

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Statement of Financial Position as at 30 June 2022

Figures in Rand	Note(s)	2022	2021 Restated*
Assets			
Current Assets			
Inventories	3	1,693,654	1,879,163
Other financial assets	4	1,445,660	1,390,377
Receivables from exchange transactions	5	14,689,372	14,496,932
Receivables from non-exchange transactions	6	12,527,394	12,477,887
Statutory receivable	7	72,062,130	55,506,420
Consumer debtors from exchange transactions	8	120,562,005	110,337,401
Consumer debtors from non-exchange transactions	8	24,983,208	22,605,250
Cash and cash equivalents	9	8,974,298	608,255
		256,937,721	219,301,685
Non-Current Assets			
Biological assets that form part of an agricultural activity	10	5,344,585	4,221,720
Investment property	11	572,452,692	572,452,692
Property, plant and equipment	12	1,737,880,011	1,744,628,226
Intangible assets	13	2,237,253	1,324,925
Heritage assets	14	48,660,000	48,660,000
Other financial assets	4	522,390	524,999
Assets held for sale	15	102,339,255	102,339,255
		2,469,436,186	2,474,151,817
Total Assets		2,726,373,907	2,693,453,502
Liabilities			
Current Liabilities			
Other financial liabilities	16	6,143,220	5,588,253
Finance lease obligation	17	370,593	377,362
Payables from exchange transactions	19	982,032,578	767,939,678
Consumer deposits	20	12,141,519	10,741,204
Unspent conditional grants and receipts	18	30,107,472	-
Provisions	21	41,250,468	42,249,452
Cashbook overdraft	9	3,926	13,796,391
		1,072,049,776	840,692,340
Non-Current Liabilities			
Other financial liabilities	16	13,389,213	19,153,246
Finance lease obligation	17	-	368,677
Employee benefit obligation	22	99,658,000	89,801,000
Provisions	21	5,595,765	5,966,893
Long service leave award	23	17,382,000	19,641,000
		136,024,978	134,930,816
Total Liabilities		1,208,074,754	975,623,156
Net Assets		1,518,299,153	1,717,830,346
Accumulated surplus		1,518,299,153	1,717,830,346
Total Net Assets		1,518,299,153	1,717,830,346

* See Note 50 & 49

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Statement of Financial Performance

Figures in Rand	Note(s)	2022	2021 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	25	389,621,553	380,708,516
Rendering of services		1,721,744	1,576,270
Rental of facilities and equipment	26	5,755,737	5,055,307
Interest received on consumer accounts	27	48,019,194	40,341,109
Licences and permits		113,818	137,300
Recoveries		-	6,568,875
Other income	28	8,288,560	3,777,290
Interest received - investment	29	56,196	74,057
Gain on disposal of assets and liabilities		130,249	-
Fair value adjustments		52,894	2,544,341
Actuarial gains		4,313,457	588,111
Gain on biological assets and agricultural produce		1,122,865	-
Dividends received	29	9,193	7,778
Total revenue from exchange transactions		459,205,460	441,378,954
Revenue from non-exchange transactions			
Taxation revenue			
Service charges	25	17,056,019	14,232,335
Property rates	30	136,662,769	131,942,395
Transfer revenue			
Government grants & subsidies	31	241,493,359	277,830,235
Fines, penalties and forfeits		962,293	1,071,861
Interest charges on consumer accounts	27	11,275,025	9,434,174
Total revenue from non-exchange transactions		407,449,465	434,511,000
Total revenue	24	866,654,925	875,889,954
Expenditure			
Employee related costs	32	(333,601,853)	(327,387,119)
Remuneration of councillors	33	(17,556,059)	(16,950,028)
Depreciation, impairment and amortisation	34	(83,496,025)	(89,646,664)
Finance costs	35	(54,602,041)	(38,321,621)
Debt Impairment	36	(165,630,970)	(175,578,617)
Bulk purchases	37	(216,097,952)	(209,843,576)
Contracted services	38	(94,665,301)	(87,139,593)
Repairs and maintenance		(16,382,394)	(45,534,091)
Loss on disposal of assets and liabilities		-	(1,256,600)
Loss on biological assets and agricultural produce		-	(428,475)
General expenses	39	(84,153,530)	(66,729,581)
Total expenditure		(1,066,186,125)	(1,058,815,965)
Deficit for the year		(199,531,200)	(182,926,011)

* See Note 50 & 49

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	1,953,966,985	1,953,966,985
Adjustments		
Prior year adjustments (See Note 49)	(53,210,628)	(53,210,628)
Balance at 01 July 2020 as restated*	1,900,756,357	1,900,756,357
Changes in net assets		
Surplus / (deficit) for the year	(182,926,011)	(182,926,011)
Total changes	(182,926,011)	(182,926,011)
Opening balance as previously reported	1,789,870,991	1,789,870,991
Adjustments		
Prior year adjustments (See Note 49)	(72,040,638)	(72,040,638)
Restated* Balance at 01 July 2021 as restated*	1,717,830,353	1,717,830,353
Changes in net assets		
Surplus / (deficit) for the year	(199,531,200)	(199,531,200)
Total changes	(199,531,200)	(199,531,200)
Balance at 30 June 2022	1,518,299,153	1,518,299,153

* See Note 50 & 49

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Cash Flow Statement

Figures in Rand	Note(s)	2022	2021 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		417,953,135	374,352,548
Grants		271,600,831	277,830,235
Interest income		12,925,003	12,926,398
Dividends received		9,193	7,778
		<u>702,488,162</u>	<u>665,116,959</u>
Payments			
Employee costs		(352,690,907)	(346,693,858)
Suppliers		(202,433,750)	(258,124,427)
Finance costs		(41,112,124)	(21,174,262)
		<u>(596,236,781)</u>	<u>(625,992,547)</u>
Net cash flows from operating activities	44	<u>106,251,381</u>	<u>39,124,412</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	12	(75,297,124)	(44,654,149)
Proceeds from sale of property, plant and equipment	12	459,355	2,626,521
Purchase of other intangible assets	13	(1,377,000)	(569,180)
		<u>(76,214,769)</u>	<u>(42,596,808)</u>
Cash flows from financing activities			
Repayment of other financial liabilities		(7,459,380)	(7,459,382)
Finance lease payments		(418,724)	(418,028)
		<u>(7,878,104)</u>	<u>(7,877,410)</u>
Net increase/(decrease) in cash and cash equivalents		22,158,508	(11,349,806)
Cash and cash equivalents at the beginning of the year		(13,188,136)	(1,838,330)
Cash and cash equivalents at the end of the year	9	<u>8,970,372</u>	<u>(13,188,136)</u>

* See Note 50 & 49

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	438,583,000	(10,302,000)	428,281,000	406,677,572	(21,603,428)	Refer to Note 58
Rendering of services	-	-	-	1,721,744	1,721,744	
Rental of facilities and equipment	3,329,000	2,290,000	5,619,000	5,755,737	136,737	
Interest on consumer accounts	39,043,000	18,185,000	57,228,000	59,294,219	2,066,219	Refer to Note 58
Licences and permits	157,000	(81,000)	76,000	113,818	37,818	
Other income	14,179,000	1,541,000	15,720,000	8,288,560	(7,431,440)	
Interest received - investment	225,000	-	225,000	56,196	(168,804)	
Dividends received	1,100,000	-	1,100,000	9,193	(1,090,807)	
Total revenue from exchange transactions	496,616,000	11,633,000	508,249,000	481,917,039	(26,331,961)	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	169,778,000	4,370,000	174,148,000	136,662,769	(37,485,231)	Refer to Note 58
Transfer revenue						
Government grants & subsidies	296,456,000	(1,876,000)	294,580,000	241,493,359	(53,086,641)	Refer to Note 58
Fines, penalties and forfeits	2,953,000	-	2,953,000	962,293	(1,990,707)	
Total revenue from non-exchange transactions	469,187,000	2,494,000	471,681,000	379,118,421	(92,562,579)	
Total revenue	965,803,000	14,127,000	979,930,000	861,035,460	(118,894,540)	
Expenditure						
Personnel	(303,846,000)	(23,430,000)	(327,276,000)	(333,601,853)	(6,325,853)	Refer to Note 58
Remuneration of councillors	(18,906,000)	2,573,000	(16,333,000)	(17,556,059)	(1,223,059)	
Depreciation and amortisation	(89,101,000)	10,804,000	(78,297,000)	(83,496,025)	(5,199,025)	Refer to Note 58
Finance costs	(8,000,000)	(1,006,000)	(9,006,000)	(54,602,041)	(45,596,041)	Refer to Note 58
Debt Impairment	(104,887,000)	24,228,000	(80,659,000)	(165,630,970)	(84,971,970)	Refer to Note 58
Bulk purchases	(180,909,000)	48,683,000	(132,226,000)	(216,097,952)	(83,871,952)	Refer to Note 58
Contracted services	(67,522,000)	(39,607,000)	(107,129,000)	(94,665,301)	12,463,699	Refer to Note 58
Repairs and maintenance	(5,074,000)	(11,224,000)	(16,298,000)	(16,382,394)	(84,394)	Refer to Note 58
General expenses	(41,312,000)	(23,376,000)	(64,688,000)	(84,153,530)	(19,465,530)	Refer to Note 58
Total expenditure	(819,557,000)	(12,355,000)	(831,912,000)	(1,066,186,125)	(234,274,125)	

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Operating deficit	146,246,000	1,772,000	148,018,000	(205,150,665)	(353,168,665)	
Gain on disposal of assets and liabilities	-	-	-	130,249	130,249	Refer to Note 58
Fair value adjustments	-	-	-	52,894	52,894	
Actuarial gains/losses	-	-	-	4,313,457	4,313,457	
Gain on biological assets and agricultural produce	-	-	-	1,122,865	1,122,865	
	-	-	-	5,619,465	5,619,465	
Deficit before taxation	146,246,000	1,772,000	148,018,000	(199,531,200)	(347,549,200)	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	146,246,000	1,772,000	148,018,000	(199,531,200)	(347,549,200)	

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

Statement of Financial Position

Assets

Current Assets

Inventories	554,000	116,954,000	117,508,000	1,693,654	(115,814,346)
Other financial assets	(325,000)	1,916,000	1,591,000	1,445,660	(145,340)
Receivables from exchange transactions	1,357,000	359,817,000	361,174,000	14,689,372	(346,484,628)
Receivables from non-exchange transactions	-	-	-	12,527,394	12,527,394
VAT receivable	-	-	-	72,062,130	72,062,130
Consumer debtors	648,661,000	(341,517,000)	307,144,000	145,545,213	(161,598,787)
Cash and cash equivalents	-	21,449,000	21,449,000	8,974,298	(12,474,702)
	650,247,000	158,619,000	808,866,000	256,937,721	(551,928,279)

Non-Current Assets

Biological assets that form part of an agricultural activity	-	-	-	5,344,585	5,344,585
Investment property	-	572,453,000	572,453,000	572,452,692	(308)
Property, plant and equipment	3,095,089,000	(1,002,747,000)	2,092,342,000	1,737,880,011	(354,461,989)
Intangible assets	-	929,000	929,000	2,237,253	1,308,253
Heritage assets	-	-	-	48,660,000	48,660,000
Other financial assets	68,507,000	(19,847,000)	48,660,000	522,390	(48,137,610)
Assets held for sale	-	-	-	102,339,255	102,339,255
	3,163,596,000	(449,212,000)	2,714,384,000	2,469,436,186	(244,947,814)

Total Assets

	3,813,843,000	(290,593,000)	3,523,250,000	2,726,373,907	(796,876,093)
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Liabilities

Current Liabilities

Other financial liabilities	3,413,000	2,553,000	5,966,000	6,143,220	177,220
Finance lease obligation	-	-	-	370,593	370,593
Payables from exchange transactions	314,473,000	933,951,000	1,248,424,000	982,032,577	(266,391,423)
Consumer deposits	4,000,000	8,496,000	12,496,000	12,141,519	(354,481)
Unspent conditional grants and receipts	-	-	-	30,107,472	30,107,472
Provisions	2,074,000	(2,074,000)	-	41,250,468	41,250,468
Cashbook overdraft	-	-	-	3,926	3,926
	323,960,000	942,926,000	1,266,886,000	1,072,049,775	(194,836,225)

Non-Current Liabilities

Other financial liabilities	25,536,000	(13,473,000)	12,063,000	13,389,213	1,326,213
Employee benefit obligation	-	-	-	99,658,000	99,658,000
Provisions	29,999,000	(1,648,000)	28,351,000	5,595,765	(22,755,235)
Long service leave award	-	-	-	17,382,000	17,382,000
	55,535,000	(15,121,000)	40,414,000	136,024,978	95,610,978

Total Liabilities

	379,495,000	927,805,000	1,307,300,000	1,208,074,753	(99,225,247)
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Net Assets

	3,434,348,000	(1,218,398,000)	2,215,950,000	1,518,299,154	(697,650,846)
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Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Revaluation reserve	-	2,400,000	2,400,000	-	(2,400,000)	
Accumulated surplus	3,434,348,000	(1,220,798,000)	2,213,550,000	1,518,299,154	(695,250,846)	
Total Net Assets	3,434,348,000	(1,218,398,000)	2,215,950,000	1,518,299,154	(697,650,846)	

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

Figures in Rand	Note(s)	2022	2021
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1. Presentation of Annual Financial Statements

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

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

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

These accounting policies are consistent with the previous period.

