



Dipaleseng Local Municipality
Annual Financial Statements
for the year ended 30 June 2025

Audited
By
2025 -12- 11
Auditor General South Africa
Mpumalanga Business Unit

Dipaleseng Local Municipality

Annual Financial Statements for the year ended 30 June 2025

General Information



Legal form of entity	Dipaleseng Local Municipality
Nature of business and principal activities	Provision of services (sanitation, refuse and other services) to communities in a sustainable manner, to promote social and economic development and to promote a safe and healthy environment.
The following is included in the scope of operation	Rates and waste management, Local Economic Development projects, Poverty alleviation, Planning and promotion of integrated plan, Land , economic and environmental development.
Mayoral committee	The mandate of the municipality is in terms of section 152 of the Constitution of South Africa. Councillor: BN Khanye Councillor: XS Shoji Councillor: TG Shabalala Councillor: MG Miya (Member of Mayoral Committee) Councillor: AN Carrim (Member of Mayoral Committee) Councillor: MD Makhoba (MPAC Chairperson) Councillor: LK Dhladhla Councillor: CDV Pienaar Councillor: AS Nhlapo Councillor: RA Motakane Councillor: ZE Maya Councillor: Z Radebe Councillor: M Makhubu
Grading of local authority	2
Chief Finance Officer (CFO)	Mr MH Thokoane
Accounting Officer	Mr L Cindi
Registered office	Cnr of Johnny Mokoena Drive and Themba Shoji Street Balfour Mpumalanga 2410
Bankers	First National Bank South Africa
Auditors	Auditor General South Africa Registered Auditors
Audit and Performance Committee	SJ Masite - Chairperson L Langalibalele - Member D Thwala - Member LS Mofokeng - Member
Risk management & ICT Committee	LS Mofokeng - Chairperson

Dipaleseng Local Municipality

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Abbreviations used:

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



Dipaleseng Local Municipality

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Accounting Officer's Responsibilities and Approval

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

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board. The standards considered and applied are listed in pages 43 - 45.

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

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

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

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2025 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The annual financial statements are prepared on the basis that the municipality is a going concern and that the municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

The accounting officer certifies that the salaries, allowances and benefits of councillors as disclosed in Note 29 and 30 to these annual financial statements are within the upper limits of the framework envisaged in section 219 of the Constitution of the Republic of South Africa, read with the Remuneration of Public Office Bearers Act, Act 20 of 1998 and the Minister of Provincial and Local Government's determination in accordance with the Act.

Although the accounting officer is primarily responsible for the financial affairs of the municipality, he is supported by the municipality's external auditors.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements.

The annual financial statements set out on page 7-13, which have been prepared on the going concern basis, were approved by the accounting officer on 30 June 2025 and were signed on its behalf by:

Mr L Cindi



Dipaleseng Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Accounting Officer's Report

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Auditor General South Africa
Mpumalanga Business Unit

The accounting officer submits his report for the year ended 30 June 2025.

1. Review of activities

Main business and operations

The municipality is engaged in service delivery and operates principally in South Africa.

The operating results and state of affairs of the municipality are fully set out in the attached annual financial statements and do not in our opinion require any further comment.

2. Going concern

We draw attention to the fact that at 30 June 2025, the municipality had an accumulated surplus (deficit) of R 507 927 909 and that the municipality's total assets exceed its liabilities by R 507 927 909.

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.

The municipality is substantially dependent on the government for continued funding of operations. Dipaleseng Local Municipality has neither the intention nor the need to liquidate or curtail materially the scale of its operations.

3. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the reporting date.

4. Accounting policies

The accounting policies in pages 14 - 42 were applicable in the year under review. There were no changes in the accounting policies in the year under review.

The annual financial statements prepared in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

5. Accounting Officer

The accounting officer of the municipality during the year and to the date of this report is as follows:

Name
Mr L Cindi

6. Corporate governance

The Council

The Council:

- retains full control over the municipality, its plans and strategy;
- acknowledges its responsibilities as to strategy, compliance with internal policies, external laws and regulations, effective risk management and performance measurement, transparency and effective communication both internally and externally by the municipality;

Audit and performance committee

Miss J. Masite was the chairperson of the audit and performance committee for the year under review

In terms of Section 166 of the Municipal Finance Management Act, municipality, must appoint members of the Audit Committee. National Treasury policy requires that parent municipalities should appoint further members of the municipality's audit committees who are not directors of the municipal entity onto the audit committee.

Dipaleseng Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Accounting Officer's Report

7. Bankers

The municipality has its primary bank account with First National Bank.

8. Auditors

Auditor General South Africa will continue in office for the next financial period.

The annual financial statements set out on page 7-13, which have been prepared on the going concern basis, were approved by the on 30 June 2025 and were signed on its behalf by:

Mr L Cindi



Dipaleseng Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Statement of financial position as at 30 June 2025

Figures in Rand	Note(s)	2025	2024 Restated*
Assets			
Current Assets			
Cash and cash equivalents	12	772 794	4 374 631
Receivables from exchange transactions	10	386 121 623	353 119 543
Inventories	9	186 756	161 560
Receivables from non-exchange transactions	11	57 434 214	43 848 862
Non current asset held for sale	56	1 105 186	-
		445 620 573	401 504 596
Non-Current Assets			
Investment property	3	38 250 905	39 356 091
Property, plant and equipment	4	1 117 208 349	1 068 543 583
Intangible assets	5	85 308	88 868
		1 155 544 562	1 107 988 542
Total Assets		1 601 165 135	1 509 493 138
Liabilities			
Current Liabilities			
Payables from exchange transactions	15	900 126 775	686 914 150
VAT payable	16	448 175	2 685 866
Consumer deposits	17	2 985 036	3 007 024
Employee benefit obligation	6	909 000	787 000
		904 468 986	693 394 040
Non-Current Liabilities			
Employee benefit obligation	6	19 308 000	14 978 000
Provisions	14	169 460 234	148 730 980
		188 768 234	163 708 980
Total Liabilities		1 093 237 220	857 103 020
Net Assets		507 927 915	652 390 118
Accumulated surplus		507 927 909	652 390 119
Total Net Assets		507 927 909	652 390 119

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* See Note 46

Dipaleseng Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Statement of Financial Performance

Figures in Rand	Note(s)	2025	2024 Restated*
Revenue			
Revenue from exchange transactions			
Sale of goods	19	1 812 877	1 310 563
Service charges	20	160 206 510	142 324 685
Rental of facilities and equipment	21	399 736	445 881
Licences and permits	23	3 969 588	3 632 434
Interest received - investment	25	240 714	469 685
Fair value adjustments		-	195 801
Actuarial gains	6	-	1 743 000
Interest received - receivables from exchange transactions	25	42 735 421	35 130 612
Total revenue from exchange transactions		209 364 846	185 252 661
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	26	32 021 011	37 442 249
Interest - Taxation revenue		9 767 963	9 231 727
Transfer revenue			
Government grants & subsidies	27	143 535 800	136 527 000
Public contributions and donations	28	159 722 204	129 716 617
Fines, Penalties and Forfeits	22	1 449 221	1 610 577
Total revenue from non-exchange transactions		346 496 199	314 528 170
Total revenue	18	555 861 045	499 780 831
Expenditure			
Employee related costs	29	(98 036 309)	(84 696 035)
Remuneration of councillors	30	(7 064 215)	(6 993 098)
Depreciation and amortisation	31	(35 996 358)	(28 620 973)
Impairments	32	(99 957 628)	(5 194 802)
Finance costs	33	(48 441 697)	(36 001 050)
Lease rentals on operating lease	24	(433 823)	(443 811)
Debt Impairment	34	(94 828 798)	(83 363 626)
Bulk purchases	35	(107 387 138)	(98 064 910)
Contracted services	36	(126 333 838)	(65 801 439)
Loss on disposal of assets and liabilities		(6 834 517)	(3 187 967)
Actuarial losses	6	(2 662 000)	-
Inventory consumed		(37 798 928)	(40 231 542)
General Expenses	37	(34 548 008)	(26 268 636)
Total expenditure		(700 323 257)	(478 867 889)
(Deficit) surplus for the year		(144 462 212)	20 912 942

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* See Note 46

Dipaleseng Local Municipality

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Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus / deficit	Total net assets
Opening balance as previously reported	610 405 653	610 405 653
Adjustments		
Prior year adjustments 46	21 071 524	21 071 524
Balance at 01 July 2023 as restated*	631 477 177	631 477 177
Changes in net assets		
Surplus for the year	20 912 942	20 912 942
Total changes	20 912 942	20 912 942
Restated* Balance at 01 July 2024	652 390 121	652 390 121
Changes in net assets		
Surplus/(Deficit) for the year	(144 462 212)	(144 462 212)
Total changes	(144 462 212)	(144 462 212)
Balance at 30 June 2025	507 927 909	507 927 909

Note(s)

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* See Note 46

Dipaleseng Local Municipality

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Cash Flow Statement

Figures in Rand	Note(s)	2025	2024 Restated*
Cash flows from operating activities			
Receipts			
Property rates		19 963 928	28 845 993
Sale of goods and services		95 694 442	59 999 576
Grants		143 535 789	159 876 723
Interest income		240 714	469 685
		259 434 873	249 191 977
Payments			
Employee costs		(98 272 801)	(91 084 911)
Suppliers		(124 816 726)	(122 208 840)
Finance costs		(345 690)	(1 112 901)
		(223 435 217)	(214 406 652)
Net cash flows from operating activities	40	35 999 656	34 785 325
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(39 601 493)	(43 778 086)
Net cash flows from investing activities		(39 601 493)	(43 778 086)
Net increase/(decrease) in cash and cash equivalents		(3 601 837)	(8 992 761)
Cash and cash equivalents at the beginning of the year		4 374 631	13 367 392
Cash and cash equivalents at the end of the year	12	772 794	4 374 631

The accounting policies on pages 14 to 41 and the notes on pages 42 to 100 form an integral part of the annual financial statements.



* See Note 46

Dipaleseng Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Statement of Comparison of Budget and Actual Amounts

Figures in Rand

<div> <div> Audited By 2025 -12- 11 </div> <div> Auditor General South Africa <i>Impunity Budget outcome expenditure</i> </div> </div>									
Original budget	Budget adjustments (i.t.o. s28 and budget s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome as % of original budget	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2025									
Financial Performance									
Property rates	38 992 000	-	38 992 000	-	38 992 000	32 021 011	(6 970 989)	82 %	82 %
Service charges	170 162 000	(15 577 000)	154 585 000	-	154 585 000	160 206 510	5 621 510	104 %	94 %
Investment revenue	376 000	(12 000)	364 000	-	364 000	240 714	(123 286)	66 %	64 %
Transfers recognised - operational	110 199 000	-	110 199 000	-	110 199 000	115 702 677	5 503 677	105 %	105 %
Other own revenue	60 166 000	34 976 000	95 142 000	-	95 142 000	60 134 806	(35 007 194)	63 %	100 %
Total revenue (excluding capital transfers and contributions)	379 895 000	19 387 000	399 282 000	-	399 282 000	368 305 718	(30 976 282)	92 %	97 %
Employee costs	(81 582 000)	-	(81 582 000)	-	(81 582 000)	(98 036 309)	(16 454 309)	120 %	120 %
Remuneration of councillors	(6 770 000)	(1 180 000)	(7 950 000)	-	(7 950 000)	(7 064 215)	885 785	89 %	104 %
Depreciation and asset impairment	(91 422 000)	(12 622 000)	(104 044 000)	-	(104 044 000)	(230 782 784)	(126 738 784)	222 %	252 %
Finance charges	(9 439 000)	(1 061 000)	(10 500 000)	-	(10 500 000)	(48 441 697)	(37 941 697)	461 %	513 %
Inventory consumed and bulk purchases	(125 238 000)	(1 318 000)	(126 556 000)	-	(126 556 000)	(145 186 066)	(18 630 066)	115 %	116 %
Other expenditure	(59 557 000)	(2 167 000)	(61 724 000)	-	(61 724 000)	(170 812 186)	(109 088 186)	277 %	287 %
Total expenditure	(374 008 000)	(18 348 000)	(392 356 000)	-	(392 356 000)	(700 323 257)	(307 967 257)	178 %	187 %
Surplus/(Deficit)	5 887 000	1 039 000	6 926 000	-	6 926 000	(332 017 539)	(338 943 539)	(4 794)%	(5 640)%

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Mpumalanga Business Unit**Dipaleseng Local Municipality**

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Statement of Comparison of Budget and Actual amounts

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments and budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	35 721 000	-	35 721 000	-	-	35 721 000	187 555 327		151 834 327	525 %	525 %
Surplus (Deficit) after capital transfers and contributions	41 608 000	1 039 000	42 647 000	-	-	42 647 000	(144 462 212)		(187 109 212)	(339)%	(347)%
Surplus/(Deficit) for the year	41 608 000	1 039 000	42 647 000	-	-	42 647 000	(144 462 212)		(187 109 212)	(339)%	(347)%
Capital expenditure and funds sources											
Total capital expenditure	34 410 000	-	34 410 000	-	-	34 410 000	84 788 835		50 378 835	246 %	246 %
Financial position											
Total current assets	493 848 000	(282 566 000)	211 282 000	-	-	211 282 000	445 620 573		234 338 573	211 %	90 %
Total non current assets	1 065 127 000	-	1 065 127 000	-	-	1 065 127 000	1 155 544 562		90 417 562	108 %	108 %
Total current liabilities	(384 647 000)	(8 313 000)	(392 960 000)	-	-	(392 960 000)	(904 468 986)		(511 508 986)	230 %	235 %
Total non current liabilities	(153 931 000)	-	(153 931 000)	-	-	(153 931 000)	(188 768 240)		(34 837 240)	123 %	123 %
Community wealth/Equity	1 020 397 000	(290 879 000)	729 518 000	-	-	729 518 000	507 927 909		(221 590 091)	70 %	50 %

Dipaleseng Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Statement of Comparison of Budget and Actual amounts

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments (i.t.o. council approved policy)	Shifting of funds (i.t.o. MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Cash flows											
Net cash from (used) operating	38 719 000	(13 851 000)	24 868 000	-	-	24 868 000	35 999 656		11 131 656	145 %	93 %
Net cash from (used) investing	(34 410 000)	-	(34 410 000)	-	-	(34 410 000)	(39 601 493)		(5 191 493)	115 %	115 %
Net increase/(decrease) in cash and cash equivalents	4 309 000	(13 851 000)	(9 542 000)	-	-	(9 542 000)	(3 601 837)		5 940 163	38 %	(84)%
Cash and cash equivalents at the beginning of the year	109 912 000	(105 537 000)	4 375 000	-	-	4 375 000	4 374 631		(369)	100 %	4 %
Cash and cash equivalents at year end	114 221 000	(119 388 000)	(5 167 000)	-	-	(5 167 000)	772 794		(5 939 794)	(15)%	1 %

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Dipaleseng Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Accounting Policies

Figures in Rand



1. Presentation of Annual Financial Statements

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

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

In the absence of an issued and effective Standard of GRAP, accounting policies for material transactions, events or conditions were developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 as read with Directive 5.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

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

These accounting policies are consistent with the previous period.

