>86,855,221</b>	<b>281,357,861</b>	<b>95,560,440</b>	<b>56,808,741</b>

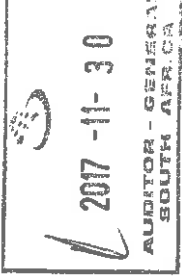
In determining the recoverability of a Consumer Debtor, the municipality considers any change in the credit quality of the Consumer Debtor from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated.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

Included in the Allowance for Doubtful Debts are individually impaired Consumer Debtors with a balance of R 763,358 (2016: R 6,192,486) which have been placed under liquidation. The impairment recognised represents the difference between the carrying amount of these Consumer Debtors and the present value of the expected liquidation proceeds. The municipality holds no collateral over these balances.

**19.2 Other Debtors from exchange transactions**

Sundries	13,804,083	20,526,966
Sporting bodies	66	66
Recoverable Loans	513,713	619,126
Less : Provision for Impairment	(8,961,349)	(8,331,063)
<b>Total Other Debtors from exchange transactions</b>	<b>5,356,514</b>	<b>12,815,095</b>





2017 R  
Restated 2016 R

Reconciliation of impairment provision

Balance at beginning of the year	5,228,283
Net movement	630,286
Balance at year end	<u>8,961,349</u>

Trade and other receivables from exchange transactions have been restated according to GRAP 3. Refer to Note 40 on "Prior Period Adjustments" for details of the restatement.

20. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Consumer Debtors from non-exchange transactions  
Other Debtors from non-exchange transactions  
Total Receivables from Non-exchange Transactions

	2017 R	Restated 2016 R
	29,287,602	32,327,865
	45,292,550	40,009,955
	<u>74,580,052</u>	<u>72,337,820</u>

20.1 Consumer Debtors from non-exchange transactions

As at 30 June 2017

Service debtors

	Gross Balances	Provision for Impairment	Net Balance
Rates	32,284,583	(4,355,559)	27,929,024
Fines	32,284,583	(4,355,559)	27,929,024
Total	139,622,465	(138,263,987)	1,358,478
	171,907,048	(142,619,546)	29,287,502

RESTATED

As at 30 June 2016

Service debtors

	Gross Balances	Provision for Impairment	Net Balance
Rates	38,272,929	(9,945,040)	28,327,889
Fines	38,272,929	(9,945,040)	28,327,889
Total	106,760,240	(102,760,264)	3,999,976
	145,033,169	(112,705,304)	32,327,865

Analysis of Consumer Debtors Age in Days

	Not due	31 - 60	31 - 60 impaired	61 - 90	61 - 90 impaired	Total - Past due but not impaired
Current						
R		R		R		
Rates	13,810,369	1,857,736	470,443	1,022,872	251,398	
Fines	5,002,144	5,009,318	4,072,479	1,450,910	1,151,477	
Total	<u>18,812,513</u>	<u>6,867,054</u>	<u>4,542,922</u>	<u>2,473,882</u>	<u>1,402,875</u>	
		Past due				
		91 - 120+ impaired				
R						
Rates	15,593,506	3,109,437	32,284,583	4,355,559	14,642,936	
Fines	128,160,093	128,937,624	139,622,465	138,263,987	458,740	
Total	<u>143,753,599</u>	<u>132,047,061</u>	<u>171,907,048</u>	<u>142,619,546</u>	<u>15,101,676</u>	

As at 30 June 2016

Service debtors

	Gross Balances	Provision for Impairment	Net Balance
Rates	38,272,929	(9,945,040)	28,327,889
Fines	38,272,929	(9,945,040)	28,327,889
Total	139,622,465	(138,263,987)	1,358,478
	171,907,048	(142,619,546)	29,287,502

RESTATED

As at 30 June 2016

Service debtors

	Not due	31 - 60	31 - 60 impaired	61 - 90	61 - 90 impaired	Total - Past due but not impaired
Current						
R		R		R		
Rates	12,912,449	796,883	458,317	1,109,543	266,345	
Fines	6,292,610	5,223,662	4,870,811	5,241,463	4,278,772	
Total	<u>19,205,059</u>	<u>6,020,545</u>	<u>5,329,128</u>	<u>6,351,006</u>	<u>4,535,117</u>	
		Past due				
		91 - 120+ impaired				
R						
Rates	22,326,428	8,433,495	38,272,929	9,945,040	16,212,323	
Fines	89,352,622	88,387,019	106,760,241	102,760,264	2,931,029	
Total	<u>111,679,050</u>	<u>96,820,514</u>	<u>145,033,170</u>	<u>112,705,304</u>	<u>19,143,352</u>	

Reconciliation of impairment provision

Rates receivable					
Balance at beginning of the year					
Net movement					
Balance at year end		9,945,040		11,487,350	
		(5,589,481)		(1,542,310)	
		<u>4,355,559</u>		<u>9,945,040</u>	

Reconciliation of impairment provision

Fines receivables					
Balance at beginning of the year					
Contributions to Provision for doubtful debt					
Impairment of receivables					
Balance at year end		109,628,370		81,269,014	
		47,276,016		43,777,486	
		(18,640,399)		(15,418,130)	
		<u>138,263,987</u>		<u>109,628,370</u>	

**DRAKENSTEIN MUNICIPALITY  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

	2017 R	Restated 2016 R
<b>20.2 Other debtors from non-exchange transactions</b>		
Grants & Subsidies	33,997,945	26,347,625
Recoverable Debtors	11,278,763	13,642,816
Fruitless and wasteful expenditure	0	0
Rental Leases : Straight lining	15,842	19,514
<b>Total Other Debtors from non-exchange transactions</b>	<b>45,292,550</b>	<b>40,009,955</b>

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

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

The average credit period for Other Debtors 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 Debtors.

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

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

The impairment provision was calculated after individually assessing other debtors 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 debtors exist predominantly due to the possibility that these debts will not be recovered were assessed individually for impairment.

In determining the recoverability of a Debtor, the municipality considers any change in the credit quality of the Debtor 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.

**Reconciliation of Impairment provision**

**Service debtors, rates debtors, other debtors and long-term receivables**

Balance at beginning of the year	113,947,807	121,323,730
Contributions to Provision for doubtful debt	48,527,694	39,972,659
Impairment of receivables	(50,930,104)	(47,348,583)
<b>Balance at 30 June 2017</b>	<b>111,545,397</b>	<b>113,947,807</b>

Receivables from non-exchange transactions have been restated according to GRAP 3. Refer to Note 40 on "Prior Period Adjustments" for details of the restatement.

**21. CASH AND CASH EQUIVALENTS**

The Municipality has the following bank accounts: -

Primary Account	14-9812-1861	59,406,526	30,228,477
Secondary Account	14-9812-1853	0	0
Traffic Fines Bank account	620-715-265-14	0	1,845
Traffic Nedbank account	105-520-20-56	0	0
	620-023-103-85	4,079	0
		<b>59,410,605</b>	<b>30,230,322</b>

All accounts are with Nedbank except the traffic fines account which is with First National Bank. All account balances are cleared on a daily basis to the main account. The municipality has an overdraft facility of R5 million with Nedbank, but did not utilise it for this financial year.

Bank statement balance at beginning of year

Bank statement balance at end of year

Cash book balance at beginning of year

	30,230,322	53,179,369
	59,410,605	30,230,322
	<b>5,302,553</b>	<b>33,577,939</b>

Petty Cash / Float

	12,200	11,700
--	--------	--------

Bank statement at end of year

Net movement / reconciling items

Cash book balance at end of year

	30,230,322	30,230,322
	(48,920,020)	(24,927,769)
	<b>12,490,584</b>	<b>5,302,553</b>

Short term Investment deposits.

	276,777,737	318,390,808
--	-------------	-------------

**TOTAL CASH AND CASH EQUIVALENTS**

	<b>289,280,521</b>	<b>324,705,061</b>
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For the purposes of the Cash Flow Statement, Bank, 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 Annual Financial Statements approximate their fair values.



2017 -11- 30

AUDITOR - GENERAL  
SOUTH AFRICA

**DRAKENSTEIN MUNICIPALITY  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

2017 Restated  
R 2016 R

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.

INSTITUTION	ACCOUNT NUMBER	ACCOUNT TYPE	2017 R	2016 R
ABSA	92-9096-7912	CALL ACCOUNT	20,357,077	15,758,135
ABSA	92-9214-9948	CALL ACCOUNT	20,251,217	15,659,396
ABSA	92-9216-2871	CALL ACCOUNT	20,980,551	16,339,661
ABSA	92-9735-7532	CALL ACCOUNT	20,090,370	16,440,708
ABSA	92-9739-3681	CALL ACCOUNT	20,098,522	16,448,311
			<b>101,777,737</b>	<b>80,646,211</b>
FIRST NATIONAL BANK	745-3290-4361	CALL ACCOUNT	0	41,368,045
FIRST NATIONAL BANK	746-0831-5640	CALL ACCOUNT	0	20,274,444
FIRST NATIONAL BANK	746-3526-3010	CALL ACCOUNT	0	0
			<b>0</b>	<b>61,642,489</b>
NEDBANK	03-7881536373-052	CALL ACCOUNT	25,000,000	13,880,495
			<b>25,000,000</b>	<b>13,880,495</b>
STANDARD BANK	07 875 830 0 - 035	CALL ACCOUNT	0	125,820,350
STANDARD BANK	07 875 830 0 - 036	CALL ACCOUNT	0	35,657,432
STANDARD BANK	07 875 830 0 - 039	CALL ACCOUNT	0	746,258
STANDARD BANK	07 875 830 0 - 043	DEPOSIT	150,000,000	997,573
			<b>150,000,000</b>	<b>997,573</b>
			<b>150,000,000</b>	<b>163,221,613</b>
<b>TOTAL INVESTMENTS</b>			<b>276,777,737</b>	<b>319,390,806</b>
<b>FINANCING FACILITIES</b>				
Unsecured Bank overdraft				
- Amount used			5,000,000	5,000,000
- Amount unused			5,000,000	5,000,000
			<b>0</b>	<b>0</b>
			<b>5,000,000</b>	<b>5,000,000</b>

## 22. PROPERTY RATES

<b>Actual</b>			
Residential	176,656,231	171,435,756	
Agricultural	54,272,665	41,155,023	
Commercial	66,148,178	67,352,386	
State	28,375,669	26,723,047	
Less : Income forgone rates	(100,680,575)	(98,633,457)	
<b>Total Property Rates</b>	<b>224,772,167</b>	<b>208,032,753</b>	

## Valuations as at June 2017

Residential	27,954,137,340	27,475,301,504
Agricultural	7,567,778,565	6,527,703,565
Commercial	6,188,881,295	6,954,019,795
State	1,725,652,800	1,752,294,100
<b>Total Property Valuations</b>	<b>43,436,449,800</b>	<b>42,709,318,964</b>

General Valuations on land and buildings are performed every four years. The last general valuation came into effect on 1 July 2013. Supplementary valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

A uniform rate for the same class and type of property was applied with the implementation of the Property Rates Act. A rate on different categories was applied to property valuations to determine assessment rates. Rebates of 50% are applied to pensioners. A discount of 20% was granted to the state institutions.

Rates are levied monthly on property owners and are payable the 15th of each month for monthly rate payers of Drakenstein areas and 30th September for annual payers. Interest is levied at the prime rate on outstanding rates amounts.

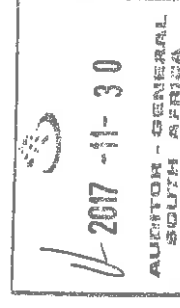
Property rates have been restated according to GRAP 3. Refer to Note 40 on "Prior Period Adjustments" for details of the restatement.

## 23. SERVICE CHARGES

Sale of Electricity	988,485,829	912,911,327
Sale of Water	183,667,632	173,968,062
Waste Management (solid waste)	106,335,063	97,033,848
Waste Water Management (sewerage and sanitation)	84,576,640	76,034,156
Other	38,743	34,168
	<b>1,363,103,907</b>	<b>1,259,981,561</b>
Less: Income forgone	(106,240,000)	(96,845,000)
<b>Total Service Charges</b>	<b>1,256,863,907</b>	<b>1,163,136,561</b>

The amounts disclosed above for revenue from Service Charges are in respect of services rendered which are billed to the consumers on a monthly basis according to approved tariffs.

Service charges have been restated according to GRAP 3. Refer to Note 40 on "Prior Period Adjustments" for details of the restatement.



**DRAKENSTEIN MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

2017  
R

Restated  
2016  
R

**24. SALE OF GOODS AND RENDERING OF SERVICES**

Building Plan Approval	5,738,215	5,304,398
Building Plan Clause Levy	367,343	765,987
Camping Fees	1,895,258	1,661,381
Cemetery and Burial	2,323,073	2,317,541
Cleaning and Removal	475,428	402,531
Computer Services	29,231	13,772
Entrance Fees	467,194	575,619
Fire Services	20,368	4,221
Legal Fees	252,144	2,168
Membership Fees	19,165	13,883
Photocopies and Faxes	137,883	113,921
Sale of Goods	29,205	10,935
Scrap, Waste & Other Goods	360,566	2,348,157
	<b>12,115,073</b>	<b>13,524,516</b>

Sale and rendering of services have been restated according to GRAP 3. Refer to Note 40 on "Prior Period Adjustments" for details of the restatement.

**25. RENTAL FROM FIXED ASSETS**

Operating Lease Rental Revenue:		
Investment Property	1,628,318	1,258,145
Housing Rental	25,805,302	23,111,930
Other Rental Revenue	85,036	97,232
<b>Total Rentals</b>	<b>27,518,656</b>	<b>24,468,307</b>

**26. FINANCE INCOME AND DIVIDENDS**

Interest - external investments	22,063,079	19,254,821
Dividends - stock	15,120	15,120
Interest - outstanding debtors	14,638,632	11,144,067
<b>Total Interest Receivable</b>	<b>36,716,831</b>	<b>30,414,008</b>

**27. FINES, PENALTIES AND FORFEITS**

<i>Fines</i>		
Building	8,000	2,000
Illegal Connections - Electricity	67,536	36,467
Overdue Books Fine	97,359	12,766
Traffic	66,642,321	52,538,417
	<b>66,815,216</b>	<b>52,589,650</b>

Fines, penalties and forfeits have been restated according to GRAP 3. Refer to Note 40 on "Prior Period Adjustments" for details of the restatement.

**28. TRANSFERS AND SUBSIDIES**

Grants from Operational	149,517,109	146,179,556
Grants from Capital	74,601,785	83,749,029
	<b>224,118,893</b>	<b>229,928,585</b>
<i>Unconditional grants</i>		
Equitable Share	106,240,000	96,845,000
Other	1,753,064	1,322,220
Operational grants	<b>107,993,064</b>	<b>98,167,220</b>
Conditional grants	116,125,837	131,761,365
National Government	57,293,110	68,783,046
Provincial Government	58,832,727	81,978,319
Offsetting of Housing Expenditure where Municipality is seen as an agent	(4,890,097)	(25,258,419)
	<b>219,228,804</b>	<b>204,670,166</b>

**28.1 National Government (Unconditional Grants)**

Balance unspent	0	0
Current year	(106,240,000)	(86,845,000)
Conditions met - transferred to revenue	106,240,000	96,845,000
Conditions still to be met - transferred to liabilities (refer	0	0

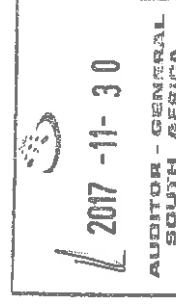
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. All registered indigents receive a 100% monthly subsidy for the basic charges of Electricity, Refuse Removal, Sewerage and Water Services, the subsidy is adjusted as tariffs increase. All residential households receive 10 kl water free every month. Indigent households receive 100 kWh electricity free every month.

**28.2 National Government (Conditional Grants)**

Balance unspent at beginning of year	(9,953,500)	(528,546)
Current year receipts	(48,268,000)	(79,608,000)
Conditions met - transferred to revenue	57,293,110	68,783,046
Conditions still to be met - transferred to liabilities (refer note 10)	<b>(929,391)</b>	<b>(9,953,500)</b>

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

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



2017  
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Restated  
2016  
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**28.3 Provincial Government (Conditional Grants)**

Balance unspent at beginning of year (17,981,365) (26,443,481)  
Current year receipts (71,772,470) (53,516,202)  
Conditions met - transferred to revenue 58,832,727 61,978,319  
Conditions still to be met - transferred to liabilities (refer note 10) (30,921,107) (17,981,365)  
These grants received from Provincial Government are for operational and capital expenditure such as the unspent amount, the conditions of the grant have been met.

Revenue from Housing Grants and the related Housing expenditure where Drakenstein Municipality is regarded as an agent in terms of GRAP amounted to R 4,890,102 (2016 R 25,258,423). In terms of a GRAP interpretation, where a municipality is regarded as an agent, the revenue should be set off against the expenditure.

**28.4 Other Grants**

Balance unspent at beginning of year (13,878,096) (13,626,175)  
Current year receipts (4,622,241) (1,574,141)  
Conditions met - transferred to revenue 1,753,064 1,322,220  
Conditions still to be met - transferred to liabilities (refer note 10) (16,747,273) (13,878,096)  
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.

**28.5 Guarantees and Donations**

Balance unspent at beginning of year (2,133,352) (2,781,186)  
Current year receipts 0 (51,053)  
Conditions met - transferred to revenue 129,864 698,886  
Conditions still to be met - transferred to liabilities (refer note 10) (2,003,488) (2,133,352)  
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.

**29.**

**OPERATIONAL REVENUE**

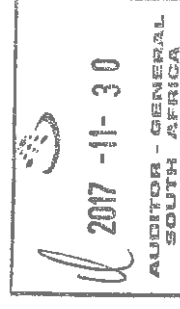
<i>Revenue from exchange transactions</i>	17,200,626	2,187,546
Administrative Handling Fees	236,712	233,929
Commission	6,012	3,129
Request for Information	1,974,672	5,046
Insurance Refund	451,252	427,889
Merchandising, Jobbing and Contracts	0	1,285
Bursary Refund	19,869,275	2,858,823
<i>Revenue from non-exchange transactions</i>	440,748	717,800
Goods and services received in kind	440,748	717,800

**Services received in kind**

During the financial year, the municipality received the following services in kind, that was recognised in terms of GRAP 23.

The Western Cape Department of Cultural Affairs and Sport, pays for the internet access for libraries within Drakenstein Municipality with an annual cost of R12 000 (2016: R562,800). The decrease was due to 14 sites changing over to the Western Cape Broadband initiative, a WiFi service provided to the public directly by Provincial Government. Previously the Provincial Department paid for Telkom ADSL to be installed at each site.

Included in *Administrative handling fees* are an amount of R15,283,761 which relates to unallocated deposits older than three years being recognised as income according to approved Council policy.



