

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2023



FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2023

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The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

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Abbreviations used:

COID	Compensation for Occupational Injuries and Diseases
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
MFMA	Municipal Finance Management Act
mSCOA	Municipal Standard Chart of Accounts

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GENERAL INFORMATION

Members of the Executive Mayoral Committee:

Councillor T J Tseki	Chairperson
Councillor SM Jacobs	MMC for Community Services
Councillor J Twala	MMC for Public Works and Rural Development
Councillor P M Van Wyk	MMC for Corporate Services
Councillor M E Sempe	MMC for Human Settlement
Councillor L S Moloi	MMC for Finance (Deceased January 2023)
Councillor M D Makhathini	MMC for IDP, Performance Management and Monitoring
Councillor M A Mokwena	MMC for Special Programmes
Councillor J T Sibisi	MMC for Local Economic Development

Grade of Local Authority:

Grade 8

Auditor:

Auditor-General South Africa

Bankers:

ABSA Bank

Branch 502-233 Account number 4052898966

Registered Office:

Civic centre	PO Box 551	Telephone:	058-303 5732
Muller street	Bethlehem	Fax:	058-303 5076
Bethlehem	9700		

E-mail address:

info@dihlabeng.co.za

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Municipal Manager:

Mr Mohau Ntheli

Chief Financial Officer:

Mr Raymond Provis

Members of the Dihlabeng Local Municipality

<u>Ward No:</u>	<u>Councillor</u>
1	Mr J T Sibisi
2	Mr M M Twala
3	Mr P R Van Wyk
4	Mr L L Radebe
5	Mrs M Miya
6	Ms J Twala
7	Mr M D Makhathini
8	Mr V J Radebe
9	Mr P A Maasdorp
10	Mrs I Laesecke
11	Ms M G Masangane
12	Ms M A Mokwena
13	Mr M S Mosia
14	Mr T J Tseki
15	Ms M E Sempe
16	Ms D L Sibisi
17	Mr L S Moloi (Deceased January 2023)
18	Mrs N E Mabizela
19	Mr T V Tsibela
20	Mr J J Nhlapo

Public Representatives Councillors

Mrs L U Makhalema	Mr E T Motloung
Ms N P Mofokeng	Mr M A Vilakazi
Ms T M Mofokeng	Mrs I L Rugheimer
Ms M M Mokotla	Mr S P Makoena
Mrs S M Jacobs	Mr D L Xaba
Mr F T Rapuleng	Ms M A Motaung

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Mr L V Mosala

Mr M S Mokoena (New Councillor Ward
17)

Mr W H Theunissen

Ms N J Ngqubuka

Mr H R Liebenburg

Mr V M Maseko

Mr A Wolmarans

Ms N J Nhlapo

Executive Mayor:

Councillor T J Tseki

Speaker:

Councillor N P Mofokeng

Members of the Audit Committee:

Mr. M D Motaung

- Member (Contract ended 30 June 2023)

Mr. M A Maqabe

- Member

Nature of the entity

The municipality is established in terms of Chapter 7 of the Constitution of the Republic of South Africa.

Relevant legislation

Constitution of the Republic of South Africa

Municipal Finance Management Act (Act no 56 of 2003)

Division of Revenue Act (Act No 5 of 2012)

The Income Tax Act (Act No 28 of 1997)

Value Added Tax Act (Act No 89 of 1991)

Municipal Structures Act (Act no 117 of 1998)

Municipal Systems Act (Act no32 of 2000)

Municipal Planning and Performance Management Regulations

Water Services Act (Act no 108 of 1997)

Housing Act (Act no 107 of 1997)

Municipal Property Rates Act (Act no 6 of 2004)

Electricity Act (Act no 41 of 1987)

Skills Development Levies Act (Act no 9 of 1999)

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Employment Equity Act (Act no 55 of 1998)

Unemployment Insurance Act (Act no 30 of 1966)

Basic Conditions of Employment Act (Act no 75 of 1997)

Disaster Management Act (Act no 57 of 2002)

Municipal Electoral Act (Act no 27 of 2000)

Municipal Demarcation Act (Act no 27 of 1998)

Supply Chain Management Regulations, 2005

Collective Agreements

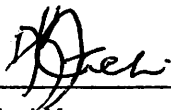
Infrastructure Grants

SALBC Leave Regulations

APPROVAL OF FINANCIAL STATEMENTS:

I am responsible for the preparation of these annual financial statements, which are set out on pages - 18 to 96 in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in Note 31 and 32 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.



Municipal Manager

Mohau Ntheli



Chief Financial Officer

Raymond Provis

Dihlabeng Local Municipality

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ACCOUNTING OFFICER'S REPORT

1. INTRODUCTION

The 2022/23 financial year posed many challenges and obstacles which had to be addressed and accommodated by the limited financial and other resources.

The budget and the IDP are aligned with the vision and imperatives of national government, which are to address service delivery backlogs and the following strategic areas, were focussed on during the 2022/23 budget:

- The eradication of backlogs and investment in infrastructure for basic services and growth
- Economic growth and development that is shared and creates sustainable jobs
- Building safer, more secure and more sustainable communities
- The deepening of democracy
- Financial viability and management of resources
- A caring and effective government
- Institutional capacity and transformation

To budget for improved service delivery and then subsequently realising operational efficiency while it is also ensured that the deliverables are attained in a sustainable manner, has been a huge challenge during the 2022/23 financial year.

The challenge of addressing unlimited needs within the constraints of limited resources has necessitated a change in the way we do business to ensure that we stretch our resources to the maximum.

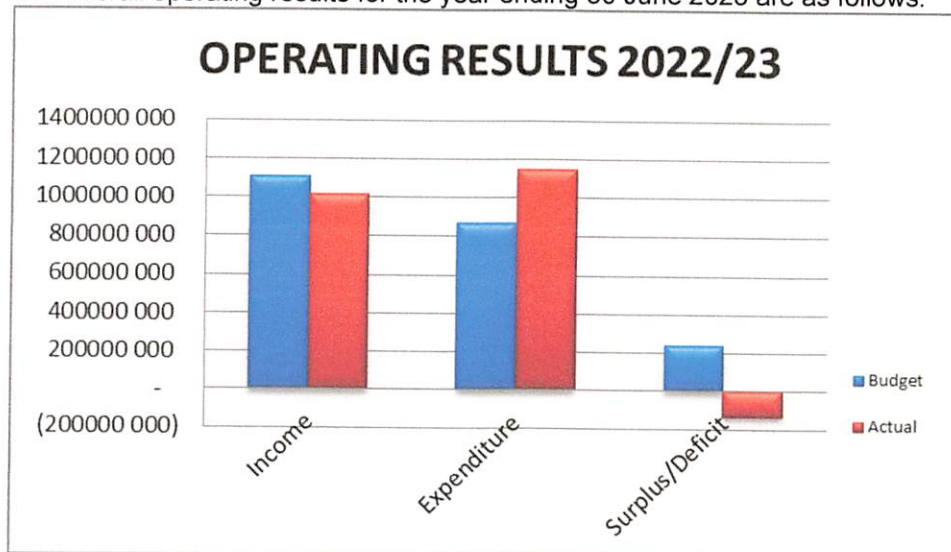
2. REVIEW OF OPERATING RESULTS

The 2022/23 budget of Dihlabeng Local Municipality was approved by Council in May 2022.

2.1 General

Details of the 2022/23 operating results and classification of revenue and expenditure are included in the Statement of Financial Performance. A graphical presentation of the operating results is shown in the graph below:

The overall operating results for the year ending 30 June 2023 are as follows:



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Annual Financial Statements for the year ended 30 June 2023

Description	Original Budget 2022/23 R'000	Adjusted 2022/23 R'000	Actual 2022/23 R'000	Variance Actual / Adjusted budget %	Actual 2021/22 R'000
REVENUE					
Operating revenue for the year	1 107 844	1 107 844	1 013 336	16.9%	866 655
	1 107 844	1 107 844	1 013 336		866 655
EXPENDITURE					
Operating expenditure for the year	868 009	868 009	1 148 235	7.78%	1 065 313
Fair value adjustment	-	-	-		17 389
loss/ Gain on disposal of assets	-	-	-		-
Actuarial Gains / (loss)	-	-	-		19382
Gain on biological assets	-	-	-		435
	868 009	868 009	1 148235		1 045 495

The actual net expenditure of the Municipality reflects an increase 8% while the actual revenue of the Municipality has increased by 17% in 2022/23

The largest increase on revenue occurred on Service Charges (39%), Property Rates 14%.Government Grants increased by 6% from 28% to 34%, Interest received on consumer accounts 9% and rental 1%.

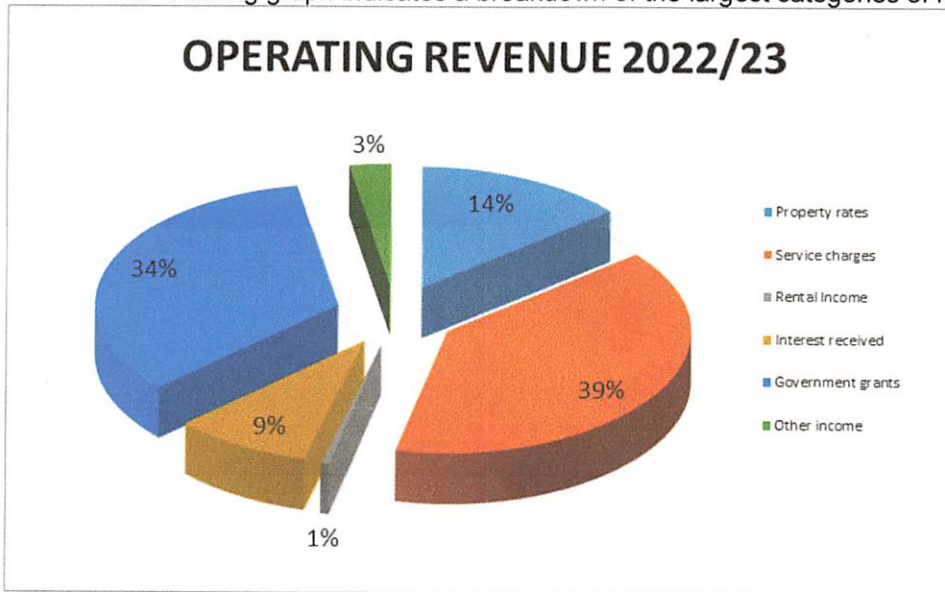
The largest increase on expenditure occurred on personnel costs (31%), Bulk Purchases (19%), Contracted Services (8%),Finance Costs (8%), Remuneration of Councillors (2%) and general expenditure (8%)

Dihlabeng Local Municipality

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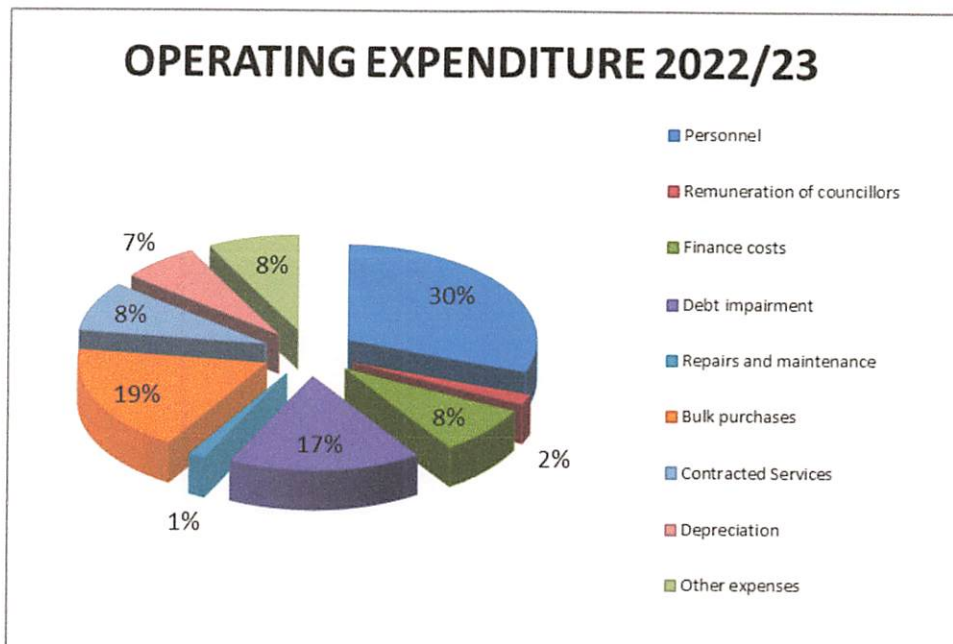
2.2 Operating Revenue

The following graph indicates a breakdown of the largest categories of revenue.



2.3 Operating expenditure

The graph below indicates the break down per main expenditure group.



