

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Statement of Financial Position as at 30 June 2024

Figures in Rand	Note(s)	2024	2023 Restated*
Assets			
Current Assets			
Inventories	3	105,428,106	101,792,316
Other financial assets	4	1,445,660	1,445,660
Receivables from exchange transactions	5	157,439,982	126,578,314
Receivables from non-exchange transactions	6	5,524,152	5,106,080
Other statutory receivables	14	2,382	14,399
Consumer debtors from exchange revenue	7	76,925,213	66,231,133
Consumer debtors from non-exchange transactions	7	13,394,052	11,347,238
Cash and cash equivalents	8	55,829,898	16,209,863
		415,989,445	328,725,003
Non-Current Assets			
Biological assets that form part of an agricultural activity	9	8,917,311	5,779,895
Investment property	10	436,650,411	440,501,211
Property, plant and equipment	11	1,818,841,215	1,806,431,081
Intangible assets	12	1,431,083	2,118,194
Heritage assets	13	64,450,000	64,450,000
Other financial assets	4	732,237	588,317
		2,331,022,257	2,319,868,698
Total Assets		2,747,011,702	2,648,593,701
Liabilities			
Current Liabilities			
Other financial liabilities	16	7,432,485	6,755,184
Payables from exchange transactions	18	535,574,754	1,213,680,724
Consumer deposits	19	14,381,701	13,659,940
Employee benefit obligation	21	3,380,000	2,853,000
Unspent conditional grants and receipts	17	25,708,546	29,079,416
Provisions	20	45,204,625	42,344,373
Long service leave award	22	2,735,000	1,751,000
Current portion of long term trade and other payables	23	255,090,013	-
		889,507,124	1,310,123,637
Non-Current Liabilities			
Other financial liabilities	16	-	7,026,348
Employee benefit obligation	21	94,116,000	91,065,000
Provisions	20	6,050,080	7,167,070
Long service leave award	22	17,421,000	16,459,000
Long term trade and other payables	23	441,237,346	-
		558,824,426	121,717,418
Total Liabilities		1,448,331,550	1,431,841,055
Net Assets		1,298,680,152	1,216,752,646
Reserves			
Revaluation reserve	15	15,790,000	15,790,000
Accumulated surplus		1,282,890,152	1,200,962,646
Total Net Assets		1,298,680,152	1,216,752,646

* See Note 52 & 51

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Statement of Financial Performance

Figures in Rand	Note(s)	2024	2023 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	25	447,123,079	398,383,823
Rendering of services		2,384,419	1,435,923
Rental of facilities and equipment	26	6,278,150	5,740,812
Interest on consumer accounts	27	99,699,089	77,287,918
Licences and permits		243,704	126,736
Other income	28	6,354,374	5,161,476
Interest received - investment	29	1,397,182	374,386
Gain on disposal of assets and liabilities		3,198,265	-
Fair value adjustments	43	143,920	-
Actuarial gains		9,158,193	19,382,383
Gain on biological assets and agricultural produce	42	3,137,416	435,310
Dividends or similar distributions received	29	13,435	12,728
Total revenue from exchange transactions		579,131,226	508,341,495
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	30	154,135,349	142,481,360
Interest - Taxation revenue	27	19,166,088	15,130,873
Transfer revenue			
Government grants & subsidies	33	329,013,428	346,367,429
Donations received in kind		-	120,000
Fines, penalties and forfeits		879,649	895,026
Debt Relief received	31	101,523,557	-
Fair value adjustment on long term liability	32	147,382,858	-
Total revenue from non-exchange transactions		752,100,929	504,994,688
Total revenue	24	1,331,232,155	1,013,336,183
Expenditure			
Employee related costs	34	(348,672,614)	(341,854,351)
Remuneration of councillors	35	(22,146,376)	(20,116,991)
Depreciation and amortisation	36	(74,859,309)	(73,283,563)
Finance costs	37	(104,763,184)	(92,591,774)
Debt Impairment	38	(261,306,690)	(214,740,393)
Bulk purchases	39	(266,733,568)	(208,466,283)
Contracted services	40	(80,629,952)	(94,424,496)
Repairs and maintenance		(7,328,219)	(16,328,558)
Loss on disposal of assets and liabilities		-	(2,253,803)
Fair value adjustments	43	-	(25,296,224)
General expenses	41	(82,864,749)	(87,762,416)
Total expenditure		(1,249,304,661)	(1,177,118,852)
Surplus (deficit) for the year		81,927,494	(163,782,669)

* See Note 52 & 51

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Statement of Changes in Net Assets

Figures in Rand	Revaluation reserve	Accumulated surplus / deficit	Total net assets
Opening balance as previously reported	-	1,460,151,324	1,460,151,324
Adjustments			
Correction of errors 51	-	(95,406,004)	(95,406,004)
Balance at 01 July 2022 as restated*	-	1,364,745,320	1,364,745,320
Changes in net assets			
Surplus for the year	-	(163,782,669)	(163,782,669)
Changes in revaluation surplus arising from changes in existing decommissioning, restoration and similar liabilities	15,790,000	-	15,790,000
Total changes	15,790,000	(163,782,669)	(147,992,669)
Opening balance as previously reported	15,790,000	1,296,368,656	1,312,158,656
Adjustments			
Correction of errors 51	-	(95,406,004)	(95,406,004)
Restated* Balance at 01 July 2023 as restated*	15,790,000	1,200,962,652	1,216,752,652
Changes in net assets			
Surplus for the year	-	81,927,494	81,927,494
Total changes	-	81,927,494	81,927,494
Balance at 30 June 2024	15,790,000	1,282,890,146	1,298,680,146

* See Note 52 & 51

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Disclosure items

Figures in Rand	Note(s)	2024	2023 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		426,501,818	407,844,984
Grants		324,721,974	345,339,373
Interest income		9,650,266	11,494,286
Dividends or similar distributions received		13,435	12,728
		<u>760,887,493</u>	<u>764,691,371</u>
Payments			
Employee costs		(375,838,720)	(359,443,176)
Suppliers		(171,382,289)	(186,745,321)
Finance costs		(90,179,597)	(75,811,384)
		<u>(637,400,606)</u>	<u>(621,999,881)</u>
Undefined difference compared to the cash generated from operations note		1,057,527	-
Net cash flows from operating activities	46	124,544,414	142,691,490
Cash flows from investing activities			
Purchase of property, plant and equipment	11	(80,663,274)	(127,596,299)
Proceeds from sale of property, plant and equipment	11	3,198,265	-
Proceeds from sale of investment property	10	-	489,565
Purchase of other intangible assets	12	-	(493,950)
Net cash flows from investing activities		(77,465,009)	(127,600,684)
Cash flows from financing activities			
Repayment of other financial liabilities		(8,057,527)	(7,459,380)
Finance lease payments		-	(391,936)
Net cash flows from financing activities		(8,057,527)	(7,851,316)
Net increase/(decrease) in cash and cash equivalents		39,021,878	7,239,490
Cash and cash equivalents at the beginning of the year		16,209,863	8,970,372
Cash and cash equivalents at the end of the year	8	55,231,741	16,209,862

* See Note 52 & 51

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

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

Statement of Financial Performance

Revenue

Revenue from exchange transactions

Service charges	499,373,000	-	499,373,000	447,123,079	(52,249,921)	Refer Note 61
Rendering of services	3,716,000	-	3,716,000	2,384,419	(1,331,581)	
Rental of facilities and equipment	6,492,000	-	6,492,000	6,278,150	(213,850)	
Interest on consumer accounts	79,072,000	-	79,072,000	99,699,089	20,627,089	Refer Note 61
Licences and permits	78,000	-	78,000	243,704	165,704	
Other income	2,123,000	-	2,123,000	6,354,374	4,231,374	
Interest received - investment	376,000	-	376,000	1,397,182	1,021,182	
Dividends or similar distributions received	27,000	-	27,000	13,435	(13,565)	

Total revenue from exchange transactions	591,257,000	-	591,257,000	563,493,432	(27,763,568)	
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Revenue from non-exchange transactions

Taxation revenue

Property rates	180,611,000	-	180,611,000	154,135,349	(26,475,651)	Refer Note 61
Interest received on consumer accounts	14,588,000	-	14,588,000	19,166,088	4,578,088	

Transfer revenue

Government grants & subsidies	367,710,000	18,503,000	386,213,000	329,013,428	(57,199,572)	Refer Note 61
Fines, Penalties and Forfeits	1,903,000	-	1,903,000	879,649	(1,023,351)	
Debt relief received	17,246,000	(4,092,000)	13,154,000	101,523,557	88,369,557	Refer Note 61
Fair value adjustments on long term liabilities	-	-	-	147,382,858	147,382,858	

Total revenue from non-exchange transactions	582,058,000	14,411,000	596,469,000	752,100,929	155,631,929	
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Total revenue	1,173,315,000	14,411,000	1,187,726,000	1,315,594,361	127,868,361	
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Expenditure

Personnel	(374,545,000)	25,563,000	(348,982,000)	(348,672,614)	309,386	
Remuneration of councillors	(20,720,000)	(2,318,000)	(23,038,000)	(22,146,376)	891,624	
Depreciation and amortisation	(88,716,000)	(1,017,000)	(89,733,000)	(74,859,309)	14,873,691	Refer Note 61
Inventory consumed	(4,790,000)	(30,993,000)	(35,783,000)	(29,798,758)	5,984,242	
Finance costs	(12,355,000)	(13,000)	(12,368,000)	(104,763,184)	(92,395,184)	Refer Note 61
Debt Impairment	(56,330,000)	(15,000,000)	(71,330,000)	(258,852,703)	(187,522,703)	Refer Note 61
Bad debts written off	(81,309,000)	78,878,000	(2,431,000)	(2,453,987)	(22,987)	
Bulk purchases	(175,000,000)	(110,685,000)	(285,685,000)	(250,094,496)	35,590,504	Refer Note 61
Contracted Services	(156,696,000)	23,826,000	(132,870,000)	(74,324,677)	58,545,323	Refer Note 61
Transfers and subsidies	(453,000)	-	(453,000)	-	453,000	
General Expenses	(49,149,000)	(26,929,000)	(76,078,000)	(83,338,557)	(7,260,557)	Refer Note 61

Total expenditure	(1,020,063,000)	(58,688,000)	(1,078,751,000)	(1,249,304,661)	(170,553,661)	
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Operating surplus	153,252,000	(44,277,000)	108,975,000	66,289,700	(42,685,300)	
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Gain on disposal of assets and liabilities	-	-	-	3,198,265	3,198,265	
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Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2024

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						
Fair value adjustments	-	-	-	143,920	143,920	
Actuarial gains/losses	-	-	-	9,158,193	9,158,193	
Gain on biological assets and agricultural produce	-	-	-	3,137,416	3,137,416	
	-	-	-	15,637,794	15,637,794	
Surplus before taxation	153,252,000	(44,277,000)	108,975,000	81,927,494	(27,047,506)	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	153,252,000	(44,277,000)	108,975,000	81,927,494	(27,047,506)	

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

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

Statement of Financial Position

Assets

Current Assets

Inventories	117,761,000	(253,000)	117,508,000	105,428,106	(12,079,894)	
Other financial assets	2,519,000	-	2,519,000	1,445,660	(1,073,340)	
Receivables from exchange transactions	-	-	-	157,439,982	157,439,982	
Receivables from non-exchange transactions	53,000	-	53,000	5,524,152	5,471,152	
Statutory receivables	356,235,000	-	356,235,000	2,382	(356,232,618)	
Consumer debtors	200,178,000	-	200,178,000	76,925,213	(123,252,787)	
Consumer debtors from non-exchange transactions	16,976,000	-	16,976,000	13,394,052	(3,581,948)	
Cash and cash equivalents	23,328,000	-	23,328,000	55,829,898	32,501,898	
	717,050,000	(253,000)	716,797,000	415,989,445	(300,807,555)	