1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.2 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.3 Materiality

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor.

Assessing whether an omission or misstatement could influence decisions of users, and so be material, requires consideration of the characteristics of those users. The Framework for the Preparation and Presentation of Financial Statements states that users are assumed to have a reasonable knowledge of government, its activities, accounting and a willingness to study the information with reasonable diligence. Therefore, the assessment takes into account how users with such attributes could reasonably be expected to be influenced in making and evaluating decisions.

1.4 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Other significant judgements, sources of estimation uncertainty and/or relating information, have been disclosed in the relating notes.

Trade receivables / Held to maturity investments and/or loans and receivables

The municipality assesses its trade receivables, held to maturity investments and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables, held to maturity investments and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The municipality uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the end of the reporting period.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the [name a key assumption] assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 21 - Provisions.

Useful lives of waste and water network and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for the waste water and water networks. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

Post-retirement benefits

The present value of the post-retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post-retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 22.

Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

The credit balances and debt outstanding for government departments are excluded specifically from the provision. The payments done on the accounts and indigent status is used as basis for the calculations. The VAT portion is also taken out to the VAT provision account. Interest is added to the overdue outstanding balance on a monthly basis.

1.5 Biological assets that form part of an agricultural activity

The entity recognises biological assets that form part of an agricultural activity or agricultural produce when, and only when:

- the entity controls the asset as a result of past events;
- it is probable that future economic benefits or service potential associated with the asset will flow to the municipality; and
- the fair value or cost of the asset can be measured reliably.

Biological assets that form part of an agricultural activity are measured at their fair value less costs to sell.

The fair value of livestock is determined based on market prices of livestock of similar age, breed, and genetic merit.

A gain or loss arising on initial recognition of biological assets that form part of an agricultural activity or agricultural produce at fair value less costs to sell and from a change in fair value less costs to sell of biological assets that form part of an agricultural activity is included in surplus or deficit for the period in which it arises.

Where market determined prices or values are not available, the present value of the expected net cash inflows from the asset, discounted at a current market-determined pre-tax rate where applicable is used to determine fair value.

Where fair value cannot be measured reliably, biological assets are measured at cost less any accumulated depreciation and any accumulated impairment losses.

1.6 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

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

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.6 Investment property (continued)

Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

If the entity determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the entity determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the entity measures that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The entity applies the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

Once the entity becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

1.7 Property, plant and equipment

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 period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

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 management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) 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.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Dihlabeng Local Municipality

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Accounting Policies

1.7 Property, plant and equipment (continued)

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

Property, plant and equipment are depreciated on the straight-line basis over their expected useful lives to their estimated residual value.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Buildings	Straight-line	5 - 50 years
Plant and equipment	Straight-line	2 - 37 years
Furniture and fixtures	Straight-line	5 - 22 years
Motor vehicles	Straight-line	5 - 22 years
Office equipment	Straight-line	5 - 22 years
IT Infrastructure equipment	Straight-line	5 - 22 years
Infrastructure - Electrical	Straight-line	5 - 50 years
Infrastructure - Roads	Straight-line	7 - 80 years
Infrastructure - Sewer	Straight-line	5 - 50 years
Infrastructure - Water	Straight-line	5 - 100 years
Infrastructure - Solid Waste	Straight-line	5 - 50 years
Other assets	Straight-line	5 - 22 years

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.7 Property, plant and equipment (continued)

The municipality assesses at each reporting date whether there is any indication that the municipality expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment 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 from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 12).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 12).

1.8 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight-line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

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Accounting Policies

1.8 Intangible assets (continued)

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets, on a straight-line basis, to their residual values as follows:

Item	Depreciation method	Average useful life
Computer software, other	Straight-line	3 years

1.9 Heritage assets

Assets are resources controlled by an municipality as a result of past events and from which future economic benefits or service potential are expected to flow to the municipality.

Carrying amount is the amount at which an asset is recognised after deducting accumulated impairment losses.

Class of heritage assets means a grouping of heritage assets of a similar nature or function in an municipality's operations that is shown as a single item for the purpose of disclosure in the annual financial statements.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Standards of GRAP.

Depreciation is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

An impairment loss of a cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable amount.

An impairment loss of a non-cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable service amount.

An inalienable item is an asset that an municipality is required by law or otherwise to retain indefinitely and cannot be disposed of without consent.

Recoverable amount is the higher of a cash-generating asset's net selling price and its value in use.

Recoverable service amount is the higher of a non-cash-generating asset's 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 future cash flows expected to be derived from an asset or cash-generating unit.

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

Recognition

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

Dihlabeng Local Municipality

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Accounting Policies

1.9 Heritage assets (continued)

Initial measurement

Heritage assets are measured at cost.

Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

Subsequent measurement

After recognition as an asset, a class of heritage assets, whose fair value can be measured reliably, is carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent impairment losses.

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

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

Impairment

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

Transfers

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset.

Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

Derecognition

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is included in surplus or deficit when the item is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

1.10 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.10 Financial instruments (continued)

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
 - receive cash or another financial asset from another entity; or
 - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Consumer deposits are current financial liabilities and they are recorded in accordance with trade and other payables.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unissued capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

Dihlabeng Local Municipality

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Accounting Policies

1.10 Financial instruments (continued)

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

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

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- contingent consideration of an acquirer in a transfer of functions between entities not under common control to which the Standard of GRAP on Transfer of Functions Between Entities Not Under Common Control (GRAP 106) applies
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
 - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
 - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
 - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
 - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Classification

The entity has the following types of financial assets as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Trade and other receivables from exchange transactions	Financial asset measured at amortised cost and cost
Other receivables from non-exchange transactions	Financial asset measured at amortised cost
Consumer debtors from exchange and non-exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost
Other financial assets	Financial asset measured at fair value

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Trade and other payable from exchange transactions	Financial liability measured at amortised cost
Bank overdraft	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost
Financial lease obligation	Financial liability measured at amortised cost
Other financial liabilities	Financial liability measured at fair value

Initial measurement:

The municipality recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument. The entity recognises financial assets using trade date accounting. The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Dihlabeng Local Municipality

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Accounting Policies

1.10 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at amortised cost.
- Financial instruments at cost.
- Financial instruments at fair value.

All financial instruments measured at amortised cost and cost, are subject to an impairment review.

Impairment of financial instruments:

Receivables:

Receivables are classified as financial assets at amortised cost, and are initially measured at fair value and subsequently measured at amortised cost using the effective interest rate method. For amounts due from receivable carried at amortised cost, the Municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant at the end of each reporting period. Objective evidence of impairment includes significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 90 days overdue). If the Municipality determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in surplus or deficit. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the municipality. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a previous write-off is later recovered, the recovery is recognised in the surplus or deficit. The present value of the estimated future cash flows is discounted at the original effective interest rate, if material. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the original effective interest rate.

Payables and long term liabilities:

Financial liabilities consist of payables and long term liabilities. They are categorised as financial liabilities held at amortised cost, and are initially recognised at fair value and subsequently measured at amortised cost using an effective interest rate, which is the initial carrying amount, less repayments, plus interest.

Cash and cash equivalents:

Cash and Cash Equivalents are initially measured at fair value. Cash includes cash on hand (including petty cash) and cash with banks. 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, highly liquid deposits and net of bank overdrafts. The Municipality categorises cash and cash equivalents as financial assets carried at amortised cost. Non-Current Investments Investments which include fixed deposits invested in registered commercial banks, are stated at amortised cost. Gains and losses For financial assets and financial liabilities measured at amortised cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Dihlabeng Local Municipality

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Accounting Policies

1.10 Financial instruments (continued)

Fair value measurement:

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, a municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

Derecognition:

Financial assets:

The entity derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer.

In this case, the entity : - derecognise the asset; and - recognise separately any rights and obligations created or retained in the transfer. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Municipality could be required to repay.

Financial liabilities:

A financial liability (or a part of a financial liability) is derecognised from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Financial Performance.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit.

Offsetting of financial instruments:

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

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Accounting Policies

1.11 Statutory receivables

Identification

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

Carrying amount is the amount at which an asset is recognised in the statement of financial position.

The cost method is the method used to account for statutory receivables that requires such receivables to be measured at their transaction amount, plus any accrued interest or other charges (where applicable) and, less any accumulated impairment losses and any amounts derecognised.

Nominal interest rate is the interest rate and/or basis specified in legislation, supporting regulations or similar means.

The transaction amount for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

Recognition

The municipality recognises statutory receivables as follows:

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

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

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

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

1.12 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Dihlabeng Local Municipality

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Accounting Policies

1.12 Leases (continued)

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.13 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

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

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.14 Impairment of cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

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1.14 Impairment of cash-generating assets (continued)

A cash-generating unit is the smallest identifiable group of assets used with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

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

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

Useful life is either:

- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

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

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.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Composition of estimates of future cash flows

Estimates of future cash flows include:

- projections of cash inflows from the continuing use of the asset;
- projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
- net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

Estimates of future cash flows exclude:

- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the municipality expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

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Accounting Policies

1.14 Impairment of cash-generating assets (continued)

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Reversal of impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. 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 (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.15 Impairment of non-cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

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

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Accounting Policies

1.15 Impairment of non-cash-generating assets (continued)

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:

- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

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

Irrespective of whether there is any indication of impairment, the entity also tests a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the current reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Restoration cost approach

Restoration cost is the cost of restoring the service potential of an asset to its pre-impaired level. The present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

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Accounting Policies

1.15 Impairment of non-cash-generating assets (continued)

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Reversal of an impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. 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 (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.16 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

Termination benefits are employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

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Accounting Policies

1.16 Employee benefits (continued)

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measures the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognises the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

Multi-employer plans and/or State plans and/or Composite social security programmes

The entity classifies a multi-employer plan and/or state plans and/or composite social security programmes as a defined contribution plan or a defined benefit plan under the terms of the plan (including any constructive obligation that goes beyond the formal terms).

Where a plan is a defined contribution plan, the entity accounts for in the same way as for any other defined contribution plan.

Where a plan is a defined benefit plan, the entity account for its proportionate share of the defined benefit obligation, plan assets and cost associated with the plan in the same way as for any other defined benefit plan.

When sufficient information is not available to use defined benefit accounting for a plan, that is a defined benefit plan, the entity account for the plan as if it was a defined contribution plan.

Dihlabeng Local Municipality

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Accounting Policies

1.16 Employee benefits (continued)

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the entity during a reporting period, the entity recognises the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the entity recognises actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or
- the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognises past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

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1.16 Employee benefits (continued)

The entity account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the entity's informal practices. Informal practices give rise to a constructive obligation where the entity has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the entity's informal practices would cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The entity measures the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

The entity determines the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The entity uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an entity shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an entity shall attribute benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The entity recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the entity re-measure the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

Dihlabeng Local Municipality

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Accounting Policies

1.16 Employee benefits (continued)

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is [OR is not] presented as the net of the amount recognised for a reimbursement.

The entity offsets an asset relating to one plan against a liability relating to another plan when the entity has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

Other post retirement obligations

The municipality provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The municipality also provides a gratuity on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

The entity shall recognise the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.

Long service award

A long service award is granted to municipal employees after the completion of fixed periods of continuous service with the municipality. The said reward comprises a certain number of accumulated vacation leave days and a fixed percentage of his or her basic salary applicable at the time the award become due.

The provision represents an estimate of the award to which employees in the service of the municipality at 30 June 2022 may become entitled to in future, based on actuarial valuation at that date.

1.17 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Dihlabeng Local Municipality

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Accounting Policies

1.17 Provisions and contingencies (continued)

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
 - the activity/operating unit or part of an activity/operating unit concerned;
 - the principal locations affected;
 - the location, function, and approximate number of employees who will be compensated for services being terminated;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 47. A brief description of the nature of each class of contingent liability should be provided and where possible:

- an estimate of its financial effect,
- an indication of the uncertainties relating to the amount or timing of any outflow; and
- the possibility of any reimbursements.

1.18 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.19 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Dihlabeng Local Municipality

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Accounting Policies

1.19 Revenue from exchange transactions (continued)

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

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- 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 stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight-line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised using the effective interest rate method for financial instruments, and using the nominal interest rate method for statutory receivables. Interest levied on transactions arising from exchange or non-exchange transactions is classified based on the nature of the underlying transaction.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends or similar distributions are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.20 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by a municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

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Accounting Policies

1.20 Revenue from non-exchange transactions (continued)

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, a municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Receivables that arise from statutory (non-contractual) arrangements are initially measured in accordance with this accounting policy, as well as the accounting policy on Statutory Receivables. The entity applies the accounting policy on Statutory Receivables for the subsequent measurement, derecognition, presentation and disclosure of statutory receivables.

Interest is recognised using the effective interest rate method for financial instruments, and using the nominal interest rate method for statutory receivables. Interest levied on transactions arising from exchange or non-exchange transactions is classified based on the nature of the underlying transaction.

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.20 Revenue from non-exchange transactions (continued)

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

1.21 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.22 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.23 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.24 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

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.

1.25 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which 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.