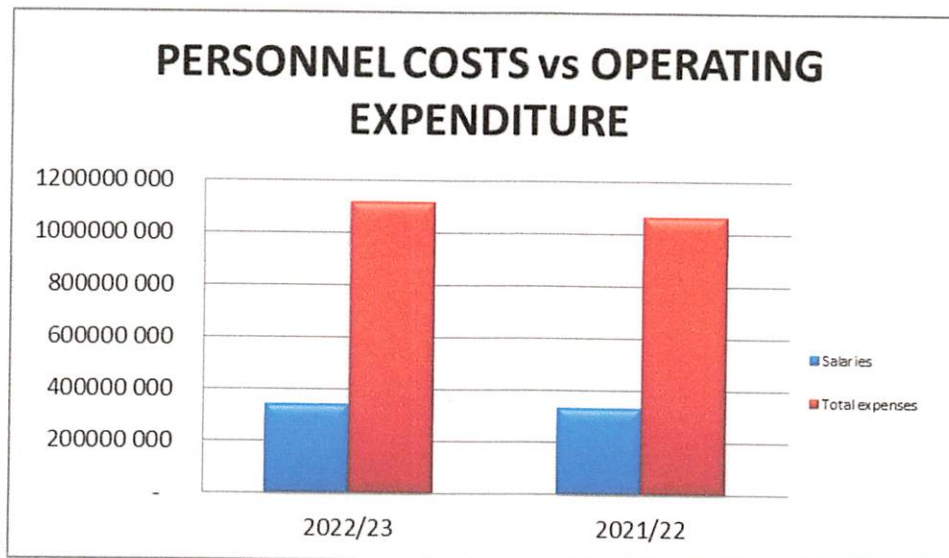
Dihlabeng Local Municipality

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Remuneration

The actual expenditure on remuneration expressed as a percentage of the total expenditure shows a decrease of 2% from 31.31% in 2021/22 to 29.77% in 2022/23. These figures have a large impact on the going concern capabilities of the municipality. The total remuneration cost and the allocation of individual items in a remuneration package differ from municipality to municipality for example; certain municipalities are more contract intensive whilst others might be more labour intensive. The target for remuneration as a percentage of expenditure is 30%.

Description	2022/23 R'000	2021/22 R'000
Total operating expenditure	1 148 235	1 065 313
Total operating revenue	1 013 336	866 655
Employee remuneration	341 854	333 601
Ratio: % of total expenditure	29.77%	31.31%
Ratio: % of total revenue	33.74%	38.49%
% in/decrease in remuneration	2.47%	1.90%



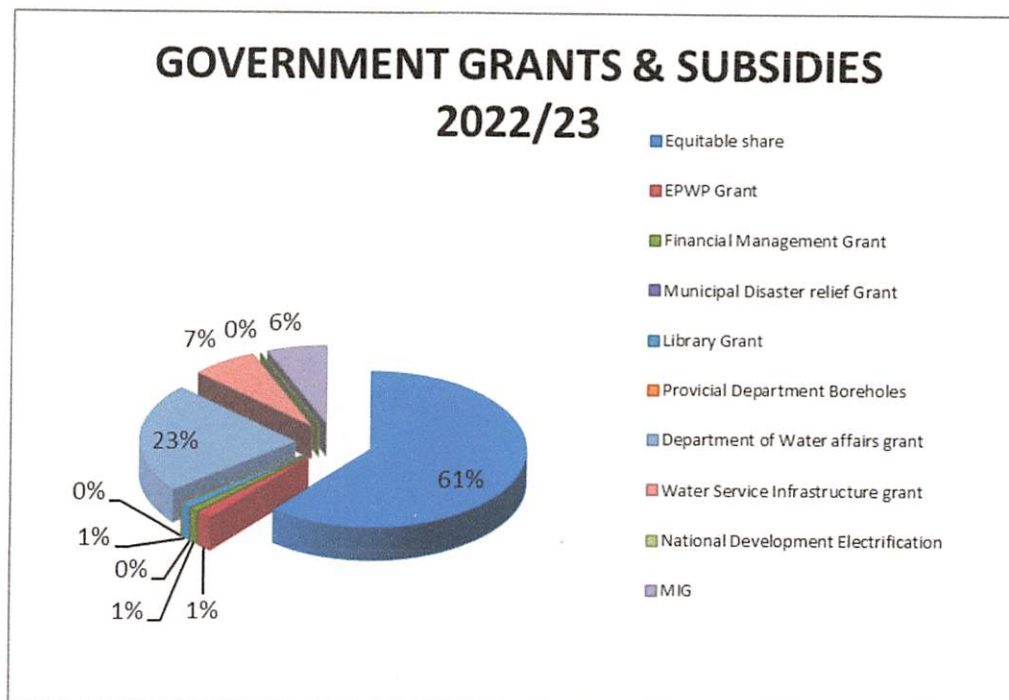
Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Government grants and subsidies

The following table and graph show the amounts received in terms of grants, contributions and subsidies from the Central Government and the Free State Provincial Government, which have been included in the total revenue:

Description	2022/23	2021/22
Equitable share	210 193 000	186 348 000
EPWP Grant	5 591 000	5 175 000
Financial Management Grant	2 750 000	2 650 000
Municipal Disaster relief Grant	-	-
Library Grant	4 000 000	7 500 000
Boreholes	-	-
Department of Water affairs grant	78 477 373	7 644 830
Water Service Infrastructure grant	23 618 896	13 385 113
National Development Electrification	-	-
MIG	21 737 160	18 789 415
	346 367 429	241 493 358



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2.4 Operating statement analysis

The following differences occurred with regards to the operating results for the 2022/23 financial year. Please refer to pages 22 of the financial statements.

Descriptions	Final Adjustment budget	Virements (i.t.o council approved policy)	Final budget	Actual outcomes	Unauthorized expenditure	Variations	Actual outcome as % of final budget	Reasons for variances
Property rates	178 228	-9 603	168 625	142 481	-	-26 144	84%	Due to lower property rates billed for domestic properties than budgeted.
Services charges	453 182	12 700	465 882	398 384	-	-67 498	86%	Due to decrease in utilization of water and electricity. Sale of electricity went down from R218m to R231 due to loadshedding
Interest received	57 923	30 540	88 463	92 793	-	4 330	105%	Due to non-payment of debts by consumers
Transfers recognised – operational	329 462	40 347	369 367	346 367	-	-23 442	94%	Dora Allocation
Other own revenue	16 791	-1 726	15 065	33 310	-	18 245	221%	Lower revenue collected for rendering of services than anticipated for the month. Performance is on target. No sale of land during the year only 2 were paid, also depend on the other income received from SEDA, Insurance refunds, and administrative fees
TOTAL REVENUE (Excluding capital transfers and contributions)	1 035 586	72 258	1 107 844	1 013 336	-	-94 508	91%	

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Descriptions	Final Adjustment budget	Virements (i.t.o council approved policy)	Final budget	Actual outcomes	Unauthorized expenditure	Variances	Actual outcome as % of final budget	Reasons for variances
Employees cost	348 057	-5 242	342 815	341 854	-961	961	100%	Senior Managers contracts ended during the financial year and employing less temporary workers
Remuneration of councilors	17 117	4 018	21 135	20 117	- 1 018	1 018	95%	within 10%
Debt impairment	55 54	-1 992	53 548	185 787	132 239	-132 239	347%	Due to non-payments by consumers and indigent not written off
Depreciation and asset impairment	87 071	-3 000	84 071	73 352	-10 878	10 878	87%	Due to processing of actual depreciation on assets for the month as per the asset register
Finance charges	10 592	11 250	21 842	92 951	70 750	-70 750	424%	Under budget and Interest paid to Eskom and other creditors due to none payment within 30 days
Materials and bulk purchases	162 204	-31 154	131 050	208 466	77 416	-77 416	159%	Due to bulk purchases for electricity that are higher than the target for the period and the pressure of ESKOM to pay arrears not budgeted for in the current financial year.
Other expenditure	194 754	18 128	212 882	209 737	-3 145	3 145	99%	Overspending due to the implementation of cost containment measures and limitations on the current budget.
TOTAL EXPENDITURE	877 035	-9 026	868 009	1 148 235	280 226	-280 226	132%	

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2.5 Financial Position statement analysis

The following difference occurred with regards to the operating results for the 2022/23 financial year. Please refer to pages 18 to 23 of the financial statements.

	Approved budget	Adjustments	Final budget	Actual amounts	Variiances	Actual outcome as % of final budget	Reasons for variances
CURRENT ASSETS							
Other financial assets	1 915 000	-	1 915 000	1 445 660	469 340	75%	
Inventories	117 508 000	-	117 508 000	1 553 061	115 954 939	1%	Transfer to Assets held for sale
Receivables from exchange transactions	361 174 000	-	361 174 000	15 621 224	345 552 776	4%	
Other receivables from non-exchange transactions	-	-	-	5 106 080	-5 106 080		No budget
Statutory Receivables	-	-	-	96 738 299	-96 738 299		No budget
Consumer debtors	207 141 000	-	207 141 000	178 990 419	28 150 581	86%	Increase in provision for impairment
Cash and cash equivalents	0	-	0	863	-16 209 863	%	Cash flow Challenges/No budget
NON CURRENT ASSETS	687 738 000	-	687 738 000	315 664 606	372 073 394	46%	
Investment property	572 453 000	-	572 453 000	547 450 541	25 002 459	96%	Re valuation
Property, plant and equipment	2 098 185 000	-	2 098 185 000	1 805 260 042	292 924 928	86%	Capital projects not spend
Biological assets	-	-	-	5 779 895	-5 779 895		No budget
Heritage assets	48 660 000	-	48 660 000	64 450 000	-15 790 000	132%	Re valuation
Intangible assets	929 000	-	929 000	2 118 194	-1 189 194	228%	New software licenses
Other financial assets	0	-	0	588 317	-588 317		No Budget
Assets held for sale	-	-	-	102 339 255	102 339 255	%	Transfer from Inventory
CURRENT LIABILITIES							
Other financial liabilities	5 966 000	-	5 966 000	6 755 184	-789 184	113%	Under budgeting
Finance Lease obligation	-	-	-	-	-	-	
Payables from exchange	1 248 424 000	-	1 248 424 000	1 216 262 630	32 161 370	97%	Increase in creditors book
Consumer deposits	12 496 000	-	12 496 000	13 659 940	-1 163 940	109%	Improved data cleansing and collections
Employee obligations	-	-	-	2 853 000	-2 853 000		As per report
Unspent Conditional Grants	-	-	-	29 079 416	-29 079 416		Non Spending on Capital Grants
Provisions	-	-	-	32 901 297	-32 161 370		
NON CURRENT LIABILITIES							
Employee benefit obligations	-	-	-	91 065 000	-91 065 000		No budget
Long service awards	-	-	-	18 210 000	-18 210 000		No budget
Other financial liabilities	12 063 000	-	12 063 000	7 026 348	5 036.652	58%	DBSA loans restructuring
Provisions	54 779 000	-	57 779 000	16 610 146	38 168 854	30%	Budget did not split current and non-current

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3. DEBTORS

The following is an indication of the effectiveness of credit control measures, as well as the ability to convert debtors into cash:

Description	2022/23	2021/22
Income on Consumer debtors	639 024 786	608 390 297
Balance on 1 July	1 281 834 602	1 129 016 103
Balance on 30 June	1 494 276 754	1 281 834 602
Average balance	1 388 055 678	1 205 425 35
Days in the financial year	365	365
Turnover: Number of days	793	723
Turnover: Number of times (levies/average balance)	0.46	0.50

From the table it is clear that, the number of days to recover increased from 723 to 793 in 2022/23. This high turnover has serious implications on the cash flow of the Municipality. A collection rate calculated on the total levies for a period compared to the total payments received during the same period is used to measure revenue recovery. The credit control by-law and the actions taken in terms of the by-law started producing better results. Measures have been put in place to recover the debts and the legal actions taken are starting to have an impact on the poor payment culture within our municipality. The increase in debtors has a serious impact on the going concern of the municipality.

4. CAPITAL EXPENDITURE AND FINANCING

The Municipality's original approved Capital Expenditure Budget for 2022/23 amounted to 123 833 429 million and was accepted by National Treasury.

Of these funds the MIG funding of R21 million was spent in the 2022/23 financial year and 19 million was unspent. R78 million was spent from RBIG funding and R23 million from WISG and R3.9 Million was unspent, R5 Million from 2021/22 of the INEP was not spend.

Conclusion:

When comparing the actual expenditure to the budgeted expenditure the financing source of capital projects plays an important role. The funding from own sources can largely influence the following aspects:

- The raising of loans
- The cash flow of the Municipality

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5. ACCOUNTING RATIOS

5.1 Current asset ratio

This ratio mainly involves the financial resources used in the operating cycle of a local authority. Operating capital represents the surplus of current assets over current liabilities. This is a useful indicator when determining the ability to fund operating expenditure. This ratio measures the extent to which the current liabilities are covered by the current assets. A larger coverage means a lower risk since short-term debt can be paid out of short-term assets. The following table shows the calculation of the operating capital ratio:

Description	2022/23	2021/22
CURRENT ASSETS:		
Cash	16 209 863	8 974 298
Inventory	1 553 061	1 693 654
Consumer Debtors	178 990 419	145 545 213
Receivables from exchange transactions	15 621 224	14 689 372
Receivables from non-exchange transactions	-	-
Other financial assets	1 445 660	1 445 660
Other receivables from exchange transactions	5 106 080	8262 001
Statutory receivables	96 738 299	72 107 267
Total	315 664 606	252 717 465
CURRENT LIABILITIES:		
Creditors	1 216 132 195	981 960 093
Lease liability	0	370 593
Employee Benefit Obligation	2 853 000	2 605 000
Unspent conditional grants and receipts	29 079 416	30 107 472
Other financial liabilities	6 755 184	6 143 220
Provisions	32 901 297	41 250 468
Consumer deposits	13 659 940	12 214 002
Overdrawn cash book balance	0	3 926
Total	1 301 511 467	1 074 654 774
Net Operating Capital	(985 846 861)	(821 937 309)
Current asset Ratio	0.24 : 1	0.24 : 1

This is due to the fact that the current liabilities increased by 21% whilst the current assets increased with 25%. The impact in current assets can mainly be ascribed to the large provisions that had to be made towards debt impairment of R166 million, which equates to R14 million per month. The municipality has prioritised this fact of its business to ensure the sustainability of the municipality.

The private sector sets a ratio of 2:1 as being acceptable, however a norm for local government is currently not available.