1.1 Presentation currency

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

1.2 Going concern assumption

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

1.3 Materiality

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

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

1.4 Significant judgements and sources of estimation uncertainty

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

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

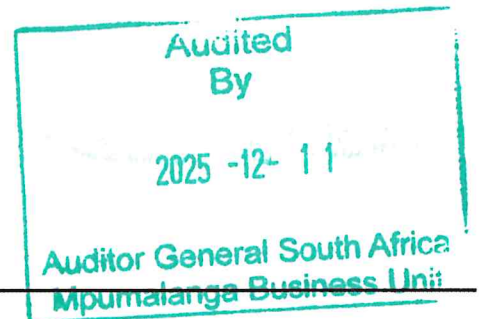
Trade receivables / Held to maturity investments and/or loans and receivables

The municipality assesses its trade receivables 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.

Dipaleseng Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Accounting Policies



1.4 Significant judgements and sources of estimation uncertainty (continued)

Fair value estimation

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

Impairment testing

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

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including [list entity specific variables, i.e. production estimates, supply demand], together with economic factors such as [list economic factors such as exchange rates inflation interest].

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 14 - 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 6.

Effective interest rate

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

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.

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Accounting Policies

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1.5 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.

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.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

Property interests held under operating leases are classified and accounted for as investment property in the following circumstances:

When classification is difficult, the criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of operations, including the nature or type of properties classified as held for strategic purposes, are as follows:

The nature OR type of properties classified as held for strategic purposes are as follows:

The municipality separately discloses expenditure to repair and maintain investment property in the notes to the annual financial statements (see note).

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

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1.6 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.

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.

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

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

Item	Depreciation method	Average useful life
Land	Straight-line	Indefinite
Buildings	Straight-line	0 - 100 years
Plant and machinery	Straight-line	5 - 15 years
Furniture and fixtures	Straight-line	5 - 7 years
Motor vehicles	Straight-line	5 - 12 years
Office equipment	Straight-line	5 - 12 years
IT equipment	Straight-line	3 - 5 years
Computer software	Straight-line	3 - 5 years
Infrastructure	Straight-line	0 - 100 years
Community	Straight-line	0 - 100 years

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1.6 Property, plant and equipment (continued)

Other property, plant and equipment
Specialised vehicles

Straight-line
Straight-line

5 -12 years
7 - 12 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.

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

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

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

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

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

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

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

1.7 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which a municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

If the related asset is measured using the cost model:

- subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

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1.7 Site restoration and dismantling cost (continued)

If the related asset is measured using the revaluation model:

- (a) changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
 - a decrease in the liability (subject to (b)) is credited to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit
 - an increase in the liability is recognised in surplus or deficit, except that it is debited to the revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.
- (b) in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit; and
- (c) a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit or net assets under (a). If a revaluation is necessary, all assets of that class are revalued.

1.8 Intangible assets

An asset is identifiable if it either:

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

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

An intangible asset is recognised when:

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

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

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

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

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

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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1.8 Intangible assets (continued)

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

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, internally generated	Straight-line	3 years
Intangible assets 1	Straight-line	Indefinite

1.9 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.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.+

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

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

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:

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1.9 Financial instruments (continued)

- 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.

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

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

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

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

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

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

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.

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1.9 Financial instruments (continued)

Classification

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

Class	Category
Receivables from exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalents	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 payables from exchange transactions (excluding employee related payables)	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost

1.10 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

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1.10 Statutory receivables (continued)

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.

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:

- 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, a 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:

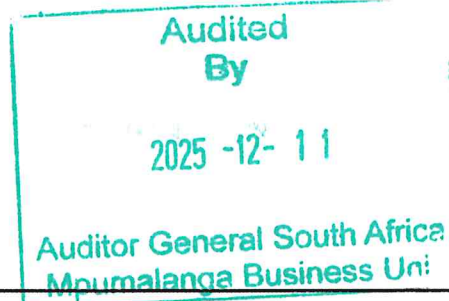
- the rights to the cash flows from the receivable are settled, expire or are waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable; or
- the municipality, despite having retained some significant risks and rewards of ownership 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.

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1.11 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.

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.

1.12 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 formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

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

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1.13 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.

Judgements made by management in applying the criteria to designate assets as cash-generating assets or non-cash-generating assets, are as follows:

Designation

At initial recognition, the municipality designates an asset as non-cash-generating, or an asset or cash-generating unit as cash-generating. The designation is made on the basis of a municipality's objective of using the asset.

The municipality designates an asset or a cash-generating unit as cash-generating when:

- its objective is to use the asset or a cash-generating unit in a manner that generates a commercial return; such that
- the asset or cash-generating unit will generate positive cash flows, from continuing use and its ultimate disposal, that are expected to be significantly higher than the cost of the asset.

An asset used with the objective of generating a commercial return and service delivery, is designated either as a cash-generating asset or non-cash-generating asset based on whether the municipality expects to use that asset to generate a commercial return. When it is not clear whether the objective is to use the asset to generate commercial return, the municipality designates the asset as a non-cash-generating asset and applies the accounting policy on Impairment of Non-cash-generating assets, rather than this accounting policy.

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.

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

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1.13 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.

Basis for estimates of future cash flows

In measuring value in use the municipality:

- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

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.

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1.13 Impairment of cash-generating assets (continued)

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.



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1.13 Impairment of cash-generating assets (continued)

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.

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

After a reversal of an impairment loss is recognised, 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.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

1.14 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.

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

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.

Designation

At initial recognition, the municipality designates an asset as non-cash-generating, or an asset or cash-generating unit as cash-generating. The designation is made on the basis of a municipality's objective of using the asset.

The municipality designates an asset or a cash-generating unit as cash-generating when:

- its objective is to use the asset or a cash-generating unit in a manner that generates a commercial return; such that
- the asset or cash-generating unit will generate positive cash flows, from continuing use and its ultimate disposal, that are expected to be significantly higher than the cost of the asset.

The municipality designates an asset as non-cash-generating when its objective is not to use the asset to generate a commercial return but to deliver services.

An asset used with the objective of generating a commercial return and service delivery, is designated either as a cash-generating asset or non-cash-generating asset based on whether the municipality expects to use that asset to generate a commercial return. When it is not clear whether the objective is to use the asset to generate a commercial return, the municipality designates the asset as a non-cash-generating asset and applies this accounting policy, rather than the accounting policy on Impairment of Non-cash-generating assets.

Identification

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

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

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

Value in use

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

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

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.

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1.15 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the entity's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

Defined benefit plans

For defined benefit plans the cost of providing the benefits is determined using the projected credit method.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

Consideration is given to any event that could impact the funds up to end of the reporting period where the interim valuation is performed at an earlier date.

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight-line basis over the average period until the amended benefits become vested.

To the extent that, at the beginning of the financial period, any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the projected benefit obligation and the fair value of the plan assets (the corridor), that portion is recognised in surplus or deficit over the expected average remaining service lives of participating employees. Actuarial gains or losses within the corridor are not recognised.

Gains or losses on the curtailment or settlement of a defined benefit plan is recognised when the entity is demonstrably committed to curtailment or settlement.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduces by the fair value of plan assets.

Any asset is limited to unrecognised actuarial losses and past service costs, plus the present value of available refunds and reduction in future contributions to the plan.

Other post retirement obligations

The entity 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 entity also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

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1.16 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.

Provisions are not recognised for future operating surplus (deficit).

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

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note .

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1.16 Provisions and contingencies (continued)

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.

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

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.



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1.16 Provisions and contingencies (continued)

Decommissioning, restoration and similar liability

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

If the related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity tests the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.13 and 1.14.

If the related asset is measured using the revaluation model:

- changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
 - a decrease in the liability is credited directly to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit; and
 - an increase in the liability is recognised in surplus or deficit, except that it is debited directly to revaluation surplus in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset;
- in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit;
- a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit and net assets. If a revaluation is necessary, all assets of that class is revalued; and
- the Standard of GRAP on Presentation of Financial Statements requires disclosure on the face of the statement of changes in net assets of each item of revenue or expense that is recognised directly in net assets. In complying with this requirement, the change in the revaluation surplus arising from a change in the liability is separately identified and disclosed as such.

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur. This applies under both the cost model and the revaluation model.

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.



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1.16 Provisions and contingencies (continued)

Levies

A levy is an outflow of resources embodying economic benefits that is imposed by governments on entities in accordance with legislation (i.e. laws and/or regulations), other than:

- those outflows of resources that are within the scope of other Standards, and
- fines or other penalties that are imposed for breaches of the legislation.

Government refers to government, government agencies and similar bodies whether local, national or international.

The obligating event that gives rise to a liability to pay a levy is the activity that triggers the payment of the levy, as identified by the legislation.

The municipality does not have a constructive obligation to pay a levy that will be triggered by operating in a future period as a result of the municipality being economically compelled to continue to operate in that future period. The preparation of financial statements under the going concern assumption does not imply that the municipality has a present obligation to pay a levy that will be triggered by operating in a future period.

The liability to pay a levy is recognised progressively if the obligating event occurs over a period of time (i.e. if the activity that triggers the payment of the levy, as identified by the legislation, occurs over a period of time).

If an obligation to pay a levy is triggered when a minimum threshold is reached, the corresponding liability is recognised when that minimum threshold is reached.

The municipality recognises an asset if it has prepaid a levy but does not yet have a present obligation to pay that levy.

1.17 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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

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

1.18 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

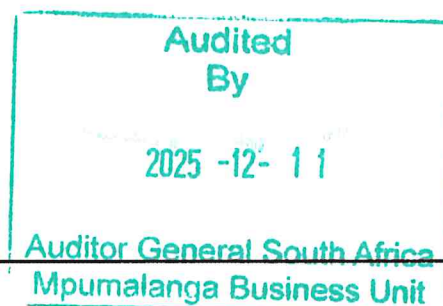
Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

The amount of revenue arising on a transaction which is statutory (non-contractual) in nature is usually measured by reference to the relevant legislation, regulation or similar means. The fee structure, tariffs or calculation basis specified in legislation, regulation or similar means is used to determine the amount of revenue that should be recognised. This amount represents the fair value, on initial measurement, of the consideration received or receivable for revenue that arises from a statutory (non-contractual) arrangement (see the accounting policy on Statutory Receivables).

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1.18 Revenue from exchange transactions (continued)

Sale of goods

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

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

Rendering of services

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

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

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

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

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by .

Interest, royalties and dividends

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

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

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

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

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

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

1.19 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.

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1.19 Revenue from non-exchange transactions (continued)

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

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

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

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

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

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

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

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

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

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

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

Recognition

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

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



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1.19 Revenue from non-exchange transactions (continued)

Measurement

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

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

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

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

Taxes

The municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

The municipality analyses the taxation laws to determine what the taxable events are for the various taxes levied.

The taxable event for income tax is the earning of assessable income during the taxation period by the taxpayer.

The taxable event for value added tax is the undertaking of taxable activity during the taxation period by the taxpayer.

The taxable event for customs duty is the movement of dutiable goods or services across the customs boundary.

The taxable event for estate duty is the death of a person owning taxable property.

The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

Taxation revenue is determined at a gross amount. It is not reduced for expenses paid through the tax system.

Taxation revenue are not grossed up for the amount of tax expenditures.

Transfers

Apart from Services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

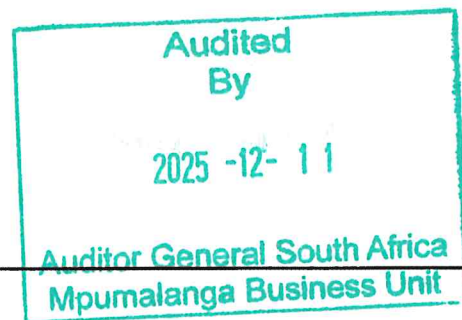
The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Dipaleseng Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Accounting Policies



1.19 Revenue from non-exchange transactions (continued)

Fines

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

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

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

Services in-kind

Except for financial guarantee contracts, the municipality recognise services in-kind that are significant to its operations and/or service delivery objectives as assets and recognise the related revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Where services in-kind are not significant to the municipality's operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, the municipality disclose the nature and type of services in-kind received during the reporting period.

1.20 Turnover

Turnover comprises of sales to customers and service rendered to customers. Turnover is stated at the invoice amount and is exclusive of value-added taxation.

1.21 Investment income

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

1.22 Borrowing costs

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

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

1.23 Accounting by principals and agents

Identification

An agent is an entity that has been directed by another entity (a principal), through a binding arrangement, to undertake transactions with third parties on behalf of the principal and for the benefit of the principal.

A principal is an entity that directs another entity (an agent), through a binding arrangement, to undertake transactions with third parties on its behalf and for its own benefit.

A principal-agent arrangement results from a binding arrangement in which one entity (an agent), undertakes transactions with third parties on behalf, and for the benefit of, another entity (the principal).

Identifying whether an entity is a principal or an agent

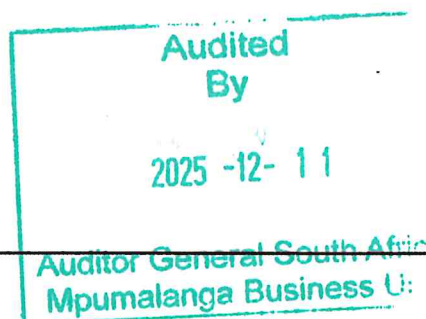
When the municipality is party to a principal-agent arrangement, it assesses whether it is the principal or the agent in accounting for revenue, expenses, assets and/or liabilities that result from transactions with third parties undertaken in terms of the arrangement.

The assessment of whether a municipality is a principal or an agent requires the municipality to assess whether the transactions it undertakes with third parties are for the benefit of another entity or for its own benefit.

Dipaleseng Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Accounting Policies



1.23 Accounting by principals and agents (continued)

Binding arrangement

The municipality assesses whether it is an agent or a principal by assessing the rights and obligations of the various parties established in the binding arrangement.

Where the terms of a binding arrangement are modified, the parties to the arrangement re-assess whether they act as a principal or an agent.

Assessing which entity benefits from the transactions with third parties

When the municipality in a principal-agent arrangement concludes that it undertakes transactions with third parties for the benefit of another entity, then it is the agent. If the municipality concludes that it is not the agent, then it is the principal in the transactions.

The municipality is an agent when, in relation to transactions with third parties, all three of the following criteria are present:

- It does not have the power to determine the significant terms and conditions of the transaction.
- It does not have the ability to use all, or substantially all, of the resources that result from the transaction for its own benefit.
- It is not exposed to variability in the results of the transaction.

Where the municipality has been granted specific powers in terms of legislation to direct the terms and conditions of particular transactions, it is not required to consider the criteria of whether it does not have the power to determine the significant terms and conditions of the transaction, to conclude that it is an agent. The municipality applies judgement in determining whether such powers exist and whether they are relevant in assessing whether the municipality is an agent.

Recognition

The municipality, as a principal, recognises revenue and expenses that arise from transactions with third parties in a principal-agent arrangement in accordance with the requirements of the relevant Standards of GRAP.

The municipality, as an agent, recognises only that portion of the revenue and expenses it receives or incurs in executing the transactions on behalf of the principal in accordance with the requirements of the relevant Standards of GRAP.

The municipality recognises assets and liabilities arising from principal-agent arrangements in accordance with the requirements of the relevant Standards of GRAP.

1.24 Comparative figures

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

1.25 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 the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.26 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.

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1.27 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy.

Irregular expenditure is accounted for in line with all relating requirements, including, but not limited to, ruling Legislation, Regulations, Frameworks, Circulars, Instruction Notes, Practice Notes, Guidelines etc (as applicable).

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.

1.28 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.