1.26 Irregular expenditure

Irregular expenditure as defined in section 1 of the MFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

- (a) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of this Act, and which has not been condoned in terms of section 170
- (b) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the Municipal Systems Act, and which has not been condoned in terms of that Act or
- (c) expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the Public Office-Bearers Act, 1998 (Act No. 20 of 1998); or
- (d) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the supply chain management policy of the municipality or entity or any of the municipality's by-laws giving effect to such policy, and which has not been condoned in terms of such policy or by-law, but excludes expenditure by a municipality which falls within the definition of "unauthorised expenditure".

National Treasury MFMA Circular No 68 of June 2019 which was issued and updated on 13 October 2021 in terms of sections 76(1) to 76(4) of the MFMA requires the following:

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Accounting Policies

1.26 Irregular expenditure (continued)

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

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 economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.27 Segment information

General information

Identification of segments

The municipality is organised into seven functional directorates for management purposes. The directorates are Corporate Services, Office of the Municipal Manager, Political Office, Financial Services, Public Works, Community Services and Local Economic Development.

Only the Public Works and Community Services directorates have been identified as reportable segments. For management purposes, the municipality is organised, operates and reports to management on the basis of three major functional segments. The segments were organised around the type of service delivered and the target market. Revenue and expenditure relating to these business units are allocated at a transactional level. Management uses these same segments for determining strategic objectives. Cost relating to the governance and administration of the municipality are not allocated to these business units. Segments were aggregated for reporting purposes.

Information reported about these segments is used by management as a basis for evaluating the segments' performances and for making decisions about the allocation of resources. The disclosure of information about these segments is also considered appropriate for external reporting purposes.

The Corporate Services, Office of the Municipal Manager, Political Office, Financial Services and Local Economic Development directorates are the governance and administration units of the municipality. However, they are not reportable segments; their results are reported as non-reportable segments to reconcile the results of the reportable segments to the total revenue and expenses of the municipality for the year under review.

Management does monitor performance geographically, but does not a present have reliable separate financial information for decision making purpose. Procedure will be put in place to generate this information at a transactional level and in the most cost effective manner.

A measure of assets and liabilities for each reportable segment has not been presented as these amounts are not regularly provided to management. The only measure of asset information that is regularly provided to management is the additions to non-current assets. Accordingly, additions to non-current assets is the only asset measure presented for the reportable segments.

1.28 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.28 Budget information (continued)

The approved budget is prepared on an accrual basis and presented by functional classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2021/07/01 to 2022/06/30.

The budget for the economic entity includes all the entities approved budgets under its control.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

1.29 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by that person in their dealings with the municipality.

The municipality is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the municipality to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Where the municipality is exempt from the disclosures in accordance with the above, the municipality discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity's financial statements to understand the effect of related party transactions on its annual financial statements.

1.30 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

Dihlabeng Local Municipality

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Accounting Policies

1.31 Living and non-living resources

Living resources are those resources that undergo biological transformation.

Non-living resources are those resources, other than living resources, that occur naturally and have not been extracted.

Agricultural activity is the management by an municipality of the biological transformation and harvest of biological assets for:

- (a) sale;
- (b) distribution at no charge or for a nominal charge; or
- (c) conversion into agriculture produce or into additional biological assets for sale or distribution at no charge or for a nominal charge.

A bearer plant is a living plant that:

- (a) is used in the production or supply of agricultural produce;
- (b) is expected to bear produce for more than one period; and
- (c) has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales.

Biological transformation (for purposes of this Standard) comprises the processes of growth, degeneration, production, and procreation that cause qualitative or quantitative changes in a living resource.

Carrying amount is the amount at which an asset is recognised after deducting any accumulated depreciation and accumulated impairment losses.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or development and, where applicable, the amount attributed to the asset when initially recognised in accordance with the specific requirements of other Standards of GRAP.

Depreciation is the systematic allocation of the depreciable amount of an asset over its useful life.

Depreciable amount is the cost of an asset, or other amount substituted for cost, less its residual value.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Group of resources means a grouping of living or non-living resources of a similar nature or function in an entity's operations that is shown as a single item for the purpose of disclosure in the annual financial statements.

The residual value of an asset is the estimated amount that an municipality would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset was already of the age and in the condition expected at the end of its useful life.

Useful life is the period over which an asset is expected to be available for use by an municipality, or the number of production or similar units expected to be obtained from the asset by an municipality.

Recognition

Non-living resources, other than land, are not recognised as assets. Required information are disclosed in the notes to the annual financial statements.

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

Where the municipality is required in terms of legislation or similar means to manage a living resource, but it does not meet the definition of an asset because control of the resource cannot be demonstrated, relevant information are disclosed in the notes to the annual financial statements.

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.31 Living and non-living resources (continued)

Where the municipality holds a living resource that meets the definition of an asset, but which does not meet the recognition criteria, relevant information are disclosed in the notes to the annual financial statements. When the information about the cost or fair value of the living resource becomes available, the municipality recognise, from that date, the living resource and apply the measurement principles.

Measurement at recognition

A living resource that qualifies for recognition as an asset is measured at its cost.

Where a living resource is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

The cost of a living resource comprises its purchase price, including import duties and non-refundable purchase taxes, and any costs directly attributable to bringing the living resource to the location and condition necessary for it to be capable of operating in the manner intended by management.

Measurement after recognition

Revaluation model

After recognition as an asset, a group of living resources, whose fair value can be measured reliably, are carried at a revalued amount, which is its fair value at the date of the revaluation less any accumulated depreciation and accumulated impairment losses. Revaluations are made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date.

If a living resource is revalued, the entire group of living resources to which that resource belongs, are revalued.

If the carrying amount of a living resource is increased as a result of a revaluation, the increase is credited directly to a revaluation surplus. However, the increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same living resource previously recognised in surplus or deficit.

If the carrying amount of a living resource is decreased as a result of a revaluation, the decrease is recognised in surplus or deficit. However, the decrease is debited directly in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that living resource. The decrease recognised directly in net assets reduces the amount accumulated in net assets under the heading revaluation surplus.

If the fair value of a living resource can no longer be determined because market-determined prices or values are not available and alternative estimates of fair value are determined to be clearly unreliable, the carrying amount of the living resource is its revalued amount as at the date of the last revaluation by reference to market-determined prices or values that were determined based on alternative estimates, less any subsequent depreciation and subsequent impairment losses. The municipality measures the living resource using the cost model until the fair value of the living resource becomes available. The municipality measures from that date the living resource at its fair value.

Depreciation

Living resources are depreciated and the depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset, where appropriate.

The depreciable amount of a living resource is allocated on a systematic basis over its useful life.

The municipality assesses at each reporting date whether there is any indication that the entity's expectations about the residual value and the useful life of a living resource have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change(s) is accounted for as a change in an accounting estimate.

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Accounting Policies

1.31 Living and non-living resources (continued)

In assessing whether there is any indication that the expected useful life of the living resource has changed, the municipality considers the following indications:

- (a) The use of the living resource has changed, because of the following:
- The municipality has changed the manner in which The living resource is used.
 - The municipality has made a decision to dispose of the living resource in a future reporting period(s) such that this decision changes the expected period over which the living resource will be used.
 - Legislation, government policy or similar means have been amended or implemented during the reporting period that have, or will, change the use of the living resource.
 - The living resource was idle or retired from use during the reporting period.
- (b) The living resource is approaching the end of its previously expected useful life.
- (c) There is evidence that the condition of the living resource improved or declined based on assessments undertaken during the reporting period.
- (d) The living resource is assessed as being impaired.

In assessing whether there is any indication that the expected residual value of the living resource has changed, the municipality considers whether there has been any change in the expected timing of disposal of the living resource, as well as any relevant indicators as noted above.

The depreciation method used reflects the pattern in which the future economic benefits or service potential of the living resource is expected to be consumed by the entity.

The depreciation method applied to a living resource is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the living resource, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

Item	Depreciation method	Average useful life
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Impairment

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

Compensation from third parties for living resources that have been impaired, lost or given up, is included in surplus or deficit when the compensation becomes receivable.

Transfers

Transfers from living resources are made when the particular asset no longer meets the definition of a living resource and/or is no longer within the scope of this accounting policy.

Transfers to living resources are made when the asset meets the definition of a living resource.

Derecognition

The carrying amount of a living resource is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a living resource is included in surplus or deficit when the item is derecognised.

Dihlabeng Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand

2022

2021

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2022 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
<ul style="list-style-type: none">GRAP 104 (amended): Financial Instruments	01 April 2099	Unlikely there will be a material impact
<ul style="list-style-type: none">Guideline: Guideline on Accounting for Landfill Sites	01 April 2099	Unlikely there will be a material impact

The objective of this Standard is to outline principles to be used by an entity to assess whether it is party to a principal-agent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement. The Standard does not introduce new recognition or measurement requirements for revenue, expenses, assets and/or liabilities that result from principal-agent arrangements. The Standard does however provide guidance on whether revenue, expenses, assets and/or liabilities should be recognised by an agent or a principal, as well as prescribe what information should be disclosed when an entity is a principal or an agent.

It furthermore covers Definitions, Identifying whether an entity is a principal or agent, Accounting by a principal or agent, Presentation, Disclosure, Transitional provisions and Effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

The objective of this Standard is: to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.

It furthermore covers: Definitions, recognition, derecognition, measurement, presentation and disclosure, transitional provisions, as well as the effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

Dihlabeng Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2022	2021
3. Inventories		
Consumable stores	440,954	695,127
Water for distribution	235,412	498,562
Fuel (Diesel, Petrol)	511,278	313,916
Water chemicals	506,010	371,558
	1,693,654	1,879,163
Inventories recognised as an expense during the year	26,652,821	22,588,667
In the current year, damaged inventories to the value of R444,486 were written off due to a fire at the stores.		
4. Other financial assets		
Designated at fair value		
Listed shares	220,415	255,852
4 169 shares in Sanlam @ R52.87 (2021 : R61.37)		
Unlisted shares	301,975	269,147
8 662 shares in Oos Vrystaat Kaap Operations Ltd @ R18.00 (2021 : R16.50)		
9 016 shares in Oos Vrystaat Kaap Holdings Ltd @ R16.20 (2021 : R14.00)		
Sanlam short term deposits	1,220,078	1,164,795
The short term deposit at Sanlam is fixed and matures at a future date.		
ABSA short term deposit	225,582	225,582
The short term deposit at ABSA is fixed and matures at a future date.		
	1,968,050	1,915,376
Non-current assets		
Designated at fair value	522,390	524,999
Current assets		
Designated at fair value	1,445,660	1,390,377
5. Receivables from exchange transactions		
Unbilled consumption to trade debtors	10,354,005	11,347,116
Pre-paid electricity from third party vendors	3,802,443	2,366,782
Sale of property debtors	532,924	783,034
	14,689,372	14,496,932
6. Receivables from non-exchange transactions		
Other receivables from non-exchange revenue	12,312,254	12,254,680
Post office and petrol deposits	170,000	170,000
Unpaid traffic fines	63,277,957	62,596,637
Provision for traffic fines not recoverable	(63,232,817)	(62,543,430)
	12,527,394	12,477,887
7. Statutory receivable		
VAT accrued on accounts receivable	(9,997,840)	(9,105,105)
VAT accrued on accounts payable	88,828,618	65,266,089
VAT payable to / (refundable from) SARS	(6,768,648)	(654,564)
	72,062,130	55,506,420

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Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
8. Consumer debtors from exchange and non-exchange transactions		
Gross balances		
Consumer debtors from non-exchange transactions		
Rates	188,235,054	166,229,932
Basic Electricity	19,398,376	16,371,725
Basic Water	12,396,757	9,373,541
Consumer debtors from exchange transactions		
Electricity	40,606,381	35,395,270
Water	392,428,223	352,431,884
Sewerage	251,055,212	218,620,504
Refuse	318,654,359	276,291,708
Rentals, advertising and sundry charges	59,060,240	54,301,539
	1,281,834,602	1,129,016,103
Less: Allowance for impairment		
Consumer debtors from non-exchange transactions		
Rates	(166,862,007)	(146,656,210)
Basic Electricity	(17,195,798)	(14,443,940)
Basic Water	(10,989,174)	(8,269,799)
Consumer debtors from exchange transactions		
Electricity	(35,995,752)	(31,227,445)
Water	(347,870,173)	(310,932,715)
Sewerage	(222,549,284)	(192,877,744)
Refuse	(282,472,923)	(243,758,114)
Rentals, advertising and sundry charges	(52,354,278)	(47,907,485)
	(1,136,289,389)	(996,073,452)
Net balance		
Consumer debtors from non-exchange transactions		
Rates	21,373,047	19,573,722
Basic Electricity	2,202,578	1,927,785
Basic Water	1,407,583	1,103,743
Consumer debtors from exchange transactions		
Electricity	4,610,629	4,167,825
Water	44,558,050	41,499,168
Sewerage	28,505,928	25,742,760
Refuse	36,181,436	32,533,594
Rentals, advertising and sundry charges	6,705,962	6,394,054
	145,545,213	132,942,651

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Notes to the Annual Financial Statements