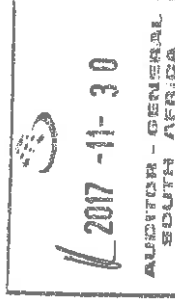


**DRAKENSTEIN MUNICIPALITY  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

2017 R  
Restated  
2016 R


**30. EMPLOYEE RELATED COSTS**

Salaries and Wages	318,712,846	294,661,989
Salaries	318,712,846	294,661,989
Other Allowances and contributions	139,707,845	122,046,005
Social contributions - UIF, pensions and medical aid etc.	69,533,909	65,871,872
Travel, motor car, accommodation, subsistence and other allowances	14,229,529	10,843,497
Housing benefits and allowances	5,665,484	5,547,656
Overtime payments	28,095,612	22,161,069
Acting Allowance	1,141,412	888,838
Shift Allowance	1,660,671	1,612,179
Standby Allowance	8,440,985	7,775,729
Night Shift Allowance	1,959,289	1,919,623
Cell Allowance	1,011,552	798,306
Workman Compensation	2,018,946	1,873,341
Contribution to leave reserve	5,950,236	2,753,905
Provision for performance bonuses	931,694	1,011,933
<b>Defined Benefit Plan Expense: Post Employment Health Care Benefits</b>	<b>(2,716,730)</b>	<b>6,016,127</b>
Current Service Cost	3,092,000	2,923,000
Loss on actuarial valuations (Gains) on actuarial valuations	0	0
Interest Cost	(18,133,730)	(8,406,873)
	12,325,000	11,500,000
<b>Defined Benefit Plan Expense: Ex Gratia Pension Benefits</b>	<b>(610,260)</b>	<b>(363,900)</b>
Current Service Cost	0	0
Loss on actuarial valuations (Gains) on actuarial valuations	0	0
Interest Cost	(885,260)	(689,900)
	275,000	326,000
<b>Defined Benefit Plan Expense: Long Service Awards</b>	<b>2,877,344</b>	<b>5,325,124</b>
Current Service Cost	2,454,000	2,341,000
Loss on actuarial valuations (Gains) on actuarial valuations	(2,958,656)	68,124
Interest Cost	3,382,000	0
	458,902,739	428,697,279
<b>Sub Total</b>	<b>0</b>	<b>0</b>
Expenditure Recharged	0	0
Recharged to repairs and maintenance	0	0
Recharged to capital projects	0	0
<b>Total Employee Related Costs</b>	<b>458,902,739</b>	<b>428,697,279</b>




Remuneration of Executives

2017	Total	Annual Salary	Structured Bonus	Reimbursable Traveling	Acting Allowance	Car Allowance	Performance Bonus	Backpay	Leave	Social Contribution	Subsistence	UIF	Cell Allowance	Non-Pensionable Allowance	Structures
Leibbrandt JH (Municipal Manager)	R 518,001	R 388,976	0	0	0	0	0	0	0	88,279	0	595	10,151	0	0
Metter JF (Municipal Manager)	R 121,145	R 121,145	0	0	0	0	0	0	0	0	0	0	0	0	0
Carstens J (Chief Financial Officer)	R 1,678,831	R 1,678,831	0	0	0	0	0	0	0	0	0	0	0	0	0
Carstens J (Acting Chief Financial Officer)	R 134,428	R 134,428	0	0	0	0	0	0	0	249,585	0	1,785	0	0	0
Kekeisi N (Acting Chief Financial Officer)	R 8,449	R 8,449	0	0	0	0	0	0	0	0	0	0	0	0	0
De Beer AME (Executive Manager Corporate Services)	R 1,271,128	R 1,153,642	0	0	0	0	0	0	0	0	0	0	0	0	0
S Johaar (Executive Manager Corporate Services)	R 211,523	R 104,313	0	0	0	116,000	0	0	0	0	0	1,487	0	0	0
Alfi Adam (Executive Manager Planning and Economic Development)	R 98,974	R 98,974	0	0	0	0	0	0	0	20,091	0	297	3,885	82,59	0
Lowr J (Executive Manager Infrastructure)	R 1,600,558	R 1,221,913	0	0	0	25,000	194,518	0	140,171	0	0	1,487	17,469	0	0
D Hatlugh (Executive Manager Infrastructure)	R 207,637	R 207,637	0	0	0	0	0	0	0	0	0	0	0	0	0
Boehoff GBF (Executive Manager Social Services)	R 1,647,709	R 1,341,267	95,028	0	0	60,000	149,630	0	0	0	0	297	0	0	0
Wang LA (Executive Manager Planning and Economic Development)	R 1,436,396	R 1,266,005	0	3,073	0	60,000	0	0	0	104,533	0	1,785	0	0	0
Wang LA (Acting Municipal Manager)	R 46,702	R 46,702	0	0	0	0	0	0	0	0	0	0	0	0	0
Stydum H (Acting Executive Manager Planning and Economic Development)	R 69,746	R 69,746	0	0	0	0	0	0	0	0	0	0	0	0	0
Wang LA (Acting Executive Manager Planning and Economic Development)	R 9,150,089	R 8,783,031	95,028	3,073	363,216	407,912	760,004	0	140,171	463,488	0	9,816	31,505	82,93	0


 2017 - 11 - 30  
 AUDITOR - GENERAL  
 SOUTH AFRICA

2016	Remuneration of Executives													
	Total	Annual Salary	Structured Bonus	Reimbursable Travelling	Acting Allowance	Car Allowance	Performance Bonus	Backpay	Leave	Social Contribution	Substance	UJF	Cell Allowance	Structured Non-Pensionable Allowance
R	R	R	R	R	R	R	R	R	R	R	R	R	R	R
Mtshali JF (Municipal Manager)	1,362,070	847,925	0	0	0	42,000	243,498	0	165,922	0	15,402	1,014	4,726	0
Carstens J (Chief Financial Officer)	1,610,785	1,052,181	1,555	0	0	98,812	174,629	0	0	254,995	1,299	1,785	0	0
Lategan C (Acting Chief Financial Officer)	121,310	0	0	0	121,310	0	0	0	0	0	0	0	0	0
De Beer AME (Acting Municipal Corporate Services Manager)	1,613,744	1,266,787	0	0	0	139,200	174,629	31,344	0	0	0	1,785	0	0
De Beer AME (Acting Municipal Manager)	14,293	0	0	0	14,293	0	0	0	0	0	0	0	0	0
Adam AMI (Executive Manager Planning and Economic Development)	1,399,256	1,044,558	0	0	0	0	174,279	31,281	115,217	0	16,858	1,338	15,722	0
Lowy J (Executive Manager Infrastructure)	1,607,977	1,350,817	830	0	0	30,000	171,503	30,783	0	0	1,297	1,338	0	0
Boshoff GBF (Executive Manager Social Services)	1,584,887	1,225,789	95,028	0	0	80,000	171,503	30,783	0	0	1,297	1,785	20,963	0
Smit D (Acting Executive Manager Planning and Economic Development)	337,937	337,391	0	0	0	0	171,503	0	0	0	0	1,785	0	0
Waring LA (Executive Manager Planning and Economic Development)	41,366	36,237	0	0	0	5,000	0	0	0	0	0	149	0	0
<b>Total</b>	<b>9,805,590</b>	<b>7,161,685</b>	<b>95,028</b>	<b>2,385</b>	<b>247,660</b>	<b>375,012</b>	<b>1,110,040</b>	<b>199,203</b>	<b>281,139</b>	<b>254,995</b>	<b>35,857</b>	<b>10,086</b>	<b>41,411</b>	<b>0</b>


 2017-11-30  
 AUDITOR - GENERAL  
 SOUTH AFRICA

**DRAKENSTEIN MUNICIPALITY  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

2017  
R

Restated  
2016  
R

**31. COUNCILLOR RELATED COSTS**

Executive Mayor (C Poole)	942,221	109,538
Executive Mayor (G van Deventer)	0	682,264
Deputy Executive Mayor (C Poole)	0	564,465
Deputy Executive Mayor (G Combrink)	759,562	82,644
Speaker (JF Le Roux)	63,748	661,071
Speaker (A Stowman)	892,757	0
Whip (RA Koegelenberg)	707,483	618,759
Executive Mayor committee members	7,105,611	5,537,977
Councillors	16,071,855	12,869,056
Councillors tablet deduction	0	(72,816)
<b>Total Councillors Remuneration</b>	<b>26,343,238</b>	<b>21,053,960</b>

**In-kind Benefits**

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

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

Executive Committee Councillors are provided with work stations which are appropriately equipped.

**32. IMPAIRMENT LOSSES ON FINANCIAL ASSETS**

Bad Debts		
Contribution to Impairment Provision	102,633,213	84,341,064
Contribution from Impairment provision	(69,570,503)	(47,348,583)
Contribution to housing development fund	151,241	152,492
Bad debts written-off	69,570,503	47,348,583
	<b>102,784,454</b>	<b>84,483,556</b>

**33. DEPRECIATION AND AMORTISATION**

Depreciation: Property, Plant and Equipment	175,264,418	170,156,378
Amortisation: Intangible Assets	1,661,419	2,490,909
<b>Total Depreciation and Amortisation</b>	<b>176,925,836</b>	<b>172,647,287</b>

Depreciation and amortisation have been restated according to GRAP 3. Refer to Note 40 on "Prior Period Adjustments" for details of the restatement.

**34. IMPAIRMENT LOSSES ON PPE, IA, IP AND HA**

**Impairment Losses on Fixed Assets Recognised:**

Property, Plant and Equipment	48,796	0
Investment Property	48,796	0
<b>Total Impairment Losses</b>	<b>48,796</b>	<b>0</b>

**35. INTEREST PAID**

Long-term liabilities		
Finance leases	93,563,673	76,410,478
<b>Total Interest on External Borrowings</b>	<b>425,971</b>	<b>168,082</b>
	<b>93,989,644</b>	<b>76,579,560</b>

The weighted average capitalisation rate on funds borrowed generally is 9.62% per annum (2016: 10.71% per annum).

**36. BULK PURCHASES**

Electricity	635,415,938	592,626,886
Water	23,623,213	33,971,210
<b>Total Bulk Purchases</b>	<b>659,039,151</b>	<b>626,598,096</b>

Bulk Purchases are the cost of commodities not generated by the municipality, which the municipality distributes in the municipal area for resale to the consumers. Electricity is purchased from Eskom whilst water is purchased from the City of Cape Town.

Bulk purchases have been restated according to GRAP 3. Refer to Note 40 on "Prior Period Adjustments" for details of the restatement.



**DRAKENSTEIN MUNICIPALITY  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

Restated  
2016  
R

2017  
R

**37. CONTRACTED SERVICES**

<i>Consultants and Professional Services</i>		
Business and Advisory	37,871,741	29,004,554
Infrastructure and Planning	17,254,304	7,920,084
Legal Cost	6,557,081	2,125,552
<i>Contractors</i>		
Catering Services	174,080	101,868
Electrical	133,378	261,051
Employee Wellness	270,109	24,396
Fire Protection	0	29,771
Fire Services	20,115	17,459
Gardening Services	370,023	616,386
Inspection Fees	0	135,000
Maintenance of Buildings and Facilities	11,258,181	11,444,570
Maintenance of Equipment	20,718,017	17,881,186
Maintenance of Unspecified Assets	32,973,844	28,061,118
Management of Informal Settlements	1,148,251	3,460,331
Medical Services	117,386	139,311
Pest Control and Fumigation	389,648	486,392
Preservation/Restoration/Dismantling/Cleaning Services	2,357,732	2,608,188
Removal of Hazardous Waste	44,245	0
Safeguard and Security	18,293,190	15,339,338
Sports and Recreation	224,581	226,453
Traffic and Street Lights	1,927,320	1,080,467
Transportation	2,428	318,952
<i>Outsourced Services</i>		
Animal Care	173,530	159,508
Burial Services	239,186	171,577
Clearing and Grass Cutting Services	3,190,750	2,107,332
Hygiene Services	89,438	0
Meter Management	434,035	408,427
Refuse removal	1,264,218	0
Traffic Fines Management	5,562,484	2,832,659
Translators, Scribes and Editors	173,665	0
	<b>163,232,959</b>	<b>127,932,929</b>

Contracted services have been restated according to GRAP 3. Refer to Note 40 on "Prior Period Adjustments" for details of the restatement.

**38. OPERATIONAL COST**

Achievements and Awards	8,400	6,400
Advertising, Publicity and Marketing	2,958,638	2,566,388
Assets less than the Capitalisation Threshold	12,103	6,479
Bank Charges, Facility and Card Fees	5,903,182	6,319,543
Bursaries (Employees)	182,212	85,875
Catering Municipal Activities	186,000	243,479
Commission	6,546,274	8,003,033
Communication	8,011,889	7,976,317
Deeds	132,363	379,922
Drivers Licences and Permits	20,950	5,992
Entertainment	246,974	398,334
External Audit Fees	5,339,205	5,493,256
External Computer Service	6,335,862	5,906,972
Housing project expenditure	8,359,621	9,716,211
Insurance Underwriting	3,398,224	3,888,907
Licences	1,858,952	1,845,950
Management Fee	151,957	168,323
Municipal Services	2,274,862	2,225,474
Printing, Publications and Books	2,709,360	2,070,408
Professional Bodies, Membership and Subscription	4,505,991	4,931,414
Provision for rehabilitation of landfill	(5,491,603)	21,740,984
Registration Fees	894,184	603,788
Remuneration to Ward Committees	804,034	822,217
Resettlement Cost	0	7,167
Services and Land Surveys	1,600	1,600
Signage	217,223	195,655
Skills Development Fund Levy	3,895,930	3,684,270
Transport Provided as Part of Departmental Activities	0	36,049
Travel and Subsistence	574,420	662,087
Uniform and Protective Clothing	2,096,268	1,976,539
	<b>62,135,054</b>	<b>91,769,834</b>

Operational cost have been restated according to GRAP 3. Refer to Note 40 on "Prior Period Adjustments" for details of the restatement.



2017 -11- 30

AUDITOR - GENERAL  
SOUTH AFRICA

**DRAKENSTEIN MUNICIPALITY  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

2017  
R

Restated  
2016  
R

**39. CASH GENERATED BY OPERATIONS**

Surplus/(Deficit) for the year	80,347,974	47,350,799
Adjustment for :-	179,771,999	158,822,309
- Depreciation and amortisation	176,925,836	172,647,287
- Housing Development Fund	3,064,577	3,072,132
- Impairment Losses	48,796	0
- Fair Value adjustments	(3,070,000)	(2,550,000)
- Gain on assets from non exchange transactions	(7,993,136)	(17,056,978)
- Fair Value adjustments on Listed stock	3,472	36,487
- (Gain)/Losses on disposal of property, plant and equipment	10,792,454	2,673,381
- (Gain)/Losses on disposal of working capital changes:	260,119,973	206,173,108
Operating surplus before working capital changes:	(9,519,760)	7,511,755
(Increase)/Decrease in Inventories	(35,576,485)	(31,354,771)
(Increase)/Decrease in receivables from exchange transactions	(28,733)	(22,982)
(Increase)/Decrease in Long Term Receivables	(2,242,232)	(6,429,969)
(Increase)/(Decrease) in receivables from non-exchange transactions	(11,943,000)	(2,210,001)
Decrease /(Increase) in Post retirement benefits and Long services	(5,895,955)	23,522,057
(Decrease)/Increase in other provisions	6,654,941	568,920
(Decrease)/Increase in unspent conditional grants and receipts	27,174,506	26,902,264
(Increase)/(Decrease) in creditors	(21,557,370)	(2,004,358)
Decrease/(Increase) in VAT(net)	207,244,351	222,654,042
Cash generated by operations		

**40. RESTATEMENT OF PRIOR YEAR FIGURES AND ADJUSTMENTS**

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

a) Reclassifications

i) Adjustment of statement of financial performance items

REVENUE	PREVIOUSLY REPORTED	RECLASSIFICATION	RECLASSIFIED
<i>Revenue from exchange transactions</i>	<b>1,245,063,003</b>	<b>(15,246,020)</b>	<b>1,229,816,983</b>
Service charges	1,172,244,904	(13,694,207)	1,158,550,697
Sale of Good and Rendering of Services	13,524,518	0	13,524,518
Rental from fixed asset	24,468,938	0	24,468,938
Finance Income and Dividends	30,414,008	0	30,414,008
Operational Revenue (Exchange)	4,410,635	(1,551,813)	2,858,822
<i>Revenue from non-exchange transactions</i>	<b>484,622,309</b>	<b>(1,552,092)</b>	<b>483,070,217</b>
Property rates	209,584,845	(1,552,092)	208,032,753
Surcharges and Taxes	1,076,449	0	1,076,449
Fines, Penalties and Forfeits	52,716,212	0	52,716,212
Licences and permits	15,856,836	0	15,856,836
Transfers and Subsidies	204,670,166	0	204,670,166
Operational Revenue (Non-Exchange)	717,800	0	717,800
<b>Total Revenue</b>	<b>1,729,685,312</b>	<b>(16,798,112)</b>	<b>1,712,887,200</b>

**EXPENDITURE**

Employee Related Costs	428,697,279	0	428,697,279
Councillor Related Cost	21,053,960	0	21,053,960
Depreciation and Amortisation	172,942,787	0	172,942,787
Operating Leases	14,180,797	0	14,180,797
Interest paid	76,579,560	0	76,579,560
Bulk Purchases: Water	33,969,884	0	33,969,884
Bulk Purchases: Electricity	592,626,886	0	592,626,886
Contracted services	127,019,956	0	127,019,956
Inventory	37,970,276	0	37,970,276
Transfers and Subsidies: Operational Expenditure	4,868,157	0	4,868,157
Operational Cost	108,552,595	(16,798,112)	91,754,482
<b>Total Expenditure</b>	<b>1,618,462,135</b>	<b>(16,798,112)</b>	<b>1,601,664,023</b>

**GAINS AND LOSSES**

Impairment losses on financial assets	84,589,556	0	84,589,556
Impairment losses on PPE, IA, IP & HA	0	0	0
(Gains)/Losses on disposal of PPE, IA, IP & HA	2,673,381	0	2,673,381
Fair value adjustments on financial assets	36,487	0	36,487
Fair value adjustments on investment property	(2,550,000)	0	(2,550,000)
(Gains)/Losses on inventory	34,301	0	34,301
Gains from assets from non exchange transactions	(17,056,978)	0	(17,056,978)
	<b>67,726,747</b>	<b>0</b>	<b>67,726,747</b>
<b>Surplus / (Deficit) from continued operations</b>	<b>43,496,430</b>	<b>0</b>	<b>43,496,430</b>



**DRAKENSTEIN MUNICIPALITY  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

Restated  
2016  
R

PREVIOUSLY  
REPORTED

RECLASSIFIED  
AMOUNT

**ii) Detail notes affected by the reclassification**

**- Property rates (previously disclosed in the note 22 to the annual financial statements)**

Actual	2016 R	RECLASSIFIED AMOUNT
Residential	172,987,848	171,435,756
Ancultural	41,155,023	41,155,023
Commercial	67,352,386	67,352,386
State	26,723,047	26,723,047
Less: Income forgone	(98,633,457)	(98,633,457)
	<b>209,584,847</b>	<b>208,032,753</b>

**- Service charges (previously disclosed in the note 23 to the annual financial statements)**

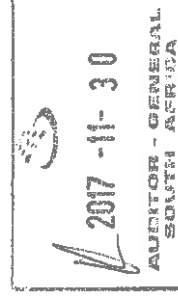
Sale of Electricity	908,325,462	908,325,462
Sale of Water	180,327,064	173,968,063
Waste Management (solid waste)	101,344,044	97,033,848
Waste Water Management (sewerage and sanitation)	79,093,335	76,068,324
	1,269,089,904	1,255,395,697
Less: Income forgone	(96,845,000)	(96,845,000)
	<b>1,172,244,904</b>	<b>1,158,550,697</b>

**- Operational expenditure (previously disclosed in the note 29 to the annual financial statements)**

Achievements and Awards	6,400	6,400
Advertising, Publicity and Marketing	2,566,388	2,566,388
Assets less than the Capitalisation Threshold	6,479	6,479
Bank Charges, Facility and Card Fees	6,319,543	6,319,543
Bursaries (Employees)	85,875	85,875
Catering Municipal Activities	243,479	243,479
Commission	8,003,033	8,003,033
Communication	7,963,496	7,963,496
Deeds	379,922	379,922
Drivers Licences and Permits	5,992	5,992
Entertainment	398,334	398,334
External Audit Fees	5,493,256	5,493,256
External Computer Service	5,906,972	5,906,972
Housing project expenditure	9,716,211	9,716,211
Insurance Underwriting	3,888,907	3,888,907
Licences	1,845,950	1,845,950
Management Fee	168,323	168,323
Municipal Services	19,023,586	2,225,474
Printing, Publications and Books	2,068,678	2,068,678
Professional Bodies, Membership and Subscription	4,931,414	4,931,414
Provision for rehabilitation of landfill	21,740,984	21,740,984
Registration Fees	603,788	603,788
Remuneration to Ward Committees	622,217	622,217
Resettlement Cost	7,167	7,167
Servitudes and Land Surveys	1,600	1,600
Signage	195,655	195,655
Skills Development Fund Levy	3,684,270	3,684,270
Transport Provided as Part of Departmental Activities	36,049	36,049
Travel and Subsistence	662,087	662,087
Uniform and Protective Clothing	1,976,539	1,976,539
	<b>108,552,595</b>	<b>91,754,482</b>

**- Unspent conditional grants and receipts (previously disclosed in the note 10 to the annual financial statements)**

	PREVIOUSLY REPORTED	RECLASSIFIED AMOUNT
Conditional Grants from other spheres of Government	54,719,216	54,719,216
National Government (Unconditional Grants)	0	0
National Government (Conditional Grants)	1,095,843	16,838,749
Provincial Government (Conditional Grants)	43,533,960	26,278,498
Other Grants (Unconditional)	7,704,165	9,780,835
Guarantees and Donations (Unconditional)	2,385,248	1,821,133
Total Conditional Grants and Receipts	<b>54,719,216</b>	<b>54,719,216</b>



**DRAKENSTEIN MUNICIPALITY  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

2017  
R

Restated  
2016  
R

	PREVIOUSLY REPORTED	RESTATEMENT AMOUNT
Grants from Operational	146,179,556	146,179,556
Grants from Capital	83,749,029	83,749,029
	<u>229,928,585</u>	<u>229,928,585</u>
Unconditional grants		
Equitable Share	96,845,000	96,845,000
Other	0	1,322,220
Operational grants	<u>96,845,000</u>	<u>98,167,220</u>
Conditional grants		
National Government	133,083,585	131,761,365
Provincial Government	40,844,514	70,713,041
	<u>92,239,071</u>	<u>81,048,324</u>
	<u>(25,258,424)</u>	<u>(25,258,424)</u>
	<u>204,670,162</u>	<u>204,670,162</u>
Current year receipts	0	0
Conditions met - transferred to revenue	(96,845,000)	(96,845,000)
Conditions still to be met - transferred to liabilities (refer note 10)	<u>96,845,000</u>	<u>96,845,000</u>
	0	0

**- Transfers and subsidies (previously disclosed in the note 28 to the annual financial statements)**

Grants from Operational

Grants from Capital

Unconditional grants

Equitable Share

Other

Operational grants

Conditional grants

National Government

Provincial Government

**Offsetting of Housing Expenditure where Municipality is seen as an agent**

**.1 National Government (Unconditional Grants)**

Balance unspent at beginning of year

Current year receipts

Conditions met - transferred to revenue

Conditions still to be met - transferred to liabilities (refer note 10)

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 residential households receive 10 kl water free every month. Indigent households receive 100 kWh electricity free every month.

**.2 National Government (Conditional Grants)**

Balance unspent at beginning of year

Current year receipts

Conditions met - transferred to revenue

Conditions still to be met - transferred to liabilities (refer note 10)

This grant was 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.

**.3 Provincial Government (Conditional Grants)**

Balance unspent at beginning of year

Current year receipts

Conditions met - transferred to revenue

Conditions still to be met - transferred to liabilities (refer note 10)

These grants received from Provincial Government are for the construction of houses. Other than the unspent amount, the conditions of the grant have been met.

The Municipality received various grants from PAWC for operational projects. Other than the unspent amount, the conditions of the grant have been met.

