



Setsoto Local Municipality

(Demarcation code FS191)

**Annual Financial Statements
for the year ended 30 June 2024**

Auditor-General of South Africa (AGSA)

Setsoto Local Municipality

Annual Financial Statements for the year ended 30 June 2024

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The following supplementary information does not form part of the annual financial statements and is unaudited:

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Audit & Performance Audit Committee Report

We are pleased to present our report for the financial year ended 30 June 2024.

Audit committee members and attendance

The audit committee consists of the members listed hereunder and in terms of the MFMA section 166 (4)(b) the committee should at least meet four times a year. Due to the fact that the municipality had a hybrid system, the committee deals with performance issues as required by Regulation 14 (2) (a) of the Planning and Performance Management Regulation of 2001.

During the year under review nine meetings were held.

Name of member	Number of meetings attended
Mrs SJ Masite - Chairperson	9
Mr LS Mofokeng	9
Ms NFM Kobo	9
Mrs MP Ramutsheli	8
Ms TL Monare	9

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

Audit & performance audit committee responsibilities

The audit committee reports that it has complied with its responsibilities arising from section 166(2)(a) - (e) of the MFMA and Regulation 14(2)(a) of the Planning and Performance Management Regulation of 2001.

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, 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 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 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.

Chairperson of the Audit & Performance Audit Committee

Date: _____

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Accounting Officer's Report

The Accounting Officer submits her report for the year ended 30 June 2024.

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 my opinion require any further comment.

Net surplus of the municipality was R 36 835 411 (2023: surplus R 71 626 738).

2. Going concern

I draw attention to the fact that at 30 June 2024, the municipality had an accumulated surplus of R 2 790 795 587 and that the municipality's total assets exceeded its liabilities by R 2 790 795 587.

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 officer is not aware of any matter or circumstance arising since the end of the financial year.

4. Accounting Officer's interest in contracts

The Accounting Officer had no interest in any contracts.

5. Accounting policies

The annual financial statements are prepared as required in terms of Section 122 of the Municipal Finance Management Act (No 56. 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 Practices 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 17.2 and 18.1 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 Officer of the municipality during the year and to the date of this report is as follows:

Name	Nationality
Mrs. FN Malatjie	RSA

9. Auditors

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

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Accounting Officer's Report

10. Jurisdiction

Setsoto Local Municipality includes the following areas:

- Ficksburg
- Senekal
- Marquard
- Clocolan

Mrs. FN Malatjie
Accounting Officer

Setsoto Local Municipality

Annual Financial Statements for the year ended 30 June 2024

General Information

Legal form of entity	A municipality which is an organ of state within the local sphere of government exercising legislative and executive authority.
Nature of business and principal activities	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.
Legislation governing the municipality's operations	Municipal Finance Management Act (Act 56 of 2003) Electricity Act (No. 41 of 1987) 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)
Portfolio	Councillor
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 2024

General Information

Council members

No	Surname	Initials
1	Constable	SM
2	Odendaal	MF
3	Oberholzer	IE (Removed 2023/11/30)
4	Motsoane	TP
5	Mofokeng	MD
6	Ponya	MA
7	Maleke	MJ
8	Langa	TL
9	Thamae	LD
10	Mokhobo	MJ (Deceased 2024/05/07)
11	Vermeulen	PJ
12	Heymans	MC
13	Makhalanyane	TG
14	Khatlake	NP (Chairperson of MPAC - From 1 June 2023)
15	Mokhele	MM (Removed 2023/07/07)
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

General Information

27	Coetzee	J (Appointed 2023/07/27)
28	Fuso	SS (Appointed 2024/01/24)

Setsoto Local Municipality

Annual Financial Statements for the year ended 30 June 2024

General Information

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

Setso Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Officer's Responsibilities and Approval

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

The annual financial statements 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 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 judgements and estimates.

I, as the Accounting Officer (accounting authority) acknowledges that I am 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 me to meet these responsibilities, I 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.

I am 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.

I have reviewed the municipality's cash flow forecast for the year to 30 June 2025 and, in the light of this review and the current financial position, I am 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 Setso Local Municipality has neither the intention nor the need to liquidate or curtail materially its scale.

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

I 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 16 to 146, 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 I have signed on behalf of the municipality on 31 August 2024:

Mrs. FN Malatjie
Municipal Manager

Setso Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Abbreviations

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

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Annual Financial Statements for the year ended 30 June 2024

Comparison of Budget and Actual Amounts for the year ended 30 June 2024

	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								
2024								
Financial performance								
Revenue								
Exchange revenue								
Service charges - Electricity	109 264 152	2 185 280	111 449 432	111 449 432	103 638 778	(7 810 654)	92.99 %	94.85 %
Service charges - Water	70 092 000	1 401 840	71 493 840	71 493 840	79 309 309	7 815 469	110.93 %	113.15 %
Service charges - Waste Water Management	40 258 032	805 160	41 063 192	41 063 192	35 569 353	(5 493 839)	86.62 %	88.35 %
Service charges - Waste Management	54 253 476	1 085 072	55 338 548	55 338 548	46 379 604	(8 958 944)	83.81 %	85.49 %
Sale of goods and rendering of services	1 765 032	274 720	2 039 752	2 039 752	1 937 376	(102 376)	94.98 %	109.76 %
Interest earned from receivables	40 000 008	15 646 756	55 646 764	55 646 764	50 952 393	(4 694 371)	91.56 %	127.38 %
Interest earned from current and non current assets	3 500 004	7 408 880	10 908 884	10 908 884	12 593 816	1 684 932	115.45 %	359.82 %
Dividends	80 004	996	81 000	81 000	80 975	(25)	99.97 %	101.21 %
Rent on land	1 201 008	469 100	1 670 108	1 670 108	1 685 655	15 547	100.93 %	140.35 %
Rental from fixed assets	75 012	33 702	108 714	108 714	106 811	(1 903)	98.25 %	142.39 %
Operational revenue	375 024	160 862	535 886	535 886	2 392 890	1 857 004	446.53 %	638.06 %
	320 863 752	29 472 368	350 336 120	350 336 120	334 646 960	(15 689 160)	95.52 %	104.30 %
Non-exchange revenue								
Property rates	76 748 580	5 000 000	81 748 580	81 748 580	71 494 816	(10 253 764)	87.46 %	93.15 %
Fines, penalties and forfeits	10 008	289 992	300 000	300 000	851 850	551 850	283.95 %	8 511.69 %
Licences or permits	6 000	120 000	126 000	126 000	89 843	(36 157)	71.30 %	1 497.38 %
Transfer and subsidies - Operational	255 437 016	20 000	255 457 016	255 457 016	255 844 017	387 001	100.15 %	100.16 %
Interest earned from receivables	-	-	-	-	6 929 480	6 929 480	- %	- %
Operational revenue	5 500 008	110 000	5 610 008	5 610 008	1 464 854	(4 145 154)	26.11 %	26.63 %
Gains on disposal of assets	-	175 552	175 552	175 552	242 351	66 799	138.05 %	- %
Other gains	-	-	-	-	565 497	565 497	- %	- %
	337 701 612	5 715 544	343 417 156	343 417 156	337 482 708	(5 934 448)	98.27 %	99.94 %
Total Revenue (excl. capital transfers and contributions)	658 565 364	35 187 912	693 753 276	693 753 276	672 129 668	(21 623 608)	96.88 %	102.06 %

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Comparison of Budget and Actual Amounts for the year ended 30 June 2024

	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								
Expenditure								
Employee costs	(235 004 972)	(3 786 830)	(238 791 802)	(238 791 802)	(238 503 488)	288 314	99.88 %	101.49 %
Remuneration of councillors	(14 641 092)	(841 437)	(15 482 529)	(15 482 529)	(14 740 876)	741 653	95.21 %	100.68 %
Bulk purchases - Electricity	(123 272 208)	2 074 457	(121 197 751)	(121 197 751)	(106 176 124)	15 021 627	87.61 %	86.13 %
Materials and bulk purchases	(26 208 540)	464 109	(25 744 431)	(25 744 431)	(16 004 265)	9 740 166	62.17 %	61.07 %
Debt impairment	(32 469 024)	(21 000 000)	(53 469 024)	(53 469 024)	(27 939 835)	25 529 189	52.25 %	86.05 %
Depreciation, amortisation and impairment losses	(110 734 392)	(59 897 091)	(170 631 483)	(170 631 483)	(156 149 653)	14 481 830	91.51 %	141.01 %
Finance costs	(2 501 712)	1 153 094	(1 348 618)	(1 348 618)	(3 565 516)	(2 216 898)	264.38 %	142.52 %
Contracted services	(26 359 076)	(6 126 751)	(32 485 827)	(32 485 827)	(41 147 030)	(8 661 203)	126.66 %	156.10 %
Transfers and subsidies	(38 951 772)	8 342 279	(30 609 493)	(30 609 493)	(79 003)	30 530 490	0.26 %	0.20 %
Irrecoverable debts written off	(20 181 720)	(65 251 000)	(85 432 720)	(85 432 720)	(149 479 854)	(64 047 134)	174.97 %	740.67 %
Operational costs	(31 283 012)	(28 525 283)	(59 808 295)	(59 808 295)	(56 601 240)	3 207 055	94.64 %	180.93 %
Losses on disposal of Assets	-	-	-	-	(34 126 642)	(34 126 642)	- %	- %
Total Expenditure	(661 607 520)	(173 394 453)	(835 001 973)	(835 001 973)	(844 513 526)	(9 511 553)	101.14 %	127.65 %
Deficit	(3 042 156)	(138 206 541)	(141 248 697)	(141 248 697)	(172 383 858)	(31 135 161)	122.04 %	5 666.50 %
Transfers and subsidies - capital (monetary allocations)	220 198 008	(30 000 000)	190 198 008	190 198 008	209 219 269	19 021 261	110.00 %	95.01 %
Surplus after capital transfers and contributions	217 155 852	(168 206 541)	48 949 311	48 949 311	36 835 411	(12 113 900)	75.25 %	16.96 %
Intercompany/Parent subsidiary transactions	65 004	(15 004)	50 000	50 000	-	(50 000)	- %	- %
Surplus for the year	217 220 856	(168 221 545)	48 999 311	48 999 311	36 835 411	(12 163 900)	75.18 %	16.96 %

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Annual Financial Statements for the year ended 30 June 2024

Comparison of Budget and Actual Amounts for the year ended 30 June 2024

	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. Service charges - Waste water management:

Indigent subsidy netted off against the revenue. Refer to Transfer and Grant expenditure saving.

2. Service charges - Waste management:

Indigent subsidy netted off against the revenue. Refer to Transfer and Grant expenditure saving.

3. Interest earned from current and non current assets:

The increase is due to good investment management which yielded an increase in investment interest.

4. Operational revenue:

Applying unallocated policy results in increased revenue.

5. Property rates:

The implementation of a new valuation roll lead to the increase of indigent subsidies which contributed to the decline in property rates revenue.

6. Fines, penalties and forfeits:

Actual fines issued was greater than budgeted for.

7. Licences or permits:

Actual licences and permits issued during the year was less than budgeted for.

8. Interest earned from receivables:

Amount budgeted against the exchange revenue interest. Split not applied during budget process.

Setsoto Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Comparison of Budget and Actual Amounts for the year ended 30 June 2024

	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

9. Operational revenue:

Non-Exchange service charges (availability) budget against exchange service revenue.

10. Gains on disposal of assets:

No transaction realised.

11. Other gains:

Fair value increase in shares.

12. Bulk purchases - Electricity:

Decline in electricity consumption contributes to saving as well as strict cost containment measures.

13. Materials and bulk purchases:

Decline due to strict cost containment measures.

14. Debt impairment:

Impairment decrease after debt written off.

15. Depreciation, amortisation and impairment losses:

Depreciation less than anticipated.

16. Finance costs:

Increase due to landfill provision.

17. Contracted services:

Additional use of contractors to maintain service delivery.

Setsoto Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Comparison of Budget and Actual Amounts for the year ended 30 June 2024

	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								

18. Transfers and subsidies:

Indigent subsidy netted off against revenue.

19. Irrecoverable debts written off:

Fair value calculation increased due to poor payment percentage.

20. Losses on disposal of assets:

Write off of PPE assets.

21. Intercompany transactions:

Forms part of service charges.

Setso Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Statement of Financial Position as at 30 June 2024

Figures in Rand	Note(s)	2024	2023 Restated*
Assets			
Current Assets			
Cash and cash equivalents	2	57 062 518	66 207 531
Receivables from exchange transactions	3	263 043 292	241 275 571
Receivables from non-exchange transactions	4	69 936 113	63 098 419
Inventories	5	3 225 249	3 650 409
Value-added-tax receivable	6	84 399 944	83 406 558 *
Other current assets	7	4 292 998	9 711 226
Total Current Assets		481 960 114	467 349 714
Non-Current Assets			
Other financial assets	8	4 723 333	3 959 976
Investment property	9	71 891 310	68 887 511
Property, plant and equipment	10	2 501 509 213	2 459 291 801 *
Heritage assets	11	12 094 650	12 099 700 *
Intangible assets	12	95 200	133 450
Total Non-Current Assets		2 590 313 706	2 544 372 438
Total Assets		3 072 273 820	3 011 722 152
Liabilities			
Current Liabilities			
Financial liabilities	13	2 709 387	398 412
Consumer deposits	14	3 190 178	3 186 098
Payables from exchange transactions	15	130 735 885	105 329 456 *
Unspent grants	16	30 018 267	49 002 540
Provisions and other employee liabilities	17	1 559 102	1 793 988
Post-retirement health care benefit liability	18	1 978 951	1 945 626
Total Current Liabilities		170 191 770	161 656 120
Non-Current Liabilities			
Financial liabilities	13	12 337 978	866 691
Provisions and other employee liabilities	17	47 862 128	40 143 376
Post-retirement health care benefit liability	18	51 086 357	55 095 777
Total Non-Current Liabilities		111 286 463	96 105 844
Total Liabilities		281 478 233	257 761 964
Net Assets		2 790 795 587	2 753 960 188
Community Wealth / Equity			
Accumulated surplus		2 790 795 587	2 753 960 188

* See Note 54

Setsotho Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Statement of Financial Performance

