



**Setsoto Local Municipality**

**(Demarcation code FS191)**

**Annual Financial Statements  
for the year ended 30 June 2023**

**Auditor-General of South Africa (AGSA)**

# Setsoto Local Municipality

Annual Financial Statements for the year ended 30 June 2023

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# Setsoto Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Audit & Performance Audit Committee Report

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We are pleased to present our report for the financial year ended 30 June 2023.

### Audit committee members and attendance

The audit committee consists of the members listed hereunder and should meet 4 times per annum as per its approved terms of reference. During the current year 8 meetings were held.

Name of member	Number of meetings attended
^* Ms SJ Masite (Chairperson)	8
^* Mr LS Mofokeng	8
^* Ms F Kobo	8
^ Mrs M Ramutsheli	6
^ Ms T Monare	6
# Mr HB Mathibela (Chairperson)	3
# Mr T Zororo	3

All members are independent with no interest in the management or conduct of the business of the Municipality.

\* These members were previously appointed as members of the APAC for the financial year 2021/2022.

^ These members are the newly appointed members of the APAC.

# These members term of office ended during the year.

### Audit & performance audit committee responsibility

The audit committee reports that it has complied with its responsibilities arising from section 166(2)(a) of the MFMA.

The audit committee also reports that it has adopted appropriate formal terms of reference as its audit committee charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

### The effectiveness of internal control

The system of internal controls applied by the municipality over financial and risk management is considered generally adequate in design and is partially ineffective in its implementation and this was evident by the reasonable assurance given by the Internal Audit Unit. However, there have been some vast improvements on some internal controls. The identification of corrective actions and suggested enhancements to the controls were done through a risk management process and interaction with management on the action plan on the audited report.

### Evaluation of annual financial statements

The audit & performance audit committee has:

- reviewed and discussed the audited annual financial statements to be included in the annual report, with the Auditor-General and the Accounting Officer;
- reviewed the Auditor-General of South Africa's management report and management's response thereto;
- reviewed changes in accounting policies and practices;
- reviewed the municipalities compliance with legal and regulatory provisions;
- reviewed significant adjustments resulting from the audit.

### Internal audit

The audit & performance audit committee is satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the municipality and its audits.

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**Chairperson of the Audit & Performance Audit Committee**

**Date:** \_\_\_\_\_

# Setsoto Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Accounting Officer's Report

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The accounting officers submits their report for the year ended 30 June 2023.

### 1. Review of activities

#### Main business and operations

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.

Net surplus of the municipality was R 73 011 350 (2022: deficit R 111 100 506).

### 2. Going concern

We draw attention to the fact that at 30 June 2023, the municipality had an accumulated surplus of R 2 739 916 268 and that the municipality's total assets exceed its liabilities by R 2 739 916 268.

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.

### 3. Subsequent events

The accounting officers are not aware of any matter or circumstance arising since the end of the financial year.

### 4. Accounting Officer's interest in contracts

The Accounting Officers had no interest in any contracts.

### 5. Accounting policies

The annual financial statements prepared as required in terms of Section 122 of the Municipal Finance Management Act (No56. of 2003) and in accordance with the South African Standards of Generally Recognised Accounting Practices (GRAP), including any interpretations of such statements issued by the Accounting Standards Board, and in accordance with the prescribed framework by National Treasury.

### 6. Employee Benefits

Management performed an actuarial valuation of the Employee Benefits of the employer's liability as arising from the post-retirement healthcare subsidy ("RHS") payable to current and retired employees.

The valuation is in line with the requirements of GRAP 25 and have determined the items required for disclosure in terms of this standard.

Please refer to note 18.2 and 19.1 for details about these valuations.

### 7. Non-current assets

There were no major changes in the nature of the non-current assets of the municipality during the year.

### 8. Accounting Officer

The accounting officers of the municipality during the year and to the date of this report were as follows:

Name	Nationality	Changes
Mr. TP Motsima (Acting)	RSA	Appointed Friday, 01 July 2022, ended Friday, 30 September 2022
Mrs. FN Malatjie	RSA	Appointed Saturday, 01 October 2022

### 9. Auditors

Auditor-General of South Africa (AGSA) will continue in office for the next financial period.

# **Setsoto Local Municipality**

Annual Financial Statements for the year ended 30 June 2023

## **Accounting Officer's Report**

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### **10. Jurisdiction**

Setsoto Local Municipality includes the following areas:

- Ficksburg
- Senekal
- Marquard
- Clocolan

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**Mrs. FN Malatjie**  
**Accounting Officer**

# Setsoto Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## General Information

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<b>Legal form of entity</b>	A municipality which is an organ of state within the local sphere of government exercising legislative and executive authority.
<b>Nature of business and principal activities</b>	The provision of services (electricity, water, sanitation and refuse) to communities in a sustainable manner, to promote social and economic development; and to promote a safe and healthy environment
<b>Legislation governing the municipality's operations</b>	Municipal Finance Management Act (Act 56 of 2003) Municipal Systems Amendment Act (No.44 of 2003) Municipal Structures Act (No. 117 of 1998) Municipal Structures Amendment Act (No. 33 of 2000) Housing Act (No. 107 of 1997) Intergovernmental Relations Framework Act (No. 13 of 2005) Intergovernmental Fiscal Relations Act (No. 97 of 1997) Municipal Systems Act (No. 32 of 2000) Constitution of the Republic of South Africa (No. 108 of 1996) Property Rates Act (No. 6 of 2004) Annual Division of Revenue Act Municipal Demarcation Act (No. 27 of 1998) Transition Act Second Amendment (No. 97 of 1996) Water Services Act (No. 108 of 1997) Electricity Act (No. 41 of 1987)
<b>Portfolio</b>	<b>Councillor</b>
Executive mayor	Mbiwe, SJ
Speaker	Maveleliso, PI
Mayoral committee	Selasi, MW Koalane, KE Mthimkulu, TI Ancell, T Makae, TE

# Setsoto Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## General Information

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### Council members

<b>No</b>	<b>Surname</b>	<b>Initials</b>
1	Constable	SM
2	Odendaal	MF
3	Oberholzer	IE
4	Motsoane	TP
5	Mofokeng	MD
6	Ponya	MA
7	Maleke	MJ
8	Langa	TL
9	Thamae	LD
10	Mokhobo	MJ
11	Vermeulen	PJ
12	Heymans	MC
13	Makhalanyane	TG
14	Khatlake	NP (Chairperson of MPAC - From 1 June 2023)
15	Mokhele	MM
16	Manako	TS
17	Mokheseng	SM
18	Mokoakoe	LG
19	Dell	H
20	Motloenya	LE
21	Janssonius	JM
22	Mohanoe	LE
23	Letube	ME
24	Mopatli	CD
25	Vries	I
26	Koqo	PE (Chairperson of MPAC -1 June 2022 - 30 May 2023)

# Setsoto Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## General Information

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<b>Grading of local authority</b>	06 - Medium Capacity
<b>Accounting Officer</b>	Mr. TP Motsima (Acting) (July 2022 - September 2022) Mrs. FN Malatjie (From October 2022)
<b>Chief Financial Officer (CFO)</b>	Mr. NL Moletsane
<b>Registered head office</b>	27 Voortrekker Street Ficksburg 9730
<b>Postal address</b>	P O Box 116 Ficksburg 9730
<b>Telephone</b>	(051) 933 9300
<b>Fax</b>	(051) 933 9363
<b>Bankers</b>	First National Bank, a division of First Rand Limited
<b>Auditors</b>	Auditor-General of South Africa (AGSA)
<b>Demarcation code</b>	FS191
<b>Legal manager</b>	PM Koalane P O Box 116, Ficksburg, 9730 matshediso@setsoto.co.za



# Setsoto Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Accounting Officer's Responsibilities and Approval

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The accounting officers 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 were prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) as well as relevant interpretations, guidelines and directives issued by the Accounting Standards Board as required by in terms of Section 122 of the Municipal Finance Management Act (No.56 of 2003).

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

We, as the accounting officers (accounting authority) acknowledges that we are 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 us to meet these responsibilities, we have set 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.

We are 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.

We have reviewed the municipality's cash flow forecast for the year to 30 June 2024 and, in the light of this review and the current financial position, we are satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future. The financial statements are prepared on the basis that the municipality is a going concern and that the Setsoto Local Municipality has neither the intention nor the need to liquidate or curtail materially its scale.

We would like to bring the following material matters to your attention:

We certify that the salaries, allowances and benefits of councillors as disclosed in note 33 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.

The annual financial statements set out on pages 13 to 136, in terms of Section 126(1) of the Municipal Finance Management Act (Act 56 of 2003), which have been prepared on the going concern basis and which we have signed on behalf of the municipality on 31 August 2023:

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**Mrs. FN Malatjie**  
**Municipal Manager**

# Setsoto Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Abbreviations

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GRAP	Generally Recognised Accounting Practice
LGSETA	Local Government Services Sector Education and Training Authority
MSIG	Municipal System Improvement Grant
NDPG	Neighbourhood Development And Partnership Grant
SRAC	Sports, Recreation, Arts and Culture
COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME'S	Municipal Entities
MEC	Member of Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant
COGTA	Department of Co-operative Governance and Traditional Affairs
CIGFARO	Chartered Institute of Government Finance, Audit and Risk Officers
mSCOA	Municipal Standard Chart of Accounts
iGRAP	Interpretation of the South African Standards of Generally Recognised Accounting Practice

# Setsoto Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Comparison of Budget and Actual Amounts for the year ended 30 June 2023

	Original budget	*Budget adjustments	Final adjustments budget	Final budget	Actual outcome	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Figures in Rand								
<b>2023</b>								
<b>Financial performance</b>								
<b>Revenue</b>								
Property rates	73 985 004	-	73 985 004	73 985 004	56 791 007	(17 193 997)	76.76 %	76.76 %
Services charges	258 091 800	(4 758 088)	253 333 712	253 333 712	227 429 256	(25 904 456)	89.77 %	88.12 %
Investment revenue	3 700 008	2 099 992	5 800 000	5 800 000	9 673 484	3 873 484	166.78 %	261.44 %
Transfer and subsidies	459 854 976	(2 000 000)	457 854 976	457 854 976	448 128 481	(9 726 495)	97.88 %	97.45 %
Other own revenue	37 535 904	12 660 596	50 196 500	50 196 500	61 924 157	11 727 657	123.36 %	164.97 %
<b>Total Revenue</b>	<b>833 167 692</b>	<b>8 002 500</b>	<b>841 170 192</b>	<b>841 170 192</b>	<b>803 946 385</b>	<b>(37 223 807)</b>	<b>95.57 %</b>	<b>96.49 %</b>
<b>Expenditure</b>								
Employee related costs	228 323 196	1 331 556	229 654 752	229 654 752	220 237 564	(9 417 188)	95.90 %	96.46 %
Remuneration of councillors	12 535 056	1 747 144	14 282 200	14 282 200	14 072 038	(210 162)	98.53 %	112.26 %
Depreciation, amortisation and impairment losses	120 865 032	(22 684)	120 842 348	120 842 348	227 918 279	107 075 931	188.61 %	188.57 %
Finance costs	1 555 020	(380 780)	1 174 240	1 174 240	3 397 412	2 223 172	289.33 %	218.48 %
Materials and bulk purchases	117 319 512	(2 739 512)	114 580 000	114 580 000	100 140 488	(14 439 512)	87.40 %	85.36 %
Transfers and grants	14 775 504	8 883 524	23 659 028	23 659 028	139 418	(23 519 610)	0.59 %	0.94 %
Other expenditure	117 012 072	727 120	117 739 192	117 739 192	165 029 836	47 290 644	140.17 %	141.04 %
<b>Total Expenditure</b>	<b>612 385 392</b>	<b>9 546 368</b>	<b>621 931 760</b>	<b>621 931 760</b>	<b>730 935 035</b>	<b>109 003 275</b>	<b>117.53 %</b>	<b>119.36 %</b>
<b>Surplus for the year</b>	<b>220 782 300</b>	<b>(1 543 868)</b>	<b>219 238 432</b>	<b>219 238 432</b>	<b>73 011 350</b>	<b>(146 227 082)</b>	<b>33.30 %</b>	<b>33.07 %</b>

# Setsoto Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Comparison of Budget and Actual Amounts for the year ended 30 June 2023

	Original budget	*Budget adjustments	Final adjustments budget	Final budget	Actual outcome	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
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Figures in Rand

### Commentary

Reasons for variances between budgeted and actual amounts greater than 10%:

#### 1. Property rates:

The decrease is due to the implementation of PSI rates rebate according to legislation. Grants given are netted off against income but budgeted for separately.

#### 2. Service charges:

The decrease is due to the fact that grants given are netted off against income but budgeted for separately.

#### 3. Investment revenue:

The increase is due to the fact that more cash was invested than envisaged.

#### 4. Other own revenue:

The increase is due to penalties and interest recovered not budgeted for.

#### 5. Depreciation, amortisation and impairment losses:

The increase is due to insufficient funds budgeted for depreciation. Non-cash item.

#### 6. Finance costs:

The increase is due to the under budget of finance costs.

#### 7. Materials and bulk purchases:

The decrease is due to the reduction in electricity consumption.

#### 8. Transfers and grants:

The decrease is due to the fact that grants given are netted off against income but budgeted for separately.

## Setsoto Local Municipality

Annual Financial Statements for the year ended 30 June 2023

### Comparison of Budget and Actual Amounts for the year ended 30 June 2023

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	Original budget	*Budget adjustments	Final adjustments budget	Final budget	Actual outcome	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
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Figures in Rand

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#### 9. Other expenditure:

The increase is due to an increase in hire charges, fuel and debtor impairment expenses.

# Setsotho Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Statement of Financial Position as at 30 June 2023

Figures in Rand	Note(s)	2023	2022 Restated*
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	2	66 207 531	93 197 341
Receivables from exchange transactions	3	241 275 571	206 190 093 *
Receivables from non-exchange transactions	4	63 098 419	58 176 697 *
Inventories	5	3 650 409	2 613 267
VAT receivable	6	83 479 311	48 890 292 *
Other current assets	7	9 711 226	9 586 645 *
		<b>467 422 467</b>	<b>418 654 335</b>
<b>Non-Current Assets</b>			
Other financial assets	8	3 959 976	3 673 282
Investment property	9	68 887 511	75 933 993 *
Property, plant and equipment	10	2 441 803 571	2 475 157 931 *
Heritage assets	11	11 900 459	11 900 459 *
Intangible assets	12	133 450	173 129
		<b>2 526 684 967</b>	<b>2 566 838 794</b>
<b>Total Assets</b>		<b>2 994 107 434</b>	<b>2 985 493 129</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Financial liabilities	13	398 412	734 232
Finance leases	14	-	1 627 032
Consumer deposits	15	3 186 098	3 205 324
Payables from exchange transactions	16	101 758 658	122 308 502 *
Unspent grants	17	49 002 540	83 261 152
Provisions and other employee liabilities	18	1 793 988	2 398 801
Post-retirement health care benefit liability	19	1 945 626	1 864 445
		<b>158 085 322</b>	<b>215 399 488</b>
<b>Non-Current Liabilities</b>			
Financial liabilities	13	866 691	1 265 103
Provisions and other employee liabilities	18	40 143 376	44 291 879
Post-retirement health care benefit liability	19	55 095 777	57 631 751
		<b>96 105 844</b>	<b>103 188 733</b>
<b>Total Liabilities</b>		<b>254 191 166</b>	<b>318 588 221</b>
<b>Net Assets</b>		<b>2 739 916 268</b>	<b>2 666 904 908</b>
<b>Net assets presented by:</b>			
Accumulated surplus		2 739 916 268	2 666 904 908

\* See Note 55

# Setso Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Statement of Financial Performance

Figures in Rand	Note(s)	2023	2022 Restated*
<b>Revenue</b>			
<b>Exchange Revenue</b>			
Services charges - Electricity	21	90 043 546	91 140 712
Services charges - Waste management	21	40 423 583	43 059 455
Services charges - Waste water management	21	31 374 473	33 289 600
Services charges - Water	21	64 207 342	60 489 318
Rental	23	1 968 555	2 024 701
Interests on investments	24	9 596 771	4 831 284 *
Interest earned from receivables	25	43 165 631	30 166 577
Dividends	26	76 713	55 404
Operational revenue	30	7 710 865	3 052 064
Sales of goods and rendering of services	22	2 541 458	1 984 993
Fair value adjustments and gain on disposal of assets	31	-	573 079 *
<b>Total Exchange Revenue</b>		<b>291 108 937</b>	<b>270 667 187</b>
<b>Non-Exchange Revenue</b>			
Property rates	20	56 791 007	56 168 444
Availability charges - Electricity		320 275	235 779
Availability charges - Waste water management		415 067	380 504
Availability charges - Water		644 970	604 645
Licences or permits	28	27 256	51 201
Transfers and subsidies	29	448 128 481	358 589 136
Fines, penalties and forfeits	27	644 450	890 770
Interest earned from receivables	25	5 865 942	4 132 568
<b>Total Non-Exchange Revenue</b>		<b>512 837 448</b>	<b>421 053 047</b>
<b>Total Revenue</b>		<b>803 946 385</b>	<b>691 720 234</b>
<b>Expenditure</b>			
Employee related cost	32	(220 237 564)	(224 507 229)
Remuneration of councillors	33	(14 072 038)	(12 871 343)
Bad debts written off		(81 641 763)	(113 923 847)
Depreciation and amortisation	34	(186 447 757)	(254 869 859)*
Impairment losses	35	(41 470 522)	(27 654 523)*
Finance costs	36	(3 397 412)	(4 671 055)*
Bulk purchases	37	(91 044 547)	(93 197 809)*
Inventory consumed	38	(9 095 941)	(11 850 803)*
Contracted services	39	(33 513 414)	(25 593 232)*
Transfers and subsidies		(139 418)	(128 697)
Operational costs	40	(45 355 035)	(32 472 163)*
Operating leases	41	(355 935)	(1 080 180)
Fair value adjustments and loss on disposal of assets	31	(4 163 689)	-
<b>Total Expenditure</b>		<b>(730 935 035)</b>	<b>(802 820 740)</b>
<b>Surplus (deficit) for the year</b>		<b>73 011 350</b>	<b>(111 100 506)</b>

\* See Note 55

# Setsoto Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Cash Flow Statement

Figures in Rand	Note(s)	2023	2022 Restated*
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Property rates		47 635 640	41 582 149 *
Sale of goods and services		94 903 012	115 554 178 *
Other receipts		11 210 992	7 289 923
Grants		413 801 134	386 590 677
Fines, penalties and forfeits		644 450	890 770
Interest		58 641 353	39 130 429 *
Dividends		76 713	55 404
<b>Payments</b>			
Employees		(237 281 615)	(229 032 231)
Suppliers		(199 733 759)	(164 943 969)*
Finance costs		(748 373)	(2 100 103)*
VAT		(34 589 019)	(17 729 693)*
<b>Net cash from(used) operating activities</b>	42	<b>154 560 528</b>	<b>177 287 534</b>
<b>Cash flows from investing activities</b>			
<b>Receipts</b>			
Proceeds on disposal of fixed and intangible assets		650 438	477 805
Proceeds from investments		-	37 500
<b>Payments</b>			
Capital assets		(179 839 512)	(121 086 120)
<b>Net cash flows from investing activities</b>		<b>(179 189 074)</b>	<b>(120 570 815)</b>
<b>Cash flows from financing activities</b>			
<b>Payments</b>			
Decrease in borrowings		(2 361 264)	(9 045 138)
<b>Net cash flows from financing activities</b>		<b>(2 361 264)</b>	<b>(9 045 138)</b>
<b>Net increase/(decrease) in cash</b>		<b>(26 989 810)</b>	<b>47 671 581</b>
Cash and cash equivalents at year begin		93 197 341	45 525 760
		<b>66 207 531</b>	<b>93 197 341</b>

\* See Note 55



# Setsoto Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
<b>Balance at 01 July 2021</b>	<b>2 785 359 655</b>	<b>2 785 359 655</b>
*Restated surplus /(deficit) for the year	(111 100 506)	(111 100 506)
Total changes	(111 100 506)	(111 100 506)
	<b>2 674 259 159</b>	<b>2 674 259 159</b>
Adjustments		
*Correction of errors	(7 354 241)	(7 354 241)
<b>*Restated Balance at 01 July 2022</b>	<b>2 666 904 918</b>	<b>2 666 904 918</b>
Surplus for the year	73 011 350	73 011 350
Total changes	73 011 350	73 011 350
<b>Balance at 30 June 2023</b>	<b>2 739 916 268</b>	<b>2 739 916 268</b>

\* See Note 55

# **Setsoto Local Municipality**

Annual Financial Statements for the year ended 30 June 2023

## **Accounting Policies**

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The annual financial statements of Setsoto Local Municipality for the year ended 30 June 2023 were authorised for issue by the Accounting Officer on 31 August 2023.

The 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 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.

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

# Setsoto Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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### 1. Summary of significant accounting policies

#### 1.1 New standards and interpretations

##### Standards, amendments to standards and interpretations issued, but not yet effective

At the date of authorisation of these annual financial statements, the following GRAP Standards (including Interpretations and Directives) have been issued, but are not yet effective for the year presented and have not been early adopted by the municipality:

Standard / Interpretation	Effective date	Expected impact
GRAP 25: Employee benefits (revised)	1 April 2023	Unlikely there will be a material impact. Additional disclosures.
GRAP 103 : Heritage assets (revised)	To be determined	Unlikely there will be a material impact
GRAP 104 : Financial instruments (revised)	1 April 2025	Unlikely there will be a material impact
IGRAP 7 : The limit on a defined benefit asset, minimum funding requirements and their interaction (revised)	1 April 2023	Unlikely there will be a material impact. Additional disclosures.
IGRAP 21 : The effect of past decisions on materiality	1 April 2023	Unlikely there will be a material impact
Guideline : Accounting for landfill sites	1 April 2023	Unlikely there will be a material impact
Amendments to GRAP 1 : Presentation of financial statements (Materiality)	1 April 2023	Unlikely there will be a material impact
Improvements to Standards of GRAP 2020	1 April 2023	Unlikely there will be a material impact
GRAP 1 : Presentation of financial statements (Going concern)	To be determined	Unlikely there will be a material impact

# Setsoto Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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### 1.2 Presentation currency

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

### 1.3 Going concern assumption

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

### 1.4 Offsetting

Financial assets and liabilities are offset and the net amount reported on the Statement of financial position only when there is a legally enforceable right to set off the recognised amount, and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

### 1.5 Current year comparatives

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are also reclassified and restated, unless such comparative reclassification and / or restatement is not required by a Standard of GRAP. The nature and reason for such reclassifications and restatements are also disclosed.

Where material accounting errors, which relate to prior periods, have been identified in the current year, the correction is made retrospectively as far as is practicable and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable and the prior year comparatives are restated accordingly.

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

### 1.6 Significant judgments and estimates

In the application of the municipality's accounting policies, which are described below, management is required to make judgments, estimates and assumption that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. The estimates and associated assumptions are based on historical experiences and other factors that are considered reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

#### 1.6.1 Judgments

The following are the critical judgments, apart from those involving estimations, that management have made in the process of applying the municipality's accounting policies and that have the most significant effect on the amounts recognised in the annual financial statements:

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

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

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

# Setsoto Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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### 1.6 Significant judgments and estimates (continued)

#### Operating lease commitments

Leases where risks and rewards of ownership are not transferred to the lessee are classified as operating leases. Payments received under operating leases are recognised in the statement of financial performance on a straight-line basis over the period of the lease.

#### Allowance for slow moving, damaged and obsolete stock

An allowance for management to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operating cost note.

#### 1.6.2 Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below:

##### 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) includes 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 obligations. In determining the appropriate discount rate, the municipality considers the interest rate 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 liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in note 18.2 and note 19.1.

##### Effective interest rate

The municipality uses an appropriate interest rate, taking into account guidance provided in the accounting standards, and applying professional judgment to the specific circumstances, to discount future cash flows.

Appropriate adjustments have been made to compensate for the effect of deferred settlement, that have a material impact on the fair value of the financial instruments, revenue and expenses at initial recognition. The adjustments require a degree of estimation around the discount rate and periods used.

##### 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.

##### Fair value estimation

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

The 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.

# Setso Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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### 1.6 Significant judgments and estimates (continued)

#### Useful lives of waste, water networks 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.

#### 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 value less cost to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of 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. 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 tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors.

#### Provisions

Provisions were raised and management determined and estimate based on the available information. Additional disclosure of these estimates of provisions are included in note 18.1 - Provisions.

#### Budget information

Management assumes deviations between budget and actual amounts to be material when a deviation of more than 10% exists. All material differences are explained in the notes to the annual financial statements.

### 1.7 Cash and cash equivalents

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash and are subject to an insignificant risk of change in value. Cash and cash equivalents are carried at amortised cost. Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are carried at amortised cost.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts.

### 1.8 Inventory

Inventory consist of raw materials and consumables, which are valued at the lower of cost, determined on the first in first out basis, and net realisable value. Where it is held for distribution or consumption at no charge or for a nominal amount, inventories are valued at the lower of cost and current replacement value. Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

Where inventories are acquired through a non-exchange transaction, then their cost is the fair value as at the date of acquisition.

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

Cost of inventory comprises all costs of purchase, cost of conversion, and other costs incurred in bringing the inventories to their present location and condition. The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

# Setsoto Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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### 1.8 Inventory (continued)

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

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

### 1.9 Investment property

Investment property includes property held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, administrative purposes or the sale of an asset in the ordinary course of operations. Investment property also includes land held for an undetermined future use.