Revenue from Housing Grants and the related Housing expenditure where Drakenstein Municipality is regarded as an agent in terms of GRAP amounted to R 25,258,423 (2015: R 22,388,982). In terms of a GRAP interpretation, where a municipality is regarded as an agent, the revenue should be set off against the expenditure.

**.4 Other Grants**

Balance unspent at beginning of year

Current year receipts

Conditions met - transferred to revenue

Conditions still to be met - transferred to liabilities (refer note 10)

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.

**.5 Guarantees and Donations (Unconditional)**

Balance unspent at beginning of year

Current year receipts

Conditions met - transferred to revenue

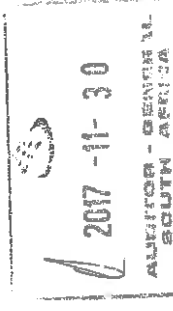
Conditions still to be met - transferred to liabilities (refer note 10)

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.

(42,042,582)	(7,013,790)
(93,730,448)	(80,538,000)
92,239,071	70,713,041
<u>(43,533,960)</u>	<u>(16,338,749)</u>

(34,740,620)	(9,528,915)
(62,586,202)	(1,574,141)
61,048,324	1,322,220
<u>(36,278,498)</u>	<u>(9,780,835)</u>

(2,781,186)	(2,868,966)
(302,947)	(51,053)
698,886	1,098,886
<u>(2,385,247)</u>	<u>(1,821,133)</u>





**DRAKENSTEIN MUNICIPALITY  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

Restated  
2016  
R

	PREVIOUSLY REPORTED	RECLASSIFICATION	RECLASSIFIED
208,921,333	0		208,921,333
1,173,960,224	(82,068,150)		1,091,892,074
205,237,086	0		205,237,086
30,398,888	0		30,398,888
15,120	0		15,120
73,434,227	0		73,434,227
0	0		0
0	0		0
(449,751,239)	0		(449,751,239)
(941,116,402)	82,068,150		(859,048,252)
(76,579,560)	0		(76,579,560)
(1,860,598)	0		(1,860,598)
<b>222,659,082</b>	<b>0</b>		<b>222,659,082</b>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Purchase of property, plant and equipment and intangible assets	(329,380,523)	0	(329,380,523)
Purchase of intangible assets	0	0	0
Purchase of investment property	0	0	0
Proceeds on disposal of property, plant and equipment	3,936,341	0	3,936,341
Decrease/(increase) in non-current receivables	521,630	0	521,630
Decrease/(increase) in call investment deposits	0	0	0
(Decrease)/increase in non current investment	0	0	0
<b>NET CASH FROM INVESTING ACTIVITIES</b>	<b>(324,922,552)</b>	<b>0</b>	<b>(324,922,552)</b>

**CASH FLOWS FROM FINANCING ACTIVITIES**

(Decrease) / Increase in long-term liabilities	0	0	0
Increase in consumer deposits	161,598,399	0	161,598,399
Increase/(Decrease) in Financial Lease Liability	2,782,081	0	2,782,081
	3,062,385	0	3,062,385
	0	0	0
	0	0	0
<b>NET CASH FROM FINANCING ACTIVITIES</b>	<b>167,442,865</b>	<b>0</b>	<b>167,442,865</b>

**NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS**

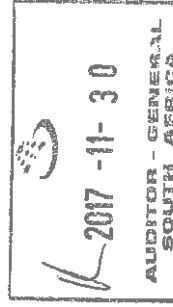
	<b>65,179,395</b>	<b>0</b>	<b>65,179,395</b>
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	259,525,666	0	259,525,666
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	324,705,061	0	324,705,061

**b) Prior Period Adjustments**

**i) Adjustment of statement of financial performance items**

	RECLASSIFIED AMOUNTS	ADJUSTMENTS	RESTATE
<b>REVENUE</b>			
<i>Revenue from exchange transactions</i>	<b>1,229,616,983</b>	<b>4,585,234</b>	<b>1,234,402,218</b>
Service charges	1,158,550,697	4,585,865	1,163,136,561
Sale of Good and Rendering of Services	13,524,518	0	13,524,518
Rental from Fixed Asset	24,488,938	(631)	24,488,307
Finance Income and Dividends	30,414,008	0	30,414,008
Operational Revenue ( Exchange)	2,858,822	0	2,858,822
<i>Revenue from non-exchange transactions</i>	<b>483,070,217</b>	<b>(126,563)</b>	<b>482,943,654</b>
Property rates	208,032,753	0	208,032,753
Surcharges and Taxes	1,076,449	0	1,076,449
Fines, Penalties and Forfeits	52,716,212	(126,563)	52,589,650
Licences and permits	15,856,836	0	15,856,836
Transfers and Subsidies	204,670,166	0	204,670,166
Operational Revenue (Non-Exchange)	717,800	0	717,800
<b>Total Revenue</b>	<b>1,712,887,200</b>	<b>4,458,671</b>	<b>1,717,345,872</b>
<b>EXPENDITURE</b>			
Employee Related Costs	428,697,279	0	428,697,279
Councilor Related Cost	21,053,960	0	21,053,960
Depreciation and Amortisation	172,942,787	(295,500)	172,647,287
Operating Leases	14,180,797	48,609	14,229,406
Interest paid	76,579,560	0	76,579,560
Bulk Purchases: Water	33,969,884	1,327	33,971,211
Bulk Purchases: Electricity	592,626,886	0	592,626,886
Contracted services	127,019,956	912,973	127,932,928
Inventory	37,970,276	11,344	37,981,621
Transfers and Subsidies: Operational Expenditure	4,868,157	7,000	4,875,157
Operational Cost	91,754,482	14,551	91,769,033
<b>Total Expenditure</b>	<b>1,801,664,023</b>	<b>700,304</b>	<b>1,802,364,327</b>

428,697,279	0	428,697,279
21,053,960	0	21,053,960
172,942,787	(295,500)	172,647,287
14,180,797	48,609	14,229,406
76,579,560	0	76,579,560
33,969,884	1,327	33,971,211
592,626,886	0	592,626,886
127,019,956	912,973	127,932,928
37,970,276	11,344	37,981,621
4,868,157	7,000	4,875,157
91,754,482	14,551	91,769,033
<b>1,801,664,023</b>	<b>700,304</b>	<b>1,802,364,327</b>



**DRAKENSTEIN MUNICIPALITY  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

	2017 R	Restated 2016 R
<b>GAINS AND LOSSES</b>		
Impairment of losses on financial assets	84,589,556	(96,000)
Impairment losses on PPE, IA, IP & HA	0	0
(Gains)/Losses on disposal of PPE, IA, IP & HA	2,673,381	0
Fair value adjustments Financial Assets	36,487	0
Fair value adjustments Investment Property	(2,550,000)	0
(Gains)/Losses on Inventory	34,301	0
Gains from assets from non exchange transactions	(17,056,979)	0
	<b>67,726,746</b>	<b>(96,000)</b>
	<b>43,496,432</b>	<b>47,350,800</b>

**Surplus / (Deficit) from continued operations**

	PREVIOUSLY REPORTED	ADJUSTMENTS	RESTATE
	2,362,155,942	5,882,709	2,368,038,651

**(ii) Adjustment of opening balances**

	PREVIOUSLY REPORTED	ADJUSTMENTS	RESTATE
<b>NET ASSETS</b>			
<b>Accumulated Surplus 1 July 2014</b>			
Adjustment to stale cheques reversed	96,198		
Adjustment to lease liability	1,337		
Adjustment to incorrect levied electricity	(3,782,126)		
Adjustment to traffic fines	(23,389)		
Adjustment to lease assets	(1,461)		
Adjustment to electricity deposit	(4,198,050)		
Adjustment to integration error	20,556		
Adjustment to Council condemnation	(14,475)		
Adjustment to grant correction	14,970,835		
Adjustment to consumer deposits	3,231		
Adjustment to assets	(1,190,046)		

**ASSETS AND LIABILITIES**

Trade and other payables from exchange transactions (Opening Balance at 1 July 2015)	(198,501,078)	106,338	(198,394,740)
Trade and other receivables from exchange transactions (Opening Balance at 1 July 2015)	171,569,370	(4,311,624)	167,257,746
VAT receivable (Opening Balance 1 July 2015)	14,850,590	529,498	15,380,088
Receivables from non-exchange transactions (Opening Balance at 1 July 2015)	65,947,176	(39,325)	65,907,851
Non-current receivables from exchange transactions (Opening Balance at 1 July 2015)	3,313,840	11,752	3,325,592
Unspent conditional grants and receipts (Opening Balance at 1 July 2015)	(541,452,281)	10,772,885	(530,679,406)
Consumer deposits (Opening Balance at 1 July 2015)	(31,172,685)	3,231	(31,169,454)
Property, Plant & Equipment (Opening Balance 1 July 2015)	4,428,661,749	(1,139,886)	4,427,521,863
Intangible assets (Opening Balance 1 July 2015)	9,196,360	(50,160)	9,146,200

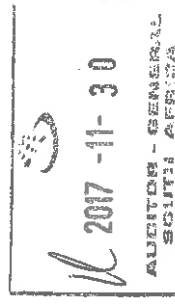
**(iii) Adjustment of statement of financial position items**

**ASSETS**

<b>Non-current assets</b>	<b>4,691,103,319</b>	<b>(887,834)</b>	<b>4,690,215,485</b>
Property, plant and equipment	4,596,259,458	(863,963)	4,595,395,496
Heritage assets	27,542,700	0	27,542,700
Intangible assets	6,685,477	(35,623)	6,649,854
Investment property	57,430,000	0	57,430,000
Non-current assets classified as held for sale	0	0	0
Non-current investments	393,475	0	393,475
Non-current receivables from exchange transactions	2,792,209	11,752	2,803,961

**Current assets**

Inventory	632,329,259	1,039,447	633,368,706
VAT receivable	19,756,470	0	19,756,470
Trade and other receivables from exchange transactions	16,933,668	673,259	17,606,928
Receivables from non-exchange transactions	202,982,897	(4,370,380)	198,612,517
Current portion of long-term receivables	67,601,253	4,736,567	72,337,820
Cash and cash equivalents	349,909	0	349,909
	324,705,061	0	324,705,061
<b>Total Assets</b>	<b>5,323,432,576</b>	<b>151,613</b>	<b>5,323,584,191</b>



**DRAKENSTEIN MUNICIPALITY  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

2017  
R

Restated  
2016  
R

**NET ASSETS AND LIABILITIES**

<b>Non-current liabilities</b>		
Borrowings	1,050,502,688	0
Non-current defined benefit obligations	768,548,875	0
Non-current provisions	121,978,000	0
Non-current finance lease liability	157,994,385	0
	1,981,429	0
<b>Current liabilities</b>	<b>496,216,276</b>	<b>(9,585,464)</b>
Consumer deposits	33,954,767	(3,231)
Trade and other payables from exchange transactions	224,106,352	1,190,652
Unspent conditional grants and receipts	54,719,210	(10,772,885)
Current portion of non-current borrowings	134,288,458	0
Current portion of finance lease liability	1,080,956	0
VAT payable (control)	222,482	0
Current portion of defined benefit obligations	7,469,000	0
Current provisions	40,375,051	0
<b>Total Net Assets</b>	<b>3,176,713,612</b>	<b>9,737,077</b>
Housing development fund	20,144,124	0
Reserves and funds	1,322,488,797	(2,173,346)
Accumulated surplus / (deficit)	2,434,080,692	11,910,423
<b>Total Net Assets and Liabilities</b>	<b>5,323,432,578</b>	<b>151,613</b>

**iv) Adjustment of cash flow statement  
CASH FLOW FROM OPERATING ACTIVITIES**

	PREVIOUSLY REPORTED	ADJUSTMENTS	RESTATED
<b>RECEIPTS</b>			
Property rates	208,921,333	(1,552,082)	207,369,241
Sale of goods and services	1,091,882,074	(13,730,110)	1,078,161,964
Grants received	205,237,086	0	205,237,086
Interest received	30,398,888	0	30,398,888
Dividends received	15,120	0	15,120
Other receipts and fines received	73,434,227	(1,678,374)	71,755,853
	0	0	0
	0	0	0
<b>PAYMENTS</b>			
Employee cost	(449,751,239)	0	(449,751,239)
Suppliers	(859,046,252)	17,099,299	(841,946,953)
Interest paid	(76,579,560)	0	(76,579,560)
VAT paid	(1,860,596)	(143,762)	(2,004,358)
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>222,659,082</b>	<b>(5,039)</b>	<b>222,654,042</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment and intangible assets	(329,380,523)	5,040	(329,375,483)
Purchase of intangible assets	0	0	0
Purchase of investment property	0	0	0
Proceeds on disposal of property, plant and equipment	3,936,341	0	3,936,341
Decrease/(Increase) in non-current receivables	521,630	0	521,630
Decrease/(Increase) in call investment deposits	0	0	0
(Decrease)/Increase in non current investment	0	0	0
<b>NET CASH FROM INVESTING ACTIVITIES</b>	<b>(324,922,552)</b>	<b>5,040</b>	<b>(324,917,512)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
(Decrease) / Increase in long-term liabilities	161,598,399	0	161,598,399
Increase in consumer deposits	2,782,081	0	2,782,081
Increase/(Decrease) in Financial Lease Liability	3,062,385	0	3,062,385
	0	0	0
<b>NET CASH FROM FINANCING ACTIVITIES</b>	<b>167,442,865</b>	<b>0</b>	<b>167,442,865</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>65,179,395</b>	<b>0</b>	<b>65,179,395</b>
Cash and cash equivalents at the beginning of the year	259,525,666	0	259,525,666
Cash and cash equivalents at the end of the year	324,705,061	0	324,705,061

2017 -11- 30  
AUDITOR - GENERAL  
SOUTH AFRICA

**DRAKENSTEIN MUNICIPALITY  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

2017  
R

Restated  
2016  
R

**(iv) Detail of individual items adjusted**

**a) State cheques**

During the year all cheques older than 6 months have been reversed.

Total of change 2016

**(Increase) / decrease in Accumulated Surplus / (deficit) (Opening Balance 1 July 2015)**

(96,198)

**Decrease / (increase) in Trade and other payables from exchange transactions (Opening Balance 1 July 2015)**

96,198

**b) Payments relating to previous financial book year**

Old book year payment made during the current financial year, but was applicable in the prior financial period. It was corrected accordingly.

Total of change 2016

**(Increase) / decrease in Trade and other payables from exchange transactions  
Trade creditors**

(1,127,618)
(1,127,618)

**Increase / (decrease) in Expenditure**

991,071

Bulk Purchases : Water

1,327

Contracted Services

907,932

Operational Cost

14,551

Inventory

11,344

Transfers and Subsidies : Operational Expenditure

7,000

Operating Leases

48,917

**Increase / (Decrease) in VAT receivable**

136,546

VAT Control

136,546

**c) Prepaid electricity commission**

Total of change 2016

During the year it was discovered that prepaid electricity was incorrectly accounted for. The error was subsequently corrected.

**(Increase) / decrease in Service charges**

(4,637,405)

Sale of electricity

(4,637,405)

**(Increase) / decrease in Trade and other payables from exchange transactions**

(169,681)

Other creditors

(169,681)

**Increase / (Decrease) in Trade and other receivables from exchange transactions**

4,807,086

Recoverable debtors

4,807,086

**d) Lease liability correction**

During 2015/16 it was discovered that a lease was calculated on 10 years, while it should have been 9 years and 11 months. The error was subsequently corrected.

Total of change 2016

**(Increase) / decrease in Accumulated Surplus / (deficit) (Opening Balance 1 July 2015)**

(1,337)

**Decrease / (Increase) in Trade and other payables from exchange transactions (Opening Balance 1 July 2015)**

1,337

**(Decrease) / Increase in Operating Leases**

(308)

Rent expense

(308)

**Decrease / (Increase) in Trade and other payables from exchange transactions**

308

Rental leases Expenditure: Straight Lining

308

**e) Correction of incorrect electricity charged to debtor's account**

During the year it was discovered that a debtor was incorrectly charged for electricity. The matter was taken to Council in order to reverse the charges. The error was subsequently corrected.

Total of change 2016

**Decrease / (Increase) in Accumulated Surplus / (deficit) (Opening Balance 1 July 2015)**

3,782,126

**Increase / (decrease) in VAT receivable (Opening Balance 1 July 2015)**

529,498

**(Decrease) / Increase in Trade and other receivables from exchange transactions (Opening Balance 1 July 2015)**

(4,311,824)

**Decrease / (Increase) in Service charges**

51,540

Sale of electricity

51,540

**Increase / (decrease) in VAT receivable**

7,216

VAT receivable

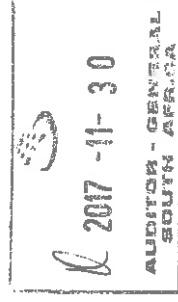
7,216

**(Decrease) / Increase in Trade and other receivables from exchange transactions**

(58,756)

Electricity

(58,756)



**DRAKENSTEIN MUNICIPALITY  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

2017 Restated  
R 2016  
R

<b>f) Correction of traffic fines</b>		
During the year it was discovered that there was some miscalculation in the prior period. Correction was made accordingly.		
<b>Decrease / (increase) in Accumulated Surplus / (deficit) (Opening Balance 1 July 2015)</b>		<b>23,389</b>
<b>(Decrease) / increase in Trade and other receivables from non-exchange transactions (Opening Balance 1 July 2015)</b>		<b>(23,389)</b>
<b>(Decrease) / increase in Gains and losses</b>		<b>(96,000)</b>
Impairment losses on financial assets		<b>(96,000)</b>
<b>Decrease / (increase) in Revenue from non-exchange transactions</b>		<b>126,562</b>
Traffic fines		<b>126,562</b>
<b>(Decrease) / increase in Trade and other receivables from non-exchange transactions</b>		<b>(30,562)</b>
Traffic fines		<b>(1,532,337)</b>
Provision for impairment		<b>1,501,775</b>
<b>Total of change 2016</b>		
<b>g) Lease asset correction</b>		<b>1,461</b>
During 2015/16 it was discovered that the straight lining of a lease was incorrectly calculated. The error was subsequently corrected.		
<b>Decrease / (increase) in Accumulated Surplus / (deficit) (Opening Balance 1 July 2015)</b>		<b>(1,461)</b>
<b>(Decrease) / increase in Trade and other receivables from non-exchange transactions (Opening Balance 1 July 2015)</b>		
<b>Decrease / (increase) in Revenue from exchange transactions</b>		<b>631</b>
Rental from fixed assets		<b>631</b>
<b>(Decrease) / increase in Trade and other receivables from non-exchange transactions</b>		<b>(631)</b>
Rental leases: Straight Lining		<b>(631)</b>
<b>Total of change 2016</b>		

**h) Correction of depreciation on assets**

During the year it was discovered that depreciation on certain assets were not calculated and that operational costs were incorrectly capitalised. These were corrected accordingly. In addition, certain assets were removed from the asset register to correct errors of prior years.

<b>Decrease / (increase) in Accumulated Surplus / (deficit) (Opening Balance 1 July 2015)</b>		<b>1,073,212</b>
<b>(Decrease) / increase in Intangible assets (Opening Balance 1 July 2015)</b>		<b>(50,160)</b>
<b>(Decrease) / increase in Property, Plant and Equipment (Opening Balance 1 July 2015)</b>		<b>(1,023,052)</b>
<b>Increase / (decrease) in Depreciation and amortisation</b>		<b>(295,500)</b>
Depreciation		<b>(280,963)</b>
Amortisation		<b>(14,537)</b>
<b>Increase / (decrease) in Expenditure</b>		<b>5,040</b>
Contracted Services		<b>5,040</b>
<b>(Decrease) / increase in Intangible assets</b>		<b>(35,623)</b>
Cost		<b>(121,881)</b>
Accumulated amortisation		<b>86,258</b>
<b>(Decrease) / increase in Property, Plant and Equipment</b>		<b>(863,963)</b>
Cost		<b>(7,686,314)</b>
Accumulated depreciation		<b>6,824,351</b>
<b>Total of change 2016</b>		

**i) Electricity deposit**

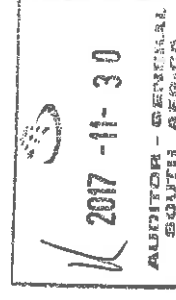
During the year it was discovered that electricity deposit was incorrectly allocated to an income vote number. This correction was corrected accordingly.

<b>(Increase) / decrease in Accumulated Surplus / (deficit) (Opening Balance 1 July 2015)</b>		<b>4,198,050</b>
<b>(Increase) / decrease in Unspent conditional grants and receipts (Opening Balance 1 July 2015)</b>		<b>(4,198,050)</b>
<b>Total of change 2016</b>		

**j) Integration error**

During the year it was discovered that some automated functions did not occur. This correction was corrected accordingly.

<b>(Increase) / decrease in Accumulated Surplus / (deficit) (Opening Balance 1 July 2015)</b>		<b>(20,556)</b>
<b>Increase / (decrease) in Non-current receivable from exchange transactions (Opening Balance 1 July 2015)</b>		<b>11,752</b>
<b>(Increase) / decrease in Trade and other payables from exchange transactions (Opening Balance 1 July 2015)</b>		<b>8,804</b>



2017 R	Restated 2016 R
-----------	-----------------------

Total of change 2016

**k) Council condonement**

During the year Council condoned fruitless and wasteful expenditure relating to prior year opening balance. This correction was corrected accordingly.

(Increase) / decrease in Accumulated Surplus / (deficit) (Opening Balance 1 July 2015)

14,475

(Decrease) / increase in Trade and other receivables from non-exchange transactions (Opening Balance 1 July 2015)

(14,475)

**l) Grant corrections**

Total of change 2016

It was found that certain grants were not previously treated correctly in term of GRAP 23, as the stipulations in the relevant agreements referred to be interpreted as restrictions rather than conditions, or where it was interpreted as conditions it was found that these were not enforceable and therefore these grants should have been recognised as revenue in the period they accrued to the Municipality. This correction was corrected accordingly.