Figures in Rand	Note(s)	2024	2023 Restated*
Revenue			
Exchange Revenue			
Services charges – Electricity	20	103 638 778	89 772 801 *
Services charges – Water	20	79 309 309	64 207 342
Services charges – Waste water management	20	35 569 353	31 374 473
Services charges – Waste management	20	46 379 604	40 423 583
Sales of goods and rendering of services	22	1 937 376	2 554 528 *
Interest earned from receivables	25	50 952 393	43 165 631
Interests on investments	24	12 593 816	9 596 771
Dividends	26	80 975	76 713
Rental of premises	23	1 685 655	1 878 905
Rental from facilities and equipment	23	106 811	89 650
Operational revenue	30	2 392 890	7 641 137 *
Total Exchange Revenue		334 646 960	290 781 534
Non-Exchange Revenue			
Availability charges – Electricity	21	319 572	320 275
Availability charges – Water management	21	702 411	644 970
Availability charges – Waste water management	21	442 871	415 067
Property rates	19	71 494 816	56 791 007
Fines, penalties and forfeits	27	851 850	644 450
Licences or permits	28	89 843	27 256
Transfers and subsidies	29	465 063 286	448 128 481
Interest earned from receivables	25	6 929 480	5 865 942
Total Non-Exchange Revenue		545 894 129	512 837 448
Total Revenue		880 541 089	803 618 982
Expenditure			
Employee related cost	32	(238 503 488)	(220 385 411)*
Remuneration of councillors	33	(14 740 876)	(14 072 038)
Bulk purchases	37	(106 176 124)	(91 044 547)
Inventory consumed	38	(16 004 265)	(9 368 483)*
Debt impairment	35	(27 939 835)	(19 537 096)*
Depreciation, amortisation and impairment	34	(156 149 653)	(210 770 546)*
Finance costs	36	(3 565 516)	(3 397 412)
Contracted services	39	(41 147 030)	(32 905 269)*
Transfers and subsidies		(79 003)	(139 418)
Irrecoverable debts written off		(149 479 854)	(81 641 763)
Operating leases	41	-	(355 935)
Operational costs	40	(56 601 240)	(44 210 637)*
Fair value adjustments and losses on disposals of assets	31	(33 318 794)	(4 163 689)
Total Expenditure		(843 705 678)	(731 992 244)
Surplus for the year		36 835 411	71 626 738

* See Note 54

Setsotho Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Cash Flow Statement

Figures in Rand	Note(s)	2024	2023 Restated*
Cash flows from operating activities			
Receipts			
Property rates		59 396 963	47 635 640
Sale of goods and services		75 536 935	94 959 407 *
Other receipts		6 637 735	11 154 334 *
Grants		446 079 013	413 801 134
Fines, penalties and forfeits		851 850	644 450
Interest		70 324 562	58 641 353
Dividends		80 975	76 713
Payments			
Employees		(259 221 010)	(237 281 615)
Suppliers		(189 205 870)	(199 791 627)*
Finance costs		(322 008)	(748 373)
VAT		755 774	(34 516 265)*
Net cash from(used) operating activities	42	210 914 919	154 575 151
Cash flows from investing activities			
Receipts			
Proceeds on disposal of fixed and intangible assets		195 606	650 438
Payments			
Capital assets		(219 435 653)	(179 854 135)*
Net cash flows from investing activities		(219 240 047)	(179 203 697)
Cash flows from financing activities			
Payments			
Increase / (Decrease) in borrowings		(819 885)	(2 361 264)
Net cash flows from financing activities		(819 885)	(2 361 264)
Net increase/(decrease) in cash		(9 145 013)	(26 989 810)
Cash and cash equivalents at year begin		66 207 531	93 197 341
		57 062 518	66 207 531

* See Note 54

Setsoto Local Municipality

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Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Balance at 01 July 2022	2 666 904 919	2 666 904 919
*Restated surplus /(deficit) for the year	71 626 738	71 626 738
Total changes	71 626 738	71 626 738
	2 738 531 645	2 738 531 645
Adjustments		
*Correction of errors	15 428 531	15 428 531
*Restated Balance at 01 July 2023	2 753 960 176	2 753 960 176
Surplus for the year	36 835 411	36 835 411
Total changes	36 835 411	36 835 411
Balance at 30 June 2024	2 790 795 587	2 790 795 587

* See Note 54

Setso Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

The annual financial statements of Setso Local Municipality for the year ended 30 June 2024 were authorised for issue by the Accounting Officer on 31 August 2024.

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:

1. Summary of significant accounting policies

1.1 New standards and interpretations

1.1 Standards, amendments to standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Standard/ Interpretation:

	Effective date: Years beginning on or after	Expected impact:
iGRAP 21: The Effect of Past Decisions on Materiality	01 April 2023	The impact of the interpretation is not material.
GRAP 25 (as revised): Employee Benefits	01 April 2023	The impact of this amendment has not had a material impact on the results of the municipality, but has resulted in a change of disclosures that would have previously been provided in the annual financial statements.
iGRAP 7 (as revised): Limit on defined benefit asset, minimum funding requirements and their interaction	01 April 2023	The impact of the interpretation is not material.
GRAP 2020: Improvements to the Standards of GRAP 2020	01 April 2023	The impact of the improvements are not material.
Guideline: Guideline on Accounting for Landfill Sites	01 April 2023	The impact of the standard is not material.
GRAP 1 (amended): Presentation of Financial Statements (Materiality)	01 April 2023	The impact of the amendments are not material.

Setsoto Local Municipality

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Accounting Policies

1.1 New standards and interpretations (continued)

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

The municipality has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2024 or later periods:

Standard/ Interpretation:

Effective date: Years beginning on or after

Expected impact:

- GRAP 104 (as revised): Financial Instruments

01 April 2025

Not expected to impact results but may result in additional disclosure.

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.

Setso Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

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 assumptions 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 judgements 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 the 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 cash flows 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.

Operating lease commitments

Leases where risks and rewards of ownership are not transferred to the lessee are classified as operating leases. Payments made 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 has 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 17.2 and note 18.1.

Setso Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.6 Significant judgments and estimates (continued)

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.

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 17 - Provisions.

Assumptions were used in determining the provision for rehabilitation of landfill sites. Provision is made for the estimated cost to be incurred on the long-term environmental obligations, comprising expenditure on pollution control and closure over the estimated life of the landfill. The provision is based on the advice and judgment of qualified engineers. The estimates are discounted at a pre-tax discount rate that reflect current market assessments of the time value of money. The increase in the rehabilitation provision due to passage of time is recognised as finance cost in the Statement of financial performance.

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.

Setso Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

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

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.

Inventory consist of raw materials and consumables. 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.

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.

Setsotho Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.9 Investment property (continued)

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

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.

Setsotho Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

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.

Subsequent measurement – cost model

Subsequently all property, plant and equipment 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.

Setsotho Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.10 Property, plant and equipment (continued)

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:

Asset class	Useful lives (Years)
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
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.

Setso Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.10 Property, plant and equipment (continued)

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.

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 a heritage asset.

Setsotho Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.11 Heritage assets (continued)

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.

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.

Setsoto Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.11 Heritage assets (continued)

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.

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.

Setso Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.12 Intangible assets (continued)

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.

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.

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

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

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.

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Accounting Policies

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

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:

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

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

Restoration cost approach:

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

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.

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Accounting Policies

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.

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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Accounting Policies

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 instrument 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 instrument not subsequently measured at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial instrument 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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Accounting Policies

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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Accounting Policies

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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Accounting Policies

1.17 Employee benefits (continued)

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

- a municipality'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 municipality 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 municipality 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.

Setso Local Municipality

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Accounting Policies

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.

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Accounting Policies

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.

Setsotho Local Municipality

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Accounting Policies

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.

Setsotho Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

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.

Setsotho Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

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 2024

Accounting Policies

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-imburement 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-imburement 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 2024

Accounting Policies

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.

Setso Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

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.

Setsotho Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

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.

Setso Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

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.

Setsotho Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

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 2024

Accounting Policies

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.

Setso Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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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	30 742 833	47 619 289
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Cash at bank

Bank balances	26 310 478	18 579 035
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Cash on hand	9 207	9 207
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Total cash and cash equivalents	57 062 518	66 207 531
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Call deposits and investments by financial institution

Institution	Account number	Account type		
First National Bank	621 517 83563	Business Money Market	18 941	18 019
First National Bank	620 490 46205	Call Account	7 772	7 393
First National Bank	623 105 40465	NSTD Account	2 328 726	66 413
			2 355 439	91 825
Standard Bank	4844 585 1003	Notice Deposit	16 018 754	2 290 337
Standard Bank	4844 585 1005	Notice Deposit	5 566 809	5 114 993
Standard Bank	4844 585 1009	Notice Deposit	-	12 234 359
Standard Bank	4844 585 1010	Notice Deposit	-	10 971 473
Standard Bank	4844 585 1011	Notice Deposit	-	12 076 673
			21 585 563	42 687 835
ABSA Bank	937 089 1524	Notice Deposit	3 063 138	1 403 647
Nedbank	3788 116 4646	Notice Deposit	3 738 693	3 435 982
Total investments			30 742 833	47 619 289

2.2 Bank accounts - Cash book balances

The municipality has the following bank accounts:

FNB Bank	Account - 620 480 92647	26 310 478	18 579 035
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Setsoto Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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2. Cash and cash equivalents (continued)

2.3 Difference between cash book and bank statement

2024

	Cash book	Bank statement	Difference
FNB Bank - Account 620 480 92647	26 310 478	25 553 959	756 519

The difference is due to cashier receipts (R757 447) captured before year end and only deposited after year end, as well as an electronic fund transfer (-R920) not yet reflecting on the bank statement.

STD Bank - Account 4844 585 1003	16 018 754	15 907 294	111 460
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The difference is due to accrued interest.

STD Bank - Account 4844 585 1005	5 566 809	5 527 142	39 667
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The difference is due to accrued interest.

47 896 041	46 988 395	907 646
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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.

30 655 708	30 364 809	290 899
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Cessions

A cession to the amount of R5 859 105 in favour of Setsoto Local Municipality was held in terms of the upgrading of the Van Soelen outfall sewer pipeline project. The amount was repaid during the 2023/2024 financial year.

The cession was with ABSA bank and the account details were as follows:

ABSA Bank

Linomtha Planthire and Road Construction (Pty) Ltd - account 93 5340 6209	-	5 859 105
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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.

Setso Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand		2024	2023
3. Receivables from exchange transactions			
Trade service and consumer service debtors	3.1		
Electricity		28 893 396	26 798 101
Waste management		69 073 953	59 637 406
Waste water management		52 422 361	45 536 999
Water		92 839 329	92 868 641
		243 229 039	224 841 147
Other receivables from exchange transactions			
Other debtors	3.2	19 814 253	16 434 424
Total receivables from exchange transactions		263 043 292	241 275 571

3.1 Consumer receivables

	2024			2023		
	Gross	Impairment	Total	Gross	Impairment	Total
Consumer receivables from exchange transactions						
Electricity	41 811 450	(12 918 054)	28 893 396	38 643 402	(11 845 301)	26 798 101
Waste management	151 505 481	(82 431 528)	69 073 953	129 686 777	(70 049 371)	59 637 406
Waste water management	110 853 624	(58 431 263)	52 422 361	95 200 365	(49 663 366)	45 536 999
Water	193 393 243	(100 553 914)	92 839 329	194 118 917	(101 250 276)	92 868 641
Total consumer receivables from exchange transactions	497 563 798	(254 334 759)	243 229 039	457 649 461	(232 808 314)	224 841 147

Setsoto Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand

3. Receivables from exchange transactions (continued)

3.1.1 Ageing of impaired consumer receivables

2024

Consumer receivables from exchange transactions

Total by debt type

Electricity

Waste management

Waste water management

Water

Total by debt type

Aging per customer group

Organs of state

Consumers

Industrial/commercial

Total by customer group

Total	Past due				
	30 days	60 days	90 days	120 days	120+ days
41 811 450	10 654 496	1 438 265	1 147 763	1 218 702	27 352 224
151 505 481	9 720 595	4 491 890	4 437 734	4 438 867	128 416 395
110 853 624	7 216 900	3 322 014	3 278 552	3 275 621	93 760 537
193 393 243	19 698 133	7 579 412	7 642 600	7 389 581	151 083 517
497 563 798	47 290 124	16 831 581	16 506 649	16 322 771	400 612 673
15 706 737	4 852 335	582 006	554 491	533 434	9 184 471
431 109 270	33 373 808	15 057 523	14 931 466	14 709 770	353 036 703
50 747 791	9 063 981	1 192 052	1 020 692	1 079 567	38 391 499
497 563 798	47 290 124	16 831 581	16 506 649	16 322 771	400 612 673

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3. Receivables from exchange transactions (continued)

2023

	Past due					
	Total	30 days	60 days	90 days	120 days	120+ days
Consumer receivables from exchange transactions						
Total by debt type						
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
Total by debt type	457 649 461	40 775 139	15 260 381	14 743 163	14 506 345	372 364 433
Aging per customer group						
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
Total by customer group	457 649 461	40 775 139	15 260 381	14 743 163	14 506 345	372 364 433

3.1.2 Impairment reconciliation of consumer receivables

	2024			2023		
	Opening balance	Impairment (raised) / reversed	Closing balance	Opening balance	Impairment (raised) / reversed	Closing balance
Consumer receivables from exchange transactions						
Electricity	(11 845 301)	(1 072 753)	(12 918 054)	(12 221 902)	376 601	(11 845 301)
Waste management	(70 049 371)	(12 382 157)	(82 431 528)	(65 570 380)	(4 478 991)	(70 049 371)
Waste water management	(49 663 365)	(8 767 898)	(58 431 263)	(46 454 417)	(3 208 949)	(49 663 366)
Water	(101 250 277)	696 363	(100 553 914)	(90 635 549)	(10 614 727)	(101 250 276)
Total consumer receivables	(232 808 314)	(21 526 445)	(254 334 759)	(214 882 248)	(17 926 066)	(232 808 314)

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3. Receivables from exchange transactions (continued)

3.1.3 Ageing of impaired consumer receivables

2024

	Past due					
	Total	30 days	60 days	90 days	120 days	120+ days
Consumer receivables from exchange transactions						
Aging by debt type						
Electricity	(12 918 054)	(3 432 214)	(437 885)	(349 440)	(371 038)	(8 327 477)
Waste management	(82 431 528)	(5 288 809)	(2 443 960)	(2 414 495)	(2 415 111)	(69 869 153)
Waste water management	(58 431 263)	(3 804 049)	(1 751 043)	(1 728 134)	(1 726 589)	(49 421 448)
Water	(100 553 914)	(10 241 952)	(3 940 880)	(3 973 734)	(3 842 178)	(78 555 170)
Total by debt type	(254 334 759)	(22 767 024)	(8 573 768)	(8 465 803)	(8 354 916)	(206 173 248)
Aging per customer group						
Consumers	(233 992 096)	(20 946 031)	(7 888 005)	(7 788 676)	(7 686 658)	(189 682 726)
Industrial/commercial	(20 342 663)	(1 820 993)	(685 763)	(677 127)	(668 258)	(16 490 522)
Total by customer group	(254 334 759)	(22 767 024)	(8 573 768)	(8 465 803)	(8 354 916)	(206 173 248)