Figures in Rand	2022	2021
8. Consumer debtors from exchange and non-exchange transactions (continued)		
Consumer debtors from non-exchange transactions		
Rates		
Current (0 -30 days)	9,051,641	9,356,508
31 - 60 days	4,658,843	4,350,357
61 - 90 days	3,914,772	3,721,125
91 - 120 days	3,711,037	3,498,433
121 - 365 days	29,805,147	28,742,324
> 365 days	137,093,615	116,561,185
Less: Debt impairment	(166,862,008)	(146,656,210)
	21,373,047	19,573,722
Basic Electricity		
Current (0 -30 days)	1,098,633	937,617
31 - 60 days	613,348	517,947
61 - 90 days	516,835	451,225
91 - 120 days	491,000	412,162
121 - 365 days	3,544,641	3,012,137
> 365 days	13,133,919	11,040,637
Less: Debt impairment	(17,195,798)	(14,443,940)
	2,202,578	1,927,785
Basic Water		
Current (0 -30 days)	560,713	289,674
31 - 60 days	461,989	203,639
61 - 90 days	436,272	179,405
91 - 120 days	425,279	167,079
121 - 365 days	2,152,156	1,290,866
> 365 days	8,360,348	7,242,879
Less: Debt impairment	(10,989,174)	(8,269,799)
	1,407,583	1,103,743
Consumer debtors from exchange transactions		
Electricity		
Current (0 -30 days)	11,438,277	10,090,929
31 - 60 days	2,902,206	3,644,472
61 - 90 days	1,807,383	3,115,958
91 - 120 days	1,612,930	2,502,050
121 - 365 days	12,201,400	10,486,399
> 365 days	10,644,185	5,555,462
Less: Debt impairment	(35,995,752)	(31,227,445)
	4,610,629	4,167,825
Water		
Current (0 -30 days)	7,180,202	10,245,213
31 - 60 days	6,098,881	6,271,062
61 - 90 days	5,969,982	6,324,676
91 - 120 days	5,866,828	5,883,904
121 - 365 days	50,937,133	47,535,585
> 365 days	316,375,197	276,171,444
Less: Debt impairment	(347,870,173)	(310,932,716)
	44,558,050	41,499,168

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
8. Consumer debtors from exchange and non-exchange transactions (continued)		
Sewerage		
Current (0 -30 days)	5,581,831	5,250,559
31 - 60 days	4,379,184	4,140,063
61 - 90 days	4,132,882	3,925,501
91 - 120 days	4,002,026	3,844,530
121 - 365 days	33,810,902	32,375,497
> 365 days	199,148,387	169,084,355
Less: Debt impairment	(222,549,284)	(192,877,745)
	28,505,928	25,742,760
Refuse		
Current (0 -30 days)	6,104,302	5,760,165
31 - 60 days	5,197,990	4,997,634
61 - 90 days	5,065,123	4,874,912
91 - 120 days	4,932,418	4,852,289
121 - 365 days	42,978,720	41,369,782
> 365 days	254,375,806	214,436,926
Less: Debt impairment	(282,472,923)	(243,758,114)
	36,181,436	32,533,594
Rental, advertising and sundry charges		
Current (0 -30 days)	1,000,824	978,685
31 - 60 days	623,609	610,888
61 - 90 days	594,334	534,645
91 - 120 days	572,905	512,048
121- 365 days	5,174,668	4,609,826
> 365 days	51,093,899	47,055,446
Less: Debt impairment	(52,354,277)	(47,907,484)
	6,705,962	6,394,054
Summary of debtors by customer classification		
Consumers		
Current (0 -30 days)	37,821,105	39,164,878
31 - 60 days	21,574,493	21,685,265
61 - 90 days	19,606,479	20,202,740
91 - 120 days	18,860,217	19,198,635
121 - 365 days	159,122,215	153,118,917
> 365 days	941,720,992	808,487,062
	1,198,705,501	1,061,857,497
Less: Allowance for impairment	(1,136,289,389)	(996,073,453)
	62,416,112	65,784,044
National and provincial government		
Current (0 -30 days)	4,195,318	3,744,472
31 - 60 days	3,361,558	3,050,797
61 - 90 days	2,831,103	2,924,707
91 - 120 days	2,754,208	2,473,859
121 - 365 days	21,482,551	16,303,499
> 365 days	48,504,364	38,661,272
	83,129,102	67,158,606

Dihlabeng Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2022	2021
8. Consumer debtors from exchange and non-exchange transactions (continued)		
Total		
Current (0 -30 days)	42,016,423	42,909,350
31 - 60 days	24,936,051	24,736,063
61 - 90 days	22,437,582	23,127,447
91 - 120 days	21,614,424	21,672,494
121 - 365 days	180,604,766	155,965,289
> 365 days	990,225,356	860,605,460
	<u>1,281,834,602</u>	<u>1,129,016,103</u>
Less: Allowance for impairment	(1,136,289,389)	(996,073,452)
	<u>145,545,213</u>	<u>132,942,651</u>
Less: Allowance for impairment		
Current (0 -30 days)	(8,645,651)	(8,567,912)
31 - 60 days	(9,081,938)	(7,388,922)
61 - 90 days	(10,403,407)	(8,983,894)
91 - 120 days	(12,372,403)	(10,205,726)
121 - 365 days	(138,398,619)	(128,492,421)
> 365 days	(957,387,371)	(832,434,577)
	<u>(1,136,289,389)</u>	<u>(996,073,452)</u>
Total debtor past due but not impaired		
Current (0 -30 days)	33,370,771	34,341,438
31 - 60 days	15,854,113	16,058,756
61 - 90 days	12,034,175	12,832,218
91 - 120 days	9,242,021	9,283,095
121 - 365 days	25,006,547	21,135,287
> 365 days	50,037,586	39,291,857
	<u>145,545,213</u>	<u>132,942,651</u>
Reconciliation of allowance for impairment		
Balance at beginning of the year	(996,073,452)	(808,114,344)
Contributions to allowance	(140,215,937)	(187,959,108)
	<u>(1,136,289,389)</u>	<u>(996,073,452)</u>

Statutory receivables general information

Included in the receivables at 30 June 2022 is statutory receivables of R21,373,047 (2021: R19,573,722).

Consumer debtors impaired

As of 30 June 2022, consumer debtors of R1,136,289,389 (2021: R996,073,453) were impaired and provided for.

The amount of the provision was R140,215,937 as of 30 June 2022 (2021: R187,959,107).

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
9. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	238,406	233,442
Bank balances	8,731,966	(13,421,578)
	8,970,372	(13,188,136)
Current assets	8,974,298	608,255
Current liabilities	(3,926)	(13,796,391)
	8,970,372	(13,188,136)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2022	30 June 2021	30 June 2020	30 June 2022	30 June 2021	30 June 2020
ABSA Bank - Cheque account (Primary) - 405-289-8966	7,497,803	5,838,458	2,618,984	8,708,442	(13,796,391)	(2,057,277)
ABSA Bank - Cheque account (Project) - 100-001-0223	21,195	200,016	934	(3,926)	174,906	(14,527)
ABSA Bank - Cheque account - 40-8862-1820	27,550	200,007	252	27,450	199,907	32
Total	7,546,548	6,238,481	2,620,170	8,731,966	(13,421,578)	(2,071,772)

10. Biological assets that form part of an agricultural activity

	2022			2021		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Game stock	5,344,585	-	5,344,585	4,221,720	-	4,221,720

Reconciliation of biological assets that form part of an agricultural activity - 2022

	Opening balance	Gains or losses arising from changes in fair value	Total
Game stock	4,221,720	1,122,865	5,344,585

Reconciliation of biological assets that form part of an agricultural activity - 2021

	Opening balance	Gains or losses arising from changes in fair value	Total
Game stock	4,650,195	(428,475)	4,221,720

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand 2022 2021

10. Biological assets that form part of an agricultural activity (continued)

Non-financial information

Quantities of each biological asset

Game stock 2,363 2,149

A vehicle based-count were performed by the Community Services department on 14 June 2022 and the actual number counted were used. The Department of Economic, Small Business development, tourism and environmental affairs of the Free State (DESTEA) normally assists the municipality in managing the Wolhuterskop Private Nature Reserve by giving a report indicating which animals should be removed and / or culled during the next financial year.

11. Investment property

	2022			2021		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	572,452,692	-	572,452,692	572,452,692	-	572,452,692

Reconciliation of investment property - 2022

Investment property	Opening balance	Total
	572,452,692	572,452,692

Reconciliation of investment property - 2021

Investment property	Opening balance	Disposals	Total
	573,611,528	(1,158,836)	572,452,692

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

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand

12. Property, plant and equipment

	2022			2021		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Community assets and buildings (*)	348,407,232	(169,489,056)	178,918,176	285,625,713	(130,931,848)	154,693,865
Furniture and fittings	9,441,071	(6,473,096)	2,967,975	7,744,701	(5,711,812)	2,032,889
Infrastructure - Electrical	306,015,896	(157,275,666)	148,740,230	317,040,769	(156,428,064)	160,612,705
Infrastructure - Roads	1,036,647,287	(627,337,221)	409,310,066	1,027,245,647	(599,815,761)	427,429,886
Infrastructure - Sewer	511,324,313	(228,570,550)	282,753,763	518,776,369	(219,329,278)	299,447,091
Infrastructure - Solid waste	5,486,630	(1,504,602)	3,982,028	17,276,418	(8,702,588)	8,573,830
Infrastructure - Storm water	104,283,605	(47,843,125)	56,440,480	88,198,306	(46,755,844)	41,442,462
Infrastructure - Water	618,262,616	(217,570,121)	400,692,495	624,597,714	(214,089,792)	410,507,922
Land owned (*)	210,954,361	-	210,954,361	210,954,361	-	210,954,361
Motor vehicles	46,250,127	(22,413,857)	23,836,270	27,203,408	(18,977,083)	8,226,325
Office equipment	12,413,787	(7,043,468)	5,370,319	10,428,626	(5,926,159)	4,502,467
Plant and equipment	10,878,303	(7,404,129)	3,474,174	9,341,438	(6,413,247)	2,928,191
Railways	48,921,029	(38,481,355)	10,439,674	48,921,029	(35,644,797)	13,276,232
Total	3,269,286,257	(1,531,406,246)	1,737,880,011	3,193,354,499	(1,448,726,273)	1,744,628,226

* Community building and Operational buildings were combined in the 2021 year and Land were disclosed as a separate line item.

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand

12. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	Disposals / write-off's	Classification Adjustment	Movement in WIP and other changes	Depreciation	Total
Community assets and buildings	154,693,865	2,035,019	-	32,521,924	-	(10,332,632)	178,918,176
Furniture and fittings	2,032,889	1,633,220	-	55,782	-	(753,916)	2,967,975
Infrastructure - Electrical	160,612,706	346,800	-	(3,304,474)	-	(8,914,802)	148,740,230
Infrastructure - Roads	427,429,886	24,811,935	-	459,769	(16,085,299)	(27,306,225)	409,310,066
Infrastructure - Sewer	299,447,091	1,489,511	-	(4,920,751)	-	(13,262,088)	282,753,763
Infrastructure - Solid waste	8,573,830	-	-	(4,500,446)	-	(91,356)	3,982,028
Infrastructure - Storm water	41,442,462	-	-	-	16,085,299	(1,087,281)	56,440,480
Infrastructure - Water	410,507,921	22,983,377	-	(20,256,022)	-	(12,542,781)	400,692,495
Land owned	210,954,361	-	-	-	-	-	210,954,361
Motor vehicles	8,226,325	19,109,869	-	(55,782)	-	(3,444,142)	23,836,270
Office equipment	4,502,467	2,661,978	(325,437)	-	-	(1,468,689)	5,370,319
Plant and equipment	2,928,191	1,536,865	-	-	-	(990,882)	3,474,174
Railways	13,276,232	-	-	-	-	(2,836,558)	10,439,674
	1,744,628,226	76,608,574	(325,437)	-	-	(83,031,352)	1,737,880,011

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand

12. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Disposals / write-off's	Classification Adjustment	Movement in WIP written-off	Depreciation	Impairment loss	Total
Community assets and buildings (*)	162,974,796	10,503,686	(11,867)	(11,549,495)	-	(7,223,255)	-	154,693,865
Furniture and fittings	2,310,499	577,191	(151)	(143,299)	-	(711,351)	-	2,032,889
Infrastructure - Electrical	125,429,196	13,576,251	-	29,440,443	-	(7,833,185)	-	160,612,705
Infrastructure - Roads	436,032,597	21,618,906	-	4,016,835	-	(31,758,840)	(2,479,612)	427,429,886
Infrastructure - Sewer	319,201,145	127,725	-	(364,166)	(11,395,254)	(8,122,359)	-	299,447,091
Infrastructure - Solid waste	8,330,998	1,566,577	-	(887,265)	-	(436,480)	-	8,573,830
Infrastructure - Storm water	42,540,993	-	-	-	-	(1,098,531)	-	41,442,462
Infrastructure - Water	452,612,005	14,239,234	-	(21,630,742)	(11,674,060)	(13,508,728)	(9,529,787)	410,507,922
Land owned (*)	210,954,361	-	-	-	-	-	-	210,954,361
Motor vehicles	10,065,098	169,351	-	-	-	(2,008,124)	-	8,226,325
Office equipment	3,232,778	2,463,117	(338,483)	143,299	-	(998,244)	-	4,502,467
Plant and equipment	2,261,184	509,342	(1,700)	974,390	-	(815,025)	-	2,928,191
Railways	16,112,790	-	-	-	-	(2,836,558)	-	13,276,232
	1,792,058,440	65,351,380	(352,201)	-	(23,069,314)	(77,350,680)	(12,009,399)	1,744,628,226

* Community building and Operational buildings were combined in the 2021 year and Land were disclosed as a separate line item.