(Increase) / decrease in Accumulated Surplus / (deficit) (Opening Balance 1 July 2015)

(14,970,935)

Decrease / (Increase) in Unspent conditional grants and receipts (Opening Balance 1 July 2015)

14,970,935

**m) Consumer deposit**

Total of change 2016

During the year it was discovered that a consumer deposit was never recognised as income. The correction was corrected accordingly.

(Increase) / decrease in Accumulated Surplus / (deficit) (Opening Balance 1 July 2015)

(3,231)

Decrease / (Increase) in Consumer deposits (Opening Balance 1 July 2015)

3,231

**(v) Other disclosure adjustments****a) Lease commitment adjustments**

PREVIOUSLY REPORTED 2016	RESTATED AMOUNT 2016
-----------------------------	-------------------------

Prior year comparative correction on Note 41, *Operating Lease Commitments as a lessor*. The amount was a non-financial disclosure and therefore was corrected accordingly.

Receivable within one year

966,917

Receivable within two to five years

1,065,259

Receivable after more than five years

96,860

	<b>2,129,036</b>
--	------------------

	<b>2,152,836</b>
--	------------------

**b) Lease commitment adjustments**

PREVIOUSLY REPORTED 2016	RESTATED AMOUNT 2016
-----------------------------	-------------------------

Prior year comparative correction on Note 41, *Operating Lease Commitments as a lessee*. The amount was a non-financial disclosure and therefore was corrected accordingly.

Receivable within one year

94,560

Receivable within two to five years

419,636

Receivable after more than five years

0

	<b>514,196</b>
--	----------------

	<b>503,577</b>
--	----------------

Previously it was reported that "The Municipality has significant current lease arrangements for land and buildings over a period of 10 years being subject to increased lease payments.", it should be "...over a period of 9 years and 11 months..."

**c) Distribution losses**

Prior year comparative correction on Note 52, *Distribution losses*. The amount was a non-financial disclosure and therefore was corrected accordingly.

**WATER****Reconciliation of water losses**

Kilolitres bought

18,709,547

Kilolitres sold

16,257,101

Kilolitres lost

2,452,446

Value of losses (cost)

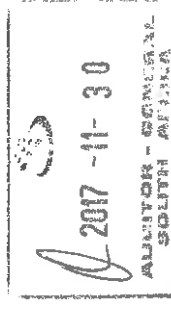
	<b>4,452,944</b>
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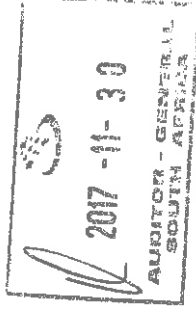
Percentage of losses

13.11%

Norm of losses

15.00%





**ELECTRICITY**

Reconciliation of kWh losses  
kWh units bought 750,370,166  
kWh units sold 750,370,166  
kWh units lost 688,541,084  
Value of losses 61,829,082  
Percentage of losses 8.24%  
Norm of losses 10.00%

	2017 R	Restated 2016 R
<b>PREVIOUSLY REPORTED</b>		
2016		
	750,370,166	750,370,166
	688,541,084	688,541,084
	<u>61,829,082</u>	<u>61,829,082</u>
	27,633,500	63,473,117
	8.24%	8.24%
	10.00%	10.00%
<b>RESTATED AMOUNT</b>		
2016		

**d) Unauthorised Expenditure**

Prior year comparative correction on Note 42.1, *Unauthorised Expenditure*. The amount was a non-financial disclosure and therefore was corrected accordingly.

	PREVIOUSLY REPORTED 2016	RESTATED AMOUNT 2016
<b>Opening Balance</b>		
Unauthorised expenditure for financial year (Aggregate of Directorates overspent)	(3,897,804)	0
Written off by Council	0	0
Unauthorised expenditure awaiting authorisation	0	0
	<u>(3,897,804)</u>	<u>0</u>

**e) Fruitless and Wasteful Expenditure**

Prior year comparative correction on Note 42.2, *Fruitless and Wasteful Expenditure*. The amount was a non-financial disclosure and therefore was corrected accordingly.

	PREVIOUSLY REPORTED 2016	RESTATED AMOUNT 2016
<b>Opening Balance</b>		
Fruitless expenditure current year	14,475	77,206
Payments received during the year	64,588	64,588
Approved by council	0	0
Closing Balance	0	0
	<u>79,063</u>	<u>141,794</u>

**f) Irregular Expenditure**

Prior year comparative correction on Note 42.3, *Irregular Expenditure*. The amount was a non-financial disclosure and therefore was corrected accordingly.

	PREVIOUSLY REPORTED 2016	RESTATED AMOUNT 2016
<b>Opening Balance</b>		
Irregular expenditure current year	25,929,143	27,009,733
Payments received during the year	86,670	88,670
Approved by council	0	0
Closing Balance	(25,929,143)	(25,929,143)
	<u>88,670</u>	<u>1,169,260</u>

**41. OPERATING LEASE COMMITMENTS**

**The Municipality as Lessee**

Future minimum lease payments under non-cancellable operating leases:

	PREVIOUSLY REPORTED 2016	RESTATED AMOUNT 2016
<b>Equipment</b>		
Payable within one year	0	72,612
Payable within two to five years	0	72,612
Payable after more than five years	0	0
	<u>0</u>	<u>72,612</u>

The Municipality has significant current lease arrangements for photocopy and fax machines over a period of 3 - 5 years being subject to escalation.

**Land and Buildings**

Payable within one year 409,017 503,577  
Payable within two to five years 102,596 94,560  
Payable after more than five years 306,421 409,017

	<u>409,017</u>	<u>503,577</u>
--	----------------	----------------

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

**Total commitments: Municipality as Lessee**

	<u>409,017</u>	<u>576,189</u>
--	----------------	----------------

**The Municipality as Lessor**

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

Receivable within one year 603,562 977,538  
Receivable within two to five years 776,702 1,076,518  
Receivable after more than five years 60,678 98,782

	<u>1,440,943</u>	<u>2,152,838</u>
--	------------------	------------------

The Municipality lets its investment properties under operating leases. Property rental income earned during the year was R 546,930 (2016: R 577,419). The properties are maintained by the tenants at their cost. No investment properties have been disposed of since the statement of financial performance date. Properties are leased for periods ranging from 3 to 30 years. Escalations on lease instalments are applied on recommendation of an independent valuator and does not exceed 10% pa.

Drakenstein Municipality entered into an agreement with Anytime Investments 14 Pty (Ltd) during 2010, with the purpose of urban regeneration. In terms of the agreement, the private party (Anytime) would lease Erf 20343 Paarl (Wamakersplein) for a period of 30 years with an extension option of another 20 years, during which time a commercial facility will be constructed and operated by the private party. Furthermore the various other municipal owned parking areas and sections of street parking will be leased from the municipality for a period of 7 years and operate these as paid parking facilities, this will also co-incide with the upgrading of these areas (parking areas and sidewalks) by the private party.

In terms of the agreement, if any of the agreements were to come to an end due to the non-conformance to any suspensive condition, the parties will negotiate in good faith to come to a fair agreement to ensure that the private party can recoup the direct expenses to the parking areas, which may include a lease for a limited time, so that the private party's expenses can be recouped by way of a lease of sufficient length.

Up to 30 June 2017, the commercial property had not been constructed, an obligation of the private party in terms of the agreement. The lease of Erf 20343 as well as the other areas has been accounted for as an operating lease since the inception of the lease agreements.

Lease commitments have been restated according to GRAP 3. Refer to Note 40 on "Prior Period Adjustments" for details of the restatement.

**42. UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFULL EXPENDITURE DISALLOWED**

**42.1 UNAUTHORISED EXPENDITURE**

**42.1.1 Application of sec (a) of the definition of Unauthorised expenditure in terms of the MFMA**

Reconciliation of unauthorised expenditure - Per Sec (a) of the definition of Unauthorised expenditure (Total Budget)

Opening balance	0	0
Unauthorised expenditure for financial year	0	0
Original Unauthorised expenditure reported	0	0
Restatement of expenditure due to change in accounting policy or correction of errors	0	0
Written off by Council	0	0
Unauthorised expenditure awaiting authorisation	0	0

**42.1.2 Application of Sec (b) of the definition of Unauthorised expenditure**

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

Opening balance	0	0
Unauthorised expenditure for financial year (Aggregate of GFS Functions overspent)	0	0
Written off by Council	0	0
Unauthorised expenditure awaiting authorisation	0	0

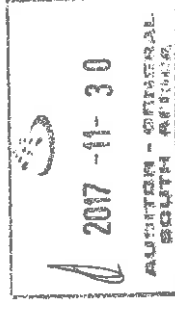
Refer to appendix B3 for more detail

2016/17

**UNAUTHORISED EXPENDITURE PER GOVERNMENT FINANCIAL STATISTICS (GFS)**

	BUDGET R	ACTUAL EXPENDITURE R	UNAUTHORISED R	AMOUNT WRITTEN OFF BY COUNCIL R
EXECUTIVE AND COUNCIL	19,931,636	8,411,408	0	0
BUDGET AND TREASURY OFFICE	80,799,868	79,381,466	0	0
CORPORATE SERVICES	146,123,269	145,318,632	0	0
PLANNING AND ECONOMIC DEVELOPMENT	40,207,867	38,226,889	0	0
COMMUNITY AND SOCIAL SERVICES	34,277,066	34,138,337	0	0
HOUSING	121,198,951	113,149,229	0	0
PUBLIC SAFETY	114,110,062	111,078,254	0	0
SPORT AND RECREATION	75,911,394	68,707,979	0	0
WASTE MANAGEMENT	124,573,279	112,809,955	0	0
WASTE WATER MANAGEMENT	142,590,672	141,129,280	0	0
ROAD TRANSPORT	137,669,373	134,514,601	0	0
WATER	136,221,757	129,489,450	0	0
ELECTRICITY	880,841,504	878,280,567	0	0
ENVIRONMENTAL PROTECTION	8,385,336	7,864,510	0	0
	<b>2,062,841,034</b>	<b>2,002,500,560</b>	<b>0</b>	<b>0</b>

Refer to appendix B1 for more detail





DRAKENSTEIN MUNICIPALITY  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

2017  
R

Restated  
2016  
R

2015/16	2016	2016	Restated 2016
UNAUTHORISED EXPENDITURE PER GOVERNMENT FINANCIAL STATISTICS (GFS)	ACTUAL EXPENDITURE	UNAUTHORISED	AMOUNT WRITTEN OFF BY COUNCIL
	R	R	R
EXECUTIVE AND COUNCIL	29,126,163	0	0
BUDGET AND TREASURY OFFICE	64,341,917	0	0
CORPORATE SERVICES	127,329,459	0	0
PLANNING AND ECONOMIC DEVELOPMENT	36,161,972	0	0
COMMUNITY AND SOCIAL SERVICES	29,995,647	0	0
HOUSING	143,814,777	0	0
PUBLIC SAFETY	98,874,331	0	0
SPORT AND RECREATION	59,569,405	0	0
WASTE MANAGEMENT	139,652,457	0	0
WASTE WATER MANAGEMENT	120,244,775	0	0
ROAD TRANSPORT	110,344,074	0	0
WATER	128,697,594	0	0
ELECTRICITY	809,571,889	0	0
ENVIRONMENTAL PROTECTION	6,642,916	0	0
	<b>1,904,367,376</b>	<b>0</b>	<b>0</b>

Refer to appendix B1 for more detail

**42.1.3 Application of Sec (b) of the definition of Unauthorised expenditure in terms of the MFMA**

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

	2017	2016
	BUDGET	ACTUAL EXPENDITURE
	R	R
Opening balance	0	0
Unauthorised expenditure for financial year (Aggregate of Directorates overspent)	0	0
Written off by Council	0	0
Unauthorised expenditure awaiting authorisation	0	0
	<b>0</b>	<b>0</b>

	2017	2016
UNAUTHORISED EXPENDITURE PER VOTE (DIRECTORATE)	BUDGET	ACTUAL EXPENDITURE
	R	R
OFFICE OF THE MUNICIPAL MANAGER	7,465,920	6,785,752
CORPORATE SERVICES	73,588,170	58,858,035
COMMUNITY SERVICES	531,067,611	489,833,309
FINANCIAL SERVICES	80,799,868	79,381,466
PLANNING AND ECONOMIC DEVELOPMENT	40,147,461	38,205,656
INFRASTRUCTURE SERVICES	1,329,772,004	1,319,436,342
	<b>2,062,841,034</b>	<b>2,002,500,560</b>

Refer to appendix B2 for more detail

	2016	2016
UNAUTHORISED EXPENDITURE PER VOTE (DIRECTORATE)	BUDGET	ACTUAL EXPENDITURE
	R	R
OFFICE OF THE MUNICIPAL MANAGER	4,825,481	3,471,272
CORPORATE SERVICES	98,874,640	61,407,594
COMMUNITY SERVICES	532,749,193	473,846,196
FINANCIAL SERVICES	64,585,676	59,365,020
PLANNING AND ECONOMIC DEVELOPMENT	37,442,106	35,372,502
INFRASTRUCTURE SERVICES	1,166,890,290	1,162,416,583
	<b>1,904,367,376</b>	<b>1,795,879,167</b>

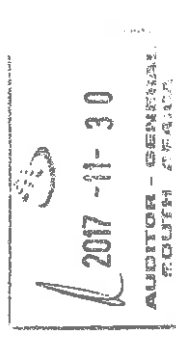
Refer to appendix B2 for more detail

**42.2 FRUITLESS AND WASTEFUL EXPENDITURE**

	2016	2016
UNAUTHORISED EXPENDITURE PER VOTE (DIRECTORATE)	BUDGET	ACTUAL EXPENDITURE
	R	R
OFFICE OF THE MUNICIPAL MANAGER	0	0
CORPORATE SERVICES	0	0
COMMUNITY SERVICES	0	0
FINANCIAL SERVICES	0	0
PLANNING AND ECONOMIC DEVELOPMENT	0	0
INFRASTRUCTURE SERVICES	0	0
	<b>0</b>	<b>0</b>

Incident	Disciplinary steps/criminal proceedings
Payment of interest to service providers	The matter was taken to Council and written off during March 2017.
Payment of interest to SARS	Additional tax was levied on the municipality as a result of an input vat claim on an invoice that was disallowed by SARS due to non-compliance to the VAT Act.

Fruitless and Wasteful expenditure have been restated according to GRAP 3. Refer to Note 40 on "Prior Period Adjustments" for details of the restatement.



AUDITOR - GENERAL  
SOUTH AFRICA

**DRAKENSTEIN MUNICIPALITY  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

	2017 R	Restated 2016 R
Opening Balance	1,169,260	27,009,733
Irregular expenditure current year	273,263	88,670
Payments received during the year	0	0
Approved by council	(1,364,210)	(25,929,143)
Irregular expenditure identified in the current year relating to prior years	0	0
Closing Balance	<u>78,313</u>	<u>1,169,260</u>

**42.3 IRREGULAR EXPENDITURE**

Opening Balance	1,169,260	27,009,733
Irregular expenditure current year	273,263	88,670
Payments received during the year	0	0
Approved by council	(1,364,210)	(25,929,143)
Irregular expenditure identified in the current year relating to prior years	0	0
Closing Balance	<u>78,313</u>	<u>1,169,260</u>

Incident	Disciplinary steps/criminal proceedings/reasons for write-offs
In contravention with Regulation 44(a) of the Municipal Supply Chain Management Regulations.	The report is also forwarded to the Chief Audit Executive in terms of the Unauthorised, Irregular and Fruitless & Wasteful Policy of the municipality. The matter was taken to Council and written off during March 2017.
Acting allowance deemed irregular	During the year officials acted more than the prescribed 3 month period, thus resulting in Provincial Treasury interpreting the acting payments as being irregular. The matter was taken to Council and written off during June 2017.
Over expenditure on approved deviation.	Deviation was duly approved, but over spending occurred due to lack of proper oversight and monitoring.
In contravention with Regulation 5(1)(a) of the Preferential Procurement Regulations.	Applicable preference point system for acquisition of services, works or goods were not adhered to.

273,263 88,670

All above mentioned amounts exclude VAT.

Irregular expenditure have been restated according to GRAP 3. Refer to Note 40 on "Prior Period Adjustments" for details of the restatement.

**43. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT**

**43.1 Contributions to SALGA**

Opening balance	0	0
Council subscriptions	4,481,908	4,929,125
Amount paid - current year	(4,481,908)	(4,929,125)
Amount paid - previous years	0	0
Balance unpaid (included in creditors)	<u>0</u>	<u>0</u>

**43.2 Audit fees**

Opening balance	0	0
Current year audit fee	6,049,922	6,326,327
Amount paid - current year	(6,049,922)	(6,326,327)
Amount paid - previous years	0	0
Balance unpaid (included in creditors)	<u>0</u>	<u>0</u>

**43.3 VAT**

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

**43.4 PAYE**

Opening balance	0	0
Current year payroll deductions	55,146,671	47,487,264
Amount paid - current year	(55,146,671)	(47,487,264)
Amount paid - previous years	0	0
Balance unpaid (included in creditors)	<u>0</u>	<u>0</u>

**43.5 UIF**

Opening balance	0	0
Current year payroll deductions	5,653,560	5,212,479
Amount paid - current year	(5,653,560)	(5,212,479)
Amount paid - previous years	0	0
Balance unpaid (included in creditors)	<u>0</u>	<u>0</u>

**43.6 Pension Deductions**

Opening balance	0	0
Current year payroll deductions and council contributions	71,459,673	67,421,164
Amount paid - current year	(71,459,673)	(67,421,164)
Amount paid - previous years	0	0
Balance unpaid (included in creditors)	<u>0</u>	<u>0</u>

**43.7 Medical Aid Deductions**

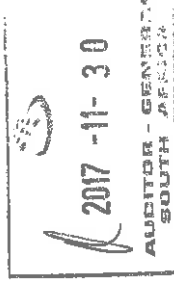
Opening balance	0	0
Current year payroll deductions and council contributions	29,683,637	26,987,669
Amount paid - current year	(29,683,637)	(26,987,669)
Amount paid - previous years	0	0
Balance unpaid (included in creditors)	<u>0</u>	<u>0</u>

**43.8 Councillors arrear consumer accounts outstanding more than 90 days**

The following Councillors had arrear accounts outstanding for more than 90 days as at 31 July 2016

Outstanding more than 90 days	R
	<u>40,707</u>
	<u>40,707</u>

CL J SMIT



DRAKENSTEIN MUNICIPALITY  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

The following Councillors had arrear accounts outstanding for more than 90 days as at 31 August 2016

CL J SMIT	39,559	Restated
CL GH FORD	2,184	2016
CL ARA CUPIDO (PP)	35	R
CL MD NOBULA//I	7,487	
CL LV NZELE	3,856	
MD NOBULA//I	276	
MTVP KLAAS	2,214	
	<u>55,611</u>	

Outstanding more  
than 90 days  
R

The following Councillors had arrear accounts outstanding for more than 90 days as at 30 September 2016

CL J SMIT	26,444
CL DS BLANKENBERG	320
CL GH FORD	2,004
CL LV NZELE	2,030
CL MD NOBULA//I	7,414
MTVP KLAAS	1,572
	<u>39,785</u>

Outstanding more  
than 90 days  
R

The following Councillors had arrear accounts outstanding for more than 90 days as at 31 October 2016

CL J SMIT	27,188
CL GH FORD	2,145
CL LV NZELE	2,030
CL MD NOBULA//I	3,976
CL MTVP KLAAS	1,098
	<u>36,437</u>

Outstanding more  
than 90 days  
R

The following Councillors had arrear accounts outstanding for more than 90 days as at 30 November 2016

CL GH FORD	2,301
CL LV NZELE	1,014
CL C MANGENA PP	514
CL MD NOBULA//I	1,798
CL T ADRIAANSE	100
	<u>5,726</u>

Outstanding more  
than 90 days  
R

The following Councillors had arrear accounts outstanding for more than 90 days as at 31 December 2016

CL GH FORD	2,365
CL X/M VIKA	155
CL MD NOBULA//I	1,798
CL C MANGENA PP	1,052
	<u>5,370</u>

Outstanding more  
than 90 days  
R

The following Councillors had arrear accounts outstanding for more than 90 days as at 31 May 2017

CL DS BLANKENBERG	52
	<u>52</u>

Outstanding more  
than 90 days  
R

The following Councillors had arrear accounts outstanding for more than 90 days as at 30 June 2017

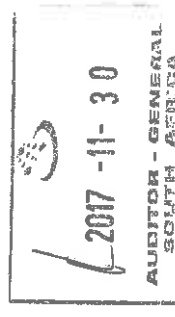
CL SX JONAS	4,109
	<u>4,109</u>

Outstanding more  
than 90 days  
R

43.9 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



2017  
R

Restated  
2016  
R

#### 44. ADDITIONAL DISCLOSURES IN TERMS OF THE SUPPLY CHAIN MANAGEMENT REGULATIONS

44.1 Deviation from, and ratification of minor breaches of, the Procurement Processes in terms of section 36(2) of the Supply Chain Management Policy approved by Council it is stipulated that bids where the formal procurement processes could not be followed, must be noted in the financial statements.