#### Initial recognition

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

Where the classification of an investment property is based on management's judgment, the following criteria have been applied to distinguish investment properties from owner-occupied property or property held for resale:

- All properties held to earn market-related rentals or for capital appreciation or both and that are not used for administrative purposes and that will not be sold within the next 12 months are classified as investment properties;
- Land held for a currently undetermined future use;
- A building owned (or held by under a finance lease) and leased out under one or more operating leases;
- Leased properties that are held to provide a social (community) service or that are necessary for employees to perform their job functions, but which also generates rental revenue are not seen as investment properties. The rental revenue generated is incidental to the purposes for which the property is held;
- A building that is vacant but is held to be leased out under one or more operating leases;
- Property that is being constructed or developed for future use as investment property.

Owner-occupied property is property held for use in the production of supply of goods and 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 can be measured reliably.

Cost 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 replacement part is derecognised.

#### Subsequent measurement – cost model

Subsequent to initial recognition, investment properties are measured using the cost model, and is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write down the cost, over the useful life of the property, which is as follows:

- Property - land : indefinite
- Property - buildings : 15-80 years

# Setsoto Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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### 1.9 Investment property (continued)

#### Derecognition/Disposal

Investment properties are derecognised (eliminated from the Statement of financial position) on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal. The gain or loss arising on the disposal of an investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of financial performance.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property (property, plant and equipment), the deemed cost for subsequent accounting is the carrying amount at the date of change in use. If owner-occupied property becomes an investment property, the municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

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.

The municipality discloses relevant information relating to assets under construction or development in the notes to the financial statements. Refer to note 10.

### 1.10 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, or for administrative purposes, and are expected to be used during more than one year.

The cost of an item of property, plant and equipment is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the municipality, and if the cost or fair value of the item can be measured reliably.

#### Initial recognition and measurement

Property, plant and equipment are initially recognised at cost on its acquisition date. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

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.

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the municipality and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.



# Setso Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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### 1.10 Property, plant and equipment (continued)

#### Subsequent measurement – cost model

Subsequently all property, plant and equipment, excluding land and buildings, are measured at cost, less accumulated depreciation and accumulated impairment losses.

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements. Refer to note 10.

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements. Refer to note 10.

#### Subsequent measurement – revaluation model

Subsequent to initial recognition, land and buildings are carried at a revalued amount based on municipal valuations, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed by external independent valuers every four to five years to coincide with the implementation of the general valuation roll, such that the carrying amount does not differ materially from that which would be determined using fair value at the Statement of Financial Position date. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset.

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

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

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

#### Depreciation

Land is not depreciated as it is regarded as having an unlimited life. Depreciation on assets other than land is calculated using the straight line method, to allocate their cost or revalued amounts less their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the assets' future economic benefits or service potential are expected to be consumed by the municipality. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. The depreciation rates are based on the following estimated useful lives:

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<b>Asset class</b>	<b>Useful lives (Years)</b>
Buildings	
• Buildings	10 - 80 years
Infrastructure assets	
• Electricity	5 - 50 years
• Waste management	5 - 40 years
• Roads, pavements, bridges and storm water	5 - 80 years
• Water	5 - 80 years
• Waste water management	10 - 60 years
Community assets	
• Buildings and other structures (Community)	25 - 50 years
Leased assets	5 - 20 years

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# Setso Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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### 1.10 Property, plant and equipment (continued)

#### Transport assets

- Transport assets 5 - 20 years

#### Other assets

- Furniture and office equipment 5 - 10 years
- Plant and machinery 2 - 20 years
- Office equipment 3 - 7 years
- IT Equipment 3 - 7 years
- Computer equipment 3 - 6 years
- Other PPE 3 - 7 years

The estimated useful life, residual values and depreciation method are assessed at each reporting date on an indicator basis.

The useful lives, residual values and depreciation method are reviewed annually at the end of the financial year where there is any indication that the municipality's expectations about the residual amount and the useful life of an asset has changed since the preceding reporting date. Any adjustments arising from the annual review are applied prospectively.

Depreciation of an asset commences when the asset is ready for its intended use. Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets, or, where shorter, the term of the relevant lease. The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Incomplete construction work is stated at historical cost. Depreciation only commences when the asset is ready for use.

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 of 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.

### Derecognition

The carrying amount of an item of property, plant and equipment is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised.

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

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.

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

# Setso Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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### 1.10 Property, plant and equipment (continued)

#### Site rehabilitation and restoration costs

Where the municipality has an obligation to rehabilitate and restore items of property, plant and equipment such obligations are referred to as "rehabilitation provisions". The cost of an item of property, plant and equipment includes the initial estimate of the costs of rehabilitation and restoring the site on which it is located, the obligation for which the municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period.

As the related asset is measured using the cost model: -

- (a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- (b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- (c) 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.

### 1.11 Heritage assets

A heritage asset is defined as an asset that has a cultural, environmental, historical, natural, scientific, technological or artistic significance, and is held and preserved indefinitely for the benefit of present and future generations.

The municipality classifies assets as heritage assets where the significance as a heritage asset can be determined. In regards to land and buildings all graded sites are classified heritage assets. Furthermore land with a natural significance is not componentised but seen as a single heritage asset due to all parts contributing together to make up its significance.

Land and buildings that qualify as heritage asset, but of which a significant portion of that land and buildings is held for use in the production or supply of goods or services or for administrative purposes, are recognised as property, plant and equipment, rather than heritage asset.

#### Initial recognition and measurement

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

Heritage assets are initially recognised at cost on its acquisition date or in the case of assets acquired by grant or donation, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of heritage assets is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired. The cost of an item of heritage assets acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

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.

# Setso Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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### 1.11 Heritage assets (continued)

#### Subsequent measurement

Subsequent expenditure relating to heritage assets is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the municipality and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

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

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

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

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

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

Value in use of a cash-generating asset is the present value of the future cash flows expected to be derived from an asset or cash-generating unit. Value in use of a non-cash generating asset is the present value of the asset's remaining service potential.

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

#### Derecognition

The carrying amount of an item of heritage assets is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

Gains or losses are calculated as the difference between the carrying value of assets (cost less accumulated impairment losses) and the disposal proceeds is included in the Statement of financial performance as a gain or loss on disposal of heritage assets.

#### Transfers

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

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

### 1.12 Intangible assets

Intangible assets are identifiable non-monetary assets without physical substance held for use in the production or supply of goods or services, for rental to others, or for administrative purposes are classified and recognised as intangible assets.

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.

# Setsoto Local Municipality

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## Accounting Policies

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### 1.12 Intangible assets (continued)

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 of 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.

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

#### Initial recognition and measurement

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

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

#### Subsequent measurement

Amortisation is calculated on cost, using the straight-line method, over the useful lives of the assets, which is estimated to be between 3 to 5 years upon initial recognition. Where intangible assets are deemed to have an indefinite useful life, such intangible assets are not amortised.

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

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.

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

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

#### Derecognition

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible assets is determined as the difference between the net disposals proceeds and the carrying value and is recognised in the Statement of financial performance.

### 1.13 Borrowing costs

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

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Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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### 1.13 Borrowing costs (continued)

Borrowing costs are recognised as an expense in the Statement of financial performance in the period in which they are incurred.

### 1.14 Impairment of property, plant and equipment, investment property, intangible assets and heritage assets

The municipality classifies all assets held with the primary objective of generating a commercial return as cash-generating assets. A commercial return means that the return charged by the entity is commensurate with the risk associated with holding the asset and the asset is intended to generate positive cash inflows. All other assets are classified as non-cash-generating assets.

#### Impairment of cash-generating assets

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.

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

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

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

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

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

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

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

#### Impairment of non-cash-generating assets

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### 1.14 Impairment of property, plant and equipment, investment property, intangible assets and heritage assets (continued)

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.

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.

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

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

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

The recoverable service amount is the higher of a non-cash generating asset's fair value less costs to sell and its value in use. The value in use for a non-cash generating asset is the present value of the asset's remaining service potential.

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

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

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

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.

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

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.

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

Depreciated replacement cost approach:

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### 1.14 Impairment of property, plant and equipment, investment property, intangible assets and heritage assets (continued)

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

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

Restoration cost approach:

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

Service units approach:

The present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform to the reduced number of service units expected from the asset in its impaired state. The current cost of replacing the remaining service potential of the asset before impairment is determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

### 1.15 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. Financial instruments are classified into three categories namely, financial instruments at fair value, financial instruments at amortised cost or financial instruments at cost. The municipality determines the classification of its financial instruments at initial recognition.

Financial instruments are categorised according to their nature as either financial instruments at fair value, held at amortised cost, or held at cost. The classification depends on purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

#### 1.15.1 Classification of financial instruments

##### Financial assets

A financial asset is any asset that is a cash or contractual right to receive cash.

Financial asset at amortised cost being a non-derivative financial asset with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months, which are classified as non-current assets.

Financial assets measured at fair value being financial assets that meet either of the following conditions:

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



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### 1.15 Financial instruments (continued)

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

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

Type of financial asset	Classification in terms of GRAP 104
Consumer debtors	Financial assets at amortised cost
Other debtors	Financial assets at amortised cost
Short-term investment deposit - Call	Financial assets at amortised cost
Bank balances and cash	Financial assets at amortised cost
Investments in stock - Sanlam and OVK	Financial assets at fair value

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the Cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets at amortised cost.

### Financial liabilities and finance leases

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity.

The following main categories of financial liabilities and finance leases and the classification determining how they are measured exist:

- Financial liabilities and finance leases measured at amortised cost; or
- Financial liabilities and finance leases measured at fair value.

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### 1.15 Financial instruments (continued)

The municipality has the following types of financial liabilities and finance leases as reflected on the face of the Statement of financial position or in the notes thereto:

Type of financial liability	Classification in terms of GRAP 104
Payables from exchange transactions	Financial liability at amortised cost
Financial liabilities	Financial liability at amortised cost
Finance leases	Financial liability at amortised cost
Consumer deposits	Financial liability at amortised cost

Financial liabilities and finance leases that are measured at fair value that are essentially held for trading (i.e. purchased with the intention to sell or repurchase in the short term; derivatives other than hedging instruments or are part of a portfolio of financial liabilities and finance leases where there is recent actual evidence of short-term profiteering or are derivatives).

Any other financial liabilities and finance leases should be classified as financial liabilities and finance leases at amortised cost.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

#### 1.15.2 Initial and subsequent measurement

##### Initial recognition and measurement

A financial instruments is recognised, when the municipality becomes a party to the contractual provisions of the instrument, and are initially measured at fair value. In the case of a financial instruments not subsequently measured at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial instruments are added or deducted from the fair value, as appropriate on initial recognition.

##### Subsequent measurement – Financial assets

Financial assets consist of cash and cash equivalents, deposits, receivables and investments.

##### Debtors:

Receivables are subsequently measured at amortised cost using the effective interest rate method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

A provision for impairment of receivables is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. Changes in the carrying amount of the provision is recognised in the Statement of financial performance. When a receivable is considered uncollectible, it is written off against the provision. Any gains or losses arising from the change in fair value of investments measured at fair value are recognised in the Statement of financial performance.

Residual interests that do not have a quoted market price in an active market, and the fair value of which cannot be reliably are subsequently measured at cost less any impairment. Impairment is considered when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected. Any calculated impairment is recognised in the Statement of financial performance.

Fixed and negotiable deposits:

Fixed and negotiable deposits are non-derivative financial assets with fixed or determinable payments and fixed maturities that the municipality will hold to maturity.

Fixed and negotiable deposits are initially and subsequently measured at fair value which in the case of investments that have an original maturity date of less than 12 months equates the cost. Fixed and negotiable deposits held for greater than 12 months are fair valued annually and the difference recognised in the statement of financial performance.

On disposal of Fixed and negotiable deposits, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

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### 1.15 Financial instruments (continued)

Loans and receivables:

Loans and receivables are measured initially and subsequently at fair value, gains and losses arising from changes in fair value are included in the Statement of Financial Performance for the period.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and with no intention of trading. They are included in current assets, except for maturities greater than 12 months after the Statement of Financial Position date. These are classified as non-current assets. Loans and receivables are included in trade and other receivables in the Statement of Financial Position.

#### Subsequent measurement – Financial liabilities and finance leases

Financial liabilities consist of payables, interest bearing loans and bank overdrafts. These liabilities are subsequently measured at amortised cost, using the effective interest rate method. Finance costs are expensed in the Statement of financial performance in the period in which they are incurred except where stated otherwise (see accounting policy on borrowing costs).

Borrowings and other financial liabilities:

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of financial performance over the period of the borrowings using the effective interest method.

Long term borrowings are non-derivative financial loans and the Municipality does not hold financial loans for trading purposes. Long term borrowings are utilised solely for funding capital projects and the book value is disclosed at amortised cost.

Other financial liabilities are carried at amortised cost

#### 1.15.3 Impairment of financial assets

##### Consumer debtors

Consumer debtors are assessed individually thereafter collectively, considering factors such as payment histories and ratios, qualitative factors e.g. correspondence from attorneys, disputes about certain accounts, etc.

#### 1.15.4 Derecognition

##### Financial assets

The municipality derecognises financial assets only when the contractual rights to the cash flows from the asset expires or it transfers the financial assets and substantially all the risks and rewards of ownership of the asset to another entity, except when Council approves the write-off of financial assets due to non-recoverability.

If the municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the municipality retains substantially all the risks and rewards of ownership of a transferred financial assets, the municipality continues to recognise the financial assets and also recognises a collateralised borrowing for the proceeds received.

##### Financial liabilities and finance leases

The municipality derecognises financial liabilities and finance leases when, and only when, the municipality's obligations are discharged, cancelled or they expire.

#### 1.15.5 Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instruments is not active, the municipality establishes fair value using a valuation technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on municipality-specific inputs.

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### 1.16 Provisions and other employee liabilities

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

The best estimate of the expenditure required to settle the present obligation is the amount that an entity would rationally pay to settle the obligation at the reporting date or to transfer it to a third party at that time and are determined by the judgment of the management of the municipality, supplemented by experience of similar transactions and, in some cases, reports from independent experts. The evidence considered includes any additional evidence provided by events after the reporting date. Uncertainties surrounding the amount to be recognised as a provision are dealt with by various means according to the circumstances, where the provision being measured involves a large population of items; the obligation is estimated by weighting all possible outcomes by their associated probabilities.

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

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

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.

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.

### Environmental rehabilitation provisions

Estimated long-term environmental provisions, comprising rehabilitation and landfill site closure, are based on the municipality's policy, taking into account current technological, environmental and regulatory requirements. The provision for rehabilitation is recognised as and when the environmental liability arises. To the extent that the obligations relate to the asset, they are capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are charged to the Statement of financial performance.

### 1.17 Employee benefits

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

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

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

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### 1.17 Employee benefits (continued)

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

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

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

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

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

#### Short-term employee benefits

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

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

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

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 municipality measures the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

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

Short-term employee benefits include items such as:

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

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

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

#### Leave pay

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total accrued leave days at year end and is shown as an accrual in the Statement of financial position.

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### 1.17 Employee benefits (continued)

#### Bonus provisions

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

#### Post-employment benefits: Defined contribution plans

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

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

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

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

#### Post-retirement health care benefits

The municipality has an obligation to provide post-retirement health care benefits to certain of its retirees. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service), on retirement, is entitled to remain a continued member of the Medical Aid Fund, in which case the municipality is liable for a certain portion of the medical aid membership fee.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and unrecognised actuarial gains and losses, reduced by unrecognised past service costs. The plan is unfunded. The present value of the defined benefit obligation is calculated using the projected unit credit method, incorporating actuarial assumptions and a discount rate based on the government bond rate. Valuations of these obligations are carried out annually by independent qualified actuaries.

Past-service costs are recognised immediately, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

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

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

#### Long-service allowance

The municipality has an obligation to provide Long-service Allowance Benefits to all of its employees. According to the rules of the Long-service Allowance Scheme, which the municipality instituted and operates, an employee (who is on the current Conditions of Service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 10, 15, 20, 25 and 30 years of continued service. The municipality's liability is based on an actuarial valuation. The projected unit credit method has been used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through the Statement of financial performance.

# Setsoto Local Municipality

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### 1.17 Employee benefits (continued)

#### National- and provincially administered defined benefit plans

The municipality contributes to various National- and Provincial-administered Defined Benefit Plans on behalf of its qualifying employees. The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. These defined benefit funds are actuarially valued tri-annually on the projected unit credit method basis.

Deficits are recovered through lump sum payments or increased future contributions on a proportional basis from all participating municipalities.

The municipality does not apply defined benefit accounting to the defined benefit funds to which it is a member where these funds are classified in terms of the Standard of GRAP 25 on Employee Benefits as multi employer plans, as sufficient information is not available to apply the principals involved. As a result, this standard of GRAP is applied and such funds are accounted for as defined contribution funds.

### 1.18 Leases

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

#### Municipality as lessee

Property, plant and equipment subject to finance lease agreements are capitalised at their cash cost equivalent. Corresponding liabilities are included in the Statement of financial position as Finance Lease Obligations. The cost of the item of property, plant and equipment is depreciated at appropriate rates on the straight-line basis over its estimated useful life. Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on the straight-line basis over the term of the relevant lease.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

#### Municipality as lessor

Amounts due from lessees under finance leases or installment sale agreements are recorded as receivables at the amount of the municipality's net investment in the leases. Finance lease or installment sale income is allocated to accounting periods so as to reflect a constant periodic rate of return on the municipality's net investment outstanding in respect of the leases or installment sale agreements.

Operating lease rental income is recognised on a straight-line basis over the term of the relevant lease.

### 1.19 Tax

The municipality is exempted from tax in terms of section 10(1)(a) of the Income Tax Act.

# Setsoto Local Municipality

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### 1.20 Statutory receivables

#### 1.20.1 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.

The municipality has the following major categories under the ambit of statutory receivables:

- VAT receivables
- Rates debtors
- Traffic fine debtors
- Availability charges debtors

#### 1.20.2 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.

#### 1.20.3 Measurement

The municipality initially measures statutory receivables at their transaction amount.

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

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

#### 1.20.4 Impairment

Statutory receivables, other than those measured at fair value, are assessed for indicators of impairment at the end of each reporting period. Statutory receivables are impaired where there is objective evidence of impairment of Statutory receivables (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in accordance with GRAP 108.

A provision for impairment of receivables is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

According to GRAP 108, the assessment for impairment needs to be made for each individual financial asset separately or for groups of statutory receivables with similar credit risks. The following methodology was followed to make a provision for bad debts for the year under review:

#### VAT receivable

VAT is submitted and paid on a monthly basis thus no interest is charged on outstanding VAT amounts. VAT receivable from SARS is not impaired as the South African Revenue Services has sufficient funds to pay any outstanding amounts.

#### Assessment rate debtors and availability charges debtors

Assessment rates debtors and availability charges debtors are assessed individually thereafter collectively, considering factors such as payment histories and ratios, qualitative factors e.g. correspondence from attorneys, disputes about certain accounts, etc.



# Setsoto Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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### 1.20 Statutory receivables (continued)

#### Traffic fine debtors

Traffic fine debtors are reviewed collectively considering payment histories and disputes about certain amounts. Provision for impairment is made accordingly.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the Statement of financial performance.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the Statement of financial performance to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

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

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

### 1.21 Revenue

Revenue, excluding value-added taxation where applicable, is derived from a variety of sources which include rates levied, grants from other tiers of government and revenue from trading activities and other services provided.

#### Recognition and measurement

The municipality recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the municipality and when specific criteria have been met for each of the municipalities' activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The municipality bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Furthermore services rendered are recognised by reference to the stage of completion of the transaction at the reporting date.

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, stock rotation, price protection, rebates and other similar allowances.

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

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

# Setsoto Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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### 1.21 Revenue (continued)

#### 1.21.1 Revenue from exchange transactions

##### Service charges

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without it being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

Service charges from sewerage and sanitation are based on the type of service and the number of sewer connections on all developed property, using the tariffs approved by Council and are levied monthly.

In circumstances where services cannot readily be measured and quantified, a flat rate service charge is levied monthly on such properties.

##### Pre-paid electricity

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

##### Interest earned and rentals received

Interest and rentals are recognised on a time proportion basis that takes into account the effective yield on the investment.

Interest 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.

Revenue from rental of facilities and equipment is recognised on a straight line basis over the term of the lease agreement.

##### Dividends

Dividends are recognised on the date that the municipality becomes entitled to receive the dividend in accordance with the substance of the relevant agreement, where applicable.

##### Sale of goods

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

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

##### Revenue recognition of unclaimed deposits

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

# Setsoto Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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### 1.21 Revenue (continued)

#### 1.21.2 Revenue from non-exchange transactions

##### Rates and taxes

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis with reference to the principal amount receivable and effective interest rate applicable. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

##### Fines

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

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

##### Other grants and donations

Donations shall be measured at the fair value of the consideration received or receivable when the amount of the revenue can be measured reliably.

##### Transfers and subsidies

##### Unconditional grants

Equitable share allocations are recognised in revenue at the start of the financial year.

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. For example, equitable share grants per the Division of Revenue Act where the period of use of such funds is stated, should be recognised on a time proportion basis, i.e. over the stated period. Where there is no restriction on the period, such revenue should be recognised on receipt or when the Act becomes effective, which-ever is earlier.

In certain circumstances government will only remit grants on a re-imbursement basis. Revenue should therefore be recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with and not when the grant is received.

An entity needs to assess the degree of certainty attached to the flow of future economic benefits of service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants should only be recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue should only be recognised once evidence of the probability of the flow becomes available.

##### Conditional grants

Conditional grants recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

In certain circumstances government will only remit grants on a re-imbursement basis. Revenue should therefore be recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with and not when the grant is received.

# Setsoto Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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### 1.21 Revenue (continued)

Interest earned on grants received and invested is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor and if it is the municipality's interest it is recognised as interest earned in the Statement of financial performance.

An entity needs to assess the degree of certainty attached to the flow of future economic benefits of service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants should only be recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue should only be recognised once evidence of the probability of the flow becomes available.

#### **Interest earned on unspent grants and receipts**

Interest earned on unspent grants and receipts is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor and if it is the municipality's interest it is recognised as interest earned in the Statement of financial performance in accordance with GRAP 9.

#### **Services received in-kind**

Services in kind are recognised at its fair value when it is significant to the operations and/or service delivery objectives and when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably. If the services in-kind are not significant to the operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, only the nature and type of services in-kind received during the reporting period is disclosed.

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

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

### 1.22 Transfers and subsidies – non-exchange expenditure

The municipality transfers money to individuals, organisations and other sectors of government from time to time. These transfers are recognised in the annual financial statements as expenses in the period that the events giving rise to the transfer occurred.

# Setsoto Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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### 1.23 Related parties and related party transactions

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Management is regarded as a related party and comprises the councillors, Executive Mayor, Mayoral Committee members, Municipal Manager, executive directors and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

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

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

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

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

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

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

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

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

### 1.24 Events after reporting date

Events after the reporting date that are classified as adjusting events have been accounted for in the annual financial statements. The events after the reporting date that are classified as non-adjusting events after the reporting date have been disclosed in the notes to the annual financial statements.

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.

### 1.25 Value Added Tax

The municipality is registered with the South African Revenue Service (SARS) for Value Added Tax on the payments basis, in accordance with Section 15(2)(a) of the Value-Added Tax Act No 89 of 1991. The municipality account for VAT on a monthly basis.

The municipality is liable to account for VAT at the Standard rate (15%) in terms of section 7(1)(a) of the Value Added Tax Act, (Act 89 of 1991) in respect of the supply goods or services, except where the supplies are specifically zero-rated in terms of section 11, exempted in terms of section 12 of the VAT Act or are scoped out for VAT purposes. The municipality account for VAT on a monthly basis.

# Setsoto Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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### 1.26 Grants-in-aid

The municipality transfers money to individuals, organizations and other sectors of government from time to time. When making these transfers, the municipality does not:

- Receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- Expect to be repaid in future; or
- Expect a financial return, as would be expected from an investment.

These transfers are recognised in the annual financial statements as expenses in the period that the events giving rise to the transfer occurred.

### 1.27 Unauthorised expenditure

Section 1 of the Municipal Finance Management Act (Act 56 of 2003) (MFMA), defines Unauthorised expenditure as follows:

- Overspending of the total amount appropriated in the municipality's approved budget;
- Overspending of the total amount appropriated for a vote in the approved budget;
- Expenditure from a vote unrelated to the department or functional area covered by the vote;
- Expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose;
- Spending of an allocation referred to in the above paragraphs of the definition of "allocation" otherwise than in accordance with any conditions of the allocation; or
- A grant by the municipality otherwise than in accordance with this Act.

Section 1 of the Municipal Finance Management Act (Act 56 of 2003) (MFMA) also defines a Vote as:

- One of the main segments into which a budget of a municipality is divided for the appropriation of money for the different departments or functional areas of the municipality; and
- Which specifies the total amount that is appropriated for the purposes of the department or functional area concerned.

The municipality uses the Municipal Standard Chart of Accounts (mSCOA) Functions and Sub-functions, previously the Government Finance Statistics (GFS) functions, as well as departments as the main groupings of segments of the municipality's budget segments within the municipality are grouped per department to facilitate greater accountability and budget implementation by the respective Executive Directors as well as per mSCOA classification to facilitate comparisons on a higher level.