Dihlabeng Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand 2022 2021

12. Property, plant and equipment (continued)

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

Carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected

High mast lights in Bohlokong	-	3,738,400
Correction of quality of work done by contractors and Eskom took time to energize these lights. This project was completed in 2022.		
2.2 MI Reservoir in Fouriesburg	5,074,231	-
Currently awaiting funding for this project to be completed		
	5,074,231	3,738,400

Carrying value of property, plant and equipment where construction or development has been halted either during the current or previous reporting period(s)

Road and stormwater of 1.4km in Fateng-Tse-Ntsho	-	3,198,720
Funding were received and this project is now complete.		
No impairment losses have been recognised in relation to this asset.		
Installation of 15 High mast lights in 5 towns	-	7,908,045
This project was completed by Eskom.		
No impairment losses have been recognised in relation to this asset.		
Construction of pipeline between Bethlehem and Fouriesburg	-	5,809,426
Project in progress in the current year after funding received from WSIG and provincial department for the upgrading of the reservoir at Saulspoor from 40MI to 60MI. The project is done in phases.		
No impairment losses have been recognised in relation to these assets.		
	-	16,916,191

Reconciliation of Work-in-Progress 2022

	Opening balance	Additions	Completed	Closing Balance
Community buildings	2,400,001	-	(148,000)	2,252,001
Infrastructure - Electrical	32,923,986	-	(32,923,986)	-
Infrastructure - Roads	24,930,144	2,306,104	(24,930,144)	2,306,104
Infrastructure - Sewer	9,461,978	30,973,006	-	40,434,984
Infrastructure - Solid waste	1,566,576	-	-	1,566,576
Infrastructure - Water	21,920,530	21,029,944	(10,349,121)	32,601,353
	93,203,215	54,309,054	(68,351,251)	79,161,018

Reconciliation of Work-in-Progress 2021

	Opening balance	Additions	Completed / written off	Closing balance
Community buildings	-	2,400,001	-	2,400,001
Infrastructure - Electrical	34,048,432	13,189,232	(14,313,678)	32,923,986
Infrastructure - Roads	3,311,238	21,618,906	-	24,930,144
Infrastructure - Sewer	20,729,508	127,725	(11,395,255)	9,461,978
Infrastructure - Solid waste	-	1,566,576	-	1,566,576
Infrastructure - Water	31,402,530	11,721,846	(21,203,846)	21,920,530
	89,491,708	50,624,286	(46,912,779)	93,203,215

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand 2022 2021

12. Property, plant and equipment (continued)

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance

Repairs and maintenance of Infrastructure assets	8,089,087	38,865,047
Repairs and maintenance of other assets	8,293,307	4,484,944
	16,382,394	43,349,991

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

13. Intangible assets

	2022			2021		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	5,411,303	(3,174,050)	2,237,253	4,034,303	(2,709,378)	1,324,925

Reconciliation of intangible assets - 2022

	Opening balance	Additions	Amortisation	Total
Computer software	1,324,925	1,377,000	(464,672)	2,237,253

Reconciliation of intangible assets - 2021

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software	1,042,340	569,180	(10)	(286,585)	1,324,925

14. Heritage assets

	2022			2021		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Historical buildings	48,660,000	-	48,660,000	48,660,000	-	48,660,000

Reconciliation of heritage assets 2022

	Opening balance	Total
Historical buildings	48,660,000	48,660,000

Reconciliation of heritage assets 2021

	Opening balance	Revaluation increase/(decrease)	Total
Historical buildings	46,260,000	2,400,000	48,660,000

Dihlabeng Local Municipality

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Figures in Rand	2022	2021
14. Assets held for sale (continued)		
Valuation of heritage assets		
Valuations were performed by an independent valuer, Mr Athur Lelosa, who holds a recognised and relevant qualification, during 2015. During the previous year, the Town Hall were revalued after the renovations were completed. A certificate to this extent was received from the above-mentioned valuator.		
The municipality had assessed the heritage assets at year-end and confirms that there was no need for these assets to be impaired at the end of the financial period.		
Heritage assets used for more than one purpose		
The following heritage assets are used by the entity for more than one purpose:		
<ul style="list-style-type: none">Erf 172 in President Boshoff street in Bethlehem is used as offices for the traffic department.Erf 318 in Market street in Clarens is used as municipal offices.		
Expenditure incurred to repair and maintain heritage assets		
Expenditure incurred to repair and maintain heritage assets included in Statement of Financial Performance		
Repairs and maintenance	-	2,184,100
15. Assets held for sale		
Unsold property held for sale	102,339,255	102,339,255
16. Other financial liabilities		
At amortised cost		
Development Bank of South Africa (DBSA)	19,532,433	24,741,499
Interest is charged at 10% per year. The loan is repayable in monthly installments of R621,615 over a period of 3 years.		
Non-current liabilities		
At amortised cost	13,389,213	19,153,246
Current liabilities		
At amortised cost	6,143,220	5,588,253

Dihlabeng Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2022	2021
17. Finance lease obligation		
Minimum lease payments due		
- within one year	370,593	377,362
- in second to fifth year inclusive	-	368,677
Present value of minimum lease payments	370,593	746,039
Non-current liabilities	-	368,677
Current liabilities	370,593	377,362
	370,593	746,039

It is municipality policy to lease certain motor vehicles under finance leases.

The average lease term was 1 year and the average effective borrowing rate was 8.38% (2021: 7.12%).

Interest rates are linked to prime at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note 12.

18. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Municipal Infrastructure Grant (MIG)	21,922,585	-
National Development Electrification Grant (INEP)	5,570,000	-
Water Service Infrastructure Grant (WSIG)	2,614,887	-
	30,107,472	-

Movement during the year

Additions during the year	30,107,472	-
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Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note 31 for reconciliation of grants from National/Provincial Government.

19. Payables from exchange transactions

Trade payables	932,232,475	721,778,346
Trade receivables with credit balances	20,069,295	17,838,785
Deposits on land sales	520,114	520,114
Deposits received	310,744	302,361
Sundry creditors	3,935,635	2,969,192
Salary related creditors	13,058,149	14,010,623
Accrued bonus	6,637,563	6,563,104
Retention on projects	5,268,603	3,957,153
	982,032,578	767,939,678

20. Consumer deposits

Water and electricity	12,141,519	10,741,204
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Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2022

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Figures in Rand 2022 2021

21. Provisions

Reconciliation of provisions - 2022

	Opening Balance	Utilised during the year	Change in discount factor	Total
Environmental rehabilitation	9,918,316	-	(267,675)	9,650,641
Leave provision	38,298,029	(1,102,437)	-	37,195,592
	48,216,345	(1,102,437)	(267,675)	46,846,233

Reconciliation of provisions - 2021

	Opening Balance	Additions	Change in discount factor	Total
Environmental rehabilitation	6,629,611	-	3,288,705	9,918,316
Leave provision	31,103,232	7,194,797	-	38,298,029
	37,732,843	7,194,797	3,288,705	48,216,345

Non-current liabilities	5,595,765	5,966,893
Current liabilities	41,250,468	42,249,452
	46,846,233	48,216,345

Environmental rehabilitation provision

Bethlehem Dumping site:

The new dumping site in Bethlehem became operational on 1 December 2010 as the old dumping site was closed. On a monthly basis the site is filled with approximately 6,200 cubic meters of cover material, garden waste, industrial waste and building rubble. The landfill site was originally assessed by Metsi Metseng Geological & Environmental Services and based on the assessment, the provision for the rehabilitation and the closure of the landfill site was calculated over a period of 20 years. The landfill site was assessed by EnviroMatrix (Pty) Ltd and due to the decrease in the amount of waste (due to recycling) the lifespan was increase to 25 years.

The following key assumptions were made that can impact considerably on the calculations of the provision if they change:

- provision was made for the disposal of 2 985 100 cubic meters waste what will fill an area of 115 600 square metres x 18 meters high over a lifespan of 25 years
- an average disposal tempo of 200 cubic meters per day over the 25 years lifespan was used for the cost calculations
- an annual inflationary increase of 4.0% (2021 : 3.8%) was used of the projected costs

Mashaeng Dumping Site:

The site was developed in 1992 with a lifespan of approximately 30 years. On a monthly basis, the site is filled with approximately 210 cubic meters of cover material, garden waste, industrial waste and building rubble. The landfill site was assessed by EnviroMatrix (Pty) Ltd and based on the assessment, the provision for the rehabilitation and the closure of the landfill site will have an estimated lifespan of 2 years.

The following key assumptions were made that can impact considerably on the calculations of the provision if they change:

- provision was made for the disposal of 55 270 cubic meters waste what will fill the area within the remaining lifespan of 1 year
- an average disposal tempo of 7 cubic meters per day over the 1 year lifespan was used for the cost calculations
- an annual inflationary increase of 4.0% (2021 : 3.8%) was used of the projected costs

General for both sites:

Proper management of the site will increase the number of years of operation and will ensure that environmental compliance is adhered to. The timing of the cashflow is uncertain.

Dihlabeng Local Municipality

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Figures in Rand 2022 2021

21. Provisions (continued)

An assessment was done on 30 August 2022 by the firm EnviroMatrix (Pty) Ltd to estimate the total closure cost of the current dumping sites in accordance with its licence agreements.

22. Employee benefit obligations

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

Carrying value

Present value of the defined benefit obligation-wholly unfunded	(99,658,000)	(89,801,000)
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Changes in the present value of the defined benefit obligation are as follows:

Opening balance	(89,801,000)	(78,884,000)
Benefits paid	2,313,543	2,402,586
Net expense recognised in the statement of financial performance	(12,170,543)	(13,319,586)
	(99,658,000)	(89,801,000)

Net expense recognised in the statement of financial performance

Current service cost	(4,427,000)	(3,845,000)
Interest cost	(9,446,000)	(8,712,000)
Actuarial (gains) losses	1,702,457	(762,586)
	(12,170,543)	(13,319,586)

Key assumptions used

The post retirement medical aid liability is valued on a generally accepted actuarial valuation method. The liability was calculated on a member-by-member basis, taking into account the liabilities arising in respect of principal members and their spouses as well as current employees that are eligible for this scheme. Ages are calculated as per age on 30 June 2022.

The projected unit credit method was used as prescribed by IAS 19 and GRAP 25. This method is based on the approximation that the post-retirement benefit is notionally built up over the employees' working life.

The actuarial valuation of the PRMA (post-retirement medical aid) liability involves the following:

- the projection of future post-retirement medical contribution subsidy cash flows, taking into account the probabilities of survival, withdrawal, ill-health retirement, early retirement and death in service
- the medical contribution subsidies arising in respect of adult dependents of employees
- increasing the projected subsidy cashflows in line with expected long-term contribution escalation
- discounting these cashflows in order to express the PRMA liability in current Rand terms

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

"The discount rate that reflects the time value of money is best approximated by reference to market yields at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, an entity uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve. A rate of 11.31% were used.

Health care cost inflation rate of 8.09% was used.

The maximum subsidy inflation rate was 5.69%.

Net-of-health-care-cost-inflation discount rate was 2.98% and the Net-of-maximum-subsidy-inflation discount rate was 5.31%.

Dihlabeng Local Municipality

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Figures in Rand	2022	2021
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22. Employee benefit obligations (continued)

Defined contribution plan

It is the policy of the municipality to provide retirement benefits to all its employees. A number of defined contribution provident funds, all of which are subject to the Pensions Fund Act exist for this purpose. All councillors and employees belong to three defined benefit retirement funds. One fund is administered by the Provincial Pension Fund. The last actuarial valuation as at 30 June 2005 are in the process of being finalised and will be submitted to the Municipality once approved by the executive committee of the fund. Information could not be obtained for the other two funds regarding the administrators nor the actuaries.

The municipality is under no obligation to cover any unfunded benefits.

23. Long service leave award

Changes in the present value of the defined benefit obligation are as follows:

Opening balance	(19,641,000)	(18,300,000)
Benefits paid	3,598,000	1,555,303
Net expense recognised in the statement of financial performance	(1,339,000)	(2,896,303)
	(17,382,000)	(19,641,000)

Net expense recognised in the statement of financial performance

Current service cost	(1,932,000)	(1,909,000)
Interest cost	(2,018,000)	(2,338,000)
Actuarial (gains) losses	2,611,000	1,350,697
	(1,339,000)	(2,896,303)

Key assumptions used

The long service leave liability is valued on a generally accepted actuarial valuation method. Ages and gender information at 30 June 2022 were used.

The projected unit credit method was used as prescribed by IAS 19 and GRAP 25. This method is based on the expected value of each employee's long service award and is projected to the next interval by allowing for future salary growth.