Non-Current Assets

Biological assets that form part of an agricultural activity	-	-	-	8,917,311	8,917,311	
Investment property	572,453,000	-	572,453,000	436,650,411	(135,802,589)	
Property, plant and equipment	2,093,317,000	17,628,000	2,110,945,000	1,818,841,215	(292,103,785)	
Intangible assets	929,000	-	929,000	1,431,083	502,083	
Heritage assets	48,660,000	-	48,660,000	64,450,000	15,790,000	
Other financial assets	-	-	-	732,237	732,237	
	2,715,359,000	17,628,000	2,732,987,000	2,331,022,257	(401,964,743)	

Total Assets	3,432,409,000	17,375,000	3,449,784,000	2,747,011,702	(702,772,298)	
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Liabilities

Current Liabilities

Other financial liabilities	5,966,000	-	5,966,000	7,432,485	1,466,485	
Payables from exchange transactions	158,558,000	-	158,558,000	535,574,754	377,016,754	
Consumer deposits	12,496,000	-	12,496,000	14,381,701	1,885,701	
Employee benefit obligation	-	-	-	3,380,000	3,380,000	
Unspent conditional grants and receipts	120,000,000	-	120,000,000	25,708,546	(94,291,454)	
Provisions	-	-	-	45,204,625	45,204,625	
Long service leave award	-	-	-	2,735,000	2,735,000	
Current portion of long term trade and other payables	-	-	-	255,090,013	255,090,013	
	297,020,000	-	297,020,000	889,507,124	592,487,124	

Non-Current Liabilities

Other financial liabilities	12,063,000	-	12,063,000	-	(12,063,000)	
Employee benefit obligation	-	-	-	94,116,000	94,116,000	
Provisions	6,563,000	-	6,563,000	6,050,080	(512,920)	
Long service leave award	-	-	-	17,421,000	17,421,000	
Long term trade and other payables	-	-	-	441,237,346	441,237,346	

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2024

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						
	18,626,000	-	18,626,000	558,824,426	540,198,426	
Total Liabilities	315,646,000	-	315,646,000	1,448,331,550	1,132,685,550	
Net Assets	3,116,763,000	17,375,000	3,134,138,000	1,298,680,152	(1,835,457,848)	
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	3,114,363,000	17,375,000	3,131,738,000	1,282,890,152	(1,848,847,848)	
Total Net Assets	3,116,763,000	17,375,000	3,134,138,000	1,298,680,152	(1,835,457,848)	

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Significant Accounting Policies

Figures in Rand	Note(s)	2024	2023
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1. Significant accounting policies

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

1.1 Basis of preparation

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.

The entity does not retrospectively adjust the accounting of past items (or group of items) that were previously assessed as immaterial, unless an error occurred.

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 2024

Significant 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, payables and long term trade 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 20 - 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 21.

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 2024

Significant 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 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.

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Significant 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, its 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.

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Significant 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.

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Significant 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 disclosure items.

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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Significant 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.

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Significant 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.

Significant 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.

Long term trade and other payables are financial liabilities.

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

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Significant Accounting Policies

1.11 Financial instruments (continued)

- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

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
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.

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Significant 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.

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Significant 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, an 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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Significant 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.

Accrued interest

Where the municipality levies interest on the outstanding balance of statutory receivables, it adjusts the transaction amount after initial recognition to reflect any accrued interest. Accrued interest is calculated using the nominal interest rate.

Interest on statutory receivables is recognised as revenue in accordance with the policy on Revenue from exchange transactions or the policy on Revenue from non-exchange transactions (Taxes and transfers), whichever is applicable.

Other charges

Where the municipality is required or entitled in terms of legislation, supporting regulations, by-laws or similar means to levy additional charges on overdue or unpaid amounts, and such charges are levied, the entity applies the principles as stated in "Accrued interest" above, as well as the relevant policy on Revenue from exchange transactions or the policy on Revenue from non-exchange transactions (Taxes and transfers).

Impairment losses

The municipality assesses at each reporting date whether there is any indication that a statutory receivable, or a group of statutory receivables, may be impaired.

In assessing whether there is any indication that a statutory receivable, or group of statutory receivables, may be impaired, the municipality considers, as a minimum, the following indicators:

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1.12 Statutory receivables (continued)

- Significant financial difficulty of the debtor, which may be evidenced by an application for debt counselling, business rescue or an equivalent.
- It is probable that the debtor will enter sequestration, liquidation or other financial re-organisation.
- A breach of the terms of the transaction, such as default or delinquency in principal or interest payments (where levied).
- Adverse changes in international, national or local economic conditions, such as a decline in growth, an increase in debt levels and unemployment, or changes in migration rates and patterns.

If there is an indication that a statutory receivable, or a group of statutory receivables, may be impaired, the municipality measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable, or group of statutory receivables, is reduced, either directly or through the use of an allowance account. The amount of the losses is recognised in surplus or deficit.

In estimating the future cash flows, an municipality considers both the amount and timing of the cash flows that it will receive in future. Consequently, where the effect of the time value of money is material, the entity discounts the estimated future cash flows using a rate that reflects the current risk-free rate and, if applicable, any risks specific to the statutory receivable, or group of statutory receivables, for which the future cash flow estimates have not been adjusted.

An impairment loss recognised in prior periods for a statutory receivable is revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows.

Any previously recognised impairment loss is adjusted either directly or by adjusting the allowance account. The adjustment does not result in the carrying amount of the statutory receivable or group of statutory receivables exceeding what the carrying amount of the receivable(s) would have been had the impairment loss not been recognised at the date the impairment is revised. The amount of any adjustment is recognised in surplus or deficit.

Derecognition

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

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

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

1.13 Tax

VAT

The entity accounts for VAT on the accrual basis, and is liable for VAT on the payment basis. The entity is liable to account for VAT at the standard rate in terms of section 7(1)(a) of the Value Added Tax Act, (Act 89 of 1991) in respect of the supply of goods or services, except where the supplies are specifically zero-rated in terms of section 11 of the VAT Act, exempted in terms of section 12 of the VAT Act or are scoped out for VAT purposes. The entity accounts for VAT on a monthly basis.

1.14 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.

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1.14 Leases (continued)

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.

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.

1.15 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.

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1.15 Inventories (continued)

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

1.16 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.

1.17 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.

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1.17 Impairment of cash-generating assets (continued)

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

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

Composition of estimates of future cash flows

Estimates of future cash flows include:

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

Estimates of future cash flows exclude:

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

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

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.

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Significant Accounting Policies

1.18 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

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

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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Significant Accounting Policies

1.18 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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1.18 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.

1.19 Employee benefits

Identification

Employee benefits

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

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

Post-employment benefits are employee benefits (other than termination benefits and short-term employee benefits) that are payable after the completion of employment.

Other long-term employee benefits are all employee benefits other than short-term employee benefits, 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.

Termination benefits are employee benefits provided in exchange for the termination of an employee's employment 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 an offer of benefits in exchange for the termination of employment.

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

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

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Significant Accounting Policies

1.19 Employee benefits (continued)

Short-term employee benefits

Recognition and measurement

All 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
- As an expense, unless another Standard of GRAP requires or permits the inclusion of the benefits in the cost of an asset

Short-term paid absences

The entity recognises the expected cost of short-term employee benefits in the form of paid absences as follows:

(a) in the case of accumulating paid absences, when the employees render service that increases their entitlement to future paid absences; and

(b) in the case of non-accumulating paid absences, when the absences occur.

The entity measures the expected cost of accumulating paid absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the end of the reporting period.

Bonus, incentive and performance related payments

The entity recognises the expected cost of bonus, incentive and performance related payments when, and only when:

(a) the entity has a present legal or constructive obligation to make such payments as a result of past events; and

(b) a reliable estimate of the obligation can be made. A present obligation exists when, and only when, the entity has no realistic alternative but to make the payments.

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1.19 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

The entity classifies a multi-employer plan and/or state plan 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). If the entity participates in a multi-employer defined benefit plan, the entity:

(a) accounts 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; and

(b) disclose the information required. When sufficient information is not available to use defined benefit accounting for multi-employer defined benefit plan, the entity: (a) accounts for the plan as if it were a defined contribution plan; and (b) disclose the information required.

In determining when to recognise, and how to measure, a liability relating to the wind-up of a multi-employer defined benefit plan, or the entity's withdrawal from a multi-employer defined benefit plan, the entity applies the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets (GRAP 19).

Post-employment benefits: Defined contribution plans

Recognition and measurement

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:

(a) as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the end of the reporting period, 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

(b) as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset. When contributions to a defined contribution plan are not expected to be settled wholly before twelve months after the end of the reporting period in which the employees render the related service, they are discounted using the discount rate as specified.

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.

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.

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1.19 Employee benefits (continued)

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.

Recognition and measurement

The entity determines the net defined benefit liability (asset) with sufficient regularity that the amounts recognised in the financial statements do not differ materially from the amounts that would be determined at the end of the reporting period.

Past service cost and gains and losses on settlement

When determining past service cost, or a gain or loss on settlement, the entity remeasures the net defined benefit liability (asset) using the current fair value of plan assets and current actuarial assumptions (including current market interest rates and other current market prices), reflecting:

- (a) the benefits offered under the plan and the plan assets before the plan amendment, curtailment or settlement; and
- (b) the benefits offered under the plan and the plan assets after the plan amendment, curtailment or settlement.

Past service cost

The entity recognises past service cost as an expense at the earlier of the following dates:

- (a) when the plan amendment or curtailment occurs; and
- (b) when the entity recognises related restructuring costs or termination benefits.

Gains and losses on settlement

The entity recognises a gain or loss on the settlement of a defined benefit plan when the settlement occurs.

Recognition and measurement: Plan assets

Components of defined benefit cost

The entity recognises the components of defined benefit cost in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset, as follows:

- (a) service cost;
- (b) net interest on the net defined benefit liability (asset); and
- (c) remeasurements of the net defined benefit liability (asset).

Current service cost

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1.19 Employee benefits (continued)

The entity determines current service cost using actuarial assumptions determined at the start of the reporting period. However, if the entity remeasures the net defined benefit liability (asset) in accordance with the section on Past service cost gains and losses on settlement, it determines current service cost for the remainder of the reporting period after the plan amendment, curtailment or settlement using the actuarial assumptions used to remeasure the net defined benefit liability (asset) in accordance with the section on Past service cost gains and losses on settlement (part b).

Net interest on the net defined benefit liability (asset)

The entity determines net interest on the net defined benefit liability (asset) by multiplying the net defined benefit liability (asset) by the discount rate specified.

To determine net interest, the entity uses the net defined benefit liability (asset) and the discount rate determined at the start of the reporting period. However, if the entity remeasures the net defined benefit liability (asset) in accordance with the section on Past service cost gains and losses on settlement, the entity determines net interest for the remainder of the reporting period after the plan amendment, curtailment or settlement using:

- (a) the net defined benefit liability (asset) determined in accordance with the section on Past service cost gains and losses on settlement (part b); and
- (b) the discount rate used to remeasure the net defined benefit liability (asset) in accordance with the section on Past service cost gains and losses on settlement (part b).

In applying this, the entity also takes into account any changes in the net defined benefit liability (asset) during the period resulting from contributions or benefit payments.

Other long-term employee benefits

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.

Recognition and measurement

For other long-term employee benefits, 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:

- (a) service cost;
- (b) net interest on the net defined benefit liability (asset); and
- (c) remeasurements of the net defined benefit liability (asset).