SCM PARAGRAPH REFERENCE	DESCRIPTION OF DEVIATION	2017 R	Restated 2016 R
16 (c)	If it is not possible to obtain at least 3 written price quotations for transaction values between R2,000.00	7,207,200	6,205,213
17 (1)(c)	If it is not possible to obtain at least 3 formal written price quotations for transaction values between R	12,141,952	9,285,414
36 (1)(a) i	Dispense with the official procurement processes in an emergency	2,827,096	1,727,188
36 (1)(a) ii	Dispense with official procurement processes if such goods or services are produced or available from a single source or sole provider	4,480,511	5,214,245
36 (1)(a) v	Dispense with official procurement processes in any other exceptional case where it is impractical or impossible to follow the official procurement processes.	56,665,118	45,835,801
36 (1)(b)	Ratify any minor breaches of the procurement processes by an official or committee acting in terms of delegated powers or duties.	16,795,721	574,881
<b>Sub - totals</b>		<b>100,117,598</b>	<b>68,842,542</b>
Cheque request deviations		264,935	235,338
<b>Total Deviations</b>		<b>100,382,533</b>	<b>69,077,880</b>

The majority of the items were due to emergency circumstances and economic benefits for the municipality.

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

Awards to close family members of persons in the service of the State

Supplier Name	Employee Name	Relationship	Department	2017 R	Restated 2016 R
<b>Awards to close family members of persons in the service of Drakenstein Municipality</b>					
Business Connexion	C Phillips	Spouse	Planning: Economic Development	0	6,073,647
D Uren Vibracrete	Z Ajaru	Child	Finance	1,169,780	959,583
Inter Media Printers	A Brink	Spouse	Finance	0	13,600
Nomakayandile Mercy Quwe T/A Ekuphumlani Catering	CZ Quwe	Spouse	Community Services	0	10,385
<b>Awards to close family members of persons in the service of other state departments and entities</b>					
B Malan	JJA Davids	Parent	Western Cape Department of Education	8,650	20,200
CSM Consulting Services (Pty) Ltd	A Van Collie	Child	Department of Environmental Affairs	501,559	140,837
LJ Projects and Events	C Jafra	Spouse	Department of Water Affairs	12,000	17,719
Maverick Trading 1088 (Pty) Ltd	C Adams	Spouse	Department of Agriculture	0	100,335
Maverick Trading 1088 (Pty) Ltd	F Adams	Child	Department of Education	0	183,647
Succido Enterprises	L Kiam	Spouse	Passenger Rail Agency of SA	0	85,000
VAT Guide Consulting CC	S Daniels	Spouse	South African Revenue Services	79,800	71,145
WAM Technology CC	S Botes	Spouse	Department of Education	121,645	24,420,518
Exeo Khokela	T Meyer	Daughter	Western Cape Department of Education	17,942,906	48,513
Mr Ward Projects (Pty) Ltd t/a LS Construction	N Nkewu	Spouse	Community Services	0	0
<b>Total</b>				<b>19,836,340</b>	<b>32,145,128</b>

#### 45. CAPITAL COMMITMENTS

Commitments in respect of capital expenditure:

- Approved and contracted for

Infrastructure \*

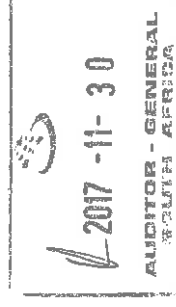
Other \*

Intangibles \*

**Total**

\* All capital commitments exclude VAT

620,162,582	519,699,925
569,454,070	458,747,510
49,721,238	60,132,607
987,274	819,808
<b>620,162,582</b>	<b>519,699,925</b>



46. FINANCIAL INSTRUMENTS

46.1 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 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 Statement of Financial Position, are as follows:

	NOTE	2017	2016	
		Carrying Amount R	Fair Value R	Fair Value R
<b>FINANCIAL ASSETS</b>				
Fair Value		<b>132,990</b>	<b>132,990</b>	<b>393,475</b>
Listed Investments	15	132,990	132,990	393,475
<b>Amortised cost</b>		<b>639,478,762</b>	<b>639,478,762</b>	<b>616,416,197</b>
Non-current receivables from exchange transactions	16	2,167,195	2,167,195	2,803,961
Trade and other receivables from exchange transactions	19	234,189,002	234,189,002	198,612,518
Receivables from non-exchange transactions	20	74,580,052	74,580,052	72,337,820
Current Portion of Receivables from exchange transactions	18	320,176	320,176	349,909
VAT Receivable	18	38,941,816	38,941,816	17,606,929
Bank Balances and Cash	21	289,280,521	289,280,521	324,705,081
<b>Total Financial Assets</b>		<b>639,611,753</b>	<b>639,611,753</b>	<b>616,809,672</b>
<b>FINANCIAL LIABILITIES</b>				
<b>At amortised cost:</b>		<b>1,535,357,223</b>	<b>1,535,357,223</b>	<b>1,209,317,064</b>
Unsecured Bank Facilities:		1,031,713,331	1,031,713,331	770,530,304
- Annuity Loans	5	1,029,648,872	1,029,648,872	768,548,875
- Finance leases	5	2,064,860	2,064,860	1,981,429
- Bank Overdraft		0	0	0
Trade and Other Payables:		503,643,891	503,643,891	438,786,761
- Consumer Deposits	8	37,806,852	37,806,852	33,951,535
- Trade and Other Payables from exchange transactions	9	252,471,509	252,471,509	225,297,003
- Unspent Conditional Grants and Receipts	10	50,601,266	50,601,266	43,946,325
- Current Portion of Borrowings	5	160,839,692	160,839,692	134,288,458
- Current Portion of Finance leases	5	1,924,571	1,924,571	1,080,956
- VAT Payable	18	0	0	222,482
<b>Total Financial Liabilities</b>		<b>1,535,357,223</b>	<b>1,535,357,223</b>	<b>1,209,317,064</b>
<b>Total Financial Instruments</b>		<b>(895,745,470)</b>	<b>(895,745,470)</b>	<b>(592,507,393)</b>

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

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

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

The Annual Financial Statements include holdings in Listed Government Stock which are measured at Fair Value (Note 16). Fair Value is estimated with standard terms and conditions and traded on active liquid markets is determined with reference to quoted market prices.

**Assumptions used in determining Fair Value of Financial Assets and Financial Liabilities**

The table below analyses Financial Instruments carried at Fair Value at the end of the reporting period by the level of fair-value hierarchy as required by GRAP 104. The different levels are based on the extent to which quoted prices are used in the calculation of the Fair Value of the Financial Instruments. The levels have been defined as follows:

Level 1:-

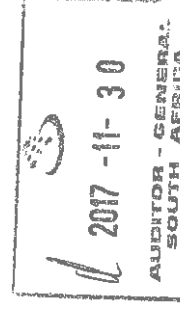
Fair Values are based on quoted market prices (unadjusted) in active markets for an identical instrument.

Level 2:-

Fair Values are calculated using valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments, quoted prices for identical or similar instruments in markets that are considered less than active, or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3:-

Fair Values are based on valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. Also, this category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.



30 June 2017

NOTE	Level 1 R	Level 2 R	Level 3 R	Total R
<b>FINANCIAL ASSETS</b>				
Financial Instruments at Fair Value:				
Listed Investments	132,990	0	0	132,990
Call Deposits	0	0	0	0
Short-term Portion of Investments	0	0	0	0
Bank Balances and Cash	0	0	0	0
<b>Total Financial Assets</b>	<b>132,990</b>	<b>0</b>	<b>0</b>	<b>132,990</b>
<b>FINANCIAL LIABILITIES</b>				
Financial Instruments at Fair Value:				
Other Loans	0	0	0	0
Bank Overdraft	0	0	0	0
<b>Total Financial Liabilities</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total Financial Instruments</b>	<b>132,990</b>	<b>0</b>	<b>0</b>	<b>132,990</b>

30 June 2016

	Level 1 R	Level 2 R	Level 3 R	Total R
<b>FINANCIAL ASSETS</b>				
Financial Instruments at Fair Value:				
Listed Investments	393,475	0	0	393,475
Call Deposits	0	0	0	0
Short-term Portion of Investments	0	0	0	0
Bank Balances and Cash	0	0	0	0
<b>Total Financial Assets</b>	<b>393,475</b>	<b>0</b>	<b>0</b>	<b>393,475</b>
<b>FINANCIAL LIABILITIES</b>				
Financial Instruments at Fair Value:				
Other Loans	0	0	0	0
Bank Overdraft	0	0	0	0
<b>Total Financial Liabilities</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total Financial Instruments</b>	<b>393,475</b>	<b>0</b>	<b>0</b>	<b>393,475</b>

**46.2 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 5; Cash and Cash Equivalents disclosed in Note 21; and Equity, comprising Funds, Reserves and Accumulated Surplus as disclosed in Notes 2 to 4 and the Statement of Changes in Net Assets.

**Gearing Ratio**

The gearing ratio at the year-end was as follows:

Debt	1,194,477,595	5	905,989,718
Equity	3,869,863,241	2,3,4	3,786,450,692
Net debt to equity ratio			30.87%
Debt is defined as Long- and Short-term Borrowings, as detailed in Note 5.			23.92%

Equity includes all Funds and Reserves of the municipality, disclosed as Net Assets in the Statement of Financial Position.

**46.3 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 Directorate: 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 entity does not enter into or trade financial instruments for speculative purposes.

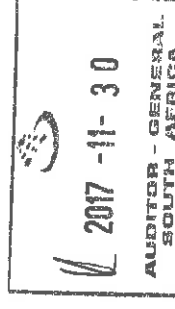
Internal audit, responsible for monitoring and responding to potential risk, reports quarterly to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function.

**46.4 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 Annual Financial Statements.

**46.5 Market risk**

The municipality's activities expose it primarily to the financial risks of changes in interest rates (see Note 46.6 below). No formal policy exists to hedge volatilities in the interest rate market.



**DRAKENSTEIN MUNICIPALITY  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

2017  
R

Restated  
2016  
R

**46.6 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.

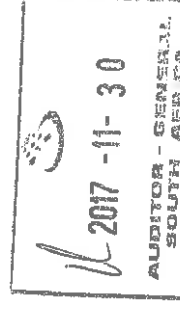
The municipality is not exposed to a high level of interest rate risk on its financial liabilities. All of the Municipality's interest bearing external loan liabilities, as detailed in Appendix A, are fixed interest rate loans. Similarly with financial assets, the Municipality invests its surplus funds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

No interest rate sensitivity analysis was performed, as the municipality is not exposed to variable interest rates on outstanding liabilities.

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.

***Effect of a change in interest rate on interest bearing financial assets and liabilities***

<u>Financial Assets</u>	<u>Classification</u>	<u>Note</u>
<b><u>External investments:</u></b>		
Call Deposits / Short-term Investment	Amortised cost	21
Bank Balances	Amortised cost	21
Cash Floats and Advances / Petty Cash + Cash Floats	Amortised cost	21
		<b>319,360,807</b>
		<b>5,302,553</b>
		<b>11,700</b>
		<b>324,705,061</b>
<b>Interest received</b>		
Interest Earned - External Investments		26
Interest rate		<b>7.63%</b>
		<b>19,254,821</b>
		<b>5.93%</b>
<b><i>Effect of a change in interest rate on interest earned from external investments:</i></b>		
Effect of change in interest rate	%	21
Effect of change in interest rate	Rand value	<b>6.63%</b>
		<b>19,170,273</b>
		<b>16,007,770</b>
Effect of change in interest rate	%	21
Effect of change in interest rate	Rand value	<b>8.63%</b>
		<b>24,955,884</b>
		<b>22,501,872</b>
<b><i>Outstanding debtors:</i></b>		
Receivables from exchange transactions	Amortised cost	19
Receivables from Non exchange transactions	Amortised cost	20
		<b>234,189,002</b>
		<b>74,580,052</b>
		<b>308,769,054</b>
		<b>270,950,338</b>
<b>Interest received</b>		
Interest Earned - Outstanding Debtors		26
Interest rate		<b>4.74%</b>
		<b>11,144,067</b>
		<b>4.11%</b>
<b><i>Effect of a change in interest rate on interest earned from outstanding debtors</i></b>		
Effect of change in interest rate	%	21
Effect of change in interest rate	Rand value	<b>3.74%</b>
		<b>11,550,941</b>
		<b>8,434,564</b>
Effect of change in interest rate	%	21
Effect of change in interest rate	Rand value	<b>5.74%</b>
		<b>17,726,322</b>
		<b>13,853,571</b>
<b><u>Financial Liabilities</u></b>		
<b><u>Long-term Liabilities</u></b>		
Annuity Loans	Amortised cost	5
Finance leases	Amortised cost	3
		<b>1,190,488,364</b>
		<b>3,989,231</b>
		<b>1,194,477,595</b>
<b>Interest paid</b>		
Long-term Liabilities		35
Interest rate %		<b>7.87%</b>
		<b>76,609,347</b>
		<b>8.46%</b>
<b><i>Effect of a change in interest rate on interest paid on long-term liabilities</i></b>		
Effect of change in interest rate	%	21
Effect of change in interest rate	Rand value	<b>6.87%</b>
		<b>82,044,868</b>
		<b>67,550,350</b>
Effect of change in interest rate	%	21
Effect of change in interest rate	Rand value	<b>9.87%</b>
		<b>105,934,420</b>
		<b>85,668,345</b>



2017	Restated
R	2016
R	R

**46.7 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.

The municipality has access to financing facilities, the total unused amount which is R5 million at the balance sheet date. 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.

**46.8 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 19 to the 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 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:

	NOTE		
Investments	15	132,990	393,475
Long-term Receivables	16	2,615,578	3,265,135
Receivables from Consumer debtors	19.1 + 20.1	498,839,820	426,391,032
Receivables from Other debtors	19.2 + 20.2	50,649,064	52,825,051
VAT receivable / payable	18	38,941,816	17,384,446
Bank and Cash Balances	21	289,280,521	324,705,061
<b>Maximum Credit and Interest Risk Exposure</b>		<b>880,459,790</b>	<b>824,964,201</b>

**46.9 Other Price Risks**

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

**47. PUBLIC PRIVATE PARTNERSHIPS**

**Waste to Energy (WTE)**

The Municipality has started with a Public Private Partnership process with a private party, Intervaste, to establish a proposed WTE Facility with the objective of pursuing an alternative integrated waste management solution other than landfilling. The proposed Intervaste PPP agreement would include the integrated management of the DMF's waste management operations, including the planning, designing, financing, construction and operation of a Waste to Energy Plant which includes the establishment of a Materials Recovery Facility, Anaerobic Digestion Facility and a Direct Combustion Facility. The results of a feasibility study for the proposed project presented to Council on 23 April 2014, has resulted in Council's approval in principle that the proposed project should proceed. The proposed WTE project is currently nearing the finalisation of an Environmental Impact Assessment (EIA) process that included ten impact assessment studies and extensive public participation. The next stage is a project development phase which will include the preparation of all relevant agreements with the related stakeholders. The Main PPP agreement of the proposed project will only be negotiated and presented to Council for approval once all statutory authorisations and licenses have been obtained. Council consideration of the proposed PPP agreement will be preceded by a process of community consultation and obtaining the views and recommendations of National Treasury, Provincial Treasury as well as the national and provincial departments of Local Government and Environmental Affairs. The PPP is registered with National Treasury as Project M074.

**48. RELATED PARTY TRANSACTIONS**

*Transactions with Key Management Personnel and Councilors:*

Compensation made to Key Management Personnel and Councilors is disclosed in note 30 above.

Consumer services rendered to Key Management Personnel amount to R 41,327 (2016: R 38,613).

Outstanding balances on Key Management Personnel's consumer accounts at 30 June 2017 (Current Accounts) amount to R 4,382 (2016: R 0).

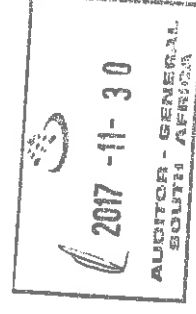
Consumer services rendered to Councilors amount to R 1,078,645.23 (2016: R 786,996).

Outstanding balances on Councilors' consumer accounts at 30 June 2017 amount to R 57,577 (2016: R 48,180).

The consumer services are in accordance with approved tariffs that was advertised to the public. No bad debt expenses had been recognised in respect of amounts owed by related parties.

The amounts outstanding are unsecured and will be settled in cash. Consumer Deposits were received from Key Management Personnel and Councilors. 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 IPSAS 20, as they do not necessarily control or have an interest that gives them significant influence over the municipality. For disclosure purposes in terms of Supply Chain Management Regulations 45, awards to close family members of persons in the service of the state are disclosed in note 44.2.





**49. 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 councillors / employees leave the plans prior to full vesting of the contributions, the contributions payable by the municipality are reduced by the amount of forfeited contributions.

The total expense recognised in the Statement of Financial Performance of R 71,459,672 (2016: R 67,421,164) 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.

**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 23.06 % (period 1 February 2012 - 30 June 2014) and 26.77% (period 1 July 2014 - 30 June 2015) by their councils. The actuarial valuation report at 30 June 2016 disclosed an actuarial valuation amounting to R2,037,843,000 (30 June 2015 : R2,136,012,000), with a net accumulated surplus of R67,791,000 (2015 : R28,015,000 ), with a funding level of 103.5% (30 June 2015 : 101.4%).

**Defined Contribution Scheme**

The actuarial valuation report at 30 June 2016 indicated that the defined contribution scheme of the fund is in a sound financial position, with assets amounting to R1,960,970,000.00 (30 June 2015: R1,932,720,000), net investment reserve of R0 (30 June 2015 : R0) and with a funding level of 100% (2016: 100%).

The actuary concluded that :

- The Pensioner account has a funding level of 103.5% with a surplus of R67.8 million and is in a sound financial condition as at the valuation date.
- There is a surplus of R49.1 million in The DB Section excluding The surplus in The Pensioner Account. The surplus has been allocated to The Pensioner Account.
- The overall funding level in respect of the DB Section including the Pensioner Account is 106.1% with a surplus of R116.9 million.
- The DC Section has a funding level of 100%, and is in a sound financial condition.
- Overall the fund is in a sound financial condition with a surplus of R116.9 million and the overall funding level of 103.0%.
- The Trustees awarded a 4% pension increase effective 1 January 2017.

It is to be noted that

- All the active members have now all been converted to the DC Section.
- There is no longer any contribution rate shortfall as this only applied to 29 residual DB Section active members, that have now also converted to the DC Section and
- Both the DC Section and the DB Section were fully funded as at the valuation date.

The actuary certified The Pensioner Account was 103.5% funded with a surplus of R68 million and is in a sound financial condition. The funding level in respect of the DB active members was 0% with a surplus of R49 million. The DB Section is in a sound financial condition and the DC Section has a funding level of 100% and is in a sound financial condition. Overall the Fund is in a sound financial condition with a surplus of R117 million and an overall funding level of 106.1%. The nature of the assets is suitable for the Fund, except that the proportion of direct property underlying the pensioner liabilities may represent an over-concentration of assets in this class. The assets are appropriately matched relative to the term and nature of the active member liabilities. The Fund's investment strategy is suitable. Finally the risk benefits are partially re-insured and this is appropriate for the size and nature of the Fund.

**CONSOLIDATED RETIREMENT FUND FOR LOCAL GOVERNMENT (PREVIOUSLY KNOWN AS CAPE JOINT RETIREMENT FUND)**

The statutory valuation performed as at 30 June 2016 revealed that the assets of the fund amounted to R20,075,000,000 (30 June 2015: R18,322,177,000), with funding levels of 118.0% and 100% (30 June 2015 112.1% and 100%) for the Pensions Account and the Share Account respectively. The Preservation Pension Account showed a surplus of R0 and was 100% funded for both 2016 & 2015. The contribution rate paid by the members (7.50%/9%) and the municipalities (19.50%/18%) 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.

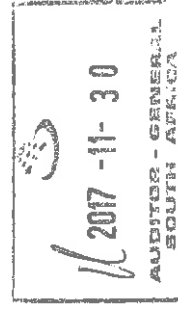
**SALA PENSION FUND**

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

The statutory valuation performed as at 1 July 2015 revealed that the assets of the fund amounted to R13,413,300,000 (30 June 2014: R12,658,200,000), with funding levels of 100% (30 June 2014: 100%). The highest contribution rate paid by the members was 7.92% and by Council 20.76%.

It is the actuary's opinion that :

- They are satisfied with the investment strategy of the Fund;
- the nature of the assets is, in their opinion, suitable for the nature of the liabilities of the Fund as defined in the Rules of the Fund;
- the matching of assets with the liabilities of the Fund is adequate; and
- the insurance arrangements are appropriate compared to the cover provided as financially sound at the valuation date.



**MUNICIPAL COUNCILLORS' PENSION FUND**

The Municipal Councillors Pension Fund operates as a defined contribution scheme. The statutory valuation performed as at 30 June 2015 revealed that the assets of the fund amounted to R2,551,861,000 (30 June 2014 : R2,229,410,000), with funding levels of 101.08% (30 June 2014: 98.83%). The contribution rate paid by the members (13,75 %) and council (15 %) 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 2015, in that the assets of the fund were sufficient to cover the accrued service liabilities including the recommended contingency reserves in full.

**NATIONAL FUND FOR MUNICIPAL WORKERS**

The fund operates as a defined contribution fund and in terms of the rules of the fund category A and category C members contribute at a rate as agreed upon by the Local Authority and the member, subject to an absolute minimum contribution of 2% and 5% of their remuneration respectively.

The Local Authority must contribute in respect of category A and category C members such an amount as agreed between the Local Authority and the fund, subject to a minimum contribution rate of 2% and 5% of their remuneration respectively. Category B members are members who belong to both category A and C and the Local Authority must, on behalf of such members, not contribute less than 7% of their remuneration. The contribution rates stipulated above include the amount payable towards the insured risk benefits policy.