The actuarial valuation of the Long service leave liability involves the following:

- long service benefits are awarded in the form of leave days and a percentage of salary
- the calculated award values are then discounted at the assumed discount interest rate to the date of the calculation
- mortality, retirements and withdrawals from service are also taken into account
- the liability is determined on the basis that each employee's long service benefits accrues uniformly over the working life of an employee up to the end of the interval at which the benefits becomes payable
- the current policy for awarding long service awards remains unchanged in the future

Dihlabeng Local Municipality

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Figures in Rand	2022	2021
24. Revenue		
Dividends received	9,193	7,778
Fines, penalties and forfeits	962,293	1,071,861
Government grants and subsidies	241,493,359	277,830,235
Interest received on investment	56,196	74,057
Interest received on consumer accounts	59,294,219	49,775,283
Licences and permits	113,818	137,300
Other income	8,288,560	3,777,290
Property rates	136,662,769	131,942,395
Recoveries	-	6,568,875
Rendering of services	1,721,744	1,576,270
Rental of facilities and equipment	5,755,737	5,055,307
Service charges	406,677,572	394,940,851
	861,035,460	872,757,502
The amount included in revenue arising from exchanges of goods or services are as follows:		
Dividends received	9,193	7,778
Interest received on investment	56,196	74,057
Interest received on consumer accounts	48,019,194	40,341,108
Licences and permits	113,818	137,300
Other income	8,288,560	3,777,290
Recoveries	-	6,568,875
Rendering of services	1,721,744	1,576,270
Rental of facilities and equipment	5,755,737	5,055,307
Service charges	389,621,553	380,708,516
	453,585,995	438,246,501
The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Service charges	17,056,019	14,232,335
Property rates	136,662,769	131,942,395
Interest on consumer accounts	11,275,025	9,434,175
Transfer revenue		
Fines, penalties and forfeits	962,293	1,071,861
Government grants and subsidies	241,493,359	277,830,235
	407,449,465	434,511,001
25. Service charges		
Revenue from Exchange transactions		
Sale of electricity	219,472,710	203,994,207
Sale of water	63,452,821	68,652,048
Sewerage and sanitation charges	52,647,022	52,763,631
Refuse removal	54,049,000	55,298,630
Basic electricity	12,357,384	11,160,448
Basic water	4,698,635	3,071,887
	406,677,572	394,940,851
26. Rental of facilities and equipment		
Premises		
Premises	5,755,737	5,055,307

Dihlabeng Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2022	2021
27. Interest received on consumer accounts		
Revenue from non-exchange transactions		
Property rates	9,867,331	8,314,470
Basic electricity	887,810	708,437
Basic water	519,884	411,268
Revenue from exchange transactions		
Electricity	495,795	771,275
Water	18,113,376	15,252,189
Sewerage and sanitation	11,890,505	9,815,875
Refuse	15,394,484	12,565,587
Rentals, advertising and sundry charges	2,125,034	1,936,182
	59,294,219	49,775,283
28. Other income		
Building plan fees	523,240	501,366
Clearance certificates	552,800	613,362
Encroachment charges	1,462,420	1,382,229
Escorting of abnormal freights	117,257	90,317
Insurance claims received	-	196,650
Skills development levies received	1,588,221	855,991
Sundry income	4,011,161	17,871
Tender documents, photocopies and faxes	33,461	119,504
	8,288,560	3,777,290
29. Investment revenue		
Dividend revenue		
Investments	9,193	7,778
Interest revenue		
Bank	6,306	4,225
Investments	49,890	69,832
	56,196	74,057
	65,389	81,835

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
30. Property rates		
Rates received		
Residential	53,411,456	52,163,148
Commercial	76,446,028	73,250,554
State	-	1,806
Small holdings and farms	6,805,285	6,526,887
	136,662,769	131,942,395
Valuations		
Valuations per valuation roll	R	R
	'000	'000
Residential	7,120,371	7,062,372
Commercial	2,856,350	2,874,398
Government	12,128	12,108
Municipal	711,752	733,755
Small holdings and farms	4,870,710	4,884,565
	15,571,311	15,567,198

Valuations on land and buildings are performed every five years. The last general valuation came into effect on 1 July 2017. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

A general rate of R0.00935263 (2021: R0.00894989) is applied to residential and small holding property valuations to determine assessment rates. Rebates of R40,000 (2021: R40,000) are granted to residential property owners and a further 25% (2021 : 25%) rebate to pensioners.

A general rate of R0.0280579 (2021: R0.02684967) is applied to business, industrial commercial and public service infrastructure property valuations to determine assessment rates. Rebates of 100% (2021: 100%) are granted to public service infrastructure only.

A general rate of R0.00935263 (2021: R0.0089499) is applied to farm property valuations to determine assessment rates. Rebates of 85% (2021: 85%) are granted to farmers and 85% (2021 : 85%) for small holdings. The rebates granted to farmers are done in accordance with Section 21 of the Municipal Property Rates Act (Act no 6 of 2004).

Rates to farmers and national government are levied on an annual basis with the final date for payment being 7 August 2022. Rates for all other consumers are levied on a monthly basis with the final date for payment before the 7th of each month. Interest at prime plus 1% per annum (2021: prime plus 1%) is levied on rates outstanding after the due date.

The new general valuation were to be implemented on 01 July 2022, but an extension of 2 years were requested from council and approved on 26 August 2021 (Item 48/2021) and will now be implemented on 1 July 2024. Approval were also obtained from the provincial MEC for Local Government dated 25 May 2022.

Dihlabeng Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2022	2021
31. Government grants and subsidies		
Operating grants		
Equitable share	186,348,000	207,393,000
Expanded Public Works Program grant	5,176,000	2,583,000
Financial Management grant	2,650,000	2,500,000
Library grant	7,500,000	-
	201,674,000	212,476,000
Capital grants		
Municipal Infrastructure grant (MIG)	18,789,415	41,823,000
Department of Water Affairs grant (RBIG)	7,644,831	861,235
Water Service Infrastructure grant (WSIG)	13,385,113	15,110,000
National Development Electrification grant (INEP)	-	4,060,000
Borehole grant	-	3,500,000
	39,819,359	65,354,235
	241,493,359	277,830,235

Equitable Share

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 monthly subsidy for all basic services, 6kl of water and where applicable, 50 Kw of electricity, which is funded from the grant.

Expanded Public Works Program grant

Current-year receipts	5,176,000	2,583,000
Conditions met - transferred to revenue	(5,176,000)	(2,583,000)
	-	-

The expanded public works programme grant was fully utilised during the financial year.

Financial Management grant

Current-year receipts	2,650,000	2,500,000
Conditions met - transferred to revenue	(2,650,000)	(2,500,000)
	-	-

The municipal management grant was fully utilised during the financial year.

Dihlabeng Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2022	2021
31. Government grants and subsidies (continued)		
Library grant		
Current-year receipts	7,500,000	-
Conditions met - transferred to revenue	(7,500,000)	-
	-	-
Grants in kind - Free State COGTA		
Salary of acting Municipal Manager	521,326	1,251,183
The acting Municipal manager (Mr Mokgathe) is seconded by Free State Department of COGTA from 1 December 2019 to 30 November 2021.		
Municipal Infrastructure grant (MIG)		
Current-year receipts	40,712,000	41,823,000
Conditions met - transferred to revenue	(18,789,415)	(41,823,000)
	21,922,585	-
Conditions still to be met - remain liabilities (see note 18).		
This grant was not fully utilised for the upgrading of sports facilities, solid waste, electrification and the construction of various roads during the year.		
Department of Water Affairs grant (RBIG)		
Current-year receipts	7,644,831	861,235
Conditions met - transferred to revenue	(7,644,831)	(861,235)
	-	-
This grant was utilised during the year for the upgrading of the water infrastructure network to Fouriesburg.		
Water Service Infrastructure grant (WSIG)		
Current-year receipts	16,000,000	15,110,000
Conditions met - transferred to revenue	(13,385,113)	(15,110,000)
	2,614,887	-
Conditions still to be met - remain liabilities (see note 18).		
The water service infrastructure grant was not fully utilised during the financial year for sanitation (upgrading of waste water treatment works), upgrade / refurbishment of pump stations and development of new pump stations.		
National Development Electrification grant		
Current-year receipts	5,570,000	4,060,000
Conditions met - transferred to revenue	-	(4,060,000)
	5,570,000	-
Conditions still to be met - remain liabilities (see note 18).		

Dihlabeng Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2022	2021
31. Government grants and subsidies (continued)		
Borehole grant		
Current-year receipts	-	3,500,000
Conditions met - transferred to revenue	-	(3,500,000)
	-	-

Changes in level of government grants

Based on the allocations set out in the Division of Revenue Act, (Act 9 of 2021), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

32. Employee related costs

Basic	196,464,767	190,987,484
Bonus	13,960,403	14,158,069
Medical aid - company contributions	24,032,067	23,994,223
UIF	1,845,747	1,626,609
WCA	2,775,647	2,059,201
SDL	2,979,300	2,318,566
Other payroll levies	100,250	95,911
Leave paid out and provision	2,639,264	8,735,569
Medical Aid contributions for pensioners	4,427,000	3,845,000
Overtime payments	15,633,470	13,761,574
Long-service awards	(279,135)	1,909,000
Standby allowances	8,512,269	7,280,216
Acting allowances	8,197,692	7,016,162
Car allowance	8,349,462	8,070,537
Housing benefits and allowances	1,943,182	1,984,606
Arbitration awards and other incidental costs	531,203	391,719
Group life insurance	378,580	371,490
Pension fund contributions	30,046,248	29,867,577
Other allowances	3,281,519	633,111
Telephone allowances	368,700	357,500
	326,187,635	319,464,124

Remuneration of municipal manager

Annual Remuneration	1,152,315	1,152,315
Car Allowance	384,700	384,700
Contributions to UIF, Medical and Pension Funds	1,771	1,813
Cellphone Allowance	18,000	18,000
Leave paid out	510,882	67,707
	2,067,668	1,624,535

Remuneration of chief finance officer

Annual Remuneration	-	470,818
Car Allowance	-	157,237
Contributions to UIF, Medical and Pension Funds	-	1,041
Cellphone Allowance	-	6,000
Leave paid out	-	342,155
	-	977,251

Dihlabeng Local Municipality

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Figures in Rand	2022	2021
32. Employee related costs (continued)		
Remuneration of director public works		
Annual Remuneration	941,636	941,636
Car Allowance	314,474	314,474
Contributions to UIF, Medical and Pension Funds	2,125	1,813
Cellphone Allowance	12,000	12,000
Leave paid out	70,442	75,474
	1,340,677	1,345,397
Remuneration of director corporate services		
Annual Remuneration	941,636	941,636
Car Allowance	314,474	314,474
Contributions to UIF, Medical and Pension Funds	2,125	1,813
Cellphone Allowance	12,000	12,000
Leave paid out	35,221	40,253
Acting Allowance	11,236	-
	1,316,692	1,310,176
Remuneration of director community services		
Annual Remuneration	941,636	941,636
Car Allowance	314,474	314,474
Contributions to UIF, Medical and Pension Funds	2,125	1,813
Cellphone Allowance	12,000	12,000
Leave paid out	65,411	50,316
Acting Allowance	38,016	-
	1,373,662	1,320,239
Remuneration of director of local economics development		
Annual Remuneration	941,636	941,636
Car Allowance	314,474	314,474
Contributions to UIF, Medical and Pension Funds	2,125	1,813
Cellphone Allowance	12,000	12,000
Leave paid out	45,284	75,474
	1,315,519	1,345,397

Dihlabeng Local Municipality

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Figures in Rand 2022 2021

33. Remuneration of councillors

2022	Allowance	Travel allowance	Cellphone allowance	Total
Executive Mayor	879,247	-	38,965	918,212
Speaker	651,476	51,927	38,965	742,368
Chief Whip	416,220	-	24,582	440,802
Chairperson Public Accounts committee	330,729	26,362	38,965	396,056
Chairperson Policy committee	256,443	-	27,982	284,425
Mayoral executive committee	4,059,275	239,506	253,370	4,552,151
Councillors	8,305,808	743,414	1,172,823	10,222,045
	14,899,198	1,061,209	1,595,652	17,556,059

2021	Allowance	Travel allowance	Cellphone allowance	Total
Executive Mayor	893,850	-	40,800	934,650
Speaker	224,743	23,452	14,271	262,466
Chairperson Public Accounts committee	363,017	-	40,800	403,817
Chairperson Policy committee	290,414	72,603	40,800	403,817
Mayoral executive committee	3,754,167	770,945	275,400	4,800,512
Councillors	8,692,865	290,529	1,161,372	10,144,766
	14,219,056	1,157,529	1,573,443	16,950,028

In-kind benefits

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

The Mayor and the Speaker each have the use of separate Council owned vehicles for official duties.

34. Depreciation, impairment and amortisation

Property, plant and equipment	83,031,352	89,360,079
Intangible assets	464,673	286,585
	83,496,025	89,646,664

35. Finance costs

Employee benefit obligation	9,446,000	8,712,000
Long service award	2,018,000	2,338,000
Loans and finance leases	2,293,592	2,808,654
Bank	4,107	85,160
Penalties and interest on late payment of VAT & PAYE	1,652,321	2,156,504
Other interest paid	39,188,021	22,221,303
	54,602,041	38,321,621

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Figures in Rand	2022	2021
36. Debt impairment		
Contributions to debt impairment on consumer debtors from exchange transactions	104,284,598	146,014,511
Contributions to debt impairment on consumer debtors and other debtors from non-exchange transactions	25,760,114	26,262,743
Bad debts written off	35,586,258	3,301,363
	165,630,970	175,578,617

Council approved the write-off of indigent accounts to the value of R19,206,784 at 09/02/2022, but this was not yet done on the debtors system.