Reportable segments are the actual segments which are reported on in the segment report. They are the segments identified above or alternatively an aggregation of two or more of those segments where the aggregation criteria are met.

1.29 Budget information

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

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

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

The approved budget covers the fiscal period from 2024/07/01 to 2025/06/30.

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

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

1.30 Related parties

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

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

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

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

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

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1.30 Related parties (continued)

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.

1.31 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.

1.32 Distribution losses

Distribution losses are calculated as the difference between water consumed and billed, water freely given to the community and water produced.

1.33 Grants and Transfers

Grants and transfers received or receivable are recognised as assets when the resources that have been transferred to the Municipality meet the definition and criteria for recognition as assets.

A corresponding liability is recognised to the extent that the grant and transfer recognised as an asset, is subject to conditions that require that the Municipality either consumes the future economic benefits or service potential of the asset as specified, or that in the event that the conditions are breached, the Municipality returns such future economic benefits or service potential to the transferor. The liability is transferred to revenue when the conditions attached to the grants and transfers are met. Grants and transfers that are not subject to any conditions are recognised as revenue when the assets are initially recognised.

Interest earned on the investment of grants and transfers received is treated in accordance with the stipulations set out in the agreement for the receipt of the grant and transfer invested.

Dipaleseng Local Municipality

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2. Standards and Interpretations

2.1 Standards and interpretations approved and effective for 2024/25 Financial Year

GRAP 1 Presentation of Financial Statements

GRAP 2 Cash Flow Statements

GRAP 3 Accounting Policies, Changes in Accounting Estimates and Errors

GRAP 4 The Effects of Changes in Foreign Exchange Rates

GRAP 5 Borrowing Costs

GRAP 9 Revenue from Exchange Transactions

GRAP 10 Financial Reporting in Hyperinflationary Economies



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2. Standards and Interpretations (continued)

GRAP 11 Construction Contracts

GRAP 13 Leases

GRAP 14 Events After the Reporting Date

GRAP 16 Investment Property

GRAP 17 Property Plant and Equipment

GRAP 18 Segment Reporting

GRAP 19 Provisions, Contingent Liabilities and Contingent Assets

GRAP 20 Related Party Disclosures

GRAP 21 Impairment of Non -Cash Generating Assets

GRAP 23 Revenue from Non- Exchange Transactions (Taxes and Transfers)

GRAP 24 Presentation of Budget Information in Financial Statements

GRAP 25 Employee Benefits

GRAP 26 Impairment of Cash-Generating Assets

GRAP 27 Agriculture

GRAP 31 Intangible Assets

GRAP 32 Service Concession Arrangements: Grantor

GRAP 34 Separate Financial Statements

GRAP 35 Consolidated Financial Statements

GRAP 36 Investments in Associates and Joint Ventures

GRAP 37 Joint Arrangements

GRAP 38 Disclosure of Interests of Other Entities

GRAP 100 Discounted Operations

GRAP 103 Heritage Assets

GRAP 104 Financial Instruments

GRAP 105 Transfer of Functions Between Entities Under Common Control

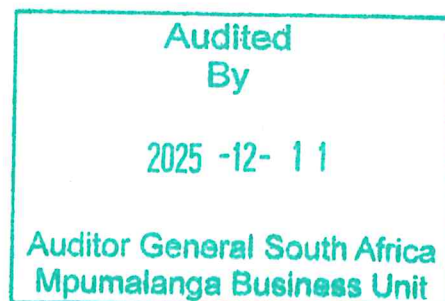
GRAP 106 Transfer of Functions Between Entities Not Under common Control

GRAP 107 Mergers

GRAP 108 Statutory Receivables

GRAP 109 Accounting by Principals and Agents

GRAP 110 Living and Non-Living resources



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2. Standards and Interpretations (continued)

IGRAP 1 Applying the Probability Test on Initial Recognition of Revenue

IGRAP 2 Changes in Existing Decommissioning, Restoration and Similar Liabilities

IGRAP 3 Determining whether an arrangement contains a lease

IGRAP 4 Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds

IGRAP 5 Applying the restatement approach under the Standard of GRAP on financial reporting in hyperinflationary economies

IGRAP 6 Loyalty Programme

IGRAP 7 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

IGRAP 8 Agreements for the Construction of Assets from Exchange Transactions

IGRAP 9 Distributions of Non-cash Assets to Owners

IGRAP 10 Assets Received from Customers

IGRAP 13 Operating Leases – Incentives

IGRAP 14 Evaluating the Substance of Transactions Involving the Legal Form of a Lease

IGRAP 15 Revenue – Barter Transactions Involving Advertising Services

IGRAP 16 Intangible Assets – Website Costs

IGRAP 17 Service Concession Arrangements Where a Grantor Controls a Significant Residual Interest in an Asset

IGRAP 18 Recognition and Derecognition of Land

Standards and interpretations issued, but not yet effective

GRAP 25 (as revised): Employee Benefits

Background

The Board issued the Standard of GRAP on Employee Benefits (GRAP 25) in November 2009. GRAP 25 was based on the International Public Sector Accounting Standard on Employee Benefits (IPSAS 25) effective at that time. However, GRAP 25 was modified in some respects where the Board decided the requirements of the International Accounting Standard on Employee Benefits (IAS® 19) were more appropriate. Specifically, the Board:

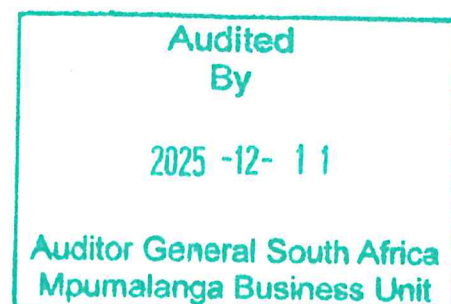
Eliminated the corridor method and required recognition of actuarial gains and losses in full in the year that they arise.

Required the recognition of past service costs in the year that a plan is amended, rather than on the basis of whether they are vested or unvested

Since 2009, the International Accounting Standards Board® has made several changes to IAS 19, including changes to the recognition of certain benefits, and where these changes are recognised. The IPSASB made similar changes to its standard and as a result of the extent of changes, issued IPSAS 39 on Employee Benefits to replace IPSAS 25 in 2016.

When the Board consulted locally on the proposed amendments to IPSAS 25 in 2016, stakeholders welcomed the amendments to align IPSAS 25 to IAS 19 and supported the changes that resulted in IPSAS 39.

In developing GRAP 25, the Board agreed to include the guidance from the IFRS Interpretation on IAS 19 – The Limit on Defined Benefit Asset, Minimum Funding Requirements and their Interaction (IFRIC 14®) partly in GRAP 25 and partly in



Dipaleseng Local Municipality

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2. Standards and Interpretations (continued)

the Interpretation of the Standards of GRAP on The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (IGRAP 7).

Key amendments to GRAP 25

The Board agreed to align GRAP 25 with IPSAS 39, but that local issues and the local environment need to be considered. As a result of this decision, there are areas where GRAP 25 departs from the requirements of IPSAS 39. The Board's decisions to depart are explained in the basis for conclusions.

The amendments to GRAP 25 are extensive and mostly affect the accounting for defined benefit plans. A new renumbered Standard of GRAP (e.g. GRAP 39) will not be issued, but rather a new version of the current GRAP 25.

The effective date of these revisions has not yet been set. 01 April 2023.

The municipality has adopted the revisions for the first time in the 2023/2024 unaudited annual financial statements.

The impact of the revisions is set out in note 2 Changes in Accounting Policy



Dipaleseng Local Municipality
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3. Investment property

	2025			2024		
	Cost / Valuation	Accumulated depreciation, accumulated impairment & Transfers	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	39 356 091	(1 105 186)	38 250 905	39 356 091	-	39 356 091

Reconciliation of investment property - 2025

	Opening balance	Transfers	Total
Investment property	39 356 091	(1 105 186)	38 250 905

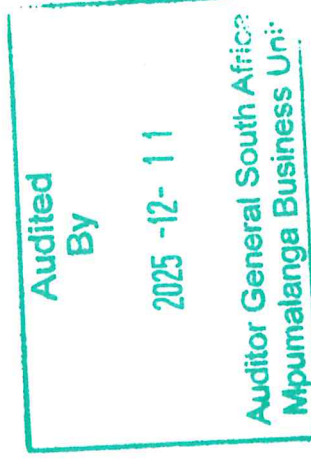
Reconciliation of investment property - 2024

	Opening balance	Fair value adjustments	Total
Investment property	39 160 290	195 801	39 356 091

Pledged as security

No investment property is pledged as security.

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.



Dipaleseng Local Municipality

Annual Financial Statements for the year ended 30 June 2025

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3. Investment property (continued)

Details of valuation

The effective date of the revaluations was Monday, 30 June 2025. Revaluations were performed by an independent valuer, Erina Otto of i@ Consulting. i@ Consulting are not connected to the municipality and have recent experience in location and category of the investment property being valued.

The municipality applied fair value adjustment on the investment properties at the end of the financial year. The fair value adjustments of the investment properties being for improved and unimproved land was determined based on the trend of the general market growth rate figure as indicated through the FNB house price indices for June 2025, being a rate of 0%, adjusted to reflect the current market conditions per suburb



Dipaleseng Local Municipality
Annual Financial Statements for the year ended 30 June 2025

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4. Property, plant and equipment

	2025			2024		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	2 902 500	-	2 902 500	2 902 500	-	2 902 500
Plant and machinery	1 558 717	(1 308 590)	250 127	1 647 369	(1 256 439)	390 930
Furniture and fixtures	3 940 223	(3 052 713)	887 510	3 775 659	(2 802 264)	973 395
Motor vehicles	14 266 025	(6 483 526)	7 782 499	13 955 455	(5 462 863)	8 492 592
IT equipment	3 281 775	(2 011 466)	1 270 309	2 843 201	(1 666 051)	1 177 150
Infrastructure	1 735 844 663	(684 871 878)	1 050 972 785	1 541 087 898	(543 169 695)	997 918 203
Community	76 228 613	(34 806 732)	41 421 881	88 928 744	(46 581 001)	42 347 743
Other property, plant and equipment	72 322 671	(60 601 933)	11 720 738	76 693 210	(62 352 140)	14 341 070
Total	1 910 345 187	(793 136 838)	1 117 208 349	1 731 834 036	(663 290 453)	1 068 543 583

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Dipaleseng Local Municipality

Annual Financial Statements for the year ended 30 June 2025

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4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2025

	Opening balance	Additions	Disposals	Donations received	Additions through provisions	Depreciation	Impairment loss	Total
Land	2 902 500	-	-	-	-	-	-	2 902 500
Plant and machinery	390 930	-	(10 396)	-	-	(130 407)	-	250 127
Furniture and fixtures	973 395	188 419	(905)	-	-	(273 399)	-	887 510
Motor vehicles	8 492 592	-	(21 520)	525 770	-	(1 214 343)	-	7 782 499
IT equipment	1 177 150	499 318	(513)	-	-	(405 646)	-	1 270 309
Infrastructure	997 918 203	23 627 955	(5 619 285)	153 694 557	12 913 689	(31 847 431)	(99 714 903)	1 050 972 785
Community	42 347 743	-	(11 560)	-	-	(914 241)	(61)	41 421 881
Other property, plant and equipment	14 341 070	-	(1 170 337)	-	-	(1 207 331)	(242 664)	11 720 738
	1 068 543 583	24 315 692	(6 834 516)	154 220 327	12 913 689	(35 992 798)	(99 957 628)	1 117 208 349

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4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2024

	Opening balance	Additions	Additions through provisions	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	2 902 500	-	-	-	-	-	-	2 902 500
Plant and machinery	419 799	119 000	-	-	-	(147 869)	-	390 930
Furniture and fixtures	1 057 969	196 346	-	-	-	(280 920)	-	973 395
Motor vehicles	2 779 735	6 975 026	-	(53 124)	-	(903 473)	(305 572)	8 492 592
IT equipment	1 105 577	400 574	-	-	-	(329 001)	-	1 177 150
Infrastructure	883 051 630	41 120 924	(1 000 059)	(2 339 630)	106 366 894	(24 562 943)	(4 718 613)	997 918 203
Community	44 375 531	-	-	(795 037)	-	(1 063 927)	(168 824)	42 347 743
Other property, plant and equipment	15 598 228	74 000	-	(85)	-	(1 329 280)	(1 793)	14 341 070
	951 290 969	48 885 870	(1 000 059)	(3 187 876)	106 366 894	(28 617 413)	(5 194 802)	1 068 543 583

Pledged as security

No assets are pledged as security.

Reconciliation of Work-in-Progress 2025

	Included within Infrastructure	Included within Community	Total
Opening balance	120 772 741	12 372 379	133 145 120
Additions/capital expenditure	27 881 646	-	27 881 646
Transferred to completed items	(23 670 472)	-	(23 670 472)
	124 983 915	12 372 379	137 356 294

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4. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2024

	Included within Infrastructure	Included within Community	Total
Opening balance	157 718 821	12 372 379	170 091 200
Additions/capital expenditure	37 728 844	-	37 728 844
Transferred to completed items	(74 674 924)	-	(74 674 924)
	120 772 741	12 372 379	133 145 120

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

Maintenance of infrastructure	34 933 062	15 271 083
Maintenance of equipment	-	9 929
Maintenance of transport services	29 850 308	15 787 746
Maintenance of unspecified assets	477 420	284 105
Maintenance of building and facilities	158 161	130 000
	65 418 951	31 482 863

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.

Included in Work in Progress (WIP) total carrying value are projects which are taking significantly longer to complete. The total carrying value of such projects is:

Project	Carrying value as at 30 June 2025	Status and reason for delay
2019_055 Outdoor Facilities: Upgrading of Stadium	12 372 378	Contractor dispute, currently under investigation. Commencement will only take place after conclusion of the legal proceedings
050 Construction of Balfour new Substation	70 791 640	Ongoing Project. Awaiting Eskom to commission the substation.
003 Design and construction supervision for the rehabilitation of roads in Dipaleseng (Siyathemba)	49 604	Project design has been completed. Awaiting budget allocation to commence with implementation
044 Design and construction supervision of Siyathemba 20 MVA (2x 10MVA) 88/22 KV substation	840 000	Ongoing project. Awaiting Eskom to commission the substation
2020_014_RBIG Capital Spares: ESKOM upgrade of the 11kV line to 22kV line	80 446	Design has been completed. Awaiting budget allocation to implement project.
029 Expansion of Waste Water Treatment / Expansion of waste water treatment works in Balfour	6 870 088	The Gert Sibande District have taken over implementation. Will be completed upon handover by the District Municipality
2020_010_RBIG Waste Water Treatment Works: Upgrading of Balfour Wastewater Treatment Works (From a 6 MI/day to 12 MI/day)	529 539	The Gert Sibande District have taken over implementation. Will be completed upon handover by the District Municipality
Total	91 533 695	-

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5. Intangible assets

	2025			2024		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other Intangible assets	17 800 83 806	(16 298) -	1 502 83 806	17 800 83 806	(12 738) -	5 062 83 806
Total	101 606	(16 298)	85 308	101 606	(12 738)	88 868

Reconciliation of intangible assets - 2025

	Opening balance	Amortisation	Total
Computer software, other Intangible assets	5 062 83 806	(3 560) -	1 502 83 806
	88 868	(3 560)	85 308

Reconciliation of intangible assets - 2024

	Opening balance	Amortisation	Total
Computer software, other Intangible assets	8 622 83 806	(3 560) -	5 062 83 806
	92 428	(3 560)	88 868

Pledged as security

No intangible assets are pledged as security.