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3. Receivables from exchange transactions (continued)

2023

	Past due					
	Total	30 days	60 days	90 days	120 days	120+ days
Consumer receivables from exchange transactions						
Aging by debt type						
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)
Total by debt type	(232 808 314)	(19 491 317)	(7 771 457)	(7 529 480)	(7 430 060)	(190 586 000)
Aging per customer group						
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)
Total by customer group	(232 808 314)	(19 491 317)	(7 771 457)	(7 529 480)	(7 430 060)	(190 586 000)

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3. Receivables from exchange transactions (continued)

3.1.4 Consumer debt past due not impaired

2024

	Total	30 days	60 days	90 days	120 days	120+ days
Consumer receivables from exchange transactions						
Electricity	28 893 396	7 222 282	1 000 380	798 323	847 664	19 024 747
Waste management	69 073 953	4 431 787	2 047 930	2 023 239	2 023 756	58 547 241
Waste water management	52 422 361	3 412 851	1 570 971	1 550 418	1 549 032	44 339 089
Water	92 839 329	9 456 181	3 638 532	3 668 866	3 547 403	72 528 347
Total consumer receivables	243 229 039	24 523 101	8 257 813	8 040 846	7 967 855	194 439 424

2023

	Total	30 days	60 days	90 days	120 days	120+ days
Consumer receivables from exchange transactions						
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
Total consumer receivables	224 841 147	21 283 822	7 488 923	7 213 684	7 076 284	181 778 434

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 of receivables 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

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Figures in Rand	2024	2023
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3. Receivables from exchange transactions (continued)

3.2 Other receivables from exchange transactions

	2024			2023		
	Gross	Impairment	Total	Gross	Impairment	Total
Other receivables from exchange transactions						
Other debtors	37 910 688	(18 096 435)	19 814 253	29 706 683	(13 272 259)	16 434 424

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3. Receivables from exchange transactions (continued)

3.2.1 Ageing of other receivables from exchange transactions

2024

Other receivables from exchange transactions

Other debtors

Past due					
Total	30 days	60 days	90 days	120 days	120+ days
37 910 688	2 321 779	1 097 085	1 064 271	1 048 005	32 379 548

2023

Other receivables from exchange transactions

Other debtors

Past due					
Total	30 days	60 days	90 days	120 days	120+ days
29 706 683	2 387 366	973 941	908 982	935 372	24 501 022

3.2.2 Impairment reconciliation of other receivables from exchange transactions

Other receivables from exchange transactions

Other debtors

2024			2023		
Opening balance	Impairment (raised) / reversed	Closing balance	Opening balance	Impairment (raised) / reversed	Closing balance
(13 272 259)	(4 824 176)	(18 096 435)	(11 286 540)	(1 985 719)	(13 272 259)

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3. Receivables from exchange transactions (continued)

3.2.3 Ageing of other impaired receivables from exchange transactions

2024

Other receivables from exchange transactions

Other debtors

Past due					
Total	30 days	60 days	90 days	120 days	120+ days
(18 096 435)	(1 108 287)	(523 687)	(508 023)	(500 259)	(15 456 179)

2023

Other receivables from exchange transactions

Other debtors

Past due					
Total	30 days	60 days	90 days	120 days	120+ days
(13 272 259)	(1 066 619)	(435 134)	(406 112)	(417 903)	(10 946 491)

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Figures in Rand	2024	2023
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3. Receivables from exchange transactions (continued)

3.2.4 Other receivables from exchange transactions past due not impaired

2024

	Past due					
	Total	30 days	60 days	90 days	120 days	120+ days
Other receivables from exchange transactions						
Other debtors	19 814 253	1 213 491	573 398	556 248	547 746	16 923 370

2023

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

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 of receivables 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.

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Figures in Rand		2024	2023
4. Receivables from non-exchange transactions			
Consumer receivables	4.1		
Property rates		65 168 577	58 604 252
Electricity		405 713	317 247
Waste water management		692 963	601 702
Water		1 068 959	1 068 868
		67 336 212	60 592 069
Other receivables			
	4.1		
Accrued income		2 100 000	2 100 000
Fines		499 901	406 350
		2 599 901	2 506 350
Total receivables		69 936 113	63 098 419
Current assets		69 936 113	63 098 419

4.1 Receivables from non-exchange transactions

	2024			2023		
	Gross	Impairment	Total	Gross	Impairment	Total
Consumer receivables						
Property rates	96 263 313	(31 094 736)	65 168 577	85 371 183	(26 766 931)	58 604 252
Electricity	879 115	(473 402)	405 713	711 433	(394 186)	317 247
Waste water management	1 334 391	(641 428)	692 963	1 163 369	(561 667)	601 702
Water	2 076 332	(1 007 373)	1 068 959	2 086 305	(1 017 437)	1 068 868
	100 553 151	(33 216 939)	67 336 212	89 332 290	(28 740 221)	60 592 069
Other receivables						
Accrued income	2 100 000	-	2 100 000	2 100 000	-	2 100 000
Fines	2 518 011	(2 018 110)	499 901	1 855 501	(1 449 151)	406 350
	4 618 011	(2 018 110)	2 599 901	3 955 501	(1 449 151)	2 506 350
Total	105 171 162	(35 235 049)	69 936 113	93 287 791	(30 189 372)	63 098 419

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4. Receivables from non-exchange transactions (continued)

4.1.1 Impairment reconciliation of receivables from non-exchange transactions

	2024			2023		
	Opening balance	Impairment (raised) / reversed	Closing balance	Opening balance	Impairment (raised) / reversed	Closing balance
Consumer receivables						
Property rates	(26 766 931)	(4 327 805)	(31 094 736)	(25 109 719)	(1 657 212)	(26 766 931)
Electricity	(394 186)	(79 216)	(473 402)	(318 840)	(75 346)	(394 186)
Waste water management	(561 667)	(79 761)	(641 428)	(500 380)	(61 287)	(561 667)
Water	(1 017 437)	10 064	(1 007 373)	(925 496)	(91 941)	(1 017 437)
	(28 740 221)	(4 476 718)	(33 216 939)	(26 854 435)	(1 885 786)	(28 740 221)
Other receivables						
Fines	(1 449 152)	(568 958)	(2 018 110)	(1 082 622)	(366 529)	(1 449 151)
Total	(30 189 373)	(5 045 676)	(35 235 049)	(27 937 057)	(2 252 315)	(30 189 372)

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4. Receivables from non-exchange transactions (continued)

4.1.2 Ageing of receivables from non-exchange transactions

2024

	Past due					
	Total	30 days	60 days	90 days	120 days	120+ days
Consumer receivables						
Property rates	96 263 313	9 103 182	2 926 750	2 712 235	2 559 020	78 962 126
Electricity	879 115	67 069	30 101	27 078	26 131	728 736
Waste water management	1 334 391	88 693	37 550	36 480	35 468	1 136 200
Water	2 076 332	146 656	65 306	63 695	62 092	1 738 583
	100 553 151	9 405 600	3 059 707	2 839 488	2 682 711	82 565 645
Other receivables						
Accrued income	2 100 000	-	-	-	-	2 100 000
Fines	2 518 011	-	-	-	-	2 518 011
	4 618 011	-	-	-	-	4 618 011
Total	105 171 162	9 405 600	3 059 707	2 839 488	2 682 711	87 183 656

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4. Receivables from non-exchange transactions (continued)

2023

Consumer receivables

Property rates

Electricity

Waste water management

Water

Other receivables

Accrued income

Fines

Total

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

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4. Receivables from non-exchange transactions (continued)

4.1.3 Ageing of impaired receivables from non-exchange transactions

2024

	Past due					
	Total	30 days	60 days	90 days	120 days	120+ days
Consumer receivables						
Property rates	(31 094 736)	(2 940 487)	(945 392)	(876 100)	(826 608)	(25 506 149)
Electricity	(473 402)	(36 116)	(16 209)	(14 582)	(14 072)	(392 423)
Waste water management	(641 428)	(42 634)	(18 050)	(17 536)	(17 049)	(546 159)
Water	(1 007 373)	(71 153)	(31 684)	(30 903)	(30 125)	(843 508)
	(33 216 939)	(3 090 390)	(1 011 335)	(939 121)	(887 854)	(27 288 239)
Other receivables						
Fines	(2 018 110)	-	-	-	-	(2 018 110)
Total	(35 235 049)	(3 090 390)	(1 011 335)	(939 121)	(887 854)	(29 306 349)

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4. Receivables from non-exchange transactions (continued)

2023

	Past due					
	Total	30 days	60 days	90 days	120 days	120+ days
Consumer receivables						
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)
	(28 740 221)	(2 495 771)	(859 102)	(798 886)	(759 623)	(23 826 839)
Other receivables						
Fines	(1 449 151)	-	-	-	-	(1 449 151)
Total	(30 189 372)	(2 495 771)	(859 102)	(798 886)	(759 623)	(25 275 990)

Statutory receivables

Statutory receivables included in receivables from non-exchange transactions above:

Property rates	65 168 577	58 604 252
Availability charges - Electricity	405 713	317 247
Availability charges - Waste water management	692 963	601 702
Availability charges - Water	1 068 959	1 068 868
Traffic fines	499 901	406 350
	67 836 113	60 998 419

Statutory receivables included on the face of the Statement of Financial Position:

VAT receivable	2 671 130	7 698 154
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4. Receivables from non-exchange transactions (continued)

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.

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.

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4. Receivables from non-exchange transactions (continued)

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.

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4. Receivables from non-exchange transactions (continued)

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

2024

	Past due					
	Total	30 days	60 days	90 days	120 days	120+ days
Consumer receivables						
Property rates	65 168 577	6 162 695	1 981 359	1 836 136	1 732 411	53 455 976
Electricity	405 713	30 952	13 892	12 497	12 060	336 312
Waste water management	692 963	46 059	19 500	18 944	18 419	590 041
Water	1 068 959	75 503	33 621	32 792	31 967	895 076
	67 336 212	6 315 209	2 048 372	1 900 369	1 794 857	55 277 405
Other receivables						
Accrued income	2 100 000	-	-	-	-	2 100 000
Fines	499 901	-	-	-	-	499 901
	2 599 901	-	-	-	-	2 599 901
Total	69 936 113	6 315 209	2 048 372	1 900 369	1 794 857	57 877 306

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4. Receivables from non-exchange transactions (continued)

2023

	Past due					
	Total	30 days	60 days	90 days	120 days	120+ days
Consumer receivables						
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
	60 592 069	5 290 041	1 804 732	1 674 825	1 589 422	50 233 049
Other receivables						
Accrued income	2 100 000	-	-	-	-	2 100 000
Fines	406 350	-	-	-	-	406 350
	2 506 350	-	-	-	-	2 506 350
Total	63 098 419	5 290 041	1 804 732	1 674 825	1 589 422	52 739 399

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.

Setsotho Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand		2024	2023
5. Inventories			
Consumables		3 010 875	3 558 123
Water	5.1	214 374	92 286
Total Inventories		3 225 249	3 650 409

R 3 225 249 (2023: R 3 650 409) of total inventory was carried at fair value less cost to sell.

5.1 Water

Opening balance	92 286	112 622
System input volume	122 088	(20 336)
Closing balance	214 374	92 286

5.2 Inventory pledged as security

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

6. Value-added-tax receivable

VAT Receivable / (Payable)	84 399 944	83 406 558
The value-added-tax receivable consists of:		
Receivables from exchange transactions	173 323 317	208 491 273
Payables from exchange transactions	(91 594 503)	(132 782 869)
Statutory receivables	2 671 130	7 698 154
	84 399 944	83 406 558

*The prior year comparatives have been restated, please refer to note 54 for more detailed information.

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

Control, clearing and interface accounts	324 473	329 202
Deposits and sundry receivable	3 968 525	9 382 024
Total	4 292 998	9 711 226
Deposits and sundry receivable consist of:		
Infrastructure project	-	5 729 021
Fuel deposits	250 000	250 000
Eskom deposits	3 491 855	3 214 003
Sundry debtor	226 670	189 000
	3 968 525	9 382 024

Setso Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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8. Other financial assets

8.1 Carrying value of investments

2024

	Fair value	Amortised cost	Total
Carrying value as at 30 June 2024			
Guaranteed endowment policies (sinking)	-	887 521	887 521
Listed/unlisted bonds and stocks	3 070 123	-	3 070 123
Negotiable certificate of deposits: Banks	-	765 689	765 689
Net investment	3 070 123	1 653 210	4 723 333
Total	3 070 123	1 653 210	4 723 333

2023

	Fair value	Amortised cost	Total
Carrying value as at 30 June 2023			
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
Net investment	2 504 626	1 455 350	3 959 976
Total	2 504 626	1 455 350	3 959 976

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.