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2023

5.2 Quick asset ratio (Acid test)

This ratio is a more accurate test of a local authority's ability to settle its short-term debt. When calculating this ratio, only assets that can be converted into cash are taken into account. Since material and stock are for the local authority's own use and are not for sale, they are not included in the calculations. The private sector sets a ratio of 1:1 as being acceptable. The figures that follow reflect the Municipality's quick asset ratio for the following years:

DESCRIPTION	2022/23	2021/22
Current assets	315 664 606	252 717 465
Less: Inventory	1 553 061	1 693 654
Total	314 111 545	251 023 811
	1 301 511 467	1 074 654 774
Quick asset ratio	0.24 : 1	0.50:1

The ratio decreased due to increase in the current liabilities, serious attention will be required to increase the ratio even further in this area to ensure the going concern of the municipality.

5.3 Solvability

In this ratio, the total assets are compared to the total liabilities, and it shows the ability of the Municipality to meet its obligations in the long term. A ratio of less than one is an indication of insolvency. The following table shows the calculation of the solvency ratio:

DESCRIPTION	2022/23	2021/22
TOTAL ASSETS:		
Current assets	315 664 606	252 717 465
Non-current assets	2 525 886 244	2 481 593 504
Total	2 841 550 850	2 734 310 969
TOTAL LIABILITIES:		
Current liabilities	1 301 511 467	1 074 654 774
Plus: Long-term loans	7 026 348	13 389 213
Non-current provisions	16 610 146	5 595 765
Total	1 325 147 961	1 093 639 752
Solvability Ratio	2.14 : 1	2.50: 1

The total assets of the Municipality increased by 1.78% in the current financial year while the total liabilities increased with 21% resulting in a decrease in the solvability ratio as stated above. Non-current assets decreased with 1.95% while external loans decreased with 48%.

Dihlabeng Local Municipality

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5.4 Total debt to total revenue ratio

According to credit rating companies, the benchmark for local government is a ratio of less than 50%. The ratio decreased from 139.40% to 141.55% in 2022/23. The total debt increased with 19% and increase of 17% in total revenue.

DESCRIPTION	2022/23	2021/22
Total debt	1 434 422 961	1 208 074 752
Total revenue	1 013 336 183	866 654 925
Ratio	141.55%	139.40%

5.5 Cashbook balance plus short-term loans to total operating revenue

DESCRIPTION	2022/23	2021/22
Short term debt	6 755 184	6 517 739
Total revenue	1 013 336 183	866 654 925
Ratio	0.67%	0.75%

According to credit rating companies, the benchmark is a ratio of less than 5

5.6 Cash to interest coverage

This ratio indicates to what extent a local authority can generate sufficient cash from its normal activities to cover its external interest liabilities. If the ratio is less than 1:1, it may indicate future cash flow problems. The ratio for the past two financial years is as follows:

DESCRIPTION	2022/23	2021/22
Cash generated from operations (Nett cash flow)	142 691 491	108 335 062
Interest paid on external loans	92 591 774	54 602 041
Ratio	1.54 : 1	1.98 : 1

5.7 Net debtors to total annual operating revenue

DESCRIPTIONS	2022/23	2021/22
Annual operating revenue	1 013 336 183	866 654 925
Debtors (excluding provision for bad debt)	1 494 276 754	1 281 834 602
Percentage	147.46%	147.91%

This ratio had decreased by -0.44%. It is still clear that the debt collection process of the municipality has problems and still needs to be improved even more.

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2023

6. CHALLENGES EXPERIENCED DURING 2022/23

6.1 GOING CONCERN ISSUES

The going concern of the municipality remains an issue that management needs to address; the following areas are of concern:

- The government subsidies equate to 34% of our income. The situation increased by 6% from the 2021/22 financial year. This means that there is still more reliance by the municipality on government grants.
- With reference to 5.2 (Quick asset ratio), the ratio of 0.24: 1 is still a poor given the norm of 1: 1. The recoverability of our debtors still remains a problem hence the large provision for doubtful debts.
- Our overdrawn cash book balance plus short term portion of long-term debt to operating revenue ratio (section 5.5 above) shows a decrease from 0.75% (2021/22) to 0.67% (2022/23).
- Although the personnel costs are within the norm of 35%. The ratio is still too high due to the impairment of debt and the municipality should make all possible efforts to reduce it to at least 28% excluding impairment of debt in the next financial year to ensure that the municipality is able to meet all its financial obligations. (Refer to 2.3 for more detail)
- We draw attention to the fact that at 30 June 2023, the municipality had a loss of R134 898 323 (2022: (R198 135 973) and that the municipality's current liabilities exceed its current assets by R985 846 861 (2022: 821 937 310). In addition, the municipality owed Eskom R937 912 491 (2022: R726 132 489), Free State Fleet Management Trading entity R62 684 617 (2022 R62 684 617), the Department of Water Affairs R62 293 443 (2022 R58 439 904) and Department of Labour R27 124 489 (2022 R23 517 728) at 30 June 2023 which is long overdue. 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.

6.2 IMPLEMENTATION OF ACCOUNTING STANDARDS

The Municipality had to comply with the accounting framework as set out in paragraph 1 of the Accounting policies as contained in the Annual Financial Statements of 2022/23. This accounting framework was determined in Directive 5 issued by the Accounting Standards Board on 31 March 2009.

7. APPRECIATION

I am grateful to the Executive Mayor, Members of the Mayoral Committee, Councillors, and office of the Municipal Manager, CFO, Acting Directors, Managers and Staff members. A special word of appreciation to everybody for the months of hard work, sacrifices and concentrated efforts during the financial year to enable my office to finalise and submit the annual financial statements within the prescribed period.



MOHAU NTHELI
MUNICIPAL MANAGER

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Statement of Financial Position as at 30 June 2023

Figures in Rand	Note(s)	2023	2022 Restated*
Assets			
Current Assets			
Inventories	3	1,553,061	1,693,654
Other financial assets	4	1,445,660	1,445,660
Receivables from exchange transactions	5	15,621,224	14,689,372
Receivables from non-exchange transactions	6	5,106,080	8,262,001
Statutory receivables	15	96,738,299	72,107,267
Consumer debtors from exchange transactions	7	152,809,838	124,172,166
Consumer debtors from non-exchange transactions	7	26,180,581	21,373,047
Cash and cash equivalents	8	16,209,863	8,974,298
		315,664,606	252,717,465
Non-Current Assets			
Biological assets that form part of an agricultural activity	9	5,779,895	5,344,585
Investment property	10	547,450,541	574,552,692
Property, plant and equipment	11	1,805,260,042	1,750,037,329
Intangible assets	12	2,118,194	2,237,253
Heritage assets	13	64,450,000	48,660,000
Other financial assets	4	588,317	522,390
Assets held for sale	14	100,239,255	100,239,255
		2,525,886,244	2,481,593,504
Total Assets		2,841,550,850	2,734,310,969
Liabilities			
Current Liabilities			
Other financial liabilities	17	6,755,184	6,143,220
Finance lease obligation	18	-	370,593
Payables from exchange transactions	20	1,216,262,630	981,960,094
Consumer deposits	21	13,659,940	12,214,002
Employee benefit obligation	23	2,853,000	2,605,000
Unspent conditional grants and receipts	19	29,079,416	30,107,472
Provisions	22	32,901,297	41,250,468
Cashbook overdraft	8	-	3,926
		1,301,511,467	1,074,654,775
Non-Current Liabilities			
Other financial liabilities	17	7,026,348	13,389,213
Employee benefit obligation	23	91,065,000	97,053,000
Provisions	22	16,610,146	5,595,765
Long service leave award	24	18,210,000	17,382,000
		132,911,494	133,419,978
Total Liabilities		1,434,422,961	1,208,074,753
Net Assets		1,407,127,889	1,526,236,216
Reserves			
Revaluation reserve	16	15,790,000	-
Accumulated surplus		1,391,337,889	1,526,236,216
Total Net Assets		1,407,127,889	1,526,236,216

* See Note 51 & 50

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Statement of Financial Performance

Figures in Rand	Note(s)	2023	2022 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	26	398,383,823	406,677,572
Rendering of services		1,435,923	1,721,744
Rental of facilities and equipment	27	5,740,812	5,755,737
Interest received on consumer accounts	28	77,287,918	49,426,888
Licences and permits		126,736	113,818
Other income	29	5,161,476	8,288,560
Interest received - investment	30	374,386	56,196
Gain on disposal of assets and liabilities		-	130,249
Fair value adjustments		-	52,894
Actuarial gains		19,382,383	4,313,457
Gain on biological assets and agricultural produce		435,310	1,122,865
Dividends received	30	12,728	9,193
Total revenue from exchange transactions		508,341,495	477,669,173
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	31	142,481,360	136,662,769
Interest received on consumer accounts	28	15,130,873	9,867,331
Transfer revenue			
Government grants & subsidies	32	346,367,429	241,493,359
Donations received in kind		120,000	-
Fines, penalties and forfeits		895,026	962,293
Total revenue from non-exchange transactions		504,994,688	388,985,752
Total revenue	25	1,013,336,183	866,654,925
Expenditure			
Employee related costs	33	(341,854,351)	(333,601,852)
Remuneration of councillors	34	(20,116,991)	(17,556,059)
Depreciation and amortisation	35	(73,352,473)	(84,184,480)
Finance costs	36	(92,591,774)	(54,602,041)
Debt Impairment	37	(185,787,137)	(165,630,970)
Bulk purchases	38	(208,466,283)	(216,097,952)
Contracted services	39	(94,424,496)	(94,665,301)
Repairs and maintenance		(16,328,558)	(16,382,394)
Loss on disposal of assets and liabilities		(2,253,803)	-
Revaluation and fair value adjustments	42	(25,296,224)	-
General expenses	40	(87,762,416)	(82,069,849)
Total expenditure		(1,148,234,506)	(1,064,790,898)
Deficit for the year		(134,898,323)	(198,135,973)

* See Note 51 & 50

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Statement of Changes in Net Assets

Figures in Rand	Revaluation reserve	Accumulated surplus / deficit	Total net assets
Opening balance as previously reported		- 1,717,830,353	1,717,830,353
Adjustments			
Correction of errors 50		- 6,541,839	6,541,839
Balance at 01 July 2021 as restated*		- 1,724,372,192	1,724,372,192
Changes in net assets			
Surplus for the year		- (198,135,973)	(198,135,973)
Total changes		- (198,135,973)	(198,135,973)
Opening balance as previously reported		- 1,518,299,149	1,518,299,149
Adjustments			
Correction of errors 50		- 7,937,066	7,937,066
Restated* Balance at 01 July 2022 as restated*		- 1,526,236,215	1,526,236,215
Changes in net assets			
Surplus for the year		- (134,898,323)	(134,898,323)
Changes in revaluation surplus arising from heritage assets	15,790,000	-	15,790,000
Total changes	15,790,000	(134,898,323)	(119,108,323)
Balance at 30 June 2023	15,790,000	1,391,337,892	1,407,127,892

* See Note 51 & 50

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Cash Flow Statement

Figures in Rand	Note(s)	2023	2022 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		407,844,984	417,953,135
Grants		345,339,373	271,600,831
Interest income		11,494,286	12,925,003
Dividends received		12,728	9,193
		<u>764,691,371</u>	<u>702,488,162</u>
Payments			
Employee costs		(359,443,175)	(352,690,906)
Suppliers		(186,745,321)	(200,350,069)
Finance costs		(75,811,384)	(41,112,124)
		<u>(621,999,880)</u>	<u>(594,153,099)</u>
Net cash flows from operating activities	45	142,691,491	108,335,063
Cash flows from investing activities			
Purchase of property, plant and equipment	11	(127,596,298)	(77,380,805)
Proceeds from sale of property, plant and equipment	11	-	459,355
Proceeds from sale of investment property	10	489,565	-
Purchase of other intangible assets	12	(493,950)	(1,377,000)
		<u>(127,600,683)</u>	<u>(78,298,450)</u>
Net cash flows from investing activities		(127,600,683)	(78,298,450)
Cash flows from financing activities			
Repayment of other financial liabilities		(7,459,381)	(7,459,380)
Finance lease payments		(391,936)	(418,724)
		<u>(7,851,317)</u>	<u>(7,878,104)</u>
Net cash flows from financing activities		(7,851,317)	(7,878,104)
Net increase/(decrease) in cash and cash equivalents		7,239,491	22,158,509
Cash and cash equivalents at the beginning of the year		8,970,372	(13,188,136)
Cash and cash equivalents at the end of the year	8	16,209,863	8,970,373

* See Note 51 & 50

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2023

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	453,182,000	12,700,000	465,882,000	398,383,823	(67,498,177)	Refer to Note 60
Rendering of services	-	-	-	1,435,923	1,435,923	
Rental of facilities and equipment	5,528,000	806,000	6,334,000	5,740,812	(593,188)	
Interest on consumer accounts	57,923,000	30,186,000	88,109,000	92,418,791	4,309,791	Refer to Note 60
Licences and permits	73,000	(1,000)	72,000	126,736	54,736	
Other income	6,609,000	218,000	6,827,000	5,161,476	(1,665,524)	
Interest received - investment	-	354,000	354,000	374,386	20,386	
Dividends received	14,000	11,000	25,000	12,728	(12,272)	
Total revenue from exchange transactions	523,329,000	44,274,000	567,603,000	503,654,675	(63,948,325)	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	178,228,000	(9,603,000)	168,625,000	142,481,360	(26,143,640)	Refer to Note 60
Transfer revenue						
Government grants & subsidies	329,462,000	40,347,000	369,809,000	346,367,429	(23,441,571)	Refer to Note 60
Levies	-	-	-	120,000	120,000	
Fines, penalties and forfeits	4,567,000	(2,760,000)	1,807,000	895,026	(911,974)	
Total revenue from non-exchange transactions	512,257,000	27,984,000	540,241,000	489,863,815	(50,377,185)	
Total revenue	1,035,586,000	72,258,000	1,107,844,000	993,518,490	(114,325,510)	
Expenditure						
Personnel	(348,057,000)	5,242,000	(342,815,000)	(341,854,351)	960,649	
Remuneration of councillors	(17,117,000)	(4,018,000)	(21,135,000)	(20,116,991)	1,018,009	
Depreciation and amortisation	(87,071,000)	3,000,000	(84,071,000)	(73,352,473)	10,718,527	Refer to Note 60
Finance costs	(10,592,000)	(11,250,000)	(21,842,000)	(92,591,774)	(70,749,774)	Refer to Note 60
Debt Impairment	(55,540,000)	1,992,000	(53,548,000)	(185,787,137)	(132,239,137)	Refer to Note 60
Bulk purchases	(162,204,000)	31,154,000	(131,050,000)	(208,466,283)	(77,416,283)	Refer to Note 60
Contracted Services	(126,933,000)	3,807,000	(123,126,000)	(94,424,496)	28,701,504	Refer to Note 60
Repairs and maintenance	(19,403,000)	(217,000)	(19,620,000)	(16,328,558)	3,291,442	Refer to Note 60
General Expenses	(50,118,000)	(20,684,000)	(70,802,000)	(87,762,416)	(16,960,416)	Refer to Note 60
Total expenditure	(877,035,000)	9,026,000	(868,009,000)	(1,120,684,479)	(252,675,479)	