Long service award

Recognition

A long service award is granted to municipal employees after the completion of fixed periods of continuous service with the municipality.

Measurement

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.

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Significant Accounting Policies

1.20 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 49. 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.

1.21 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

Annual Financial Statements for the year ended 30 June 2024

Significant Accounting Policies

1.21 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.

1.22 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 2024

Significant Accounting Policies

1.22 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.

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Significant Accounting Policies

1.23 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.

Interest written off as part of the municipal debt relief program are considered to be income from non-exchange transactions.

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.

Significant Accounting Policies

1.23 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.

Government grants and unspent conditional grants

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised. To qualify as a conditional grant, the conditions of the grant must be clearly stipulated including:

- The required outputs and outcomes; and
- That any unspent portion must be repaid to the grantor.

1.24 Investment income

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

1.25 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.

1.26 Comparative figures

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

1.27 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.

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Significant Accounting Policies

1.28 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.29 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.

1.30 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

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Significant Accounting Policies

1.31 Segment information

A segment is an activity of an entity:

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

General Information:

Identification of segments

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.

Segments were identified based on the Municipal Finance Management Act, section 71 monthly budget statements, which executive management and Council review to make strategic decisions and monitor segment performance. The disclosure of information about segments in the budget statements is organised around the type of service delivered, in a standardised format, and is considered appropriate for external reporting purposes to achieve the objectives of GRAP 18.

Segments are aggregated for reporting purposes where management consider the economic characteristics and nature of services as sufficiently similar to warrant aggregation. The components of each aggregated segment is explained under the description of segment operations.

Reportable segments are identified based on activities of the municipality that generate economic benefits or service potential, including internal services that contribute to achieving the municipality's objectives without necessarily generating net cash inflows.

Management does monitor performance geographically, but does not at 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 are 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.

1.32 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 an 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.

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Significant Accounting Policies

1.32 Budget information (continued)

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.

1.33 Related parties

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

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

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

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.

1.34 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.

1.35 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;

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Significant Accounting Policies

1.35 Living and non-living resources (continued)

(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.

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.

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Significant Accounting Policies

1.35 Living and non-living resources (continued)

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.
 - 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.

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Significant Accounting Policies

1.35 Living and non-living resources (continued)

(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	2024	2023
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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 2024 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 103 (as revised): Heritage Assets	01 April 2099	Unlikely there will be a material impact
• GRAP 104 (as revised): Financial Instruments	01 April 2025	Unlikely there will be a material impact

Dihlabeng Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2024	2023
3. Inventories		
Land held for sale	104,090,055	100,239,255
Consumable stores	437,496	448,896
Water for distribution	226,455	233,521
Fuel (Diesel, Petrol)	-	169,958
Water chemicals	674,100	700,686
	105,428,106	101,792,316
Inventories recognised as an expense during the year	33,647,917	34,274,264
4. Other financial assets		
Designated at fair value		
Listed shares	337,355	243,261
4 169 shares in Sanlam @ R80.92 (2023 : R58.35)		
Unlisted shares	394,882	345,056
8 662 shares in Oos Vrystaat Kaap Operations Ltd @ R24.25 (2023 : R21.10)		
9 016 shares in Oos Vrystaat Kaap Holdings Ltd @ R20.50 (2023 : R18.00)		
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.		
	2,177,897	2,033,977
Non-current assets		
Designated at fair value	732,237	588,317
Current assets		
Designated at fair value	1,445,660	1,445,660
5. Receivables from exchange transactions		
Unbilled consumption to trade debtors	14,776,759	12,093,296
Pre-paid electricity from third party vendors	3,484,839	2,933,337
Input VAT accrual on creditors	136,883,111	110,957,090
Prepaid expenses	1,631,880	-
Sale of property debtors	663,393	594,591
	157,439,982	126,578,314
6. Receivables from non-exchange transactions		
Other receivables from non-exchange revenue	4,503,568	4,936,080
Government grants and subsidies	920,584	-
Post office and petrol deposits	100,000	170,000
	5,524,152	5,106,080

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Notes to the Annual Financial Statements

Figures in Rand	2024	2023
7. Consumer debtors from exchange and non-exchange transactions		
Gross balances		
Consumer debtors from non-exchange transactions		
Rates	264,481,079	218,564,959
Consumer debtors from exchange transactions		
Electricity	95,493,444	71,281,213
Water	544,987,977	465,928,010
Sewerage	352,788,707	295,961,680
Refuse	451,746,824	377,165,353
Rentals, advertising and sundry charges	73,960,557	65,375,539
	1,783,458,588	1,494,276,754
Less: Allowances for impairment		
Consumer debtors from non-exchange transactions		
Rates	(251,087,027)	(207,217,721)
Consumer debtors from exchange transactions		
Electricity	(90,657,393)	(67,580,506)
Water	(517,388,282)	(441,738,424)
Sewerage	(334,922,513)	(280,596,236)
Refuse	(428,869,118)	(357,584,058)
Rentals, advertising and sundry charges	(70,214,990)	(61,981,438)
	(1,693,139,323)	(1,416,698,383)
Net balance		
Consumer debtors from non-exchange transactions		
Rates	13,394,052	11,347,238
Consumer debtors from exchange transactions		
Electricity	4,836,051	3,700,707
Water	27,599,695	24,189,586
Sewerage	17,866,194	15,365,444
Refuse	22,877,706	19,581,295
Rentals, advertising and sundry charges	3,745,567	3,394,101
	90,319,265	77,578,371
Rates		
Consumer debtors from non-exchange transactions		
Current (0 -30 days)	11,680,685	9,622,481
31 - 60 days	5,916,533	5,315,472
61 - 90 days	5,040,385	4,393,147
91 - 120 days	4,714,148	4,148,762
121 - 365 days	51,698,551	35,703,906
> 365 days	185,430,777	159,381,192
Less: Debt impairment	(251,087,027)	(207,217,722)
	13,394,052	11,347,238
Consumer debtors from exchange transactions		
Electricity		
Current (0 -30 days)	16,366,961	11,920,836
31 - 60 days	3,543,780	4,167,310
61 - 90 days	2,448,755	2,180,712
91 - 120 days	1,985,818	1,523,443
121 - 365 days	19,516,349	15,282,501
> 365 days	51,631,781	36,206,411
Less: Debt impairment	(90,657,393)	(67,580,506)
	4,836,051	3,700,707

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
Water		
Current (0 -30 days)	10,309,892	9,088,909
31 - 60 days	8,328,795	7,346,662
61 - 90 days	8,724,894	7,122,252
91 - 120 days	8,004,470	6,620,542
121 - 365 days	65,585,018	59,210,341
> 365 days	444,034,908	376,539,304
Less: Debt impairment	(517,388,282)	(441,738,424)
	27,599,695	24,189,586
Sewerage		
Current (0 -30 days)	7,219,291	6,533,853
31 - 60 days	5,802,978	5,184,929
61 - 90 days	5,489,666	4,858,795
91 - 120 days	5,355,734	4,717,620
121 - 365 days	46,314,148	39,361,713
> 365 days	282,606,890	235,304,771
Less: Debt impairment	(334,922,513)	(280,596,237)
	17,866,194	15,365,444
Refuse		
Current (0 -30 days)	8,079,414	7,237,683
31 - 60 days	7,085,441	6,237,111
61 - 90 days	6,857,995	6,061,463
91 - 120 days	6,749,587	5,863,804
121 - 365 days	59,337,327	49,565,125
> 365 days	363,637,060	302,200,167
Less: Debt impairment	(428,869,118)	(357,584,058)
	22,877,706	19,581,295
Rental, advertising and sundry charges		
Current (0 -30 days)	1,216,640	1,190,779
31 - 60 days	967,734	747,655
61 - 90 days	800,265	715,906
91 - 120 days	762,127	679,288
121- 365 days	7,289,488	6,146,044
> 365 days	62,924,303	55,895,867
Less: Debt impairment	(70,214,990)	(61,981,438)
	3,745,567	3,394,101

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
Summary of debtors by customer classification		
Consumers		
Current (0 -30 days)	50,279,864	41,283,995
31 - 60 days	28,040,760	25,781,045
61 - 90 days	26,067,589	22,302,313
91 - 120 days	24,663,943	20,856,652
121 - 365 days	214,276,629	163,295,576
> 365 days	1,301,030,144	1,107,356,850
	1,644,358,929	1,380,876,431
Less: Allowance for impairment	(1,564,307,397)	(1,315,286,334)
	80,051,532	65,590,097
National and provincial government		
Current (0 -30 days)	4,592,854	4,310,545
31 - 60 days	3,604,502	3,218,094
61 - 90 days	3,294,370	3,029,961
91 - 120 days	2,907,941	2,696,807
121 - 365 days	35,464,252	22,752,287
> 365 days	89,235,574	77,392,629
	139,099,493	113,400,323
Less: Allowance for impairment	(128,831,925)	(101,412,049)
	10,267,568	11,988,274
Total		
Current (0 -30 days)	54,872,883	45,594,540
31 - 60 days	31,645,262	28,999,138
61 - 90 days	29,361,959	25,332,275
91 - 120 days	27,571,884	23,553,459
121 - 365 days	249,740,882	186,047,864
> 365 days	1,390,265,718	1,184,749,478
	1,783,458,588	1,494,276,754
Less: Allowance for impairment	(1,693,139,323)	(1,416,698,383)
	90,319,265	77,578,371
Less: Allowance for impairment		
Current (0 -30 days)	(12,103,252)	(11,240,001)
31 - 60 days	(13,765,759)	(12,640,274)
61 - 90 days	(15,897,628)	(13,250,418)
91 - 120 days	(18,541,800)	(15,367,123)
121 - 365 days	(242,565,166)	(179,451,089)
> 365 days	(1,390,265,718)	(1,184,749,478)
	(1,693,139,323)	(1,416,698,383)
Total debtor past due but not impaired		
Current (0 -30 days)	42,769,631	34,354,539
31 - 60 days	17,879,503	16,358,864
61 - 90 days	13,464,331	12,081,857
91 - 120 days	9,030,084	8,186,336
121 - 365 days	7,175,715	6,596,775
	90,319,264	77,578,371

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
Reconciliation of allowance for impairment		
Balance at beginning of the year	(1,416,698,383)	(1,206,462,244)
Contributions to allowance	(276,440,940)	(210,236,139)
	(1,693,139,323)	(1,416,698,383)

Statutory receivables general information

Included in the receivables at 30 June 2024 is statutory receivables of R6,724,347 (2023 : R5,902,467).

Rates:

Revenue type - Non-exchange revenue.

Legislation that gives rise to the transactions - Municipal Property Rates Act (Act 6 of 2004).

Rates and interest charges - Municipal Tariff Policy, Interest charged.

Impairment consideration - Individual collection rates, interest charged at discount rate.

Interest or other charges levied/charged

Interest was only charged on outstanding rates accounts. No other levies were charged.

Reconciliation of provision for impairment

Relating specifically to Statutory Receivables

Opening balance	207,217,721	177,166,762
Provision for impairment	43,869,306	30,050,959
	251,087,027	207,217,721

Receivables impaired

Relating specifically to Statutory Receivables

As of 30 June 2024, statutory receivables of R251,087,027 (2023: R207,217,721) were impaired and provided for.

The amount of the provision was R43,869,306 30 June 2024 (2023: R30,050,959).

Consumer debtors impaired

As of 30 June 2024, consumer debtors of R1,693,139,323 (2023: R1,416,698,383) were impaired and provided for.

The amount of the provision was R276,440,940 as of 30 June 2024 (2023: R280,408,994).

8. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	263,249	252,422
Bank balances	55,566,649	15,957,441
	55,829,898	16,209,863

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2024	30 June 2023	30 June 2022	30 June 2024	30 June 2023	30 June 2022
ABSA Bank - Cheque account (Primary) - 405-289-8966	6,504,174	15,415,597	7,497,803	10,644,325	15,736,774	8,708,442
ABSA Bank - Cheque account (Project) - 100-001-0223	44,947,422	180,991	21,195	44,922,302	155,871	(3,926)
ABSA Bank - Cheque account - 40-8862-1820	122	64,897	27,550	22	64,897	27,450
Total	51,451,718	15,661,485	7,546,548	55,566,649	15,957,542	8,731,966

9. Biological assets that form part of an agricultural activity

	2024			2023		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Game stock	8,917,311	-	8,917,311	5,779,895	-	5,779,895

Reconciliation of biological assets that form part of an agricultural activity - 2024

	Opening balance	Gains or losses arising from changes in fair value	Total
Game stock	5,779,895	3,137,416	8,917,311

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

Non-financial information

Quantities of each biological asset

Game stock	2,789	2,532
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A foot based count were performed by the Community Service department and the rangers from Golden Gate National Park on 27 June 2024 and the actual numbers counted were used. The field rangers from Golden Gate Highlands National Park assists the municipality in managing the Wolhutterskop Private Nature Reserve by giving a report indicating which animals should be removed and / or culled during the next financial year.

The game stock are all kept at Wolhutterskop Nature reserve and are open to the public to visit at an entry fee per vehicle.

Pledged as security

No biological assets were pledged as security.

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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10. Investment property

	2024			2023		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	436,650,411	-	436,650,411	440,501,211	-	440,501,211

Reconciliation of investment property - 2024

	Opening balance	Transfers to inventory	Total
Investment property	440,501,211	(3,850,800)	436,650,411

Reconciliation of investment property - 2023

	Opening balance	Disposals	Fair value adjustments	Total
Investment property	467,603,362	(1,740,000)	(25,362,151)	440,501,211

Pledged as security

No investment property were pledged as security.

Re-classification of Investment property to inventory

A council resolution was taken to put land parcels in Bakenpark Ext 6 (165 residential sites) and Panorama East (15 residential sites) available for purchase via tender process. Refer to tender LED001/2024.

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.

Amounts recognised in surplus and deficit for the year.

Rental revenue from investment property	1,935,231	1,928,666
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Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand

11. Property, plant and equipment

	2024			2023		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Community assets and buildings	362,312,217	(188,650,955)	173,661,262	356,222,355	(178,801,792)	177,420,563
Furniture and fittings	10,716,505	(8,238,032)	2,478,473	10,508,677	(7,204,924)	3,303,753
Infrastructure - Electrical	356,286,944	(171,000,965)	185,285,979	342,235,895	(164,327,935)	177,907,960
Infrastructure - Roads	1,060,253,202	(674,253,131)	386,000,071	1,052,129,539	(650,918,234)	401,211,305
Infrastructure - Sewer	495,841,902	(227,856,228)	267,985,674	495,841,903	(220,010,803)	275,831,100
Infrastructure - Solid waste	5,509,630	(1,686,578)	3,823,052	5,509,630	(1,595,590)	3,914,040
Infrastructure - Storm water	103,886,118	(50,638,115)	53,248,003	103,886,118	(49,240,620)	54,645,498
Infrastructure - Water	736,000,311	(232,686,691)	503,313,620	695,021,737	(230,161,386)	464,860,351
Land owned	210,954,361	-	210,954,361	210,954,361	-	210,954,361
Motor vehicles	49,112,052	(31,190,998)	17,921,054	43,329,024	(25,625,240)	17,703,784
Office equipment	17,506,002	(11,150,322)	6,355,680	16,361,839	(8,787,596)	7,574,243
Plant and equipment	12,474,043	(9,426,615)	3,047,428	11,799,667	(8,298,660)	3,501,007
Railways	48,921,029	(44,154,471)	4,766,558	48,921,029	(41,317,913)	7,603,116
Total	3,469,774,316	(1,650,933,101)	1,818,841,215	3,392,721,774	(1,586,290,693)	1,806,431,081

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand

Reconciliation of property, plant and equipment - 2024

	Opening balance	Additions	Depreciation	Total
Community assets and buildings	177,420,563	6,089,863	(9,849,164)	173,661,262
Furniture and fittings	3,303,753	207,828	(1,033,108)	2,478,473
Infrastructure - Electrical	177,907,960	14,051,049	(6,673,030)	185,285,979
Infrastructure - Roads	401,211,305	8,123,664	(23,334,898)	386,000,071
Infrastructure - Sewer	275,831,100	-	(7,845,426)	267,985,674
Infrastructure - Solid waste	3,914,040	-	(90,988)	3,823,052
Infrastructure - Storm water	54,645,498	-	(1,397,495)	53,248,003
Infrastructure - Water	464,860,351	50,508,361	(12,055,092)	503,313,620
Land owned	210,954,361	-	-	210,954,361
Motor vehicles	17,703,784	5,783,028	(5,565,758)	17,921,054
Office equipment	7,574,243	1,144,163	(2,362,726)	6,355,680
Plant and equipment	3,501,007	674,376	(1,127,955)	3,047,428
Railways	7,603,116	-	(2,836,558)	4,766,558
	1,806,431,081	86,582,332	(74,172,198)	1,818,841,215

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand

Reconciliation of property, plant and equipment - 2023

	Opening balance	Additions	Disposals / write-off's	Classification Adjustment (*)	Depreciation	Total
Community assets and buildings	182,885,179	4,606,090	(450,632)	-	(9,620,074)	177,420,563
Furniture and fittings	2,968,704	1,235,547	(9,982)	-	(890,516)	3,303,753
Infrastructure - Electrical	151,861,577	32,686,259	-	-	(6,639,876)	177,907,960
Infrastructure - Roads	410,189,929	13,912,363	-	-	(22,890,987)	401,211,305
Infrastructure - Sewer	283,676,547	32,872,586	-	(32,872,586)	(7,845,447)	275,831,100
Infrastructure - Solid waste	3,982,028	23,000	-	-	(90,988)	3,914,040
Infrastructure - Storm water	56,042,993	-	-	-	(1,397,495)	54,645,498
Infrastructure - Water	412,544,165	31,203,455	-	32,872,586	(11,759,855)	464,860,351
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
	1,758,225,191	121,761,757	(896,079)	-	(72,659,788)	1,806,431,081

* During the 2023 year these additions were wrongly classified as Sewer projects, but should be Water projects, this is now corrected.

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

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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Reconciliation of Work-in-Progress 2024

	Opening balance	Additions	Completed	Closing Balance
Community buildings	9,957,438	6,042,162	(7,457,792)	8,541,808
Infrastructure - Electrical	44,836,205	14,051,049	(1,154,490)	57,732,764
Infrastructure - Roads	15,471,796	8,123,662	(23,595,458)	-
Infrastructure - Sewer	9,461,978	-	-	9,461,978
Infrastructure - Solid waste	1,589,576	-	-	1,589,576
Infrastructure - Water	95,541,896	50,508,360	-	146,050,256
	176,858,889	78,725,233	(32,207,740)	223,376,382

Reconciliation of Work-in-Progress 2023

	Opening balance	Additions	Re-classification of additions (*)	Closing balance
Community buildings	5,777,505	4,179,933	-	9,957,438
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	32,872,586	(32,872,586)	9,461,978
Infrastructure - Solid waste	1,566,576	23,000	-	1,589,576
Infrastructure - Water	42,131,140	20,538,170	32,872,586	95,541,896
	77,239,657	99,619,232	-	176,858,889

* During the 2023 year these additions were wrongly classified as Sewer projects, but should be Water projects, this is now corrected.

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	5,089,872	10,598,870
Repairs and maintenance of other assets	2,238,347	5,729,688
	7,328,219	16,328,558

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

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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12. Intangible assets

	2024			2023		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	5,905,253	(4,474,170)	1,431,083	5,905,253	(3,787,059)	2,118,194

Reconciliation of intangible assets - 2024

	Opening balance	Amortisation	Total
Computer software, other	2,118,195	(687,112)	1,431,083

Reconciliation of intangible assets - 2023

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

Pledged as security

No intangible assets were pledged as security.

13. Heritage assets

	2024			2023		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Historical buildings	64,450,000	-	64,450,000	64,450,000	-	64,450,000

Reconciliation of heritage assets 2024

	Opening balance	Total
Historical buildings	64,450,000	64,450,000

Reconciliation of heritage assets 2023

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

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

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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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:

Opening balance	15,790,000	-
Change/movement	-	15,790,000
Closing balance	15,790,000	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	-	-
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14. Statutory receivables

The entity had the following statutory receivables where the Framework for the Preparation and Presentation of Financial Statements have been applied, for the initial recognition:

Unpaid traffic fines	64,448,507	63,781,057
Provision for traffic fines not recoverable	(64,446,125)	(63,766,658)
	2,382	14,399

Current assets	2,382	14,399
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Statutory receivables general information

Transaction(s) arising from statute

Traffic fines arises from fines revenue in accordance with Section 341 of the Criminal procedure Act (Act 51 of 1977) and National Traffic Act (Act 93 of 1996).

Determination of transaction amount

The fines amount are determined in accordance with the Administrative Adjudication of Road Traffic Offences Act, 1998.

Interest or other charges levied/charged

The Administrative Adjudication of Road Traffic Offences Act determines rates and no interest or other levies are charged.

Basis used to assess and test whether a statutory receivable is impaired

The collection rate of the outstanding traffic fines balance as a whole is considered based on past collection experiences, thereafter discounting is considered in terms of materiality.

Statutory receivables past due but not impaired

All traffic fines are impaired based on expected collection of these fines which is very low.

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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Statutory receivables impaired

As of 30 June 2024, Statutory receivables from traffic fines of R679,467 (2023: R533,841) were impaired and provided for.

The amount of the unpaid traffic fine provision was R64,446,125 as of 30 June 2024 (2023: R63,766,658).

The ageing of these traffic fines is as follows:

0 to 6 months	377,000	226,700
Over 6 months	64,071,507	63,554,357

Reconciliation of provision for impairment for statutory receivables

Opening balance	(63,766,658)	(63,232,817)
Provision for impairment	(679,467)	(533,841)
	(64,446,125)	(63,766,658)

15. Revaluation reserve

Opening balance	15,790,000	-
Revaluation of heritage assets	-	15,790,000
	15,790,000	15,790,000

Heritage assets were revalued 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.

16. Other financial liabilities

At amortised cost

Development Bank of South Africa (DBSA)	7,432,485	13,781,532
Interest is charges at 10% per year and an additional 2% are levied on any late payments. The loan is repayable in monthly installments of R621,615 over a period of 1 year.		

Non-current liabilities

At amortised cost	-	7,026,348
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Current liabilities

At amortised cost	7,432,485	6,755,184
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17. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

Municipal Infrastructure Grant (MIG)	7,605,546	19,513,425
Municipal Disaster Response Grant (MDRG)	16,853,000	-
Water Services Infrastructure Grant (WSIG)	-	3,995,991
National Development Electrification Grant (INEP)	1,250,000	5,570,000
	25,708,546	29,079,416

Dihlabeng Local Municipality

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Figures in Rand	2024	2023
Movement during the year		
Balance at the beginning of the year	29,079,416	30,107,472
Additions during the year	26,629,130	18,971,944
Income recognition during the year	(30,000,000)	(20,000,000)
	25,708,546	29,079,416

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note 33 for reconciliation of grants from National/Provincial Government.