Setso Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
8. Other financial assets (continued)		
Level 1		
Sanlam	1 166 138	840 882
As at 30 June 2024, the Sanlam share value was: R80.92 (2023: R58.35).		
Level 3		
OVK	1 903 985	1 663 744
Total listed/unlisted bonds and stocks	3 070 123	2 504 626
As at 30 June 2024 the OVK share value was as follows:		
OVK holdings: R20.50 (2023: R18.00)		
OVK operations: R24.25 (2023: R21.10)		
Financial assets at amortised cost		
Class 1		
Sanlam negotiable certificate of deposit	765 689	688 621
Sanlam endowment policies	887 521	766 730
	1 653 210	1 455 351
9. Investment property		
9.1 Reconciliation of carrying value		
Opening carrying value		
Cost	113 113 963	113 353 963
Accumulated depreciation and impairment losses	(44 226 452)	(37 419 970)
	68 887 511	75 933 993
Depreciation	34 (918 152)	(6 806 482)
Carrying value of disposals / transfers		
Cost	(3 726 927)	(240 000)
Accumulated depreciation and impairment losses	2 808 729	-
	(918 198)	(240 000)
Impairment loss / reversal of impairment loss	34 4 840 149	-
Closing carrying value	71 891 310	68 887 511
Summary		
Cost	109 387 036	113 113 963
Accumulated depreciation and impairment losses	(37 495 726)	(44 226 452)
	71 891 310	68 887 511

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 2024

Notes to the Annual Financial Statements

Figures in Rand

10. Property, plant and equipment

10.1 Reconciliation of carrying value

2024

	Land	Infrastructure assets	Community assets	Machinery and equipment	Transport assets	Other assets	Total
Opening carrying value at 01 July 2023							
Cost	52 200 480	4 995 240 017	417 178 083	3 893 445	57 333 489	15 795 168	5 541 640 682
Work-in-progress	-	248 640 447	-	-	-	-	248 640 447
Accumulated depreciation	-	(2 985 114 080)	(193 114 699)	(3 321 959)	(39 942 209)	(12 825 949)	(3 234 318 896)
Accumulated impairment losses	-	(67 555 482)	(28 567 657)	-	(547 294)	-	(96 670 433)
	52 200 480	2 191 210 902	195 495 727	571 486	16 843 986	2 969 219	2 459 291 800
Additions from acquisitions	-	108 033 351	-	1 195 559	17 051 644	1 223 115	127 503 669
Capitalised costs (including work-in-progress)	-	207 323 719	179 741	-	-	-	207 503 460
Transfers – Construction work-in-progress	-	(102 718 489)	-	-	-	-	(102 718 489)
Decommissioning and restoration	-	3 165 564	-	-	-	-	3 165 564
Depreciation	34	(125 739 297)	(14 130 047)	(223 271)	(1 573 946)	(720 958)	(142 387 519)
	-	90 064 848	(13 950 306)	972 288	15 477 698	502 157	93 066 685
Carrying value of disposals							
Cost – disposals	-	(51 657 660)	(19 819 794)	(166 987)	(54 305)	(317 204)	(72 015 950)
Accumulated depreciation – disposals	-	25 535 709	10 244 787	146 439	54 144	290 677	36 271 756
Impairment losses – disposals/transfers	-	1 796 278	739 344	-	130	-	2 535 752
	-	(24 325 673)	(8 835 663)	(20 548)	(31)	(26 527)	(33 208 442)
Impairment loss / reversal of impairment loss	-	(21 164 053)	4 790 159	(5 022)	(1 211 074)	(50 840)	(17 640 830)
Closing carrying value at 30 June 2024	52 200 480	2 235 786 024	177 499 917	1 518 204	31 110 579	3 394 009	2 501 509 213

Setsoto Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand

10. Property, plant and equipment (continued)

Cost	52 200 480	5 054 781 272	397 358 289	4 922 017	74 330 828	16 701 079	5 600 293 965
Cost – Construction work-in-progress	-	353 245 677	179 741	-	-	-	353 425 418
Accumulated depreciation	-	(3 085 317 668)	(196 999 959)	(3 398 791)	(41 462 011)	(13 256 230)	(3 340 434 659)
Accumulated impairment losses	-	(86 923 257)	(23 038 154)	(5 022)	(1 758 238)	(50 840)	(111 775 511)
Closing carrying value at 30 June 2024	52 200 480	2 235 786 024	177 499 917	1 518 204	31 110 579	3 394 009	2 501 509 213

Setso Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand

10. Property, plant and equipment (continued)

2023

	Land	Infrastructure assets	Community assets	Machinery and equipment	Transport assets	Other assets	Total
Opening carrying value at 01 July 2022							
Cost	52 200 480	4 841 901 709	423 139 010	4 033 849	54 700 157	14 848 997	5 390 824 202
Work-in-progress	-	241 705 442	-	-	-	-	241 705 442
Accumulated depreciation	-	(2 830 658 625)	(177 176 777)	(3 239 028)	(39 410 619)	(12 284 590)	(3 062 769 639)
Accumulated impairment losses	-	(49 949 709)	(24 512 510)	-	(276 874)	-	(74 739 093)
	52 200 480	2 202 998 817	221 449 723	794 821	15 012 664	2 564 407	2 495 020 912
Additions from acquisitions	-	167 182 339	-	39 187	4 334 912	1 362 678	172 919 116
Additions from transfer	-	-	-	68 738	-	-	68 738
Capitalised costs (including work-in-progress)	-	172 610 825	-	-	-	-	172 610 825
Transfers – Construction work-in-progress	-	(165 675 817)	-	-	-	-	(165 675 817)
Decommissioning and restoration	-	(6 853 769)	-	-	-	-	(6 853 769)
Depreciation	34	(158 296 110)	(20 267 139)	(249 557)	(2 084 795)	(909 139)	(181 806 740)
	-	8 967 468	(20 267 139)	(141 632)	2 250 117	453 539	(8 737 647)
Carrying value of disposals / transfers							
Cost – disposals	-	(6 990 260)	(5 960 927)	(248 329)	(1 701 580)	(416 507)	(15 317 603)
Accumulated depreciation – disposals	-	3 840 654	4 329 217	166 626	1 553 203	367 780	10 257 480
	-	(3 149 606)	(1 631 710)	(81 703)	(148 377)	(48 727)	(5 060 123)
Impairment loss / reversal of impairment loss	-	(17 605 774)	(4 055 147)	-	(270 420)	-	(21 931 341)
Closing carrying value as at 30 June 2023	52 200 480	2 191 210 905	195 495 727	571 486	16 843 984	2 969 219	2 459 291 801
Cost	52 200 480	4 995 240 019	417 178 083	3 893 445	57 333 489	15 795 168	5 541 640 684
Cost – Construction work-in-progress	-	248 640 450	-	-	-	-	248 640 450
Accumulated depreciation	-	(2 985 114 081)	(193 114 699)	(3 321 959)	(39 942 211)	(12 825 949)	(3 234 318 899)
Accumulated impairment losses	-	(67 555 483)	(28 567 657)	-	(547 294)	-	(96 670 434)
Closing carrying value as at 30 June 2023	52 200 480	2 191 210 905	195 495 727	571 486	16 843 984	2 969 219	2 459 291 801

Setsoto Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand

10. Property, plant and equipment (continued)

*The prior year comparatives have been restated due to mSOA changes, leased assets are no longer shown separately in the disclosure note and machinery and equipment is shown separately in the disclosure note. This only affects the disclosure note per line item.

The remaining useful lives of all assets were adjusted during 2024, and was treated as a change in accounting estimate (refer to note 46). 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 30 365 638 (2023 Decrease: R 15 723 923). Please refer to note 46.

Setso Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
10. Property, plant and equipment (continued)		
10.3 Property, plant and equipment under construction		
Carrying value of property, plant and equipment that is taking a significantly longer than expected period of time to complete:		
Ficksburg / Meqheleng Rehabilitation of 1.5km Surfaced Roads and Storm Water Drainage The project was on track for completion at 90% progress in October 2020 when the town was hit by a chain of heavy rains and storms (from November 2020 to February 2021) which wreaked havoc to the completed works where the road surface was completely undone especially in Bloem Street. The contractor, a result, was not able to remedy the works or claim from the insurance and struggled with cash flow to complete the project and later abandoned site. The municipality in turn terminated the contract and used the balance of the funds to complete portions of the project internally.	4 792 645	6 550 846
Upgrading of the Van Soelen Outfall sewer pipeline and related works in Meqheleng (Phase 2) The project stalled due to dispute between the contractor and the consultant and further by non-compliance of Professional Service Providers. The municipality has implemented the dispute resolution according to the General Conditions of Contracts (GCC 2015). The contractor is back on site.	20 891 117	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 two 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. The project was completed during the 2023/2024 financial year.	-	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.	64 425 419	64 672 067
Repair of Dam Wall Laaispruit, Marquard (Turnkey) The contractors performance was not satisfactory and therefore terminated. While in the process of appointing a new contractor, a storm damaged the wall further which then required new designs and specifications. The Tender is at BEC stage.	1 837 525	950 767 *
Installation of the Internal Water and Sewer Reticulation Network in Senekal/ Matwabeng. The MOU between the Municipality and DWS expired and the project was on hold until the MOU was renewed.	28 975 519	-
	181 649 660	155 752 881

*Prior year disclosure amount corrected.

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Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
10. Property, plant and equipment (continued)		
10.4 Property, plant and equipment pledged as security		
2024		
	Transport assets	Total
Carrying value of property, plant and equipment as security	12 819 597	12 819 597
2023		
	Transport assets	Total
Carrying value of property, plant and equipment as security	5 473 081	5 473 081

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Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand

10. Property, plant and equipment (continued)

10.5 Maintenance of property, plant and equipment

2024

The following maintenance costs were incurred:

	Community assets	Other assets	Total
Maintenance	327 212	15 165 243	15 492 455

2023

The following maintenance costs were incurred:

	Community assets	Other assets	Total
Maintenance	372 414	7 758 811	8 131 225

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Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand		2024	2023	
11. Heritage assets				
11.1 Reconciliation of carrying value				
2024				
		Historical buildings	Municipal jewellery	Total
Opening carrying value as at 01 July 2023				
Cost		11 220 550	879 150	12 099 700
Impairment loss / reversal of impairment losses	34	(5 050)	-	(5 050)
Closing carrying value as at 30 June 2024		11 215 500	879 150	12 094 650
Summary				
Cost		11 220 550	879 150	12 099 700
Accumulated impairment losses		(5 050)	-	(5 050)
		11 215 500	879 150	12 094 650
2023				
		Historical buildings	Municipal jewellery	Total
Opening carrying value as at 01 July 2022				
Cost		11 220 550	879 150	12 099 700
Summary				
Cost		11 220 550	879 150	12 099 700

Setso Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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12. Intangible assets

12.1 Reconciliation of carrying value

2024

	Computer software	Total
Opening carrying value as at 01 July 2023		
Cost	4 433 321	4 433 321
Accumulated depreciation and impairment	(4 299 871)	(4 299 871)
	133 450	133 450
Amortisation	(38 250)	(38 250)
Closing carrying value as at 30 June 2024	95 200	95 200

Summary

Cost	4 433 321	4 433 321
Accumulated amortisation and impairment	(4 338 121)	(4 338 121)
	95 200	95 200

2023

	Computer software	Total
Opening carrying value as at 01 July 2022		
Cost	4 247 016	4 247 016
Accumulated depreciation and impairment	(4 073 887)	(4 073 887)
	173 129	173 129
Additions from acquisitions	186 305	186 305
Amortisation	(225 984)	(225 984)
	(39 679)	(39 679)
Closing carrying value as at 30 June 2023	133 450	133 450

Summary

Cost	4 433 321	4 433 321
Accumulated amortisation and impairment	(4 299 871)	(4 299 871)
	133 450	133 450

Setso Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand		2024	2023
13. Financial liabilities			
Annuity loans		445 218	1 265 103
Finance lease liabilities	13.1	14 602 147	-
Sub-total		15 047 365	1 265 103
Less: Transferred to current liabilities		(2 709 387)	(398 412)
Total non-current liabilities		12 337 978	866 691

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

13.1 Obligation under finance leases

The municipality as lessee

The obligations under finance leases are as follow:

Minimum lease payments

Payable within 1 year	3 636 648	-
Payable within 2 to 5 years	15 134 729	-
Total minimum lease payments	18 771 377	-
Less: Future finance charges	(4 169 230)	-
Total	14 602 147	-
Present value of minimum lease payments		
Payable within 1 year	2 264 169	-
Payable within 2 to 5 years	12 337 978	-
Total	14 602 147	-
Current liability	2 264 169	-
Non-current liability	12 337 978	-

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

It is the municipality's policy to lease certain vehicles and equipment under finance leases.

The average lease term was 5 years and the average effective borrowing rate was 10.51%.

Interest rates are fixed at the contract date. All leases have fixed repayments.

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

14. Consumer deposits

Electricity	2 741 898	2 758 896
Rental properties	263 009	266 232
Water	185 271	160 970
Total	3 190 178	3 186 098

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 2024

Notes to the Annual Financial Statements

Figures in Rand		2024	2023
15. Payables from exchange transactions			
Bulk purchases	15.1	12 749 636	17 982 156
Contractors	15.2	22 000 859	12 555 226
Control and clearing accounts	15.3	6 022 611	10 456 226
Employee benefits	15.4	31 732 145	30 830 332
Other payables	15.5	54 097 025	29 923 824
Statutory payables	15.6	4 133 609	3 581 692
Total		130 735 885	105 329 456
Current		130 735 885	105 329 456
15.1 Bulk purchases			
Bulk electricity		12 749 636	17 982 156
15.2 Contractors			
Retentions		22 000 859	12 555 226
15.3 Control and clearing accounts			
Medical aid control		-	2 462 162
Pension control		3 033 603	2 829 699
Prepaid electricity		2 421 397	2 452 020
Salary control		349 429	2 498 649
UIF control		218 182	213 696
Total		6 022 611	10 456 226
15.4 Employee benefits			
Bonus - 13th Cheque		5 275 798	4 930 890
Leave accrual		26 456 347	25 899 442
Total		31 732 145	30 830 332
15.5 Other payables			
Auditor-General of South Africa		89 549	1 977
Payables and accruals		42 346 982	15 941 335
Unallocated deposits		902 037	3 957 666
Payments received in advance - consumer deposits		10 758 457	10 022 846
Total		54 097 025	29 923 824
15.6 Statutory payables			
Compensation commission (COLD)		1 613 189	1 487 109
PAYE deductions		2 520 420	2 094 583
Total		4 133 609	3 581 692

Setsoto Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand

16. Unspent grants

		2024					2023				
		Opening balance	Funds received	Transfer to revenue	Repayment unspent grants	Closing balance	Opening balance	Funds received	Transfer to revenue	Repayment unspent grants	Closing balance
Capital											
Monetary Allocations	16.1	49 002 540	216 757 716	(209 219 269)	(26 522 720)	30 018 267	83 261 152	226 487 133	(208 903 745)	(51 842 000)	49 002 540
Operational											
Monetary Allocations	16.2	-	4 357 297	(4 357 297)	-	-	-	4 689 997	(4 689 997)	-	-
Total		49 002 540	221 115 013	(213 576 566)	(26 522 720)	30 018 267	83 261 152	231 177 130	(213 593 742)	(51 842 000)	49 002 540

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Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand

16. Unspent grants (continued)

16.1 Unspent capital monetary allocations

	2024					2023				
	Opening balance	Funds received	Transfer to revenue	Repayment unspent grants	Closing balance	Opening balance	Funds received	Transfer to revenue	Repayment unspent grants	Closing balance
National Government										
Municipal Infrastructure Grant	-	52 278 000	(45 094 598)	-	7 183 402	14 602 878	53 700 000	(62 602 878)	(5 700 000)	-
Regional Bulk Infrastructure Grant (Includes RBIG COVID)	33 074 233	115 000 000	(115 000 000)	(19 573 673)	13 500 560	59 679 014	150 000 000	(130 462 781)	(46 142 000)	33 074 233
Water Services Infrastructure Grant (Includes WSIG6B)	6 949 047	49 479 716	(49 124 671)	(6 949 047)	355 045	-	22 787 133	(15 838 086)	-	6 949 047
Total	40 023 280	216 757 716	(209 219 269)	(26 522 720)	21 039 007	74 281 892	226 487 133	(208 903 745)	(51 842 000)	40 023 280
Provincial Government										
Free State	8 979 260	-	-	-	8 979 260	8 979 260	-	-	-	8 979 260
Total unspent capital monetary allocations	49 002 540	216 757 716	(209 219 269)	(26 522 720)	30 018 267	83 261 152	226 487 133	(208 903 745)	(51 842 000)	49 002 540