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2023

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	158,551,000	81,284,000	239,835,000	(127,165,989)	(367,000,989)	
Loss on disposal of assets and liabilities	-	-	-	(2,253,803)	(2,253,803)	
Fair value adjustments	-	-	-	(25,296,224)	(25,296,224)	
Actuarial gains/losses	-	19,000	19,000	19,382,383	19,363,383	
Gain on biological assets and agricultural produce	-	-	-	435,310	435,310	
	-	19,000	19,000	(7,732,334)	(7,751,334)	
Deficit before taxation	158,551,000	81,303,000	239,854,000	(134,898,323)	(374,752,323)	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	158,551,000	81,303,000	239,854,000	(134,898,323)	(374,752,323)	

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2023

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 Position						
Assets						
Current Assets						
Inventories	117,508,000	-	117,508,000	1,553,061	(115,954,939)	
Other financial assets	1,915,000	-	1,915,000	1,445,660	(469,340)	
Receivables from exchange transactions	361,174,000	-	361,174,000	15,621,224	(345,552,776)	
Receivables from non-exchange transactions	-	-	-	5,106,080	5,106,080	
Statutory receivables	-	-	-	96,738,299	96,738,299	
Consumer debtors	207,141,000	-	207,141,000	152,809,838	(54,331,162)	
Consumer debtors from non-exchange transactions	-	-	-	26,180,581	26,180,581	
Cash and cash equivalents	-	-	-	16,209,863	16,209,863	
	687,738,000	-	687,738,000	315,664,606	(372,073,394)	
Non-Current Assets						
Biological assets that form part of an agricultural activity	-	-	-	5,779,895	5,779,895	
Investment property	572,453,000	-	572,453,000	547,450,541	(25,002,459)	
Property, plant and equipment	2,056,587,000	41,598,000	2,098,185,000	1,805,260,042	(292,924,958)	
Intangible assets	929,000	-	929,000	2,118,194	1,189,194	
Heritage assets	48,660,000	-	48,660,000	64,450,000	15,790,000	
Other financial assets	-	-	-	588,317	588,317	
Assets held for sale	-	-	-	100,239,255	100,239,255	
	2,678,629,000	41,598,000	2,720,227,000	2,525,886,244	(194,340,756)	
Total Assets	3,366,367,000	41,598,000	3,407,965,000	2,841,550,850	(566,414,150)	
Liabilities						
Current Liabilities						
Other financial liabilities	5,966,000	-	5,966,000	6,755,184	789,184	
Payables from exchange transactions	537,620,000	-	537,620,000	1,216,262,630	678,642,630	
Consumer deposits	12,496,000	-	12,496,000	13,659,940	1,163,940	
Unspent conditional grants and receipts	-	-	-	29,079,416	29,079,416	
Provisions	-	-	-	37,622,835	37,622,835	
Cashbook overdraft	105,453,000	-	105,453,000	-	(105,453,000)	
	661,535,000	-	661,535,000	1,303,380,005	641,845,005	
Non-Current Liabilities						
Other financial liabilities	12,063,000	-	12,063,000	7,026,348	(5,036,652)	
Employee benefit obligation	-	-	-	93,918,000	93,918,000	
Provisions	54,779,000	-	54,779,000	11,888,608	(42,890,392)	
Long service leave award	-	-	-	18,210,000	18,210,000	
	66,842,000	-	66,842,000	131,042,956	64,200,956	
Total Liabilities	728,377,000	-	728,377,000	1,434,422,961	706,045,961	
Net Assets	2,637,990,000	41,598,000	2,679,588,000	1,407,127,889	(1,272,460,111)	

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2023

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	15,790,000	13,390,000	
Accumulated surplus	2,635,590,000	41,598,000	2,677,188,000	1,391,337,892	(1,285,850,108)	
Total Net Assets	2,637,990,000	41,598,000	2,679,588,000	1,407,127,892	(1,272,460,108)	

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

Figures in Rand	Note(s)	2023	2022
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1. Significant accounting policies

The principal accounting policies applied in the preparation of these annual financial statements are set out below.

1.1 Basis of preparations

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.

These accounting policies are consistent with the previous period.

1.2 Presentation currency

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

1.3 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.

1.4 Materiality

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.

1.5 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 statutory receivables, 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 municipality 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 statutory receivables, 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 2023

Accounting Policies

1.5 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 22 - 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 23.

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 2023

Accounting Policies

1.5 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.

1.6 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.

1.7 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 2023

Accounting Policies

1.7 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.

1.8 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

1.8 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 2023

Accounting Policies

1.8 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 11).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 11).

1.9 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

1.9 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

1.10 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

1.10 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).

1.11 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 2023

Accounting Policies

1.11 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 unitised 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

1.11 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 amortised cost

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

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.11 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

1.11 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

1.12 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.

1.13 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

1.13 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.

1.14 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.

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Accounting Policies

1.15 Cash and cash equivalents

Cash comprises cash on hand and demand deposits.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

Cash and cash equivalents comprise bank balances, cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less which are available on demand.

Some equity investments are included in cash equivalents when they are, in substance, cash equivalents.

Bank overdrafts which are repayable on demand forms an integral part of the entity's cash management activities, and as such are included as a component of cash and cash equivalents.

1.16 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.

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.

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Accounting Policies

1.16 Impairment of cash-generating assets (continued)

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.

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.

1.17 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.

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Accounting Policies

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

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.

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.

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

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.

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.

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Accounting Policies

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

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.

1.18 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.

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.

Dihlabeng Local Municipality

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Accounting Policies

1.18 Employee benefits (continued)

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.

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.

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1.18 Employee benefits (continued)

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.

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.

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Accounting Policies

1.18 Employee benefits (continued)

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).

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 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.

Dihlabeng Local Municipality

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Accounting Policies

1.19 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.

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 48. 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.

1.20 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.

Dihlabeng Local Municipality

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Accounting Policies

1.20 Commitments (continued)

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.

1.21 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.

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.

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.21 Revenue from exchange transactions (continued)

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.

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.22 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.

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.

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.22 Revenue from non-exchange transactions (continued)

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.

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.

1.23 Investment income

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

1.24 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.

1.25 Comparative figures

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

1.26 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.

1.27 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.

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.28 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:

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.

1.29 Revaluation reserve

The surplus arising from the revaluation of heritage assets is credited to a non-distributable reserve. On disposal, the net revaluation surplus is transferred to the accumulated surplus/deficit while gains or losses on disposal, based on revalued amounts, are credited or charged to the statement of financial performance.

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.30 Segment information

General Information:

Identificaion 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.

The inter-departmental transactions is transactions between the different departments within the municipality and are accounted for using the normal accounting policies used by the municipality..

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.

1.31 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.

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

The approved budget covers the fiscal period from 01/07/2023 to 30/06/2024.

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.

1.32 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.

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.32 Related parties (continued)

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.

1.33 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

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.34 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 2023

Accounting Policies

1.34 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.

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.

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.34 Living and non-living resources (continued)

- 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.

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
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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 2023 or later periods:

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• Guideline: Guideline on Accounting for Landfill Sites	01 April 2023	Unlikely there will be a material impact
• GRAP 103 (as revised): Heritage Assets	01 April 2009	Unlikely there will be a material impact
• GRAP 25 (as revised): Employee Benefits	01 April 2023	Unlikely there will be a material impact
• iGRAP 7 (as revised): Limit on defined benefit asset, minimum funding requirements and their interaction	01 April 2023	Unlikely there will be a material impact
• Guideline: Guideline on the Application of Materiality to Financial Statements	01 April 2009	Unlikely there will be a material impact
• GRAP 104 (as revised): Financial Instruments	01 April 2025	Unlikely there will be a material impact
• iGRAP 21: The Effect of Past Decisions on Materiality	01 April 2023	Unlikely there will be a material impact
• GRAP 2020: Improvements to the standards of GRAP 2020	01 April 2023	Unlikely there will be a material impact
• GRAP 1 (amended): Presentation of Financial Statements	01 April 2023	Unlikely there will be a material impact

3. Inventories

Consumable stores	448,896	440,954
Water for distribution	233,521	235,412
Fuel (Diesel, Petrol)	169,958	511,278
Water chemicals	700,686	506,010
	1,553,061	1,693,654

Inventories recognised as an expense during the year	34,274,264	24,793,568
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4. Other financial assets

Designated at fair value

Listed shares	243,261	220,415
4 169 shares in Sanlam @ R58.35 (2022 : R52.87)		
Unlisted shares	345,056	301,975
8 662 shares in Oos Vrystaat Kaap Operations Ltd @ R21.10 (2022 : R18.00)		
9 016 shares in Oos Vrystaat kaap Holdings Ltd @ R18.00 (2022 : R16.20)		
Sanlam short term deposit	1,220,078	1,220,078
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.		
	2,033,977	1,968,050

Non-current assets

Designated at fair value	588,317	522,390
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Current assets

Designated at fair value	1,445,660	1,445,660
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Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
5. Receivables from exchange transactions		
Unbilled consumption to trade debtors	12,093,296	10,354,005
Pre-paid electricity from third party vendors	2,933,337	3,802,443
Sale of property debtors	594,591	532,924
	15,621,224	14,689,372
6. Receivables from non-exchange transactions		
Other receivables from non-exchange revenue	4,936,080	8,092,001
Post office and petrol deposits	170,000	170,000
	5,106,080	8,262,001
7. Consumer debtors from exchange and non-exchange transactions		
Gross balances		
Consumer debtors from non-exchange transactions		
Rates	218,564,959	188,235,054
Consumer debtors from exchange transactions		
Electricity	71,281,213	60,004,757
Water	465,928,010	404,824,980
Sewerage	295,961,680	251,055,212
Refuse	377,165,353	318,654,359
Rentals, advertising and sundry charges	65,375,539	59,060,240
	1,494,276,754	1,281,834,602
Less: Allowance for impairment		
Consumer debtors from non-exchange transactions		
Rates	(192,384,378)	(166,862,007)
Consumer debtors from exchange transactions		
Electricity	(62,742,865)	(53,191,550)
Water	(410,117,298)	(358,859,347)
Sewerage	(260,510,211)	(222,549,284)
Refuse	(331,986,985)	(282,472,923)
Rentals, advertising and sundry charges	(57,544,598)	(52,354,278)
	(1,315,286,335)	(1,136,289,389)
Net balance		
Consumer debtors from non-exchange transactions		
Rates	26,180,581	21,373,047
Consumer debtors from exchange transactions		
Electricity	8,538,348	6,813,207
Water	55,810,712	45,965,633
Sewerage	35,451,469	28,505,928
Refuse	45,178,368	36,181,436
Rentals, advertising and sundry charges	7,830,941	6,705,962
	178,990,419	145,545,213

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
7. Consumer debtors from exchange and non-exchange transactions (continued)		
Rates		
Consumer debtors from non-exchange transactions		
Current (0 -30 days)	9,622,481	9,051,641
31 - 60 days	5,315,472	4,658,843
61 - 90 days	4,393,147	3,914,772
91 - 120 days	4,148,762	3,711,037
121 - 365 days	35,703,906	29,805,147
> 365 days	159,381,192	137,093,615
Less: Debt impairment	(192,384,379)	(166,862,008)
	26,180,581	21,373,047
Consumer debtors from exchange transactions		
Electricity		
Current (0 -30 days)	11,920,836	12,536,910
31 - 60 days	4,167,310	3,515,554
61 - 90 days	2,180,712	2,324,218
91 - 120 days	1,523,443	2,103,930
121 - 365 days	15,282,501	15,746,041
> 365 days	36,206,411	23,778,104
Less: Debt impairment	(62,742,865)	(53,191,550)
	8,538,348	6,813,207
Water		
Current (0 -30 days)	9,088,909	7,740,915
31 - 60 days	7,346,662	6,560,870
61 - 90 days	7,122,252	6,406,254
91 - 120 days	6,620,542	6,292,108
121 - 365 days	59,210,341	53,089,288
> 365 days	376,539,304	324,735,544
Less: Debt impairment	(410,117,298)	(358,859,346)
	55,810,712	45,965,633
Sewerage		
Current (0 -30 days)	6,533,853	5,581,831
31 - 60 days	5,184,929	4,379,184
61 - 90 days	4,858,795	4,132,882
91 - 120 days	4,717,620	4,002,026
121 - 365 days	39,361,713	33,810,902
> 365 days	235,304,771	199,148,387
Less: Debt impairment	(260,510,212)	(222,549,284)
	35,451,469	28,505,928
Refuse		
Current (0 -30 days)	7,237,683	6,104,302
31 - 60 days	6,237,111	5,197,990
61 - 90 days	6,061,463	5,065,123
91 - 120 days	5,863,804	4,932,418
121 - 365 days	49,565,125	42,978,720
> 365 days	302,200,167	254,375,806
Less: Debt impairment	(331,986,985)	(282,472,923)
	45,178,368	36,181,436