The statutory valuation performed as at 30 June 2015 revealed that the assets of the fund amounted to R10,050,029,000 (30 June 2014 : R 9,031,759,000), with funding levels of 100.42% (30 June 2014: 100.10%). The actuary certified that the assets of the fund are sufficient to cover 100.42% of the members' liabilities, also that it can be expected that the funding level of a fund of this nature will fluctuate around 100%, for example due to timing differences in investment and receipt of monies, slight mismatching of assets and liabilities and processing errors.

**SOUTH AFRICAN MUNICIPAL WORKERS UNION NATIONAL PROVIDENT FUND**

The SAMWU National Provident Fund is a defined contribution scheme. Members contribute at a rate of not less than 7.5% of salaries, as required by the Rules. The employers contribute at a total rate of not less than 18%. The statutory valuation performed as at 30 June 2014 revealed that the assets of the fund amounted to R6,574,775,000 (30 June 2011 : R4,021,622,000), with funding levels of 111.7% (30 June 2011: 111.1%). The investment smoothing reserve has remained unchanged at 4.6% of the market value of assets (or 5.5% of members' Fund Credits and the data reserve). The actuary certified that based on the 2014 valuation the Fund's assets are sufficient to cover the members' Fund Credits. Risk Benefits Reserve and the Data Reserve and to provide for an investment smoothing reserve of 5.55% of members' Fund Credits as at 30 June 2014. In addition, there is a substantial surplus of some R689.1 million. The Fund is therefore in a very sound financial position.

**50. CONTINGENCIES**

**Contingent Liabilities**

**Nova Packhouse (Pty) Ltd**

Claim for damages

0	114,563,595
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On 20 April 2009 a fire caused severe and extensive damage to the buildings and the facilities, including moveable assets of the claimants (Nova Packhouse / Colours Packhouse (Pty) Ltd). It is alleged that the fire could have been contained and loss suffered reduced had various fire preventative mechanisms been installed at the premises. The plaintiff has withdrawn the action against the insured. The matter has been finalised.

**Paarl Print (Pty) Ltd - Destruction of property**

Claim for damages

448,819,504	448,819,504
-------------	-------------

A fire destroyed the Paarl Print property erf 25867, Paarl during September 2009. As a result of this incident, the applicant during March 2012 lodged a claim against the Municipality to the amount of R448,819,503.79. Claim was referred to Council's insurers and notice of intention to defend was lodged by the insurer's legal representatives. A court date has not yet been set. Should Council be unsuccessful in defending the claim, there is a possibility that the claim will be settled. No further action since 2012.

**A Maans - Paarl Print**

Claim for damages

2,000,000	2,000,000
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The Municipality is being sued by the spouse of an employee of Paarl Print who was killed during the Paarl Print fire (refer above). A court date has not yet been set. Should Council be unsuccessful in defending the claim, there is a possibility that the claim will be settled. No further action since 2012.

**JA Clift (Pty) Ltd - Fire Paarl Mountain**

Claims for damages

0	5,000
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The Municipality is being sued by JA Clift (Pty) Ltd for losses suffered by fire. It is alleged by the Plaintiff that on 4 March 2009 a wild fire started on Erf 1, Paarl whereafter it spread to the property of the plaintiff on 06 March 2009. As a result of fire the plaintiff sustained extensive damage to olive trees and vineyards as a further result of which the plaintiff suffered damages as claimed in the summons and particulars of the claim. An award was made in favour of the plaintiff, and will be settled by the Municipality's insurers, the only outflow would be the estimated excess to be approximately R 5,000. Matter has been settled, but the costs of the plaintiff is still to be taxed.

**Automa Building Products (Pty) Ltd - Services Rendered**

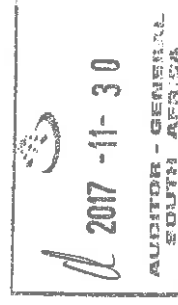
A claim of R 66,509.00 with interest of 15.5% per annum was instituted against the Municipality for services rendered. The matter is regarded as being closed and it is highly unlikely that there will be any further action.

0	66,509
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**GM Ward - Road Accident Fund claim**

The plaintiff, G M Ward is claiming damages of approximately R 7,000,000.00 against the Municipality and the Road Accident Fund. The matter has been finalised in respect of both merits and quantum. The only aspect which is outstanding is taxation of the cost related to the quantum portion of the matter.

0	7,000,000
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2017	Restated
R	2016
	R

0	0
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**Fringe benefit for housing rental**

In terms of paragraph 2(d) of the 7th Schedule of the Income Tax Act, 1962 (Act No. 58 of 1962), a taxable benefit is deemed to have been granted where the employer has provided the employee with residential accommodation either free of charge or for a rental consideration which is less than the value of such accommodation. It was identified that municipal houses are being rented to employees in certain instances where rent which is lower than a market related rental. A contingent liability exists for the PAYE on the fringe benefit obtained by the employees for residing in these premises, the amount of which cannot be determined with certainty.

**MP Wessels - Personal injury**

The plaintiff, MP Wessels is claiming from the Municipality for personal injury due to the plaintiff's motorcycle hitting a pothole. The claim has been quantified and a mandate is awaited from the insurer to make an offer to the plaintiff in settlement of the claim. The municipality's exposure is limited to their excess amount payable.

0	2,231,194
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**KG & CG De Jager - Personal injury**

The plaintiff, K G & C G de Jager is claiming from the Municipality for personal injury due to the plaintiff's motorcycle hitting a pothole. The municipality's exposure is limited to their excess amount payable.

0	900,000
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**LR Brown - Personal injury**

The plaintiff, Lester Ronald Brown is claiming from the Municipality for damages related to soft tissue injury after a part of the railway bridge collapsed. No further legal action since March 2014, unlikely to proceed.

10,000	10,000
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**C Veldsman - Personal injury**

The plaintiff, Carmen Veldman is claiming from the Municipality for damages to a vehicle after a ditch was dug across the road. No further steps have been taken by plaintiff to date. No further steps have been taken by plaintiff to date. The matter has been finalised.

0	310,000
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**DL van Rood - Damages claims**

The plaintiff, DL van Rood is claiming from the Municipality for damages. The matter is being dealt with by the insurer's attorney. The plaintiff withdrew the action against the insured. In the circumstances the matter has been finalised.

0	517,500
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**CN Koch - Damages claims**

The plaintiff, CN Koch is claiming from the Municipality for damages arising from a pot hole that the plaintiff drove in and lost control over the vehicle and suffered damages. The matter is being dealt with by the insurer's attorney. No further legal action for the past 18 months.

0	44,300
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**R Morris - Damages**

The plaintiff, R Morris is claiming from the Municipality for damages. The Municipality has been cited as the 2nd defendant, after the 1st defendant hit a pot hole and collided into another vehicle. The matter is being dealt with by the insurer's attorney.

83,981	83,981
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**D Theys - Damages**

The plaintiff, D Theys is claiming from the Municipality for damages after hitting a sandbag and then collided with a fence. The matter is being dealt with by the insurer's attorney. Waiting for plaintiff to set the matter down for hearing. The claims of D Theys, OL Veroni and HL Carolissen have now been consolidated into one case.

356,000	356,000
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**OL Veroni - Damages**

The plaintiff, OL Veroni is claiming from the Municipality for damages after hitting a sandbag and then collided with a fence. The matter is being dealt with by the insurer's attorney. Waiting for plaintiff to set the matter down for hearing. The claims of D Theys, OL Veroni and HL Carolissen have now been consolidated into one case.

10,000	10,000
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**HL Carolissen - Damages**

The plaintiff, H Carolissen is claiming from the Municipality for damages after hitting a sandbag and then collided with a fence. The matter is being dealt with by the insurer's attorney. Waiting for plaintiff to set the matter down for hearing. The claims of D Theys, OL Veroni and HL Carolissen have now been consolidated into one case.

50,000	50,000
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**M De Villiers - Damages**

The matter has been referred to our internal insurer department on 14/12/2015. Attorney firm V/sagie Vos has been appointed to act on behalf of Drakenstein Municipality. Notice of intention to defend has been filed and the exchange of pleadings has been finalised. It is now for the Plaintiff to apply for a trial date and the waiting period for such a date is approximately 18 months. Waiting or the plaintiff to set the matter down for hearing.

351,639	351,639
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**L van Riet - Damages**

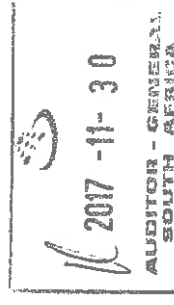
Matter referred to our internal insurer. Attorney appointed by our broker to represent the municipality in this case. Negesh Mahanaraj Attorneys has been appointed on 30/9/2015 to act on behalf of the Municipality. Lion of Africa settled the insurance claim.

0	43,425
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**Drakenstein Municipality - Distell Ltd**

The plaintiff claims for the amount of R113 650.50 due to payment that was erroneously made on Municipal account. Notice of intention to defend filed at court 27/11/2015.

113,651	113,651
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**DRAKENSTEIN MUNICIPALITY  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

2017  
R

Restated  
2016  
R

**Contingent Asset**

***WK Construction (Pty) Ltd, Neil Lyners & Associates CC***

Claim for damages to a bridge due to negligence from the defendant for the construction of a bulk sewer at Southern Paarl. Summons was served on Defendant for damages. Notice of intention to defend for the 1st and 2nd Defendant was filed on 20/08/2015 at the offices of Van der Spuy and Partners( attorney on record for the Municipality). Matter still in progress

2,900,047

2,900,047

***Neil Lyners & Associates CC***

Claim for damages during installation of Civil Infrastructure services under contract CES9/2011 Siyahlala. Formal letter of demand was served on the Respondent dated 22/07/2015. Summons was issued. Matter still in progress.

4,081,208

4,081,208

**51.**

***BIOLOGICAL ASSETS***

The Municipality has various species of Proteocea growing on the Paarberg (Erf 1 Paarl), a National heritage site. Due to the fact that the plants are growing in a nature reserve it is protected by the Nature Conservation Act 19 of 1974 a special permit must be obtained to harvest any seeds produced by these plants. These plant grow wild and is exposed to natural conditions such as fire, furthermore there is no input cost by the municipality in order to enhance the growth of these plants or to control it as what would normally be seen in an agricultural activity. These plants produce seedlings on a yearly basis that can result in plants but the municipality cannot determine the quantity of plants as these plants are all in different stages of growth. For the reasons above these plants are not recognised and accounted for in terms of GRAP 27, Agriculture.

**52. DISTRIBUTION LOSSES**

**WATER**

**Reconciliation of water losses**

Kilolitres bought	15,030,894	18,708,547
Kilolitres sold	13,514,543	16,257,101
Kilolitres lost	1,516,351	2,452,446
Value of losses (cost)	2,383,164	4,452,944
Percentage of losses	10.09%	13.11%
Norm of losses	15.00%	15.00%

**Reasons for losses:**

Burst pipes  
Use of unmetered fire water connections at flat buildings and factories.  
Open spaces & sports fields that is still unmetered  
Undetected leaks underground

Scouring of mainlines and reservoirs as part of the operational procedure to ensure good water quality

\*The water losses per the Annual Financial Statements takes into account water that was metered but not billed. Whereas the Annual Performance Report shows an actual water loss of 8.27%, as unbilled metered water is not taken into account.

**ELECTRICITY**

**Reconciliation of kWh losses**

KWh units bought	735,444,665	750,370,166
KWh units sold	706,090,145	688,541,084
KWh units lost	29,354,520	61,829,082
Value of losses (cost)	25,361,976	48,831,334
Percentage of losses	3.99%	8.24%
Norm of losses	10.00%	10.00%

**Reasons for losses:**

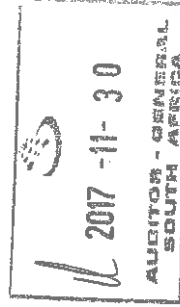
Technical losses  
Unmetered services  
Theft

**53. 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.

**54. REGISTERED MIG PROGRAMMES FOR THE 2016/2017 FINANCIAL YEAR**

	Received	Expenditure	Closing Balance
Cloak / ablution facilities netball fields	390,696	390,696	0
Clubhouse / cloakrooms / ablution facility	788,652	788,652	0
Upgrading of mbekweni b and c sports field	5,790,428	5,790,428	0
Welvanpas WWTW & out buildings (MIG)	4,880,070	4,880,070	0
5ml Welvanpas reservoir (MIG)	2,000,000	2,000,000	0
11 ml Newton reservoirs (MIG)	1,623,976	1,623,976	0
Replacement of Strawberry King bulk water	5,456,141	5,456,141	0
Wellington WWTW: rehabilitation & extent	4,915,887	4,915,887	0
Wellington WWTW: rehabilitation & extent	2,264,748	2,264,748	0
PMU	1,495,918	1,495,918	0
	<b>29,606,516</b>	<b>29,606,516</b>	<b>0</b>



Restated  
2016  
R

2017  
R

	Received	Expenditure	Closing Balance
784,750	784,750	784,750	0
218,236	218,236	218,236	0
11,404	11,404	11,404	0
4,021,470	4,021,470	4,021,470	0
2,137,475	2,137,475	2,137,475	0
9,263,726	9,263,726	9,263,726	0
1,315,789	1,315,789	1,315,789	0
5,021,420	5,021,420	5,021,420	0
5,413,478	5,413,478	5,413,478	0
50,180	50,180	50,180	0
162,719	162,719	162,719	0
222,509	222,509	222,509	0
1,415,600	1,415,600	1,415,600	0
<b>30,038,756</b>	<b>30,038,756</b>		<b>0</b>

**REGISTERED MIG PROGRAMMES FOR THE 2015/2016 FINANCIAL YEAR**

Upgrading of Mbekweni B and C sport fields  
Cloak / Ablution facilities netball fields  
Clubhouse / Cloakrooms / Ablution facilities  
Welwapas WTW & Out buildings  
11 ML Newton reservoir  
5ML Reservoir : Water Reticulation : Wellington  
Replacement of Strawberry King Bulk Water  
Wellington WWTW : Rehabilitation & Extension  
Wellington WWTW : Rehabilitation & Extension  
Street Lighting : Bo Dal Road Extension  
Street Lighting : Hermon  
Street Lighting : Gouda  
PMU

**55. RECONCILIATION OF BUDGET SURPLUS/(DEFICIT) WITH THE SURPLUS/(DEFICIT) IN THE STATEMENT OF FINANCIAL PERFORMANCE:**

Net surplus/(deficit) per the statement of financial performance

*Basis Differences*

**Revenue By Source**

Property rates	12,990,091	80,347,974
Property rates - penalties & collection charges (Surcharges and Taxes*)		
Service charges - electricity revenue	1,034,778,150	
Service charges - water revenue	186,435,778	
Service charges - sanitation revenue	89,838,667	
Service charges - refuse revenue	110,729,546	
Service charges - other	38,744	
Service Charges *	(1,256,873,631)	
Rental of facilities and equipment (Rental of Fixed Assets*)	(39,067)	
Interest earned - external investments	22,070,191	
Interest earned - outstanding debtors	14,648,759	
Finance Income and Dividends*	(36,716,831)	
Fines		
Licences and permits		
Agency services		
Transfers recognised - operational / (Transfers and Subsidies*)	(60,550,060)	
Other revenue (Operational Revenue (Exchange)*)	21,592,605	
Operational Revenue ( Non - Exchange)*	(440,748)	
Sale of Goods and Rendering of Services*	(12,118,103)	
Inventory Surpluses		
Gains on disposal of PPE		
Fair value adjustments Investment Property*	(3,070,000)	
Gains from assets from non exchange transactions *	(7,993,136)	
<b>Total Revenue (excluding capital transfers and contributions)</b>		

**Expenditure By Type**

Employee related costs	5,935,160
Remuneration of councillors (Councillor Related Cost *)	15,076
Collection cost	
Debt impairment	
Impairment losses on financial assets	(102,784,454)
Depreciation & asset impairment (Depreciation and Amortisation *)	102,784,454
Impairment Losses	
Finance charges (Interest paid *)	48,796
Bulk purchases	
Bulk Purchases : Electricity *	(635,415,938)
Bulk Purchases : Water*	635,415,938
Contracted services	23,623,213
Transfers and grants (Transfers and Subsidies : Operational Exp*)	5,568,891
Other expenditure (Operational Expenditure*)	5,016,706
Inventory*	(282,976,504)
Operating Leases*	37,939,284
Loss on disposal of PPE (Gains /(losses) on disposal of PPE, IA, IP & HA*)	15,774,551
Gains/(losses) on Inventory	(48,796)
Fair value adjustments Financial Assets*	345,878
Total Expenditure	3,472

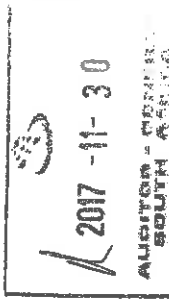
**Surplus/(Deficit)**

Transfers recognised - capital  
Contributions recognised - capital  
Contributed assets  
**Surplus/(Deficit) after capital transfers & contributions**

65,440,162  
7,993,136

Net surplus/deficit per approved budget

**80,347,974**



Budget basis differences mainly relate to Revenue from Housing Grants and the related Housing expenditure where Drakenstein Municipality is regarded as an agent in terms of GRAP amounting to R 4,890,102 and subsidies for free-basic services provided to indigent consumers which is budgeted for as expenditure under Other Expenditure, but regarded as Revenue foregone in terms of GRAP amounting to R90,334,313. 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 2016/17 Budget and GRAP Annual Financial Statements.

\* - *Statement of Financial Performance classifications*

## 56. 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 it is explained in the explanations below:

### 56.1 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.

### 56.2 Explanation of variances greater than 10%: Final Budget and Actual amounts

#### 56.2.1. Statement of financial position

##### i) Current Assets

###### - Receivables from Non-exchange transactions

The unpredictability of traffic fines debtors, resulted in receivables from non-exchange transactions being under budgeted.

###### - VAT Receivables

Incorrect budget assumptions were used to budget for this item.

##### ii) Current Liabilities

###### - Provisions

During the period under review the provision for landfill site decreased which was unforeseen at time of budgeting.

###### - Payables

No line item for *Unspent Conditional Grants, Retirement Benefit Liabilities and Finance Lease Liability* on the regulated budget schedules. Budget was included under the above.

###### - Unspent Conditional Grants

No line item for the above on the regulated budget schedules. Budget was included under "Payables".

###### - Current portion of Retirement Benefit Liabilities

No line item for the above on the regulated budget schedules. Budget was included under "Payables".

###### - Finance lease liability

No line item for the above on the regulated budget schedules. Budget was included under "Payables".

##### iii) Non-current Liabilities

###### - Retirement Benefit Liabilities

No line item for the above on the regulated budget schedules. Budget was included under "Non current provisions".

###### - Non-current Provisions

No line item for *Retirement Benefit Liabilities and Finance Lease Liability* on the regulated budget schedules. Budget was included under the above.

###### - Finance lease liability

No line item for the above on the regulated budget schedules. Budget was included under "Non current provisions".

##### iv) Net Assets

###### - Statutory Funds

No line item for the above on the regulated budget schedules. Budget was included under "Reserves".

###### - Reserves

All "internal" reserves, which forms part of the Accumulated Surplus, were incorrectly included in the above budget.

###### - Accumulated Surplus / (Deficit)

All "internal" reserves, which forms part of the Accumulated Surplus, were incorrectly included in the budget for "Reserves".

### 56.2.2. Statement of financial performance

#### i) Revenue from Non-exchange Transactions

##### - Fines

Application of IGRAP1, calculated income was less than initially anticipated.

##### - Licences and Permits

More licences issued than anticipated.

##### - Transfers recognised - Operational

Underspending on the allocation from Department of Human Settlements due to delays in approved projects.

#### ii) Revenue from Exchange Transactions

##### - Interest earned - External Investments

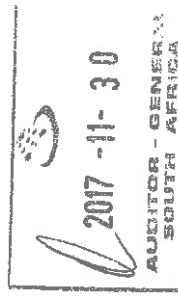
Increase in investment portfolio resulted in more interest received.

##### - Interest earned - Outstanding Debtors

Additional interest due to more stringent credit control procedures.

##### - Other income

Recognition of unallocated deposits in terms of Council approved policies.