18. Payables from exchange transactions

Trade payables	456,802,743	1,155,462,459
Trade receivables with credit balances	23,498,460	21,442,447
Deposits on land sales	215,767	215,767
Deposits received	229,099	320,586
Sundry creditors	21,770,671	4,130,923
Salary related creditors	5,307,905	13,356,370
Accrued bonus	6,870,196	6,786,883
Retention on projects	13,736,687	6,398,604
VAT control - payable to SARS	1,846,680	1,015,076
Output VAT accrual on consumer debtors	131,352,224	112,339,583
Output VAT accrual - Provision for doubtful debt impairment	(126,055,678)	(107,787,974)
	535,574,754	1,213,680,724

19. Consumer deposits

Water and electricity	14,328,617	13,581,462
Sundry	53,084	78,478
	14,381,701	13,659,940

20. Provisions

Reconciliation of provisions - 2024

	Opening Balance	Additions	Change in discount factor	Total
Environmental rehabilitation	11,888,608	-	(13,747)	11,874,861
Leave provision	37,622,835	1,757,009	-	39,379,844
	49,511,443	1,757,009	(13,747)	51,254,705

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

Non-current liabilities	6,050,080	7,167,070
Current liabilities	45,204,625	42,344,373
	51,254,705	49,511,443

Environmental rehabilitation provision

Dihlabeng Local Municipality

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Figures in Rand	2024	2023
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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 30 years (2023 : 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 30 years
- an average disposal tempo of 150 cubic meters/day over the remaining 16 years lifespan was used for the cost calculations
- an annual inflationary increase of 6.0% (2023 : 5.5%) 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 6.0% (2023 : 5.5%) was used of the projected costs
- This site needs to be closed in the near future and the municipality is in the process of establishing a new site and obtaining the necessary licences.

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 16 August 2024 by the firm EnviroMatrix (Pty) Ltd to estimate the total closure cost of the current dumping sites in accordance with it's licence agreements.

21. Employee benefit obligations

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

Carrying value

Present value of the defined benefit obligation	(97,496,000)	(93,918,000)
Non-current liabilities	(94,116,000)	(91,065,000)
Current liabilities	(3,380,000)	(2,853,000)
	(97,496,000)	(93,918,000)

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

Opening balance	(93,918,000)	(99,658,000)
Service cost	(4,068,000)	(4,660,000)
Interest cost	(11,576,000)	(11,128,000)
Remeasurements	9,334,193	18,646,383
Contributions by employer	2,731,807	2,881,617
	(97,496,000)	(93,918,000)

Dihlabeng Local Municipality

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Figures in Rand	2024	2023
Net expense recognised in the statement of financial performance are as follows:		
Service cost	(4,068,000)	(4,660,000)
- Current service cost	(4,068,000)	(4,660,000)
Net interest on the net defined benefit liability (asset)	(11,576,000)	(11,128,000)
Remeasurements of the net defined benefit liability (asset)	9,334,193	18,646,383
- Actuarial gains and losses arising from:	9,334,193	18,646,383
- Changes in financial assumptions	2,603,193	16,666,383
- Subsidy inflation increases differ from assumed	(657,000)	260,000
- Change in membership profile	7,388,000	1,720,000
	(6,309,807)	2,858,383

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	12.65 %	12.51 %
Health care cost inflation	8.07 %	8.12 %
Maximum subsidy inflation rates	5.68 %	5.72 %
Net-of-health-care-cost-inflation discount rate	4.24 %	4.06 %
Net-of-maximum-subsidy-inflation discount rate	6.60 %	6.43 %

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 2024.

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

The basis on which the discount rate has been determined is as follow:

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

Defined contribution plans

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.

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

Dihlabeng Local Municipality

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Figures in Rand	2024	2023
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22. Long service leave award

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

Carrying value

Present value of the defined benefit obligation	(20,156,000)	(18,210,000)
Non-current liabilities	(17,421,000)	(16,459,000)
Current liabilities	(2,735,000)	(1,751,000)
	(20,156,000)	(18,210,000)

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

Opening balance	(18,210,000)	(17,382,000)
Service cost	(1,610,000)	(1,685,000)
Interest cost	(1,911,000)	(1,689,000)
Remeasurements	(176,000)	736,000
Expected benefits vesting	1,751,000	1,810,000
	(20,156,000)	(18,210,000)

Net expense recognised in the statement of financial performance are as follows:

Service cost	(1,610,000)	(1,685,000)
- Current service cost	(1,610,000)	(1,685,000)
Net interest on the net defined benefit liability (asset)	(1,911,000)	(1,689,000)
Remeasurements of the net defined benefit liability (asset)	(176,000)	736,000
- Actuarial gains and losses arising from:	(176,000)	736,000
- Changes in financial assumptions	115,000	1,289,000
- Earnings vs expected	140,000	59,000
- Change in employee profile	(431,000)	(612,000)
	(3,697,000)	(2,638,000)

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	10.89 %	11.01 %
CPI inflation rate	5.19 %	5.44 %
General earnings inflation rate	6.19 %	6.44 %
Net discount rate	4.42 %	4.29 %

The Municipality offers employees Long Service Award (LSA) for every five years of service completed, from five years of service to 45 years of service, inclusive. In the month that each "Completed Service" milestone is reached, the employee is granted an LSA. Working days awarded are valued at 1/250th of annual earnings per day. The Municipality does not pay any pro-rata LSA.

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 LSA 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 calculations
- mortality, retirements and withdrawals from service are also taken into account
- the liability is determined on the basis that each employee's long service benefits accrues uniformly over the working life of an employee up to the end of the interval at which the benefits becomes payable
- the current policy for awarding long service awards remains unchanged in the future

Dihlabeng Local Municipality

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Figures in Rand	2024	2023
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23. Long term trade and other payables

Eskom Debt Relief - Non-current portion	441,237,346	-
	441,237,346	-
Eskom Debt Relief - Current portion	255,090,013	-
	255,090,013	-

The municipality has applied for debt relief from National Treasury in terms of Circular 124 of the MFMA with regards to the outstanding Eskom account. The debt relief was approved on the 19th of December 2023, effective from 1 December 2023. According to the agreement, the municipality must pay the current Eskom account for the next three financial years, then Eskom will write-off the debt (R843,710,217) over the next three municipal financial years. Eskom will also not charge any interest on the amount outstanding as at 31 March 2023. The municipality must keep the current account up to date from December 2023 and then Eskom will write-off one third each year over a 3 year period

Management used a discount rate of 10.25% to account for the fair value of this long term debt.

24. Revenue

Dividends received	13,435	12,728
Fines, penalties and forfeits	879,649	895,026
Government grants & subsidies	329,013,428	346,367,429
Interest received on consumer accounts	118,865,177	92,418,791
Interest received on investment	1,397,182	374,386
Donations received	-	120,000
Licences and permits	243,704	126,736
Other income	6,354,374	5,161,476
Debt relief received	101,523,557	-
Fair value adjustments on long term trade payables	147,382,858	-
Property rates	154,135,349	142,481,360
Rendering of services	2,384,419	1,435,923
Rental of facilities and equipment	6,278,150	5,740,812
Service charges	447,123,079	398,383,823
	1,315,594,361	993,518,490

The amount included in revenue arising from exchanges of goods or services are as follows:

Dividends received	13,435	12,728
Interest received on consumer accounts	99,749,089	77,287,918
Interest received on investment	1,397,182	374,386
Licences and permits	243,704	126,736
Other income	6,354,374	5,161,476
Rendering of services	2,384,419	1,435,923
Rental of facilities and equipment	6,278,150	5,740,812
Service charges	447,123,079	398,383,823
	563,543,432	488,523,802

Dihlabeng Local Municipality

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Figures in Rand	2024	2023
The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Interest received on consumer accounts	19,116,088	15,130,873
Property rates	154,135,349	142,481,360
Transfer revenue		
Donations received	-	120,000
Fines, penalties and forfeits	879,649	895,026
Government grants & subsidies	329,013,428	346,367,429
Debt relief received	101,523,557	-
Fair value adjustments on long term trade payable	147,382,858	-
	752,050,929	504,994,688
25. Service charges		
Sale of electricity	252,581,339	218,077,547
Sale of water	74,316,199	68,400,430
Sewerage and sanitation charges	59,513,285	55,717,204
Refuse removal	60,712,256	56,188,642
	447,123,079	398,383,823
26. Rental of facilities and equipment		
Premises		
Premises	6,278,150	5,740,812
27. Interest received on consumer accounts		
Revenue from non exchange transactions		
Property rates	19,166,088	15,130,873
Revenue from exchange transactions		
Electricity	3,009,547	2,342,286
Water	36,500,530	28,767,102
Sewerage and sanitation	24,200,345	18,623,632
Refuse	31,790,093	24,312,392
Rentals, advertising and sundry charges	4,198,574	3,242,506
	118,865,177	92,418,791
28. Other income		
Building plan fees	482,752	457,941
Clearance certificates	537,543	540,421
Encroachment charges	1,704,561	1,588,914
Escorting of abnormal freights	592,887	119,467
Insurance claims received	1,348,621	425,809
Skills development levies received	1,578,159	1,984,599
Sundry income	13,998	(42,051)
Tender documents, photocopies and faxes	95,853	86,376
	6,354,374	5,161,476

Dihlabeng Local Municipality

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Figures in Rand	2024	2023
29. Investment revenue		
Dividend revenue		
Investments	13,435	12,728
Interest revenue		
Bank	1,328,379	312,719
Investments	68,803	61,667
	1,397,182	374,386
	1,410,617	387,114

30. Property rates

Rates received

Residential	60,082,638	55,886,506
Commercial	74,218,370	79,424,100
State	12,077,158	-
Small holdings and farms	7,757,183	7,170,754
	154,135,349	142,481,360

Valuations

	R '000	R '000
Residential	7,179,140	7,163,769
Commercial	2,493,314	2,836,312
State	346,810	12,128
Municipal	708,453	708,582
Small holdings and farms	4,880,374	4,877,212
	15,608,091	15,598,003

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 R0.01041899 (2023: R0.0098015) is applied to residential and small holding property valuations to determine assessment rates. Rebates of R40,000 (2023 : R40,000) are granted to residential property owners and a further 25% (2023 : 25%) rebate to pensioners.

A general rate of R0.03125709 (2023 : R0.0294046) is applied to business, industrial commercial and public service infrastructure property valuations to determine assessment rates. A rebate of 100% (2023 : 100%) are granted to public service infrastructure only.

A general rate of R0.01041899 (2023 : R0.0098015) is applied to farm property valuations to determine assessment rates. Rebate of 75% (2023 : 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 2024. 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 (2023 : 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). Approval were also obtained from the provincial MEC for local Government dated 25 May 2022.

The new general valuation will be implemented on 01 July 2024.

Dihlabeng Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2024	2023
31. Debt Relief received		
Interest written off		
Eskom	98,030,479	-
Water Affairs	3,493,078	-
	101,523,557	-

The municipality has applied for debt relief from National Treasury in terms of Circular 124 of the MFMA with regards to the outstanding Eskom account. The debt relief was approved on the 19th of December 2023, effective from 1 December 2023. According to the agreement, interest will also be written-off on condition of compliance with the requirements as per the agreement.

32. Fair value adjustments on long term trade payable

Fair value adjustment on Eskom debt relief	147,382,858	-
	147,382,858	-

The municipality has applied for debt relief from National Treasury in terms of Circular 124 of the MFMA with regards to the outstanding Eskom account. The debt relief was approved on the 19th of December 2023, effective from 1 December 2023. According to the agreement, Eskom will write off the debt as at 31 March 2023 on condition that the municipality keep their current account up to date from December 2023.