Dihlabeng Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2023	2022
7. Consumer debtors from exchange and non-exchange transactions (continued)		
Rental, advertising and sundry charges		
Current (0 -30 days)	1,190,779	1,000,824
31 - 60 days	747,655	623,609
61 - 90 days	715,906	594,334
91 - 120 days	679,288	572,905
121- 365 days	6,146,044	5,174,668
> 365 days	55,895,867	51,093,899
Less: Debt impairment	(57,544,598)	(52,354,277)
	7,830,941	6,705,962

Dihlabeng Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2023	2022
7. Consumer debtors from exchange and non-exchange transactions (continued)		
Summary of debtors by customer classification		
Consumers		
Current (0 -30 days)	41,283,995	37,821,105
31 - 60 days	25,781,045	21,574,493
61 - 90 days	22,302,313	19,606,479
91 - 120 days	20,856,652	18,860,217
121 - 365 days	163,295,576	159,122,215
> 365 days	1,107,356,850	941,720,992
	<u>1,380,876,431</u>	<u>1,198,705,501</u>
Less: Allowance for impairment	(1,315,286,334)	(1,136,289,389)
	<u>65,590,097</u>	<u>62,416,112</u>
National and provincial government		
Current (0 -30 days)	4,310,545	4,195,318
31 - 60 days	3,218,094	3,361,558
61 - 90 days	3,029,961	2,831,103
91 - 120 days	2,696,807	2,754,208
121 - 365 days	22,752,287	21,482,551
> 365 days	77,392,628	48,504,365
	<u>113,400,322</u>	<u>83,129,103</u>
Total		
Current (0 -30 days)	45,594,540	42,016,423
31 - 60 days	28,999,138	24,936,051
61 - 90 days	25,332,275	22,437,582
91 - 120 days	23,553,459	21,614,424
121 - 365 days	186,047,864	180,604,766
> 365 days	1,184,749,478	990,225,356
	<u>1,494,276,754</u>	<u>1,281,834,602</u>
Less: Allowance for impairment	(1,315,286,335)	(1,136,289,389)
	<u>178,990,419</u>	<u>145,545,213</u>
Less: Allowance for impairment		
Current (0 -30 days)	(10,839,559)	(8,645,651)
31 - 60 days	(12,174,013)	(9,081,938)
61 - 90 days	(12,726,025)	(10,403,407)
91 - 120 days	(14,220,096)	(12,372,403)
121 - 365 days	(157,969,793)	(138,398,619)
> 365 days	(1,107,356,849)	(957,387,371)
	<u>(1,315,286,335)</u>	<u>(1,136,289,389)</u>
Total debtor past due but not impaired		
Current (0 -30 days)	34,754,981	33,370,771
31 - 60 days	16,825,126	15,854,113
61 - 90 days	12,606,250	12,034,175
91 - 120 days	9,333,363	9,242,021
121 - 365 days	28,078,071	25,006,547
> 365 days	77,392,628	50,037,586
	<u>178,990,419</u>	<u>145,545,213</u>

Dihlabeng Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2023	2022
7. Consumer debtors from exchange and non-exchange transactions (continued)		
Reconciliation of allowance for impairment		
Balance at beginning of the year	(1,136,289,389)	(996,073,452)
Contributions to allowance	(178,996,946)	(140,215,937)
	<u>(1,315,286,335)</u>	<u>(1,136,289,389)</u>

Statutory receivables general information

Included in the receivables at 30 June 2023 is statutory receivables of R26,180,581 (2022 : R21,373,047).

Consumer debtors impaired

As of 30 June 2023, consumer debtors of R1,315,286,335 (2022: R1,136,289,389) were impaired and provided for.

The amount of the provision was R178,996,946 as of 30 June 2023 (2022: R140,215,937).

8. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	252,422	238,406
Bank balances	15,957,441	8,731,966
	<u>16,209,863</u>	<u>8,970,372</u>
Current assets	16,209,863	8,974,298
Current liabilities	-	(3,926)
	<u>16,209,863</u>	<u>8,970,372</u>

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2023	30 June 2022	30 June 2021	30 June 2023	30 June 2022	30 June 2021
ABSA Bank - Cheque account (Primary) - 405-289-8966	15,415,597	7,497,803	5,838,458	15,736,774	8,708,442	(13,796,391)
ABSA Bank - Cheque account (Project) - 100-001-0223	180,991	21,195	200,016	155,871	(3,926)	174,906
ABSA Bank - Cheque account - 40-8862-1820	64,897	27,550	200,007	64,897	27,450	199,907
Total	<u>15,661,485</u>	<u>7,546,548</u>	<u>6,238,481</u>	<u>15,957,542</u>	<u>8,731,966</u>	<u>(13,421,578)</u>

9. Biological assets that form part of an agricultural activity

	2023			2022		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Game stock	5,779,895	-	5,779,895	5,344,585	-	5,344,585

Dihlabeng Local Municipality

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

Reconciliation of biological assets that form part of an agricultural activity - 2023

	Opening balance	Gains or losses arising from changes in fair value	Total
Game stock	5,344,585	435,310	5,779,895

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

Non-financial information

Quantities of each biological asset

Game stock	2,532	2,363
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A helicopter based count were performed by the Community Service department on 27 June 2023 and the actual numbers counted were used. The Department of Economic, Small Business development, Tourism and Environmental affairs of the Free State (DESTEA) 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.

Pledged as security

No biological assets were pledged as security.

10. Investment property

	2023			2022		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	547,450,541	-	547,450,541	574,552,692	-	574,552,692

Reconciliation of investment property - 2023

	Opening balance	Disposals	Fair value adjustments	Total
Investment property	574,552,692	(1,740,000)	(25,362,151)	547,450,541

Reconciliation of investment property - 2022

	Opening balance	Total
Investment property	574,552,692	574,552,692

Pledged as security

No investment property were pledged as security.

Dihlabeng Local Municipality

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10. Investment property (continued)

Details of property

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.

Details of valuation

The effective date of the revaluations was 01 June 2023. Revaluations were performed by an independent valuer, Mr Arthur Lelosa (Professional Valuer), of Manna Holdings (Pty) Ltd. Manna Holdings are not connected to the municipality and have recent experience in location and category of the investment property being valued.

The valuation was based on open market value for existing use.

These assumptions are based on current market conditions.

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2023

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Figures in Rand

11. Property, plant and equipment

	2023			2022		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Community assets and buildings	356,393,858	(178,863,225)	177,530,633	352,605,706	(169,579,741)	183,025,965
Furniture and fittings	10,508,677	(7,204,924)	3,303,753	9,441,071	(6,472,367)	2,968,704
Infrastructure - Electrical	342,235,895	(164,327,935)	177,907,960	309,549,634	(157,688,058)	151,861,576
Infrastructure - Roads	1,052,933,191	(650,948,477)	401,984,714	1,039,020,829	(628,027,248)	410,993,581
Infrastructure - Sewer	535,800,221	(220,010,803)	315,789,418	495,841,903	(212,165,355)	283,676,548
Infrastructure - Solid waste	5,509,630	(1,595,590)	3,914,040	5,486,630	(1,504,602)	3,982,028
Infrastructure - Storm water	104,283,605	(49,248,570)	55,035,035	104,283,605	(47,843,125)	56,440,480
Infrastructure - Water	652,619,364	(230,161,386)	422,457,978	621,415,908	(218,401,530)	403,014,378
Land owned	210,954,361	-	210,954,361	210,954,361	-	210,954,361
Motor vehicles	43,329,024	(25,625,240)	17,703,784	46,250,127	(22,414,586)	23,835,541
Office equipment	16,361,839	(8,787,596)	7,574,243	12,413,787	(7,043,468)	5,370,319
Plant and equipment	11,799,667	(8,298,660)	3,501,007	10,878,303	(7,404,129)	3,474,174
Railways	48,921,029	(41,317,913)	7,603,116	48,921,029	(38,481,355)	10,439,674
Total	3,391,650,361	(1,586,390,319)	1,805,260,042	3,267,062,893	(1,517,025,564)	1,750,037,329

Dihlabeng Local Municipality

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Notes to the Annual Financial Statements

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11. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2023

	Opening balance	Additions	Disposals / write-offs	Depreciation	Total
Community assets and buildings	183,025,965	4,606,090	(450,632)	(9,650,790)	177,530,633
Furniture and fittings	2,968,704	1,235,546	(9,982)	(890,515)	3,303,753
Infrastructure - Electrical	151,861,576	32,686,260	-	(6,639,876)	177,907,960
Infrastructure - Roads	410,993,581	13,912,363	-	(22,921,230)	401,984,714
Infrastructure - Sewer	283,676,548	39,958,317	-	(7,845,447)	315,789,418
Infrastructure - Solid waste	3,982,028	23,000	-	(90,988)	3,914,040
Infrastructure - Storm water	56,440,480	-	-	(1,405,445)	55,035,035
Infrastructure - Water	403,014,378	31,203,455	-	(11,759,855)	422,457,978
Land owned	210,954,361	-	-	-	210,954,361
Motor vehicles	23,835,541	-	(347,719)	(5,784,038)	17,703,784
Office equipment	5,370,319	4,180,964	(32,002)	(1,945,038)	7,574,243
Plant and equipment	3,474,174	1,041,493	(55,744)	(958,916)	3,501,007
Railways	10,439,674	-	-	(2,836,558)	7,603,116
	1,750,037,329	128,847,488	(896,079)	(72,728,696)	1,805,260,042

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11. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	Disposals / write-offs	Classification Adjustment	Movement in WIP written-off	Depreciation	Total
Community assets and buildings	156,757,967	4,118,701	-	32,521,924	-	(10,372,627)	183,025,965
Furniture and fittings	2,032,889	1,633,220	-	55,782	-	(753,187)	2,968,704
Infrastructure - Electrical	163,861,691	346,800	-	(3,304,474)	-	(9,042,441)	151,861,576
Infrastructure - Roads	429,169,202	24,811,935	-	459,769	(16,085,299)	(27,362,026)	410,993,581
Infrastructure - Sewer	300,636,144	1,489,511	-	(4,920,751)	-	(13,528,356)	283,676,548
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	413,028,557	22,983,376	-	(20,256,022)	-	(12,741,533)	403,014,378
Land owned	210,954,361	-	-	-	-	-	210,954,361
Motor vehicles	8,226,325	19,109,869	-	(55,782)	-	(3,444,871)	23,835,541
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
	1,755,390,318	78,692,255	(325,437)	-	-	(83,719,807)	1,750,037,329

Pledged as security

No items of property, plant and equipment were pledged as security.

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

2.2 Ml Reservoir in Fouriesburg Currently awaiting funding for this project to be completed	5,074,231	5,074,231
Container Park in Bethlehem Current dispute with the contractor regarding work done and investigation into the payments done.	3,525,503	-
	8,599,734	5,074,231

Dihlabeng Local Municipality

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Figures in Rand 2023 2022

11. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2023

	Opening balance	Additions	Closing Balance
Community buildings	5,255,241	4,179,933	9,435,174
Infrastructure - Electrical	15,996,354	28,839,851	44,836,205
Infrastructure - Roads	2,306,104	13,165,692	15,471,796
Infrastructure - Sewer	9,461,978	39,958,319	49,420,297
Infrastructure - Solid waste	1,566,576	23,000	1,589,576
Infrastructure - Water	32,601,353	20,538,170	53,139,523
	67,187,606	106,704,965	173,892,571

Reconciliation of Work-in-Progress 2022

	Opening balance	Additions	Completed / written off	Closing balance
Community buildings	2,400,001	3,003,240	(148,000)	5,255,241
Infrastructure - Electrical	32,923,986	-	(16,927,632)	15,996,354
Infrastructure - Roads	24,930,144	2,306,104	(24,930,144)	2,306,104
Infrastructure - Sewer	9,461,978	-	-	9,461,978
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	26,339,288	(52,354,897)	67,187,606

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	10,598,870	8,089,087
Repairs and maintenance of other assets	5,729,688	8,293,307
	16,328,558	16,382,394

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

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Notes to the Annual Financial Statements

Figures in Rand 2023 2022

12. Intangible assets

	2023			2022		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	5,905,253	(3,787,059)	2,118,194	5,411,303	(3,174,050)	2,237,253

Reconciliation of intangible assets - 2023

	Opening balance	Additions	Amortisation	Total
Computer software, other	2,237,253	493,950	(613,009)	2,118,194

Reconciliation of intangible assets - 2022

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

Pledged as security

No intangible asset were pledged as security.

13. Heritage assets

	2023			2022		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Historical buildings	64,450,000	-	64,450,000	48,660,000	-	48,660,000

Reconciliation of heritage assets 2023

	Opening balance	Revaluation increase/(decrease)	Total
Historical buildings	48,660,000	15,790,000	64,450,000

Reconciliation of heritage assets 2022

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

Valuation of heritage assets

Valuations were performed by an independent valuer, Mr Athur Lelosa, from the firm Manna Holdings (Pty) Ltd, who holds a recognised and relevant qualification, during May 2023. A certificate to this extent was received from the above-mentioned valuator. The depreciated replacement cost method were used during the valuations.

Pledged as security

No heritage assets were pledged as security.