All expenditure relating to unauthorised expenditure is recognised as an expense in the Statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the Statement of financial performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

# Setsoto Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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### 1.28 Irregular expenditure

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

Irregular expenditure is defined in section 1 of the MFMA as follows:

"Irregular expenditure", in relation to a municipality or municipal entity, means:

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

In this context 'expenditure' refers to any use of municipal funds that is in contravention of the following legislation:

- Municipal Finance Management Act, Act 56 of 2003, and its regulations;
- Municipal Systems Act, Act 32 of 2000, and its regulations;
- Public Office-Bearers Act, Act 20 of 1998, and its regulations; and
- The municipality's supply chain management policy, and any by-laws giving effect to that policy

Although a transaction or an event may trigger irregular expenditure, a municipality or municipal entity will only identify irregular expenditure when a payment is made, in other words, the recognition of irregular expenditure will be linked to a financial transaction. If the possibility of irregular expenditure is determined prior to a payment being made, the transgression shall be regarded as a matter of non-compliance.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### 1.29 Fruitless and wasteful expenditure

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

Fruitless and wasteful expenditure is accounted for in line with all relating requirements, including, but no limited to, ruling legislation, regulations, frameworks, circulars, instruction notes, practice notes and guidelines.

### 1.30 Change in accounting policies, estimates and errors

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

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

# Setsoto Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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### 1.30 Change in accounting policies, estimates and errors (continued)

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

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

### 1.31 Contingent assets and contingent liabilities

Contingent liabilities represent a possible obligation that arises from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality.

A contingent liability can also arise as a result of a present obligation that arises from past events but which is not recognised as a liability either because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets represent possible assets that arise from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in the notes to the municipality. Refer to note 43 and 44.

### 1.32 Commitments

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

Capital commitments are not recognised in the statement of financial position as a liability but are included in the disclosure notes in the following cases:

- Approved and contracted commitments, where the expenditure has been approved and the contract has been awarded at the reporting date, where disclosure is required by a specific standard of GRAP.
- Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources.
- Contracts that are entered into before the reporting date, but goods and services have not yet been received are disclosed in the disclosure notes to the financial statements
- Other commitments for contracts are be non-cancelable or only cancelable at significant cost contracts should relate to something other than the business of the municipality.

### 1.33 Investments

Where the carrying amount of an investment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the statement of financial performance.



# Setsoto Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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### 1.34 Segment reporting

Identification of segments:

The municipality is organised and reports to management on the basis of five major functional directorates.

The directorates are:

- Council and executive;
- Corporate services;
- Community services, and;
- Technical services

Only the community services and technical services directorates have been identified as reportable segments. Management monitors the results of these units to make decisions about resource allocations and assessment of performance. Revenue and expenditure relating to these units are allocated at a transactional level. Cost relating to the governance and administration of the municipality are not allocated to these business units. Segment activities were aggregated for reporting purposes into the two reportable segments.

The executive, finance and corporate services directorates are the governance and administration units of the municipality. However, they are not reportable segments. Their results are reported as non-reportable segments to reconcile the results of the reportable segments to the total revenue and expenses of the municipality for the year under review.

The two reportable segments comprise of:

- Community services - which include sport and recreation, housing, public safety, refuse removal, street cleaning and cemeteries, and;
- Technical services - which include energy sources, water management, and waste water management.

Management does not monitor financial performance geographically and does not have reliable separate financial information for geographical areas in the municipal area.

A measure of assets and liabilities for each reportable segment has not been presented as these amounts are not regularly provided to management.

# Setsoto Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand 2023 2022

### 2. Cash and cash equivalents

#### 2.1 Cash and cash equivalents

Cash and cash equivalents consist of the following:

##### Call deposits and investments

Short-term deposits	47 619 289	75 001 591
<b>Cash at bank</b>		
Bank balances	18 579 035	18 186 543
Cash on hand	9 207	9 207
<b>Total cash and cash equivalents</b>	<b>66 207 531</b>	<b>93 197 341</b>

##### Call deposits and investments by financial institution

Institution	Account number	Account type		
First National Bank	621 517 83563	Business Money Market	18 019	17 398
First National Bank	620 490 46205	Call Account	7 393	7 148
First National Bank	623 105 40465	NSTD Account	66 413	37 214
			<b>91 825</b>	<b>61 760</b>
Standard Bank	4844 585 1003	Notice Deposit	2 290 337	12 106 659
Standard Bank	4844 585 1005	Notice Deposit	5 114 993	4 772 726
Standard Bank	4844 585 1009	Notice Deposit	12 234 359	11 417 524
Standard Bank	4844 585 1010	Notice Deposit	10 971 473	10 237 865
Standard Bank	4844 585 1011	Notice Deposit	12 076 673	11 253 159
Standard Bank	4844 585 1012	Notice Deposit	-	5 190 789
			<b>42 687 835</b>	<b>54 978 722</b>
ABSA Bank	937 089 1524	Notice Deposit	1 403 647	19 961 109
Nedbank	3788 116 4646	Notice Deposit	3 435 982	-
<b>Total investments</b>			<b>47 619 289</b>	<b>75 001 591</b>

#### 2.2 Bank accounts - Cash book balances

The municipality has the following bank accounts:

FNB Bank	Account - 620 480 92647	18 579 035	18 186 543
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# Setsoto Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand 2023 2022

### 2. Cash and cash equivalents (continued)

#### 2.3 Difference between cash book and bank statement

##### 2023

	Cash book	Bank statement	Difference
FNB Bank - Account 620 480 92647	18 579 035	18 316 031	263 004

The difference is due to cashier receipts captured before year end and only deposited after year end.

STD Bank - Account 4844 585 1011	12 076 673	12 048 778	27 895
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The difference is due to accrued interest.

<b>30 655 708</b>	<b>30 364 809</b>	<b>290 899</b>
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##### 2022

	Cash book	Bank statement	Difference
FNB Bank - Account 620 480 92647	18 186 543	17 959 931	226 612

The difference is due to cashier receipts captured before year end and only deposited after year end.

### Cessions

A cession to the amount of R5 859 105 in favour of Setsoto Local Municipality is held in terms of the upgrading of the Van Soelen outfall sewer pipeline project. The cession is with ABSA bank and the account details are as follows:

#### ABSA Bank

Linomtha Planthire and Road Construction (Pty) Ltd - account 93 5340 6209	5 859 105	5 808 851
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### Cash and cash equivalents pledged as collateral

No cash and cash equivalents were pledged as collateral for the current financial year.

# Setsoto Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand		2023	2022
<b>3. Receivables from exchange transactions</b>			
<b>Consumer receivables from exchange transactions</b>			
	3.1		
Electricity		26 798 101	22 642 223
Waste management		59 637 406	52 378 525
Waste water management		45 536 999	39 745 296
Water		92 868 641	78 608 884
		<b>224 841 147</b>	<b>193 374 928</b>
<b>Other receivables from exchange transactions</b>			
	3.2		
Other debtors		16 434 424	12 815 165
<b>Total receivables from exchange transactions</b>		<b>241 275 571</b>	<b>206 190 093</b>

The amount disclosed in this note is net of impairment. Refer to note 3.1 & 3.2 for the amount before the provision (gross) and the actual value of the provision.

### 3.1 Consumer receivables

	2023			2022		
	Gross	Impairment	Total	Gross	Impairment	Total
<b>Consumer receivables from exchange transactions</b>						
Electricity	38 643 402	(11 845 301)	26 798 101	34 864 125	(12 221 902)	22 642 223
Waste management	129 686 777	(70 049 371)	59 637 406	117 948 905	(65 570 380)	52 378 525
Waste water management	95 200 365	(49 663 366)	45 536 999	86 199 713	(46 454 417)	39 745 296
Water	194 118 917	(101 250 276)	92 868 641	169 244 434	(90 635 550)	78 608 884
<b>Total consumer receivables from exchange transactions</b>	<b>457 649 461</b>	<b>(232 808 314)</b>	<b>224 841 147</b>	<b>408 257 177</b>	<b>(214 882 249)</b>	<b>193 374 928</b>

# Setsoto Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand

### 3. Receivables from exchange transactions (continued)

#### 3.1.1 Ageing of consumer receivables

2023

	Past due					
	Total	30 days	60 days	90 days	120 days	120+ days
<b>Consumer receivables from exchange transactions</b>						
<b>Total by debt type</b>						
Electricity	38 643 402	9 040 596	1 238 145	1 100 949	985 047	26 278 665
Waste management	129 686 777	9 009 725	4 194 501	4 102 817	4 058 649	108 321 085
Waste water management	95 200 365	6 815 712	3 168 619	3 087 714	3 041 714	79 086 606
Water	194 118 917	15 909 106	6 659 116	6 451 683	6 420 935	158 678 077
<b>Total by debt type</b>	<b>457 649 461</b>	<b>40 775 139</b>	<b>15 260 381</b>	<b>14 743 163</b>	<b>14 506 345</b>	<b>372 364 433</b>
<b>Aging per customer group</b>						
Organs of state	13 205 949	2 527 285	688 267	625 595	580 964	8 783 838
Consumers	400 521 731	31 248 864	13 544 335	13 172 365	13 052 409	329 503 758
Industrial/commercial	43 921 781	6 998 990	1 027 779	945 203	872 972	34 076 837
<b>Total by customer group</b>	<b>457 649 461</b>	<b>40 775 139</b>	<b>15 260 381</b>	<b>14 743 163</b>	<b>14 506 345</b>	<b>372 364 433</b>

# Setsoto Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand

### 3. Receivables from exchange transactions (continued)

2022

	Total	30 days	60 days	Past due		
				90 days	120 days	120+ days
<b>Consumer receivables from exchange transactions</b>						
<b>Total by debt type</b>						
Electricity	34 864 125	8 788 677	1 448 465	1 114 255	899 754	22 612 974
Waste management	117 948 905	8 327 271	3 851 572	3 798 441	3 834 940	98 136 681
Waste water management	86 199 713	6 463 583	2 863 849	2 818 851	2 845 162	71 208 268
Water	169 244 434	13 234 966	5 623 058	5 481 994	5 335 383	139 569 033
<b>Total by debt type</b>	<b>408 257 177</b>	<b>36 814 497</b>	<b>13 786 944</b>	<b>13 213 541</b>	<b>12 915 239</b>	<b>331 526 956</b>
<b>Aging per customer group</b>						
Organs of state	10 363 261	2 448 663	649 185	543 583	365 372	6 356 458
Consumers	359 657 725	27 795 383	12 041 735	11 723 304	11 711 657	296 385 646
Industrial/commercial	38 236 191	6 570 451	1 096 024	946 654	838 210	28 784 852
<b>Total by customer group</b>	<b>408 257 177</b>	<b>36 814 497</b>	<b>13 786 944</b>	<b>13 213 541</b>	<b>12 915 239</b>	<b>331 526 956</b>

# Setsoto Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand

### 3. Receivables from exchange transactions (continued)

#### 3.1.2 Impairment reconciliation of consumer receivables

	2023			2022		
	Opening balance	Impairment (raised) / reversed	Closing balance	Opening balance	Impairment (raised) / reversed	Closing balance
<b>Consumer receivables from exchange transactions</b>						
Electricity	(12 221 902)	376 601	(11 845 301)	(12 135 802)	(86 100)	(12 221 902)
Waste management	(65 570 380)	(4 478 991)	(70 049 371)	(67 326 672)	1 756 292	(65 570 380)
Waste water management	(46 454 417)	(3 208 949)	(49 663 366)	(47 848 928)	1 394 511	(46 454 417)
Water	(90 635 549)	(10 614 727)	(101 250 276)	(94 468 333)	3 832 783	(90 635 550)
<b>Total consumer receivables</b>	<b>(214 882 248)</b>	<b>(17 926 066)</b>	<b>(232 808 314)</b>	<b>(221 779 735)</b>	<b>6 897 486</b>	<b>(214 882 249)</b>

# Setsoto Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand

### 3. Receivables from exchange transactions (continued)

#### 3.1.3 Ageing of impaired consumer receivables

2023

	Past due					
	Total	30 days	60 days	90 days	120 days	120+ days
<b>Consumer receivables from exchange transactions</b>						
<b>Aging by debt type</b>						
Electricity	(11 845 301)	(2 771 199)	(379 527)	(337 472)	(301 945)	(8 055 158)
Waste management	(70 049 371)	(4 866 538)	(2 265 629)	(2 216 107)	(2 192 250)	(58 508 847)
Waste water management	(49 663 366)	(3 555 567)	(1 652 980)	(1 610 774)	(1 586 777)	(41 257 268)
Water	(101 250 276)	(8 298 013)	(3 473 321)	(3 365 127)	(3 349 088)	(82 764 727)
<b>Total by debt type</b>	<b>(232 808 314)</b>	<b>(19 491 317)</b>	<b>(7 771 457)</b>	<b>(7 529 480)</b>	<b>(7 430 060)</b>	<b>(190 586 000)</b>
<b>Aging per customer group</b>						
Consumers	(214 476 112)	(17 956 497)	(7 159 503)	(6 936 580)	(6 844 989)	(175 578 543)
Industrial/commercial	(18 332 202)	(1 534 820)	(611 954)	(592 900)	(585 071)	(15 007 457)
<b>Total by customer group</b>	<b>(232 808 314)</b>	<b>(19 491 317)</b>	<b>(7 771 457)</b>	<b>(7 529 480)</b>	<b>(7 430 060)</b>	<b>(190 586 000)</b>



# Setsoto Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand

### 3. Receivables from exchange transactions (continued)

2022

	Past due					
	Total	30 days	60 days	90 days	120 days	120+ days
<b>Consumer receivables from exchange transactions</b>						
<b>Aging by debt type</b>						
Electricity	(12 221 902)	(3 080 942)	(507 771)	(390 611)	(315 416)	(7 927 162)
Waste management	(65 570 380)	(4 629 312)	(2 141 173)	(2 111 636)	(2 131 927)	(54 556 332)
Waste water management	(46 454 417)	(3 483 329)	(1 543 375)	(1 519 125)	(1 533 304)	(38 375 284)
Water	(90 635 550)	(7 087 727)	(3 011 319)	(2 935 775)	(2 857 260)	(74 743 469)
<b>Total by debt type</b>	<b>(214 882 249)</b>	<b>(18 281 310)</b>	<b>(7 203 638)</b>	<b>(6 957 147)</b>	<b>(6 837 907)</b>	<b>(175 602 247)</b>
<b>Aging per customer group</b>						
Organs of state	(17 500)	(1 489)	(587)	(566)	(556)	(14 302)
Consumers	(198 321 671)	(16 872 404)	(6 648 466)	(6 420 972)	(6 310 922)	(162 068 907)
Industrial/commercial	(16 543 078)	(1 407 417)	(554 585)	(535 609)	(526 429)	(13 519 038)
<b>Total by customer group</b>	<b>(214 882 249)</b>	<b>(18 281 310)</b>	<b>(7 203 638)</b>	<b>(6 957 147)</b>	<b>(6 837 907)</b>	<b>(175 602 247)</b>

# Setso Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

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### 3. Receivables from exchange transactions (continued)

#### 3.1.4 Consumer debt past due not impaired

##### 2023

	2023					
	Total	30 days	60 days	90 days	120 days	120+ days
<b>Consumer receivables from exchange transactions</b>						
Electricity	26 798 101	6 269 396	858 618	763 477	683 102	18 223 508
Waste management	59 637 406	4 143 187	1 928 871	1 886 710	1 866 399	49 812 239
Waste water management	45 536 999	3 260 146	1 515 639	1 476 940	1 454 937	37 829 337
Water	92 868 641	7 611 093	3 185 795	3 086 557	3 071 846	75 913 350
<b>Total consumer receivables</b>	<b>224 841 147</b>	<b>21 283 822</b>	<b>7 488 923</b>	<b>7 213 684</b>	<b>7 076 284</b>	<b>181 778 434</b>

##### 2022

	2022					
	Total	30 days	60 days	90 days	120 days	120+ days
<b>Consumer receivables from exchange transactions</b>						
Electricity	22 642 223	5 707 735	940 694	723 644	584 338	14 685 812
Waste management	52 378 525	3 697 959	1 710 399	1 686 804	1 703 013	43 580 350
Waste water management	39 745 296	2 980 254	1 320 475	1 299 727	1 311 859	32 832 981
Water	78 608 884	6 147 239	2 611 740	2 546 219	2 478 123	64 825 563
<b>Total consumer receivables</b>	<b>193 374 928</b>	<b>18 533 187</b>	<b>6 583 308</b>	<b>6 256 394</b>	<b>6 077 333</b>	<b>155 924 706</b>

#### 3.1.5 Consumer receivables pledged as security

No consumer receivables were pledged as security.

#### 3.1.6 Fair value of consumer receivables

In determining the recoverability from exchange transactions, the municipality has placed strong emphasis on verifying the indigent status of consumers. Provision for impairment of receivables from exchange transactions has been made for all balances outstanding based on the payment ratio over a 12 month period per service type. No further credit provision is required in excess of the provision for impairment.

# Setsoto Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand

### 3. Receivables from exchange transactions (continued)

#### 3.2 Other receivables from exchange transactions

	2023			2022		
	Gross	Impairment	Total	Gross	Impairment	Total
<b>Other receivables from exchange transactions</b>						
Other debtors	29 706 683	(13 272 259)	16 434 424	24 101 705	(11 286 540)	12 815 165

#### 3.2.1 Ageing of other receivables from exchange transactions

##### 2023

	Total	Past due				
		30 days	60 days	90 days	120 days	120+ days
<b>Other receivables from exchange transactions</b>						
Other debtors	29 706 683	2 387 366	973 941	908 982	935 372	24 501 022

##### 2022

	Total	Past due				
		30 days	60 days	90 days	120 days	120+ days
<b>Other receivables from exchange transactions</b>						
Other debtors	24 101 705	1 655 141	673 241	789 733	719 173	20 264 417

# Setsoto Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand

### 3. Receivables from exchange transactions (continued)

#### 3.2.2 Impairment reconciliation of other receivables from exchange transactions

	2023			2022		
	Opening balance	Impairment (raised) / reversed	Closing balance	Opening balance	Impairment (raised) / reversed	Closing balance
<b>Other receivables from exchange transactions</b>						
Other debtors	(11 286 540)	(1 985 719)	(13 272 259)	(2 485 581)	(8 800 959)	(11 286 540)

#### 3.2.3 Ageing of other impaired receivables from exchange transactions

##### 2023

	Total	Past due				
		30 days	60 days	90 days	120 days	120+ days
<b>Other receivables from exchange transactions</b>						
Other debtors	(13 272 259)	(1 066 619)	(435 134)	(406 112)	(417 903)	(10 946 491)

##### 2022

	Total	Past due				
		30 days	60 days	90 days	120 days	120+ days
<b>Other receivables from exchange transactions</b>						
Other debtors	(11 286 540)	(775 082)	(315 271)	(369 823)	(336 780)	(9 489 584)

# Setsoto Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand

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### 3. Receivables from exchange transactions (continued)

#### 3.2.4 Other receivables from exchange transactions past due not impaired

##### 2023

	Total	Past due				
		30 days	60 days	90 days	120 days	120+ days
<b>Other receivables from exchange transactions</b>						
Other debtors	16 434 424	1 320 745	538 806	502 870	517 469	13 554 534

##### 2022

	Total	Past due				
		30 days	60 days	90 days	120 days	120+ days
<b>Other receivables from exchange transactions</b>						
Other debtors	12 815 165	880 058	357 970	419 910	382 393	10 774 834

#### 3.2.5 Other receivables from exchange transactions pledged as security

No consumer receivables were pledged as security.

#### 3.2.6 Fair value of other receivables from exchange transactions

In determining the recoverability from exchange transactions, the municipality has placed strong emphasis on verifying the indigent status of consumers. Provision for impairment of receivables from exchange transactions has been made for all balances outstanding based on the payment ratio over a 12 month period per service type. No further credit provision is required in excess of the provision for impairment.

# Setso Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand		2023	2022
<b>4. Receivables from non-exchange transactions</b>			
<b>Consumer receivables</b>			
	4.1		
Property rates		58 604 252	54 107 747
Electricity		317 247	247 909
Waste water management		601 702	527 041
Water		1 068 868	917 913
		<b>60 592 069</b>	<b>55 800 610</b>
<b>Other receivables</b>			
	4.1		
Accrued income		2 100 000	2 100 000
Fines		406 350	276 087
		<b>2 506 350</b>	<b>2 376 087</b>
<b>Total receivables</b>		<b>63 098 419</b>	<b>58 176 697</b>

### 4.1 Receivables from non-exchange transactions

	2023			2022		
	Gross	Impairment	Total	Gross	Impairment	Total
<b>Consumer receivables</b>						
Property rates	85 371 183	(26 766 931)	58 604 252	79 217 466	(25 109 719)	54 107 747
Electricity	711 433	(394 186)	317 247	566 750	(318 841)	247 909
Waste water management	1 163 369	(561 667)	601 702	1 027 421	(500 380)	527 041
Water	2 086 305	(1 017 437)	1 068 868	1 843 409	(925 496)	917 913
	<b>89 332 290</b>	<b>(28 740 221)</b>	<b>60 592 069</b>	<b>82 655 046</b>	<b>(26 854 436)</b>	<b>55 800 610</b>
<b>Other receivables</b>						
Accrued income	2 100 000	-	2 100 000	2 100 000	-	2 100 000
Fines	1 855 501	(1 449 151)	406 350	1 358 709	(1 082 622)	276 087
	<b>3 955 501</b>	<b>(1 449 151)</b>	<b>2 506 350</b>	<b>3 458 709</b>	<b>(1 082 622)</b>	<b>2 376 087</b>
<b>Total</b>	<b>93 287 791</b>	<b>(30 189 372)</b>	<b>63 098 419</b>	<b>86 113 755</b>	<b>(27 937 058)</b>	<b>58 176 697</b>

#### 4.1.1 Impairment reconciliation of receivables from non-exchange transactions

	2023			2022		
	Opening balance	Impairment (raised) / reversed	Closing balance	Opening balance	Impairment (raised) / reversed	Closing balance
<b>Consumer receivables</b>						
Property rates	(25 109 719)	(1 657 212)	(26 766 931)	(27 061 514)	1 951 795	(25 109 719)
Electricity	(318 840)	(75 346)	(394 186)	(233 033)	(85 808)	(318 841)
Waste water management	(500 380)	(61 287)	(561 667)	(452 603)	(47 777)	(500 380)
Water	(925 496)	(91 941)	(1 017 437)	(819 062)	(106 434)	(925 496)
	<b>(26 854 435)</b>	<b>(1 885 786)</b>	<b>(28 740 221)</b>	<b>(28 566 212)</b>	<b>1 711 776</b>	<b>(26 854 436)</b>
<b>Other receivables</b>						
Fines	(1 082 622)	(366 529)	(1 449 151)	(704 168)	(378 454)	(1 082 622)
<b>Total</b>	<b>(27 937 057)</b>	<b>(2 252 315)</b>	<b>(30 189 372)</b>	<b>(29 270 380)</b>	<b>1 333 322</b>	<b>(27 937 058)</b>

# Setsoto Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand

### 4. Receivables from non-exchange transactions (continued)

#### 4.1.2 Ageing of receivables from non-exchange transactions

2023

	Past due					
	Total	30 days	60 days	90 days	120 days	120+ days
<b>Consumer receivables</b>						
Property rates	85 371 183	7 494 382	2 536 344	2 349 435	2 225 759	70 765 263
Electricity	711 433	64 747	28 149	27 383	27 306	563 848
Waste water management	1 163 369	83 559	35 982	35 072	34 586	974 170
Water	2 086 305	143 120	63 358	61 823	61 395	1 756 609
	<b>89 332 290</b>	<b>7 785 808</b>	<b>2 663 833</b>	<b>2 473 713</b>	<b>2 349 046</b>	<b>74 059 890</b>
<b>Other receivables</b>						
Accrued income	2 100 000	-	-	-	-	2 100 000
Fines	1 855 501	-	-	-	-	1 855 501
	<b>3 955 501</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3 955 501</b>
	<b>93 287 791</b>	<b>7 785 808</b>	<b>2 663 833</b>	<b>2 473 713</b>	<b>2 349 046</b>	<b>78 015 391</b>

# Setsoto Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

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### 4. Receivables from non-exchange transactions (continued)

2022

	Past due					
	Total	30 days	60 days	90 days	120 days	120+ days
<b>Consumer receivables</b>						
Property rates	79 217 466	6 997 998	2 366 265	2 189 182	2 033 119	65 630 902
Electricity	566 750	52 710	20 795	20 099	19 746	453 400
Waste water management	1 027 421	76 011	31 036	30 497	29 907	859 970
Water	1 843 409	128 796	55 472	56 169	56 770	1 546 202
	<b>82 655 046</b>	<b>7 255 515</b>	<b>2 473 568</b>	<b>2 295 947</b>	<b>2 139 542</b>	<b>68 490 474</b>
<b>Other receivables</b>						
Accrued income	2 100 000	-	-	-	-	2 100 000
Fines	1 358 709	-	-	-	-	1 358 709
	<b>3 458 709</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3 458 709</b>
	<b>86 113 755</b>	<b>7 255 515</b>	<b>2 473 568</b>	<b>2 295 947</b>	<b>2 139 542</b>	<b>71 949 183</b>



# Setsoto Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand

### 4. Receivables from non-exchange transactions (continued)

#### 4.1.3 Ageing of impaired receivables from non-exchange transactions

2023

	Past due					
	Total	30 days	60 days	90 days	120 days	120+ days
<b>Consumer receivables</b>						
Property rates	(26 766 931)	(2 349 759)	(795 235)	(736 632)	(697 855)	(22 187 450)
Electricity	(394 186)	(35 875)	(15 597)	(15 172)	(15 129)	(312 413)
Waste water management	(561 667)	(40 341)	(17 372)	(16 933)	(16 698)	(470 323)
Water	(1 017 437)	(69 796)	(30 898)	(30 149)	(29 941)	(856 653)
	<b>(28 740 221)</b>	<b>(2 495 771)</b>	<b>(859 102)</b>	<b>(798 886)</b>	<b>(759 623)</b>	<b>(23 826 839)</b>
<b>Other receivables</b>						
Fines	(1 449 151)	-	-	-	-	(1 449 151)
	<b>(30 189 372)</b>	<b>(2 495 771)</b>	<b>(859 102)</b>	<b>(798 886)</b>	<b>(759 623)</b>	<b>(25 275 990)</b>

2022

	Past due					
	Total	30 days	60 days	90 days	120 days	120+ days
<b>Consumer receivables</b>						
Property rates	(25 109 719)	(2 218 170)	(750 040)	(693 909)	(644 442)	(20 803 158)
Electricity	(318 841)	(29 653)	(11 699)	(11 308)	(11 109)	(255 072)
Waste water management	(500 380)	(37 020)	(15 115)	(14 853)	(14 565)	(418 827)
Water	(925 496)	(64 663)	(27 850)	(28 199)	(28 502)	(776 282)
	<b>(26 854 436)</b>	<b>(2 349 506)</b>	<b>(804 704)</b>	<b>(748 269)</b>	<b>(698 618)</b>	<b>(22 253 339)</b>
<b>Other receivables</b>						
Fines	(1 082 622)	-	-	-	-	(1 082 622)
	<b>(27 937 058)</b>	<b>(2 349 506)</b>	<b>(804 704)</b>	<b>(748 269)</b>	<b>(698 618)</b>	<b>(23 335 961)</b>

# Setsoto Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>4. Receivables from non-exchange transactions (continued)</b>		
<b>Statutory receivables</b>		
<b>Statutory receivables included in receivables from non-exchange transactions above:</b>		
Property rates	58 604 252	54 107 747
Availability charges - Electricity	317 247	247 909
Availability charges - Waste water management	601 702	527 041
Availability charges - Water	1 068 868	917 913
Traffic fines	406 350	276 087
	<b>60 998 419</b>	<b>56 076 697</b>
<b>Statutory receivables included on the face of the Statement of Financial Position:</b>		
VAT receivable	83 479 311	48 890 292

### Property rates

Property rates receivables are statutory receivables and arise from property taxes levied on property owners based on the valuation of properties per the valuation roll in accordance with the Municipal Property Rates Act, No 6 of 2004 and Setsoto Local Municipality's Property Rates Policy. A general valuation is performed every five years, with supplementary valuations in between.