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6. Employee benefit obligations

Long service awards

Long service benefits are awarded in the form of a number of leave days awarded once an employee has completed a certain number of years in service.

In accordance with prevailing legislation, the defined benefits funds are actuarially valued at intervals of every year. The Projected Unit Credit Method has been used to value the liabilities. The latest valuation was performed for Dipaleseng Local Municipality as at 30 June 2025 by qualified experts.

The accumulated defined benefit obligation in respect of the long-service awards are provided, based on calculations of independent actuaries, using methods and assumptions consistent with GRAP 25 (Employee Benefits).

Long service award relates to the legal obligation to provide long service leave awards. Actuarial benefits have been calculated

for 180 eligible employees as at 30 June 2025 that are entitled to long service awards. The long service awards liability is not a funded arrangement. i.e. no separate assets have been set aside to meet this liability.

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

Carrying value

Present value of the defined benefit obligation-wholly unfunded	5 163 000	3 630 000
Non-current liabilities	(19 308 000)	(14 978 000)
Current liabilities	(909 000)	(787 000)
	(20 217 000)	(15 765 000)

Changes in the present value of long service award obligation are as follows:

Opening balance	3 630 000	3 283 000
Benefits paid	(469 000)	(382 000)
Net expense recognised in the statement of financial performance	2 002 000	729 000
	5 163 000	3 630 000

Net expense recognised in the statement of financial performance

Current service cost	296 000	282 000
Interest cost	387 000	402 000
Actuarial (gains) losses	1 319 000	45 000
	2 002 000	729 000

Calculation of actuarial gains and losses

Actuarial (gains) losses – Obligation	1 319 000	45 000
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Dipaleseng Local Municipality

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6. Employee benefit obligations (continued)		
6. Employee benefit obligations (continued)		
Key assumptions used		
Assumptions used at the reporting date:		
Discount rate		Yield Curve 9.35 %
CPI (Consumer Price Inflation)		Difference 6.21 %
		between nominal and real yield curve
Normal Salary Increase Rate		Equal to 7.21 %
Net Effective Discount Rate		CPI+1%
Average Retirement Age (years)		Yield curve based** 1.99 %
Nominal Retirement Age (years)		62 62
Mortality Rates		65 65
		SA85-90 SA-85-90
		- -

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

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

We use the nominal and real zero curves as at 30 June 2025 supplied by the JSE to determine our discounted rates and CPI assumptions at each relevant time period. For example, a liability which pays out in 1 year will be discounted at a different rate than a liability which pays out in 30 years.

**The Net Effective Discount Rate is different for each relevant time period of the yield curves' various durations and therefore the Net Effective Discount Rate is based on the relationship between the (yield curve based) Discount Rate for each relevant time period and the (yield curve based) Salary Inflation for each relevant time period.

We have derived the underlying future rate of consumer price index inflation (CPI inflation) from the relationship between the (yield curve based) Conventional Bond Rate for each relevant time period and the (yield curve based) Inflation-linked Bond rate for each relevant time period. Our assumed rate of salary inflation was set as the assumed value of CPI plus 1%. The salaries used in the valuation include an assumed increase on 01 July 2025 of 5.1%. The next salary increase was assumed to take place on 01 July 2026.

Sensitivity analysis

	-20 Withdrawal rate	+20 Withdrawal rate
Total Accrued Liability	5 327 000	5 011 000
Current Service Cost	529 000	479 000
Interest cost	501 000	469 000
	6 357 000	5 959 000

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6. Employee benefit obligations (continued)

6. Employee benefit obligations (continued)

Other assumptions

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

We have tested the effect of a 1% p.a. change in the Normal Salary inflation assumption. The effect is as follows

	One percentage point increase	One percentage point decrease
Total Accrued Liability	5 467 000	4 883 000
Current Service Cost	538 000	470 000
Interest Cost	514 000	457 000

Amounts for the current and previous four years are as follows:

	2025 R	2024 R	2023 R	2022 R	2021 R
Defined benefit obligation	3 630 000	3 283 000	3 671 000	3 259 000	2 850 000

7. Employee benefit obligations

Post-employment Medical Aid Liabilities

The Projected Unit Credit funding method has been used to determine the past-service liabilities at the valuation date and the projected annual expense in the year following the valuation date.

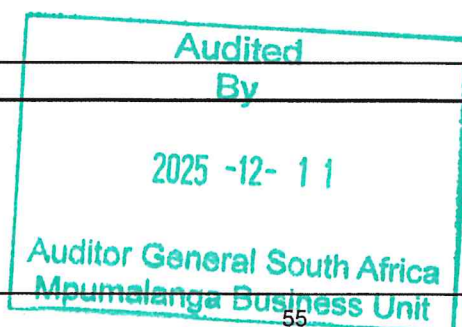
The expected value of each employee and their spouse's future medical aid subsidies is projected by allowing for future medical inflation. The calculated values are then discounted at the assumed discount interest rate to the present date of valuation (calculation). We also allowed for mortality, retirements and withdrawals from service as set out below. The accrued liability is determined on the basis that each employee's medical aid benefit accrues uniformly over the working life of an employee up until retirement. Further it is assumed that the current policy for awarding medical aid subsidies remains unchanged in the future. We assumed that 100% of all active members on medical aid will remain on medical aid once they retire. The previous actuaries however assumed that only 75% of those currently on medical aid would be on medical aid in retirement. However, they also assumed that 15% of those not currently on medical aid would be on medical aid in retirement. We also assumed that all active members will remain on the same medical aid option at retirement.

As at the valuation date, the medical aid liability of the Municipality was unfunded, i.e., no dedicated assets have been set aside to meet this liability. We therefore did not consider any assets as part of our valuation.

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

Carrying value

Present value of the defined benefit obligation-wholly unfunded	15 054 000	12 135 000
Non-current liabilities	(19 308 000)	(14 978 000)
Current liabilities	(909 000)	(787 000)
	(20 217 000)	(15 765 000)



Dipaleseng Local Municipality

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6. Employee benefit obligations (continued)

6. Employee benefit obligations (continued)

Changes in the present value of long service award obligation are as follows:

Opening balance	12 135 000	12 110 000
Benefits paid	(467 000)	(312 000)
Net expense recognised in the statement of financial performance	3 386 000	337 000
	15 054 000	12 135 000

Net expense recognised in the statement of financial performance

Current service cost	610 000	552 000
Interest cost	1 433 000	1 573 000
Actuarial (gains) losses	1 343 000	(1 788 000)
	3 386 000	337 000

Calculation of actuarial gains and losses

Actuarial (gains) losses – Obligation	1 343 000	(1 788 000)
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Key assumptions used

Assumptions used at the reporting date:

Discount rate	Yield Curve	12.95 %
CPI (Consumer Price Inflation)	Difference between nominal and real yield curve	7.40 %
Normal Salary Increase Rate	Equal to CPI+1%	8.40 %
Net Effective Discount Rate	Yield curve based**	4.20 %
Average Retirement Age (years)	62	62
Nominal Retirement Age (years)	65	65



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

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

We use the nominal and real zero curves as at 30 June 2025 supplied by the JSE to determine our discounted rates and CPI assumptions at each relevant time period. For example, a liability which pays out in 1 year will be discounted at a different rate than a liability which pays out in 30 years.

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6. Employee benefit obligations (continued)

6. Employee benefit obligations (continued)

Sensitivity analysis

	Audited By 2025 -12- 1 1	-20 Withdrawal rate	+20 Withdrawal rate
Total Accrued Liability		15 432 000	14 703 000
Current Service Cost		2 024 000	1 925 000
Interest cost		853 000	778 000
		18 309 000	17 406 000

Other assumptions

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

We have tested the effect of a 1% p.a. change in the Normal Salary inflation assumption. The effect is as follows

	One percentage point increase	One percentage point decrease
Total Accrued Liability	17 691 000	12 920 000
Current Service Cost	2 326 000	1 686 000
Interest Cost	1 002 000	665 000

Amounts for the current and previous four years are as follows:

8. Employee benefit obligation split

	2025	2024
Current Liabilities	909 000	787 000
Non-Current Liabilities	19 308 000	14 978 000
	20 217 000	15 765 000

9. Inventories

Maintenance materials	111 420	111 420
Water for distribution	75 336	50 140
	186 756	161 560

Inventory pledged as security

No Inventory has been pledged as security.

Inventory expensed

	2025	2024
Water consumed	14 958 226	16 575 690

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Figures in Rand	2025	2024
10. Receivables from exchange transactions		
Gross balances		
Rates	-	-
Consumer debtors - Electricity	152 653 018	121 031 558
Consumer debtors - Water	189 962 488	165 683 710
Consumer debtors - Waste water	222 321 062	191 603 174
Consumer debtors - Refuse	125 927 321	108 263 323
VAT Input accrual	152 441 458	145 572 061
Consumer debtors - Property rental	3 349 458	2 787 722
Consumer debtors - Other	114 143 692	107 579 199
	960 798 497	842 520 747
Less: Allowance for impairment		
Consumer debtors - Electricity	(80 433 620)	(64 547 106)
Consumer debtors - Water	(140 037 314)	(127 167 216)
Consumer debtors - Waste water	(180 554 552)	(162 948 239)
Consumer debtors - Refuse	(114 267 203)	(103 123 624)
Consumer debtors - Property rental	(1 828 569)	(1 621 666)
Consumer debtors - Other	(57 555 616)	(29 993 353)
	(574 676 874)	(489 401 204)
Net balance		
Electricity	72 219 398	56 484 452
Water	49 925 174	38 516 494
Waste water	41 766 510	28 654 935
Refuse	11 660 118	5 139 699
VAT Input Accrual	152 441 458	145 572 061
Consumer debtors - Property rental	1 520 889	1 166 056
Consumer debtors - Other	56 588 076	77 585 846
	386 121 623	353 119 543
Electricity		
Current (0 -30 days)	10 667 647	7 668 854
31 - 60 days	2 472 782	2 966 015
61 - 90 days	2 097 542	2 627 623
91 - 120 days	2 500 701	2 530 748
121 - 365 days	15 187 244	19 734 489
> 365 days	39 293 482	20 956 723
	72 219 398	56 484 452
Water		
Current (0 -30 days)	2 499 176	2 890 895
31 - 60 days	1 189 118	2 455 104
61 - 90 days	1 257 710	2 288 051
91 - 120 days	1 360 855	2 268 336
121 - 365 days	9 680 419	17 346 047
> 365 days	33 937 896	11 268 061
	49 925 174	38 516 494

Dipaleseng Local Municipality

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Figures in Rand	2025	2024
10. Receivables from exchange transactions (continued)		
Waste water		
Current (0 -30 days)	3 047 669	3 511 278
31 - 60 days	1 533 463	2 730 408
61 - 90 days	1 504 509	2 574 145
91 - 120 days	1 483 070	2 537 174
121 - 365 days	11 515 830	12 279 389
> 365 days	22 681 969	5 022 541
	41 766 510	28 654 935
Refuse		
Current (0 -30 days)	937 249	757 351
31 - 60 days	916 180	825 666
61 - 90 days	889 964	857 000
91 - 120 days	881 449	701 010
121 - 365 days	6 821 752	765 123
> 365 days	68 586 538	10 153 548
	79 033 132	14 059 698
Property rental debtors		
Current (0 -30 days)	25 953	20 539
31 - 60 days	25 245	18 767
61 - 90 days	24 986	19 253
91 - 120 days	24 289	19 696
121 - 365 days	241 598	19 225
> 365 days	1 178 818	1 068 576
	1 520 889	1 166 056
Other		
Current (0 -30 days)	6 268 045	4 278 111
31 - 60 days	5 546 089	4 881 911
61 - 90 days	5 342 996	4 551 676
91 - 120 days	5 378 711	4 213 789
121 - 365 days	4 472 436	9 235 589
> 365 days	1 949 323	26 163 780
	28 957 600	53 324 856

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Figures in Rand	2025	2024
10. Receivables from exchange transactions (continued)		
Summary of debtors by customer classification		
Industrial / commercial		
Current (0 -30 days)	11 546 263	1 897 480
31 - 60 days	260 954	1 063 030
61 - 90 days	59 447	1 067 979
91 - 120 days	57 111	1 159 402
121 - 365 days	458 751	3 652 490
> 365 days	3 655 476	152 680 367
	16 038 002	161 520 748
Residential		
Current (0 -30 days)	9 602 649	8 123 333
31 - 60 days	8 962 681	7 999 103
61 - 90 days	8 837 323	7 373 572
91 - 120 days	8 802 623	7 437 515
121 - 365 days	68 289 435	56 946 467
> 365 days	561 660 744	471 978 570
	666 155 455	559 858 560
National and provincial government		
Current (0 -30 days)	313 728	304 792
31 - 60 days	343 254	250 416
61 - 90 days	349 646	253 807
91 - 120 days	348 889	232 114
121 - 365 days	2 744 569	1 220 846
> 365 days	11 318 770	9 226 627
	15 418 856	11 488 602
Reconciliation of allowance for impairment		
Balance at beginning of the year	(489 401 204)	(447 569 062)
Contributions to allowance	(85 275 670)	(36 093 132)
	(574 676 874)	(489 401 204)

Receivables from exchange pledged as security

No receivables from exchange transactions were pledged as security.



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10. Receivables from exchange transactions (continued)

Receivables from exchange debtors impaired

As of 30 June 2025, receivables from exchange transactions of R 808 357 039 (2024: R 696 948 868) were impaired and provided for.

The amount of the provision was R 602 307 350 as of 30 June 2025 (2024: R513 662 194).