Dihlabeng Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2023	2022
13. Heritage assets (continued)		
Revaluations		
Historical buildings		
The effective date of the revaluation was 31/05/2023. Revaluations were performed by independent valuer, Mr Athur Lelosa, from the firm Manna Holdings (Pty) Ltd, who holds a recognised and relevant qualification, during May 2023.		
A certificate to this extent was received from the above-mentioned valuator. The depreciated replacement cost method were used during the valuations.		
The revaluation surplus relating to the heritage asset is as follows:		
Change/movement	15,790,000	-
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	-	-
14. Assets held for sale		
Unsold property held for sale	100,239,255	100,239,255
15. Statutory receivables		
VAT accrued on accounts receivable	(12,267,436)	(9,997,840)
VAT accrued on accounts payable	112,019,950	88,828,615
VAT payable to / (refundable from) SARS	(3,028,614)	(6,768,648)
Unpaid traffic fines	63,781,057	63,277,957
Provision for traffic fines not recoverable	(63,766,658)	(63,232,817)
	96,738,299	72,107,267
Current assets	96,738,299	72,107,267
Statutory receivables general information		
Reconciliation of provision for impairment for statutory receivables		
Opening balance	(63,232,817)	(62,543,430)
Provision for impairment	(533,841)	(689,387)
	(63,766,658)	(63,232,817)
16. Revaluation reserve		
Revaluation of heritage assets	15,790,000	-

Heritage assets were revalued for the first time by an independent valuer, Mr Athur Lelosa, from the firm Manna Holdings (Pty) Ltd, who holds a recognised and relevant qualification, during May 2023. A certificate to this extent was received from the above-mentioned valuator. The depreciated replacement cost method were used during the valuations.

Dihlabeng Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2023	2022
17. Other financial liabilities		
At amortised cost		
Development Bank of South Africa (DBSA)	13,781,532	19,532,433
Interest is charges at 10% per year. The loan is repayable in monthly installments of R621,615 over a period of 2 years.		
Non-current liabilities		
At amortised cost	7,026,348	13,389,213
Current liabilities		
At amortised cost	6,755,184	6,143,220
18. Finance lease obligation		
Minimum lease payments due		
- within one year	-	370,593
It is municipality policy to lease certain motor vehicles under finance leases.		
The average lease term was 0 years and the average effective borrowing rate was 8.38% (2022: 8.38%).		
19. Unspent conditional grants and receipts		
Unspent conditional grants and receipts comprises of:		
Unspent conditional grants and receipts		
Municipal Infrastructure Grant (MIG)	19,513,425	21,922,585
National Development Electrification Grant (INEP)	5,570,000	5,570,000
Water Services Infrastructure Grant (WSIG)	3,995,991	2,614,887
	29,079,416	30,107,472
Movement during the year		
Balance at the beginning of the year	30,107,472	-
Additions during the year	18,971,944	30,107,472
Income recognition during the year	(20,000,000)	-
	29,079,416	30,107,472
Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.		
See note 32 for reconciliation of grants from National/Provincial Government.		
20. Payables from exchange transactions		
Trade payables	1,163,611,050	932,232,474
Trade receivables with credit balances	21,442,447	20,069,295
Deposits on land sales	215,767	520,114
Deposits received	320,586	310,744
Sundry creditors	4,130,923	3,863,152
Salay related creditors	13,356,370	13,058,149
Accrued bonus	6,786,883	6,637,563
Retention on projects	6,398,604	5,268,603
	1,216,262,630	981,960,094

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Figures in Rand	2023	2022
21. Consumer deposits		
Water and electricity	13,581,462	12,141,519
Sundry	78,478	72,483
	13,659,940	12,214,002

22. Provisions

Reconciliation of provisions - 2023

	Opening Balance	Additions	Change in discount factor	Total
Environmental rehabilitation	9,650,641	-	2,237,967	11,888,608
Leave provision	37,195,592	427,243	-	37,622,835
	46,846,233	427,243	2,237,967	49,511,443

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

Non-current liabilities	16,610,146	5,595,765
Current liabilities	32,901,297	41,250,468
	49,511,443	46,846,233

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 218 cubic meters per day over the 25 years lifespan was used for the cost calculations
- an annual inflationary increase of 5.5% (2022 : 4.0%) 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 5.5% (2022 : 4.0%) was used of the projected costs

Dihlabeng Local Municipality

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Figures in Rand	2023	2022
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22. Provisions (continued)

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.

An assessment was done on 27 July 2023 by the firm EnviroMatrix (Pty) Ltd to estimate the total closure cost of the current dumping sites in accordance with it's licence agreements.

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23. 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	(93,918,000)	(99,658,000)
Non-current liabilities	(91,065,000)	(97,053,000)
Current liabilities	(2,853,000)	(2,605,000)
	(93,918,000)	(99,658,000)

The fair value of plan assets includes:

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

Opening balance	(99,658,000)	(89,801,000)
Benefits paid	2,881,617	2,313,543
Net expense recognised in the statement of financial performance	2,858,383	(12,170,543)
	(93,918,000)	(99,658,000)

Net expense recognised in the statement of financial performance

Current service cost	(4,660,000)	(4,427,000)
Interest cost	(11,128,000)	(9,446,000)
Actuarial (gains) / losses	18,646,383	1,702,457
	2,858,383	(12,170,543)

Key assumptions used

Assumptions used at the reporting date:

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 2023.

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 12.51% were used.

Health care cost inflation rate of 8.12% was used.

The maximum subsidy inflation rate was 5.72%.

Net-of-health-care-cost-inflation discount rate was 4.06% and the Net-of-maximum-subsidy-inflation discount rate was 6.43%.

Dihlabeng Local Municipality

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Figures in Rand	2023	2022
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23. 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 finalized and will be submitted to the Municipality once approved by the executive committee of the fund. Information could not be obtained for the other 2 funds regarding the administration nor the actuaries.

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

24. Long service leave award

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

Opening balance	(17,382,000)	(19,641,000)
Benefits paid	1,810,000	3,598,000
Net expense recognised in the statement of financial performance	(2,638,000)	(1,339,000)
	(18,210,000)	(17,382,000)

Net expense recognised in the statement of financial performance

Current service cost	(1,685,000)	(1,932,000)
Interest cost	(1,689,000)	(2,018,000)
Actuarial (gains) losses	736,000	2,611,000
	(2,638,000)	(1,339,000)

Key assumptions used:

The long service leave liability is valued on a generally accepted actuarial valuation method. Ages and gender information at 30 June 2023 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

A discount rate of 11.01% and a general long term earnings inflation of 6.44% were used in the calculations.

Dihlabeng Local Municipality

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Figures in Rand	2023	2022
25. Revenue		
Dividends received	12,728	9,193
Fines, penalties and forfeits	895,026	962,293
Government grants & subsidies	346,367,429	241,493,359
Interest received on consumer accounts	92,418,791	59,294,219
Interest received on investment	374,386	56,196
Levies	120,000	-
Licences and permits	126,736	113,818
Other income	5,161,476	8,288,560
Property rates	142,481,360	136,662,769
Rendering of services	1,435,923	1,721,744
Rental of facilities and equipment	5,740,812	5,755,737
Service charges	398,383,823	406,677,572
	993,518,490	861,035,460
The amount included in revenue arising from exchanges of goods or services are as follows:		
Dividends received	12,728	9,193
Interest received on consumer accounts	77,287,918	48,019,194
Interest received on investment	374,386	56,196
Licences and permits	126,736	113,818
Other income	5,161,476	8,288,560
Rendering of services	1,435,923	1,721,744
Rental of facilities and equipment	5,740,812	5,755,737
Service charges	398,383,823	406,677,572
	488,523,802	470,642,014
The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Interest on consumer accounts	13,150,873	11,275,025
Property rates	142,481,360	136,662,769
Transfer revenue		
Donations received	120,000	-
Fines, penalties and forfeits	895,026	962,293
Government grants & subsidies	346,367,429	241,493,359
	503,014,688	390,393,446
26. Service charges		
Sale of electricity	218,077,547	231,830,094
Sale of water	68,400,430	68,151,456
Sewerage and sanitation charges	55,717,204	52,647,022
Refuse removal	56,188,642	54,049,000
	398,383,823	406,677,572
27. Rental of facilities and equipment		
Premises		
Premises	5,740,812	5,755,737

Dihlabeng Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2023	2022
28. Interest received on consumer accounts		
Revenue from non-exchange transactions		
Property rates	15,130,873	9,867,331
Revenue from exchange transactions		
Electricity	2,342,286	1,383,605
Water	28,767,102	18,633,260
Sewerage and sanitation	18,623,632	11,890,505
Refuse	24,312,392	15,394,484
Rentals, advertising and sundry charges	3,242,506	2,125,034
	92,418,791	59,294,219
29. Other income		
Building plan fees	457,941	523,240
Clearance certificates	540,421	552,800
Encroachment charges	1,588,914	1,462,420
Escorting of abnormal freights	119,467	117,257
Insurance claims received	425,809	-
Skills development levies received	1,984,599	1,588,221
Sundry income	(42,051)	4,011,161
Tender documents, photocopies and faxes	86,376	33,461
	5,161,476	8,288,560
30. Investment revenue		
Dividend revenue		
Investments	12,728	9,193
Interest revenue		
Bank	312,719	6,306
Investments	61,667	49,890
	374,386	56,196
	387,114	65,389

Dihlabeng Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand 2023 2022

31. Property rates

Rates received

Residential	55,886,506	53,411,456
Commercial	79,424,100	76,446,028
Small holdings and farms	7,170,754	6,805,285
	142,481,360	136,662,769

Valuations

Valuations per valuation roll

	R '000	R '000
Residential	7,163,769	7,120,371
Commercial	2,836,312	2,856,350
Government	12,038	12,128
Municipal	708,582	711,752
Small holdings and farms	4,877,212	4,870,710
	15,597,913	15,571,311

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 R0.0098015 (2022: R0.00935263) is applied to residential and small holding property valuations to determine assessment rates. Rebates of R40,000 (2022 : R40,000) are granted to residential property owners and a further 25% (2022 : 25%) rebate to pensioners.

A general rate of R0.0294046 (2022 : R0.0280579) is applied to business, industrial commercial and public service infrastructure property valuations to determine assessment rates. A rebate of 100% (2022 : 100%) are granted to public service infrastructure only.

A general rate of R0.0098015 (2022 : R0.00935263) is applied to farm property valuations to determine assessment rates. Rebate of 85% (2022 : 85%) are granted to farmers and small holdings. The rebate granted to farmers are done in accordance with Section 21 of the Municipal Property Rates Act (Act nr 6 of 2004).

Rates to farmers and national government are levied on an annual basis with the final date of payment being 7 August 2023. Rates for all other consumers are levied on a monthly basis with the final day of payment before the 7th of each month. Interest at prime plus 1% per annum (2022 : 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	2023	2022
32. Government grants & subsidies		
Operating grants		
Equitable share	210,193,000	186,348,000
Expanded Public Works Program grant	5,591,000	5,176,000
Finance Management grant	2,750,000	2,650,000
Library grant	4,000,000	7,500,000
	222,534,000	201,674,000
Capital grants		
Municipal Infrastructure grant (MIG)	21,737,160	18,789,415
Department of Water Affairs grant (RBIG)	78,477,373	7,644,831
Water Service Infrastructure grant (WSIG)	23,618,896	13,385,113
	123,833,429	39,819,359
	346,367,429	241,493,359

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	5,591,000	5,176,000
Conditions met - transferred to revenue	(5,591,000)	(5,176,000)
	-	-

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

Financial Management grant

Current-year receipts	2,750,000	2,650,000
Conditions met - transferred to revenue	(2,750,000)	(2,650,000)
	-	-

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	2023	2022
32. Government grants & subsidies (continued)		
Library grant		
Current-year receipts	4,000,000	7,500,000
Conditions met - transferred to revenue	(4,000,000)	(7,500,000)
	-	-
The library grant was fully utilised during the financial year.		
Grants in kind - Free State COGTA		
Salary of acting Municipal Manager	729,858	521,326
An acting Municipal manager is seconded by Free State of COGTA.		
<ul style="list-style-type: none">• Mr Mokgathe from 1 December 2020 to 30 November 2021.• Mr Masekoane from 1 December 2022 to 28 February 2023.• Mr Goliath from 1 March 2023 to 31 July 2023.		
Municipal Infrastructure grant (MIG)		
Balance unspent at beginning of year	21,922,585	-
Current year receipts	39,328,000	40,712,000
Conditions met - transferred to revenue	(21,737,160)	(18,789,415)
Unspend withheld from Equitable share	(20,000,000)	-
	19,513,425	21,922,585
Conditions still to be met - remain liabilities (see note 19).		
Grant was not fully utilised for the rehabilitation of roads and the upgrading of cemetery and waste water facilities.		
Department of Water Affairs grant (RBIG)		
Current year receipts	78,477,373	7,644,831
Conditions met - transferred to revenue	(78,477,373)	(7,644,831)
	-	-
This grant was utilised during the year for the upgrading of the Water infrastructure network at Saulspoot.		
Water Services Infrastructure grant (WSIG)		
Balance unspent at beginning of year	2,614,887	-
Current year receipts	25,000,000	16,000,000
Conditions met - transferred to revenue	(23,618,896)	(13,385,113)
	3,995,991	2,614,887
Conditions still to be met - remain liabilities (see note 19).		
This grant was not fully utilised during the year for the upgrading of Water infrastructure network in Clarens.		
National Development Electrification grant		
Balance unspent at beginning of year	5,570,000	-
Current-year receipts	-	5,570,000
	5,570,000	5,570,000

Dihlabeng Local Municipality

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32. Government grants & subsidies (continued)

Conditions still to be met - remain liabilities (see note 19).