The average credit period for property rates receivables is 30 days. No interest is charged for the first 30 days from the date of the invoice. Thereafter interest is charged at the prime rate +1% per annum on the outstanding balance. The municipality strictly enforces its approved credit control policy to ensure the recovery of property rates receivables.

The management of the municipality is of the opinion that the carrying value of property rates receivables approximate their fair values.

The impairment provision was calculated after individually assessing property rates receivables and by estimating the probability of future payment ratios, using a formula-based approach by considering the historical payment ratios and other characteristics found per groups of property rates debtors.

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

### Availability charges on water, electricity and waste water management

Availability charges on water, electricity and waste water management receivables are statutory receivables and arise from basic charges levied on vacant properties in accordance with the relevant bylaws of the Setsoto Local Municipality.

The average credit period for availability charges on water, electricity and waste water management is 30 days. No interest is charged for the first 30 days from the date of the invoice. Thereafter interest is charged at the prime rate +1% per annum on the outstanding balance. The municipality strictly enforces its approved credit policy to ensure the recovery of availability charges on water, electricity and waste water management receivables.

The management of the municipality is of the opinion that the carrying value of availability charges on water, electricity and waste water management receivables approximate their fair values.

The impairment provision was calculated after individually assessing availability charges on water, electricity and waste water management receivables and by estimating the probability of future payment ratios, using a formula-based approach by considering the historical payment ratios and other characteristics found per groups of availability charges on water, electricity and waste water management debtors.

# Setsoto Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

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### 4. Receivables from non-exchange transactions (continued)

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

#### VAT

VAT is statutory receivables as VAT is paid and received as required by the Value Added Tax Act No 89 of 1991 (VAT Act). VAT is applied to all relevant goods or services as stated in the VAT Act and the amount thereof is determined in terms of the VAT Act.

VAT is submitted and paid on a monthly basis thus no interest is charged on outstanding VAT amounts. VAT receivable from SARS is not impaired as the South African Revenue Services has sufficient funds to pay any outstanding amounts. Refer to note 6 for balances regarding VAT.

#### Traffic fines

Traffic fines receivables are statutory receivables and arise from traffic infringements committed and fines issued as a result, in terms of the Criminal Procedure Act, No 501 of 1977.

The Traffic fines must be issued within 30 days of offence, after which it is payable. No interest is charged.

The management of the municipality is of the opinion that the carrying value of Traffic fines receivables approximate their fair values.

The impairment provision was calculated after collectively assessing Traffic fines receivables and by calculating the historical payment ratios and assuming that future payment ratios would be similar to the historical payment ratios.

The provision for doubtful debts on traffic fines receivables exist predominantly due to the possibility that these debts will not be recovered were assessed individually for impairment.

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

#### **Other receivables**

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

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

The average credit period for other receivables is 30 days. No interest is charged for the first 30 days from the date of the invoice. Thereafter interest is charged at the prime rate +1% per annum on the outstanding balance. The municipality strictly enforces its approved credit control policy to ensure the recovery of other receivables.

The management of the municipality is of the opinion that the carrying value of other receivables approximate their fair values.

# Setsoto Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand 2023 2022

### 4. Receivables from non-exchange transactions (continued)

#### 4.1.4 Ageing of impaired receivables from non-exchange transactions past due not impaired

##### 2023

	Past due					
	Total	30 days	60 days	90 days	120 days	120+ days
<b>Consumer receivables</b>						
Property rates	58 604 252	5 144 627	1 741 109	1 612 802	1 527 904	48 577 810
Electricity	317 247	28 872	12 553	12 211	12 176	251 435
Waste water management	601 702	43 217	18 610	18 139	17 888	503 848
Water	1 068 868	73 325	32 460	31 673	31 454	899 956
	<b>60 592 069</b>	<b>5 290 041</b>	<b>1 804 732</b>	<b>1 674 825</b>	<b>1 589 422</b>	<b>50 233 049</b>
<b>Other receivables</b>						
Accrued income	2 100 000	-	-	-	-	2 100 000
Fines	406 350	-	-	-	-	406 350
	<b>2 506 350</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2 506 350</b>
	<b>63 098 419</b>	<b>5 290 041</b>	<b>1 804 732</b>	<b>1 674 825</b>	<b>1 589 422</b>	<b>52 739 399</b>

##### 2022

	Past due					
	Total	30 days	60 days	90 days	120 days	120+ days
<b>Consumer receivables</b>						
Property rates	54 107 747	4 779 828	1 616 225	1 495 273	1 388 678	44 827 743
Electricity	247 909	23 056	9 096	8 792	8 637	198 328
Waste water management	527 041	38 991	15 920	15 644	15 341	441 145
Water	917 913	64 133	27 622	27 969	28 268	769 921
	<b>55 800 610</b>	<b>4 906 008</b>	<b>1 668 863</b>	<b>1 547 678</b>	<b>1 440 924</b>	<b>46 237 137</b>
<b>Other receivables</b>						
Accrued income	2 100 000	-	-	-	-	2 100 000
Fines	276 087	-	-	-	-	276 087
	<b>2 376 087</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2 376 087</b>
	<b>58 176 697</b>	<b>4 906 008</b>	<b>1 668 863</b>	<b>1 547 678</b>	<b>1 440 924</b>	<b>48 613 224</b>

#### 4.1.5 Receivables from non-exchange transactions pledged as security

No receivables from non-exchange transactions were pledged as security.

#### 4.1.6 Fair value of receivables from non-exchange transactions

In determining the recoverability of receivables from non-exchange transactions, the municipality has placed strong emphasis on verifying the indigent status of consumers. Provision for impairment of receivables from non-exchange transactions has been made for all balances outstanding based on the payment ratio over a 12 month period per service type. No further credit provision is required in excess of the provision for impairment.

# Setsoto Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand		2023	2022
<b>5. Inventories</b>			
Consumables		3 558 123	2 500 645
Water	5.1	92 286	112 622
<b>Total Inventories</b>		<b>3 650 409</b>	<b>2 613 267</b>

R 3 650 409 (2022: R 2 613 267) of total inventory was carried at fair value less cost to sell.

### 5.1 Water

Opening balance		112 622	204 135
System input volume		(20 336)	(91 513)
<b>Closing balance</b>		<b>92 286</b>	<b>112 622</b>

### 5.2 Inventory pledged as security

No inventory was pledged as security during the current financial year.

## 6. VAT receivable

Output VAT		(132 710 115)	(110 333 181)
VAT Credit: Output Accrual		69 087 065	42 857 351
VAT receivable / (payable) (control)		7 698 154	2 440 853
VAT receivable		139 404 207	113 925 269
<b>Total</b>		<b>83 479 311</b>	<b>48 890 292</b>

The Municipality is registered on the payment basis, VAT is paid over to the South African Revenue Services (SARS) only once payment is received from debtors.

For statutory receivable information regarding VAT refer to note 4.

## 7. Other current assets

Deposits (Infrastructure project, Fuel and Eskom)		9 193 024	9 063 717
Control clearing accounts		329 202	333 928
Sundry debtors		189 000	189 000
<b>Total</b>		<b>9 711 226</b>	<b>9 586 645</b>

### Deposits consist of:

Infrastructure project		5 729 021	5 729 021
Fuel deposits		250 000	250 000
Eskom deposits		3 214 003	3 084 696
		<b>9 193 024</b>	<b>9 063 717</b>

# Setsoto Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand 2023 2022

### 8. Other financial assets

#### 8.1 Carrying value of investments

##### 2023

	Fair value	Amortised cost	Total
<b>Carrying value as at 30 June 2023</b>			
Guaranteed endowment policies (sinking)	-	766 730	766 730
Listed/unlisted bonds and stocks	2 504 626	-	2 504 626
Negotiable certificate of deposits: Banks	-	688 620	688 620
<b>Net investment</b>	<b>2 504 626</b>	<b>1 455 350</b>	<b>3 959 976</b>

##### 2022

	Fair value	Amortised cost	Total
<b>Carrying value as at 30 June 2022</b>			
Guaranteed endowment policies (sinking)	-	766 730	766 730
Listed/unlisted bonds and stocks	2 217 931	-	2 217 931
Negotiable certificate of deposits: Banks	-	688 621	688 621
<b>Net investment</b>	<b>2 217 931</b>	<b>1 455 351</b>	<b>3 673 282</b>

#### Fair value hierarchy of financial assets at fair value

For financial assets recognised at fair value, disclosure is required of a fair value hierarchy which reflects the significance of the inputs used to make the measurements. The fair value hierarchy has the following levels:

Level 1 - Represents those assets which are measured using unadjusted quoted prices in active markets for identical assets.

Level 2 - Applies inputs other than quoted prices that are observable for the assets either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 - Applies inputs which are not based on observable market data.

##### Level 1

Sanlam	840 882	761 911
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As at 30 June 2023, the Sanlam share value was: R58.35 (2022: R52.87).

##### Level 3

OVK	1 663 744	1 456 020
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#### Total listed/unlisted bonds and stocks

	<b>2 504 626</b>	<b>2 217 931</b>
--	------------------	------------------

As at 30 June 2023 the OVK share value was as follows:

OVK holdings: R18.00 (2022: R16.20)

OVK operations: R21.10 (2022: R18.00)

#### Financial assets at amortised cost

##### Class 1

Sanlam negotiable certificate of deposit	688 621	688 621
Sanlam endowment policies	766 730	766 730
	<b>1 455 351</b>	<b>1 455 351</b>

# Setsoto Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>9. Investment property</b>		
<b>9.1 Reconciliation of carrying value</b>		
Cost	113 353 963	113 353 963
Accumulated depreciation and impairment losses	(37 419 970)	(30 245 416)
	<b>75 933 993</b>	<b>83 108 547</b>
Depreciation	34 (6 806 482)	(7 066 730)
<b>Carrying value of disposals / transfers</b>		
Cost	(240 000)	-
Impairment loss / reversal of impairment loss	35 -	(107 824)
<b>Closing carrying value</b>	<b>68 887 511</b>	<b>75 933 993</b>
<b>Summary</b>		
Cost	113 113 963	113 353 963
Accumulated depreciation and impairment losses	(44 226 452)	(37 419 970)
	<b>68 887 511</b>	<b>75 933 993</b>

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

# Setsoto Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand

### 10. Property, plant and equipment

#### 10.1 Reconciliation of carrying value

2023

	Land	Infrastructure assets	Community assets	Leased assets	Transport assets	Other assets	Total
<b>Opening carrying value at 01 July 2022</b>							
Cost	52 200 480	4 808 691 337	414 541 624	30 133 886	25 113 621	18 335 496	5 349 016 444
Work-in-progress	-	248 256 287	-	-	-	-	248 256 287
Accumulated depreciation	-	(2 819 193 937)	(173 247 535)	(23 868 593)	(16 073 926)	(14 991 718)	(3 047 375 709)
Accumulated impairment losses	-	(49 949 709)	(24 512 510)	-	(276 874)	-	(74 739 093)
	<b>52 200 480</b>	<b>2 187 803 978</b>	<b>216 781 579</b>	<b>6 265 293</b>	<b>8 762 821</b>	<b>3 343 778</b>	<b>2 475 157 929</b>
Additions from acquisitions	-	167 167 727	-	-	4 334 912	1 401 865	172 904 504
Additions from transfer	-	-	-	-	-	68 738	68 738
Capitalised costs (including work-in-progress)	-	172 596 213	-	-	-	-	172 596 213
Transfers - Construction work-in-progress	-	(165 661 205)	-	-	-	-	(165 661 205)
Decommissioning and restoration	-	(6 853 769)	-	-	-	-	(6 853 769)
Depreciation	34	(156 165 760)	(20 006 040)	(974 579)	(1 120 506)	(1 148 406)	(179 415 291)
	-	<b>11 083 206</b>	<b>(20 006 040)</b>	<b>(974 579)</b>	<b>3 214 406</b>	<b>322 197</b>	<b>(6 360 810)</b>
<b>Carrying value of disposals</b>							
Cost - disposals	-	(6 990 260)	(5 960 927)	(1 355 610)	(345 970)	(664 836)	(15 317 603)
Accumulated depreciation - disposals	-	3 840 654	4 329 217	1 305 242	247 961	534 406	10 257 480
	-	<b>(3 149 606)</b>	<b>(1 631 710)</b>	<b>(50 368)</b>	<b>(98 009)</b>	<b>(130 430)</b>	<b>(5 060 123)</b>
Impairment loss / reversal of impairment loss	35	(17 607 858)	(4 055 147)	-	(270 420)	-	(21 933 425)
<b>Closing carrying value as at 30 June 2023</b>	<b>52 200 480</b>	<b>2 178 129 720</b>	<b>191 088 682</b>	<b>5 240 346</b>	<b>11 608 798</b>	<b>3 535 545</b>	<b>2 441 803 571</b>



# Setsoto Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand

### 10. Property, plant and equipment (continued)

#### Summary

Cost	52 200 480	4 962 015 035	408 580 697	28 778 276	29 102 563	19 141 263	5 499 818 314
Cost - construction work-in-progress	-	255 191 295	-	-	-	-	255 191 295
Accumulated depreciation	-	(2 971 519 043)	(188 924 358)	(23 537 930)	(16 946 471)	(15 605 718)	(3 216 533 520)
Accumulated impairment losses	-	(67 557 567)	(28 567 657)	-	(547 294)	-	(96 672 518)
	<b>52 200 480</b>	<b>2 178 129 720</b>	<b>191 088 682</b>	<b>5 240 346</b>	<b>11 608 798</b>	<b>3 535 545</b>	<b>2 441 803 571</b>

The remaining useful lives of all assets were adjusted during 2023, and was treated as a change in accounting estimate (refer to note 47). All changes in accounting estimates are applied prospectively, accordingly no prior year adjustments were made.

# Setsoto Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand

### 10. Property, plant and equipment (continued)

2022

	Land	Infrastructure assets	Community assets	Leased assets	Transport assets	Other assets	Total
<b>Opening carrying value at 01 July 2021</b>							
Cost	52 200 480	4 611 442 869	414 495 972	30 133 886	25 113 622	17 488 960	5 150 875 789
Construction work-in-progress	-	325 138 125	-	-	-	-	325 138 125
Accumulated depreciation	-	(2 598 933 776)	(150 360 635)	(22 281 475)	(14 617 324)	(13 751 489)	(2 799 944 699)
Accumulated impairment losses	-	(25 214 067)	(22 268 887)	-	-	-	(47 482 954)
	<b>52 200 480</b>	<b>2 312 433 151</b>	<b>241 866 450</b>	<b>7 852 411</b>	<b>10 496 298</b>	<b>3 737 471</b>	<b>2 628 586 261</b>
Additions from acquisitions	-	197 075 779	45 652	-	-	846 529	197 967 960
Capitalised costs (including work-in-progress)	-	120 027 543	-	-	-	-	120 027 543
Transfers - Construction work-in-progress	-	(196 909 381)	-	-	-	-	(196 909 381)
Decommissioning and restoration	-	172 690	-	-	-	-	172 690
Depreciation	34	(220 260 155)	(22 886 903)	(1 587 118)	(1 456 602)	(1 240 227)	(247 431 005)
		<b>(99 893 524)</b>	<b>(22 841 251)</b>	<b>(1 587 118)</b>	<b>(1 456 602)</b>	<b>(393 698)</b>	<b>(126 172 193)</b>
Impairment loss / reversal of impairment loss	35	(24 735 641)	(2 243 622)	-	(276 874)	-	(27 256 137)
<b>Closing carrying value as at 30 June 2022</b>	<b>52 200 480</b>	<b>2 187 803 986</b>	<b>216 781 577</b>	<b>6 265 293</b>	<b>8 762 822</b>	<b>3 343 773</b>	<b>2 475 157 931</b>

# Setsoto Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand

### 10. Property, plant and equipment (continued)

#### Summary

Cost	52 200 480	4 808 691 338	414 541 624	30 133 886	25 113 622	18 335 489	5 349 016 439
Cost - construction work-in-progress	-	248 256 287	-	-	-	-	248 256 287
Accumulated depreciation	-	(2 819 193 931)	(173 247 538)	(23 868 593)	(16 073 926)	(14 991 716)	(3 047 375 704)
Accumulated impairment losses	-	(49 949 708)	(24 512 509)	-	(276 874)	-	(74 739 091)
	<b>52 200 480</b>	<b>2 187 803 986</b>	<b>216 781 577</b>	<b>6 265 293</b>	<b>8 762 822</b>	<b>3 343 773</b>	<b>2 475 157 931</b>

The remaining useful lives of all assets were adjusted during 2023, and was treated as a change in accounting estimate (refer to note 47). All changes in accounting estimates are applied prospectively, accordingly no prior year adjustments were made.

A register containing all information required by section 63 of the MFMA is available for inspection at the registered office of the municipality.

#### 10.2 Change in estimate

##### Useful life of property, plant and equipment

A review of the useful lives and residual values of items of property, plant and equipment has been performed. The change in the estimated useful lives and residual values of various assets of the municipality has resulted in a decrease in depreciation of R 15 723 923 (2022 Decrease: R 134 492 398). Please refer to note 47.

# Setsoto Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>10. Property, plant and equipment (continued)</b>		
<b>10.3 Property, plant and equipment under construction</b>		
<b>Carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected</b>		
Ficksburg / Meqheleng Rehabilitation of 1.5km Surfaced Roads and Storm Water Drainage Due to poor performance, as well as failure to implement the scope and management of cashflow by the contractor, the municipality after engaging with the contractor concluded on the termination of the contract. The municipality will use the retention funds on the project to complete the scope. The project was reduced to 1.3km as opposed to the intended scope due to budget constraints and due to damages caused by inclement weather (excessive rains). Technically it was impossible to complete the original scope without addressing the issue of stormwater which was beyond the available budget and approved scope.	6 550 846	6 550 846
Upgrading of the Van Soelen Outfall sewer pipeline and related works in Meqheleng (Phase 2) The project is running behind schedule due to the dispute between the contractor and the consultant which necessitated the municipality to embark on a mediation process in terms of the GCC.	18 418 696	18 418 696
Installation of the prepaid electrical meters The project has been delayed due to inaccessible households and the shortage of electrical meters to be installed. The project was brought back on track during the 2021/2022 financial year and is almost completed.	60 727 435	60 727 435
Electrification of 205 erven (Skeleton park) and 60 erven (Tienie van Rooyen, Clocolan) Phase 2 of the project was implemented later, for the installation of the bulk supply before it could be energized. People occupying the erven before the completion of the project lead to the project being halted.	4 433 070	4 433 070 *
Construction of 400mm diameter pipeline from Cyferfontein to WTW (Senekal) The project suffered delays due to the late delivery of the materials as a result of the COVID backlog from the suppliers. This project was completed during the 2022/2023 financial year.	64 672 067	57 985 383 *
Upgrading of the 50mmD asbestos pipeline in Clocolan/Hlohlolwane This project was fully completed but defects were observed on chambers post completion and the contractor was not responsive timeously as the company got liquidated.	-	38 280 549
Repair of Dam Wall Laaispruit, Marquard (Turnkey) The contractor's performance was not satisfactory and therefore was terminated. While in the process of appointing a new contractor, a storm damaged the wall further which then required new designs and specifications.	13 000 000	13 000 000 #
	<b>167 802 114</b>	<b>199 395 979</b>

\* Prior year disclosure note amount corrected.

# The project was not disclosed in the 2021/2022 financial year.

# Setsoto Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

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Figures in Rand	2023	2022
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### 10. Property, plant and equipment (continued)

#### 10.4 Property, plant and equipment pledged as security

##### 2023

	Transport assets	Total
Carrying value of property, plant and equipment as security	5 240 346	5 240 346

##### 2022

	Transport assets	Total
Carrying value of property, plant and equipment as security	6 265 293	6 265 293

#### 10.5 Maintenance of property, plant and equipment

##### 2023

The following maintenance costs were incurred:

	Community assets	Other assets	Total
Maintenance	547 553	4 511 633	5 059 186

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##### 2022

The following maintenance costs were incurred:

	Community assets	Other assets	Total
Maintenance	777 776	4 826 759	5 604 535

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# Setsoto Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

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Figures in Rand 2023 2022

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### 11. Heritage assets

#### 11.1 Reconciliation of carrying value

##### 2023

	Historical buildings	Municipal jewellery	Total
<b>Opening carrying value as at 01 July 2022</b>			
Cost	11 021 309	879 150	11 900 459

##### Summary

Cost	11 021 309	879 150	11 900 459
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##### 2022

	Historical buildings	Municipal jewellery	Total
<b>Opening carrying value as at 01 July 2021</b>			
Cost	11 021 309	879 150	11 900 459

##### Summary

Cost	11 021 309	879 150	11 900 459
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# Setsoto Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>12. Intangible assets</b>		
<b>12.1 Reconciliation of carrying value</b>		
<b>2023</b>		
	Computer software	Total
<b>Opening carrying value as at 01 July 2022</b>		
Cost	4 247 016	4 247 016
Accumulated depreciation and impairment	(4 073 887)	(4 073 887)
	<b>173 129</b>	<b>173 129</b>
Additions from acquisitions	186 305	186 305
Amortisation	34 (225 984)	(225 984)
	<b>(39 679)</b>	<b>(39 679)</b>
<b>Closing carrying value as at 30 June 2023</b>	<b>133 450</b>	<b>133 450</b>
<b>Summary</b>		
Cost	4 433 321	4 433 321
Accumulated amortisation and impairment	(4 299 871)	(4 299 871)
	<b>133 450</b>	<b>133 450</b>
<b>2022</b>		
	Computer software	Total
<b>Opening carrying value as at 01 July 2021</b>		
Cost	4 247 016	4 247 016
Accumulated depreciation and impairment	(3 701 763)	(3 701 763)
	<b>545 253</b>	<b>545 253</b>
Amortisation	34 (372 124)	(372 124)
<b>Closing carrying value as at 30 June 2022</b>	<b>173 129</b>	<b>173 129</b>
<b>Summary</b>		
Cost	4 247 016	4 247 016
Accumulated amortisation and impairment	(4 073 887)	(4 073 887)
	<b>173 129</b>	<b>173 129</b>

# Setsoto Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>13. Financial liabilities</b>		
<b>Total financial liabilities</b>		
Annuity loans	1 265 103	1 999 335
<b>Less: Current portion transferred to current liabilities</b>		
Annuity loans	(398 412)	(734 232)
<b>Non-current financial liabilities</b>	<b>866 691</b>	<b>1 265 103</b>

### 13.1 Summary of arrangements

Refer to Appendix 'A' for more detail on financial liabilities.

### 14. Finance leases

#### 14.1 Carrying value of lease liabilities

2023

2022

	Amortised cost	Total
<b>Carrying value as at 30 June 2022</b>		
Finance lease liability	1 627 032	1 627 032
Transferred to current liabilities	(1 627 032)	(1 627 032)
<b>Total non-current liabilities</b>	<b>-</b>	<b>-</b>

Refer to Appendix 'A' for more detail on finance leases.

It is the municipality's policy to lease certain vehicles, computers, equipment and photo copy machines under finance leases.

The average lease term was 3-5 years and the average effective borrowing rate was 11% (2022: 11%).

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

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer to note 10.