Setso Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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16. Unspent grants (continued)

16.2 Unspent operational monetary allocations

	2024		2023	
	Funds received	Transfer to revenue	Funds received	Transfer to revenue
Departmental Agencies and Accounts				
National departmental agencies - SETA	407 297	(407 297)	301 997	(301 997)
National Government				
Expanded Public Works Programme Integrated Grant	1 750 000	(1 750 000)	2 188 000	(2 188 000)
Local Government Financial Management Grant	2 200 000	(2 200 000)	2 200 000	(2 200 000)
Total	3 950 000	(3 950 000)	4 388 000	(4 388 000)
Total unspent operational monetary allocations	4 357 297	(4 357 297)	4 689 997	(4 689 997)

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 2024

Notes to the Annual Financial Statements

Figures in Rand		2024	2023
17. Provisions and other employee liabilities			
Landfill Sites	17.1	34 733 877	28 324 806
Employee benefits : Long-service awards	17.2	14 687 353	13 612 558
Total		49 421 230	41 937 364
Current		1 559 102	1 793 988
Non-current		47 862 128	40 143 376
17.1 Landfill Sites			
Opening Balance		28 324 805	32 529 536
Increases (Passage of Time/Discounted Rate)		3 243 508	2 649 039
Change in provision		3 165 564	(6 853 769)
Closing balance		34 733 877	28 324 806
Non-current		34 733 877	28 324 806

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 10.30% (2023: 10.32%)
- Inflation rate 5.1% (2023: 5.4%)

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

- Ficksburg - 8 years (2023: 9 years)
- Senekal - 7 years (2023: 9 years)
- Marquard - 1 year (2023: 1 year)
- Clocolan - 1 year (2023: 1 year)

The total landfill site area per site is as follows:

- Ficksburg - 60 000 m2
- Senekal - 60 000 m2
- Clocolan - 143 000 m2
- Marquard - 68 000 m2

Rehabilitation cost per location

Location	Proposed rehabilitation date	Post closure monitoring date		
Ficksburg	2032/2033	2062/2063	3 374 560	2 396 519
Senekal	2031/2032	2062/2063	3 133 796	2 328 010
Clocolan	2024/2025	2055/2056	19 023 773	15 619 704
Marquard	2024/2025	2055/2056	9 201 748	7 980 573
			34 733 877	28 324 806

Setso Local Municipality

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Figures in Rand	2024	2023
17. Provisions and other employee liabilities (continued)		
17.2 Employee benefits : Long-service awards		
Long-service awards	17.2.1 14 687 353	13 612 558
Current	1 559 102	1 793 988
Non-current	13 128 251	11 818 570
17.2.1 Long-service awards		
Opening Balance	13 612 558	14 161 144
Service cost	(487 233)	(186 813)
Net interest expense	1 331 320	1 435 541
Remeasurements	230 708	(1 797 314)
Total	14 687 353	13 612 558
Current	1 559 102	1 793 988
Non-current	13 128 251	11 818 570
Net benefit expense		
Current service cost	1 188 320	1 280 208
Interest	1 331 320	1 435 541
Actuarial (gain) / loss	230 708	(1 797 314)
	2 750 348	918 435

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.

Analysis of actuarial (gain) / loss for the period:

Financial assumptions:

Change in discount rate	(229 363)	(687 100)
Salary changes	261 823	(297 075)

Demographic assumptions:

Staff changes	(187 477)	(273 789)
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Experience:

Miscellaneous	385 725	(539 350)
	230 708	(1 797 314)

Setsotho Local Municipality

Annual Financial Statements for the year ended 30 June 2024

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17. Provisions and other employee liabilities (continued)

Membership data

Number of current employees	610	621
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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	10.28 %	10.47 %
CPI (Consumer price inflation)	4.77 %	5.26 %
Normal salary increase rate	5.77 %	6.26 %
Net effective discount rate	4.26 %	3.96 %

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 2023 the duration of liabilities was 5.61 years. At this duration the discount rate determined by using the Bond Exchange Zero Coupon Yield Curve as at 30 June 2024 is 10.28% per annum, and the yield on inflation-linked bonds of a similar term was about 4.78% per annum. This implies an underlying expectation of inflation of 4.77% per annum $([1 + 10.28\% - 0.5\%] / [1 + 4.78\%] - 1)$.

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. 5.77% 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 4.26% per annum $([1 + 10.28\%] / [1 + 5.77\%] - 1)$ was assumed.

Demographic Assumptions:

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

Setso Local Municipality

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17. 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:

	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.

Sensitivity analysis

Salary increase rate:

The valuation bases assume that the salary inflation rate will be 4.26% 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 2024 Valuation basis R's	1% Increase R's	Decrease % change	Increase % change
Employer's accrued liability	13 912 040	14 687 353	15 516 657		
Employer's current service cost	1 179 290	1 251 077	1 326 875	(5.74)%	6.06 %
Employer's interest cost	1 350 020	1 429 722	1 514 974	(5.57)%	5.96 %

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 2024 Valuation basis R's	SA85-90-2 R's	% Change
Employer's accrued liability	14 687 353	14 737 445	
Employer's current service cost	1 251 077	1 254 270	0.26 %
Employer's expense cost	1 429 722	1 434 872	0.36 %

Setso Local Municipality

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17. Provisions and other employee liabilities (continued)

Discount rate:

The table that follows shows the impact of a change in the discount rate assumption. The effect of a 1% increase and decrease in the discount rates is as follows:

	1% Decrease R's	30 June 2024 Valuation basis R's.	1% Increase R's	Decrease % change	Increase % change
Employer's accrued liability	15 488 740	14 687 353	13 948 696		
Employer's current service cost	1 324 287	1 251 077	1 182 635	5.85 %	(5.47)%
Employer's interest cost	1 512 105	1 429 722	1 353 788	5.76 %	(5.31)%

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

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17. 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.

Setso Local Municipality

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Figures in Rand		2024	2023
18. Post-retirement health care benefit liability			
Post-retirement medical aid liability	18.1	53 065 308	57 041 403
Current liabilities		1 978 951	1 945 626
Non-current liabilities		51 086 357	55 095 777
18.1 Post-retirement medical aid liability			
The post-retirement medical aid liability makes provision for post-retirement benefits to eligible councillors and employees.			
Post-employment medical benefits liability			
Present value of defined benefit obligation	18.1.1	53 065 308	57 041 403
18.1.1 Reconciliation of present value of the defined benefit obligations			
		Post-employment medical benefits	Total
Defined benefit obligation at 01 July 2022		59 496 196	59 496 196
Net interest expense		7 666 024	7 666 024
Service cost		1 114 562	1 114 562
Remeasurements		(11 235 379)	(11 235 379)
Defined benefit obligation at 30 June 2023		57 041 403	57 041 403
Opening balance at 01 July 2023		57 041 403	57 041 403
Net interest expense		7 131 925	7 131 925
Service cost		660 520	660 520
Remeasurements		(11 768 540)	(11 768 540)
Defined benefit obligation at 30 June 2024		53 065 308	53 065 308

Setso Local Municipality

Annual Financial Statements for the year ended 30 June 2024

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Figures in Rand	2024	2023
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18. Post-retirement health care benefit liability (continued)

18.1.2 Net benefit expense

	Post-employment medical benefits	Total
For the year ended 30 June 2023		
Current service cost	2 726 696	2 726 696
Interest cost on benefit obligation	7 666 024	7 666 024
Actuarial gains / losses recognised	(11 235 379)	(11 235 379)
Total expense recognised in the statement of financial performance	(842 659)	(842 659)
For the year ended 30 June 2024		
Current service cost	2 508 547	2 508 547
Interest cost on benefit obligation	7 131 925	7 131 925
Actuarial gains / losses recognised	(11 768 540)	(11 768 540)
Total expense recognised in the statement of financial performance	(2 128 068)	(2 128 068)

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	515	526
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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.

Setso Local Municipality

Annual Financial Statements for the year ended 30 June 2024

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18. Post-retirement health care benefit liability (continued)

18.1.3 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	12.69 %	12.72 %
Consumer price inflation rate	6.67 %	6.78 %
Healthcare cost inflation rate	8.17 %	8.28 %
Net discount rate	4.18 %	4.10 %

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 2023 the duration of liabilities was 12.19 years. At this duration the discount rate determined by using the Bond Exchange Zero Coupon Yield Curve as at 30 June 2024 is 12.69% per annum, and the yield on inflation-linked bonds of a similar term was about 5.18% per annum. This implies an underlying expectation of inflation of 6.67% per annum ($[1 + 12.69\% - 0.5\%] / [1 + 5.18\%] - 1$).

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 2024	Average employer monthly contribution 30 June 2024
Active employees on medical aid	46.39	2 900
Active employees not on medical aid	47.20	1 716
Continuation pensioners	72.13	3 873

Health care cost inflation rate:

A health care cost inflation rate of 8.17% (2023: 8.28%) 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 4.18% per annum ($[1 + 12.69\%] / [1 + 8.17\%] - 1$). This year's valuation basis is, therefore, stronger than the previous year's basis from a discount rate perspective.

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Figures in Rand	2024	2023
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18. 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 an 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 65% 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.

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18. Post-retirement health care benefit liability (continued)

18.1.4 Sensitivity analysis

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

	Increase	Decrease
2023		
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
2024		
Effect on current service cost	2 626 531	1 804 561
Effect on current interest cost	7 566 126	5 762 267
Effect on the defined benefit obligation	60 673 805	46 446 785

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

	1% Decrease R's	30 June 2024 Valuation basis R's	1% Increase R's
Employer's accrued liability	60 291 024	53 065 308	46 521 913
Employer's service cost	2 586 046	2 170 885	1 821 708
Employer's interest cost	6 925 608	6 601 393	6 226 057

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 2024 Valuation basis R's	PA (90) - 1 R's
Employer's accrued liability	53 065 308	54 164 897
Employer's service cost	2 170 885	2 211 655
Employer's interest cost	6 601 393	6 740 905

Analysis of actuarial (gain) / loss for the period:

Financial assumptions:

Change in discount rate	(4 034 505)	(5 505 857)
Medical inflationary changes	(4 092 365)	(1 127 158)

Demographic assumptions:

Participant changes	(1 982 230)	(1 629 535)
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Experience:

Miscellaneous	(1 659 440)	(2 972 829)
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(11 768 540)	(11 235 379)
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18.1.5 Maturity analysis

Future year	Expected benefits payments
2025/06/30	2 362 526
2026/06/30	2 441 949
2027/06/30	2 603 331
2028/06/30	2 080 008
2029/06/30	3 283 493

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Figures in Rand	2024	2023
19. Property rates		
State	19 129 034	16 677 805
Privately owned properties	52 365 782	40 113 202
Total	71 494 816	56 791 007

Valuations as at 30 June 2024

Residential	2 752 855 000	2 327 068 100
Commercial	1 003 855 000	620 505 000
State	571 720 000	491 036 200
Municipal	1 058 039 000	876 097 700
Small holdings and farms	5 120 495 441	3 972 327 300
Churches	80 655 000	66 898 000
Total property valuations	10 587 619 441	8 353 932 300

Valuations on land and buildings are performed every 5 years. The last general valuation came into effect on 1 July 2023. 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 (2023: R0.02) is applied to property valuations to determine assessment rates of residential properties.

A general rate of R0.04 (2023: R0.04) is applied to property valuations to determine assessment rates of business properties.

Rebates of 44% (2023: 41%) are granted to the residential and state property owners and on farm properties 55% (2023: 52%).

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	82 107 735	68 402 359
Less: Income forgone	(10 612 919)	(11 611 352)
	71 494 816	56 791 007

20. Services charges

Electricity

Exchange – Consumption	103 638 778	89 772 801
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Water

Exchange – Consumption	79 309 309	64 207 342
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Waste water management

Exchange – Consumption	35 569 353	31 374 473
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Waste management

Exchange – Consumption	46 379 604	40 423 583
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Total	264 897 044	225 778 199
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Figures in Rand	2024	2023
20. Services charges (continued)		
Exchange	264 897 044	225 778 199
Electricity		
Consumption	103 638 778	89 772 819
Less: Income forgone	-	(18)
	103 638 778	89 772 801
Water		
Consumption	87 785 982	75 110 761
Less: Income forgone	(8 476 673)	(10 903 419)
	79 309 309	64 207 342
Waste water management		
Consumption	41 916 241	39 627 751
Less: Income forgone	(6 346 888)	(8 253 278)
	35 569 353	31 374 473
Waste management		
Consumption	55 187 803	51 787 594
Less: Income forgone	(8 808 199)	(11 364 011)
	46 379 604	40 423 583
21. Availability charges		
Electricity		
Availability charges	319 572	320 275
Water management		
Availability charges	702 411	644 970
Waste water management		
Availability charges	442 871	415 067
Total	1 464 854	1 380 312
Non-exchange	1 464 854	1 380 312
22. Sales of goods and rendering of services		
Building Plan Approval	246 201	440 692
Camping Fees	9 380	10 190
Cemetery and Burial	993 525	906 690
Clearance Certificates	106 710	148 143
Encroachment Fees	553	-
Entrance Fees	1 326	-
Escort Fees	56 696	77 548
Photo copies, Faxes and Telephone charges	845	695
Sale of Goods	510 281	961 421
Scrap, Waste & Other Goods	129	-
Town Planning and Servitudes	11 730	9 149
Total	1 937 376	2 554 528

Setso Local Municipality

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Figures in Rand	2024	2023
23. Rental from facilities and equipment		
Rental of facilities and equipment	106 811	89 650
Rental of premises	1 685 655	1 878 905
Total	1 792 466	1 968 555
24. Interests on investments		
Interest earned on cash and bank	977 464	515 179
Interest on eskom deposit	228 802	129 306
Interest earned on short-term investments	11 387 550	8 952 286
Total	12 593 816	9 596 771
25. Interest earned from receivables		
Exchange receivables	25.1 50 952 393	43 165 631
Non-exchange receivables	25.2 6 929 480	5 865 942
Total	57 881 873	49 031 573
25.1 Interest earned from exchange receivables		
Consumer receivables		
Service charges	50 952 393	43 165 631
25.2 Interest earned from non-exchange receivables		
Consumer receivables		
Property rates and availability charges	6 929 480	5 865 942
26. Dividends		
External investment	80 975	76 713