Changes in level of government grants

Based on the allocations set out in the Division of Revenue Act, (Act 5 of 2022), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

33. Employee related costs

Basic	207,422,178	196,464,767
Bonus	14,294,170	13,960,403
Medical aid - company contributions	24,676,075	24,032,067
UIF	1,831,347	1,845,747
WCA	2,251,264	2,775,647
SDL	3,042,876	2,979,300
Other payroll levies	108,346	100,250
Leave paid out and provision	1,658,512	2,639,263
Medical aid contribution for pensioners	4,443,989	4,427,000
Overtime payments	17,140,933	15,633,470
Long-service awards	728,599	(279,135)
Standby allowances	10,092,473	8,512,269
Acting allowances	7,738,803	8,197,692
Car allowance	8,541,811	8,349,462
Housing benefits and allowances	2,015,349	1,943,182
Arbitration awards and other incidental costs	287,471	531,203
Group life insurance	404,429	378,580
Pension fund contributions	30,404,871	30,046,248
Other allowances	773,151	3,281,519
Telephone allowances	373,600	368,700
	338,230,247	326,187,634

Remuneration of municipal manager

Annual Remuneration	435,221	1,152,315
Car Allowance	128,233	384,700
Contributions to UIF, Medical and Pension Funds	1,240	1,771
Cellphone Allowance	6,000	18,000
Leave paid out	135,414	510,882
Acting allowance KJ Masekoane	66,504	-
	772,612	2,067,668

Mr BP Molatseli as from 01 July 2022 to 31 October 2022.

Remuneration of chief finance officer

Vacant since December 2020.

Dihlabeng Local Municipality

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Figures in Rand 2023 2022

33. Employee related costs (continued)

Remuneration of director public works

Annual Remuneration	279,334	941,636
Car Allowance	78,618	314,474
Contributions to UIF, Medical and Pension Funds	886	2,125
Cellphone Allowance	3,000	12,000
Leave paid out	291,839	70,442
	653,677	1,340,677

Mr NE Shabalala from 1 July 2022 to 30 September 2022.

Remuneration of director corporate services

Annual Remuneration	519,067	941,636
Car Allowance	157,630	314,474
Contributions to UIF, Medical and Pension Funds	1,240	2,125
Cellphone Allowance	6,000	12,000
Leave paid out	423,138	35,221
Acting Allowance	-	11,236
	1,107,075	1,316,692

Me MS Mabula from 1 July 2022 to 31 December 2022.

Remuneration of director community services

Annual Remuneration	279,334	941,636
Car Allowance	78,618	314,474
Contributions to UIF, Medical and Pension Funds	886	2,125
Cellphone Allowance	3,000	12,000
Leave paid out	372,344	65,411
Acting Allowance	-	38,016
	734,182	1,373,662

Mrs MAB Mosima from 1 July 2022 to 30 September 2022.

Remuneration of director local economics development

Annual Remuneration	39,208	941,636
Car Allowance	-	314,474
Contributions to UIF, Medical and Pension Funds	354	2,125
Cellphone Allowance	-	12,000
Leave paid out	316,996	45,284
	356,558	1,315,519

Mr NP Mondi terminated 30 June 2022.

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34. Remuneration of councillors

2023	Allowance	Travel allowance	Cellphone allowance	Total
Executive Mayor	920,656	-	40,800	961,456
Speaker	736,530	-	40,800	777,330
Chief Whip	690,808	-	40,800	731,608
Chairperson Public Accounts committee	373,908	-	40,800	414,708
Chairperson Policy committee	373,908	-	40,800	414,708
Mayoral executive committee	5,098,033	140,594	309,400	5,548,027
Councillors	9,796,837	369,869	1,102,448	11,269,154
	17,990,680	510,463	1,615,848	20,116,991

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

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.

35. Depreciation, impairment and amortisation

Property, plant and equipment	72,727,507	83,719,807
Intangible assets	624,966	464,673
	73,352,473	84,184,480

36. Finance costs

Employee benefit obligation	11,128,000	9,446,000
Long service awards	1,689,000	2,018,000
Loans and finance leases	1,725,423	2,293,592
Bank	25,477	4,107
Penalties and interest on late payment of VAT and PAYE	1,272,911	1,652,321
Other interest paid	76,750,963	39,188,021
	92,591,774	54,602,041

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Figures in Rand	2023	2022
37. Debt impairment		
Contributions to debt impairment on consumer debtors from exchange transactions	141,327,108	104,284,598
Contributions to debt impairment on consumer debtors from non-exchange transactions	25,522,371	25,070,727
Contributions to debt impairment on statutory receivables	533,841	689,387
Bad debts written off	18,403,817	35,586,258
	185,787,137	165,630,970
38. Bulk purchases		
Electricity - Eskom	208,095,515	215,620,784
Water	370,768	477,168
	208,466,283	216,097,952
Electricity losses		
	Units 2023	Units 2022
Units purchased	-	128,263,641
Units sold	-	(102,429,744)
Total loss	-	25,833,897
Rand value of loss		
Technical losses	41,913,033	42,151,959
Percentage loss		
Technical losses	20.14 %	19.55 %

Dihlabeng Local Municipality

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Figures in Rand	2023	2022
39. Contracted services		
Outsourced Services		
Burial services	512,926	204,781
Catering services	221,905	-
Commissions and committees	94,899	132,989
Meter management	4,869,555	6,477,427
Occupational health and safety	95,376	31,500
Refuse removal	6,549,818	3,688,690
Security services	39,010,931	34,053,871
Consultants and Professional Services		
Business and advisory	16,823,156	25,815,442
Infrastructure and planning	2,315,818	8,018
Legal cost	7,549,464	2,567,403
Contractors		
Bore waterhole drilling	-	1,163,781
Chemicals	5,786,792	4,614,065
Catering services	184,269	59,700
Electrical	6,346,787	10,914,840
Employee wellness	29,500	67,590
Event promoters	-	152,500
Gas	-	174
Photographer	-	30,500
Prepaid electricity vendors	3,864,816	4,028,226
Sports and recreation	110,424	296,956
Stage and sound crew	58,060	356,848
	94,424,496	94,665,301
40. General expenses		
Advertising	1,065,081	157,974
Auditors remuneration	7,935,713	6,467,344
Bank charges	1,521,804	1,459,362
Bursaries	1,252,660	1,129,624
Consumables	19,142,693	12,692,636
Donations	56,080	270,000
Electricity	13,069,327	13,144,737
Entertainment	17,073	7,345
Fuel and oil	9,344,779	6,964,604
Insurance	3,354,433	642,564
License fees	729,563	802,148
Pest control	-	13,275
Postage and courier	935,388	627,819
Printing and stationery	1,213,588	1,252,156
Promotions and sponsorships	372,916	1,024,198
Property lease payments	885,005	1,112,779
Rental of equipment	15,469,614	20,139,409
Subscriptions and membership fees	3,922,289	3,607,256
Telephone and fax	5,292,602	4,537,991
Transport cost	44,170	634,640
Travel - local	856,391	759,277
Uniforms and protective clothing	1,281,247	4,622,711
	87,762,416	82,069,849
41. Gains or losses on biological assets		
Gains or losses arising from a change in fair value less point of sale costs	435,310	1,122,865

Dihlabeng Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2023	2022
42. Revaluation and fair value adjustments		
Investment property (Fair value model)	(25,362,151)	-
Other financial assets		
• Other financial assets (Designated as at FV through P&L)	65,927	52,894
	(25,296,224)	52,894
43. Auditors' remuneration		
Fees	7,935,713	6,467,344
44. Operating lease income		
Projected income from operating lease agreements		
Within one year	124,639	196,975
In second to fifth years (inclusive)	41,229	165,867
	165,868	362,842
<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>		
45. Cash generated from operations		
Deficit	(134,898,323)	(198,135,973)
Adjustments for:		
Depreciation and amortisation	73,352,473	84,184,480
Gain / (loss) on sale of assets and liabilities	2,253,803	(130,249)
Gain / (loss) on sale of biological assets	(435,310)	(1,122,865)
Gain / (loss) on actuarial valuation	(19,382,383)	(4,313,457)
Fair value adjustments	25,296,224	(52,894)
Finance costs - Finance leases and loans	16,780,390	13,489,917
Debt impairment	185,787,137	165,630,970
Movements in Employee benefit obligation	(5,740,000)	9,857,000
Movements in Long service awards	828,000	(2,259,000)
Changes in working capital:		
Inventories	140,593	185,509
Receivables from exchange transactions	(931,852)	(192,440)
Consumer debtors	(218,698,502)	(177,544,145)
Other receivables from non-exchange transactions	3,155,921	(57,574)
Statutory receivables	(24,631,032)	(5,695,085)
Payables from exchange transactions	236,731,260	213,884,795
Unspent conditional grants and receipts	(1,028,056)	9,400,950
Consumer deposits	1,445,938	1,472,798
Provision	2,665,210	(267,675)
	142,691,491	108,335,062

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46. Financial instruments disclosure

Categories of financial instruments

2023

Financial assets

	At fair value	At amortised cost	At cost	Total
Other financial assets	2,033,977	-	-	2,033,977
Trade and other receivables from exchange transactions	-	15,621,224	-	15,621,224
Other receivables from non-exchange transactions	-	4,936,080	170,000	5,106,080
Consumer debtors from exchange and non-exchange transactions	-	178,990,419	-	178,990,419
Cash and cash equivalents	-	16,209,863	-	16,209,863
	2,033,977	215,757,586	170,000	217,961,563

Financial liabilities

	At amortised cost	Total
Other financial liabilities	13,781,532	13,781,532
Trade and other payables from exchange transactions	1,216,262,630	1,216,262,630
Consumer deposits	13,659,940	13,659,940
Unspent conditional grant	29,079,416	29,079,416
	1,272,783,518	1,272,783,518

2022

Financial assets

	At fair value	At amortised cost	At cost	Total
Other financial assets	1,968,050	-	-	1,968,050
Trade and other receivables from exchange transactions	-	14,689,372	-	14,689,372
Other receivables from non-exchange transactions	-	8,092,001	170,000	8,262,001
Consumer debtors from exchange and non-exchange transactions	-	145,545,213	-	145,545,213
Cash and cash equivalents	-	8,974,298	-	8,974,298
	1,968,050	177,300,884	170,000	179,438,934

Financial liabilities

	At amortised cost	Total
Other financial liabilities	19,532,433	19,532,433
Trade and other payables from exchange transactions	981,960,093	981,960,093
Bank overdraft	3,926	3,926
Consumer deposits	12,214,002	12,214,002
Finance lease obligation	370,593	370,593
Unspent conditional grants	30,107,472	30,107,472
	1,044,188,519	1,044,188,519

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47. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
• Property, plant and equipment - Infrastructure: Community assets	2,032,643	-
• Property, plant and equipment - Infrastructure: Water	58,333,960	94,075,382
• Property, plant and equipment - Infrastructure: Roads	11,581,715	-
• Property, plant and equipment - Plant and equipment	7,185,066	-
	79,133,384	94,075,382
Total capital commitments		
Already contracted for but not provided for	79,133,384	94,075,382
Total commitments		
Total commitments		
Authorised capital expenditure	79,133,384	94,075,382

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48. Contingencies		
The following civil cases are currently being finalized:		
Telkom Limited SA: Telkom claim that a sewerage spillage damaged their equipment.	404,729	283,026
Udumo Trading 147 CC: Udumo claim that they completed a reservoir in Clarens and was not fully paid.	1,972,373	1,698,704
Tlotliso Sempe Construction CC: Regarding a claim for outstanding payment for the installation of water network to 1,000 sites in Mautse Rosendal. Outstanding amount was paid in March 2023.	-	1,950,000
Rudnat Projects CC: Regarding an outstanding payment from the water services infrastructure grant. This was paid in 2018 and the file closed in September 2021.	-	6,847,727
MVD Xariep Raadgewende Ingeneurs CC: Regarding an outstanding payment for professional services rendered to the municipality.	122,980	120,861
Hexing Electrical SA (Pty) Ltd: Regarding a claim against the municipality for cancellation of a contract to install electrical meters around Dihlabeng.	150,505,948	140,306,372
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.	2,717,665	2,322,544
Osho Agri Investments (Pty) Ltd: This case is regarding a claim for damage suffered as a result of loss of apple orchards/trees, hail nets, water and irrigation equipment, electrical infrastructure, fencing and buildings as a result of the spread of the fire from the firebreak prepared by Dihlabeng Fire brigade on 15 June 2020.	205,825,974	-
Telkom Limited SA: This case is regarding a claim for damage to Telkom infrastructure at Eeufees street, Bethlehem on 5 March 2019.	63,430	59,536
MD & AMJ Coetzer: Regarding a motor vehicle accident where a Municipal Fire Department truck was involved.	39,410	36,595
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.	308,524	284,338
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.	733,938	841,775
HT Pelatona Projects (Pty) Ltd: This case is regarding the stopping of a tender awarded to the company for the upgrading of Clarens Water Works.	4,165,993	4,165,992
Boss Directories (Pty) Ltd: This case is regarding an outstanding payment for advertorial services rendered in terms of a concluded written agreement.	682,873	-

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48. Contingencies (continued)		
AL Bartlet: This case is regarding a claim for the repair costs for his vehicle after an accident with a municipal vehicle in Bloemfontein.	220,022	-
AC de Sousa: This case is regarding claim for damages suffered as a result of an accident that occurred between a municipal vehicle and the plaintiff's vehicle.	108,170	-
Transnet SOC Limited: This case is regarding an overcharge/billing for electricity supplied. The calculated credit must be paid back in installments.	21,818,732	-
H Malan: This case is regarding a claim for damage to his motor vehicle after colliding with a large pothole.	24,361	-
N Jonker: This case is regarding the claim for a vehicle damaged beyond economical repair as a result of the vehicle collision that occurred due to the defendant failing and/or neglected to repair and/or neglected to replace a stop sign.	39,437	-
Telkom Limited SA: This case is regarding a claim for damage to Telkom infrastructure at Lamond street, Bethlehem on 23 November 2017.	217,100	-
	389,971,659	158,917,470

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49. 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 59)	63,922	121,880
Me SM Mabula (Director Corporate services)	-	971,082
Me MAB Mosima (Director Community services)	-	3,279

Provision for doubtful debts related to outstanding balances with related parties

Councillors	56,595	96,634
Me SM Mabula (Director Corporate services)	-	909,910

Donation in kind

Remuneration of Acting Municipal Manager	729,858	521,326
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An acting Municipal manager is seconded by Free State of COGTA.