The ageing of the amounts considered for impairment are as follows:

1 month past due	8 987 466	7 998 477
2 months past due	8 050 755	7 921 213
3 months past due	7 928 575	7 568 546
3 to 6 months	31 477 204	57 672 761
Over 6 months	572 391 048	477 873 636

Consumer debtors past due but not impaired

The ageing of amounts past due but not impaired for the 2025 financial year is as follows (2024 - all debtors were considered for impairment):

1 month past due	2 189 908	30 076 002
2 months past due	2 545 886	17 638 357
3 months past due	2 350 768	16 032 235
3 to 6 months	9 533 716	47 621 481
Over 6 months	153 296 601	91 905 490

Business service levies

11. Receivables from non-exchange transactions

Gross balances

Consumer debtors - Rates	149 958 139	128 133 093
Fines	10 623 085	9 309 650
	160 581 224	137 442 743

Less: Allowance for impairment

Consumer debtors - Rates	(93 747 334)	(84 434 344)
Fines	(9 399 676)	(9 159 537)
	(103 147 010)	(93 593 881)

Net balance

Consumer debtors - Rates	56 210 805	43 698 749
Fines	1 223 409	150 113
	57 434 214	43 848 862

Rates

Current (0 -30 days)	3 418 615	1 182 125
31 - 60 days	3 036 180	3 009 737
61 - 90 days	2 808 966	2 670 357
91 - 120 days	2 664 824	2 548 954
121 - 365 days	19 778 553	20 750 457
> 365 days	119 686 729	97 975 198
	151 393 867	128 136 828

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11. Receivables from non-exchange transactions (continued)		
Summary of debtors by customer classification		
Industrial / commercial		
Current (0 -30 days)	1 145 855	952 333
31 - 60 days	870 608	55 100
61 - 90 days	807 732	623 011
91 - 120 days	633 445	732 555
121 - 365 days	4 532 695	4 519 561
> 365 days	30 880 496	24 335 559
	38 870 831	31 218 119
Residential		
Current (0 -30 days)	1 220 879	985 557
31 - 60 days	1 117 598	889 335
61 - 90 days	1 085 717	822 324
91 - 120 days	1 063 921	599 325
121 - 365 days	8 139 190	6 125 541
> 365 days	48 527 933	36 946 467
	61 155 238	46 368 549
National and provincial government		
Current (0 -30 days)	275 850	304 729
31 - 60 days	274 270	250 416
61 - 90 days	272 690	253 807
91 - 120 days	271 109	232 114
121 - 365 days	2 214 607	236 568
> 365 days	10 955 165	10 210 904
	14 263 691	11 488 538
Other		
Current (0 -30 days)	776 031	649 533
31 - 60 days	773 704	422 135
61 - 90 days	642 828	568 898
91 - 120 days	696 349	336 988
121 - 365 days	4 892 061	4 882 335
> 365 days	29 323 136	19 716 304
	37 104 109	26 576 193
Reconciliation of allowance for impairment		
Balance at beginning of the year	(93 593 881)	(74 374 678)
Contributions to allowance	(9 553 129)	(19 219 203)
	(103 147 010)	(93 593 881)

Included in receivables from non-exchange transactions above are statutory receivables as described below:

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11. Receivables from non-exchange transactions (continued)

Statutory receivables general information

Transaction(s) arising from statute

Traffic fines are governed by Administrative Adjudication of Road Traffic Offences Act, No. 46 of 1998 (AARTO) and National Road Traffic Act, No. 93 of 1996 of South Africa, hence this is therefore recognised as a statutory receivable. The receivable is calculated by determining the value of the fine to be paid on initial recognition, and accounting for subsequent measurement by taking into account reductions and discounts made to the value of the fine payable in terms of the court of law. No interest is charged on outstanding fines, and any additional penalties applied by the court is paid by the offender to the court directly, and is therefore not considered to be revenue for the municipality.

Property rates is levied in terms of the Municipal Property Rates Act 6 of 2004, hence this is therefore recognised as a statutory receivable. The receivable is calculated by applying the Council approved rates against the valuation of individual properties within the municipality jurisdiction. Council approved rebates and exemptions are further applied to reduce the receivable.

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

The estimate was determined by the judgment of the management of the municipality, supplemented by experience of past practices and statistics in relation to uncollectable debt. The effects of the time value of money have been ignored due to the fact that the debt is immediately payable.

In assessing whether statutory receivables are impaired, management assessed whether there are any indications that:

- (a) Individually significant receivables are impaired; and/or
- (b) Groups of similar, individually insignificant, receivables are impaired.

The following accounts are specifically excluded from the assessment for impairment:

Receivable accounts with a total credit balance at reporting date;
Receivable accounts where the total balance at reporting date is zero;
Receivable accounts where the municipality is the owner, as this is raised on the debtor system and rebated accordingly;
Receivable accounts which relate to:
Business owners
Industrial businesses
Corporates and organs of state
Receivable account balances that have not been outstanding for more than 30 days at reporting date as these account balances are considered not to be past due

In estimating the future cash flows, management considered both the amount and timing of the cash flows that it will receive in future. In line with par 12 of the Credit Control Policy, the municipality does not see itself as a credit provision institution and hence the effect of the time value of money is not considered as all outstanding amounts are immediately payable

In determining the amount impaired, management estimates the cash flows that it expects to collect based on facts and circumstances at the reporting date.

The future cash flows of a group of receivables that were individually or collectively evaluated for impairment were estimated using historical experience. For this purpose management adopted the payment pattern of each receivable.

Traffic fines will be impaired when the possibility of collecting the fines cannot be ascertained and where the prospects of a successful prosecution of an offender are not certain.

The National Prosecuting Authority (NPA) has issued a countrywide instruction that all outstanding traffic fines issued in terms of the Criminal Procedure Act should be cancelled after 18 months if no summons has been issued.

Additionally, where a summons has been issued and the alleged transgressor fails to appear in court, resulting in a warrant of arrest, the warrant has a lifetime of two years from the date of issue. Should it not been executed within two years, it should also be cancelled.

Based on the above mentioned, individual traffic fines will be assessed to identify the following:

Dipaleseng Local Municipality

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11. Receivables from non-exchange transactions (continued)

Traffic fines issued in terms of the Criminal Procedure Act, that are outstanding for a period greater than or equal to 18 months, and no summons have been issued; and

Traffic fines where warrants of arrest remain outstanding for greater than or equal to two years, from the date the warrant has been issued.

The above mentioned traffic fines will be considered for 100% of impairment of the rand value outstanding, as it is probable that these traffic fines will be written off by the municipality.

A group assessment of receivables shall further be conducted on the remaining traffic fine receivables taking into account the following criteria:

All fines with balances outstanding beyond the due date for payment

Statutory receivables past due but not impaired

The ageing of amounts past due but not impaired for the 2025 financial year is as follows:

1 month past due	1 384 217	1 182 125
2 months past due	1 125 536	946 804
3 months past due	1 061 171	921 393
3 to 6 months	3 671 849	3 064 286
Over 6 months	45 595 230	37 934 089

Statutory receivables impaired

As of 30 June 2025, Statutory receivables of R161 168 600 (2024: R137 442 743) were impaired and provided for.

The amount of the provision was R103 147 010 as of 30 June 2025 (2024: R93 593 881).

The ageing of the amounts past due and impaired is as follows:

1 month past due	1 986 540	1 723 553
2 months past due	1 881 006	1 627 561
3 months past due	1 718 323	1 579 970
3 to 6 months	6 790 649	4 801 872
Over 6 months	87 420 375	76 577 009

12. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	772 794	4 374 631
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Cash and cash equivalents pledged as collateral

No cash and cash equivalents has been pledged as collateral security in the current year.



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12. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2025	30 June 2024	30 June 2023	30 June 2025	30 June 2024	30 June 2023
First National BANK - Cheque Account - 51590840208	80 243	1 366 498	2 277 443	633 550	2 423 767	2 406 502
First National BANK - Current Account - 62054655827	126 738	117 366	1 383 861	126 738	1 950 442	3 232 832
First National BANK - Call Account - 62033239783	162 503	422	7 728 058	12 502	422	7 728 058
Total	369 484	1 484 286	11 389 362	772 790	4 374 631	13 367 392

13. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

See note 27 for reconciliation of grants from National/Provincial Government.



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14. Provisions

Reconciliation of provisions - 2025

	Opening Balance	Reversed during the year	Change in discount factor	Total
Environmental rehabilitation	73 785 144	12 913 689	7 815 565	94 514 398
Provision - Department of water & sanitation	74 945 836	-	-	74 945 836
	148 730 980	12 913 689	7 815 565	169 460 234

Reconciliation of provisions - 2024

	Opening Balance	Reversed during the year	Change in discount factor	Total
Environmental rehabilitation	67 143 997	(1 000 059)	7 641 206	73 785 144
Department of Water and Sanitation	74 945 836	-	-	74 945 836
	142 089 833	(1 000 059)	7 641 206	148 730 980

Environmental rehabilitation provision

The landfill rehabilitation is created for the rehabilitation of the current operational sites which are evaluated at each year end to reflect the best estimate at reporting date. The sites under consideration are the Greylingstad, Siyathemba, and Grootvlei landfill sites.

The valuation for the landfill site was performed by Mr Seakle Godschalk Pr Sci Nat, GIMFO, and Dr. Maryna Mohr, both partners in Environmental and Sustainability Solutions (ESS).

Mr Godschalk is a registered professional environmental scientist with the South African Council for Natural Scientist Profession(SACNASP) as well as the Southern African Institute of Ecologists and Environmental Scientists(SAIE&ES). He holds a Master's degree in Science as well as a Master's degree in Accounting. Mr Godschalk is also a member of the Institute of Government Finance, Audit and Risk Officers(CIGFARO) and Institute of Directors.

Dr Möhr holds an MBA as well as a D Tech. For the latter she developed an Environmental Management Accounting model for the mining industry. She was a member of the United Nations expert workgroup that developed an International Guidance Document: Environmental Management Accounting that was published by the International Federation of Accountants (IFAC) in 2005. Maryna is a member of the Institute of Director.

Both ESS members represent South Africa on the International Standards Organisation workgroups for the development of international standards on Material Flow Cost Accounting, the Monetary Valuation of Environmental Impacts and Aspects, and Determining Environmental Costs and Benefits. They developed an environmental management accounting system for Gold Fields and the Auditor General of South Africa. For the Department of Defence, they developed the Environmental Liability Costing Model to estimate the rehabilitation costs of military training areas. On their own initiative they developed the GLCCM that formed the basis for this assessment. ESS is a member of the Institute of Waste Management in South Africa (IWMSA).

Key financial assumptions used in this calculation were as follows:

	Greylingstad	Grootvlei	Siyathemba
CPI	2.89%	2.89%	2.89%
Discount rate	8.39%	8.14%	8.64%
Net effective discount rate	5.5%	5.25%	5.75%

Department of Water and Sanitation

The accounting records of the Department of Water and Sanitation indicate that the Municipality owes the department an amount of R 74 945 836 in historic debt. It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. The timing of the outflow is unknown as engagements between the Municipality and the department are underway

Dipaleseng Local Municipality

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15. Payables from exchange transactions		
Trade payables	554 918 746	400 865 314
Amounts received in advanced	10 640 572	9 872 584
VAT Output accrual	161 355 958	134 163 714
Retention	9 552 920	9 300 677
Accrued leave pay	14 112 172	13 038 766
Accrued bonus	1 953 541	1 444 711
Accrued expense	80 483 674	71 557 727
Unallocated deposits	16 027 751	12 083 464
Agency fees	47 228 057	34 189 292
Salary clearing Control	3 853 384	397 901
	900 126 775	686 914 150

16. VAT payable

448 175	2 685 866
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The municipality is registered for VAT on a cash basis with SARS. Vat output is declared to SARs upon receipt of the outstanding amount from cutomers and VAT input is claimed from SARs once creditors balances are settled. The VAT amount shown above reflects net amount payable to SARS as at the end of 30 June 2025 and 30 June 2024

17. Consumer deposits

Electricity	2 985 036	3 007 024
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18. Revenue

Sale of goods	1 812 877	1 310 563
Service charges	160 206 510	142 324 685
Rental of facilities and equipment	399 736	445 881
Licences and permits	3 969 588	3 632 434
Actuarial gains/losses	(2 662 000)	1 743 000
Interest received - investment	240 714	469 685
Dividends or similar distributions received	42 735 421	35 130 612
Property rates	32 021 011	37 442 249
Government grants & subsidies	143 535 800	136 527 000
Public contributions and donations	159 722 204	129 716 617
Fines, Penalties and Forfeits	1 449 221	1 610 577
	543 431 082	490 353 303



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

Sale of goods	1 812 877	1 310 563
Service charges	160 206 510	142 324 685
Rental of facilities and equipment	399 736	445 881
Licences and permits	3 969 588	3 632 434
Interest received - investment	240 714	469 685
Dividends or similar distributions received	42 735 421	35 130 612
	209 364 846	183 313 860

Dipaleseng Local Municipality

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2025

2024

18. Revenue (continued)

The amount included in revenue arising from non-exchange transactions is as follows:

Taxation revenue

Property rates 32 021 011 37 442 249

Transfer revenue

Government grants & subsidies 143 535 800 136 527 000

Public contributions and donations 159 722 204 129 716 617

Fines, Penalties and Forfeits 1 449 221 1 610 577

336 728 236 305 296 443

19. Sale of Goods

Tender Documents	51 000	338 987
Cemetery	388 468	220 860
Escort Fees	8 649	831
Clearance certificates	618 977	487 801
Occupation Certificates	81 041	17 691
Town Planning and Servitudes	631 812	227 575
Valuation Services	-	289
Administrative Handling Fees	32 692	16 437
Incidental Cash Surpluses	238	92
	1 812 877	1 310 563

20. Service charges

Sale of electricity	91 446 727	75 633 655
Sale of water	29 174 690	28 953 202
Solid waste	11 217 198	10 447 769
Sewerage and sanitation charges	28 367 895	27 290 059
	160 206 510	142 324 685

21. Rental of facilities and equipment

Facilities and equipment

Rental of facilities 399 736 445 881

22. Fines, Penalties and Forfeits

Overdue Books Fines	17 451	4 632
Municipal Traffic Fines	1 431 770	1 605 945
	1 449 221	1 610 577

23. Licences and permits

Road and Transport	3 969 588	3 632 434
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24. Lease rentals on operating lease

Plant and equipment

Contractual amounts 433 823 443 811

Dipaleseng Local Municipality

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Figures in Rand	2025	2024
25. Investment revenue		
Interest revenue		
Receivables	42 735 421	35 130 612
Interest revenue		
Bank	240 714	469 685
	42 976 135	35 600 297
26. Property rates		
Rates received		
Property rates	32 021 011	37 442 249
Valuations		
Residential	1 270 955 100	1 270 955 100
Commercial	345 103 500	345 103 500
State	222 368 070	222 368 070
Mining	34 506 000	34 506 000
Vacant Land	51 464 600	51 464 600
Agriculture	2 319 192 000	2 319 192 000
Public Service Properties	299 967 000	299 967 000
Place of worship	37 160 000	37 160 000
Multi purpose properties	2 560 000	2 560 000
	4 583 276 270	4 583 276 270

Valuations on land and buildings are performed every 5 years. The last general valuation came into effect on 1 July 2019. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.



Dipaleseng Local Municipality

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Figures in Rand	2025	2024
27. Government grants & subsidies		
Operating grants		
Equitable share	106 115 800	100 018 000
Expanded Public Works Programme Integrated Grant	1 285 000	1 156 000
Local Government Financial Management Grant	2 800 000	2 850 000
Municipal Disaster Recovery Grant	-	5 750 000
	110 200 800	109 774 000
Capital grants		
Municipal Infrastructure Grant	21 151 000	16 753 000
Integrated National Electrification Programme Grant	12 184 000	10 000 000
	33 335 000	26 753 000
	143 535 800	136 527 000
Conditional and Unconditional		
Included in above are the following grants and subsidies received:		
Conditional grants received	37 420 000	36 509 000
Unconditional grants received	106 115 800	100 018 000
	143 535 800	136 527 000
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 which is funded from the grant.		
Municipal Infrastructure Grant		
Current-year receipts	21 151 000	16 753 000
Conditions met - transferred to revenue	(21 151 000)	(16 753 000)
	-	-
Conditions still to be met - remain liabilities (see note 13).		
Energy Efficiency and Demand Side Management Grant		
Conditions still to be met - remain liabilities (see note 13).		
Integrated National Electrification Programme Grant		
Current-year receipts	12 184 000	10 000 000
Conditions met - transferred to revenue	(12 184 000)	(10 000 000)
	-	-
Conditions still to be met - remain liabilities (see note 13).		
Local Government Financial Management Grant		
Current-year receipts	2 800 000	2 850 000
Conditions met - transferred to revenue	(2 800 000)	(2 850 000)
	-	-

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27. Government grants & subsidies (continued)		
Conditions still to be met - remain liabilities (see note 13).		
Expanded Public Works Programme Grants		
Current-year receipts	1 285 000	1 156 000
Conditions met - transferred to revenue	(1 285 000)	(1 156 000)
	-	-

Conditions still to be met - remain liabilities (see note 13).