Setsoto Local Municipality

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Figures in Rand		2024	2023
27. Fines, penalties and forfeits			
Fines	27.1	851 850	644 450
27.1 Fines			
Traffic fines			
Court fines		850 850	640 750
Other fines			
Pound fees		1 000	3 700
Total		851 850	644 450
28. Licences or permits			
Non-exchange revenue	28.1	89 843	27 256
28.1 Licenses and permits - Non-exchange revenue			
Trading		89 843	27 256

Setso Local Municipality

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Figures in Rand	2024	2023
29. Transfers and subsidies - Revenue		
Operational		
Monetary allocations	255 844 017	239 155 998
Capital		
Allocations in-kind : Donated assets	-	68 738
Monetary allocations	209 219 269	208 903 745
Total transfers and subsidies: Capital	209 219 269	208 972 483
Total	465 063 286	448 128 481
Monetary allocations: Operational		
Equitable Share	251 486 720	234 466 001
Expanded Public Works Programme Integrated Grant	1 750 000	2 188 000
Local Government Financial Management Grant	2 200 000	2 200 000
Local Government, Water and Related Service SETA	407 297	301 997
	255 844 017	239 155 998
Monetary allocations: Capital		
Municipal Infrastructure Grant	45 094 598	62 602 878
Water Services Infrastructure Grant (WSIG & WSIG 6B)	49 124 671	15 838 086
Regional Bulk Infrastructure Grant	115 000 000	130 462 781
	209 219 269	208 903 745
Equitable share		
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.		
All registered indigents received a monthly subsidy of R886 (2023: R552), which is funded from the grant.		
An amount of R26 523 000 was withheld from the equitable share.		
Expanded Public Works Programme Integrated Grant		
Current year receipts	1 750 000	2 188 000
Conditions met - transferred to revenue	(1 750 000)	(2 188 000)
	-	-
The grant is used for job creation projects in previous disadvantage areas.		
Local Government Financial Management Grant		
Current year receipts	2 200 000	2 200 000
Conditions met - transferred to revenue	(2 200 000)	(2 200 000)
	-	-

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).

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Notes to the Annual Financial Statements

Figures in Rand	2024	2023
29. Transfers and subsidies - Revenue (continued)		
Local Government, Water and Related Service SETA		
Current year receipts	407 297	301 997
Conditions met - transferred to revenue	(407 297)	(301 997)
	-	-

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	52 278 000	53 700 000
Conditions met - transferred to revenue	(45 094 598)	(62 602 878)
Roll over withheld	-	(5 700 000)
	7 183 402	-

Conditions still to be met - remain liabilities (see note 16).

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	6 949 047	-
Current year receipts	14 173 000	15 301 000
Conditions met - transferred to revenue	(14 173 000)	(8 351 953)
Roll-over withheld	(6 949 047)	-
	-	6 949 047

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 16).

Regional Bulk Infrastructure Grant

Balance unspent at the beginning of year	19 573 673	46 178 454
Current year receipts	115 000 000	150 000 000
Conditions met - transferred to revenue	(115 000 000)	(130 462 781)
Roll-over withheld	(19 573 673)	(46 142 000)
	-	19 573 673

Conditions still to be met - remaining liabilities (see note 16).

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

Setsoto Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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29. Transfers and subsidies - Revenue (continued)

Regional Bulk Infrastructure Grant - COVID

Balance unspent at the beginning of year	13 500 560	13 500 560
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Conditions still to be met - remaining liabilities (see note 16).

Water Services Infrastructure Grant - 6B

Current year receipts	35 306 716	7 486 133
Conditions met - transferred to revenue	(34 951 671)	(7 486 133)
	355 045	-

Conditions still to be met - remaining liabilities (see note 16).

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 16).

Setso Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand		2024	2023
30. Operational revenue			
Sundry income		1 901 019	7 040 758
Commission		470 808	297 400
Incidental cash surpluses		-	1 160
Insurance refund		21 063	301 819
Total		2 392 890	7 641 137
31. Fair value adjustments and gain/(loss) on disposal of fixed and intangible assets			
Gains/(losses) on disposals	31.1	(33 884 291)	(4 450 385)
Fair value adjustment	31.2	565 497	286 696
Total		(33 318 794)	(4 163 689)
31.1 Gains/(losses) on disposals			
Investment property		(918 199)	(240 000)
Property, plant and equipment		(32 966 092)	(4 210 385)
Total		(33 884 291)	(4 450 385)
31.2 Fair value adjustment			
Investments		565 497	286 696
32. Employee related cost			
Senior management	32.1	5 592 751	6 164 100
Municipal staff	32.2	232 910 737	214 221 311
Total		238 503 488	220 385 411

Setsoto Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand

32. Employee related cost (continued)

32.1 Senior management costs

2024

	Municipal manager - Mrs FN Malatjie	Chief financial officer - Mr NL Moletsane	Director: Technical Services - Mr DT Marotholi	Director: Corporate Services - Mr TP Motsima	Total
Basic salary	1 053 490	1 064 650	1 137 874	912 852	4 168 866
Bonuses	-	38 779	-	46 726	85 505
Service-related benefits	-	-	38 253	89 256	127 509
Allowances	548 124	174 113	174 113	306 021	1 202 371
Unemployment insurance	2 125	2 125	2 125	2 125	8 500
	1 603 739	1 279 667	1 352 365	1 356 980	5 592 751

During the year the following personnel acted as Director DPSS:

- Mr ME Fokane for the period July 2023 - Acting allowance of R33 378
- Mr DT Marotholi for the period August 2023 - October 2023 - Acting allowance of R38 253
- Mr TP Motsima for the period November 2023 - April 2024 and June 2024 - Acting allowance of R89 256

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 2024/25 financial year.

Setsoto Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand

32. Employee related cost (continued)

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
	1 162 591	1 344 881	1 273 443	1 387 466	995 719	6 164 100

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.

Setsotho Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2024	2023
32. Employee related cost (continued)		
32.2 Municipal staff costs		
Basic salary	138 315 702	127 929 889
Bonuses	11 438 745	10 526 501
Service-related benefits	20 595 510	18 808 944
Allowances	17 117 744	15 371 390
Bargaining council	82 893	78 939
Group life insurance	1 209 047	935 483
Medical	17 633 468	16 330 658
Pension	24 589 118	22 894 089
Contribution to provision for post-retirement benefit: Medical	(2 128 068)	(842 659)
Contribution to provision post-retirement benefit: Long service	2 750 348	918 434
Unemployment insurance	1 306 230	1 269 643
Total	232 910 737	214 221 311
Service-related benefits consist of:		
Overtime payments	14 699 163	13 415 446
Leave pay charge	2 546 373	1 845 169
Acting allowances	3 349 974	3 548 329
	20 595 510	18 808 944
Allowances consist of:		
Travel allowance	15 285 945	13 587 129
Housing benefits and allowances	1 222 915	1 235 297
Telephone allowance	608 884	548 964
	17 117 744	15 371 390
Contribution to provision post-retirement benefit : Medical consists of:		
Service cost	2 508 547	2 726 696
Actuarial (gain) / loss	(11 768 540)	(11 235 379)
Interest cost	7 131 925	7 666 024
	(2 128 068)	(842 659)
Contribution to provision post-retirement benefit : Long service consists of:		
Service cost	1 188 320	1 280 208
Actuarial (gain) / loss	230 708	(1 797 314)
Interest cost	1 331 320	1 435 541
	2 750 348	918 435

Setso Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand		2024	2023
33. Remuneration of councillors			
Executive Mayor/Mayor	33.1	1 003 681	946 769
Speaker	33.2	812 877	774 716
Executive committee	33.3	3 825 823	3 612 610
All other councillors	33.4	9 098 495	8 737 943
Total		14 740 876	14 072 038
33.1 Executive Mayor/Mayor			
Allowances and service related benefits			
Basic salary		715 555	676 935
Cell phone allowance		49 608	44 400
Travelling allowance		238 518	225 434
		1 003 681	946 769
33.2 Speaker			
Allowances and service related benefits			
Basic salary		572 445	547 879
Cell phone allowance		49 608	44 000
Travelling allowance		190 824	182 837
		812 877	774 716
33.3 Executive committee			
Allowances and service related benefits			
Basic salary		2 683 337	2 545 165
Cell phone allowance		248 040	220 800
Travelling allowance		894 446	846 645
		3 825 823	3 612 610
33.4 All other councillors			
Allowances and service related benefits			
Basic salary		6 700 260	6 626 791
Cell phone allowance		1 274 923	1 125 787
Travelling allowance		1 123 312	985 365
		9 098 495	8 737 943

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.

Setsotho Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand		2024	2023
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34. Depreciation, amortisation and impairment

Amortisation

Intangible assets	12.1	38 250	225 984
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Depreciation

Investment property	9.1	918 152	6 806 482
Property, plant and equipment	10.1	142 387 520	181 806 739

143 305 672 188 613 221

Impairment loss / (reversal) of impairment

Investment property	9.1	(4 840 149)	-
Property, plant and equipment	10.1	17 640 830	21 931 341
Heritage assets	11.1	5 050	-

12 805 731 21 931 341

Total

156 149 653 210 770 546

*Due to changes in mSCOA from 2023 to 2024, impairment of assets is now disclosed with depreciation and amortisation.

35. Debt impairment

Receivables from exchange transactions	3	22 913 582	17 314 595
Receivables from non-exchange transactions - property rates	4	4 327 805	1 657 212
Receivables from non-exchange transactions - availability charges	4	129 490	198 760
Fines	4	568 958	366 529

Total

27 939 835 19 537 096

*Due to changes in mSCOA from 2023 to 2024, impairment of assets is now disclosed with depreciation and amortisation.

36. Finance costs

Interest	36.1	3 565 516	3 397 412
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36.1 Interest cost

Financial liabilities

• Financial liabilities		121 835	207 489
		121 835	207 489

Finance leases

Unwinding of provision for landfill sites	17.1	3 243 508	2 649 039
Overdue accounts		200 173	506 206

3 443 681 3 189 923

Total

3 565 516 3 397 412

37. Bulk purchases

Electricity: Eskom		106 176 124	91 044 547
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38. Inventory consumed

Materials and supplies		16 004 265	9 368 483
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Setsotho Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand		2024	2023
39. Contracted services			
Consultants and professional services	39.1	17 301 834	18 639 617
Contractors	39.2	22 064 624	13 190 065
Outsourced services	39.3	1 780 572	1 075 587
Total		41 147 030	32 905 269
39.1 Consultants and professional services			
Business advisory services			
Accounting and auditing		5 903 398	6 355 993
Audit committee		402 133	346 599
Business and financial management		7 633 276	6 695 243
Valuer and assessors		274 978	1 902 481
Total business advisory services		14 213 785	15 300 316
Laboratory services			
Water		719 484	542 786
Legal services			
Collection		170 669	1 131 044
Legal advice and litigation		1 900 893	968 601
Total legal services		2 071 562	2 099 645
Infrastructure and planning services			
Town planner infrastructure and planning		297 003	696 870
Total consultants and professional services		17 301 834	18 639 617
39.2 Contractors			
General services			
Artists and performers		9 000	26 500
Electrical		677 889	614 540
Employee wellness		-	4 900
Plants, flowers and other decorations		77 700	42 500
Safeguard and security		5 843 566	4 194 806
Transportation		241 949	175 594
Total general services		6 850 104	5 058 840
Maintenance services			
Maintenance of buildings and facilities		327 212	372 414
Maintenance of equipment		105 467	265 173
Maintenance of unspecified assets		14 781 841	7 493 638
Total maintenance service		15 214 520	8 131 225
Total contractor		22 064 624	13 190 065

Setso Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2024	2023
39. Contracted services (continued)		
39.3 Outsourced services		
Business and advisory services		
Human Resources	39 941	44 735
General services		
Burial Services	68 141	94 322
Catering Services	465 469	417 755
Cleaning Services	4 600	7 200
Hygiene Services	562 605	11 130
Meter Management	101 456	98 172
Sewerage Services	209 865	266 725
Transport Services	328 495	135 548
Total general services	1 740 631	1 030 852
Total outsourced services	1 780 572	1 075 587
40. Operational costs		
Achievements and Awards	475	3 455
Advertising, Publicity and Marketing	1 022 901	736 011
Bank Charges, Facility and Card Fees	951 881	854 825
Bursaries (Employees)	184 243	127 441
Commission	1 330 190	1 885 309
Communication	1 311 448	1 469 130
Courier and Delivery Services	696	4 682
Entertainment	232 280	126 354
External Computer Service	6 296 666	5 037 979
Hire Charges	17 820 508	8 818 759
Insurance Underwriting	3 328 812	2 648 979
Licences	758 095	699 915
Printing, Publications and Books	494 338	354 522
Professional Bodies, Membership and Subscription	2 651 835	2 623 933
Registration and Training Fees	633 459	628 282
Remuneration to Ward Committees	2 054 000	2 065 530
Skills Development Fund Levy	2 117 315	1 960 434
Travel, Subsistence and Accommodation	1 583 658	1 575 136
Uniform and Protective Clothing	1 970 410	725 705
Wet Fuel	10 086 466	10 613 220
Workmen's Compensation Fund	1 771 564	1 251 036
Total	56 601 240	44 210 637
41. Operating leases		
Furniture and Office Equipment	-	355 935
Operating leases (as a lessee)		
Within one year	-	355 935

Setsotho Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
42. Net cash from/(used) operating activities		
Surplus for the year	36 835 411	71 626 738
Adjustments for:		
Depreciation and amortisation	143 343 922	188 839 205
Bad debts written off	149 479 854	81 641 763
Actuarial gains / losses	(11 537 832)	(13 032 692)
(Gains) / Losses on disposal of assets	33 884 291	4 450 385
Fair value adjustment	(565 497)	(286 696)
Finance costs - employee benefits	8 463 245	9 101 565
Finance costs - provisions	3 243 508	2 649 039
Impairment losses	40 745 566	41 468 437
Donated asset	-	(68 738)
Interest accrual	(151 126)	13 009
Employee benefit movement	173 285	927 749
Movement in working capital		
(Increase) / Decrease in receivables from non-exchange transactions	(12 097 853)	(9 155 367)
(Increase) / Decrease in inventory	425 160	(1 037 142)
(Increase) / Decrease in receivables from exchange transactions	(188 509 025)	(132 155 275)
(Increase) / Decrease in consumer deposits	4 080	(19 226)
(Increase) / Decrease in VAT receivable	755 774	(34 516 265)
Increase / (Decrease) in trade and other payables	25 406 429	(21 612 726)
Increase / (Decrease) in unspent conditional grants and receipts	(18 984 273)	(34 258 612)
Net cash flows from operating activities	210 914 919	154 575 151

Setsotho Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
43. Contingent liabilities		
MM. Masisi	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.		
IMATU obo F.Viljoen & M Marx	-	982 446
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 was concluded during the 2023/2024 financial year, no amount was payable.		
Linomtha	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. The matter is still pending.		
L. Mokoena	-	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.		
J. Smith	38 252	38 252
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, a third-party claim has been submitted to the Municipality's insurers for assessment. The matter is still pending.		