2017 - 11 - 30

APPENDIX A

DRAKENSTEIN MUNICIPALITY : SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2017

EXTERNAL LOANS	Interest Rate	Loan Number	Redeemable Date	Balance at 30 June 2016	Received during the period	Capitalised during the period	Redeemed/written off during the period	Balance at 30 June 2017
ANNUITY AND OTHER LOANS	11.47%	103485/4	2019	20,911,665	0	0	6,208,344	14,703,321
DBSA	6.75%	103485/5	2019	4,542,345	0	0	1,414,688	3,127,657
DBSA	10.026%		2024	78,528,104	0	0	6,799,272	71,728,832
DBSA	10.820%		2025	281,397,906	0	0	18,176,318	263,221,588
NEDBANK	12.65%	4979354-0001	2018	30,246,046	0	0	14,196,686	16,049,361
NEDBANK	10.64%	7831030646-0001	2021	46,005,811	0	0	7,397,789	38,608,022
NEDBANK	8.18%	7831030646-0006	2017	8,691,896	0	0	8,691,896	(0)
NEDBANK	8.63%	7831030646-0003	2019	13,250,921	0	0	4,050,821	9,200,101
NEDBANK	9.14%	7831030646-0004	2022	86,973,734	0	0	11,463,892	75,509,843
NEDBANK	8.79%	7831030646-0007	2018	17,487,147	0	0	8,367,150	9,119,996
NEDBANK	9.93%	7831030646-0010	2025	185,386,502	0	0	13,467,907	171,918,595
NEDBANK	8.74%	7831030646-0009	2018	1,415,137	0	0	677,002	738,136
ABSA BANK	9.40%		2020	4,342,394	0	0	938,835	3,403,559
ABSA BANK	9.21%	40-8130-6651	2020	10,997,148	0	0	2,390,058	8,607,090
ABSA BANK	8.58%		2017	4,507,997	0	0	4,507,997	0
ABSA BANK	9.15%		2019	11,229,287	0	0	3,413,636	7,815,651
STANDARD BANK	9.94%	023-157-917	2019	6,723,010	0	0	2,053,595	4,669,415
STANDARD BANK	10.26%	023-157-909	2021	6,410,000	0	0	1,070,489	5,339,511
STANDARD BANK	10.08%	07-218-4426	2023	46,137,824	0	0	4,814,384	41,323,441
STANDARD BANK	10.40%	07-215-4411	2020	25,471,843	0	0	5,434,825	20,037,018
STANDARD BANK	9.36%	07-221-4600	2020	0	4,157,770	0	0	4,157,770
STANDARD BANK	9.68%	07-221-4325	2022	0	4,560,171	0	0	4,560,171
STANDARD BANK	10.12%	072-221-4287	2027	0	413,221,763	0	0	413,221,763
INCA	10.03%	055-0012-5411	2018	6,536,981	0	0	3,109,458	3,427,524
TOTAL ANNUITY LOANS AND OTHER				897,193,698	421,939,704	0	128,645,039	1,190,488,364
TOTAL EXTERNAL LOANS				897,193,698	421,939,704	0	128,645,039	1,190,488,364


**RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE (REVENUE AND EXPENDITURE BY STANDARD CLASSIFICATION)**

DESCRIPTION	2016/2017										
	1	2	3	4	5	6	7	8	9	10	11
REVENUE - STANDARD	ORIGINAL BUDGET	ADJUSTMENTS (l.o. e28 and e31 of the MFMA)	ADJUSTED BUDGET	SHIFTING OF FUNDS (MFMA)	ADJUSTMENTS (l.o. e31 of the MFMA)	FINAL BUDGET	ACTUAL OUTCOME	UNAUTHORISED EXPENDITURE	VARIANCE	ACTUAL OUTCOME AS % OF FINAL BUDGET	ACTUAL OUTCOME AS % OF ORIGINAL BUDGET
<b>GOVERNANCE AND ADMINISTRATION</b>	384,945,008	(94,740,518)	270,104,490	0	100,952,328	371,056,818	421,953,256	50,898,438	113.7%	113.7%	113.7%
Executive and Council	16,519,578	4,523,513	21,043,091	0	0	21,043,091	22,705,892	1,662,801	107.9%	107.9%	137.4%
Budget and Treasury Office	242,582,042	(1,050,000)	241,532,042	0	100,952,328	241,532,042	285,670,565	44,138,523	118.3%	117.8%	117.8%
Corporate Services	105,743,588	(98,214,031)	7,529,557	0	0	108,481,685	113,576,739	5,095,054	104.7%	107.4%	95.0%
Community and Social Services	17,985,608	7,570,404	25,556,012	0	0	25,556,012	164,787,548	139,231,536	660.0%	259.7%	101.2%
Sport and Recreation	3,009,898	1,692,560	4,702,458	0	0	4,702,458	18,209,965	13,507,507	287.3%	287.3%	101.2%
Public Safety	68,434,105	27,809,023	96,243,128	0	0	96,243,128	88,992,613	(7,250,515)	92.5%	130.0%	145.2%
Housing	73,436,056	(24,600,000)	48,836,056	0	0	48,836,056	49,214,135	378,079	100.8%	102.6%	102.6%
Health	0	0	0	0	0	0	0	0	0.0%	0.0%	0.0%
<b>ECONOMIC AND ENVIRONMENTAL SERVICES</b>	26,931,888	1,762,000	28,693,888	0	0	28,693,888	27,253,028	(1,440,860)	95.0%	101.2%	85.0%
Planning and Economic Development	7,266,880	489,000	7,755,880	0	0	7,755,880	6,212,500	(1,543,380)	80.0%	101.2%	85.0%
Road Transport	19,129,093	1,263,000	20,392,093	0	0	20,392,093	20,180,792	(210,301)	99.0%	105.6%	85.5%
Environmental Protection	535,913	0	535,913	0	0	535,913	849,734	313,821	152.8%	105.6%	105.6%
<b>TRADING SERVICES</b>	1,457,344,549	110,918,782	1,568,263,331	(100,952,328)	1,467,311,003	1,467,311,003	1,478,854,703	11,543,700	100.8%	101.5%	101.5%
Electricity	1,069,720,080	(887,045)	1,068,833,035	0	0	1,068,833,035	1,075,487,768	606,734	100.8%	101.5%	101.5%
Water	204,316,340	0	204,316,340	0	0	204,316,340	208,916,141	4,601,801	102.3%	102.3%	102.3%
Waste Water Management	141,512,394	100,952,328	142,748,083	0	(100,952,328)	41,795,755	42,885,963	1,090,208	102.6%	102.6%	102.6%
Waste Management	41,795,735	0	41,795,735	0	0	41,795,735	42,885,963	1,090,228	102.6%	102.6%	102.6%
Other	0	0	0	0	0	0	0	0	0.0%	0.0%	103.5%
<b>TOTAL REVENUE - STANDARD</b>	2,011,987,110	30,812,251	2,042,809,361	0	2,042,809,361	2,062,848,534	40,249,173	0	102.0%	103.5%	103.5%
<b>EXPENDITURE - STANDARD</b>	281,242,477	(29,450,400)	231,792,077	0	15,082,686	246,874,773	233,111,508	13,743,267	94.4%	89.2%	89.2%
Executive and Council	40,890,652	(8,089,016)	32,801,636	0	(12,990,000)	19,811,636	8,411,408	5,399,767	27.0%	20.5%	20.5%
Budget and Treasury Office	70,984,842	1,410,975	72,395,817	0	8,404,051	80,799,868	79,381,466	1,418,402	98.2%	111.8%	111.8%
Corporate Services	149,266,983	(22,782,359)	126,484,624	0	19,648,645	146,133,269	145,318,632	814,637	99.4%	99.4%	99.4%
Community and Social Services	34,485,912	(2,358,742)	32,127,169	0	11,357,825	43,485,000	327,073,800	18,454,633	94.7%	87.2%	87.2%
Sport and Recreation	73,581,414	(1,780,020)	71,801,394	0	4,080,000	75,881,394	34,138,937	138,729	99.6%	99.0%	99.0%
Public Safety	106,457,894	15,941,564	122,399,458	0	(6,289,515)	114,110,943	111,078,254	3,031,689	97.3%	104.3%	97.3%
Housing	121,964,269	(18,391,460)	103,572,809	0	17,567,142	121,149,951	113,149,229	8,050,722	93.4%	92.8%	92.8%
Health	0	0	0	0	0	0	0	0	0.0%	0.0%	0.0%
<b>ECONOMIC AND ENVIRONMENTAL SERVICES</b>	178,068,279	(2,862,537)	175,205,742	0	12,884,834	188,090,576	180,806,001	5,854,575	97.0%	102.8%	97.0%
Planning and Economic Development	42,503,135	(2,905,268)	39,597,867	0	610,000	40,207,867	38,228,889	1,980,978	95.1%	89.8%	95.1%
Road Transport	126,022,598	(628,000)	125,394,598	0	12,274,834	137,669,432	134,514,801	3,154,722	97.7%	108.7%	97.7%
Environmental Protection	7,532,545	8,383,336	15,915,881	0	8,383,336	17,864,510	7,864,510	0	0.0%	108.7%	0.0%
<b>TRADING SERVICES</b>	1,274,108,149	49,428,217	1,323,532,366	0	(39,305,154)	1,284,227,212	1,281,708,253	2,519,959	98.2%	99.0%	99.0%
Electricity	880,994,582	3,929,067	884,923,649	0	(4,082,125)	880,841,504	878,280,567	2,560,937	99.7%	99.7%	99.7%
Water	140,029,506	1,643,473	141,672,979	0	(5,451,222)	136,221,757	129,489,450	6,732,307	95.1%	92.5%	92.5%
Waste Water Management	137,488,865	10,891,125	148,380,000	0	(5,829,181)	142,550,819	141,129,280	1,461,982	99.0%	102.6%	99.0%
Waste Management	115,593,216	0	115,593,216	0	(23,942,489)	124,535,705	112,809,955	11,763,324	90.6%	87.6%	87.6%
Other	0	0	0	0	0	0	0	0	0.0%	0.0%	0.0%
<b>TOTAL EXPENDITURE - STANDARD</b>	2,047,908,484	(29,450,400)	2,018,458,084	0	2,082,841,032	2,062,841,032	2,002,500,580	60,340,474	97.1%	97.8%	97.8%
<b>SURPLUS/(DEFICIT) FOR THE YEAR</b>	(35,819,384)	15,677,713	(20,241,671)	0	(2)	(20,241,673)	80,347,974	(100,589,647)	-388.8%	-223.7%	-223.7%



**APPENDIX B2  
RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE (REVENUE AND EXPENDITURE BY MUNICIPAL VOTE)**

DESCRIPTION	2016/2017										
	1	2	3	4	5	6	7	8	9	10	11
ORIGINAL BUDGET	BUDGET ADJUSTMENTS (l.t.o. s31 of the MFMA)	ADJUSTED BUDGET	SHIFTING OF FUNDS (l.t.o. s31 of the MFMA)	ADJUSTMENTS (l.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	
Office of the Municipal Manager	0	0	0	0	0	0	0	0	0.0%	0.0%	
Corporate Services	19,778,333	7,261,810	27,040,143	0	0	27,040,143	29,298,749	(2,258,606)	108.4%	148.1%	
Community Services	306,150,801	12,671,987	318,822,588	0	0	318,822,588	303,972,966	14,849,622	95.3%	99.3%	
Financial Services	242,582,042	(1,050,000)	241,532,042	0	0	241,532,042	285,670,585	(44,138,543)	118.3%	117.8%	
Planning and Economic Development	7,266,880	499,000	7,765,880	0	0	7,765,880	6,212,500	1,553,380	80.0%	85.5%	
Infrastructure Services	1,436,209,254	11,229,454	1,447,438,708	0	0	1,447,438,708	1,457,693,734	(10,255,026)	100.7%	101.5%	
<b>Total Revenue by Vote</b>	<b>2,011,987,110</b>	<b>30,612,251</b>	<b>2,042,599,361</b>	<b>0</b>	<b>0</b>	<b>2,042,599,361</b>	<b>2,082,848,534</b>	<b>(40,249,173)</b>	<b>102.0%</b>	<b>103.5%</b>	
Office of the Municipal Manager	(19,186,487)	27,302,417	8,115,920	0	(850,000)	7,465,920	6,785,752	680,168	90.9%	-35.4%	
Corporate Services	96,202,384	(18,157,115)	78,045,269	0	(4,457,099)	73,588,170	58,858,035	14,730,135	80.0%	61.2%	
Community Services	524,497,589	(1,622,566)	522,875,023	0	8,192,588	531,067,611	499,833,309	31,234,302	94.1%	95.3%	
Financial Services	70,984,842	1,410,975	72,395,817	0	8,404,051	80,799,868	79,381,466	1,418,402	98.2%	111.8%	
Planning and Economic Development	44,957,035	(5,419,574)	39,537,461	0	610,000	40,147,461	38,205,656	1,941,805	95.2%	85.0%	
Infrastructure Services	1,330,451,141	11,420,401	1,341,871,542	0	(12,099,538)	1,329,772,004	1,319,436,342	10,335,662	99.2%	99.2%	
<b>Total Expenditure by Vote</b>	<b>2,047,906,494</b>	<b>14,934,538</b>	<b>2,062,841,032</b>	<b>0</b>	<b>2</b>	<b>2,062,841,034</b>	<b>2,002,500,560</b>	<b>60,340,474</b>	<b>97.1%</b>	<b>97.8%</b>	
Surplus/(Deficit) for the year	(35,919,384)	15,677,713	(20,241,671)	0	(2)	(20,241,673)	80,347,974	(100,589,647)	-386.9%	-223.7%	


  
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APPENDIX B3

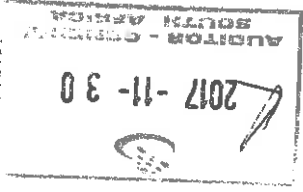
RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE (REVENUE AND EXPENDITURE)

2016/2017

DESCRIPTION	Revenue By Source										
	1	2	3	4	5	6	7	8	9	10	11
	ADJUSTMENTS BUDGET (l.o. e28 and e31 of the MFMA)	ADJUSTMENTS BUDGET	FINAL ADJUSTMENTS BUDGET	SHIFTING OF FUNDS (MFMA)	VIREMENT (l.o. Council approved by law)	FINAL BUDGET	ACTUAL OUTCOME	UNAUTHORISED EXPENDITURE	VARIANCE	AS % OF FINAL BUDGET	ACTUAL OUTCOME AS % OF ORIGINAL BUDGET
Property rates	223,574,211	223,574,211	223,574,211	0	0	223,574,211	237,762,258	0	(14,188,047)	106.3%	106.3%
Property rates - penalties & collection charges	1,471,979	1,471,979	1,471,979	0	0	1,471,979	1,356,616	0	115,363	92.2%	92.2%
Service charges - electricity revenue	1,021,794,294	1,021,794,294	1,021,794,294	0	0	1,021,794,294	1,034,768,427	0	(12,974,133)	101.3%	101.3%
Service charges - water revenue	178,475,732	178,475,732	178,475,732	0	0	178,475,732	186,436,778	0	(7,960,046)	104.5%	104.5%
Service charges - sanitation revenue	93,970,603	93,970,603	93,970,603	0	0	93,970,603	89,838,687	0	4,131,916	95.6%	95.6%
Service charges - refuse revenue	110,246,364	110,246,364	110,246,364	0	0	110,246,364	110,729,546	0	(483,182)	100.4%	100.4%
Service charges - other	40,150	40,150	40,150	0	0	40,150	38,744	0	1,406	0.0%	0.0%
Rental of facilities and equipment	25,207,408	25,243,567	25,207,408	(36,159)	0	25,207,408	27,479,980	0	(2,272,182)	109.0%	109.0%
Interest earned - external investments	15,384,880	19,384,880	15,384,880	4,000,000	0	15,120	19,400,000	0	(2,670,191)	143.5%	143.5%
Interest earned - outstanding debtors	12,064,761	12,028,602	12,028,602	0	0	12,028,602	14,648,759	0	(2,620,157)	121.4%	121.4%
Dividends received	15,120	15,120	15,120	0	0	15,120	0	0	0	0.0%	0.0%
Fines	53,627,226	22,818,588	76,445,814	0	0	76,445,814	66,815,216	0	9,630,598	124.6%	87.4%
Licences and permits	15,428,932	0	15,428,932	0	0	15,428,932	17,333,829	0	(1,904,897)	112.3%	112.3%
Agency services	0	0	0	0	0	0	158,678,744	0	18,703,552	86.9%	0.0%
Transfers recognised - operational	162,601,418	(6,219,122)	177,382,296	0	0	177,382,296	158,678,744	0	18,703,552	89.5%	86.9%
Other revenue	20,287,950	1,079,000	21,366,950	0	0	21,366,950	41,458,850	0	(20,091,900)	193.7%	204.4%
Loss on disposal of PPE	250,000	0	250,000	0	0	250,000	0	0	250,000	0.0%	0.0%
Total Revenue (excluding capital transfers and contributions)	1,954,441,028	22,678,466	1,977,119,494	1,977,119,494	0	1,977,119,494	2,009,415,236	0	(32,295,742)	101.6%	101.6%
Expenditure By Type											
Employee related costs	477,652,266	(14,676,683)	462,975,583	462,975,583	(3,251,917)	459,723,666	459,723,666	0	6,756,087	94.8%	94.8%
Remuneration of councillors	23,967,168	3,221,143	27,188,311	27,188,311	(402,900)	26,785,411	26,328,161	0	457,250	109.9%	109.9%
Debt impairment	73,929,000	30,690,153	104,619,153	104,619,153	0	104,619,153	102,784,454	0	1,834,699	139.0%	98.2%
Depreciation & asset impairment	190,506,431	0	190,506,431	190,506,431	(1,999,999)	188,506,432	188,506,432	0	176,926,586	93.9%	98.2%
Finance charges	89,108,928	6,619,760	95,728,688	95,728,688	0	95,728,688	93,989,644	0	1,739,044	105.5%	98.2%
Bulk purchases	629,717,315	0	629,717,315	629,717,315	6,000,000	635,717,315	635,415,938	0	301,377	100.9%	100.9%
Other materials	0	0	0	0	0	0	0	0	0	0.0%	0.0%
Contracted services	159,467,958	13,889,269	173,357,218	173,357,218	0	173,357,218	157,664,069	0	15,693,149	90.9%	90.9%
Transfers and grants	736,170	5,418,613	6,154,783	6,154,783	(5,678,613)	476,170	472,070	0	4,100	64.1%	99.1%
Other expenditure	400,821,257	(30,227,707)	370,593,550	370,593,550	(6,431,124)	364,162,426	345,111,558	0	19,050,868	86.1%	86.1%
Loss on disposal of PPE	2,000,000	0	2,000,000	2,000,000	0	13,764,553	10,841,250	0	2,923,305	542.1%	78.8%
Total Expenditure	2,047,906,494	14,934,538	2,062,841,032	(11,764,553)	2,062,841,034	2,002,500,560	2,002,500,560	0	80,340,474	97.8%	97.1%
Surplus/(Deficit)	(93,465,466)	7,743,928	(85,721,538)	11,764,553	(85,721,540)	6,914,676	6,914,676	0	(92,636,218)	-7.4%	-8.1%
Transfers recognised - capital	57,546,082	7,933,785	65,479,867	65,479,867	0	65,479,867	65,440,162	0	39,705	0.0%	0.0%
Contributed assets	0	0	0	0	0	0	7,993,136	0	(7,993,136)	0.0%	0.0%
Surplus/(Deficit) after capital transfers & contributions	(35,919,384)	15,677,713	(20,241,671)	11,764,553	(20,241,673)	80,347,974	80,347,974	0	(100,589,647)	-223.7%	-223.7%
Taxation	(35,919,384)	15,677,713	(20,241,671)	11,764,553	(20,241,673)	80,347,974	80,347,974	0	(100,589,647)	-396.9%	-396.9%
Surplus/(Deficit) after taxation	(35,919,384)	15,677,713	(20,241,671)	11,764,553	(20,241,673)	80,347,974	80,347,974	0	(100,589,647)	-396.9%	-396.9%
Attributable to minorities	(35,919,384)	15,677,713	(20,241,671)	11,764,553	(20,241,673)	80,347,974	80,347,974	0	(100,589,647)	-396.9%	-396.9%
Share of surplus/ (deficit) of associate	(35,919,384)	15,677,713	(20,241,671)	11,764,553	(20,241,673)	80,347,974	80,347,974	0	(100,589,647)	-396.9%	-396.9%
Surplus/(Deficit) for the year	(35,919,384)	15,677,713	(20,241,671)	11,764,553	(20,241,673)	80,347,974	80,347,974	0	(100,589,647)	-223.7%	-223.7%