#### 14.2 Finance lease payable

##### The municipality as lessee

The obligations under finance leases are as follow:

<b>Total future minimum lease payments</b>		
Within 1 year	-	1 661 710
Less: Unearned finance revenue	-	(34 678)
	<b>-</b>	<b>1 627 032</b>
<b>Present value of minimum lease payments</b>		
Within 1 year	-	1 627 032



# Setsoto Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>15. Consumer deposits</b>		
Electricity	2 758 896	2 780 186
Rental properties	266 232	275 467
Water	160 970	149 671
<b>Total</b>	<b>3 186 098</b>	<b>3 205 324</b>

Deposits are released on termination of the contract or when the contractual services are delivered.

# Setso Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022	
<b>16. Payables from exchange transactions</b>			
Bulk purchases	16.1	17 982 156	28 750 846
Contractors	16.2	13 218 804	17 408 966
Control and clearing accounts	16.3	10 456 226	10 545 898
Employee benefits	16.4	25 370 603	25 165 629
Other payables	16.5	31 149 177	36 696 818
Statutory payables	16.6	3 581 692	3 740 345
<b>Total</b>		<b>101 758 658</b>	<b>122 308 502</b>
Current		101 758 658	122 308 502
<b>16.1 Bulk purchases</b>			
Bulk electricity		17 982 156	28 750 846
<b>16.2 Contractors</b>			
Retentions		13 218 804	17 408 966
<b>16.3 Control and clearing accounts</b>			
Medical aid control		2 462 162	2 316 807
Pension control		2 829 699	2 706 625
Prepaid electricity		2 452 020	2 511 147
Salary Control		2 498 649	2 799 586
UIF control		213 696	211 733
<b>Total</b>		<b>10 456 226</b>	<b>10 545 898</b>
<b>16.4 Employee benefits</b>			
Bonus - 13th Cheque		4 930 890	4 761 075
Leave accrual		20 439 713	20 404 554
<b>Total</b>		<b>25 370 603</b>	<b>25 165 629</b>
<b>16.5 Other payables</b>			
Auditor-General of South Africa		1 977	3 472 760
Payables and accruals		17 493 827	19 218 942
Unallocated deposits		3 630 527	3 488 685
Payments received in advance - consumer deposits		10 022 846	10 516 431
<b>Total</b>		<b>31 149 177</b>	<b>36 696 818</b>
<b>16.6 Statutory payables</b>			
Compensation commission (COID)		1 487 109	1 502 700
PAYE deductions		2 094 583	2 237 645
<b>Total</b>		<b>3 581 692</b>	<b>3 740 345</b>

# Setsoto Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>17. Unspent grants</b>		
<b>Unspent conditional grants and receipts consist of:</b>		
<b>Unspent conditional grants and receipts</b>		
Municipal Infrastructure Grant	-	14 602 878
Regional Bulk Infrastructure Grant	19 573 673	46 178 454
Water Services Infrastructure Grant	6 949 047	-
Provincial Government - Free State	8 979 260	8 979 260
Regional Bulk Infrastructure Grant - COVID	13 500 560	13 500 560
	<b>49 002 540</b>	<b>83 261 152</b>
<b>Movement during the year</b>		
Balance at the beginning of the year	83 261 152	55 259 611
Additions during the year	413 801 021	385 890 678
Income recognition during the year	(448 059 633)	(357 889 137)
	<b>49 002 540</b>	<b>83 261 152</b>

Refer to note 29 for reconciliation of grants from National/Provincial Government.

These amounts are invested in a ring-fenced investment until utilised.

# Setso Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand		2023	2022
<b>18. Provisions and other employee liabilities</b>			
Landfill sites	18.1	28 324 806	32 529 536
Long-service awards	18.2	13 612 558	14 161 144
<b>Closing balance</b>		<b>41 937 364</b>	<b>46 690 680</b>
Transferred to current provisions and other employee liabilities		(1 793 988)	(2 398 801)
<b>Total non-current provisions and other employee liabilities</b>		<b>40 143 376</b>	<b>44 291 879</b>
Non-current		40 143 376	44 291 879
Current		1 793 988	2 398 801
<b>Total</b>		<b>41 937 364</b>	<b>46 690 680</b>

### 18.1 Landfill sites

Opening Balance		32 529 536	29 785 894
Increases (Passage of Time/Discounted Rate)		2 649 039	2 570 952
Change in provision		(6 853 769)	172 690
<b>Closing balance</b>		<b>28 324 806</b>	<b>32 529 536</b>

In terms of the Mineral and Petroleum Resources Development Act, 2002 (No 28 of 2002), it is required from the municipality to execute the environmental management program to restore the landfill sites at Ficksburg, Clocolan, Marquard and Senekal.

Provision has been made for this cost based on actual cost calculations received from Consulting Engineers. The value of the provision is based on the expected future cost to rehabilitate the various sites. The cost of such property includes the initial estimate of the costs of rehabilitating the land and restoring the site on which it is located, the obligation for which a municipality incurs as a consequence of having used the property during a particular period for landfill purposes. The Municipality estimates the useful lives and makes assumptions as to the useful lives of these assets, which influence the provision for future costs.

The following assumptions were used to calculate the provision:

- Discount rate 10.32% (2022: 9.39%)
- Inflation rate 5.4% (2022: 7.4%)

Each of the landfill site has different adjusted remaining lifespans (RUL) as follows:

- Ficksburg - 9 years (2022: 11 years)
- Senekal - 9 years (2022: 10 years)
- Marquard - 1 year (2022: 2 years)
- Clocolan - 1 year (2021: 3 years)

The total landfill site area per site is as follows:

- Ficksburg - 60 000 m<sup>2</sup>
- Senekal - 60 000 m<sup>2</sup>
- Clocolan - 143 000 m<sup>2</sup>
- Marquard - 68 000 m<sup>2</sup>

Location	Proposed rehabilitation date	Post closure monitoring date		
Ficksburg	2032/2033	2062/2063	2 396 519	3 230 018
Senekal	2031/2032	2062/2063	2 328 010	3 198 771
Clocolan	2023/2024	2054/2055	15 619 704	16 998 063
Marquard	2023/2024	2054/2055	7 980 573	9 102 684
			<b>28 324 806</b>	<b>32 529 536</b>

# Setsoto Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>18. Provisions and other employee liabilities (continued)</b>		
<b>18.2 Long-service awards</b>		
Opening Balance	14 161 144	13 418 000
Increases	1 280 208	1 357 000
Increases (Passage of Time/Discounted Rate)	1 435 541	1 119 000
Benefits paid and actuarial gains/losses	(3 264 335)	(1 732 856)
<b>Closing balance</b>	<b>13 612 558</b>	<b>14 161 144</b>
Transferred to current provisions	(1 793 988)	(2 398 801)
<b>Total non-current provision</b>	<b>11 818 570</b>	<b>11 762 343</b>
<b>Net benefit expense</b>		
Current service cost	1 280 208	1 357 000
Interest	1 435 541	1 119 000
Benefits paid	(1 467 021)	(1 125 924)
Actuarial (gain) / loss	(1 797 314)	(606 932)
	<b>(548 586)</b>	<b>743 144</b>

An actuarial valuation of the liability in respect of the long service awards was performed by an independent company. The primary purpose of this valuation is to enable the municipality to comply with the requirements of GRAP 25. The liability amounts are calculated in accordance with GRAP 25 and can therefore be used in the compilation of the Annual Financial Statements of the Municipality.

A long-service award is granted to municipal employees after the completion of fixed periods of continuous service with the Municipality. The provision represents an estimation of the awards to which employees in the service of the Municipality may become entitled to in the future.

# Setsoto Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

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Figures in Rand	2023	2022
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### 18. Provisions and other employee liabilities (continued)

#### Membership data

Number of current employees	621	627
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In estimating the unfunded liability for Long Service Award of the Municipality a number of actuarial assumptions are required. The GRAP 25 Statement places the responsibility on management to set these assumptions, as guided by the principles set out in the Statement and in discussion with the actuary

It is difficult to predict future investment returns and earnings inflation rates. The relationship between them is more stable and therefore easier to predict. GRAP 25 requires that financial assumptions be based on market expectations at the Valuation Date for the period over which the liability obligations are to be settled.

It should be noted that the valuation method and assumptions do not affect the ultimate cost of the Long Service Awards arrangement - this is determined by actual experience and by the benefits provided. The method and assumptions influence how the past service liability and Current-Service costs are recognised over time.

The key financial and demographic assumptions are summarised below.

Financial variables:

The two most important financial variables used in our valuation are the discount rate and salary inflation. We have assumed the following values for these variables:

	Current valuation	Preceding valuation
Discount rate	10.47 %	11.08 %
CPI (Consumer price inflation)	5.26 %	6.79 %
Normal salary increase rate	6.26 %	7.79 %
Net effective discount rate	3.96 %	3.05 %

Discount Rate:

GRAP 25 stipulates that the choice of this rate should be derived from government bond yields consistent with the estimated term of the employee benefit liabilities. However, where there is no deep market in government bonds with a sufficiently long maturity to match the estimated term of all the benefit payments, current market rates of the appropriate term should be used to discount shorter term payments, and the discount rate for longer maturities should be estimated by extrapolating current market rates along the yield curve.

The method of setting financial assumptions has been updated to be more duration specific. At the previous valuation report, 30 June 2022 the duration of liabilities was 5.54 years. At this duration the discount rate determined by using the Bond Exchange Zero Coupon Yield Curve as at 30 June 2023 is 10.47% per annum, and the yield on inflation-linked bonds of a similar term was about 4.47% per annum. This implies an underlying expectation of inflation of 5.26% per annum  $([1 + 10.47\% - 0.5\%] / [1 + 4.47\%] - 1)$ .

Earnings Inflation Rate:

This assumption is required to reflect the estimated growth in earnings of the eligible employees until retirement. It is important in that the Long Service Awards are based on an employee's earnings at the date of the award.

General Earnings Inflation:

It was assumed that salary inflation would exceed general inflation by 1.00% per annum, i.e. 6.26% per annum.

However, it is the relative levels of the discount rate and salary inflation to one another that is important, rather than the nominal values. A net discount factor of 3.96% per annum  $([1 + 10.47\%] / [1 + 6.26\%] - 1)$  was assumed.

Demographic Assumptions:

Demographic assumptions are required about the future characteristics of current employees who are eligible for Long Service Awards.

# Setsoto Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

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### 18. Provisions and other employee liabilities (continued)

Average Retirement Age:

The normal retirement age of employees is 65. It has been assumed that employees will retire at age 62 on average, which then implicitly allows for expected rates of all ill-health and early retirement. Employees who have passed the assumed retirement age, have been assumed to retire at their next birthday.

Pre-retirement Mortality:

SA85-90.

Withdrawal from Service:

If an employee leaves, the employer's liability in respect of that employee ceases. It is therefore important not to overstate withdrawal rates. A sample of the assumed rates is set out below:

Age Band	Withdrawal rate females	Withdrawal rate males
20	9 %	9 %
25	8 %	8 %
30	6 %	6 %
35	5 %	5 %
40	5 %	5 %
45	4 %	4 %
50	3 %	3 %
55+	0 %	0 %

Plan Assets:

Management has indicated that there are currently no long-term assets set aside off-balance sheet in respect of the LSA liability.

# Setsoto Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand 2023 2022

### 18. Provisions and other employee liabilities (continued)

Sensitivity analysis

Salary increase rate:

The valuation bases assume that the salary inflation rate will be 3.96% less than the corresponding discount rate, in the long term. The effect of a one percent increase and decrease in the salary inflation rates is as follows:

	1% Decrease R's	30 June 2023 Valuation basis R's	1% Increase R's
Employer's accrued liability	12 876 662	13 612 558	14 402 685
Employer's current service cost	1 117 530	1 188 322	1 263 434
Employer's interest cost	1 254 271	1 331 320	1 414 046

Mortality decrement:

The table that follows show the impact of a change in the mortality assumption from SA85-90 to SA85-90 with a two-year adjustment:

	30 June 2023 Valuation basis SA85-90 R's	SA 85-90-2 R's
Employer's accrued liability	13 612 558	13 659 635
Employer's current service cost	1 188 322	1 191 466
Employer's expense cost	1 331 320	1 336 249

Defined benefit plan

The municipality provides retirement benefits for its employees and councillors. Benefits are provided via defined contribution plans and defined benefit plans as listed below and which are administrated by various pension, provident and annuity funds.

These plans are subject to the Pension Fund Act, 1956 (Act No. 24 of 1956) and include defined contribution plans.

The municipality is under no obligation to cover any unfunded benefits. The only obligation of the municipality is to make the specified contributions.

Sufficient information was not available to use defined benefit accounting for the funds and it was accounted for as defined contribution plans due to the following reasons:

- The assets of each fund are held in one portfolio and are not notionally allocated to each of the participating employers;
- One set of financial statements are compiled for all the funds and not for each participating employer; and
- The same rate of contribution applies to all participating employers and no regard is paid to differences in the membership distribution of the participating employers.

This is in line with the exemption in GRAP 25 paragraph 31 which states that where information required for proper defined benefit accounting is not available in respect of multi-employer and state plans, these should be accounted for as defined contribution plans.

The following are defined benefit plans:

- Free State Municipal Pension Fund
- South African Local Authorities Pension Fund

Defined contribution plan:

The following are defined contribution plans:

- Free State Municipal Provident Fund
- South African Local Authorities Provident Fund
- National Fund for Municipal Workers



# Setsoto Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

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### 18. Provisions and other employee liabilities (continued)

These are not treated as a defined benefit plan as defined by GRAP 25, but as a defined contribution plan. These funds are multi-employer plans and actuarial valuations done by actuaries could not be provided due to lack of information. According to the actuaries, it is not possible to report each municipality separately, thus it has been classified as a contribution plan.

Some employees belong to the SALA Pension Fund. The latest actuarial valuation of the funds was on 1 July 2010. These valuations indicate that the funds are in sound financial position. The estimated liabilities of the fund are R 7 418 million (2009: R 6 568 million) which is adequately financed by assets of R 7 110 million (2009: R 6 304 million). The actuarial valuations states that the fund is currently 96% funded by employer contributions. If the current employer contribution rate is maintained the fund is expected to be close to 100% funded at the next statutory valuation.

A few employees belong to the Free State Municipal Pension Fund. The latest actuarial valuations of the fund were on 30 June 2015. These valuations indicate that the fund is in a sound financial position. The estimated liabilities of the fund are R1 308 million which is adequately financed by assets of R 1 531 million. The actuarial valuation determined that the retirement plan was in a sound financial position.

# Setsoto Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand		2023	2022
<b>19. Post-retirement health care benefit liability</b>			
Post-retirement medical aid	19.1	57 041 403	59 496 196
Current liabilities		1 945 626	1 864 445
Non-current liabilities		55 095 777	57 631 751
<b>Total</b>		<b>57 041 403</b>	<b>59 496 196</b>
<b>19.1 Post-retirement medical aid</b>			
The municipality makes provision for post-retirement benefits to eligible councillors and employees.			
<b>Post-employment medical benefits liability</b>			
Present value of defined benefit obligation	19.1.1	57 041 403	59 496 196
<b>19.1.1 Reconciliation of present value of the post-retirement medical benefit obligation</b>			
		Post-employment medical benefits	Total
Defined benefit obligation at 01 July 2021		53 515 000	53 515 000
Interest cost		5 426 000	5 426 000
Current service cost		2 610 000	2 610 000
Actuarial (Gains) / Losses recognised		(549 965)	(549 965)
Benefits paid		(1 504 839)	(1 504 839)
<b>Defined benefit obligation at 30 June 2022</b>		<b>59 496 196</b>	<b>59 496 196</b>
Interest cost		7 666 024	7 666 024
Current service cost		2 726 696	2 726 696
Actuarial (Gains) / Losses recognised		(11 235 379)	(11 235 379)
Benefits paid		(1 612 134)	(1 612 134)
<b>Defined benefit obligation at 30 June 2023</b>		<b>57 041 403</b>	<b>57 041 403</b>

# Setsoto Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>19. Post-retirement health care benefit liability (continued)</b>		
<b>19.1.2 Net benefit expense - statement of financial performance</b>		
	Post-employment medical benefits	Total
<b>For the year ended 30 June 2022</b>		
Current service cost	2 610 000	2 610 000
Benefits paid	(1 504 839)	(1 504 839)
Interest cost on benefit obligation	5 426 000	5 426 000
Actuarial gains / losses recognised	(549 965)	(549 965)
<b>Total expense recognised in the statement of financial performance</b>	<b>5 981 196</b>	<b>5 981 196</b>
<b>For the year ended 30 June 2023</b>		
Current service cost	2 726 696	2 726 696
Benefits paid	(1 612 134)	(1 612 134)
Interest cost on benefit obligation	7 666 024	7 666 024
Actuarial gains / losses recognised	(11 235 379)	(11 235 379)
<b>Total expense recognised in the statement of financial performance</b>	<b>(2 454 793)</b>	<b>(2 454 793)</b>

The post-retirement medical plan is a defined benefit plan, of which the members are made up as follows:

### Total members

In service (employee) members	526	533
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In accordance with the requirements of GRAP 25, the Projected Unit Credit method has been applied. The assumption underlying the funding method is that the employer's post-employment medical scheme costs in respect of an employee should be fully recognised by the time that the employee reaches fully accrued age. The valuation has been made with reference to Actuarial Society of South Africa (ASSA) guidelines, in particular, the Advisory Practice Note 207, and is consistent with the requirements of GRAP 25.

# Setsoto Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand

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### 19. Post-retirement health care benefit liability (continued)

#### 19.1.3 Key actuarial assumptions

The principal actuarial assumptions used in determining the present value of the defined benefit obligation for the pension and post-employment medical benefits include:

Discount rate	12.72 %	13.09 %
Consumer price inflation rate	6.78 %	8.10 %
Healthcare cost inflation rate	8.28 %	9.60 %
Net discount rate	4.10 %	3.18 %

It is difficult to predict future investment returns and health care cost inflation rates. The relationship between them is more stable and therefore easier to predict. GRAP 25 requires that financial assumptions be based on market expectations at the valuation date for the period over which the liability obligations are to be settled.

Discount rate:

GRAP 25 defines the determination of the investment return assumption to be used as the rate that can be determined by reference to market yields (at the statement of financial position date) on government bonds. The currency and term of the government bonds should be consistent with the currency and estimated term of the obligation

The method of setting financial assumptions has been updated to be more duration specific. At the previous valuation report, 30 June 2022 the duration of liabilities was 12.54 years. At this duration the discount rate determined by using the Bond Exchange Zero Coupon Yield Curve as at 30 June 2023 is 12.72% per annum, and the yield on inflation-linked bonds of a similar term was about 5.09% per annum. This implies an underlying expectation of inflation of 6.78% per annum ( $[1 + 12.72\% - 0.5\%] / [1 + 5.09\%] - 1$ ).

Eligible employees and continuation pensioners:

The table below illustrates the average total monthly medical contribution subsidies payable to continuation pensioners and active employees. The employees' contributions are those payable to the employees and their spouses in retirement, at the current rates:

	Average age 30 June 2023	Average employer monthly contribution 30 June 2023
Active employees on medical aid	45.93	3 335
Active employees not on medical aid	46.58	2 240
Continuation pensioners	72.50	3 851

Health care cost inflation rate:

A health care cost inflation rate of 8.28% (2022: 9.60%) has been assumed. This is 1.50% in excess of expected CPI inflation over the expected term of the liability.

However, it is relative levels of the discount rate and healthcare inflation to one another that is important, rather than the nominal values. We have thus assumed a net discount factor of 4.10% per annum ( $[1 + 12.72\%] / [1 + 8.28\%] - 1$ ). This year's valuation basis is, therefore, stronger than the previous year's basis from a discount rate perspective.

# Setsoto Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

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### 19. Post-retirement health care benefit liability (continued)

Demographic assumptions:

A) Mortality during employment

SA 85-90, normal

B) Post-employment mortality

PA(90) table, adjusted down by one year of age, and a 1% annual compound mortality improvement from 2010.

Withdrawal from service:

If a non-service member leaves, the employer's liability in respect of that employee ceases. It is therefore important not to overstate withdrawal rates. A sample of assumed rates is set out below:

Age	Withdrawal rate females	Withdrawal rate males
20	9 %	9 %
25	8 %	8 %
30	6 %	6 %
35	5 %	5 %
40	5 %	5 %
45	4 %	4 %
50	3 %	3 %
55+	0 %	0 %

Average retirement age:

The normal retirement age of employees is 65. It has been assumed that in-service members will retire at age 62 on average, which then implicitly allows for expected rates of ill-health and early retirement. In-service members who have passed the assumed retirement age, have been assumed to retire at their next birthday.

Continuation of membership:

It has been assumed that 75% of in-service members will remain on the municipality's health care arrangement should they stay until retirement.

Family profile:

It has been assumed that female spouses will be five years younger than their male counterparts. Furthermore, we've assumed that 60% of eligible in-service members on a health care arrangement at retirement will have a spouse dependent on their medical aid. For current retiree members, actual medical aid dependents were used and the potential for remarriage was ignored.

Plan assets:

Management has indicated that there are no long-term assets set aside off-balance sheet in respect of the municipality's post-employment health care liability.

# Setsoto Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand 2023 2022

### 19. Post-retirement health care benefit liability (continued)

#### 19.1.4 Sensitivity analysis

A one percentage point change in the assumed rate of increase in healthcare inflation would have the following effects:

	Increase	Decrease
<b>2022</b>		
Effect on current service cost	2 971 000	2 196 000
Effect on current interest cost	5 984 000	4 802 000
Effect on the defined benefit obligation	67 503 136	52 292 855
<b>2023</b>		
Effect on current service cost	5 193 757	4 103 009
Effect on current interest cost	7 853 147	6 294 823
Effect on the defined benefit obligation	64 594 894	50 865 611

The effect of a one percent increase and decrease (year following) in the discount rate is as follows:

	1% Decrease R's	30 June 2023 Valuation basis R's	1% Increase R's
Employer's accrued liability	64 661 340	57 041 403	50 751 740
Employer's service cost	5 020 172	2 508 547	4 239 899
Employer's interest cost	7 338 946	7 131 925	6 689 092

The table below shows the impact (year following) of a change in the mortality assumption from PA(90) to PA(90) with a one-year adjustment:

	30 June 2023 Valuation basis R's	PA (90) - 1 year R's
Employer's accrued liability	57 041 403	58 042 758
Employer's service cost	2 508 547	2 537 179
Employer's interest cost	7 131 925	7 053 024

# Setsoto Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>20. Property rates</b>		
State	16 677 805	16 621 805
Privately owned properties	40 113 202	39 546 639
<b>Total</b>	<b>56 791 007</b>	<b>56 168 444</b>

### Valuation as at 30 June 2023

Residential	2 327 068 100	2 316 567 100
Commercial	620 505 000	620 479 000
State	491 036 200	489 636 200
Municipal	876 097 700	888 634 700
Small holdings and farms	3 972 327 300	3 972 327 300
Churches	66 898 000	66 288 000
<b>Total property valuations</b>	<b>8 353 932 300</b>	<b>8 353 932 300</b>

Valuations on land and buildings are performed every 5 years. The last general valuation came into effect on 1 July 2018. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

A general rate of R0.02 (2022: R0.02) is applied to property valuations to determine assessment rates of residential properties. A general rate of R0.04 (2022: R0.04) is applied to property valuations to determine assessment rates of business properties.

Rebates of 41% (2022: 44%) are granted to the residential and state property owners and on farm properties 52% (2022: 55.5%).

Rates are levied on an annual basis with equal payments over twelve months. Interest at prime plus 1% per annum is levied on outstanding rates.