Provide explanations of conditions still to be met and other relevant information.

Allocation In-kind grants

Integrated National Electrification Programme	-	558 000
Regional Bulk Infrastructure Grant	20 000 000	60 000 000
	-	-

The municipality was allocated schedule 6B grant allocation in-kind during the financial year for the purposes of improving infrastructure development as prescribed and provided for under the Division of Revenue bill by National Treasury

Integrated National Electrification Programme grant

The purpose of the grant is to provide and develop new bulk electrification projects in the jurisdiction of Dipaleseng Local Municipality.

The grant is administered by Eskom directly through a Schedule 6B

Regional Bulk Infrastructure Grant

The purpose of the grant is to improve and develop new bulk water infrastructure of regional significance which connects water resources to infrastructure serving areas across municipal boundaries and large bulk infrastructure serving numerous communities over large areas within the Dipaleseng Local Municipality region.

The grant is administered by the Gert Sibande District municipality through a Schedule 6B allocation in-kind

28. Public contributions and donations

Public contributions and donations	159 722 204	129 716 617
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Figures in Rand	2025	2024
29. Employee related costs		
Basic	58 178 262	45 449 033
Bonus	4 379 627	3 386 241
Medical aid - company contributions	7 039 398	6 821 702
UIF	1 271 444	1 128 107
Leave pay provision charge	2 230 800	1 605 564
Pension Contribution	10 806 840	8 974 666
Travel, motor car, accommodation, subsistence and other allowances	483 567	408 079
Overtime payments	9 806 574	10 006 548
Long-service awards	(74 736)	(46 660)
Acting allowances	938 969	1 232 575
Car allowance	1 828 415	1 694 770
Housing benefits and allowances	629 297	446 937
Standby Allowance	517 852	492 504
Telephone expenditure	-	53 432
	98 036 309	81 653 498
Remuneration of municipal manager		
Annual Remuneration	1 101 314	1 077 607
Travel allowance	118 916	31 397
Backpay	67 755	51 727
Contributions to UIF, Medical and Pension Funds	14 266	13 517
	1 302 251	1 174 788
Remuneration of chief finance officer		
Annual Remuneration	904 237	884 772
Reimb Travel	52 320	15 933
Contributions to UIF, Medical and Pension Funds	11 942	11 489
Backpay	59 269	46 110
	1 027 767	958 304
Remuneration of Director: Community Services		
Annual Remuneration	761 641	73 731
Reimb Travel	36 336	4 036
Leave Paid Out	-	49 653
Contributions to UIF, Medical and Pension Funds	9 370	1 823
Tollgate	1 907	425
Backpay	-	46 110
Acting allowance	3 970	-
	813 216	216 125
Remuneration of Corporate Services Director		
Annual Remuneration	340 656	-
Reimbursement allowance	4 047	-
Contributions to UIF, Medical and Pension Funds	3 761	-
Acting allowance	187 480	235 794
	499 944	235 794
Remuneration of Planning and Development Director		

Dipaleseng Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

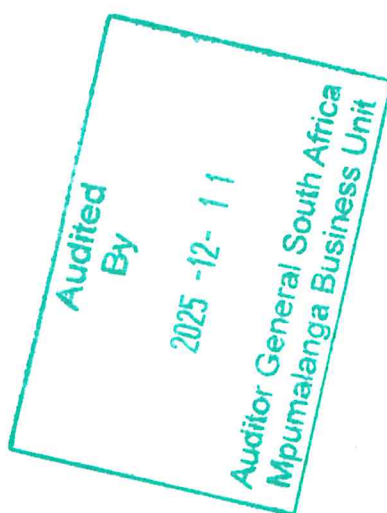
Figures in Rand	2025	2024
29. Employee related costs (continued)		
Annual Remuneration	304 656	-
Reimbursement allowance	6 721	-
Contributions to UIF, Medical and Pension Funds	3 650	-
Acting allowance	146 808	277 472
	461 835	277 472
Remuneration of Technical Services Director		
Annual Remuneration	761 641	304 656
Reimb Allowance	12 702	-
Contributions to UIF, Medical and Pension Funds	9 300	3 755
	783 643	180 054
30. Remuneration of councillors		
Executive Major	934 608	1 032 074
Chief Whip	771 989	776 351
Mayoral Committee Members	1 633 643	1 638 675
Speaker	812 946	831 534
Councillors	2 911 029	2 714 464
	7 064 215	6 993 098
In-kind benefits		
The Executive Mayor, Deputy Executive Mayor, Speaker and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.		
The Executive Mayor is entitled to stay at the mayoral residence owned by Council at no cost.		
The salaries, allowances and benefits are within the upper limits of the framework envisaged in section 219 of the Constitution.		
Refer to note 44: Related Parties for the detailed disclosure regarding councillors' remuneration.		
31. Depreciation and amortisation		
Property, plant and equipment	35 992 798	28 617 413
Intangible assets	3 560	3 560
	35 996 358	28 620 973
32. Impairment loss		
Impairments		
Property, plant and equipment	99 957 628	5 194 802
33. Finance costs		
Trade and other payables	40 626 132	28 359 844
Interest cost(Provision)	7 815 565	7 641 206
	48 441 697	36 001 050

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Figures in Rand	2025	2024
34. Debt impairment		
Debt impairment	94 828 798	44 347 501
Bad debts written off	-	39 016 125
	94 828 798	83 363 626
35. Bulk purchases		
Electricity - Eskom	107 387 138	98 064 910
36. Contracted services		
Outsourced Services		
Burial Services	18 648	5 399
Business and Advisory	16 707 063	8 934 020
Catering Services	99 070	114 800
Security Services	27 492 269	12 450 947
Transport Services	35 261 699	19 631 905
Water Takers	-	22 336
Consultants and Professional Services		
Business and Advisory	434 783	695 652
Infrastructure and Planning	-	13 000
Laboratory Services	113 410	233 471
Legal Cost	9 538 882	5 147 956
Contractors		
Employee Wellness	46 550	-
Maintenance of Buildings and Facilities	158 161	414 105
Maintenance of Equipment	34 933 062	15 268 012
Maintenance of Unspecified Assets	477 420	1 926 047
Prepaid Electricity Vendors	1 052 821	943 789
	126 333 838	65 801 439
37. General expenses		
Advertising	788 659	726 060
Auditors remuneration	8 362 630	5 214 860
Bank charges	986 190	1 272 413
Fines and penalties	2 659 788	1 710 908
Insurance	5 702 348	3 033 000
IT expenses	67 408	9 333
Levies	557 101	376 764
Protective clothing	(42 890)	1 138 155
Subscriptions and membership fees	2 341 402	318 237
Telephone and fax	4 199 035	3 572 397
Travel - local	2 503 342	2 192 079
Title deed search fees	8 030	7 821
Other expenses	6 414 965	6 696 609
	34 548 008	26 268 636
38. Fair value adjustments		
Investment property (Fair value model)	-	195 801



Dipaleseng Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2025	2024
39. Auditors' remuneration		
Fees	8 362 630	5 214 860
40. Cash generated from operations		
(Deficit) surplus	(144 462 212)	20 912 942
Adjustments for:		
Depreciation and amortisation	35 996 358	28 620 973
Gain on sale of assets and liabilities	6 834 517	3 187 967
Fair value adjustments	-	(195 801)
Impairment deficit	99 957 628	5 194 802
Debt impairment	94 828 798	83 363 626
Movements in retirement benefit assets and liabilities	4 452 000	372 000
Movements in provisions	20 729 254	6 641 147
Donations in kind received	(159 722 204)	(106 366 894)
Movement in landfill site provision	(12 913 689)	1 000 059
Changes in working capital:		
Inventories	(25 196)	11 866
Receivables from exchange transactions	(127 830 878)	(151 528 473)
Receivables from non-exchange transactions	(13 585 352)	1 524 048
Adjust for donations in kind - Supply of services	5 501 885	-
Payables from exchange transactions	213 212 625	154 690 484
VAT	(2 237 691)	2 685 866
Unspent conditional grants and receipts	-	(5 774 651)
Consumer deposits	(21 988)	62 777
Other liability 1	-	(4 509 629)
Capital assets included in trade payables	15 538 044	(7 608 097)
Retention adjustments	(252 243)	2 500 313
	35 999 656	34 785 325

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41. Financial instruments disclosure

Categories of financial instruments

2025

Financial assets

	At fair value	At amortised cost	Total
Trade and other receivables from exchange transactions	-	386 121 623	386 121 623
Cash and cash equivalents	772 794	-	772 794
	772 794	386 121 623	386 894 417

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	900 126 775	900 126 775
Consumer deposits	2 985 036	2 985 036
	903 111 811	903 111 811

2024

Financial assets

	At fair value	At amortised cost	Total
Trade and other receivables from exchange transactions	-	353 119 542	353 119 542
Cash and cash equivalents	4 374 631	-	4 374 631
	4 374 631	353 119 542	357 494 173

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	686 914 150	686 914 150
Consumer deposits	3 007 024	3 007 024
	689 921 174	689 921 174

Receivables from non-exchange transactions and VAT have been removed from the disclosure as a financial instrument due to GRAP 104.03 which states that statutory receivables are excluded from financial instruments.

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42. Commitments		
Authorised capital expenditure		
Approved and Contracted for		
• Property, plant and equipment	4 114 290	26 853 960
Total capital commitments		
Already contracted for but not provided for	4 114 290	26 853 960
Authorised operational expenditure		
Already contracted for but not provided for		
• Expenditure	13 033 787	35 594 187
Total operational commitments		
Already contracted for but not provided for	13 033 787	35 594 187
Total commitments		
Total commitments		
Authorised capital expenditure	4 114 290	26 853 960
Authorised operational expenditure	13 033 787	35 594 187
	17 148 077	62 448 147

This committed expenditure relates to property and equipment and will be financed by available government grants, existing cash resources, funds internally generated, etc.



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43. Contingencies

The table below comprises all the law suits which are deemed to be possible obligations and neither the expense nor the accompanying liability was recognised. Dipaleseng Local Municipality's legal counsel has indicated that the likelihood of the court ruling being in favour of the applicant is very slim albeit not remote.

Case	Applicant	Case number Case No.	2025	2024
<p>•The company is suing the Municipality for an alleged breach of contract in the amount of Twenty-Five Million and Two hundred Thousand (R25 00 200.00). The matter is filled in the North Gauteng Division of the High Court under Case 23132/2018. Upon receipt of the summons a notice of intention to defend on the following basis: • That the alleged signed agreement is fraudulent and the signature thereof may be forged and that as a consequence of that, the agreement is ipso facto void and thus unenforceable. • The fundamental differences in the purported signatures by the former Municipal Manager on the so-called conformation of order and the Service Level Agreement. The Applicant approached the court for a Summary Judgement on the 27th of July 2018. They obtain a warrant of Execution in respect of the Municipal account. The Municipal approached the Court on urgent basis seeking the upliftment of the attachment on the bank account. The court granted an order in favour of the Municipality. An Applicant for a rescission of judgment is filled and awaits a set down for hearing from the Register of Court. • Somewhere towards end of August the same company issued fresh summons in the High Court on the basis of breach of contract for an amount of Four Million and Three Hundred and Fifty Thousand. The matter was set down for trial on the 3rd of June 2019. The first respondents raised failure to company with certain directives from the judge. The judge then ordered wasted costs for the day against the Applicant's Attorneys of Record for not having the explanatory affidavit before the court. In the month of July, the Applicant proposed an out of Court settlement which was outright rejected. The Municipality is steadfast that it is not indebted to the Applicant steadfast that it is not indebted to the Applicant at all hence no settlement agreement would be considered. • The matter was set down and heard by the full bench in the Pretoria High Court on the 13th of December 2019 and the court ordered as following: • The Application for the rescission and setting aside of the summary judgement of 2017 June 2018 by Rautenbach J is granted. • The Applicant is granted leave to deliver its plea with 10(ten) days of date to this order. • The warrant of execution issued on 29 June 2018 is set aside o Costs are granted against the first responder on the scale between attorney and client. • The Gauteng Legal Practice Council is directed in this matter complied with the requirements of the Legal/practice Act, Rules and Code of Conduct.</p>	Smart and Safer Solutions (PTY) LTD	23132/2018	25 000 200	25000200

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43. Contingencies (continued)

This matter pertains to one Municipal employee who was allegedly assaulted in 2018 whilst there was protest by the employees. It is alleged that she suffered head injuries which resulted from concussion and she suffered from depression and post-traumatic stress. As a consequent therefore, the Municipality is sued to the tune of R 1 000 000.00. According to HR records the employee attended three consultations on separate occasions and is due to submit a close-up report for the claim to be submitted to COIDA for lodgement. Municipality has since filed a notice citing bare denial of the liability claimed. Upon receipt of Summons Municipality will aggressively oppose any claim as per the notice letter

NOTICE IN TERMS OF SECTION 3(1) OF THE INSTITUTION OF LEGAL PROCEEDING S AGAINST CERTAIN ORGANS OF STATE ACT NO 40 OF 2002				
KF PHETLA PROJECTS CC	293 817	293817		1000000
CATHERINA JOHANNA CLAUDINA	116 400	116400		
FIRST RAND BANK LIMITED/GAB REAL JAKOB US PETRUS VORSTER/DL M	-	-		
ANDILE SETH INCORPORAT ED/ DLM	1 211 384	1211384		

The Plaintiff has issued Combined Summons against the Municipality in the Regional Court held in Evander wherein an amount of R 293 816.57 plus interest is claimed against the Municipality. It is alleged in the Particulars of Claim the Plaintiff has supplied a 100KVA transformer and dismantling of the older transformer. The matter has been opposed based on the irregular appointment of the service provider and it is currently at a Discovery stage. The matter is now ripe and due for a set down in the foreseeable future

The Municipality received a notice in terms of the above section, wherein it is alleged that in October 2020 there was interruptions to power supply through the negligence on the part of the Municipality. Owing to surges in the electricity supply the resident suffered damages in that pump motors burned. She alleged that she suffered damages in the amount of R116 400.00

The Municipality received a notice of application to declare immovable property executable in terms of rule 46A. The matter is enrolled in the High Court of South Africa (Northwest Division, Mahikeng). There is no directive on the Municipality to file any opposing papers

The service provider was appointed in 2021 to provide debt collection services to the Municipality. They subsequently sent numerous invoices to the Municipality and only one invoice was paid by the Municipality in July 2021. The outstanding invoices can be summarized as follows: August - R306 019,75 September - R377 143, 31 October- R528 220, 83 The Service Provider issued Summons in the High Court on urgent basis wherein he claimed an amount of R 1 669 111,07 for services rendered. The matter was enrolled and heard on the urgent court roll on the 29th of March 2022 in the High Court sitting in Middelburg. The Matter was dismissed because it lacked urgency, and the Applicant was ordered to pay to pay the costs on an attorney and client scale

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43. Contingencies (continued)

<p>Karan Beef (Pty) Ltd claims to have suffered damage during 2021 in the amount of R3 416 301,68 being the cost incurred to generate power by means of a generator during the periods of the breakdown in the supply of electricity by the Dipaleseng Local Municipality. On 06 October 2022 Karan Beef (Pty) Ltd issued a notice in terms of Section 3(1) of the Institution of Legal Proceedings against certain organs of State Act, (Act No. 40 of 2002) The municipality has consulted with its attorneys to defend the matter from the applicant getting a judgement in his favor and in his own terms, of which terms will not be in the best interest of the municipality.</p>	<p>KARAN BEEF PTY LTD / DIPALESENG LOCAL MUNICIPALITY</p>	<p>- 3416302</p>
<p>The Combined Summons was served on the municipality in the month of September 2024. The Plaintiff's claim in the matter is that his company rendered services to the Municipality, in that on the 23rd of August 2022 he received instructions to defend in a Civil Action. The plaintiff claims that the Municipality neglected to settle his invoice for Services rendered in the Amount of R120 398.93.</p>	<p>KWENA MOHLAKOAN A ATTORNEY S / DIPALESENG LOCAL MUNICIPALITY</p>	<p>120 399</p>
<p>Dipaleseng Local Municipality has appointed Mjali & Zimema Attorneys to vigorously defend the combined summons filled and the amount claimed in the invoice is disputed.</p> <p>The Notice of Motion was served on the municipality in the month of December 2024. The Applicant's plea is payment of the errors payment of the clearance figures in respect of properties in the amount of R369 146-77. The Respondent (Dipaleseng Local Municipality) have appointment Orbit Ntuli Attorneys to defend the matter as the Applicant has an outstanding with the Municipality. An opposing affidavit has been filed and the matter has been Set Down for hearing on the 9th of OCTOBER 2025.</p>	<p>KIMWARREN INCORPORAT ED T/A KWA ATTORNEYS // DIPALESENG LOCAL MUNICIPALITY</p>	<p>369 147</p>

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43. Contingencies (continued)

On the 8th of October 2024 summons was served on the municipality where the Applicant is claiming for non-payment of service rendered. The applicant in this matter had accepted appointment as an agent for the construction of 2x4km feeder lines at an amount of R19 000 844-17 under contract number DML 05/06/22.