Dihlabeng Local Municipality

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Figures in Rand	2024	2023
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33. Government grants & subsidies

Operating grants

Equitable share	230,471,000	210,193,000
Expanded Public Works Program grant (EPWP)	4,064,000	5,591,000
Finance Management grant	2,750,000	2,750,000
Library grant	4,000,000	4,000,000
	241,285,000	222,534,000

Capital grants

Municipal Infrastructure grant (MIG)	31,726,454	21,737,160
Department of Water Affairs grant (RBIG)	32,979,974	78,477,373
Water Service Infrastructure grant (WSIG)	18,022,000	23,618,896
Human Settlements grant	5,000,000	-
	87,728,428	123,833,429
	329,013,428	346,367,429

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	4,064,000	5,591,000
Conditions met - transferred to revenue	(4,064,000)	(5,591,000)
	-	-

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

Financial Management grant

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

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

Library grant

Current-year receipts	4,000,000	4,000,000
Conditions met - transferred to revenue	(4,000,000)	(4,000,000)
	-	-

The library grant was fully utilised during the financial year.

Grants in kind - Free State COGTA

Salary of acting Municipal Manager	104,265	729,858
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An acting Municipal manager is seconded by Free State of COGTA.

- Mr Masekoane from 1 December 2022 to 28 February 2023.
- Mr Goliath from 1 March 2023 to 31 July 2023.

Dihlabeng Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2024	2023
Municipal Infrastructure grant (MIG)		
Balance unspent at beginning of year	19,513,425	21,922,585
Current year receipts	39,332,000	39,328,000
Conditions met - transferred to revenue	(31,726,454)	(21,737,160)
Unspent withheld from Equitable share	(19,513,425)	(20,000,000)
	7,605,546	19,513,425

Conditions still to be met - remain liabilities (see note 17).

Grant was not fully utilised for the rehabilitation of roads and the upgrading of cemetery and waste and raw water facilities.

An amount of R20,434,009 were withheld from the equitable share that exceeded the unspent MIG grant at the previous financial year or R19,513,425. This difference of R920,584 were deducted from the current year unspent grant.

Department of Water Affairs grant (RBIG)

Current year receipts	32,979,974	78,477,373
Conditions met - transferred to revenue	(32,979,974)	(78,477,373)
	-	-

This grant was utilised during the year for the upgrading of the Water infrastructure network at Saulspoort.

Municipal Disaster Response grant (MDRG)

Current-year receipts	16,853,000	-
	16,853,000	-

Conditions still to be met - remain liabilities (see note 17).

The grant was for the infrastructure damage caused by storms in January 2024 in various areas within the municipality. A total of 6 projects were identified for this grant.

Water Services Infrastructure grant (WSIG)

Balance unspent at beginning of year	3,995,991	2,614,887
Current year receipts	18,022,000	25,000,000
Conditions met - transferred to revenue	(18,022,000)	(23,618,896)
Unspent withheld from Equitable share	(3,995,991)	-
	-	3,995,991

Conditions still to be met - remain liabilities (see note 17).

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	5,570,000
Current-year receipts	1,250,000	-
Unspent withheld from Equitable share	(5,570,000)	-
	1,250,000	5,570,000

Conditions still to be met - remain liabilities (see note 17).

This grant is for the electrification of Bakenpark Extension for 1,600 house holds (pre engineering).

Dihlabeng Local Municipality

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Figures in Rand	2024	2023
Human Settlement Grant (COGTA)		
Current-year receipts	5,000,000	-
Conditions met - transferred to revenue	(5,000,000)	-
	-	-

This grant were used to establish new townships in Clarens and Fouriesburg.

Changes in level of government grants

Based on the allocations set out in the Division of Revenue Act, (Act 5 of 2024), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

34. Employee related costs

Basic	210,033,758	207,422,178
Bonus	14,706,552	14,294,170
Medical aid - company contributions	26,299,239	24,676,075
UIF	1,776,932	1,831,347
WCA	2,633,074	2,251,264
SDL	3,097,803	3,042,876
Other payroll levies	112,969	108,346
Leave paid out and provision charge	3,069,985	1,658,512
Medical aid contributions for pensioners	4,068,000	4,443,989
Overtime payments	16,978,652	17,140,933
Long-service awards	729,327	728,599
Standby allowances	10,103,684	10,092,473
Acting allowances	7,298,857	7,738,803
Car allowance	8,354,555	8,541,811
Housing benefits and allowances	2,083,142	2,015,349
Arbitration awards and other incidental cost	563,699	287,471
Group life insurance	429,359	404,429
Pension fund contributions	31,271,110	30,404,871
Other allowances	825,324	773,151
Telephone allowances	347,600	373,600
	344,783,621	338,230,247

Remuneration of municipal manager

Annual Remuneration	1,151,603	435,221
Car Allowance	369,771	128,233
Non-pensionable allowance	18,645	-
Contributions to UIF	2,125	1,240
Cellphone Allowance	16,500	6,000
Leave paid out	-	135,414
Acting allowance KJ Masekoane	-	66,504
Acting allowance HA Goliath	123,073	-
	1,681,717	772,612

Mr BP Molatseli as from 1 July 2022 to 31 October 2022.

Mr MK Ntheli as from 1 August 2023

Dihlabeng Local Municipality

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Figures in Rand	2024	2023
Remuneration of chief finance officer		
Annual Remuneration	684,143	-
Car Allowance	220,082	-
Non-pensionable allowance	13,560	-
Contributions to UIF	1,417	-
Cellphone Allowance	8,000	-
	927,202	-

This position was vacant from December 2020 till 31 October 2023.

Mr RP Provis as from 1 November 2023.

Remuneration of director public works

Annual Remuneration	-	279,334
Car Allowance	-	78,618
Contributions to UIF	-	886
Cellphone Allowance	-	3,000
Leave paid out	-	291,839
	-	653,677

Mr NE Shabalala from 1 July 2022 to 30 September 2022. The position is vacant since then.

Remuneration of director corporate services

Annual Remuneration	-	519,067
Car Allowance	-	157,630
Contributions to UIF	-	1,240
Cellphone Allowance	-	6,000
Leave paid out	-	423,138
	-	1,107,075

Me MS Mabula from 1 July 2022 to 31 December 2022 and the position is vacant since then.

Remuneration of director community services

Annual Remuneration	396,337	279,334
Car Allowance	127,806	78,618
Non-pensionable allowance	10,170	-
Contributions to UIF	1,063	886
Cellphone Allowance	6,000	3,000
Leave paid out	-	372,344
	541,376	734,182

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

Mrs TS Vanqa from 1 January 2024.

Dihlabeng Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2024	2023
Remuneration of director local economic development		
Annual Remuneration	556,178	39,208
Car Allowance	165,287	-
Non-pensionable allowance	10,170	-
Contributions to UIF	1,063	354
Cellphone Allowance	6,000	-
Leave paid out	-	316,996
	738,698	356,558

Mr NP Mondi was terminated on 30 June 2022.

Mr TP Mokomatsili from 18 December 2023.

35. Remuneration of councillors

2024	Allowance	Travel allowance	Cellphone allowance	Backpay	Total
Executive Mayor	926,936	63,710	45,600	-	1,036,246
Speaker	792,506	-	45,600	-	838,106
Chief Whip	742,668	-	45,600	-	788,268
Chairperson Public Accounts committee	695,712	-	45,600	500,408	1,241,720
Chairperson Policy committee	402,324	-	45,600	-	447,924
Mayoral executive committee	4,680,537	518,139	319,200	-	5,517,876
Councillors	10,583,903	416,524	1,275,809	-	12,276,236
	18,824,586	998,373	1,823,009	500,408	22,146,376

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

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.

36. Depreciation, impairment and amortisation

Property, plant and equipment	74,172,197	72,658,597
Intangible assets	687,112	624,966
	74,859,309	73,283,563

Dihlabeng Local Municipality

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Figures in Rand	2024	2023
37. Finance costs		
Employee benefit obligation	11,576,000	11,128,000
Long service awards	1,911,000	1,689,000
Loans and finance leases	1,110,334	1,725,423
Bank	13,308	25,477
Penalties and interest on late payment of VAT and PAYE	10	1,272,911
Creditors and other interest paid	90,152,532	76,750,963
	104,763,184	92,591,774
38. Debt impairment		
Contributions to debt impairment on consumer debtors from exchange transactions	214,303,930	165,751,775
Contributions to debt impairment on consumer debtors from non-exchange transactions	43,869,306	30,050,959
Contributions to debt impairment on statutory receivables	679,467	533,841
Bad debts written off	2,453,987	18,403,817
	261,306,690	214,740,392
On 20 August 2024 the council resolved (Item 34/2024) that the debt of 4,592 registered indigent account to the amount of R130,761,259 will be written off in September 2024.		
39. Bulk purchases		
Electricity - Eskom	250,094,496	208,095,515
Water	16,639,072	370,768
	266,733,568	208,466,283
Electricity losses		
	Units 2024	Units 2023
Units purchased	136,876,028	128,263,641
Units sold	(105,023,417)	(102,429,744)
Total loss	31,852,611	25,833,897
Rand value of loss		
Technical losses	58,199,838	41,913,033
Percentage loss		
Technical losses	23.27 %	20.14 %

The annual electricity distribution losses are made up of technical and non-technical losses which are the difference between electricity purchased and electricity sold to the end user at differentiated tariffs levels. The municipality purchases 100% of its electricity from Eskom at transmission and distribution levels.

Technical losses are as a result of electricity lost while being distributed from the source of generation through transmission and distribution network to the final consumer. The wires (copper or aluminum) being used to distribute electricity has certain resistance which resist the throughput of current, as a results there is certain portion of electricity that is lost due to distribution, and it is termed technical losses.

Dihlabeng Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2024	2023
Water losses		
	Units 2024	Units 2023
Units purified	12,912,626	12,623,248
Units sold	(9,806,794)	(6,365,385)
Total	3,105,832	6,257,863
Rand value of losses		
Technical losses	18,231,235	34,793,719
Percentage Loss:		
Technical losses	24.05 %	49.57 %

Apparent losses are made up from the unauthorised consumption (theft or illegal use) plus all technical and administrative inaccuracies associated with customer metering/billing. This is thus water which “disappears” through inaccurate metering, inaccurate meter accounting processes, meter and billing data integrity, illegal connections, etc. The water is not physically lost from the system but it is never measured or accounted for, and most importantly, never paid for.

Real losses represent the physical leakage from the pressurised system, up to the point of measurement of customer use. This is water which physically disappears from the distribution system through water leaks or pipe bursts, water theft etc. It is thus water which does not reach the customer and is not paid for by customers.