Setso Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
43. Contingent liabilities (continued)		
T. Lithakong	44 500	44 500
Damaged electrical appliances (AEG Double oven stove, AEG electric hob, HITACHI side by side double door fridge, Hisense dishwasher) due to 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, but likely to prescribe as the claimant has failed to provide information.		
Louis Fourie	13 496 359	13 496 359
Claim to fire damages, causing damage and destroying 80 000 rose trees. Weed guard (100) at a cost of R4 000 per unit. Gyro Gardener Greenhouse. 80 000 Mini Sprinklers at a cost of R35.00 per unit. Poles, Pipes & fencing, joints and taps amounting to 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. This claim was repudiate by Guard risk Insurance on the grounds that their investigations concluded that the alleged fire did not originate from the Municipality's landfill site. The insurers advised the Municipality to inform them in the event that the claimant institutes legal action against the Municipality. Legal Services was informed by the Manager - Expenditure on the 19th of April 2024 to this effect. The matter is still pending.		
A. Gobey	20 815	20 815
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. The matter is still pending.		
Dupas Panelbeaters	968 053	314 308
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 claimants sought relief for the full amount in the Free State High Court to recover the remaining amount. Despite receiving payment of R653 745, the claimants have not withdrawn their court action against the Municipality. A letter of demand was served on the Municipality on the 10th of November 2023 demanding an amount of R403 480.00 for storage services for municipal vehicles for the period 18 August 2020 to 19 September 2023. The letter also gave the Municipality a notice to the Municipality of intended legal action if payment is not effected immediately. The Municipality has appointed Phatshoane Henney Attorneys to defend the Municipality in the matter. An investigation report from the Government Garage indicated that the claimed repairs were effected and as such, the Municipality should effect payment of the remaining amount. The matter is still pending.		
Denis Pule Motloun	21 775	21 775 *
The plaintiff is claiming an amount of R21 774.49 for motor vehicle damages for colliding with a pothole on McCabe Street in Ficksburg on the 13th of May 2022. Mukhawana Attorneys have been appointed to represent the Municipality in the matter. An application for rescission of judgement was lodged after a default judgement was granted against the Municipality without the matter being set down for hearing in the Ficksburg Magistrates' Court. The matter is pending, awaiting trial.		

Setso Local Municipality

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Figures in Rand	2024	2023
43. Contingent liabilities (continued)		
Gwabeni Incorporated	339 628	339 628 *
Gwabeni Incorporated are demanding an amount of R339 628.00 for legal services rendered to the Municipality in 2021 when they were appointed by the Executive Mayor at the time to represent the Municipality in disciplinary proceedings against the Municipal Manager at the time. The matter is outstanding, awaiting approval from the Municipal Manager for payment of the invoice. Legal Services provided a report to the Director Corporate Services and the Municipal Manager recommending that payment be made to settle the matter, as Gwabeni Incorporated did render the legal services as requested.		
Johan Rautenbach	18 900	-
The claimant is demanding an amount of R18 900 for electrical appliances damaged as a result of an electrical surge which occurred at 61 Voortrekker Street in Ficksburg on the 25th of January 2023. Investigations by the Electricity Division revealed that the electrical meter box caught fire due to the mains cable in the box started burning, after the earth got live from the fault on the overhead line nearby. That created a surge on the supply to the mentioned house, causing damage to electrical equipment. The Manager: Electricity advised that the Municipality is liable for the damages. The Municipal Manager has requested a detailed report from the Manager Electricity to enable her to decide on the matter. The claim was not covered by the insurance as it fell within the access amount payable by the Municipality. The matter is still pending.		
S. Kunene	220 909	-
On the 22nd of November 2023, an email was received by Legal Services from the PMU Manager Mr. Kunene claiming an amount of R220 908.55 for legal costs allegedly incurred in the TML criminal case. No proof of payments were submitted, but an SLA allegedly entered into between Mr. Kunene and his attorneys, Tshepo Thusi Incorporated, on the 29th of April 2021. The matter was tabled before a Special Council meeting held on the 27th of June 2024 and Legal Services is awaiting the minutes from the Admin Division. The matter is still pending.		
J.E.D.V Lynch	2 000 000	-
A letter was received by the Municipality on the 15th of September 2023 demanding an amount of R2 000 000 from the Municipality for malicious prosecution after Mr. Lynch, a former contract employee of the Municipality, was criminally charged for acts or omissions allegedly committed during the exercise of his duties as the Manager: Supply Chain at the Municipality. The matter was discharged on the 9th of February 2023 in terms of section 174 of the Criminal Procedure Act 51 of 1977. The matter was tabled before a Special Council meeting held on the 27th of June 2024 and Legal Services is awaiting the minutes from the Admin Division. The matter is still pending.		
A. Nonstim	42 000	-
A letter was received from Ms. Nontsimi on the 22nd of August 2023 for the reimbursement of R42 000 spent on legal costs after she was criminally charged for acts or omissions allegedly committed during the exercise of her duties whilst employed by the Municipality. The matter was discharged on the 9th of February 2023 in terms of section 174 of the Criminal Procedure Act 51 of 1977. The matter was tabled before a Special Council meeting held on the 27th of June 2024 and Legal Services is awaiting the minutes from the Admin Division. The matter is still pending.		
R. Buys	29 217	-
On the 15th of September 2023, a letter was received by the Municipality from Van Breda & Herbst Attorneys on behalf of their client, Ms. Ralda Buys, claiming an amount of R29 216,67 for vehicle damages suffered after colliding with a large pothole in Piet My Vrou Street, Ficksburg. The claim was submitted to the Roads Manager for investigation and he requested further supporting documentation from the claimant. The information was requested from the claimant's attorneys and to date, no information has been received. The matter is still pending.		

Setso Local Municipality

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Figures in Rand	2024	2023
43. Contingent liabilities (continued)		
M.D Lesesa The claimant is demanding an amount of R400 000,00 plus 10.5% interest and costs of suit, from the Municipality for the loss of his cattle which were allegedly impounded on the 13th of April 2022 as they were allegedly on a neighbouring property. The Municipality is defending the matter, an instruction was issued on the 23rd of November 2023 for Mukhawana Attorneys to file a notice of intention to oppose the matter on behalf of the Municipality. The matter is still pending.	400 000	-
Shitolo Waste The contractor was appointed by the municipality for the suction of septic tanks. The municipality is disputing the number of loads completed by the contractor as per their invoice. The matter is still pending.	402 672	-
ISA and Partners The contractor provided consulting and engineering services with regards to wastewater and reticulation. There is a dispute with regards to the terms and nature of the contracts, the termination of the relationship between the parties, as well as outstanding amounts for services rendered. The matter is still pending.	7 000 000	7 000 000 *
AM Daisi AM Daisi instituted a delictual claim against the municipality for the loss of a breadwinner. The breadwinner allegedly got into an accident on a road that allegedly belongs to the municipality, which the municipality allegedly failed and/or neglected to maintain. The claim against the municipality is for R1 000 000 together with interest.	1 500 000	-
DK Dilore Julia obo M Dilore DK Julia instituted a delictual claim against the municipality on behalf of her minor child for the loss of a breadwinner. The breadwinner allegedly got into an accident on a road that allegedly belongs to the municipality, which the municipality allegedly failed and/or neglected to maintain. The claim against the municipality is for R1 000 000 together with interest.	1 500 000	-
Investigation Director Technical Services The municipality instructed the Phatsoane Henny to investigate whether there is a prima facie case against the Director of Technical Services, on the basis that he allegedly gave approval for the commencement of the trenching and installation of optical fibre on behalf of the municipality without authorisation and/or delegated powers.	400 000	-
SAMWU OBO M Majorobela SAMWU has approached the Labour Courton behalf of its member, Ms M Majorobela and sought to review and set aside the findings and sanction of in respect of Mr Motsima's disciplinary hearing. The municipality opposed the review application. The matter was heard at the Labour Court on Tuesday, 25 June 2024. Judgment was reserved.	300 000	300 000 *
Johan Oliver A summons dated the 19th of January 2023 was served on the municipality, to the amount of R129 795 for vehicle damages as a result of driving into a hollow pothole on the main road between Ficksburg and Clocolan on the 4th of November 2021.	129 795	129 795 *
	37 874 647	31 744 483

* The amounts of R21 775, R339 628, R7 000 000, R300 000 and R129 795 for the 2022/2023 financial year with regards to Denis Pule Motloun, Gwabeni Incorporated, ISA and Partners, SAMWU obo M Majorobela and Johan Oliver were not disclosed in the 2022/2023 financial year due to an error.

Setsoto Local Municipality

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44. Contingent assets		
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	40 908

Setsoto Local Municipality

Annual Financial Statements for the year ended 30 June 2024

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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)

Mhlekezi 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)

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)

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)

Setsoto Local Municipality

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45. Related party disclosures (continued)

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. Change in estimate

The useful lives of all asset classes were adjusted during 2024 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 2024 are as follows:

Increase / (Decrease) in depreciation per asset class:

Property, plant and equipment	(30 365 638)	(15 723 923)
Investment property	(5 808 559)	(85 092)
Intangible assets	(36 779)	(57 884)
	(36 210 976)	(15 866 899)

47. Unauthorised, irregular, fruitless and wasteful expenditure

47.1 Unauthorised expenditure

Opening balance as previously reported	774 012 578	623 533 626
Add: Unauthorised expenditure – current	78 231 386	150 478 952
Closing balance	852 243 964	774 012 578

An amount of R273 457 131 has been approved by council during July 2024 to be written off.

Setsoto Local Municipality

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Figures in Rand	2024	2023
47. Unauthorised, irregular, fruitless and wasteful expenditure (continued)		
47.2 Irregular expenditure		
Opening balance as previously reported	355 221 176	335 949 828
Correction of prior period error	58 100	(339 310)
Opening balance as restated	355 279 276	335 610 518
Add: Irregular expenditure - current	9 973 939	19 868 984
Less: Amounts written-off – current	(4 238 352)	-
Less: Amounts written-off – prior period	(138 133 774)	(258 326)
Closing balance	222 881 089	355 221 176
Incident/cases identified in the current year include those listed below:		
Expenditure items identified where the SCM processes and procedures were not followed	9 719 900	19 868 984
Procurement without competitive bidding	254 039	-
Total	9 973 939	19 868 984
Payments to be recouped:		
Opening balance	191 967	191 967
Correction of error details:		
Balance as previously reported	355 221 176	335 949 828
Add: VAT calculation error	-	113 855
Less: Irregular expenditure removed	-	(3 097 224)
Add: Additional irregular expenditure identified	58 100	2 644 059
	355 279 276	335 610 518

The irregular amounts disclosed above are exclusive of VAT.

An amount of R243 633 was condoned in during the 2024/2025 financial year.

Setsoto Local Municipality

Annual Financial Statements for the year ended 30 June 2024

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Figures in Rand	2024	2023
47. Unauthorised, irregular, fruitless and wasteful expenditure (continued)		
47.3 Fruitless and wasteful expenditure		
Opening balance as previously reported	3 284 215	4 271 772
Correction of prior period error	-	(64 077)
Opening balance as restated	3 284 215	4 207 695
Add: Fruitless and wasteful expenditure – current	12 571	844 245
Less: Amounts written-off – current	(11 717)	-
Less: Amounts written-off – prior period	(1 569 244)	(1 767 725)
Closing balance	1 715 825	3 284 215
Details of fruitless and wasteful expenditure:		
Payments made on interest and penalties	2 352	842 685
Other payments	10 219	1 560
Total	12 571	844 245
Correction of error details		
Balance as previously reported	-	4 271 772
Add: Amounts not previously included	-	80 748
Less: VAT incorrectly included	-	(139 851)
Less: Amounts previously incorrectly included	-	(4 974)
	-	4 207 695

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

Setso Local Municipality

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48. Councillor's municipal accounts in arrears

30 June 2024

	Outstanding less than 90 days	Outstanding more than 90 days	Total
Councillor SM Constable	1 972	16 920	18 892
Councillors J Coetzee	3 297	85	3 382
Councillor SS Fuso	3 020	21 436	24 456
Councillor MJ Maleke	2 522	25 981	28 503
Councillor TS Manako	2 432	11 723	14 155
Councillor LE Mohanoe	2 250	18 338	20 588
Councillor MJ Mokhobo	2 438	26 180	28 618
Councillor ME Letube	2 567	22 001	24 568
Councillor TP Motsoane	1 890	2 114	4 004
Councillor MA Ponya	2 021	3 335	5 356
Councillor LD Thamae	3 778	3 610	7 388
Councillor JM Janssonius	-	8 164	8 164
	28 187	159 887	188 074

30 June 2023

	Outstanding less than 90 days	Outstanding more than 90 days	Total
Councillor SM Constable	2 540	40 837	43 377
Councillor 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
	119 146	302 227	421 373

Setso Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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48. Councillor's municipal accounts in arrears (continued)

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

30 June 2024

	Highest amount outstanding	Ageing in days
Councillor SM Constable	18 892	605
Councillor J Coetzee	3 381	94
Councillor SS Fuso	24 456	618
Councillor MJ Maleke	28 503	1 054
Councillor TS Manako	14 155	508
Councillor LE Mohanoe	20 588	692
Councillor MJ Mokhobo	28 618	1 051
Councillor TP Motsoane	4 003	182
Councillor TI Mthimkhulu	38 941	178
Councillor MA Ponya	5 356	228
Councillor LD Thamae	7 388	167
Councillor ME Letube	24 568	893
	218 849	6 270

30 June 2023

	Highest amount outstanding	Ageing in days
Councillor SM Constable	43 377	1 533
Councillor PE Kogo	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
	413 208	9 470

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49. 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	10 741 570	7 149 882
Sole / Limited provider	604 511	748 507
Impractical to follow SCM process	3 157 781	3 213 638
Technical nature of the service	1 471 835	533 654
Works of art	-	26 500
Total amount approved by the accounting officer and noted by council	15 975 697	11 672 181

Setsoto Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand

50. 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	2024	2023
Lira Transport	MP. Lira	Close family relation	Asset clerk	10 400	-
Mthembana Construction	S. Melithafa	Close family relation	Human resource advisor	8 450	36 225
Selane Transport	NMA. Selane	Close family relation	Traffic officer	-	6 000
Dupas Panelbeaters and Trading	LK. Sehlabaka	Close family relation	Messenger	653 745	978 861
Mofuta Trading (Pty) Ltd	NS. Mofuta	Close family relation	Human resource clerk	-	23 116
Bosamadula	MA. Makelelane	Close family relation	Operator water works	91 425	56 925
Lechabile	F. Mahlasane	Close family relation	Operator roads and stormwater	8 400	64 332
Manthoto Enterprise	K. Qacha	Close family relation	Traffic officer	111 922	187 088
Matselane Monyane	T. Monyane	Close family relation	Archive clerk	16 500	20 000
				900 842	1 372 547

Setso Local Municipality

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51. Additional disclosures in terms of the Municipal Finance Management Act

	SALGA contributions	Audit fees	PAYE	UIF	Pension	Medical aid
As at 30 June 2024						
Opening balance	-	1 977	2 094 583	213 696	2 829 699	2 462 162
Subscription/fees	2 455 012	6 789 678	29 473 739	2 629 206	36 188 979	32 379 938
Amount paid	(2 445 012)	(6 700 129)	(29 047 902)	(2 624 720)	(35 985 075)	(34 842 100)
Credit notes	(10 000)	(1 977)	-	-	-	-
Total	-	89 549	2 520 420	218 182	3 033 603	-
	SALGA contributions	Audit fees	PAYE	UIF	Pension	Medical aid
As at 30 June 2023						
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)	-	-	-	-
Total	-	1 977	2 094 583	213 696	2 829 699	2 462 162

Amounts are disclosed inclusive of VAT where applicable.