The contract was further extended, wherein the applicant was requested to attend to emergency cable works on behalf of the municipality in the amount of R1 790 503-54, under contract number DLM 06/06/22.

The Applicant alludes that he complied with the requirements of the projects to the satisfaction of the Municipality, hence a certificate of Completion was issued accordingly.

An outstanding amount of R10 356 062-41 is therefore claimed by the applicant.

The Municipality acknowledges that there is a certain amount that is still owed to the Applicant, however, denied the amount claimed. Alternative Dispute Resolution could not be initiated as the Applicant has opposed such in the Notice in terms of Rule 41A.

This matter was allocated to our panel of attorneys to Defend. Matter was Set Down for the 5th of May 2025 wherein Summary Judgement was issued against the Municipality. The Municipality through its attorneys has filed an application for Rescission of Judgement which will be heard on the 12th of August 2025.

EUROMARO INVESTMENTS (PTY) LTD // DIPALESENG LOCAL MUNICIPALITY	10 356 062 0	
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43. Contingencies (continued)

The Municipality received Combined Summons on the 24th of April 2025 wherein AMIWARE Close Corporation institutes action against the Dipaleseng Local Municipality.

That on or about the 27th of October 2022, the Municipality appointed AMIWARE for contract DLM 06/06/22 to perform electrical and mechanical emergency work at the Municipality's special instance and request.

Claim 1

On the 3rd of February 2023 the municipality issued a purchase order for the supply and installation on a mini substation to a total cost of R1 630 700-00. An invoice was issued for the above amount; however, it was partially settled by a payment of R967 991-64.

Claim 2

On February 2023 the municipality issued instructed AMIWARE to terminate and merger test cables as Grootvlei to a total cost of R51 175-00. An invoice was issued for the above amount; however, no payment was made.

Claim 3

On the 8th of June 2023 the municipality issued a purchase order for the supply and installation of an LV 3 phase breaker at a total cost of R1 814 355-00. An invoice was issued for the above amount; however, it was partially settled by a payment of R611 886-40.

That on or about the 19th of May 2023, the Municipality appointed AMIWARE for contract DLM 09/22 to Supply and Delivery of water chemicals as and when required for a period of 36 (Thirty-Six) months.

Claim 4

On or about the 11th of July 2023 the Municipality ordered 15 000 tonnes of Sudfloc 3835 (a water treatment chemical) for total cost of R540 787-50. On the 12th of July 2023 an invoice was issued, however it was partially payment of R311 246-64.

This matter was allocated to our panel of attorneys to Defend. Currently Alternative Dispute Resolution is in process in terms of Rule 41A.

	AMIWARE CC // DIPALESENG LOCAL MUNICIPALITY		2 145 893	
			39 613 302	31 038 103

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44. Related parties

Relationships

Accounting Officer

Councillors

Members of key management

Refer to accounting officers' report note 5

Please refer to the general information on page 2

Mr F Shabangu - Director Infrastructure

MH Thokoane - CFO

Mr P Makhene - Acting Director Infrastructure

Mr L Cindi -Municipal Manager Mrs G Selepe-

Acting Director Corporate Services - Acting Director Infrastructure

Mr TBW Dlamini - Director and Community Services

TH Masoeu - Acting Director Planning & Economic

Dev/Acting Director Infrastructure/ Acting Director and Community Services

Inga Mloyeni - Acting Director Planning & Economic

Dev Mr PM Mokoena- Director Corporate Services Ms

C POULTEN- Director Planning and Economic

Development

Related party balances

Councillors arrears accounts are disclosed in note 54.



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44. Related parties (continued)

Remuneration of management

Management class: Councillors

2025

Name	Basic salary	Travel expense allowance	Cellphone allowance	Pension, Medical Aid, SDL & Other benefits	Total
Cllr BN Khanye - Executive Mayor	912 725	-	13 277	8 605	934 607
Cllr XS Shoji : Speaker	777 353	-	28 108	7 484	812 945
Cllr TG Shabalala : Chief Whip	728 770	8 074	28 108	7 037	771 989
Cllr MG Miya - Mayoral committee member	728 770	24 437	26 966	7 025	787 198
Cllr AN Carrim - Mayoral committee member	728 770	63 236	47 002	7 438	846 446
	3 876 388	95 747	143 461	37 589	4 153 185

2024

Name	Basic salary	Cellphone allowance	Pension, Medical Aid, SDL & Other benefits	Total
Cllr KB Moeketsi - Executive Mayor	978 065	44 415	9 594	1 032 074
Cllr XS Shoji : Speaker	817 195	6 630	7 709	831 534
Cllr TG Shabalala : Chief Whip	762 572	6 630	7 149	776 351
Cllr MG Miya - Mayoral committee member	776 073	4 346	7 152	787 571
Cllr AN Carrim - Mayoral committee member	798 987	44 418	7 700	851 105
	4 132 892	106 439	39 304	4 278 635

The Mayoral committee remuneration above of R 1 867 741, R 4 278 635 (2024) has been included in the remuneration of councillors below.

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44. Related parties (continued)

Management class: Councillors

2025

Name	Basic salary	Travel expense allowance	Cellphone allowance	Post-employment benefits	Total
Mayoral committee members					
Cllr M Makhubu	3 876 388	95 747	143 461	37 589	4 153 185
Cllr CDV Pienaar	99 374	-	15 667	1 469	116 510
Cllr LK Dhladhla	307 494	2 414	47 002	3 319	360 229
Cllr MD Makhoba	714 128	-	47 002	3 319	357 815
Cllr AS Nhlapo	307 494	44 377	19 306	7 009	784 820
Cllr RA Motakane	307 494	-	47 002	3 319	357 815
Cllr ZE Maya	204 996	-	31 335	2 215	238 546
Cllr Z Radebe	307 494	-	26 866	3 118	337 478
	6 432 356	142 538	424 643	64 676	7 064 213

2024

Name	Basic salary	Cellphone allowance	Pension, Medical Aid, SDL & Other benefits	Total
Mayoral committee members				
Cllr CDV Pienaar	4 132 892	106 439	39 304	4 278 635
Cllr LK Dhladhla	377 942	44 418	4 003	426 363
Cllr MD Makhoba	328 575	44 418	3 520	376 513
Cllr AS Nhlapo	437 091	14 158	4 111	455 360
Cllr RA Motakane	328 575	44 418	3 520	376 513
Cllr ZE Maya	328 571	44 418	3 520	376 509
Cllr Z Radebe	328 575	15 226	3 228	347 029
		24 282	3 319	356 176



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44. Related parties (continued)	6 590 796	337 777	64 525	6 993 098
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45. Risk management

Financial risk management

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.

Credit risk

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

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors.

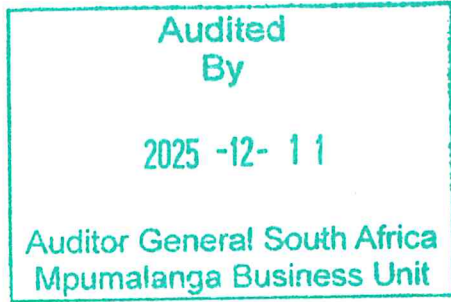
Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2025	2024
Cash and Cash Equivalents	772 794	4 374 631
Receivables from exchange transactions	386 121 623	353 119 542

Market risk

Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

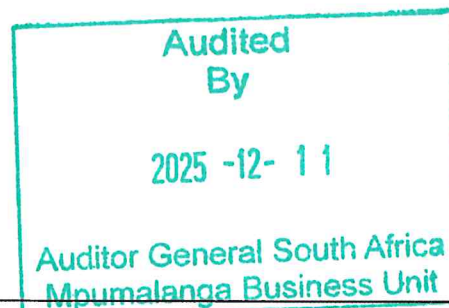


Dipaleseng Local Municipality

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46. 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

2024

	Note	As previously reported	Correction of error	Re-classification	Restated
Receivables from exchange transactions	10	183 286 492	25 443 725	144 389 325	353 119 542
Property, Plant & Equipment	4	1 058 333 392	10 210 190	-	1 068 543 582
Payables from exchange transactions	15	(540 933 683)	(11 816 741)	(134 163 714)	(686 914 138)
VAT payable	16	-	-	(2 685 866)	(2 685 866)
Accumulated surplus		(610 405 653)	(21 071 524)	-	(631 477 177)
VAT Receivable		7 539 745	-	(7 539 745)	-
		97 820 293	2 765 650	-	100 585 943

Statement of financial performance

2024

	Note	As previously reported	Correction of error	Re-classification	Restated
Interest received - receivables from exchange transactions	25	10 689 901	-	24 440 711	35 130 612
Interest-Taxation Revenue		33 672 438	-	(24 440 711)	9 231 727
Depreciation and amortisation	31	(28 576 877)	(44 086)	-	(28 620 963)
Debt Impairment		(86 698 352)	3 334 726	-	(83 363 626)
Loss on disposal of assets		(2 662 977)	(524 990)	-	(3 187 967)
Surplus for the year		(73 575 867)	2 765 650	-	(70 810 217)

Errors

The following prior period errors adjustments occurred:

Error one: Property, Plant and Equipment

Accounting recognition of omitted assets 2022 financial year.

Due to delays in information gathering, management erroneously omitted transactions relating to 2024 acquisitions.

Error two: Depreciation and amortisation

Recognition of depreciation 2024FY on omitted assets

Error three: Payables from exchange transaction:

Allocation of expenditure relating to professional consultants which needed to be capitalized in the 2024 financial year.

Allocation of capital expenditure incurred in the 2024 financial year.

The above errors relate to the project "regraveling and construction of roads which was completed in the 2024 financial year.

Due to delays in information gathering, management erroneously omitted transactions relating to 2024 acquisitions which have also affected the 2024 accruals/trade payables.

Error four: Loss on sale of asset

Derecognition due to renewals from capitalisation of Project 2024_001 Appointment of a consultant for professional assessment on resurfacing; regraveling and reconstruction of roads in the municipality.

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46. Prior-year adjustments (continued)

Error five: Interest from exchange & non-exchange revenue

The prior period error for interest on debtors is as a result of incorrect classification

Error six: Value added tax

The VAT prior period error is due to capital expenditure transactions omitted in error during the 2024 financial year. These transactions also attracted VAT input.

The prior period error is due to a reclassification of VAT instead of netting the VAT, it is required to report VAT as per VAT input, VAT output accrual and the statutory VAT payable or receivable.

Furthermore, there was an error on impairment considered. Impairment on debtors had previously considered VAT on the outstanding debtors balance. This was inconsistent with applicable standards and warranted management to consider impairment exclusive of VAT.

Error seven: Receivables from exchange transactions

there was an error on impairment considered. Impairment on debtors had previously considered VAT on the outstanding debtors balance. This was inconsistent with applicable standards and warranted management to consider impairment exclusive of VAT.

47. Going concern

We draw attention to the fact that at 30 June 2025, the municipality had surplus (deficit) of R (144 462 212) and that the municipality's total assets exceed its liabilities by R 507 927 915.

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.

The municipality is substantially dependent on the government for continued funding of operations. Dipaleseng Local Municipality has neither the intention nor the need to liquidate or curtail materially the scale of its operations

The municipality has reviewed the cash flow forecast for the period to 30 June 2025 and, in the light of this review and the current financial position, the municipality is satisfied that it has access to adequate resources to continue in operational existence for the foreseeable future.

We draw attention to the fact that at 30 June 2025, the municipality's current liabilities exceed its current assets by R458 848 413.

Net Surplus/Deficit for the year

For the period ending 30 June 2025, the municipality had a net deficit of (R 144 462 212) The major cause of this is due to a non cash items such as depreciation, impairment, and debt impairment.

Payment defaults to suppliers and financial obligations

The municipality's creditors increased in the current year due to delays in paying suppliers. This was due to cash flow constraints experienced in the current year. The constraints came as a result of emergency maintenance needs and customers not settling their accounts timeously, impacting revenue collection

The municipality has developed a funding strategy plan and advanced measures of ensuring collection of revenue. Furthermore, the municipality obtains relief from National treasury through grants which are continuously being improved in terms of grant management

The municipality has embarked on a data cleansing campaign through contact tracing of customers. This will strengthen communication with defaulting customers and improve revenue collection.

Deterioration of revenue generating assets

In recent years and Through assessments of infrastructure assets – it has been evident that there has been deterioration of important assets in the institution. The assessment resulted in impairment of these assets to reflect their true value.

Dipaleseng Local Municipality

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47. Going concern (continued)

The impact of the deterioration was also assessed and the municipality, over the years, has improved existing assets and established a task team for the next 24 months whose primary responsibility will be focused on assessment of assets which need to be maintained and implement the required maintenance.

Management has also made several strides in application of additional grant funding in order to capacitate the maintenance task team.



Dipaleseng Local Municipality

Annual Financial Statements for the year ended 30 June 2025

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48. Events after the reporting date

No adjusting events after reporting date have been identified.

49. Unauthorised expenditure

Opening balance as previously reported	629 529 410	559 450 949
Add: Unauthorised expenditure - current	303 465 267	240 522 181
Add: Correction for overstatement	(108 062 052)	-
Less: Amount written off by council	-	(170 443 720)
Less: Amount written off by council	(759 877 670)	-
Closing balance	65 054 955	629 529 410

Unauthorised expenditure incurred relates to overspending due to the costing allocation amongst the departments.

50. Fruitless and wasteful expenditure

Opening balance as previously reported	9 677 513	46 740 712
Add: Fruitless and wasteful expenditure identified - current	43 285 920	29 923 868
Less: Council write-offs (relating to 2019, 2020)	-	(17 654 534)
Less: Council write-offs (relating to 2023)	-	(29 086 179)
Less: Council write-offs (relating to 2024)	-	(20 246 354)
Less: Council write-offs (relating to 2025)	(12 850 505)	-
Closing balance	40 112 928	9 677 513

Fruitless and wasteful expenditure incurred relates to interest on late payment to suppliers due to cashflow which the municipality is facing and attempting to curb.