40. Contracted services

Outsourced Services

Burial services	165,167	512,926
Catering services	412,763	221,905
Commissions and committees	-	94,899
Meter management	4,043,310	4,869,555
Occupational health and safety	448,254	95,376
Landfill site management	2,978,027	6,549,818
Security services	40,383,525	39,010,931

Consultants and Professional Services

Business and advisory	11,457,572	16,823,156
Infrastructure and planning	432,776	2,315,818
Legal cost	4,843,654	7,549,464

Contractors

Audio-visual services	57,116	-
Bore waterhole drilling	367,887	-
Chemicals	6,305,275	5,786,792
Catering services	138,139	184,269
Electrical	4,136,801	6,346,787
Employee wellness	56,230	29,500
Prepaid electricity vendors	4,302,522	3,864,816
Sports and recreation	750	110,424
Stage and sound crew	100,184	58,060
	80,629,952	94,424,496

Dihlabeng Local Municipality

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Figures in Rand	2024	2023
41. General expenses		
Advertising	480,357	1,065,081
Auditors remuneration	8,122,795	7,935,713
Bank charges	1,631,341	1,521,804
Bursaries	1,550,291	1,252,660
Consumables	23,493,483	19,142,693
Donations	449,042	56,080
Electricity	13,229,350	13,069,327
Entertainment	32,604	17,073
Fuel and oil	3,849,159	9,344,779
IT expenses	126,967	-
Insurance	3,973,088	3,354,433
License fees	669,057	729,563
Postage and courier	733,176	935,388
Printing and stationery	1,330,935	1,213,588
Promotions and sponsorships	164,818	372,916
Property lease payments	1,274,512	885,005
Rental of equipment	9,625,439	15,469,614
Subscriptions and membership fees	4,046,790	3,922,289
Telephone and fax	5,497,925	5,292,602
Transport cost	197,036	44,170
Travel - local	1,142,474	856,391
Uniforms and protective clothing	1,244,110	1,281,247
	82,864,749	87,762,416
42. Gains or losses on biological assets		
Gains or losses arising from a change in fair value less point of sale costs	3,137,416	435,310
43. 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)	143,920	65,927
	143,920	(25,296,224)
44. Auditors' remuneration		
Fees	8,122,795	7,935,713
45. Operating lease income		
Projected income from operating lease agreements		
Within one year	41,229	124,639
In second to fifth years (inclusive)	-	41,229
	41,229	165,868

Rental contracts for the different flats (100), vacant land (7) and houses (160) are signed for a period of 12 months, thereafter 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.

Dihlabeng Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2024	2023
46. Cash generated from operations		
Surplus (deficit)	81,927,494	(163,782,669)
Adjustments for:		
Depreciation and amortisation	74,859,309	73,283,563
Gain / (loss) on sale of assets and liabilities	(3,198,265)	2,253,803
Gain / (loss) on sale of biological assets	(3,137,416)	(435,310)
Gain / (loss) on actuarial valuation	(9,158,193)	(19,382,383)
Debt relief received	(101,523,557)	-
Fair value adjustments	(147,526,778)	25,296,224
Finance costs - Finance leases and loans	1,110,334	16,780,390
Debt impairment	261,306,690	214,740,393
Movements in Employee benefit obligation	3,578,000	(5,740,000)
Movements in Long service awards	1,946,000	828,000
Changes in working capital:		
Inventories	215,010	140,593
Receivables from exchange transactions	(29,442,642)	(931,852)
Consumer debtors	(291,190,905)	(216,412,566)
Other receivables from non-exchange transactions	57,596	3,155,921
Statutory receivables	-	(26,916,969)
Payables from exchange transactions	285,627,220	236,731,260
Unspent conditional grants and receipts	(3,370,870)	(1,028,056)
Consumer deposits	721,761	1,445,938
Provision	1,743,626	2,665,210
	124,544,414	142,691,490

47. Financial instruments disclosure

Categories of financial instruments

2024

Financial assets

	At fair value	At amortised cost	At cost	Total
Other financial assets	2,177,897	-	-	2,177,897
Trade and other receivables from exchange transactions	-	156,020,956	-	156,020,956
Other receivables from non-exchange transactions	-	4,503,568	100,000	4,603,568
Consumer debtors from exchange and non-exchange transactions	-	90,319,265	-	90,319,265
Cash and cash equivalents	-	55,829,898	-	55,829,898
Statutory receivables	-	2,382	-	2,382
	2,177,897	306,676,069	100,000	308,953,966

Financial liabilities

	At fair value	At amortised cost	Total
Other financial liabilities	-	7,432,485	7,432,485
Trade and other payables from exchange transactions	-	535,574,754	535,574,754
Long term trade and other payables from exchange transactions	696,327,359	-	696,327,359
Consumer deposits	-	14,381,701	14,381,701
Unspent conditional grant	-	25,708,546	25,708,546
	696,327,359	583,097,486	1,279,424,845

Dihlabeng Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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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	-	126,578,314	-	126,578,314
Other receivables from non-exchange transactions	-	4,936,080	170,000	5,106,080
Consumer debtors from exchange and non-exchange transactions	-	77,578,371	-	77,578,371
Cash and cash equivalents	-	16,209,863	-	16,209,863
Statutory receivables	-	14,399	-	14,399
	2,033,977	225,317,027	170,000	227,521,004

Financial liabilities

	At amortised cost	Total
Other financial liabilities	13,781,532	13,781,532
Trade and other payables from exchange transactions	1,213,680,724	1,213,680,724
Consumer deposits	13,659,940	13,659,940
Unspent conditional grants	29,079,416	29,079,416
	1,270,201,612	1,270,201,612

48. Commitments

Authorised capital expenditure

Already contracted for but not provided for

• Property, plant and equipment - Infrastructure: Community assets	745,350	2,569,677
• Property, plant and equipment - Infrastructure: Water	774,502,563	22,783,587
• Property, plant and equipment - Infrastructure: Roads	-	8,845,023
• Property, plant and equipment - Plant and equipment	-	7,185,066
	775,247,913	41,383,353

Total capital commitments

Already contracted for but not provided for	775,247,913	41,383,353
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Total commitments

Total commitments

Authorised capital expenditure	775,247,913	41,383,353
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Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
49. Contingencies		
The following civil cases are currently being finalized:		
Telkom Limited SA: Telkom claim that a sewerage spillage damaged their equipment. File closed: Plaintiff has abandoned the proceedings.	-	404,729
Udumo Trading 147 CC: Udumo claim that they completed a reservoir in Clarens and was not fully paid. File closed: Plaintiff has abandoned the proceedings.	-	1,972,373
MVD Xariep Raadgewende Ingenieurs CC: Regarding an outstanding payment for professional services rendered to the municipality. File closed: Plaintiff has abandoned the proceedings.	-	122,980
Hexing Electrical SA (Pty) Ltd: Regarding a claim against the municipality for cancellation of a contract to install electrical meters around Dihlabeng. File closed: Plaintiff has abandoned the proceedings.	-	99,508,065
IMATU obo TJ Mofokeng, JFM du Toit, JL Prinsloo & DM Jacobs This case is regarding the employer that placed the employees in higher positions during the placement process which took place during 2005 without paying them the remuneration of the higher posts. This case was settled during the current year.	-	2,717,665
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.	2,675,500,000	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. This case was settled during the year.	-	63,430
MD & AMJ Coetzer: Regarding a motor vehicle accident where a Municipal Fire Department truck was involved.	39,410	39,410
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.	332,711	308,524
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.	779,005	733,938
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. File closed: Plaintiff has abandoned the proceedings.	-	4,165,992
Boss Directories (Pty) Ltd: This case is regarding an outstanding payment for adversarial services rendered in terms of a concluded written agreement.	695,288	682,873

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Figures in Rand	2024	2023
AL Bartlet: This case is regarding a claim for the repair costs for his vehicle after an accident with a municipal vehicle in Bloemfontein.	235,847	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	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	21,818,732
H Malan: This case is regarding a claim for damage to his motor vehicle after colliding with a large pothole. This case was settled during the year.	-	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. This case was settled during the year.	-	39,437
L Piek: This case is regarding the claim for damages to a motor bike due to an accident after colliding with a large pothole on 7 March 2021.	47,131	-
Kaykaysim Projects (Pty) Ltd: This case is regarding the claim for outstanding money for services rendered on the construction of 2km road in Nkitsing.	1,314,765	-
CDH Joineries CC t/a CDH Pumps, Thoboza Investment and Projects Joint Venture: This case is regarding the claim for outstanding money for services for repair and maintenance, refurbishments and upgrading of water and sanitation infrastructure for a period of 3 years.	486,444	-
Telkom Limited SA: This case is regarding a claim for damage to Telkom infrastructure at Lamond street, Bethlehem on 23 November 2017.	234,813	217,100
	2,701,592,316	338,973,775

Litigation is in the process against the municipality in the above cases. The municipality's lawyers and management consider the likelihood of the action against the municipality being successful as unlikely. The amount and possible outflow of payments in this regard is uncertain at this stage.

Dihlabeng Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2024	2023
50. 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 60)	89,529	47,843
Provision for doubtful debts related to outstanding balances with related parties		
Councillors	65,651	56,595
Donation in kind		
Remuneration of Acting Municipal Manager	104,265	729,858
An acting Municipal manager was seconded by Free State of COGTA.		
- 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 34)	3,759,139	3,557,600
Councillors (refer to Note 35)	22,146,376	20,116,991
Mr V Mokhele (Acting allowance for CFO)	-	76,734
Mr M Tsatsa (Acting allowance for CFO)	62,445	39,440
Mr K Masekoane (Acting allowance for MM)	-	66,504
Mr HA Goliath (Acting allowance for MM)	123,073	-
	26,091,033	23,857,269

51. Prior period errors

A work in progress asset for water to the amount of R9,529,787 was previously impaired, but this impairment was now written back as the project received additional funding and continued in Clarens.

Investment property to the amount of R106,949,330 were written off as the municipality lost control of these properties as structures are now build on these properties.

A creditor to the amount of R8,148,592 were reversed as it is not a valid creditor for 2023 and Property, plant and equipment (R7,085,732) and related VAT accrual (R1,062,960) was also reduced

The outstanding amount owed to SARS were corrected to agree to their statement of account.

An amount of R3,214,915 was added to the fruitless and wasteful expenditure in 2023 due to additional costs as a result of dispute with a supplier.

The disclosure note on Commitments were corrected (reduced by R37,750,031) to agree with contracts signed with suppliers and actual expenditure to date.

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

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Notes to the Annual Financial Statements

Figures in Rand	2024	2023
	2023	2022
Statement of Financial Position		
Property, plant and equipment	2,444,055	9,529,787
Receivable from exchange transactions	(1,062,860)	-
Investment property	(106,949,330)	(106,949,330)
Opening Accumulated Surplus or Deficit	95,406,004	95,406,004
Payables from exchange transactions	10,162,131	2,013,538
Disclosure items		
Disclosure notes to the Financial Statements		
Fruitless and wasteful expenditure (Note 57)	3,214,915	-
Capital commitments (Note 48)	(37,750,031)	-
Irregular expenditure (Note 58)	42,222,665	-
	7,687,549	-

52. 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

2023

		As previously reported	Correction of error	Re-classification	Restated
Long service awards (current liability)	22	-	-	1,751,000	1,751,000
Long service awards (non-current liability)	22	18,210,000	-	(1,751,000)	16,459,000
Payables from exchange transactions	18	(1,216,262,630)	10,162,130	(7,580,223)	(1,213,680,723)
Property, plant and equipment	11	1,803,987,026	2,444,055	-	1,806,431,081
Investment property	10	547,450,541	(106,949,330)	-	440,501,211
Provision (non-current liability)	20	16,610,146	-	(9,443,076)	7,167,070
Provision (current liability)	20	32,901,297	-	9,443,076	42,344,373
Accumulated surplus		(1,296,368,652)	95,406,005	-	(1,200,962,647)
Statutory receivables	14	104,454,126	-	(104,439,727)	14,399
Receivables from exchange transactions	5	15,621,224	(1,062,860)	112,019,950	126,578,314
		26,603,078	-	-	26,603,078

Reclassifications

According to the latest guidance received from National Treasury, the municipality must only classify the actual amount receivable from SARS on VAT as a statutory receivable and the suspense VAT accounts on debtors should be part of payables for exchange transactions and the suspense VAT account on the creditors should be part of receivables from exchange transactions. The municipality owes SARS VAT at year-end and it was included as part of payables from exchange transactions.

The balance for the Long service awards are split between current and non-current liabilities as per the expert report and the split between non-current and current provisions were also corrected.