37. Bulk purchases

Electricity - Eskom	215,620,784	184,645,460
Water	477,168	25,198,116
	216,097,952	209,843,576

Electricity losses

	Units 2022	Units 2021		
Units purchased	151,386,674	152,054,566	184,645,460	184,645,460
Units sold	(121,796,733)	(123,917,546)	(230,014,059)	(230,014,059)
Total loss	29,589,941	28,137,020	(45,368,599)	(45,368,599)
Rand value of loss				
Technical losses			42,151,959	34,167,819
Percentage loss				
Technical losses			19.55 %	18.50 %

Water losses

	Units 2022	Units 2021		
Units purified	11,502,801	10,487,164	57,236,785	57,236,785
Units sold	(4,979,877)	(5,005,847)	(71,723,935)	(71,723,935)
Total	6,522,924	5,481,317	(14,487,150)	(14,487,150)
Rand value of losses				
Technical losses			37,245,896	60,294,487
Percentage Loss:				
Technical losses			56.71 %	52.27 %

Dihlabeng Local Municipality

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Figures in Rand	2022	2021
38. Contracted services		
Outsourced Services		
Burial services	204,781	442,603
Catering services	-	57,120
Commissions and committees	132,989	85,605
Meter management	6,477,427	5,777,729
Occupational health and safety	31,500	95,017
Refuse removal	3,688,690	9,548,084
Security services	34,053,871	29,583,745
Consultants and Professional Services		
Business and advisory	25,815,442	24,583,612
Infrastructure and planning	8,018	26,281
Legal cost	2,567,403	3,753,706
Contractors		
Audio-visual services	-	116,500
Bore waterhole drilling	1,163,781	3,138,385
Chemicals	4,614,065	3,989,098
Catering services	59,700	7,200
Electrical	10,914,840	2,120,878
Employee wellness	67,590	28,490
Event promoters	152,500	-
Gas	174	957
Photographer	30,500	-
Prepaid electricity vendors	4,028,226	3,506,733
Sports and recreation	296,956	201,300
Stage and sound crew	356,848	76,550
	94,665,301	87,139,593
39. General expenses		
Advertising	157,974	141,490
Auditors remuneration	6,467,344	7,422,522
Bank charges	1,459,362	1,379,908
Bursaries	1,129,624	1,617,952
Consumables	14,776,317	13,609,411
Donations	270,000	699,023
Electricity	13,144,737	11,099,359
Entertainment	7,345	12,664
Fuel and oil	6,964,604	4,990,159
Insurance	642,564	2,856,469
License fees	802,148	551,653
Pest control	13,275	379,974
Postage and courier	627,819	1,153,431
Printing and stationery	1,252,156	1,120,115
Promotions and sponsorships	1,024,198	248,568
Property lease payments	1,112,779	1,043,855
Rental of equipment	20,139,409	10,417,434
Subscriptions and membership fees	3,607,256	2,962,199
Telephone and fax	4,537,991	3,654,138
Transport cost	634,640	165,000
Travel - local	759,277	470,109
Uniforms and protective clothing	4,622,711	734,148
	84,153,530	66,729,581

Dihlabeng Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2022	2021
40. Gains or losses on biological assets		
Gains or losses arising from a change in fair value less point of sale costs	1,122,865	(428,475)
41. Fair value adjustments		
Heritage assets (Fair value model)	-	2,400,000
Other financial assets		
• Other financial assets (Designated as at FV through P&L)	52,894	144,341
	52,894	2,544,341
42. Auditors' remuneration		
Fees	6,467,344	7,422,522
43. Operating lease income		
Projected income from operating lease agreement		
Within one year	196,975	668,733
In second to fifth year (inclusive)	165,867	83,407
	362,842	752,140
<p>Rental contracts for the different flats (100), vacant land (7) and houses (160) are signed for a period of 12 months, whereafter the contract is done on a month to month basis. All the houses and flat contracts have a one month notice period. New tenants are normally found within that period. The projected income are thus only included in the period within one year. Contracts for business premises (7) rental are signed for a period of 3 years to 9 years and 11 months. Escalation on these contracts are done on an annual basis linked to the inflation rate.</p>		
44. Cash generated from operations		
Deficit	(199,531,200)	(182,926,011)
Adjustments for:		
Depreciation and amortisation	83,496,025	89,646,664
Gain / (loss) on sale of assets and liabilities	(130,249)	1,256,600
Gain / (loss) on games stock	(1,122,865)	428,475
Gain / (loss) on actuarial valuation	(4,313,457)	(588,111)
Fair value adjustments	(52,894)	(2,544,340)
Finance costs - Finance leases and loans	13,489,917	9,035,654
Debt impairment	165,630,970	175,578,617
Movements in retirement benefit assets and liabilities	9,857,000	3,845,000
Movements in provisions	(1,102,437)	7,194,797
Non Cash Movements in Employee benefit obligation	(2,259,000)	2,775,000
Changes in working capital:		
Inventories	185,509	(713,633)
Receivables from exchange transactions	(192,440)	(1,285,797)
Consumer debtors	(177,544,145)	(181,793,971)
Other receivables from non-exchange transactions	(57,574)	(8,878,923)
Payables from exchange transactions	215,059,716	154,517,642
VAT	(5,695,085)	(30,734,616)
Unspent conditional grants and receipts	9,400,950	-
Consumer deposits	1,400,315	1,022,660
Provision	(267,675)	3,288,705
	106,251,381	39,124,412

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45. Financial instruments disclosure

Categories of financial instruments

2022

Financial assets

	At fair value	At amortised cost	At cost	Total
Other financial assets	1,915,376	-	-	1,915,376
Trade and other receivables from exchange transactions	-	14,326,932	170,000	14,496,932
Other receivables from non-exchange transactions	-	12,477,887	-	12,477,887
Consumer debtors from exchange and non-exchange transactions	-	132,942,651	-	132,942,651
Cash and cash equivalents	-	608,255	-	608,255
	1,915,376	160,355,725	170,000	162,441,101

Financial liabilities

	At fair value	At amortised cost	Total
Other financial liabilities	1,915,376	-	1,915,376
Trade and other payables from exchange transactions	-	806,237,708	806,237,708
Bank overdraft	-	13,796,391	13,796,391
Consumer deposits	-	10,741,204	10,741,204
Finance lease obligation	-	746,039	746,039
	1,915,376	831,521,342	833,436,718

2021

Financial assets

	At fair value	At amortised cost	At cost	Total
Other financial assets	1,915,376	-	-	1,915,376
Trade and other receivables from exchange transactions	-	14,496,932	-	14,496,932
Other receivables from non-exchange transactions	-	12,307,887	170,000	12,477,887
Consumer debtors from exchange and non-exchange transactions	-	132,942,651	-	132,942,651
Cash and cash equivalents	-	608,255	-	608,255
	1,915,376	160,355,725	170,000	162,441,101

Financial liabilities

	At amortised cost	Total
Other financial liabilities	24,741,499	24,741,499
Trade and other payables from exchange transactions	806,237,708	806,237,708
Bank overdraft	13,796,391	13,796,391
Consumer deposits	10,741,204	10,741,204
Finance lease obligation	746,039	746,039
	856,262,841	856,262,841

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46. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
• Property, plant and equipment - Infrastructure: Sewer	-	1,187,796
• Property, plant and equipment - Infrastructure: Water	42,222,838	-
• Property, plant and equipment - Infrastructure: Roads	-	24,683,323
• Property, plant and equipment - Infrastructure: Electrical	-	6,520,031
	42,222,838	32,391,150
Total capital commitments		
Already contracted for but not provided for	42,222,838	32,391,150
Total commitments		
Total commitments		
Authorised capital expenditure	42,222,838	32,391,150

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47. Contingencies		
Telkom Limited SA: Telkom claim that a sewerage spillage damaged their equipment.	283,026	141,514
Udumo Trading 147 CC: Udumo claim that they completed a reservoir in Clarens and was not fully paid.	1,698,704	4,000,000
Tlotliso Sempe Construction CC: Regarding a claim for outstanding payment for the instalation of water network to 1,000 sites in Mautse Rosendal.	1,950,000	-
Rudnat Projects CC: Regarding an outstanding payment from the water services infrastructure grant.	6,847,727	4,856,544
Emendo Inc: Development Agreement: Bakenpark Ext 5, 6 & 7: Regarding the lodging of a High Court Application after the municipality cancelled the agreement. To date no summons were received and this is thus removed.	-	850,000
Ke a Dira Construction: Regarding the appointment of another service provider for the construction of 1,8 km block paved roads and storm water drains in Bohlokong, Bethlehem. The municipality is now reclaiming money from this supplier and the contingency is thus removed.	-	7,961,411
MVD Xariep Raadgewende Ingeneurs CC: Regarding an outstanding payment for professional services rendered to the municipality.	120,861	106,018
Hexing Electrical SA (Pty) Ltd: Regarding a claim against the municipality for cancellation of a contract to install electrical meters around Dihlabeng.	140,306,372	99,508,065
IMATU obo TJ Mofokeng, JFM du Toit, JL Prinsloo & DM Jacobs This case is regarding the employer that placed the employees in higher positions during the placement process which took place during 2005 without paying them the remuneration of the higher posts.	2,322,544	-
Telkom Limited SA: This case is regarding a claim for damage to Telkom infrastructure at Eeufees street, Bethlehem on 5 March 2019.	59,536	-
MD & AMJ Coetzer: Regarding a motor vehicle accident where a Municipal Fire Department truck was involved.	36,595	28,150
Morne Barnard: Regarding a motorbike that was damaged as a result of a large hole in the road and he is also claiming damages of pain and suffering.	284,338	235,965
Leonard Slabbert: Regarding a motorbike that was damaged as a result of a large hole in the road and he is also claiming damages for personal injuries, suffering and disfigurement.	841,775	391,290
HT Pelatona Projects (Pty) Ltd: This case is handled by Niemann Grobbelaar Attorneys and is regarding the stopping of a tender awarded to the company for the upgrading of Clarens Water Works.	4,165,992	2,754,375
	158,917,470	120,833,332

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48. Related parties

Relationships
Free State Department of COGTA
Councillors
Members of key management

Remuneration of Acting Municipal Manager
All municipal councillors
All Section 57 managers and acting senior managers
in these positions

Related party balances

Amounts included in Consumer debtors regarding related parties

Councillors in arrears (refer to Note 53)	121,880	575,851
Me SM Mabula (Director Corporate services)	971,082	798,288
Me MAB Mosima (Director Community services)	3,279	4,726

Provision for doubtful debts related to outstanding balances with related parties

Councillors	96,634	548,801
Me SM Mabula (Director Corporate services)	909,910	729,010

Donation in kind

Remuneration of Acting Municipal Manager	521,326	1,251,183
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The acting Municipal manager (Mr Mokgathe) is seconded by Free State of COGTA from 1 December 2019 to 30 November 2021.

Remuneration paid to related parties

Section 57 Managers (refer to Note 30)	7,414,218	7,922,995
Councillors (refer to Note 31)	17,556,059	16,950,028
Mr L Mabula (Acting allowance for CFO)	81,027	-
Mr Q Lethlatla (Acting allowance for CFO)	89,759	-
	25,141,063	24,873,023

49. Prior period errors

Employee benefit obligation were adjusted to account for the current employees what might in future also qualify for continued medical aid benefits upon retirement.

Sewer assets were corrected due to omission with the transfer to the system based asset register.

Additions to assets were moved to repairs and maintenance as it does not meet the definition of an asset and the assets written off in relation to this refurbishment were reversed and related depreciation were adjusted.

The correction of the error(s) results in adjustments as follows:

Statement of financial position	2021	2020
Property, plant and equipment	5,213,372	5,213,372
Employee benefit obligations	(66,566,000)	(58,424,000)
Opening Accumulated Surplus or Deficit	53,210,628	53,210,628

Statement of financial performance

Employee cost	3,845,000	-
Finance cost	6,227,000	-
Actuarial gains / losses	(1,930,000)	-
Depreciation	(3,825,778)	-
Repairs and maintenance	30,973,006	-
Profit / loss on sale of assets	(16,459,219)	-

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50. Prior-year adjustments

Presented below are those items contained in the statement of financial position, statement of financial performance and cash flow statement that have been affected by prior-year adjustments:

Statement of financial position

2021

	Note	As previously reported	Re-classification	Restated
Receivables from Exchange	8	113,368,929	(3,031,528)	110,337,401
Receivables from Non-Exchange	8	19,573,722	3,031,528	22,605,250
Inventory	3	104,218,418	(102,339,255)	1,879,163
Assets held for sale	15	-	102,339,255	102,339,255
Payables from exchange transactions	19	806,237,707	(38,298,029)	767,939,678
Provisions (Current liabilities)	21	3,951,423	38,298,029	42,249,452
		1,047,350,199	-	1,047,350,199

Statement of financial performance

2021

	Note	As previously reported	Re-classification	Restated
Service charges from Exchange	25	394,940,851	(14,232,335)	380,708,516
Service charges from Non-Exchange	25	-	14,232,335	14,232,335
Interest on Consumer debtors from Exchange	27	41,460,813	(9,434,174)	32,026,639
Interest on Consumer debtors from Non-Exchange	27	-	9,434,174	9,434,174
Surplus for the year		436,401,664	-	436,401,664

51. Risk management

Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The municipality's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance. The municipality uses derivative financial instruments to hedge certain risk exposures. Risk management is carried out by a central treasury department (entity treasury) under policies approved by the accounting officer. Municipality treasury identifies, evaluates and hedges financial risks in close co-operation with the municipality's operating units. The accounting officer provide written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

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51. Risk management (continued)

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

The table below analyses the municipality's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

At 30 June 2022	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings	5,745,843	6,347,508	7,439,082	-
Trade and other payables	1,019,228,169	-	-	-
Finance lease liability	370,593	-	-	-

At 30 June 2021	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings	5,588,253	5,743,938	13,409,308	-
Trade and other payables	806,237,707	-	-	-
Finance lease liability	377,362	368,677	-	-

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counterparty.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the council. Outstanding accounts are followed up monthly and the supply of electricity accounts not paid on due dates are cut immediately.