Property rates	68 402 359	64 828 153
Less: Income forgone	(11 611 352)	(8 659 709)
	<b>56 791 007</b>	<b>56 168 444</b>

### 21. Service charges

#### Electricity

Consumption - Electricity	90 043 564	91 140 931
Less: Income forgone	(18)	(219)
<b>Total</b>	<b>90 043 546</b>	<b>91 140 712</b>

#### Waste management

Consumption - Waste management	51 787 594	48 382 632
Less: Income forgone	(11 364 011)	(5 323 177)
<b>Total</b>	<b>40 423 583</b>	<b>43 059 455</b>

#### Waste water management

Consumption - Waste water management	39 627 751	37 169 039
Less: Income forgone	(8 253 278)	(3 879 439)
<b>Total</b>	<b>31 374 473</b>	<b>33 289 600</b>

#### Water

Consumption - Water	75 110 761	65 196 889
Less: Income forgone	(10 903 419)	(4 707 571)
<b>Total</b>	<b>64 207 342</b>	<b>60 489 318</b>

<b>Total service charges</b>	<b>226 048 944</b>	<b>227 979 085</b>
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# Setsoto Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>22. Sales of goods and rendering of services</b>		
Building Plan Approval	428 912	181 929
Camping Fees	10 190	3 687
Cemetery and Burial	905 510	1 113 096
Clearance Certificates	148 143	143 350
Escort Fees	77 548	111 161
Photo copies, Faxes and Telephone charges	695	985
Sale of Goods	961 421	415 718
Town Planning and Servitudes	9 039	15 067
<b>Total</b>	<b>2 541 458</b>	<b>1 984 993</b>
<b>23. Rental</b>		
Rental of facilities and equipment	89 650	119 327
Premises	1 878 905	1 905 374
<b>Total</b>	<b>1 968 555</b>	<b>2 024 701</b>
<b>24. Interests on investments</b>		
Interest earned on cash and bank	515 179	261 294
Interest on eskom deposit	129 306	158 490
Interest earned on short-term investments	8 952 286	4 411 500
<b>Total</b>	<b>9 596 771</b>	<b>4 831 284</b>
<b>25. Interest earned from receivables</b>		
Exchange receivables	25.1 43 165 631	30 166 577
Non-exchange receivables	25.2 5 865 942	4 132 568
<b>Total</b>	<b>49 031 573</b>	<b>34 299 145</b>
<b>25.1 Interest earned from exchange receivables</b>		
<b>Consumer receivables</b>		
Service charges	43 165 631	30 166 577
<b>25.2 Interest earned from non-exchange receivables</b>		
<b>Consumer receivables</b>		
Property rates and availability charges	5 865 942	4 132 568
<b>26. Dividends</b>		
External investment	76 713	55 404



# Setsoto Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand		2023	2022
<b>27. Fines, penalties and forfeits</b>			
Fines	27.1	644 450	890 770
<b>27.1 Fines</b>			
<b>Traffic fines</b>			
Court fines		640 750	860 770
<b>Other fines</b>			
Pound fees		3 700	30 000
<b>Total</b>		<b>644 450</b>	<b>890 770</b>
<b>28. Licences or permits</b>			
Non-exchange revenue	28.1	27 256	51 201
<b>28.1 Licenses and permits - Non-exchange revenue</b>			
Trading		27 256	51 201

# Setso Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>29. Transfers and subsidies - Revenue</b>		
<b>Operational</b>		
Monetary allocations	239 155 998	217 481 860
<b>Capital</b>		
Allocations in-kind : Donated assets	68 738	-
Monetary allocations	208 903 745	141 107 276
<b>Total transfers and subsidies: Capital</b>	<b>208 972 483</b>	<b>141 107 276</b>
<b>Total</b>	<b>448 128 481</b>	<b>358 589 136</b>
<b>Monetary allocations: Operational</b>		
Equitable Share	234 466 001	213 017 999
Expanded Public Works Programme Integrated Grant	2 188 000	1 989 000
Local Government Financial Management Grant	2 200 000	2 100 000
Local Government, Water and Related Service SETA	301 997	374 861
	<b>239 155 998</b>	<b>217 481 860</b>
<b>Monetary allocations: Capital</b>		
Municipal Infrastructure Grant	62 602 878	35 189 122
Water Services Infrastructure Grant (WSIG & WSIG 6B)	15 838 086	40 095 817
INEP Grant	-	2 000 000
Regional Bulk Infrastructure Grant	130 462 781	63 822 337
	<b>208 903 745</b>	<b>141 107 276</b>
<b>Equitable share</b>		
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.		
All registered indigents received a monthly subsidy of R552 (2022: R506), which is funded from the grant.		
An amount of R51 842 000 was withheld from the equitable share.		
An amount of R700 000 (2022) was recognised under equitable share for the municipal manager's salary debtor receivable from COGTA.		
<b>Expanded Public Works Programme Integrated Grant</b>		
Current year receipts	2 188 000	1 989 000
Conditions met - transferred to revenue	(2 188 000)	(1 989 000)
	-	-
The grant is used for job creation projects in previous disadvantage areas.		
<b>Local Government Financial Management Grant</b>		
Current year receipts	2 200 000	2 100 000
Conditions met - transferred to revenue	(2 200 000)	(2 100 000)
	-	-
The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns).		

# Setsotho Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>29. Transfers and subsidies - Revenue (continued)</b>		
<b>Local Government, Water and Related Service SETA</b>		
Current year receipts	301 887	374 861
Conditions met - transferred to revenue	(301 887)	(374 861)
	-	-

SETA will ensure that the skill requirements sector is identified and that adequate and appropriate skills are readily given to staff of the Municipality.

### Municipal Infrastructure Grant

Balance unspent at the beginning of the year	14 602 878	-
Current year receipts	53 700 000	49 792 000
Conditions met - transferred to revenue	(62 602 878)	(35 189 122)
Roll over withheld	(5 700 000)	-
	-	<b>14 602 878</b>

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

In terms of the MFMA Circular No. 48, all conditional allocations (excluding interest earned thereon) that at year-end are not utilised must revert back to National Revenue Fund unless the relevant receiving officer can prove to the satisfaction of the National Treasury that the unspent allocation is committed to identifiable projects. The municipality reports at year - end all unspent conditional grants were committed to identifiable projects.

The grant is used to supplement municipal capital budget to eradicate backlogs in municipal infrastructure utilised in providing basic services for the benefit of poor households. The grants were used construct roads and sewerage infrastructure as part of the upgrading of informal settlement areas.

### Water Services Infrastructure Grant

Balance unspent at the beginning of year	-	5 729 021
Current year receipts	15 301 000	40 095 817
Conditions met - transferred to revenue	(8 351 953)	(40 095 817)
Roll-over withheld	-	(5 729 021)
	<b>6 949 047</b>	-

This grant was used to address water loss control and assisting with water shortage in Clocolan, Marquard and Senekal during drought period.

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

### Integrated National Electrification Programme Grant

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

This grant is provided by the Department of Energy to upgrade the electric network.

# Setsoto Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand

2023

2022

### 29. Transfers and subsidies - Revenue (continued)

#### Regional Bulk Infrastructure Grant

Balance unspent at the beginning of year	46 178 454	27 050 770
Current year receipts	150 000 000	110 000 000
Conditions met - transferred to revenue	(130 462 781)	(63 822 337)
Roll-over withheld	(46 142 000)	(27 049 979)
	<b>19 573 673</b>	<b>46 178 454</b>

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

The purpose of the grant is to assist the municipality in alleviating water availability and scarcity in the municipal area.

The above note was split between the RBIG and the RBIG Covid portion.

#### Regional Bulk Infrastructure Grant - COVID

Balance unspent at beginning of year	13 500 560	13 500 560
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Conditions still to be met - remaining liabilities (see note 17).

#### Water Services Infrastructure Grant - 6B

Current year receipts	7 486 133	-
Conditions met - transferred to revenue	(7 486 133)	-
	-	-

The grant amount is paid to the municipality when the supporting invoices are submitted to the department. No advance grant is received from the transferring department.

#### Provincial Government - Free State

Balance unspent at beginning of year	8 979 260	8 979 260
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Conditions still to be met - remaining liabilities (see note 17).

# Setsoto Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand		2023	2022
<b>30. Operational revenue</b>			
Sundry income		7 040 758	715 812
Commission		367 128	1 193 657
Incidental Cash Surpluses		1 160	734
Insurance Refund		301 819	1 141 861
<b>Total</b>		<b>7 710 865</b>	<b>3 052 064</b>
<b>31. Fair value adjustments and gain/(loss) on disposal of fixed and intangible assets</b>			
Gains/(losses) on disposals	31.1	(4 450 385)	477 806
Fair value adjustment	31.2	286 696	95 273
<b>Total</b>		<b>(4 163 689)</b>	<b>573 079</b>
<b>31.1 Gains/(losses) on disposals</b>			
Investment property		(240 000)	-
Property, plant and equipment		(4 210 385)	477 806
<b>Total</b>		<b>(4 450 385)</b>	<b>477 806</b>
<b>31.2 Fair value adjustment</b>			
Investments		286 696	95 273
<b>32. Employee related cost</b>			
Senior management	32.1	6 164 100	6 027 860
Municipal staff	32.2	214 073 464	218 479 369
<b>Total</b>		<b>220 237 564</b>	<b>224 507 229</b>

# Setsoto Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand

### 32. Employee related cost (continued)

#### 32.1 Senior management costs

2023

	Municipal manager - Mrs. FN Malatjie	Chief financial officer - Mr NL Moletsane	Director: Technical Services - Mr DT Marotholi	Director: Corporate Services - Mr TP Motsima	Director: Development, Planning and Security Services - Mr TR Zondo	Total
Basic salary	762 461	1 064 352	1 102 173	920 900	538 801	4 388 687
Bonuses	-	107 099	-	97 133	95 065	299 297
Service-related benefits	-	-	-	66 813	275 598	342 411
Allowances	398 536	171 305	169 145	300 495	85 192	1 124 673
Unemployment insurance	1 594	2 125	2 125	2 125	1 063	9 032
	<b>1 162 591</b>	<b>1 344 881</b>	<b>1 273 443</b>	<b>1 387 466</b>	<b>995 719</b>	<b>6 164 100</b>

During the year the following personnel acted as municipal manager:

- Mr TP Motsima for the period July 2022 - September 2022 - Acting allowance of R66 813

During the year Mr ME Fokane acted as Director DPSS for the period February 2023 - June 2023, he received an acting allowance of R162 504.

Included in the MM and Directors salaries are accruals that were made regarding backpay on salaries for the current financial year but only approved during 2023/24 financial year.

# Setsoto Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand

### 32. Employee related cost (continued)

2022

	Municipal manager - Mr STR Ramakarane	Chief financial officer - Mr NL Moletsane	Director : Corporate Services - Mr TP Motsima	Director : Development, Planning and Security Services - Mr TR Zondo	Total
Basic salary	1 737 436	966 166	830 044	946 545	4 480 191
Bonuses	98 470	68 636	65 392	73 826	306 324
Service-related benefits	288 421	-	14 178	-	302 599
Allowances	325 848	162 600	283 366	158 432	930 246
Unemployment insurance	2 125	2 125	2 125	2 125	8 500
	<b>2 452 300</b>	<b>1 199 527</b>	<b>1 195 105</b>	<b>1 180 928</b>	<b>6 027 860</b>

Municipal manager:

For the appointment of the municipal manager, Mr STR. Ramakarane, COGTA agreed to finance an amount of R700 000 per annum towards the salary of the municipal manager. Funds received during the financial period amounted to R0 (2021: R0).

Director Engineering:

During the year the following personnel acted as director engineering:

- Mr MA Mokhethoa for the period July 2021 - September 2021 - Acting allowance of R87 567
- Mr SM Mofubetsoane for the period October 2021 - March 2022 - Acting allowance of R191 831
- Mr WR De Villiers for the period April 2022 - June 2022 - Acting allowance of R84 406

\*During the 2022/2023 financial year the salary disclosure was corrected for senior managers with regards to non-pensionable allowances and acting allowances. Refer to note 55 for more detail.

# Setsoto Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>32. Employee related cost (continued)</b>		
<b>32.2 Municipal staff costs</b>		
Basic salary	127 929 889	123 387 276
Bonuses	10 526 501	10 150 220
Service-related benefits	18 661 097	18 102 732
Allowances	15 371 390	17 310 892
Bargaining council	78 939	77 915
Group life insurance	935 483	854 346
Medical	16 330 658	15 722 369
Pension	22 894 089	22 236 965
Post-retirement benefit: Medical	(842 659)	7 486 035
Post-retirement benefit: Long service	918 434	1 869 068
Unemployment insurance	1 269 643	1 281 551
<b>Total</b>	<b>214 073 464</b>	<b>218 479 369</b>

\*During the 2022/2023 financial year the salary disclosure was corrected for senior managers with regards to non-pensionable allowances and acting allowances. The disclosure was also corrected for municipal staff costs - allowances - housing. Refer to note 55 for more detail.

### Service-related benefits consist of:

Overtime payments	13 415 446	13 029 466
Leave pay charge	1 697 322	2 520 028
Acting allowances	3 548 329	2 553 238
	<b>18 661 097</b>	<b>18 102 732</b>

### Allowances consist of:

Travel allowance	13 587 129	13 251 622
Housing benefits and allowances	1 235 297	3 503 437
Telephone allowance	548 964	555 833
	<b>15 371 390</b>	<b>17 310 892</b>

### Post-retirement benefit : Medical consists of:

Current service cost	2 726 696	2 610 000
Actuarial (gain) / loss	(11 235 379)	(549 965)
Interest cost	7 666 024	5 426 000
	<b>(842 659)</b>	<b>7 486 035</b>

### Post-retirement benefit : Long service consists of:

Current service cost	1 280 208	1 357 000
Actuarial (gain) / loss	(1 797 314)	(606 932)
Interest cost	1 435 540	1 119 000
	<b>918 434</b>	<b>1 869 068</b>



# Setso Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand		2023	2022
<b>33. Remuneration of councillors</b>			
Executive mayor	33.1	946 769	875 874
Speaker	33.2	774 716	633 861
Executive committee	33.3	3 612 610	3 231 431
All other councillors	33.4	8 737 943	8 130 177
<b>Total</b>		<b>14 072 038</b>	<b>12 871 343</b>
<b>33.1 Executive mayor</b>			
<b>Allowances and service related benefits</b>			
Basic salary		676 935	633 590
Cell phone allowance		44 400	40 700
Travelling allowance		225 434	201 584
		<b>946 769</b>	<b>875 874</b>
<b>33.2 Speaker</b>			
<b>Allowances and service related benefits</b>			
Basic salary		547 879	442 828
Cell phone allowance		44 000	40 700
Travelling allowance		182 837	150 333
		<b>774 716</b>	<b>633 861</b>
<b>33.3 Executive committee</b>			
<b>Allowances and service related benefits</b>			
Basic salary		2 545 165	2 364 582
Cell phone allowance		220 800	207 807
Travelling allowance		846 645	659 042
		<b>3 612 610</b>	<b>3 231 431</b>
<b>33.4 All other councillors</b>			
<b>Allowances and service related benefits</b>			
Basic salary		6 626 791	6 159 227
Cell phone allowance		1 125 787	1 132 955
Travelling allowance		985 365	837 995
		<b>8 737 943</b>	<b>8 130 177</b>

### In kind benefits

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

The Executive Mayor and Speaker has use of a Council owned vehicle for official duties.

Salaries, allowances and benefits of councillors 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.

# Setsoto Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand		2023	2022
<b>34. Depreciation and amortisation</b>			
<b>Amortisation</b>			
Intangible assets	12.1	225 984	372 124
<b>Depreciation</b>			
Investment property	9.1	6 806 482	7 066 730
Property, plant and equipment	10.1	179 415 291	247 431 005
		<b>186 221 773</b>	<b>254 497 735</b>
<b>Total</b>		<b>186 447 757</b>	<b>254 869 859</b>
<b>35. Impairment losses</b>			
Investment property	9.1	-	107 824
Property, plant and equipment	10.1	21 933 426	27 256 137
Receivables from exchange transactions		17 314 595	1 655 191
Receivables from non-exchange transactions		2 222 501	(1 364 629)
<b>Total</b>		<b>41 470 522</b>	<b>27 654 523</b>
<b>36. Finance costs</b>			
Interest	36.1	3 397 412	4 671 055
<b>36.1 Interest cost</b>			
Financial liabilities			
• Financial liabilities		207 489	283 900
		<b>207 489</b>	<b>283 900</b>
Finance leases		34 678	738 523
Unwinding of provision for landfill sites	18.1	2 649 039	2 570 952
Overdue accounts		506 206	1 077 680
		<b>3 189 923</b>	<b>4 387 155</b>
<b>Total</b>		<b>3 397 412</b>	<b>4 671 055</b>
<b>37. Bulk purchases</b>			
Electricity: Eskom		91 044 547	93 197 809
<b>38. Inventory consumed</b>			
Materials and supplies		9 095 941	11 850 803

# Setsoto Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand		2023	2022
<b>39. Contracted services</b>			
Consultants and professional services	39.1	18 519 349	12 822 947
Contractors	39.2	10 675 953	8 220 201
Outsourced services	39.3	4 318 112	4 550 084
<b>Total</b>		<b>33 513 414</b>	<b>25 593 232</b>
<b>39.1 Consultants and professional services</b>			
<b>Business advisory services</b>			
Accounting and auditing		6 355 993	5 217 095
Audit committee		346 599	473 590
Business and financial management		6 695 243	3 728 122
Valuer and assessors		1 902 481	-
<b>Total business advisory services</b>		<b>15 300 316</b>	<b>9 418 807</b>
<b>Laboratory services</b>			
Water		542 786	382 930
<b>Legal services</b>			
Legal advice and litigation		1 979 377	2 189 793
<b>Infrastructure and planning services</b>			
Town planner infrastructure and planning		696 870	831 417
<b>Total consultants and professional services</b>		<b>18 519 349</b>	<b>12 822 947</b>
<b>39.2 Contractors</b>			
<b>General services</b>			
Artists and performers		26 500	-
Electrical		598 790	250 953
Employee wellness		4 900	19 662
Plants, flowers and other decorations		42 500	-
Safeguard and security		4 290 332	2 345 051
<b>Total general services</b>		<b>4 963 022</b>	<b>2 615 666</b>
<b>Maintenance services</b>			
Maintenance of buildings and facilities		547 553	777 776
Maintenance of equipment		276 192	869 007
Maintenance of unspecified assets		4 889 186	3 957 752
<b>Total maintenance service</b>		<b>5 712 931</b>	<b>5 604 535</b>
<b>Total contractor</b>		<b>10 675 953</b>	<b>8 220 201</b>

# Setso Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>39. Contracted services (continued)</b>		
<b>39.3 Outsourced services</b>		
<b>Business and advisory services</b>		
Communications	380 000	380 000
Human Resources	37 483	-
<b>Total business and advisory services</b>	<b>417 483</b>	<b>380 000</b>
<b>General services</b>		
Burial Services	94 322	173 938
Catering Services	450 281	116 450
Hygiene Services	7 200	150 680
Meter Management	98 172	83 848
Sewerage Services	3 187 824	3 611 388
Transport Services	62 830	33 780
<b>Total general services</b>	<b>3 900 629</b>	<b>4 170 084</b>
<b>Total outsourced services</b>	<b>4 318 112</b>	<b>4 550 084</b>
<b>40. Operational costs</b>		
Achievements and Awards	3 455	7 680
Advertising, Publicity and Marketing	391 432	447 899
Bank Charges, Facility and Card Fees	827 410	982 299
Commission	1 885 309	1 507 267
Communication	1 457 534	1 547 001
Courier and Delivery Services	40 294	546
Entertainment	88 923	-
External Computer Service	5 230 414	4 511 891
Hire Charges	8 676 959	1 395 078
Insurance Underwriting	2 635 758	3 174 310
Licences	699 915	694 252
Permits	-	413 610
Printing, Publications and Books	354 522	299 268
Professional Bodies, Membership and Subscription	2 628 854	2 449 810
Registration and Training Fees	760 398	641 410
Remuneration to Ward Committees	2 065 530	1 045 195
Skills Development Fund Levy	1 960 434	1 905 108
Travel and Subsistence	1 658 917	1 112 663
Uniform and Protective Clothing	2 084 056	640 985
Wet Fuel	10 653 885	8 066 552
Workmen's Compensation Fund	1 251 036	1 629 339
<b>Total</b>	<b>45 355 035</b>	<b>32 472 163</b>
<b>41. Operating leases</b>		
Furniture and Office Equipment	355 935	1 080 180
<b>Operating leases (as a lessee)</b>		
Within one year	-	363 330

# Setsoto Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>42. Net cash from/(used) operating activities</b>		
Surplus (deficit) for the year	73 011 350	(111 100 506)
<b>Adjustments for:</b>		
Depreciation and amortisation	186 447 757	254 869 859
Bad debts written off	81 641 763	113 923 847
Actuarial gains / losses	(13 032 692)	(1 156 897)
(Gains) / Losses on disposal of assets	4 450 385	(477 806)
Fair value adjustment	(286 696)	(95 273)
Finance costs - employee benefits	9 101 565	6 545 000
Finance costs - provisions	2 649 039	2 570 952
Impairment loss	41 470 522	27 654 523
Donated asset	(68 738)	-
Interest accrual	13 009	-
Employee benefit movement	927 749	1 336 237
<b>Movement in working capital</b>		
(Increase) / Decrease in receivables from non-exchange transactions	(9 155 367)	(14 586 294)
(Increase) / Decrease in inventory	(1 037 142)	176 964
(Increase) / Decrease in receivables from exchange transactions	(132 155 275)	(115 171 705)
(Increase) / Decrease in consumer deposits	(19 226)	11 295
(Increase) / Decrease in VAT receivable	(34 589 019)	(17 729 694)
Increase / (Decrease) in trade and other payables	(20 549 844)	2 515 489
Increase / (Decrease) in unspent conditional grants and receipts	(34 258 612)	28 001 543
<b>Net cash flows from operating activities</b>	<b>154 560 528</b>	<b>177 287 534</b>

# Setsoto Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>43. Contingent liabilities</b>		
<b>MM. Masisi</b>	3 788 206	3 788 206
Former CFO claiming breach of contract. The matter is pending. On the 13th of May 2021, the Municipality received a settlement offer of R735 060 plus an annual interest of 10.25%, and a list of admissions, from Ms. Masisi's attorneys Cowan Harper Madikizela, however, the Municipality has rejected the settlement offer and has opted to proceed with defending the matter in court, due to the Municipality's prospects of success as advised by counsel in the matter. The matter is still pending, awaiting a court date.		
<b>IMATU obo F.Viljoen &amp; M Marx</b>	982 446	345 264
Applicants alleges unfair labour practice by the Municipality by not remunerating them like other managers.		
An amount of R89 338 was awarded per manager as per the arbitration process at 30 June 2021. The municipality has obtained a legal opinion, and the legal opinion states that there is a low probability that this amount will have to be paid. The matter is still pending, judgment has been reserved.		
<b>Linomtha</b>	5 213 566	5 213 566
The contractor is disputing the claims paid to him for the work done on the project Van Soelen Sewer Line.		
<b>Mr. Zondi</b>	-	30 000
Damaged palisade (Third part) at 65 Bloem Street Ficksburg during work in progress by the municipality. The matter has been resolved.		
<b>Mr. Xaba</b>	-	26 000
Third party's vehicle slipped and he lost control of a vehicle due to water and oil on the street which caused him to collide with another vehicle. Claim submitted to the Municipality's insurance. Claimant seems to have abandoned claim as he has not approached the Municipality since submitting the claim in September 2019. The matter has been resolved.		
<b>Mr. Swanepoel</b>	-	30 000
Damaged wall of third party during repairs of pipe burst at Caledon park in front of Sand and Klip Ficksburg. The matter has been resolved		
<b>L. Mokoena</b>	54 833	54 833
Claim for R54 833 for vehicle damages as a result of colliding with a third party's vehicle whilst trying to avoid a pothole on Andries Pretorius street in Clocolan on the 10th of July 2020. The matter is pending. The claimant's attorneys, Van Breda & Herbst are demanding R54 832.82 from the Municipality. The claim has been submitted to the Department of Engineering Services for investigation, and the claimant has been asked to provide supporting documentation in relation to the claim. The Municipality is awaiting the supporting documentation from the claimant's attorneys.		
<b>Roland Bottin</b>	-	530 545
Mr. Bottin is alleging that the Municipality, alternatively, the MEC for Roads and Transport, is responsible for alleged incident which allegedly resulted in his injuries, medical expenses and loss of income. The plaintiff's attorneys, Corne Van De Venter Inc, are demanding R530 545. The matter has been resolved.		

# Setsoto Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>43. Contingent liabilities (continued)</b>		
J. Smith Collision between a municipal vehicle and the claimant's insured vehicle, the claimant is demanding compensation for damages. The letter of demand was handed over to the Department of Engineering Services for investigation, and Third -Party claim has been submitted to the Municipality's insurers for assessment. The matter is still pending.	38 252	38 252
T. Lithakong Damaged electrical appliances (AEG Double oven stove, AEG electric hob, HITACHI side by side double door fridge, Hisense dishwasher) due maintenance which took place on the 5th of January 2022. Claim submitted to Department of Engineering Services for investigation, and they indicated that the electricians were correcting a neutral line which was going live. Legal Services are awaiting further reports on whether any damages were reported to the electricians on site on the day in question. The matter is still pending.	44 500	44 500
Louie Fourie Claim to fire damages, causing damage and destroying 80 000 rose trees. Weed guard (100) at a cost of R4000 per unit. Gyro Gardener Greenhouse. 80000 Mini Sprinklers at a cost of R35.00 per unit. Poles, Pipes & fencing, joints, taps R50 000. Netting Drip irrigation, water tanks & plastic canvas. 77 hectares of field destroyed due to the fire. Loss of income over four consecutive years at an income of R300 000 per year. The claim was submitted to the Department of Development Planning and Social Security for investigation, and claim has been submitted to the Municipality's insurers. The matter is still pending.	13 496 359	13 496 359
A. Gobey Mr. Gobey's letter of demand was received on the 13th of September 2022 from his attorneys N.O Oelofse, demanding an amount of R20 815,00 for damages allegedly suffered in an accident on Voortrekker Street in Senekal on the 29th of August 2022. Proposed settlement letter of R13 000 was sent to the MM's office for perusal. They are awaiting more information pertaining to the alleged accident.	20 815	-
Dupas Panelbeaters On the 26th of June 2023 the Municipality was served with a combined summons from the lawyers representing Dupas Panelbeaters, claiming an amount of R968 053 for repairs and maintenance done to Municipal vehicles during the period 2 September 2022 to 10 May 2023. The matter is still pending. An amount of R653 745 was settled after year end.	314 308	-
	<b>23 953 285</b>	<b>23 597 525</b>
<b>44. Contingent assets</b>		
Bastian Finance and Sharp Connect Civil Claim for R208 280.30 for unauthorised and illegal deduction from the municipal account after the services of Sharp Connect were terminated in July 2015. Matter pending. Ponoane Attorneys are still in the process of locating Bastian Finance to recover the amount, but have, as at 30 June 2021, remained unsuccessful. The matter is still pending.	208 280	208 280
Senekal Motor Ingenieurs BK Service Provider claims for motor repair services and the case is likely to be in the favour of the municipality. The matter is still pending.	40 908	-

# Setsoto Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
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### 45. Related party disclosures

#### 45.1 Nature of related party relationships

##### Related entities

Vrede Marina Home Owners Association : Reg number 2017/485309/08 (Director : NF Malatjie - Municipal Manager)

KNTLD Trading : Reg number 2007/038077/23 (Member : NL Moletsane - CFO)

MDJ Entertainment : Reg number 2009/020357/23 (Member : NL Moletsane - CFO)

Mhlekezzi Investment Holdings : Reg number 2021/496181/07 (Director : NL Moletsane - CFO)

Bright Idea Project 2397 : Reg number 2009/201765/23 (Member : TP Motsima - Director DCS)

Lindiwe Makhalema Foundation : Reg number 2019/362236/08 (Director : TP Motsima - Director DCS)

Motjha Iketsetse Trading : Reg number 2006/044703/23 (Member : TP Motsima - Director DCS)

Motsima Trading : Reg number 2006/214460/23 (Member : TP Motsima - Director DCS)

Phatsima Suppliers : Reg number 2006/038397/23 (Member : TP Motsima - Director DCS)

Phatsimo Security Services : Reg number 2006/180316/23 (Member : TP Motsima - Director DCS)

Big Brothers Trading : Reg number 2006/082498/23 (Member : TP Motsima - Director DCS)

Tshepiso Flying Pest Control and Contractors : Reg number 2006/192177/23 (Member : TP Motsima - Director DCS)

Manthateng Enterprise : Reg number 2017/282819/07 (Director : TR Zondo - Director DPSS)

Poloko Trading 536 : Reg number 2006/055436/23 (Member : TR Zondo - Director DPSS)

Dilemopumo Enterprise : Reg number 2014/1091150/07 (Director : DT Marotholi - Director DTS)

Marotholi Education Trust : Reg number 2017/016405/08 (Director : DT Marotholi - Director DTS)



# Setsoto Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand 2023 2022

### 45. Related party disclosures (continued)

Phasa and Marotholi Consortium : Reg number 2016/246450/07 (Director : DT Marotholi - Director DTS)

Pinnacle Investment Holdings : Reg number 2016/251973/07 (Director : DT Marotholi - Director DTS)

TA Group : Reg number 2016/225535/07 (Director : DT Marotholi - Director DTS)

No business was conducted with any of the above mentioned companies by Setsoto Local Municipality.