Dihlabeng Local Municipality

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Figures in Rand	2024	2023
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53. 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 2024	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings	7,432,485	-	-	-
Trade and other payables	535,574,754	-	-	-
Long term trade and other payables	255,090,013	231,374,161	209,863,185	-
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	1,213,680,724	-	-	-

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.

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 considered to be material at this stage. Long term borrowings are done at a fixed rates and interest rate risk will not impact the financial position of the municipality.

Dihlabeng Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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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.

54. Going concern

We draw attention to the fact that at 30 June 2024, the municipality had a loss of R65,448,584 (2023 : R4,444,355 profit) and that the municipality's current liabilities exceed its current assets by R470,944,144 (2023 : R137,688,416). In addition, the municipality owed Eskom R1,101,383,148 (2023 : R937,912,491) (*subject to debt relief - refer to next paragraph*), Free State Fleet Management Trading Entity R62,684,617 (2023 : R62,684,617), the Department of Water Affairs R83,131,607 (2023 : R62,293,443) and the Department of Labour R31,373,804 (2023 : R27,124,489) at 30 June 2024 which is long overdue.

The municipality has applied for debt relief from National Treasury with regards to the outstanding Eskom account of R843,710,217. The debt relief was approved on the 19th of December 2023. According to the agreement, the municipality must pay the current Eskom account for the next three financial years, then Eskom will write-off the debt over the next three municipal financial years. One of the requirements for the approval of the debt relief is that the municipality must prepare a funding plan. The funding plan is intended to address the fact that if the municipality's 2023/24 Medium Term Revenue and Expenditure Framework (MTREF) does not comply with the MFMA Circular No. 124 (A funded MTREF). A funding plan has been developed and the municipality is in the process of implementing the plan. The funding plan highlights various areas of improving revenue, increasing debt collection and decreasing expenditure.

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.

55. Events after the reporting date

There is no events after the reporting date.

56. Unauthorised expenditure

Opening balance as previously reported	1,286,064,938	919,327,492
Add: Unauthorised expenditure - current	287,201,431	366,737,446
Closing balance	1,573,266,369	1,286,064,938

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

Non-cash	187,545,690	201,611,973
Cash	99,655,741	165,125,473
	287,201,431	366,737,446

Analysed as follows: non-cash

Loss on disposal of property, plant and equipment	-	27,550,027
Provision of impairment	187,522,703	161,192,383
Irrecoverable debt written off	22,987	-
Unspent conditional grant not cash backed	-	12,869,553
	187,545,690	201,611,963

Dihlabeng Local Municipality

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Analysed as follows: cash

Bulk purchases	-	77,416,283
General expenditure	7,260,557	16,959,416
Finance cost	92,395,184	70,749,774
	99,655,741	165,125,473

Disciplinary steps taken/criminal proceedings

No disciplinary steps were taken during the year under review.

Recoverability of unauthorised expenditure

No amounts will be recovered.

57. Fruitless and wasteful expenditure

Opening balance as previously reported	259,238,874	180,212,574
Add: Fruitless and wasteful expenditure identified - current	90,179,598	79,026,300
Less: Amount written off by Eskom	(98,030,479)	-
Less: Amount written off by Department of Water Affairs	(3,493,078)	-
Closing balance	247,894,915	259,238,874

Expenditure identified in the current year included those listed below:

Interest paid	90,179,598	75,811,385
Capital expenditure	-	3,214,915
	90,179,598	79,026,300

Amount written-off

The municipality has applied for debt relief from National Treasury in terms of Circular 124 of the MFMA with regards to the outstanding of the 19th of December 2023, effective from 1 December 2023. According to the agreement, interest will also be written-off on condition of agreement.

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. Irregular expenditure

Opening balance as previously reported	834,061,914	619,800,888
Add: Irregular expenditure - current	165,396,591	211,183,750
Add: Irregular expenditure - prior year identified in current year	-	3,077,276
Closing balance	999,458,505	834,061,914

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Incidents/cases identified/reported in the current year include those listed below:		
Local content not specified on bid invitation	8,306,900	14,356,888
Deviations were not reasonable	-	3,782,591
No contract signed	1,221,345	1,017,642
Senior Manager without necessary qualifications	-	1,117,818
Appointment of employees without proper process followed	34,907,099	37,188,326
Actual expenditure exceeded the contract amount	-	22,556,292
Composition of bid committee	-	5,068,646
Adjudication and specification committee meeting minutes not submitted	28,282,555	23,938,208
Competitive bidding process not followed	10,892,522	49,524,358
Appointment of supplier after 90 days	54,685,235	16,736,191
Emergency	147,888	-
Performance of contractor not evaluated	-	6,688,195
Splitting of orders	-	658,800
Insufficient document submitted	26,953,047	31,627,071
	165,396,591	214,261,026

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.

59. In-kind donations and assistance

Sanitary towels	-	5,040
150 pairs of school shoes for Bohlokong Primary Farm School	-	51,040
25 Blankets for Mandela Day for Khoabonina Old Age Home	18,750	-
Medals, trophy and kits for soccer and netball tournament at Ntsu Secondary School	56,020	-
700 Food parcels for Poverty Alleviation program at Rosendal, Paul Roux, Fouriesburg and Clarens farms	389,550	-
Groceries for Hare Bapale games at Ethopia farm	14,642	-
	478,962	56,080

60. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Opening balance	3,903,710	3,699,362
Current year subscription / fee	3,937,411	3,903,710
Amount paid - previous years	(3,901,005)	(3,699,362)
	3,940,116	3,903,710

Audit fees

Opening balance	2,201,661	2,431,123
Current year subscription / fee	9,459,495	9,326,830
Amount paid - current year	(9,459,495)	(7,153,109)
Amount paid - previous years	(2,201,661)	(2,403,183)
	-	2,201,661

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PAYE and UIF		
Opening balance	3,688,137	3,938,602
Current year subscription / fee	51,339,854	49,843,892
Amount paid - current year	(47,012,216)	(46,155,755)
Amount paid - previous years	(3,688,137)	(3,938,602)
	4,327,638	3,688,137
Pension and Medical Aid Deductions		
Opening balance	7,348,274	6,874,652
Current year subscription / fee	89,451,830	84,990,737
Amount paid - current year	(89,451,830)	(77,642,463)
Amount paid - previous years	(7,348,274)	(6,874,652)
	-	7,348,274
VAT		
VAT payable	1,846,680	1,015,076

The municipality is registered on the payments/cash basis for VAT. VAT output suspense on payables (see Note 5) and VAT input suspense on receivables are shown in note 18.

All VAT returns have been submitted by the last business day of the month following the end of the VAT period throughout the year and were paid timeously.

Dihlabeng Local Municipality

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Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2024:

30 June 2024	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
MM Mokotla	2,527	742	3,269
JT Sibisi	3,692	6,267	9,959
MS Masangana	1,406	16,396	17,802
LU Makhalema	7,079	2,014	9,093
MS Mokoena	1,563	516	2,079
JJ Nhlapo	2,625	41,110	43,735
PA Maasdorp	2,696	896	3,592
	21,588	67,941	89,529

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

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

30 June 2024	Highest outstanding amount	Aging (in days)
MM Mokotla	3,269	90
JT Sibisi	9,959	240
MS Masangane	17,802	930
LU Makjalema	9,093	90
MS Mokoena	2,079	90
JJ Nhlapo	43,735	1,830
PA Maasdorp	3,592	270
	89,529	3,540

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

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61. Budget differences

Descriptions	Actual outcome as % of final budget	Reasons for variances
Property rates	85%	Due to lower property rates billed for domestic properties than budgeted.
Services charges	90%	Due to decrease in utilization of water and electricity. Most of the consumers are using gas
Interest received on consumer accounts	127%	Due to non-payment of debts by consumers
Government grants and subsidies	85%	Dora Allocation
Other revenue from non-exchange transactions	221%	Due to the write-off from Eskom and Water Affairs on the interest on their accounts
Depreciation and asset impairment	83%	Due to processing of actual depreciation on assets for the month as per the asset register
Debt impairment	354%	Due to non-payments by consumers and indigent not written off
Contracted services	61%	Cost containment measures during the year to limit legal and business cost
Finance charges	847%	Under budget and Interest paid to Eskom and other creditors due to none payment within 30 days
Bulk purchases	96%	Within the norms of 10%
General expenditure	74	Cost containment measures during the year to limit any unnecessary expenditure

62. 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	279,835	10,539,053
Impractical	-	501,265
Sole provider	55,090	68,543
	334,925	11,108,861

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63. Segment information

Segment surplus or deficit, assets and liabilities

2024

	Public Works	Community Services	Unallocated	Total
Revenue				
External Revenue from non-exchange transactions	264,809,207	62,333,871	258,408,907	585,551,985
External Revenue from exchange transactions	389,368,232	64,990,980	9,428,446	463,787,658
Interest on consumer debtors from exchange and non-exchange transactions	63,710,423	31,790,093	23,364,662	118,865,178
Other income transactions	147,382,859	3,137,416	12,500,377	163,020,652
Revenue from transactions with other segments	6,663,152	33,612	18,360,962	25,057,726
Total segment revenue	871,933,873	162,285,972	322,063,354	1,356,283,199
Entity's revenue				1,356,283,199
Expenditure				
Employee cost and councillors	94,962,680	82,130,855	193,779,526	370,873,061
Finance cost	-	-	103,705,657	103,705,657
Depreciation	56,657,857	1,248,702	16,952,750	74,859,309
Debt impairment	150,578,422	65,849,113	44,879,155	261,306,690
Bulk purchases	266,733,568	-	-	266,733,568
Other expenses	54,388,247	4,921,819	112,509,623	171,819,689
Internal Charges	23,159,116	515,646	1,382,965	25,057,727
Total segment expenditure	646,479,890	154,666,135	473,209,676	1,274,355,701
Total segmental surplus/(deficit)	225,453,983	7,619,837	(151,146,322)	81,927,498
Assets				
Additions to Non-current assets	79,182,756	6,363,297	2,455,299	88,001,352
Total assets as per Statement of financial Position				88,001,352

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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	59,015,545	7,930,394	411,355,884
Interest on consumer debtors from exchange and non-exchange transactions	49,733,020	24,312,392	18,373,379	92,418,791
Other revenue 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	530,500,809	88,501,905	417,979,747	1,036,982,461
Entity's revenue				1,036,982,461
Expenditure				
Employee cost and councillors	91,468,923	80,707,135	189,795,281	361,971,339
Finance cost	-	-	92,591,775	92,591,775
Depreciation	55,792,813	1,282,596	16,208,155	73,283,564
Debt impairment	119,107,386	57,518,488	38,114,518	214,740,392
Bulk purchases	208,466,284	-	-	208,466,284
Total other costs	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	556,319,783	149,302,600	495,142,746	1,200,765,129
Total segmental surplus/(deficit)	(25,818,974)	(60,800,695)	(77,162,999)	(163,782,668)
Assets				
Additions to Non-current assets	110,010,029	4,680,995	7,355,453	122,046,477
Total assets as per Statement of financial Position				122,046,477

Dihlabeng Local Municipality
Appendix A - Unaudited schedule
June 2024

Schedule of external loans as at 30 June 2024

Loan Number	Redeemable	Balance at 30 June 2023	Received during the period	Redeemed written off during the period	Balance at 30 June 2024	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
		Rand	Rand	Rand	Rand		
Development Bank of South Africa							
DBSA	61007269 30/06/2025	13,781,532	-	6,349,047	7,432,485	-	-
		13,781,532	-	6,349,047	7,432,485	-	-
Lease liability		-	-	-	-	-	-
Total external loans							
Development Bank of South Africa		13,781,532	-	6,349,047	7,432,485	-	-
Lease liability		-	-	-	-	-	-
		13,781,532	-	6,349,047	7,432,485	-	-