Market risk

Interest rate risk

The municipality's interest rate risk arises from consumer debtors. Consumer debtors are levied at variable rates expose the municipality to cash flow interest rate risk. The interest rate is linked to the prime interest rate and the risk is not considered to be material at this stage. Long term borrowings was done at a fixed rate and interest rate risk will not impact the financial position of the municipality.

Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The municipality's investments in equity of other entities that are publicly traded on the JSE, but does not have a material effect on the municipality's income.

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52. Going concern

We draw attention to the fact that at 30 June 2022, the municipality had a loss of R199,531,200 (2021 : (R182,926,011) and that the municipality's current liabilities exceed its current assets by R815,112,354 (2021 : R621,390,6557). In addition, the municipality owed Eskom R726,132,377 (2021 : R542,013,593), Free State Fleet Management Trading Entity R62,684,617 (2021 : R62,681,782), the Department of Water Affairs R58,439,904 (2021 : R54,427,508) and the Department of Labour R23,517,728 (2021 : R20,032,577) at 30 June 2022 which is long overdue and indicate that material uncertainty exists that may result in a significant doubt on the municipality's ability to continue as a going concern. The municipality is not able to timeously recover outstanding amounts from consumer debtors and this is resulting in the inability to pay their suppliers within the 30 day time period.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

53. Events after the reporting date

There is no events after the reporting date.

54. Unauthorised expenditure

Opening balance as previously reported	651,452,569	395,896,753
Opening balance as restated	651,452,569	395,896,753
Add: Expenditure identified - current	276,107,670	255,555,816
Closing balance	927,560,239	651,452,569

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

Non-cash	111,308,095	90,756,241
Cash	156,566,828	164,799,575
	267,874,923	255,555,816

Analysed as follows: non-cash

Depreciation and amortisation	5,199,025	9,209,441
Actuarial losses	-	1,341,889
Loss on disposal of property, plant and equipment	-	17,565,819
Provision of impairment	84,971,970	62,210,617
Loss on biological assets	-	428,475
Unspend conditional grant not cash backed	21,137,100	-
	111,308,095	90,756,241

Analysed as follows: cash

Bulk purchases	83,871,952	68,583,576
Contracted services	-	13,943,593
Employee related costs	6,325,852	39,831,119
Finance cost	45,596,041	22,342,621
General expenditure	19,465,530	16,366,581
Remuneration of councillors	1,223,059	-
Repairs & maintenance	84,394	3,732,085
	156,566,828	164,799,575

Disciplinary steps taken/criminal proceedings

No disciplinary steps were taken during the year under review.

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54. Unauthorised expenditure (continued)

Recoverability of unauthorised expenditure

No amounts will be recovered.

55. Fruitless and wasteful expenditure

Opening balance as previously reported	139,097,642	117,923,400
Opening balance as restated	139,097,642	117,923,400
Add: Expenditure identified - current	41,114,932	21,174,242
Closing balance	180,212,574	139,097,642

Expenditure identified in the current year include those listed below:

Interest paid	41,114,932	21,174,242
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Recoverability steps taken/criminal proceedings

No amounts will be recovered.

Disciplinary steps taken/criminal proceedings

No disciplinary steps were taken during the year under review.

56. Irregular expenditure

Opening balance as previously reported	362,971,332	211,647,655
Opening balance as restated	362,971,332	211,647,655
Add: Irregular Expenditure - current	219,481,390	151,323,677
Add: Once off VAT adjustment on prior years	37,348,166	-
Closing balance	619,800,888	362,971,332

Incidents/cases identified in the current year include those listed below:

Bid rigging	-	5,954,915
Senior Manager without necessary qualifications	6,659,564	-
Appointment of employees without proper process followed	29,051,901	15,965,316
Actual expenditure exceeded the contract amount	36,877,037	24,691,018
Composition of bid committee	12,349,248	34,136,714
Supplier in service of the state	-	64,156
Competitive bidding process not followed	133,128,155	69,100,247
Supplier did not submit municipal account as part of bidding process	146,884	738,715
Supplier non-compliant on Central Data Base	163,111	506,096
Cost containment measures not adhered to	1,105,490	166,500
	219,481,390	151,323,677

Adjustment made to opening balance of irregular expenditure is due to Circular 68 issued by National Treasury stating that all irregular expenditure must be inclusive of VAT as at 30 June 2022 annual financial statements. This impacted all the types of irregular expenditure identified on the register.

Recoverability steps taken/criminal proceedings

No amounts will be recovered.

Disciplinary steps taken/criminal proceedings

No disciplinary steps were taken during the year under review.

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57. In-kind donations and assistance		
Details of donations		
		Total Rand value
35 soccer kits and 50 soccer balls for soccer teams around Dihlabeng		186,000
600 snack packs for kids to celebrate christmas at Araan Farm		51,500
100 pairs of school shoes donated to Motshepuwa Primary School and Rehopotswe Primary School		189,600
		427,100
58. Additional disclosure in terms of Municipal Finance Management Act		
Contributions to organised local government		
Opening balance	3,038,199	3,002,924
Current year subscription / fee	3,596,560	2,943,647
Amount paid - previous years	(2,935,397)	(2,908,372)
	3,699,362	3,038,199
Audit fees		
Opening balance	2,343,613	2,397,822
Current year subscription / fee	7,574,902	8,586,889
Amount paid - current year	(5,143,779)	(6,243,276)
Amount paid - previous years	(2,343,613)	(2,397,822)
	2,431,123	2,343,613
PAYE and UIF		
Opening balance	3,795,760	3,482,884
Current year subscription / fee	49,276,626	44,881,317
Amount paid - current year	(45,338,024)	(41,085,557)
Amount paid - previous years	(3,795,760)	(3,482,884)
	3,938,602	3,795,760
Pension and Medical Aid Deductions		
Opening balance	6,842,554	19,842,637
Current year subscription / fee	83,075,418	82,984,884
Amount paid - current year	(76,200,766)	(76,112,330)
Amount paid - previous years	(6,842,554)	(19,872,637)
	6,874,652	6,842,554
VAT		
VAT receivable	72,062,127	55,506,431

VAT output payables and VAT input receivables are shown in note 7.

All VAT returns have been submitted by the due date throughout the year, but were not paid timeously.

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58. Additional disclosure in terms of Municipal Finance Management Act (continued)

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2022:

30 June 2022	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
MM Mokotla	2,954	2,529	5,483
TJ Tseki	2,126	7,193	9,319
JT Sibisi	3,396	19,490	22,886
MS Masangana	1,313	4,039	5,352
G Khoete	6,260	47,732	53,992
JJ Nhlapo	1,918	22,930	24,848
	17,967	103,913	121,880

30 June 2021	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
PD Lengoabala	4,717	195,512	200,229
KJ Rathede	7,530	130,602	138,132
TMH Mofokeng	10,065	160,488	170,553
TI Mofokeng	1,451	8,788	10,239
MJ Radebe	1,118	1,206	2,324
LD Xaba	2,533	18,115	20,648
MS Jacobs	3,989	12,312	16,301
JJ Nhlapo	1,706	15,719	17,425
	33,109	542,742	575,851

During the year the following Councillors' had arrear accounts outstanding for more than 90 days.

30 June 2022	Highest outstanding amount	Aging (in days)
MM Mokotla	10,930	270
TJ Tseki	9,319	270
JT Sibisi	22,886	270
MS Masangane	13,453	270
G Khoete	53,992	270
JJ Nhlapo	24,848	270
	135,428	1,620

30 June 2021	Highest outstanding amount	Aging (in days)
PD Lengoabala	200,229	270
KJ Rathebe	138,132	270
TMH Mofokeng	180,056	270
TI Mofokeng	10,239	270
MJ Radebe	2,777	120
LD Xaba	20,648	270
MS Jacobs	16,301	270
JJ Nhlapo	17,425	270
	585,807	2,010

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59. Budget differences

Refer to paragraph 2.4 of the Accounting Officers report for the comparison of actual operating expenditure versus budgeted expenditure.

60. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the annual financial statements.

Deviation reason

Emergency	1,609,416	9,919,699
Impractical	1,631,915	-
Sole provider	-	21,947
	3,241,331	9,941,646

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61. Segment information

Segment surplus or deficit, assets and liabilities

2022

	Public Works	Community Services	Unallocated	Total
Revenue				
External Revenue from non-exchange transactions	337,635,908	57,024,556	11,089,479	405,749,943
External Revenue from exchange transactions	248,433,303	9,551,232	143,626,226	401,610,761
Interest on consumer debtors from exchange and non-exchange transactions	31,907,370	15,394,484	11,992,365	59,294,219
Revenue from transactions with other segments	8,698,154	25,549	22,611,933	31,335,636
Total segment revenue	626,674,735	81,995,821	189,320,003	897,990,559
Entity's revenue				897,990,559
Expenditure				
Employee cost and councilors	88,536,209	81,275,708	181,345,994	351,157,911
Finance cost	-	-	54,602,041	54,602,041
Depreciation	68,885,911	1,292,992	13,317,123	83,496,026
Debt Impairment	93,787,554	44,399,780	27,443,636	165,630,970
Bulk purchases	216,097,950	-	-	216,097,950
Total other costs	56,507,191	6,541,476	132,152,557	195,201,224
Internal Charges	29,157,913	579,223	1,598,501	31,335,637
Total segment expenditure	552,972,728	134,089,179	410,459,852	1,097,521,759
Total segmental surplus/(deficit)	73,702,007	(52,093,358)	(221,139,849)	(199,531,200)
Assets				
Additions to Non-current assets	50,841,288	2,378,387	23,388,899	76,608,574
Total assets as per Statement of financial Position				76,608,574

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61. Segment information (continued)

2021

	Public Works	Community Services	Unallocated	Total
Revenue				
External Revenue from non-exchange transactions	289,610,609	1,023,821	134,442,395	425,076,825
External Revenue from exchange transactions	326,919,050	58,374,909	15,743,887	401,037,846
Interest on consumer debtors from exchange and nono-exchange transactions	26,959,043	12,565,587	10,250,652	49,775,282
Revenue from transactions with other segments	8,433,619	22,236	17,034,528	25,490,383
Total segment revenue	651,922,321	71,986,553	177,471,462	901,380,336
Entity's revenue				901,380,336
Expenditure				
Employee cost and councilors	93,631,079	75,192,540	175,513,527	344,337,146
Finance cost	-	-	38,321,621	38,321,621
Depreciation	79,805,948	1,539,215	8,301,500	89,646,663
Debt Impairment	102,041,985	45,630,208	27,906,424	175,578,617
Bulk purchases	209,843,576	-	-	209,843,576
Total other costs	74,335,338	16,041,652	110,711,351	201,088,341
Internal charges	23,381,409	589,378	1,519,596	25,490,383
Total segment expenditure	583,039,335	138,992,993	362,274,019	1,084,306,347
Total segmental surplus/(deficit)	68,882,986	(67,006,440)	(184,802,557)	(182,926,011)
Assets				
Additions to Non-current assets	49,634,896	12,425,619	3,290,865	65,351,380
Total assets as per Statement of financial Position				65,351,380

Dihlabeng Local Municipality
Appendix A - Unaudited schedule
 June 2022

Schedule of external loans as at 30 June 2022

Loan Number	Redeemable	Balance at Wednesday, 30 June 2021	Received during the period	Redeemed written off during the period	Balance at Thursday, 30 June 2022	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand	
		Rand	Rand	Rand	Rand			
Development Bank of South Africa								
DBSA	61007269	30/06/2025	24,741,499	-	5,209,066	19,532,433	-	-
			24,741,499	-	5,209,066	19,532,433	-	-
Lease liability								
ABSA Bank	90717320	01/04/2023	361,948	-	189,970	171,978	-	-
ABSA Bank	91038728	01/06/2023	384,091	-	183,545	200,546	-	-
			746,039	-	373,515	372,524	-	-
Total external loans								
Development Bank of South Africa			24,741,499	-	5,209,066	19,532,433	-	-
Lease liability			746,039	-	373,515	372,524	-	-
			25,487,538	-	5,582,581	19,904,957	-	-