### 46. Events after the reporting date

#### Adjusting event

1. In the matter Dupas Panelbeaters and Trading vs Setsoto Local Municipality, the municipality settled an amount of R653 745 on 17 October 2023. The contingent liabilities note was updated, and a creditor was raised on year end amounting to R653 745.

### 47. Change in estimate

The useful lives of all asset classes were adjusted during 2023 to more accurately reflect the period of economic benefits or service potential derived from these assets. The effect of changing the remaining useful life of assets for the municipality during 2023 are as follows:

#### Increase / (Decrease) in depreciation per asset class:

Property, plant and equipment	(15 723 923)	(134 492 398)
Investment property	(85 092)	1 637 815
Intangible assets	(57 884)	(389 659)
	<b>(15 866 899)</b>	<b>(133 244 242)</b>

### 48. Unauthorised, irregular, fruitless and wasteful expenditure

#### 48.1 Unauthorised expenditure

Opening balance as previously reported	623 533 626	446 916 335
Add: Unauthorised expenditure – current	150 478 952	176 617 291
<b>Closing balance</b>	<b>774 012 578</b>	<b>623 533 626</b>

Unauthorised expenditure derived mainly from depreciation and debt provisions which are non-cash financial entries.

# Setsoto Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>48. Unauthorised, irregular, fruitless and wasteful expenditure (continued)</b>		
<b>48.2 Irregular expenditure</b>		
Opening balance as previously reported	335 949 828	282 339 840
Correction of prior period error	(339 310)	-
<b>Opening balance as restated</b>	<b>335 610 518</b>	<b>282 339 840</b>
Add: Irregular expenditure - current	19 868 984	53 609 988
Less: Amounts written-off – prior period	(258 326)	-
<b>Closing balance</b>	<b>355 221 176</b>	<b>335 949 828</b>
<b>Incident/cases identified in the current year include those listed below:</b>		
Expenditure items identified where the SCM processes and procedures were not followed	19 868 984	48 317 766
Procurement without competitive bidding	-	15 673
BAC composition	-	5 276 549
<b>Total</b>	<b>19 868 984</b>	<b>53 609 988</b>
<b>Payments to be recouped:</b>		
Opening balance	191 967	191 967
<b>Correction of error details:</b>		
Balance as previously reported	335 949 828	282 339 840
Add: VAT calculation error	113 855	-
Less: Irregular expenditure removed	(3 097 224)	-
Add: Additional irregular expenditure identified	2 644 059	-
	<b>335 610 518</b>	<b>282 339 840</b>

The irregular amounts disclosed above are exclusive of VAT.

# Setsoto Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>48. Unauthorised, irregular, fruitless and wasteful expenditure (continued)</b>		
<b>48.3 Fruitless and wasteful expenditure</b>		
Opening balance as previously reported	4 271 772	2 741 330
Correction of prior period error	(64 077)	139 851
<b>Opening balance as restated</b>	<b>4 207 695</b>	<b>2 881 181</b>
Add: Fruitless and wasteful expenditure – current	844 245	2 147 448
Less: Amounts written-off – current	-	(756 857)
Less: Amounts written-off – prior period	(1 767 725)	-
<b>Closing balance</b>	<b>3 284 215</b>	<b>4 271 772</b>
<b>Details of fruitless and wasteful expenditure:</b>		
Payments made on interest and penalties	842 685	1 134 678
Other payments	1 560	1 012 770
<b>Total</b>	<b>844 245</b>	<b>2 147 448</b>
<b>Correction of error details</b>		
Balance as previously reported	4 271 772	2 741 330
Add: Amounts not previously included	80 748	139 851
Less: VAT incorrectly included	(139 851)	-
Less: Amounts previously incorrectly included	(4 974)	-
	<b>4 207 695</b>	<b>2 881 181</b>

The fruitless and wasteful amounts disclosed above are exclusive of VAT.

# Setsoto Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand 2023 2022

### 49. Councillor's municipal accounts in arrears

#### 30 June 2023

	Outstanding less than 90 days	Outstanding more than 90 days	Total
Councillor SM Constable	2 540	40 837	43 377
Councillors PE Koqo	1 987	6 881	8 868
Councillor TG Makhalanyane	-	8 164	8 164
Councillor MJ Maleke	3 850	19 686	23 536
Councillor TS Manako	2 425	21 347	23 772
Councillor MF Odendaal	56	393	449
Councillor MD Mofokeng	1 852	1 968	3 820
Councillor LE Mohanoe	3 073	31 013	34 086
Councillor MJ Mokhobo	4 174	41 213	45 387
Councillor ME Letube	4 365	34 174	38 539
Councillor TP Motsoane	2 039	13 106	15 145
Councillor TI Mthimkhulu	84 853	35 199	120 052
Councillor MA Ponya	2 132	14 384	16 516
Councillor LD Thamae	5 800	33 862	39 662
	<b>119 146</b>	<b>302 227</b>	<b>421 373</b>

#### 30 June 2022

	Outstanding less than 90 days	Outstanding more than 90 days	Total
Councillor SM Constable	2 561	50 475	53 036
Councillor PE Koqo	1 899	15 155	17 054
Councillor TG Makhalanyane	-	8 164	8 164
Councillor MJ Maleke	2 137	27 463	29 600
Councillor TS Manako	2 268	21 786	24 054
Councillor SJ Mbiwe	10 851	42 633	53 484
Councillor MD Mofokeng	1 701	5 240	6 941
Councillor LE Mohanoe	3 258	41 018	44 276
Councillor MJ Mokhobo	1 691	16 154	17 845
Councillor LG Mokoakoe	2 562	99	2 661
Councillor TP Motsoane	2 005	22 727	24 732
Councillor TI Mthimkhulu	3 298	38 380	41 678
Councillor MA Ponya	2 019	24 431	26 450
Councillor LD Thamae	5 486	61 010	66 496
	<b>41 736</b>	<b>374 735</b>	<b>416 471</b>

# Setsoto Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand 2023 2022

### 49. Councillor's municipal accounts in arrears (continued)

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

#### 30 June 2023

	Highest amount outstanding	Ageing in days
Councillor SM Constable	43 377	1 533
Councillor PE Koqo	8 868	392
Councillor MJ Maleke	23 535	557
Councillor TS Manako	23 773	879
Councillor MD Mofokeng	3 820	184
Councillor LE Mohanoe	34 086	1 067
Councillor MJ Mokhobo	45 387	1 011
Councillor TP Motsoane	15 145	652
Councillor TI Mthimkhulu	120 053	336
Councillor MA Ponya	16 516	682
Councillor LD Thamae	39 661	602
Councillor MF Odendaal	448	746
Councillor ME Letube	38 539	829
	<b>413 208</b>	<b>9 470</b>

#### 30 June 2022

	Highest amount outstanding	Ageing in days
Councillor SM Constable	53 775	1 267
Councillor PE Koqo	17 736	867
Councillor TG Makhalanyane	8 164	1 819
Councillor MJ Maleke	30 821	1 346
Councillor TS Manako	33 322	1 372
Councillor SJ Mbiwe	54 720	478
Councillor MD Mofokeng	7 190	393
Councillor LE Mohanoe	46 476	1 660
Councillor MJ Mokhobo	17 845	988
Councillor LG Mokoakoe	2 661	1 583
Councillor TP Motsoane	25 526	1 189
Councillor TI Mthimkhulu	42 602	1 158
Councillor MA Ponya	27 243	1 261
Councillor LD Thamae	68 808	1 161
Councillor TL Langa	3 767	528
Councillor TE Makae	3 894	307
Councillor MM Mokhele	25 865	353
Councillor SM Mokheseng	2 819	328
Councillor MA Motloenya	4 927	318
Councillor JM Vermeulen	12 640	199
Councillor I Vries	3 959	213
	<b>494 760</b>	<b>18 788</b>

# Setsoto Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

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Figures in Rand	2023	2022
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### 50. Deviations from SCM regulations - SCM Regulation 36

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

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

Various goods and services were procured during the financial year under review and the process followed in procuring those goods deviated from the normal procurement processes as required by paragraph 12(1) of the same gazette. The reasons for these deviations were documented and reported to the accounting officer who considered them and subsequently approved the deviation from the normal supply chain management regulations. These deviations were recorded and reported to the meeting of council.

Deviation summary listing:

Emergency cases	7 149 882	7 005 797
Sole / Limited provider	748 507	2 352 943
Impractical to follow SCM process	3 213 638	3 185 986
Technical nature of the service	533 654	175 469
Works of art	26 500	-
<b>Total amount approved by the accounting officer and noted by council</b>	<b>11 672 181</b>	<b>12 720 195</b>

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# Setsoto Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand

### 51. Awards to close family members - SCM Regulation 45

#### Awards to close family members of persons in the service of Setsoto Local Municipality

Supplier name	Employee name	Relationship	Department	2023	2022
Lira Transport	MP. Lira	Close family relation	Asset clerk	-	8 300
Mthembana Construction	S. Melithafa	Close family relation	Human resource advisor	36 225	-
Selane Transport	NMA. Selane	Close family relation	Traffic officer	6 000	11 540
Tlou Letebele	T. Shabalala	Owner of Tlou Letebele	EPWP employee	-	35 966
MC Enterprise	ML. Mthimkulu	Close family relation	Councillor	-	13 248
Dupas Panelbeaters and Trading	LK. Sehlabaka	Close family relation	Messenger	978 861	1 137 887
Mofuta Trading (Pty) Ltd	NS. Mofuta	Close family relation	Human resource clerk	23 116	40 278
Bosamadula	MA. Makelelane	Close family relation	Operator water works	56 925	2 300
Lechabile	F. Mahlasane	Close family relation	Operator roads and stormwater	64 332	-
Manthoto Enterprise	K. Qacha	Close family relation	Traffic officer	187 088	-
Matselane Monyane	T. Monyane	Close family relation	Archive clerk	20 000	3 500
				<b>1 372 547</b>	<b>1 253 019</b>

The amounts of R2 300 and R3 500 for the 2021/2022 financial year with regards to Bosamadula and Matselane Monyane was not disclosed in the 2021/2022 financial year due to an error.

# Setsoto Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand			2023	2022		
<b>52. Additional disclosures in terms of the Municipal Finance Management Act</b>						
	SALGA contributions	Audit fees	PAYE	UIF	Pension	Medical aid
<b>As at 30 June 2023</b>						
Opening balance	-	3 472 760	2 237 645	211 733	2 706 625	2 316 807
Subscription/fees	2 293 995	7 382 298	26 626 200	2 557 506	33 618 615	28 424 558
Amount paid	(2 293 995)	(10 627 796)	(26 769 262)	(2 555 543)	(33 495 541)	(28 279 203)
Credit notes	-	(225 285)	-	-	-	-
<b>Total</b>	<b>-</b>	<b>1 977</b>	<b>2 094 583</b>	<b>213 696</b>	<b>2 829 699</b>	<b>2 462 162</b>
	SALGA contributions	Audit fees	PAYE	UIF	Pension	Medical aid
<b>As at 30 June 2022</b>						
Opening balance	-	4 209 418	2 154 680	211 708	2 656 197	2 242 248
Subscription/fees	2 328 806	7 918 568	26 021 306	2 580 112	32 599 502	27 130 988
Amount paid	(2 328 806)	(7 415 421)	(25 938 341)	(2 580 087)	(32 549 074)	(27 056 429)
Credit notes	-	(1 239 805)	-	-	-	-
<b>Total</b>	<b>-</b>	<b>3 472 760</b>	<b>2 237 645</b>	<b>211 733</b>	<b>2 706 625</b>	<b>2 316 807</b>

\*Audit fees disclosure for the 2021/2022 financial year was corrected to show the inclusive of VAT movements.

### Non-compliance with the Municipal Finance Management Act

Creditors were not paid within 30 days as per the requirements of the MFMA due to cash-flow constraints and resulted in fruitless and wasteful expenditure being incurred in certain instances.

The municipality incurred irregular expenditure as a result of non-compliance with the relevant legislation governing procurement.



# Setsoto Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

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Figures in Rand	2023	2022
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### 52. Additional disclosures in terms of the Municipal Finance Management Act (continued)

#### Reticulation (Distribution) losses - Electricity

The implementation of prepaid electricity meters contributed positively to the decrease in electricity losses.

The prescribed norm from National Treasury for electricity losses is estimated to be between 7% and 10%.

Estimated electricity losses suffered by the municipality for the year under review are as follows:

Estimated electricity losses	7 437 349	7 161 780
Percentage losses	7 %	7 %

#### Reticulation (Distribution) losses - Water

Estimated water losses included distribution to townships with unmetered water.

The prescribed norm from National Treasury for water losses is estimated to be between 15% and 30%.

Estimated water losses suffered by the municipality for the year under review is as follows:

Estimated water losses	13 982 330	12 717 711
Percentage losses	43 %	40 %

#### Skills development levies

Opening balance	157 018	152 973
Current year subscriptions / fee	1 960 433	1 905 111
Amount paid	(1 958 890)	(1 901 066)
	<b>158 561</b>	<b>157 018</b>

### 53. Capital commitments

Commitments in respect of capital expenditure:

#### Approved and contracted for:

Property, plant and equipment	26 266 576	39 452 178
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# Setsoto Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

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Figures in Rand	2023	2022
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### 54. Going concern

We draw attention to the fact that at 30 June 2023, the municipality's current assets (R467 422 467) exceeded its current liabilities (R158 085 322) with R309 337 145. The municipality further generated an operating surplus of R73 011 350 for the year and had net assets of R2 739 916 268. 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.

### COVID-19

The coronavirus outbreak has been international news since December 2019, but the South African National Institute for Communicable Diseases only confirmed the first positive case of COVID-19 in South Africa on 5 March 2020. On the 23rd of March 2020 President Cyril Ramaphosa announced the nationwide lockdown. On 30 March 2020 the Minister of Finance issued a conditional Exemption Notice in terms of section 177(1)(b) of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA), in order to facilitate and enable the performance of legislative responsibilities by municipalities and municipal entities during the national state of disaster.

Due to the national state of disaster, various regulatory requirements were instituted in order to ensure that the impact of the spread of the virus is limited. As far as possible the Municipality factored in the effect of the lockdown regulations on our economic environment.

The Municipality assessed the impact of COVID-19 pandemic by comparing the financial indicators of 2023 and 2022 as illustrated below:

Current ratio (norm - 2 : 1)		2.9	1.9
Creditors days (norm - 30 days or less)	99 days	154 days	
Debtors collection rate (norm - 30 days)	396 days	360 days	

When analysing the results of the ratios, it can be concluded that the COVID-19 pandemic had an adverse effect from a financial sustainability perspective. The results are not solely due to the effects of COVID-19 and subsequent lockdown regulations, but has been impacted by the pandemic.

### COVID-19 - Response Expenditure

The summary below indicates the total COVID-19 response expenditure for the period ending 30 June 2022.

#### Type of expenditure

Cleaning materials	-	44 862
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#### Funding

Own revenue	-	44 862
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# Setso Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand		2023	2022		
<b>55. GRAP 3 adjustments</b>					
The following restatements and adjustments occurred which are set out below:					
<b>55.1 Adjustments of Statement of financial performance items</b>					
<b>2022</b>					
	Note	Previously reported	Correction of error	Re-classification	Restated
<b>Revenue</b>					
<b>Exchange revenue</b>					
Service charges - Electricity	21	(91 140 712)	-	-	(91 140 712)
Service charges - Waste management	21	(43 059 455)	-	-	(43 059 455)
Service charges - Waste water management	21	(33 289 600)	-	-	(33 289 600)
Service charges - Water	21	(60 489 318)	-	-	(60 489 318)
Rental	23	(2 024 701)	-	-	(2 024 701)
Interest on investments	24	(4 764 793)	(66 491)	-	(4 831 284)
Interest earned from receivables	25	(30 166 577)	-	-	(30 166 577)
Dividends	26	(55 404)	-	-	(55 404)
Operational revenue	30	(3 052 064)	-	-	(3 052 064)
Sales of goods and rendering of services	22	(1 984 993)	-	-	(1 984 993)
Fair value adjustments and loss on disposal of assets	31	7 315 458	(7 888 537)	-	(573 079)
		<b>(262 712 159)</b>	<b>(7 955 028)</b>	-	<b>(270 667 187)</b>
<b>Non - exchange revenue</b>					
Property rates	20	(56 168 444)	-	-	(56 168 444)
Availability charges - Electricity		(235 779)	-	-	(235 779)
Availability charges - Waste water management		(380 504)	-	-	(380 504)
Availability charges - Water		(604 645)	-	-	(604 645)
Licences or permits	28	(51 201)	-	-	(51 201)
Transfers and subsidies	29	(358 589 136)	-	-	(358 589 136)
Fines, penalties and forfeits	27	(890 770)	-	-	(890 770)
Interest earned from receivables	25	(4 132 568)	-	-	(4 132 568)
		<b>(421 053 047)</b>	-	-	<b>(421 053 047)</b>
<b>Total revenue</b>		<b>(683 765 206)</b>	<b>(7 955 028)</b>	-	<b>(691 720 234)</b>
<b>Expenditure</b>					
Employee related cost	32	224 507 229	-	-	224 507 229
Remuneration of councillors	33	12 871 343	-	-	12 871 343
Bad debts written off		113 923 847	-	-	113 923 847
Depreciation and amortisation	34	259 882 269	(5 012 410)	-	254 869 859
Impairment losses	35	27 675 432	(20 909)	-	27 654 523
Finance costs	36	4 660 724	10 331	-	4 671 055
Bulk purchases	37	93 222 334	(24 525)	-	93 197 809
Inventory consumed	38	11 964 939	(114 136)	-	11 850 803
Contracted services	39	25 837 558	(301 516)	57 190	25 593 232
Transfers and subsidies		128 697	-	-	128 697
Operational costs	40	32 564 311	(34 958)	(57 190)	32 472 163
Operating leases	41	1 080 180	-	-	1 080 180
<b>Total expenditure</b>		<b>808 318 863</b>	<b>(5 498 123)</b>	-	<b>802 820 740</b>
<b>(Surplus) / Deficit for the year</b>		<b>124 553 657</b>	<b>(13 453 151)</b>	-	<b>111 100 506</b>

# Setso Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand		2023	2022		
<b>55. GRAP 3 adjustments (continued)</b>					
<b>55.2 Adjustments of Statement of financial position items</b>					
<b>2022</b>					
	Note	Previously reported	Correction of error	Re-classification	Restated
<b>Assets</b>					
<b>Current assets</b>					
Cash and cash equivalents	2	93 197 341	-	-	93 197 341
Receivables from exchange transactions	3	207 910 441	(1 720 348)	-	206 190 093
Receivables from non-exchange transactions	4	56 716 517	1 460 180	-	58 176 697
Inventories	5	2 613 267	-	-	2 613 267
Other current assets	7	9 546 969	39 676	-	9 586 645
VAT receivable	6	48 976 496	(86 204)	-	48 890 292
		<b>418 961 031</b>	<b>(306 696)</b>	<b>-</b>	<b>418 654 335</b>
<b>Non-current assets</b>					
Other financial assets	8	3 673 282	-	-	3 673 282
Investment property	9	73 849 011	2 084 982	-	75 933 993
Property, plant and equipment	10	2 468 431 783	6 726 148	-	2 475 157 931
Heritage assets	11	15 385 903	(3 485 444)	-	11 900 459
Intangible assets	12	173 129	-	-	173 129
		<b>2 561 513 108</b>	<b>5 325 686</b>	<b>-</b>	<b>2 566 838 794</b>
<b>Total assets</b>		<b>2 980 474 139</b>	<b>5 018 990</b>	<b>-</b>	<b>2 985 493 129</b>
<b>Net assets and liabilities</b>					
<b>Current liabilities</b>					
Financial liabilities	13	(734 232)	-	-	(734 232)
Finance leases	14	(1 627 032)	-	-	(1 627 032)
Consumer deposits	15	(3 205 324)	-	-	(3 205 324)
Payables from exchange transactions	16	(123 388 421)	1 079 919	-	(122 308 502)
Unspent grants	17	(83 261 152)	-	-	(83 261 152)
Provisions and other employee benefits	18	(2 398 801)	-	-	(2 398 801)
Post-retirement health care benefit liability	19	(1 864 445)	-	-	(1 864 445)
		<b>(216 479 407)</b>	<b>1 079 919</b>	<b>-</b>	<b>(215 399 488)</b>
<b>Non-current liabilities</b>					
Financial liabilities	13	(1 265 103)	-	-	(1 265 103)
Provisions and other employee liabilities	18	(44 291 879)	-	-	(44 291 879)
Post-retirement health care benefit liability	19	(57 631 751)	-	-	(57 631 751)
		<b>(103 188 733)</b>	<b>-</b>	<b>-</b>	<b>(103 188 733)</b>
<b>Total net assets</b>		<b>(2 660 805 999)</b>	<b>7 354 241</b>	<b>-</b>	<b>(2 653 451 758)</b>
Accumulated surplus		-	(13 453 151)	-	(13 453 151)
Accumulated surplus - profit/loss movement					
		<b>(2 660 805 999)</b>	<b>(6 098 910)</b>	<b>-</b>	<b>(2 666 904 909)</b>

# Setsotho Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022		
<b>55. GRAP 3 adjustments (continued)</b>				
<b>55.3 Adjustment of Cash flow statement items</b>				
	Note	Previously reported	Correction of error	Restated
<b>Cash flows from operating activities</b>				
<b>Receipts</b>				
Property rates		42 882 877	(1 300 728)	41 582 149
Sale of goods and services		115 248 933	305 243	115 554 176
Other receipts		7 289 923	-	7 289 923
Grants		386 590 677	-	386 590 677
Fines, penalties and forfeits		890 770	-	890 770
Interest		39 063 938	66 491	39 130 429
Dividends		55 404	-	55 404
<b>Payments</b>				
Employees		(229 032 231)	-	(229 032 231)
Suppliers		(165 797 087)	853 120	(164 943 967)
Finance costs		(2 089 772)	(10 331)	(2 100 103)
VAT		(17 815 898)	86 205	(17 729 693)
<b>Net cash from operating activities</b>		<b>177 287 534</b>	<b>-</b>	<b>177 287 534</b>
<b>Cash flows from investing activities</b>				
<b>Receipts</b>				
Proceeds on disposal of fixed and intangible assets		477 805	-	477 805
Proceeds from investments		37 500	-	37 500
<b>Payments</b>				
Capital assets		(121 086 120)	-	(121 086 120)
<b>Net cash from investing activities</b>		<b>(120 570 815)</b>	<b>-</b>	<b>(120 570 815)</b>
<b>Cash flows from financing activities</b>				
<b>Payments</b>				
Decrease in borrowings		(9 045 138)	-	(9 045 138)
<b>Net increase/(decrease) in cash</b>		<b>47 671 581</b>	<b>-</b>	<b>47 671 581</b>
Cash and cash equivalents at the beginning of the year		45 525 760	-	45 525 760
Cash and cash equivalents at the end of the year		93 197 341	-	93 197 341
<b>Net increase/(decrease) in cash</b>		<b>47 671 581</b>	<b>-</b>	<b>47 671 581</b>

# Setso Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand 2023 2022

### 55. GRAP 3 adjustments (continued)

#### 55.4 Correction of errors

The following prior period errors adjustments occurred:

##### Error 1 - Order accrual reversals

During the current financial year management found orders that were incorrectly accrued during the 2021/2022 financial year. This was corrected.