- Mr Mokgathe from 1 December 2020 to 30 November 2021.
- Mr Masekoane from 1 December 2022 to 28 February 2023.
- Mr Goliath from 1 March 2023 to 31 July 2023.

Remuneration paid to related parties

Section 57 Managers (refer to Note 33)	3,624,104	7,414,218
Councillors (refer to Note 34)	20,116,991	17,556,059
Mr L Mabula (Acting allowance for CFO)	-	81,027
Mr Q Lethlatla (Acting allowance for CFO)	-	89,759
Mr V Mokhele (Acting allowance for CFO)	76,734	-
Mr M Tsatsa (Acting allowance for CFO)	39,440	-
Mr K Masekoane (Acting allowance for MM)	66,504	-
	23,923,773	25,141,063

50. Prior period errors

52 Completed assets to the cost value of R16,724,432 and accumulated depreciation of R2,327,983 and depreciation of R825,649 and 1 Work in Progress asset of R1,441,821 from 2021 and R2,083,682 from general expenditure were added to the asset register after an investigation into the existence of assets in the municipality.

Two sewer assets to the value of R5,076,178 and depreciation of R137,194 were duplicated in previous years and were removed from the register.

Sundry receivables from non-exchange transactions to the amount of R4,220,254 were written-off as they are no longer an asset for the municipality.

2 Properties with a value of R2,100,000 were identified on the list of Assets held for sale that should be part of the Investment property and these were moved to Investment Property.

The disclosure note on Commitments were corrected to agree with contracts signed and actual expenditure to date.

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

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Figures in Rand	2023	2022
50. Prior period errors (continued)		
	2022	2021
Statement of financial position		
Property, plant and equipment	12,157,320	10,762,093
Receivable from non-exchange transactions	-	(4,220,254)
Assets held for sale	-	(2,100,000)
Investment property	-	2,100,000
Opening Accumulated Surplus or Deficit	(10,762,093)	(6,541,839)
Statement of financial performance		
General expenditure	(2,083,682)	-
Depreciation	688,455	-
Cash flow statement		
Cash flow from operating activities		
Payments to suppliers	2,083,682	-
Cash flow from investing activities		
Purchase of property, plant and equipment	(2,083,682)	-
Disclosure notes to the Financial Statements		
Commitments (Note 47)	51,852,544	-

51. 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

2022

	Note	As previously reported	Re-classification	Restated
Consumer deposits	21	12,141,519	72,483	12,214,002
Consumer debtors from Non-Exchange	7	24,983,208	(3,610,161)	21,373,047
Consumer debtors from Exchange	7	120,562,005	3,610,161	124,172,166
Payables from exchange transactions	20	982,032,578	(72,483)	981,960,095
Receivables from non-exchange transactions	6	12,527,394	(45,140)	12,482,254
Statutory receivables	15	72,062,130	45,140	72,107,270
Employee benefit obligation (current liabilities)	23	-	2,605,000	2,605,000
Employee benefit obligation (non-current liabilities)	23	99,658,000	(2,605,000)	97,053,000
		1,323,966,834	-	1,323,966,834

Statement of financial performance

2022

	Note	As previously reported	Re-classification	Restated
Service changes from Exchange	26	389,621,553	17,056,019	406,677,572
Service charges from Non-Exchange	26	17,056,019	(17,056,019)	-
Interest on Consumer debtors from Exchange	28	48,019,194	1,407,694	49,426,888
Interest on Consumer debtors from Non-Exchange	28	11,275,025	(1,407,694)	9,867,331
Surplus for the year		465,971,791	-	465,971,791

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52. 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.

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 2023	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings	6,755,184	7,026,348	-	-
Trade and other payables	1,216,262,630	-	-	-
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	981,960,094	-	-	-
Finance lease liability	370,593	-	-	-

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 counter-party.

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 board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

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 are done at a fixed rate and interest rate risk will not impact the financial position of the municipality.

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52. Risk management (continued)

Price risk

The municipality is exposed to equity securities price risk because of investments held by the municipality and classified on the consolidated statement of financial position either as available-for-sale or at fair value through surplus or deficit. The municipality is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the municipality diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the municipality.

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.

Post-tax surplus for the year would increase/decrease as a result of gains or losses on equity securities classified as at fair value through surplus or deficit. Other components of equity would increase/decrease as a result of gains or losses on equity securities classified as available-for-sale.

53. Going concern

We draw attention to the fact that at 30 June 2023, the municipality had a loss of R134,898,323 (2022 : (R198,135,973) and that the municipality's current liabilities exceed its current assets by R985,846,861 (2022 : R821,937,310). In addition, the municipality owed Eskom R937,912,491 (2022 : R726,132,377), Free State Fleet Management Trading Entity R62,684,617 (2022 : R62,684,617), the Department of Water Affairs R62,293,443 (2022 : R58,439,904) and the Department of Labour R27,124,489 (2022 : R23,517,728) at 30 June 2023 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.

54. Events after the reporting date

There is no events after the reporting date.

55. Unauthorised expenditure

Opening balance as previously reported	919,327,492	651,452,569
Add: Unauthorised expenditure - current	337,784,190	267,874,923
Closing balance	1,257,111,682	919,327,492

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

Non-cash	172,658,717	111,308,095
Cash	165,125,473	156,566,828
	337,784,190	267,874,923

Analysed as follows: non-cash

Depreciation and amortisation	-	5,199,025
Loss on disposal of property, plant and equipment	27,550,027	-
Provision of impairment	132,239,137	84,971,970
Unspend conditional grant not cash backed	12,869,553	21,137,100
	172,658,717	111,308,095

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Figures in Rand	2023	2022
55. Unauthorised expenditure (continued)		
Analysed as follows: cash		
Bulk purchases	77,416,283	83,871,952
Repairs and maintenance	-	84,394
General expenditure	16,959,416	19,465,530
Employee related costs	-	6,325,852
Finance cost	70,749,774	45,596,041
Remuneration of councillors	-	1,223,059
	165,125,473	156,566,828
Disciplinary steps taken/criminal proceedings		
No disciplinary steps were taken during the year under review.		
Recoverability of unauthorised expenditure		
No amounts will be recovered.		
56. Fruitless and wasteful expenditure		
Opening balance as previously reported	180,212,574	139,097,642
Add: Fruitless and wasteful expenditure identified - current	75,811,385	41,114,932
Closing balance	256,023,959	180,212,574
Expenditure identified in the current year included those listed below:		
Interest paid	75,811,385	41,114,932
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.		
57. Irregular expenditure		
Opening balance as previously reported	619,800,888	362,971,332
Add: Irregular expenditure - current	168,961,085	219,481,390
Add: Once-off adjustment on prior years	-	37,348,166
Add: Irregular expenditure - prior year identified in current year	3,077,276	-
Closing balance	791,839,249	619,800,888

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Figures in Rand	2023	2022
57. Irregular expenditure (continued)		
Incidents/cases identified/reported in the current year include those listed below:		
No contract signed	1,017,642	-
Senior Manager without necessary qualifications	1,117,818	6,659,564
Appointment of employees without proper process followed	37,188,326	29,051,901
Actual expenditure exceeded the contract amount	22,556,292	36,877,037
Composition of bid committee	5,068,646	12,349,248
Adjudication and specification committee meeting minutes not submitted	23,938,208	-
Competitive bidding process not followed	49,524,358	133,128,155
Supplier did not submit municipal account as part of bidding process	-	146,884
Supplier non-compliant on Central Data Base	-	163,111
Cost containment measures not adhered to	-	1,105,490
Insufficient document submitted	31,627,071	-
	172,038,361	219,481,390
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.		
58. In-kind donations and assistance		
Sanitary towels	5,040	-
150 pairs of school shoes for Bohlokwa Primary Farm School	51,040	-
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 for school shoes to Motshepuwa Primary School and Rehopotswe Primary School	-	189,600
	56,080	427,100
59. Additional disclosure in terms of Municipal Finance Management Act		
Contributions to organised local government		
Opening balance	3,699,362	3,038,199
Current year subscription / fee	3,903,710	3,596,560
Amount paid - previous years	(3,699,362)	(2,935,397)
	3,903,710	3,699,362
Audit fees		
Opening balance	2,431,123	2,343,613
Current year subscription / fee	9,326,830	7,574,902
Amount paid - current year	(7,153,109)	(5,143,779)
Amount paid - previous years	(2,403,183)	(2,343,613)
	2,201,661	2,431,123

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59. Additional disclosure in terms of Municipal Finance Management Act (continued)		
PAYE and UIF		
Opening balance	3,938,602	3,795,760
Current year subscription / fee	49,843,892	49,276,626
Amount paid - current year	(46,155,755)	(45,338,024)
Amount paid - previous years	(3,938,602)	(3,795,760)
	3,688,137	3,938,602
Pension and Medical Aid Deductions		
Opening balance	6,874,652	6,842,554
Current year subscription / fee	84,990,737	83,075,418
Amount paid - current year	(77,642,463)	(76,200,766)
Amount paid - previous years	(6,874,652)	(6,842,554)
	7,348,274	6,874,652
VAT		
VAT receivable	(527,180,911)	(460,520,118)

The municipality is registered on the payments/cash basis for VAT. VAT output payables and VAT input receivables are shown in note .

All but one VAT returns have been submitted by the last business day of the month following the end of the VAT period throughout the year, but were not paid timeously.

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59. 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 2023:

30 June 2023	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
JT Sibisi	2,906	11,293	14,199
JJ Nhlapo	2,319	31,325	33,644
	5,225	42,618	47,843

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

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

30 June 2023	Highest outstanding amount	Aging (in days)
JT Sibisi	14,199	270
JJ Nhlapo	33,644	270
	47,843	540

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 Masangana	13,453	270
G Khoete	53,992	270
JJ Nhlapo	24,848	270
	135,428	1,620

60. Budget differences

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

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61. 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	10,539,053	1,609,416
Impractical	501,265	1,631,915
Sole provider	68,543	-
	11,108,861	3,241,331

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62. Segment information

Segment surplus or deficit, assets and liabilities

2023

	Public Works	Community Services	Unallocated	Total
Revenue				
External Revenue from non-exchange transactions	129,612,207	4,707,248	355,424,360	489,743,815
External Revenue from exchange transactions	344,409,945	59,015,546	7,930,394	411,355,885
Interest on consumer debtors from exchange and non-exchange transactions	49,733,019	24,312,392	18,373,379	92,418,790
Other income transactions	-	435,310	19,448,310	19,883,620
Revenue from transactions with other segments	6,745,637	31,410	16,803,304	23,580,351
Total segment revenue	530,500,808	88,501,906	417,979,747	1,036,982,461
Entity's revenue				1,036,982,461
Expenditure				
Employee cost and councilors	91,468,923	80,707,135	189,795,281	361,971,339
Finance cost	-	-	92,591,775	92,591,775
Depreciation	55,831,006	1,282,596	16,238,872	73,352,474
Debt impairment	103,287,726	50,083,727	32,415,684	185,787,137
Bulk purchases	208,466,284	-	-	208,466,284
Other expenses	59,212,710	9,294,977	157,623,737	226,131,424
Internal Charges	22,271,667	499,404	809,280	23,580,351
Total segment expenditure	540,538,316	141,867,839	489,474,629	1,171,880,784
Total segmental surplus/(deficit)	(10,037,508)	(53,365,933)	(71,494,882)	(134,898,323)
Assets				
Additions to Non-current assets	118,381,915	4,680,995	6,278,529	129,341,439
Total assets as per Statement of financial Position				129,341,439

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62. Segment information (continued)

2022

	Public Works	Community Services	Unallocated	Total
Revenue				
External Revenue from non-exchange transactions	231,377,285	8,428,367	139,312,769	379,118,421
External Revenue from exchange transactions	354,691,926	57,024,556	10,906,336	422,622,818
Interest on consumer debtors from exchange and nono-exchange transactions	31,907,370	15,394,484	11,992,365	59,294,219
Other revenue transactions	-	1,122,865	4,496,600	5,619,465
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	181,345,995	351,157,912
Finance cost	-	-	54,602,041	54,602,041
Depreciation	69,574,365	1,292,992	13,317,123	84,184,480
Debt impairment	93,787,554	44,399,780	27,443,636	165,630,970
Bulk purchases	216,097,951	-	-	216,097,951
Total other costs	56,507,191	6,541,476	130,068,877	193,117,544
Internal charges	29,157,913	579,223	1,598,501	31,335,637
Total segment expenditure	553,661,183	134,089,179	408,376,173	1,096,126,535
Total segmental surplus/(deficit)	73,013,552	(52,093,358)	(219,056,170)	(198,135,976)
Assets				
Additions to Non-current assets	50,841,288	2,378,387	25,721,317	78,940,992
Total assets as per Statement of financial Position				78,940,992

Dihlabeng Local Municipality
Appendix A - Unaudited schedule
June 2023

Schedule of external loans as at 30 June 2023

Loan Number	Redeemable	Balance at 30 June 2022	Received during the period	Redeemed written off during the period	Balance at 30 June 2023	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
		Rand	Rand	Rand	Rand	Rand	Rand
Development Bank of South Africa							
DBSA	61007269	30/06/2025	19,532,433	-	5,209,066	14,323,367	-
			19,532,433	-	5,209,066	14,323,367	-
Lease liability							
ABSA Bank	90717320	01/04/2023	171,978	-	171,978	-	-
ABSA Bank	91038728	01/06/2023	200,546	-	200,546	-	-
			372,524	-	372,524	-	-
Total external loans							
Development Bank of South Africa			19,532,433	-	5,209,066	14,323,367	-
Lease liability			372,524	-	372,524	-	-
			19,904,957	-	5,581,590	14,323,367	-