51. Irregular expenditure

Opening balance as previously reported	239 351 112	358 092 047
Correction of prior period error - understated	-	2 944 323
Correction of prior period error - overstated	-	(29 778 042)
Add : Correction of prior period error - understated (deviations)	25 709 627	-
Add: Irregular expenditure - current	64 132 673	22 818 310
Less: Amount written off approved by Council	(227 514 037)	(114 725 526)
Closing balance	101 679 375	239 351 112



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52. Additional disclosure in terms of Municipal Finance Management Act		
Other material losses		
Distribution loss- electricity	28 193 491	34 732 737
Distribution loss- Water	27 649 120	52 236 925
	55 842 611	86 969 662

Electricity losses

Electricity distribution losses for the current year of R 28 193 491 (2024: R34 732 737) was incurred, which represents 26.2% (2024: 35.05%). These electricity distribution losses comprise of technical and non-technical losses. Technical losses, being losses within the network which are inherent in any network and non-technical losses being theft, faults etc. Attempts are currently being made to reduce these non-technical losses

Water losses

Water losses comprises of water lost during the distribution process. These losses are made up of unauthorised connections (theft), unauthorised consumption, plus all technical and administrative inaccuracies associated with customer metering and billing as well as infrastructure which has either aged or has an overdue maintenance. The water losses amount to R 27 649 120 (2024: R52 236 921) which represents 39% (2024: 72%)

Audit fees

Opening balance	14 333 454	15 009 529
Current year subscription / fee	4 493 613	10 586 744
Amount paid - current year	(4 250 000)	(11 262 819)
	14 577 067	14 333 454

PAYE and UIF

Opening balance	1 160 307	987 537
Current year subscription / fee	16 603 749	13 083 689
Amount paid - current year	(16 507 838)	(12 910 919)
	1 256 218	1 160 307

Pension and Medical Aid Deductions

Opening balance	1 869 309	1 669 896
Current year subscription / fee	24 999 936	21 730 702
Amount paid - current year	(25 421 420)	(21 531 289)
	1 447 825	1 869 309

The amount represents pension and medical aid contributions deducted from employees.



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

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2025:

30 June 2025	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Cllr Shozi Xolani	2 195	41 661	43 856
Cllr Shabalala Tryphina	4 322	135 080	139 402
Cllr Pienaar Carel	6 165	14 123	20 288
Cllr Carrim Hhmednazir	1 127	-	1 127
Cllr Makhoba Muzikayise	3 114	108 680	111 794
Cllr Miya Mojalefa	2 019	69 382	71 401
Cllr Motakane Refoloe	1 945	43 062	45 007
Cllr Radebe Zabilon	2 289	10 008	12 297
Cllr Khanye Nomacala	5 509	74 483	79 992
	28 685	496 479	525 164

30 June 2024	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Cllr Khethiwe Moeketsi	2 447	39 971	42 418
Cllr Mojalefa Miya	1 281	64 107	65 388
Cllr Z Radebe	1 321	4 292	5 613
Cllr Muzikayise Makhoba	1 978	100 522	102 500
	7 027	208 892	215 919

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

30 June 2025	Highest outstanding amount	Aging (in days)
Cllr Shabalala Tryphina	139 402	-
30 June 2024	Highest outstanding amount	Aging (in days)
Cllr Muzikayise Makhoba	102 500	-

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

Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the City Manager and noted by Council. The expenses incurred as listed hereunder have been condoned.

Incident		
Emergency	1 716 621	19 722 446



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

Details of the current year supply chain deviations

53. Segment information

General information

Identification of segments

For management purposes, the municipality is organised and operates in four key functional segments (or business units). To this end, management monitors the operating results of these business units for the purpose of making decisions about resource allocations and assessment of performance. Revenues and expenditures relating to these business units are allocated at a transactional level.

Activities relating to Finance and Administration, Executive and Council and Planning and Development fall under unallocated.

The four key business units comprise of:

- Community which includes cemeteries, community halls & parks and libraries.
- Public safety which includes licensing and control of animals, police forces, traffic and street parking control.
- Trading services which includes energy sources, water management, waste water management and waste management services;
- Roads which includes roads services.



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53. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2025

	Trading services	Community	Public safety	Roads	Unallocated	Total
Revenue						
Revenue from exchange transactions	168 891 975	469 509	4 278 810	-	35 724 551	209 364 845
Revenue from non-exchange transactions	155 505 327	17 451	37 566 770	-	153 406 651	346 496 199
Total segment revenue	324 397 302	486 960	41 845 580	-	189 131 202	555 861 044
Entity's revenue						555 861 044

Expenditure

Employee related costs	22 351 890	10 096 216	7 546 369	2 565 806	55 476 029	98 036 310
Remuneration for councillors	-	-	-	-	7 064 215	7 064 215
Depreciation and Amortisation	28 556 389	2 123 575	-	3 289 040	2 027 354	35 996 358
Impairment	99 714 903	242 725	-	-	-	99 957 628
Finance costs	-	-	-	7 815 565	40 626 132	48 441 697
Lease rentals on operating lease	-	-	-	-	433 823	433 823
Debt impairment	57 506 504	-	-	-	37 322 294	94 828 798
Bulk purchases	107 387 138	-	-	-	-	107 387 138
Contracted services	49 494 597	31 635 299	14 615	272 084	44 917 243	126 333 838
Loss on disposal of asset	5 669 377	1 115 354	-	16 452	33 334	6 834 517
Inventory consumed	36 377 407	144 348	-	1 087 395	189 779	37 798 929
General expenses	-	25 316	476 655	-	34 047 543	34 549 514
Actuarial losses	-	-	-	-	2 662 000	2 662 000
Total segment expenditure	407 058 205	45 382 833	8 037 639	15 046 342	224 799 746	700 324 765
Total segmental surplus/(deficit)						(144 463 721)

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53. Segment information (continued)

2024

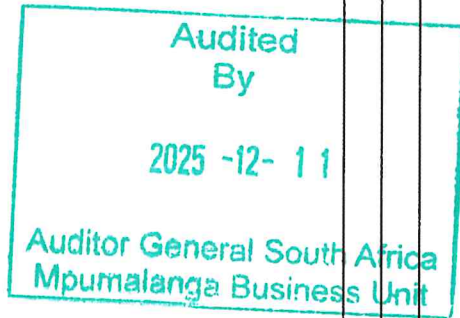
	Trading services	Community	Public safety	Roads	Unallocated	Total
Revenue						
Revenue from exchange transactions	154 066 230	238 552	4 447 518	-	26 500 360	185 252 660
Revenue from non-exchange transactions	1 156 000	4 632	31 208 945	-	282 157 493	314 527 070
Total segment revenue	155 222 230	243 184	35 656 463	-	308 657 853	499 779 730
Entity's revenue						499 779 730

Expenditure

Employee related costs	20 366 478	7 930 655	6 036 874	3 035 394	47 326 637	84 696 038
Remuneration of councillors	-	-	-	-	6 993 098	6 993 098
Depreciation and Amortisation	21 088 273	2 393 207	-	3 431 220	1 708 273	28 620 973
Impairment	981 617	-	-	-	4 213 190	5 194 807
Finance costs	7 641 206	-	-	-	28 359 845	36 001 051
Lease rentals on operating lease	-	-	-	-	443 810	443 810
Debt impairment	1 871 987	-	-	-	81 492 887	83 364 874
Bulk Purchases	98 064 910	-	-	-	-	98 064 910
Contracted services	26 620 371	13 529 592	9 929	-	25 641 544	65 801 436
Loss on disposal of assets and liabilities	2 308 092	795 121	-	31 631	53 123	3 187 967
Inventory consumed	38 812 711	655 359	-	440 808	322 664	40 231 542
General expenses	(1 313)	85 156	332 231	-	25 851 248	26 267 322
Total segment expenditure	217 754 332	25 389 090	6 379 034	6 939 053	222 406 319	478 867 828
Total segmental surplus/(deficit)						20 911 902

54. Budget differences

Material differences between budget and actual amounts



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54. Budget differences (continued)

In terms of MFMA section 31 and Virement Policy of the municipality, the municipality can shift funds within budget parameters. The changes between Schedule B (Final Approved Budget) and Final Budget were due to reallocation within budget parameters.

In this disclosure, materiality has been assumed to be all the variance which are 10% or more. Below are explanation of differences identified:

Differences between budget and actual amounts basis of preparation and presentation

Property rates

The underperformance on property rates was based on the anticipation of the updated valuation roll. The valuation roll was however performed and reconciled in full in the 2026 financial year where the anticipated revenue will show a more realistic outlook.

Investment revenue

Investment revenue was higher than expected. There was better than expected cash flow management from the call account/investment account.

Transfers recognised

The municipality performed better than anticipated for the current financial year. This was based on the better outcome in respect to donations and contributions through forgiveness.

Other own revenue

Other own revenue difference is due to an expectation of more adhoc revenue being received as well as fair value adjustments along with gains which the outcome turned out to be not as favourable.

Employee related costs

The overperformance was attributed to excessive overtime hours as well as increase in post employment benefit expenses, leave accrual and bonus accrual.

Finance charges

The overperformance is due to interest charges incurred on bulk purchases.

Depreciation and amortisation

Due to the large number of assets both in volume and amount, the municipality had a higher depreciation than expected.

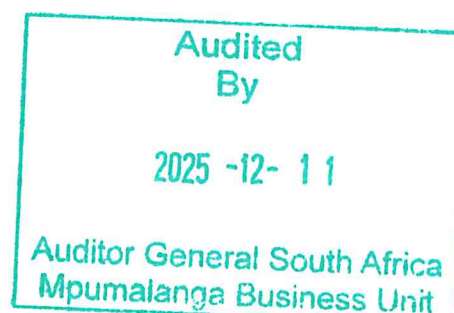
Inventory consumed & bulk purchases

The overperformance in inventory consumption and bulk purchases is due to increased procurement of water treatment chemicals aimed at improving water quality.

Other expenditure

The overexpenditure can be attributed to significant emergency costs due to infrastructure breakdowns and maintenance.

Balance sheet



Dipaleseng Local Municipality

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54. Budget differences (continued)

Capital expenditure

The significant increase is attributable to donations received.

Total current assets

Total current assets differs significantly to the final budget due to more debtors being recognised and a lower payment rate.

Total current liabilities

Total liabilities differs from what was budgeted due to the municipality having expected better cash flow management, however due to poor payment of services, the municipality had constraints in maintaining supplier accounts. This led to an increase in short term debt.

Total non-current liabilities

The municipality realised an unfavourable effect on the future expected payments and accompanying interests on provisions for landfill sites and post employment benefits. The institution did not expect the outcome when preparing the 2025 final budget.

Changes from the approved budget to the final budget

Service charges

Looking at the municipality's collection trend, the budget revenue on service charges needed to be reduced to reflect a more realistic forecast.

Investment revenue

The change in investment revenue was due to cash flow projections and the anticipated revenue by the end of the financial year.

Other own revenue

The adjustment of other own revenue was mainly due to the expected interest on long outstanding debtors

Employee related cost

The decrease in employee related costs were due to vacancies which had not been filled.

Debt Impairment

The increase in finance cost was due to cash flow constraints. Through trend analysis within the first six months of the financial year, the municipality had been charged with interest on late payments. This prompted the increase in finance costs.

Bulk Purchases and inventory consumed

The increase in bulk purchases was informed through the analysis of expenditure during the first six months of the financial year. The municipality experienced a spike in cable theft. The frequency of purchases of water chemicals led to an increase in inventory consumed.

Finance charges

The increase in finance cost was due to cash flow constraints. Through trend analysis within the first six months of the financial year, the municipality had been charged with interest on late payments. This prompted the increase in finance costs

Depreciation and asset impairment

The increase is due to an increase in vandalism to the municipal property which has warranted more repairs and maintenance and thus would also have to incur impairment expenses.

Other expenditure

Other expenditure increased from original to final budget due to adjustments for contracted services. This was primarily driven by the trend within repairs & maintenance costs.

Total current assets

The decrease in current assets was to provide a more realistic outlook on the cash and cash equivalents as well as the expectation that there would be more payment of receivable accounts.

Dipaleseng Local Municipality

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2025

2024

54. Budget differences (continued)

Total current liabilities

The increase of current liabilities is due to the increase in expected expenditure. Furthermore, due to cash flow constraints, the liabilities were expected to increase.

55. Accounting by principals and agents

Entity as agent

Resources held on behalf of the principal(s), but recognised in the entity's own financial statements

The municipality has a payable to the Department of Community Safety, Security and Liaison. The expected timing of remittance of resources from the principal is on a monthly basis.

Revenue recognised

The aggregate amount of revenue that the entity recognised as compensation for the transactions carried out on behalf of the principal is (2025: R3 969 588) (2024: R3 632 434).

Dipaleseng Local Municipality entered into transaction with the Department of Community Safety, Security and Liaison through the Licencing operations which run through the financial year where the Municipality earns a commission of 20% and payment over 80% to the Department.

Entity as principal

Resources (including assets and liabilities) of the entity under the custodianship of the agent

Ontec Systems (Pty) Ltd sells prepaid electricity on behalf of the Municipality.

The municipality has no receivable from Ontec Pty (Ltd) for vending of prepaid electricity.

The expected timing of remittance of resources by the agent to the Municipality is on a monthly basis.

Ontec Systems (Pty) Ltd will use its own equipment and software to management the vending of prepaid electricity.

The system will ensure a 24-hour platform for prepaid electricity purchase 7 days a week of the month which enhances revenue to the Municipality.

Significant changes

There were no significant changes in the terms and conditions of the agreement between the Municipality and Ontec (Pty) Ltd during the year.

Fee paid

Fee paid as compensation to the agent is (2025: R1 113 906.64) (2024: R943 461.00).

Resource and/or cost implications for the entity if the principal-agent arrangement is terminated

Either party may terminate the contract if the other party fails to cure any material breach of the contract within 30 days of written notice.

Unless the agreement is terminated on account of a breach by the Municipality Ontec shall use commercially reasonable efforts to transition to a new service provider.

Dipaleseng Local Municipality

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56. Non current asset held for sale

The non-current assets held for sale consist of a portion of investment property (land) **Erf 1424** and **Erf 1425** previously held for capital appreciation purposes.

The specific asset is a vacant erf located in Balfour, Mpumalanga. This land was originally part of the municipality's investment property portfolio and was reclassified as held for sale following a council resolution no **09th/2024** to dispose of underutilized properties to generate funds for infrastructure maintenance and service delivery improvements. In the prior year (2024), no assets were classified as held for sale (R0). The current classification does not require restatement of prior periods.

Description	2025	2024
Reclassified from investment property (Note 2)	1 105 186	-

The asset remains unsold as at the reporting date. Post-year-end, as of August 2025, there is a binding agreement that has been signed.

57. Change in estimate

Property, plant and equipment

The remaining useful lives of all asset classes were adjusted during 2024/2025 to more accurately reflect the period of economic benefits or service potential derived from these assets. Refer to note 4 Property plant and equipment. The effect of changing the remaining useful life of assets for the Municipality during 2024/2025 has decreased the depreciation charge for the current by R271 222.00 and increased the depreciation charge by R110 344.00 in future periods. It is impracticable to estimate the effect of these changes on future periods.