The effect is as follows:

##### Effect of error

(Decrease) in contracted services - business and financial management	-	(2 259)
(Decrease) in contracted services - maintenance of buildings and facilities	-	(58 650)
(Decrease) in contracted services - maintenance of equipment	-	(24 288)
(Decrease) in contracted services - maintenance of unspecified assets	-	(113 224)
(Decrease) in contracted services - safeguard and security	-	(110 983)
(Decrease) in inventory consumed	-	(120 318)
(Decrease) in operational costs - hire charges	-	(4 950)
(Decrease) in operational costs - advertising	-	(29 942)
(Decrease) in operational costs - travel and subsistence	-	(1 613)
Decrease in payables from exchange transactions - payables and accruals	-	502 573
(Decrease) in VAT receivable	-	(36 346)
	-	-

##### Error 2 - Creditors credit notes

During the current financial year management found credit notes relating to the 2021/2022 financial year that was not processed. This was corrected.

The effect is as follows:

##### Effect of error

(Decrease) in bulk purchases	-	(24 525)
(Decrease) in contracted services - maintenance of unspecified assets	-	(464)
(Decrease) in inventory consumed	-	(247)
Decrease in payables from exchange transactions - bulk purchases	-	28 204
Decrease in payables from exchange transactions - payables and accruals	-	818
(Decrease) in VAT receivable	-	(3 786)
	-	-

##### Error 3 - Eskom deposit

During the current financial year it was noted that certain eskom deposit accounts were incorrectly included and excluded from the balance.

The effect is as follows:

##### Effect of error

(Increase) in interest received from investments - eskom deposit	-	(66 491)
Increase in other current assets - deposits - eskom deposit	-	39 676
Decrease in accumulated surplus	-	26 815
	-	-

# Setso Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
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### 55. GRAP 3 adjustments (continued)

#### Error 4 - Consumer receivables allocations

During the current financial year consumer receivables allocations were corrected to the scoa segment.

The effect is as follows:

##### Effect of error

(Decrease) in electricity - gross	-	(11 068 837)
Decrease in electricity - impairment	-	418 896
(Decrease) in waste management - gross	-	(1 515 012)
Decrease in waste management - impairment	-	2 271 901
(Decrease) in waste water management - gross	-	(1 111 637)
Decrease in waste water management - impairment	-	1 626 903
(Decrease) in water - gross	-	(2 172 955)
Decrease in water - impairment	-	3 172 334
Increase in other - gross	-	14 143 866
(Increase) in other - impairment	-	(7 485 811)
Increase in property rates - gross	-	1 442 950
Decrease in property rates - impairment	-	17 231
Decrease in payables from exchange transactions - payments received in advance	-	281 626
(Decrease) in impairment losses on assets - receivables from exchange transactions	-	(20 904)
(Decrease) in VAT receivable	-	(551)
	-	-

#### Error 5 - Creditors

During the current financial year management found that a correction to creditors was incorrectly processed to unallocated deposits. The error was corrected.

The disclosure note for payables from exchange transactions was also corrected, to reflect the correct amount for COID for the 2021/2022 financial year.

The effect is as follows:

##### Effect of error

Decrease in payables from exchange transactions - unallocated deposits	-	928 441
(Increase) in payables from exchange transactions - payables and accruals	-	(928 441)
Decrease in payables from exchange transactions - payables and accruals	-	126 639
(Increase) in payables from exchange transactions - COID	-	(126 639)
	-	-

#### Error 6 - Creditors

It was noted during the 2022/2023 financial year that certain invoices were not raised for creditors in the 2021/2022 financial year. These invoice were raised during the 2022/2023 financial year.

The effect is as follows:

##### Effect of error

Increase in VAT receivable	-	3 758
Decrease in accumulated surplus	-	80 686
Increase in contracted services - maintenance buildings and facilities	-	8 352
Increase in operational costs - wet fuel	-	1 547
Increase in inventory consumed	-	6 429
Increase in finance cost - overdue accounts	-	10 331
(Increase) in payables from exchange transactions - payables and accruals	-	(111 103)
	-	-

# Setsotho Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

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Figures in Rand	2023	2022
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### 55. GRAP 3 adjustments (continued)

#### Error 7 - Property, plant and equipment

A credit note for professional fees for the 2020/2021 financial year was captured during the 2022/2023 financial year. The project was unbundled at the end of the 2021/2022 financial year, the cost of the assets were corrected.

The effect is as follows:

#### Effect of error

(Decrease) in ppe - construction work-in-progress - opening balance	-	(328 522)
(Decrease) in VAT receivable	-	(49 278)
Decrease in payables from exchange transactions - payables	-	377 800
(Decrease) in infrastructure assets - additions	-	(328 522)
Decrease in infrastructure assets - transfers from construction work-in-progress	-	328 522
	<hr/>	<hr/>
	-	-

#### Error 8 - Investment property and Heritage assets

During the 2022/2023 financial year the fixed asset register was reviewed and the following errors were corrected for the 2021/2022 financial year with regards to Investment Property and Heritage Assets.

The effect is as follows:

#### Effect of error:

(Decrease) in heritage assets - historical buildings - cost	-	(3 485 443)
(Decrease) in investment property - cost opening	-	(12 799 638)
Decrease in investment property - accumulated depreciation opening	-	5 422 155
Decrease in investment property - accumulated impairment opening	-	805 695
Decrease in investment property - depreciation	-	3 469 249
(Decrease) in depreciation expense	-	(3 469 249)
Decrease in investment property - cost disposals	-	17 072 171
(Decrease) in investment property - accumulated depreciation disposal	-	(10 948 704)
(Decrease) in investment property - accumulated impairment disposal	-	(935 945)
(Decrease) in gains / losses on disposal	-	(5 187 522)
Decrease in accumulated surplus	-	10 057 231
	<hr/>	<hr/>
	-	-



# Setsoto Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand 2023 2022

### 55. GRAP 3 adjustments (continued)

#### Error 9 - Property, plant and equipment

During the 2022/2023 financial year the fixed asset register was reviewed and the following errors were corrected for the 2021/2022 financial year with regards to property, plant and equipment.

The effect is as follows:

#### Effect of error:

Increase in infrastructure assets - cost opening	-	5 975 013
(Increase) in infrastructure assets - accumulated depreciation opening	-	(519 772)
(Increase) in infrastructure assets - depreciation	-	(345 287)
Decrease in infrastructure assets - cost disposals	-	1 733 981
(Decrease) in infrastructure assets - accumulated depreciation disposals	-	(1 208 668)
(Decrease) in community assets - cost opening	-	(8 998 892)
Decrease in community assets - accumulated depreciation opening	-	4 979 249
Decrease in community assets - accumulated impairment opening	-	1 142 002
Decrease in community assets - depreciation	-	2 333 775
Decrease in community assets - cost disposals	-	8 464 791
(Decrease) in community assets - accumulated depreciation disposals	-	(5 368 018)
(Decrease) in community assets - accumulated impairment disposals	-	(1 011 752)
Increase in transport assets - cost opening	-	567 064
Decrease in transport assets - accumulated depreciation opening	-	842 554
(Increase) in transport assets - depreciation	-	(367 573)
Decrease in transport assets - cost disposals	-	178 255
(Decrease) in transport assets - accumulated depreciation disposals	-	(162 051)
(Decrease) in other assets - cost opening	-	(587 500)
Decrease in other assets - accumulated depreciation opening	-	901 066
(Increase) in other assets - depreciation	-	(77 755)
Decrease in other assets - cost disposals	-	920 519
(Decrease) in other assets - accumulated depreciation disposals	-	(846 041)
(Decrease) in depreciation expense	-	(1 543 160)
(Decrease) in gains / losses on disposal	-	(2 701 015)
(Decrease) in work-in-progress opening balance	-	(1 490 291)
(Increase) in accumulated surplus	-	(2 810 494)
	-	-

# Setso Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand 2023 2022

### 55. GRAP 3 adjustments (continued)

#### 55.5 Reclassifications

The following reclassifications adjustment occurred:

##### Reclassification 1 - Employee related costs

During the 2022/2023 financial year the salary disclosure was corrected for senior managers with regards to non-pensionable allowances and acting allowances.

The allocation of employee costs - housing was also corrected.

##### Nature of reclassification

Municipal manager - Pension	-	(791 608)
Municipal manager - Basic salary	-	791 608
Chief financial officer - Pension	-	(142 539)
Chief financial officer - Basic salary	-	142 539
Director: Corporate services - Pension	-	(45 339)
Director: Corporate services - Service related benefits	-	14 178
Director: Corporate services - Basic salary	-	31 161
Director: Development, Planning and security - Pension	-	(60 639)
Director: Development, Planning and security - Basic salary	-	60 639
Municipal staff costs - Basic salary	-	(4 136 570)
Municipal staff costs - Allowances - Housing	-	3 096 448
Municipal staff costs - Pension	-	1 040 122
	-	-

##### Reclassification 2 - Expenditure

During the year under review expenditure items were reviewed for classification and the following reclassification were the result of the review.

##### Nature of reclassification

(Decrease) in contracted services - contractors - maintenance of equipment	-	(3 174 673)
Increase in contracted services - outsourced services - sewerage services	-	3 175 301
(Decrease) in contracted services - contractors - sports and recreation	-	(13 368)
Increase in contracted services - outsourced services - transport services	-	33 780
Increase in contracted services - outsourced - catering services	-	36 150
(Decrease) in operational costs - advertising	-	(38 990)
(Decrease) in operational costs - registration fees	-	(18 200)
	-	-

# Setsoto Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand 2023 2022

### 56. Financial instruments

#### 56.1 Fair value of financial instruments

The management of the municipality is of the opinion that the carrying value of Financial Assets and Financial Liabilities recorded at amortised cost in the annual financial statements approximate their fair values, except for the listed Government stock. In accordance with GRAP 104 the Fair Values of Financial Assets and Financial Liabilities, together with the carrying amounts shown in the Statement of financial position, are as follow:

		2023		2022	
		Carrying amount	Fair value / Amortised cost	Carrying amount	Fair value / Amortised cost
<b>Financial assets</b>					
<b>Fair value</b>					
Investments	8	3 959 976	3 959 976	3 673 282	3 673 282
<b>Amortised cost</b>					
Trade and other receivables from exchange transactions	3	241 275 571	241 275 571	206 190 093	206 190 093
Other current assets	7	9 711 226	9 711 226	9 586 645	9 586 645
Cash and cash equivalents	2	66 207 531	66 207 531	93 197 341	93 197 341
		<b>317 194 328</b>	<b>317 194 328</b>	<b>308 974 079</b>	<b>308 974 079</b>
<b>Total financial assets</b>		<b>321 154 304</b>	<b>321 154 304</b>	<b>312 647 361</b>	<b>312 647 361</b>
<b>Financial liabilities</b>					
<b>Amortised cost</b>					
<b>Unsecured bank facilities:</b>					
Financial liabilities and finance leases	13&14	866 691	866 691	1 265 103	1 265 103
<b>Trade and other payables:</b>					
Consumer deposits	15	3 186 098	3 186 098	3 205 324	3 205 324
Trade and other payables from exchange transactions	16	101 758 658	101 758 658	122 308 502	122 308 502
Current portion of financial liabilities and finance leases	13&14	398 412	398 412	2 361 264	2 361 264
		<b>105 343 168</b>	<b>105 343 168</b>	<b>127 875 090</b>	<b>127 875 090</b>
<b>Total financial liabilities</b>		<b>106 209 859</b>	<b>106 209 859</b>	<b>129 140 193</b>	<b>129 140 193</b>
<b>Total financial instruments</b>		<b>214 944 445</b>	<b>214 944 445</b>	<b>183 507 168</b>	<b>183 507 168</b>

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

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

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

The annual financial statements include holdings in Listed Government Stock which are measured at Fair Value (Note 8). Fair Value is estimated with standard terms and conditions and traded on active liquid markets is determined with reference to quoted market prices.

#### Assumptions used in determining fair value of financial assets and financial liabilities

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

The levels have been defined as follow:

# Setso Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand 2023 2022

### 56. Financial instruments (continued)

#### Level 1

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

#### Level 2

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

#### Level 3

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

#### 30 June 2023

	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>				
<b>Financial instruments at fair value:</b>				
Listed investments - Sanlam	840 882	-	-	840 882
Listed investments - OVK	-	-	1 663 744	1 663 744
<b>Total financial assets</b>	<b>840 882</b>	<b>-</b>	<b>1 663 744</b>	<b>2 504 626</b>

#### 30 June 2022

	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>				
<b>Financial instruments at fair value:</b>				
Listed investments - Sanlam	761 911	-	-	761 911
Listed investments - OVK	-	-	1 456 020	1 456 020
<b>Total financial assets</b>	<b>761 911</b>	<b>-</b>	<b>1 456 020</b>	<b>2 217 931</b>

### 56.2 Capital risk management

The municipality manages its capital to ensure that the municipality will be able to continue as a going concern while delivering sustainable services to consumers through the optimisation of the debt and equity balance.

### 56.3 Financial risk management objectives

Due to largely non-trading nature of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities. Financial instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IFRS mainly apply. Generally, financial assets and liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the municipality in undertaking its activities.

The Department: Financial services monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity. Compliance with policies and procedures is reviewed by internal auditors on a continuous basis, and by external auditors annually. The municipality does not enter into or trade financial instruments for speculative purposes.

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

# Setso Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand 2023 2022

### 56. Financial instruments (continued)

#### 56.4 Significant accounting policies

Details of the significant Accounting Policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of Financial Asset, Financial Liability and Equity Instrument are disclosed in the Accounting Policies to the annual financial statements.

#### 56.5 Market risk

The municipality's activities expose it primarily to the financial risks of changes in interest rates (see Note 56.6 below). No formal policy exists to hedge volatilities in the interest rate market.

#### 56.6 Interest rate risk

Interest rate risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

Potential concentrations of interest rate risk on financial assets consist mainly of fixed deposit investments and bank and cash balances.

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

The municipality's maximum exposures to interest rates on Financial Assets and Financial Liabilities are detailed in the Credit Risk Management section of this note.

#### 56.7 Liquidity risk

Ultimate responsibility for liquidity risk management rests with the Council. The municipality manages liquidity risk by effectively managing its working capital, capital expenditure, external borrowings and cash flows. Standby credit facilities are available with the municipality's main banker to cater for any unexpected temporary shortfall in operating funds.

#### 30 June 2023

	Within 1 year	2 to 5 years	Total
<b>Maturity analysis</b>			
Financial liabilities	398 412	866 691	1 265 103
Payables from exchange transactions	101 758 658	-	101 758 658
	<b>102 157 070</b>	<b>866 691</b>	<b>103 023 761</b>

#### 30 June 2022

	Within 1 year	2 to 5 years	Total
<b>Maturity analysis</b>			
Financial liabilities	734 232	1 265 103	1 999 335
Finance leases	1 627 032	-	1 627 032
Payables from exchange transactions	122 308 502	-	122 308 502
	<b>124 669 766</b>	<b>1 265 103</b>	<b>125 934 869</b>

The municipality expects to meet its other obligations from operating cash flows and proceeds of maturing financial assets. The municipality expects to maintain its current debt to equity ratio. This will be achieved through the annual increase in tariffs to maintain the accumulated surplus, as well as the increased use of unsecured bank loan facilities.

#### 56.8 Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality.

# Setsoto Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand 2023 2022

### 56. Financial instruments (continued)

Potential concentrations of credit risk consist mainly of fixed deposit investments, long-term debtors, consumer debtors, other debtors, short-term investment deposits and bank and cash balances.

The municipality manages credit risk in its borrowing and investing activities by only dealing with well established financial institutions of high credit standing, and by spreading its exposure over a range of such institutions in accordance with its approved investment policies. Credit risk relating to consumer debtors is managed in accordance with the municipality's credit control and debt collection policy. The municipality's credit exposure is spread over a large number and wide variety of consumers and is not concentrated in any particular sector or geographical area. Adequate provision has been made for anticipated bad and doubtful debts. Additional information relating to the analysis of consumer debtors is given in the accounting policies and Note 4 to the annual financial statements.

The municipality does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The municipality defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings.

The carrying amount of financial assets recorded in the annual financial statements, which is net of impairment losses, represents the municipality's maximum exposure to credit risk without taking account of the value of any collateral obtained.

The maximum credit and interest risk exposure in respect of the relevant financial instruments is as follow:

Investments	8	3 959 976	3 673 282
Other current assets	7	9 711 226	9 586 645
Trade and other receivables from exchange transactions	3	241 275 571	206 190 093
Bank and cash balances	2	66 207 531	93 197 341
<b>Maximum credit and interest risk exposure</b>		<b>321 154 304</b>	<b>312 647 361</b>

### 56.9 Other price risks

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

# Setsoto Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

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### 57. Segment information

#### General information

#### Identification of segments

The municipality is organised and reports to management on the basis of five major functional directorates.

The directorates are:

- Council and executive;
- Finance;
- Corporate services;
- Community services, and;
- Technical services.

Only the community services and technical services directorates have been identified as reportable segments. Management monitors the results of these units to make decisions about resource allocations and assessment of performance. Revenue and expenditure relating to these units are allocated at a transactional level. Cost relating to the governance and administration of the municipality are not allocated to these business units. Segment activities were aggregated for reporting purposes into the two reportable segments.

The executive, finance and corporate services directorates are the governance and administration units of the municipality. However, they are not reportable segments. Their results are reported as non-reportable segments to reconcile the results of the reportable segments to the total revenue and expenses of the municipality for the year under review.

The two reportable segments comprise of:

- Community services - which include sport and recreation, housing, public safety, refuse removal, street cleaning and cemeteries, and;
- Technical services - which include energy sources, water management, and waste water management.

Management does not monitor financial performance geographically and does not have reliable separate financial information for geographical areas in the municipal area.

A measure of assets and liabilities for each reportable segment has not been presented as these amounts are not regularly provided to management.

# Setso Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand				2023	2022
<b>57. Segment information (continued)</b>					
<b>Segment surplus or deficit</b>					
<b>2023</b>	<b>Technical services</b>	<b>Community and social services</b>	<b>Governance &amp; Admin (Non-reportable segments)</b>	<b>Total</b>	
<b>Segment revenue</b>					
External revenue from exchange transactions	(226 049 325)	(1 097 447)	(11 199 762)	(238 346 534)	
External revenue from non-exchange transactions	(245 558 279)	(709 488)	(260 703 741)	(506 971 508)	
Interest revenue	(129 306)	-	(58 499 037)	(58 628 343)	
	<b>(471 736 910)</b>	<b>(1 806 935)</b>	<b>(330 402 540)</b>	<b>(803 946 385)</b>	
<b>Segment expenditure</b>	<b>Technical services</b>	<b>Community and social services</b>	<b>Governance &amp; Admin (Non-reportable segments)</b>	<b>Total</b>	
Bulk purchases	91 044 547	-	-	91 044 547	
Bad debt written off	66 398 213	-	15 243 550	81 641 763	
Impairment of assets	26 510 578	4 359 634	10 600 310	41 470 522	
Depreciation and amortisation	73 363 750	25 614 456	87 469 551	186 447 757	
Employee related costs	70 102 113	34 173 203	115 962 248	220 237 564	
Interest expense	2 856 528	-	540 884	3 397 412	
Other operational expenses	6 712 254	3 460 695	82 450 483	92 623 432	
Remuneration of councillors	-	-	14 072 038	14 072 038	
<b>Total segment expenditure</b>	<b>336 987 983</b>	<b>67 607 988</b>	<b>326 339 064</b>	<b>730 935 035</b>	
<b>Total segment revenue</b>	<b>(471 736 910)</b>	<b>(1 806 935)</b>	<b>(330 402 540)</b>	<b>(803 946 385)</b>	
<b>(Surplus) / Deficit for the year</b>	<b>(134 748 927)</b>	<b>65 801 053</b>	<b>(4 063 476)</b>	<b>(73 011 350)</b>	



# Setsoto Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022		
<b>57. Segment information (continued)</b>				
<b>2022</b>				
<b>Segment revenue</b>	<b>Technical services</b>	<b>Community and social services</b>	<b>Governance &amp; Admin (Non-reportable segments)</b>	<b>Total</b>
External revenue from exchange transactions	(227 980 018)	(1 348 014)	(6 341 291)	(235 669 323)
External revenue from non-exchange transactions	(205 114 046)	(860 770)	(210 945 665)	(416 920 481)
Interest revenue	(158 490)	-	(38 971 940)	(39 130 430)
	<b>(433 252 554)</b>	<b>(2 208 784)</b>	<b>(256 258 896)</b>	<b>(691 720 234)</b>
<b>Segment expenditure</b>	<b>Technical services</b>	<b>Community and social services</b>	<b>Governance &amp; Admin (Non-reportable segments)</b>	<b>Total</b>
Bulk purchases	93 197 809	-	-	93 197 809
Bad debt written off	92 536 422	-	21 387 425	113 923 847
Impairment of assets	17 082 682	486 919	10 084 922	27 654 523
Depreciation and amortisation	78 234 431	33 422 882	143 212 546	254 869 859
Employee related costs	71 455 694	33 400 987	119 650 548	224 507 229
Interest expense	2 594 501	-	2 076 554	4 671 055
Other operational expenses	15 628 748	5 110 813	50 385 514	71 125 075
Remuneration of councillors	-	-	12 871 343	12 871 343
<b>Total segment expenditure</b>	<b>370 730 287</b>	<b>72 421 601</b>	<b>359 668 852</b>	<b>802 820 740</b>
<b>Total segment revenue</b>	<b>(433 252 554)</b>	<b>(2 208 784)</b>	<b>(256 258 896)</b>	<b>(691 720 234)</b>
<b>(Surplus) / Deficit for the year</b>	<b>(62 522 267)</b>	<b>70 212 817</b>	<b>103 409 956</b>	<b>111 100 506</b>

# Setsoto Local Municipality

## Appendix A

June 2023

### Schedule of external loans as at 30 June 2023

Loan Number	Redeemable	Balance at Thursday, 30 June 2022	Interest for the period	Redeemed written off during the period	Balance at Friday, 30 June 2023	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
		Rand	Rand	Rand	Rand		
<b>Development Bank of South Africa</b>							
DBSA Loan @11.36%	101389	31/12/2024	1 999 335	207 489	941 721	1 265 103	-
			<b>1 999 335</b>	<b>207 489</b>	<b>941 721</b>	<b>1 265 103</b>	-
<b>Instalment sales agreements - ABSA Bank Limited</b>							
ABSA Bank Limited at 10%	89515381	01/06/2022	-	-	-	-	-
ABSA Bank Limited at 10%	89514989	01/06/2022	-	-	-	-	-
ABSA Bank Limited at 10%	89516256	01/06/2022	-	-	-	-	-
ABSA Bank Limited at 10%	89515861	01/06/2022	-	-	-	-	-
ABSA Bank Limited at 10%	89516272	01/06/2022	-	-	-	-	-
ABSA Bank Limited at 10%	89515110	01/07/2022	50 432	415	50 847	-	-
ABSA Bank Limited at 10%	89514009	01/07/2022	22 879	188	23 067	-	-
ABSA Bank Limited at 10%	89514076	01/07/2022	22 879	188	23 067	-	-
ABSA Bank Limited at 10%	89516795	01/06/2022	-	-	-	-	-
ABSA Bank Limited at 10%	89516779	01/06/2022	-	-	-	-	-
ABSA Bank Limited at 10%	89517519	01/09/2022	95 126	1 594	96 720	-	-
ABSA Bank Limited at 10%	89512457	01/09/2022	212 488	3 561	216 049	-	-
ABSA Bank Limited at 10%	89512260	01/09/2022	95 177	1 594	96 771	-	-
ABSA Bank Limited at 10%	89645145	01/08/2022	100 068	1 249	101 317	-	-
			<b>599 049</b>	<b>8 789</b>	<b>607 838</b>	-	-
<b>Instalment sales agreement - Wesbank</b>							
Wesbank, a division of First Rand Limited	85265501996	01/08/2022	-	-	-	-	-
Wesbank, a division of First Rand Limited	85265447849	01/09/2022	86 648	2 703	89 351	-	-
Wesbank, a division of First Rand Limited	85264693609	01/09/2022	291 041	5 989	297 030	-	-

**Setsoto Local Municipality**

**Appendix A**

June 2023

**Schedule of external loans as at 30 June 2023**

	<b>Loan Number</b>	<b>Redeemable</b>	<b>Balance at Thursday, 30 June 2022</b>	<b>Interest for the period</b>	<b>Redeemed written off during the period</b>	<b>Balance at Friday, 30 June 2023</b>	<b>Carrying Value of Property, Plant &amp; Equip Rand</b>	<b>Other Costs in accordance with the MFMA Rand</b>
			<b>Rand</b>	<b>Rand</b>	<b>Rand</b>	<b>Rand</b>		
Wesbank, a division of First Rand Limited	85264694308	01/09/2022	291 041	5 989	297 030	-	-	-
Wesbank, a division of First Rand Limited	85266334438	01/09/2022	108 890	3 397	112 287	-	-	-
Wesbank, a division of First Rand Limited	85266283448	01/09/2022	108 890	3 397	112 287	-	-	-
Wesbank, a division of First Rand Limited	85266628441	01/09/2022	54 826	1 710	56 536	-	-	-
Wesbank, a division of First Rand Limited	8526537408	01/09/2022	86 648	2 703	89 351	-	-	-
			<b>1 027 984</b>	<b>25 888</b>	<b>1 053 872</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total external loans</b>								
Development Bank of South Africa			1 999 335	207 489	941 721	1 265 103	-	-
Instalment sales agreements - ABSA Bank Limited			599 049	8 789	607 838	-	-	-
Instalment sales agreement - Wesbank			1 027 984	25 888	1 053 872	-	-	-
			<b>3 626 368</b>	<b>242 166</b>	<b>2 603 431</b>	<b>1 265 103</b>	<b>-</b>	<b>-</b>