APPENDIX B4  
RECONCILIATION OF BUDGETED CAPITAL EXPENDITURE BY VOTE, STANDARD CLASSIFICATION AND FUNDING

DESCRIPTION	2016/2017										
	1	2	3	4	5	6	7	8	9	10	11
ORIGINAL BUDGET	ADJUSTMENTS (i.e. s28 and s31 of the MFMA)	FINAL BUDGET	FINAL BUDGET	SHIFTING OF FUNDS (MFMA)	VIREMENT (i.e. Council approved by law)	FINAL BUDGET	ACTUAL OUTCOME	UNAUTHORISED EXPENDITURE	VARIANCE	AS % OF FINAL BUDGET	ORIGINAL BUDGET
Capital expenditure - Vote	11,699,907	(10,985,744)	714,163	0	0	714,163	713,910	253	100.0%	6.1%	79.0%
Office of the Municipal Manager	13,657,770	(1,148,751)	12,509,019	0	0	12,509,019	10,793,667	1,715,352	86.3%	97.5%	96.1%
Corporate Services	38,365,625	(559,719)	37,805,906	0	0	37,805,906	36,874,442	931,464	97.5%	0.0%	60.3%
Community Services	537,500	(209,531)	327,969	0	0	327,969	323,969	4,000	0.0%	0.0%	94.8%
Infrastructure Services	429,917,268	(26,645,000)	403,272,268	0	0	403,272,268	407,396,238	(4,123,970)	101.0%	92.3%	94.8%
Capital multi-year expenditure sub-total	494,178,070	(39,548,745)	454,629,325	0	0	454,629,325	456,102,226	(1,472,901)	100.3%	0.0%	204.2%
Office of the Municipal Manager	0	0	0	0	0	0	0	0	0.0%	0.0%	0.0%
Corporate Services	3,824,774	3,824,774	3,824,774	0	0	3,824,774	3,597,356	227,418	94.1%	0.0%	0.0%
Community Services	3,569,348	4,700,290	8,269,638	0	0	8,269,638	7,288,478	981,160	88.1%	0.0%	0.0%
Financial Services	0	438,913	438,913	0	0	438,913	438,471	442	99.9%	0.0%	0.0%
Planning and Economic Development	0	1,145,469	1,145,469	0	0	1,145,469	1,111,807	33,662	97.1%	0.0%	0.0%
Infrastructure Services	94,727,024	(16,962,948)	77,764,076	0	0	77,764,076	75,823,271	1,942,705	97.5%	80.0%	80.0%
Capital single-year expenditure sub-total	98,296,372	(6,853,502)	91,442,870	0	0	91,442,870	88,257,483	3,185,387	476.7%	284.2%	376.5%
Capital Expenditure - Standard	29,358,659	1,145,703	30,504,362	0	0	27,869,199	27,564,295	304,904	98.9%	93.9%	93.9%
Executive and Council	15,989,907	(10,596,420)	5,393,487	0	0	5,169,138	5,020,531	148,607	97.1%	31.4%	31.4%
Budget and Treasury Office	0	438,913	438,913	0	0	438,913	438,471	442	99.9%	0.0%	0.0%
Corporate Services	13,368,752	11,303,210	24,671,962	0	0	22,261,148	22,105,293	155,655	99.3%	165.4%	165.4%
Community and public safety	33,483,491	3,702,116	37,185,607	0	0	36,941,201	36,168,906	772,295	97.9%	108.0%	108.0%
Community and Social Services	8,135,500	(1,099,319)	7,036,181	0	0	7,036,181	6,566,701	469,480	93.3%	80.7%	80.7%
Sport and Recreation	21,107,991	(653,590)	20,454,401	0	0	20,454,401	20,179,288	275,113	98.7%	95.6%	95.6%
Public Safety	2,640,000	4,857,985	7,497,985	0	0	7,497,985	7,470,284	27,701	99.6%	283.0%	283.0%
Housing	1,600,000	0	2,197,040	0	0	1,952,634	1,952,633	1	100.0%	122.0%	122.0%
Health	0	0	0	0	0	0	0	0	0.0%	0.0%	0.0%
Economic and environmental services	66,235,542	3,683,774	69,919,316	0	0	69,826,427	69,765,345	41,082	99.8%	105.4%	105.4%
Planning and Economic Development	537,500	773,268	1,310,768	0	0	1,310,768	1,298,746	12,022	99.1%	241.6%	241.6%
Road Transport	65,327,542	2,689,525	68,017,067	0	0	67,924,178	67,895,159	29,019	100.0%	103.9%	103.9%
Environmental Protection	370,500	220,981	591,481	0	0	591,481	591,439	42	100.0%	159.6%	159.6%
Trading services	463,996,750	(54,933,840)	408,462,910	0	0	411,435,968	410,841,163	594,205	99.9%	88.7%	88.7%
Electricity	101,498,977	(9,700,540)	91,718,437	0	0	90,317,498	89,870,819	446,679	99.5%	88.5%	88.5%
Water	149,616,142	(27,388,029)	122,228,113	0	0	124,503,377	124,472,320	31,057	100.0%	83.2%	83.2%
Waste Water Management	206,656,631	(18,317,170)	188,339,461	0	0	191,167,645	191,144,431	23,214	100.0%	92.5%	92.5%
Waste Management	5,625,000	552,439	6,177,439	0	0	5,446,848	5,353,592	93,256	98.3%	95.2%	95.2%
Other	0	0	0	0	0	0	0	0	0.0%	0.0%	0.0%
Total Capital Expenditure - Standard	592,474,442	(46,402,247)	546,072,195	0	0	546,072,195	544,359,708	1,712,487	99.7%	91.9%	91.9%



DESCRIPTION	Funded by:										
	1	2	3	4	5	6	7	8	9	10	11
	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	AS % OF FINAL BUDGET	ACTUAL OUTCOME AS % OF ORIGINAL BUDGET
National Government	34,163,230	8,194,971	42,358,201	0	0	42,358,201	42,358,200	0	1	100.0%	124.0%
Provincial Government	16,389,474	6,732,181	23,121,665	0	0	23,121,665	23,081,962	0	39,703	99.8%	140.8%
District Municipality	0	0	0	0	0	0	0	0	0	0.0%	0.0%
Other transfers and grants	0	0	0	0	0	0	0	0	0	0.0%	0.0%
Transfers recognised - capital	50,552,704	14,927,162	65,479,866	0	0	65,479,866	65,440,162	0	39,704	99.9%	129.4%
Public contributions & donations	506,921,738	(52,699,603)	454,222,135	0	0	454,222,135	453,019,188	0	1,202,947	99.7%	89.4%
Borrowing	35,000,000	(8,629,806)	26,370,194	0	0	26,370,194	25,900,359	0	469,835	98.2%	74.0%
Internally generated funds	592,474,442	(46,402,247)	546,072,195	0	0	546,072,195	544,358,708	0	1,712,487	99.7%	91.9%
<b>Total Capital Funding</b>											

2016/2017

2017-11-30  
 Auditor - General  
 South Africa

RECONCILIATION OF BUDGETED CASH FLOW

APPENDIX B5

Description	2016/2017						
	Original Budget	Budget Adjustments (i.e. s28)	Final adjustments budget	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget
CASH FLOW FROM OPERATING ACTIVITIES	Receipts	1,648,004,177	(8,102,412)	1,639,901,765	1,639,901,765	1,475,719,598	90.0%
	Payments	(1,583,699,969)	(39,447,605)	(1,623,147,574)	(1,623,147,574)	(1,437,086,179)	88.5%
	Government - operating	182,601,418	(24,040,000)	158,561,418	158,561,418	225,883,745	142.5%
	Government - capital	57,546,082	1,263,000	58,809,082	58,809,082	(67,322,327)	0.0%
	Interest	27,063,569	4,000,000	31,063,569	31,063,569	36,701,711	118.2%
	Dividends	15,120	0	15,120	15,120	(5,638,142)	100.0%
	Suppliers and employees	(99,108,928)	(6,619,760)	(105,728,688)	(105,728,688)	(93,989,644)	98.2%
	Finance charges	(736,170)	(5,418,613)	(6,154,783)	(6,154,783)	(6,154,783)	0.0%
	Transfers and Grants	(574,700,209)	(46,738,075)	(621,438,284)	(621,438,284)	8,039,728	101.5%
NET CASH FROM/(USED) OPERATING ACTIVITIES	241,685,298	(78,365,390)	163,319,908	163,319,908	207,244,351	(43,924,442)	126.9%
CASH FLOWS FROM INVESTING ACTIVITIES	Receipts	250,000	0	250,000	250,000	0	0.0%
	Payments	(14,000)	0	(14,000)	(14,000)	636,765	4548.3%
	Proceeds on disposal of PPE	0	0	0	0	0	0.0%
	Decrease (increase) in non-current debtors	0	0	0	0	0	0.0%
	Decrease (increase) other non-current receivables	14,000	0	14,000	14,000	(622,765)	0.0%
	Decrease (increase) in non-current investments	0	0	0	0	(257,013)	0.0%
	Capital assets	(574,700,209)	(46,738,075)	(621,438,284)	(621,438,284)	8,039,728	101.5%
NET CASH FROM/(USED) INVESTING ACTIVITIES	(574,700,209)	(46,738,075)	(621,438,284)	(621,438,284)	(535,995,862)	8,039,728	101.5%
CASH FLOWS FROM FINANCING ACTIVITIES	Receipts	0	0	0	0	926,846	0.0%
	Payments	(132,104,369)	0	(132,104,369)	(132,104,369)	(128,645,039)	97.4%
	Increase / (decrease) in finance leases	0	0	0	0	926,846	0.0%
	Borrowing long term/financing	506,922,000	83,109,858	423,812,142	423,812,142	416,296,070	98.2%
	Increase / (decrease) in consumer deposits	2,919,392	0	2,919,392	2,919,392	3,855,317	132.1%
	Repayment of borrowing	(132,104,369)	0	(132,104,369)	(132,104,369)	(128,645,039)	97.4%
NET CASH FROM/(USED) FINANCING ACTIVITIES	377,737,023	83,109,858	294,627,165	294,627,165	292,433,194	2,193,972	99.3%
NET INCREASE/ (DECREASE) IN CASH HELD	44,986,113	(41,993,607)	(69,751,060)	(69,751,060)	(35,424,540)	(34,326,520)	9%
	Cash/cash equivalents at the year begin:	140,988,688	(220,547,787)	361,536,475	361,536,475	324,705,061	89.8%
	Cash/cash equivalents at the year end:	185,974,801	(105,810,614)	291,785,415	291,785,415	289,280,521	99.1%
							-75%
							230.3%
							155.5%

**APPENDIX C**  
**DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF THE MFMA, 56 OF 2003**

DESCRIPTION	FUNDER	QUARTERLY RECEIPTS												QUARTERLY EXPENDITURE (Capital & Operating)											
		1 JULY 2016	ADJUSTMENTS	OPENING BALANCE	REVISIED	SEPTEMBER	DECEMBER	MARCH	JUNE	Total	SEPTEMBER	DECEMBER	MARCH	JUNE	Total	30 JUNE 2017									
NATIONAL GOVERNMENT (Unconditional Grant)	National Government	0.90	0.00	0.00	(44,268,000)	0	(106,240,000)	17,768,961	37,794,338	25,958,548	24,718,152	108,240,000	0.90												
NATIONAL GOVERNMENT (Conditional Grant)	National Government	(6.74)	0.00	(6.74)	(5,600,000)	(19,259,000)	(9,683,000)	(33,542,000)	6,931,162	13,502,050	4,984,985	6,119,804	33,542,000	(6.29)											
G/F : CMIP PROJECTS	National Government																								
G/F : BUDGET REFORM PROGRAMME NATIONAL TREASURY	National Government	(2,04)		(2,04)	(1,475,000)		(1,475,000)	142,684	290,074	670,148	372,114	1,474,987	(4.81)												
G/F : EPWP TOLERENING VIR INFRASTRUKTURPROEKT CWL	National Government																								
G/F : ELECTRIC MASTERPLAN(PROV)	National Government	(2,155.81)		2,155.81	0.00	0.00	(5,000,000)	0.00	0.00	92,105	92,105	4,987,835	(3.18)												
G/F : N-GOV: MUNIC SYS IMPROVEMENT GRT SCH 5B	National Government	(15,971,836.94)		5,618,338.51	(10,353,498.43)	0.00	(5,000,000)	0.00	0.00	624,151	668,298	1,763,228	(1,011,231.37)												
G/F : RABIG	National Government	0.00		0.00	0.00	0.00	(1,900,000)	0.00	0.00	10,748,683	0.00	1,504,915	12,253,498	0.00											
G/F : N-GOV: MUNIC SYS IMPROVEMENT GRT SCH 5B	National Government	(16,873,581.80)	6,520,081.13	(10,353,500.67)	(7,413,000)	(21,787,000)	(19,068,000)	(44,268,000)	0	7,760,125	8,238,988	18,038,938	57,293,110	(1,329,390.82)											
PROVINCIAL GOVERNMENT (Conditional Grant)	PROVINCIAL TREASURY	(959,502.59)	(920,603.70)	(920,603.70)	(959,502.59)	0.00	0.00	0.00	0.00	0.00	181,944	181,944	0.00	(959,502.59)											
G/F : 1068 HOUSE WID SKENKING	PROVINCIAL TREASURY																								
G/F : DROMMEDARIS ST EHP OPERATING EXPENDITURE	PROVINCIAL TREASURY	0.00	0.00	0.00	0.00	0.00	(428,143)	(428,143)	0.00	0.00	4,684,679	(13,964,077)	429,143	(429,142.74)											
G/F : P59 FAIRPLAINS OPERATING EXPENDITURE	PROVINCIAL TREASURY	(6,826,015.42)		(6,826,015.42)	0.00	0.00	(1,290,000)	0.00	0.00	0.00	0.00	0.00	0.00	(6,160,165.42)											
G/F : NEW SIYAZAMA INCOME	PROVINCIAL TREASURY	0.00		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	129,312	129,312	(3,116,015.42)											
G/F : NEW SIYAZAMA OPERATING EXPENDITURE	PROVINCIAL TREASURY	(789,653.13)		(789,653.13)	0.00	0.00	(6,000)	(6,000)	0.00	0.00	0.00	4,890,102	4,890,102.17	(802,653.13)											
G/F : ERF 2220 INCOME	PROVINCIAL TREASURY	0.00		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00											
G/F : ERF 2220 OPERATING EXPENDITURE	PROVINCIAL TREASURY	0.00		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00											
G/F : Gouda	PROVINCIAL TREASURY	0.00		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00											
G/F : Gouda OPERATING EXPENDITURE	PROVINCIAL TREASURY	(941,553.63)		(941,553.63)	0.00	0.00	(30,000)	(30,000)	0.00	0.00	0.00	0.00	0.00	(971,553.63)											
G/F : KINGSTON INCOME	PROVINCIAL TREASURY	(453,180.00)		(453,180.00)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	491											
G/F : KINGSTON OPERATING EXPENDITURE	PROVINCIAL TREASURY	(2,383,800)		(2,383,800)	0.00	0.00	(3,902,889)	(10,982,731)	0.00	0.00	0.00	0.00	0.00	10,982,731											
G/F : LANTAMA INCOME	PROVINCIAL TREASURY	0.00		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00											
G/F : LANTAMA OPERATING EXPENDITURE	PROVINCIAL TREASURY	0.00		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00											
G/F : SIYASHALA INCOME	PROVINCIAL TREASURY	0.00		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00											
G/F : SIYASHALA OPERATING EXPENDITURE	PROVINCIAL TREASURY	0.00		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00											
G/F : SCHEME 49 INCOME	PROVINCIAL TREASURY	0.00		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00											
G/F : SCHEME 49 OPERATING EXPENDITURE	PROVINCIAL TREASURY	0.00		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00											
G/F : LIBRARY GRANT (PROV)	PROVINCIAL TREASURY	(10,347.77)		(10,347.77)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	(10,347.77)											
G/F : LIBRARY BUILDING GRANT	PROVINCIAL TREASURY	0.00		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00											
G/F : COMMUNITY DEV WORKER (CDW)	PROVINCIAL TREASURY	(629,512.43)		(629,512.43)	0.00	0.00	(113,000)	0.00	0.00	0.00	0.00	0.00	0.00	(473,531.29)											
G/F : PROCLAIMED ROADS SUBSIDIES	PROVINCIAL TREASURY	(4,990,433.50)		(4,990,433.50)	0.00	0.00	(19,903,000)	(19,903,000)	0.00	0.00	0.00	0.00	0.00	0.89											
G/F : IMPOUND FACILITIES	PROVINCIAL TREASURY	0.00		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00											
G/F : SPORTFONDS	PROVINCIAL TREASURY	(1,583,878.89)		(1,583,878.89)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	(8,237.05)											
G/F : FMG WESTERN CAPE	PROVINCIAL TREASURY	(0.19)		(0.19)	0.00	0.00	(120,000)	0.00	0.00	0.00	0.00	0.00	0.00	(13.15)											
G/F : ERF 2220:STROMWATER UPGRADE	PROVINCIAL TREASURY	0.00		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00											
G/F : SILVERTOWN OPENING BALANCE	PROVINCIAL TREASURY	(1,12)		(1,12)	0.00	0.00	(500,000)	(500,000)	0.00	0.00	0.00	0.00	0.00	0.00											
G/F : M-GOV: HUMAN SETTLEM CAPACITY GRT SCH 5B	PROVINCIAL TREASURY	0.00		0.00	0.00	0.00	(2,000)	(2,000)	0.00	0.00	0.00	0.00	0.00	0.00											
G/F : PD WC - HOUSING: HUMAN SETTLEMENT DEV	PROVINCIAL TREASURY	0.00		0.00	0.00	0.00	(90,000)	(90,000)	0.00	0.00	0.00	0.00	0.00	(2,000.00)											
G/F : REGION BULK INFRA GRT SCHEIDLE 8B	PROVINCIAL TREASURY	0.00		0.00	0.00	0.00	(90,000)	(90,000)	0.00	0.00	0.00	0.00	0.00	(90,000.00)											
G/F : LIBRARY BUILDING GRANT	PROVINCIAL TREASURY	(20,791.16)		(20,791.16)	0.00	0.00	(17,700,000)	(17,700,000)	0.00	0.00	0.00	0.00	0.00	(17,700,000.00)											
G/F : SOCCERFIELD	PROVINCIAL TREASURY	(19,032.85)		(19,032.85)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00											

**APPENDIX C  
DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF THE MFMA, 56 OF 2003**

DESCRIPTION	FLUNDER	QUARTERLY RECEIPTS												QUARTERLY EXPENDITURE (Capital & Operating)			
		1 JULY 2016	ADJUSTMENTS	OPENING BALANCE	REVERSED	SEPTEMBER	DECEMBER	MARCH	JUNE	Total	SEPTEMBER	DECEMBER	MARCH	JUNE	Total		
G/F: NELSON MANDELA MEMORIAL	Provincial Treasury	(25,089,79)	10,000,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00		
G/F: SIMONDIUM PAPER MILL BILOTTEK	Provincial Treasury	(10,000,00)	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00		
G/F: INV LAND FOR PROV OF INDRES PURPOSE	Provincial Treasury	(51,092,74)	51,092,74	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00		
G/F: BRF 2220:STROMWATER UPGRADE	Provincial Treasury	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00		
G/F: VPUB	Provincial Treasury	(31,947,19)	31,947,19	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00		
G/F: PARKING OF SIDE WALKS OR THAMBO	Provincial Treasury	(47,446,63)	47,446,63	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00		
G/F: SILVERTOWN OPENING BALANCE	Provincial Treasury	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00		
G/F: FEASIBILITY STUDIES BULK SANITAT DWAF	Provincial Treasury	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00		
G/F: HEALTH SUBSIDIES	Provincial Treasury	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00		
G/F: DEPARTMENT OF PUBLIC WORKS (TAXI RANK)	Provincial Treasury	(43,987,47)	43,987,47	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00		
G/F: PROV BASIC SERVICES OR THAMBOINF SETTLE	Provincial Treasury	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00		
G/F: PROV BASIC SERVICES OR THAMBOINF SETTLE	Provincial Treasury	(26,400,00)	26,400,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00		
G/F: BUCKET ERADICATION; WC056	Provincial Treasury	(754,63)	754,63	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00		
OTHER GRANTS : (UNCONDITIONAL)	Other	(205,322,89)	205,322,89	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00		
G/F: TRAINING LEVY	Other	(2,679,296,64)	0,00	0,00	(464,746)	(232,824)	(339,065)	(1,036,636)	3,515	502,277	1,182,744	54,528	0	0	0		
G/F: COMPUTER HARDWARE DISASTER	Other	(40,000,50)	40,000,50	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00		
G/F: HERMON WATER AANSLUITINGS	Other	(44,21)	44,21	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00		
G/F: EMERGENCY KITSO R THAMBOINF SETTLE	Other	(1,191,614,69)	0,00	0,00	(1,191,614,69)	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00		
G/F: BULK SERVICES WATER & SEWER	Other	(4,396,787,61)	0,00	0,00	(4,396,787,61)	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00		
G/F: DP - BDR	Other	(912,771,99)	0,00	0,00	(4,810,821,99)	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00		
G/F: BULK SERV LEVY ELECTRICAL	Other	(4,198,050,00)	0,00	0,00	(4,810,821,99)	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00		
G/F: GREENEST TOWN AWARD	Other	628,19	628,19	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00		
G/F: DAUJOSAF SINTETISE ALTEK8	Other	491,92	491,92	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00		
G/F: BULK WATER RESOURCE STUDY(R20000)PRLBWM	Other	(97,790,22)	87,790,22	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00		
G/F: NON-PROF: OTHER NON-PROFIT INSTITUTIONS	Other	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00		
G/F: WATERSEWER MASTERPLANS	Other	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00		
G/F: NUMARKT	Other	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00		
OTHER GRANTS : (UNCONDITIONAL)	Other	(8,431,866,11)	(3,644,266,01)	(13,076,182,62)	(84,138)	(47,7181)	(297,306)	(3,793,616)	(4,822,241)	502,277	1,182,744	54,528	0	0	0		
G/F: COLIN D BROWN GUARANTEE PIPELINE BUILD	Other	(1,300,000,17)	0,00	(1,300,000,17)	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00		
G/F: DONATIONS WATER WEEK	Other	(78,387,62)	0,00	(78,387,62)	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00		
G/F: UNSPENT MONEY PROJECT 59 (GUARANTEE)	Other	(623,636,70)	0,00	(623,636,70)	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00		
G/F: TRUST FUND: MUN WEDUWEE & WESE PENSION	Other	(493,436,47)	0,00	(493,436,47)	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00		
G/F: GUARANTEE: V RENSBURG (BURGERS DR)	Other	(36,466,00)	0,00	(36,466,00)	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00		
GAUANTEES AND DONATIONS		(2,533,947,86)	0,00	(2,533,947,86)	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00		
G/F: TRUST FUND: MUN WEDUWEE & WESE PENSION	Other	(493,436,47)	0,00	(493,436,47)	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00		
G/F: GUARANTEE: V RENSBURG (BURGERS DR)	Other	(36,466,00)	0,00	(36,466,00)	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00		
GAUANTEES AND DONATIONS		(2,533,947,86)	0,00	(2,533,947,86)	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00		
ADJUSTMENTS		10,772,901,61															
OPENING BALANCE		(43,946,310,17)															
REVERSED		(99,779,938)															
SEPTEMBER		(33,726,486)															
DECEMBER		(87,094,486)															
MARCH		(70,546,766)															
JUNE		(280,903,711)															
Total		(27,246,654)															
SEPTEMBER		75,526,691															
DECEMBER		55,775,966															
MARCH		66,897,146															
JUNE		224,246,766															
Total		(2,404,083,86)															
		(50,801,255,53)															

AUDITOR - GENERAL  
SOUTH AFRICA  
2017 - 11 - 30