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.

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51. 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	7 732 477	7 437 349
Percentage losses	6 %	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	25 831 827	13 982 330
Percentage losses	48 %	43 %

Skills development levies

Opening balance	158 561	157 018
Current year subscriptions / fee	2 110 246	1 960 433
Amount paid	(2 096 168)	(1 958 890)
	172 639	158 561

52. Capital commitments

Commitments in respect of capital expenditure:

Approved and contracted for:

Property, plant and equipment	210 972 183	26 266 576
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Setsoto Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

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53. Going concern

We draw attention to the fact that at 30 June 2024, the municipality's current assets (R481 960 114) exceeded its current liabilities (R170 191 770) with R311 768 344. The municipality further generated an operating surplus of R36 835 411 for the year and had net assets of R2 790 795 587. 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.

Current ratio (norm - 2 : 1)	2.8	2.9
Creditors days (norm - 30 days or less)	128 days	96 days
Debtors collection rate (norm - 30 days)	370 days	396 days

Setso Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand		2024	2023			
54. GRAP 3 adjustments						
The following restatements and adjustments occurred which are set out below:						
54.1 Adjustments of Statement of financial performance items						
2023						
	Note	Previously reported	Correction of error	Re-classification	Re-classification (mSCOA)	Restated
Revenue						
Exchange revenue						
Service charges - Electricity	20	(90 043 546)	270 745	-	-	(89 772 801)
Service charges - Waste management	20	(40 423 583)	-	-	-	(40 423 583)
Service charges - Waste water	20	(31 374 473)	-	-	-	(31 374 473)
Service charges - Water	20	(64 207 342)	-	-	-	(64 207 342)
Rental of premises	23	(1 968 555)	-	-	89 650	(1 878 905)
Rental from facilities and equipment	23	-	-	-	(89 650)	(89 650)
Interest on investments	24	(9 596 771)	-	-	-	(9 596 771)
Interest earned from receivables	25	(43 165 631)	-	-	-	(43 165 631)
Dividends	26	(76 713)	-	-	-	(76 713)
Operational revenue	30	(7 710 865)	69 728	-	-	(7 641 137)
Sales of goods and rendering of services	22	(2 541 458)	(13 070)	-	-	(2 554 528)
		(291 108 937)	327 403	-	-	(290 781 534)
Non - exchange revenue						
Property rates	19	(56 791 007)	-	-	-	(56 791 007)
Availability charges - Electricity	21	(320 275)	-	-	-	(320 275)
Availability charges - Waste water	21	(415 067)	-	-	-	(415 067)
Availability charges - Water	21	(644 970)	-	-	-	(644 970)
Licences or permits	28	(27 256)	-	-	-	(27 256)
Transfers and subsidies	29	(448 128 481)	-	-	-	(448 128 481)
Fines, penalties and forfeits	27	(644 450)	-	-	-	(644 450)
Interest earned from receivables	25	(5 865 942)	-	-	-	(5 865 942)
		(512 837 448)	-	-	-	(512 837 448)
Total revenue		(803 946 385)	327 403	-	-	(803 618 982)
Expenditure						
Employee related cost	32	220 237 564	147 847	-	-	220 385 411
Remuneration of councillors	33	14 072 038	-	-	-	14 072 038
Bad debts written off		81 641 763	-	-	-	81 641 763
Depreciation, amortisation and impairment losses	34	186 447 757	2 389 364	-	21 933 425	210 770 546
Impairment losses	35	41 470 522	-	-	(21 933 426)	19 537 096
Finance costs	36	3 397 412	-	-	-	3 397 412
Bulk purchases	37	91 044 547	-	-	-	91 044 547
Inventory consumed	38	9 095 941	(71 284)	343 826	-	9 368 483
Contracted services	39	33 513 414	(1 093)	(607 052)	-	32 905 269
Transfers and subsidies		139 418	-	-	-	139 418
Operational costs	40	45 355 035	(1 407 623)	263 225	-	44 210 637
Operating leases	41	355 935	-	-	-	355 935
Fair value adjustments and loss on disposal of assets	31	4 163 689	-	-	-	4 163 689
Total expenditure		730 935 035	1 057 211	(1)	(1)	731 992 244
(Surplus) / Deficit for the year		(73 011 350)	1 384 614	(1)	(1)	(71 626 738)

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Notes to the Annual Financial Statements

Figures in Rand		2024	2023		
54. GRAP 3 adjustments (continued)					
54.2 Adjustments of Statement of financial position items					
2023					
	Note	Previously reported	Correction of error	Re-classification	Restated
Assets					
Current assets					
Cash and cash equivalents	2	66 207 531	-	-	66 207 531
Receivables from exchange transactions	3	241 275 571	-	-	241 275 571
Receivables from non-exchange transactions	4	63 098 419	-	-	63 098 419
Inventories	5	3 650 409	-	-	3 650 409
Other current assets	7	9 711 226	-	-	9 711 226
VAT receivable	6	83 479 311	(72 753)	-	83 406 558
		467 422 467	(72 753)	-	467 349 714
Non-current assets					
Other financial assets	8	3 959 976	-	-	3 959 976
Investment property	9	68 887 511	-	-	68 887 511
Property, plant and equipment	10	2 441 803 571	17 488 230	-	2 459 291 801
Heritage assets	11	11 900 459	199 241	-	12 099 700
Intangible assets	12	133 450	-	-	133 450
		2 526 684 967	17 687 471	-	2 544 372 438
Total assets		2 994 107 434	17 614 718	-	3 011 722 152
Net assets and liabilities					
Current liabilities					
Financial liabilities		(398 412)	-	-	(398 412)
Consumer deposits	14	(3 186 098)	-	-	(3 186 098)
Payables from exchange transactions	15	(101 758 658)	(3 570 798)	-	(105 329 456)
Unspent grants	16	(49 002 540)	-	-	(49 002 540)
Provisions and other employee benefits	17	(1 793 988)	-	-	(1 793 988)
Post-retirement health care benefit liability	18	(1 945 626)	-	-	(1 945 626)
		(158 085 322)	(3 570 798)	-	(161 656 120)
Non-current liabilities					
Financial liabilities		(866 691)	-	-	(866 691)
Provisions and other employee liabilities	17	(40 143 376)	-	-	(40 143 376)
Post-retirement health care benefit liability	18	(55 095 777)	-	-	(55 095 777)
		(96 105 844)	-	-	(96 105 844)
Total net assets					
Accumulated surplus		(2 739 916 268)	(15 428 531)	-	(2 755 344 799)
Accumulated surplus - profit/loss movement		-	1 384 614	-	1 384 614
		(2 739 916 268)	(14 043 917)	-	(2 753 960 185)

Setsotho Local Municipality

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Figures in Rand	2024	2023		
54. GRAP 3 adjustments (continued)				
54.3 Adjustment of Cash flow statement items				
	Note	Previously reported	Correction of error	Restated
Cash flows from operating activities				
Receipts				
Property rates		47 635 640	-	47 635 640
Sale of goods and services		94 903 012	56 395	94 959 407
Other receipts		11 210 992	(56 658)	11 154 334
Grants		413 801 134	-	413 801 134
Fines, penalties and forfeits		644 450	-	644 450
Interest		58 641 353	-	58 641 353
Dividends		76 713	-	76 713
Payments				
Employees		(237 281 615)	-	(237 281 615)
Suppliers		(199 733 759)	(57 868)	(199 791 627)
Finance costs		(748 373)	-	(748 373)
VAT		(34 589 019)	72 754	(34 516 265)
Net cash from operating activities		154 560 528	14 623	154 575 151
Cash flows from investing activities				
Receipts				
Proceeds on disposal of fixed and intangible assets		650 438	-	650 438
Payments				
Capital assets		(179 839 512)	(14 623)	(179 854 135)
Net cash from investing activities		(179 189 074)	(14 623)	(179 203 697)
Cash flows from financing activities				
Payments				
Decrease in borrowings		(2 361 264)	-	(2 361 264)
Net cash from financing activities		(2 361 264)	-	(2 361 264)
Net increase/(decrease) in cash		(26 989 810)	-	(26 989 810)
Cash and cash equivalents at the beginning of the year		93 197 341	-	93 197 341
Cash and cash equivalents at the end of the year		66 207 531	-	66 207 531
Net increase/(decrease) in cash		(26 989 810)	-	(26 989 810)

Setso Local Municipality

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54. GRAP 3 adjustments (continued)

54.4 Correction of errors

The following prior period errors adjustments occurred:

Error 1 - Order accruals deleted and reversed

During the current financial year management found orders that were incorrectly accrued during the 2022/2023 financial year. This was corrected.

The effect is as follows:

Effect of error

(Decrease) in contracted services - maintenance of unspecified assets	-	(121 362)
(Decrease) in inventory consumed	-	(71 284)
(Decrease) in operational costs - wet fuel	-	(4 509)
(Decrease) in operational costs - advertising	-	(6 450)
(Decrease) in operational costs - travel and subsistence	-	(1 857)
(Decrease) in operational costs - uniforms and protective clothing	-	(1 358 351)
(Decrease) in operational costs - hire charges	-	(12 880)
(Decrease) in operational costs - courier and delivery	-	(23 312)
Decrease in payables from exchange transactions - payables and accruals	-	1 688 457
(Decrease) in VAT receivable	-	(88 452)
	-	-

Error 2 - Creditors attorney fees

During the current financial year management reviewed invoices for attorney fees relating to the 2022/2023 financial year that was not processed. This was corrected.

The effect is as follows:

Effect of error

Increase in contracted services - legal fees	-	120 268
(Increase) in payables from exchange transactions - payables and accruals	-	(135 965)
(Increase) in VAT receivable	-	15 697
	-	-

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54. GRAP 3 adjustments (continued)

Error 3 - Property, plant and equipment

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

The effect is as follows:

Effect of error

Increase in infrastructure assets - cost	-	33 210 372
(Increase) in infrastructure assets - accumulated depreciation	-	(11 464 688)
Increase in community assets - cost	-	8 597 386
(Increase) in community assets - accumulated depreciation	-	(3 929 242)
Increase in infrastructure assets - additions	-	14 612
(Increase) in infrastructure assets - depreciation	-	(2 130 350)
Decrease in infrastructure assets - impairment loss	-	2 085
(Increase) in community assets - depreciation	-	(261 099)
Increase in depreciation expense	-	2 391 450
(Decrease) in impairment losses	-	(2 085)
(Increase) in accumulated surplus	-	(20 541 174)
Decrease in payables from exchange transaction - retentions	-	663 579
Increase in work-in-progress - capitalised costs	-	14 612
(Increase) in work-in-progress - transfers	-	(14 612)
(Decrease) in work-in-progress - opening balance	-	(6 550 846)
	-	-

Error 4 - Heritage assets

During the current financial year the fixed asset register was reviewed and the following errors were corrected for the 2022/2023 financial year with regards to heritage assets.

The effect is as follows:

Effect of error

Increase in heritage assets - historical buildings - cost	-	199 241
(Increase) in accumulated surplus	-	(199 241)
	-	-

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54. GRAP 3 adjustments (continued)

Error 5 - Service charges Electricity

During the current financial year management corrected revenue on prepaid commercial sales that was incorrectly captured in the 2022/2023 financial year.

The effect is as follows:

Effect of error

(Increase) in payables from exchange transactions - unallocated deposits	-	(327 138)
(Decrease) in operational costs - bank charges	-	(264)
Decrease in operational revenue - commission	-	69 728
(Increase) in sale of goods and rendering of services - building plan approval	-	(11 780)
(Increase) in sale of goods and rendering of services - cemetery and burial	-	(1 180)
(Increase) in sale of goods and rendering of services - town planning and servitudes	-	(110)
Decrease in service charges - electricity	-	270 744
	-	-

Error 6 - Payables: Leave accrual

It was noted during the 2023/2024 financial year that the municipality did not correctly calculated the leave accrual liability for the 2022/2023 and prior financial years.

The effect is as follows:

Effect of error

(Increase) in payables from exchange transactions - leave accrual	-	(5 459 729)
Increase in employee related costs - service related benefits - leave pay	-	147 847
Decrease in accumulated surplus	-	5 311 882
	-	-

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54. GRAP 3 adjustments (continued)

54.5 Reclassifications

The following reclassifications adjustment occurred:

Reclassification 1 - 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

Increase in operational costs - Advertising, publicity and marketing	-	351 029
Increase in operational costs - Bank charges, facility and card fees	-	27 679
Increase in operational costs - Bursaries	-	127 441
Increase in operational costs - Communication	-	11 596
(Decrease) in operational costs - Courier and delivery services	-	(12 300)
Increase in operational costs - Entertainment	-	37 431
(Decrease) in operational costs - External computer services	-	(192 435)
Increase in operational costs - Hire charges	-	154 680
Increase in operational costs - Insurance underwriting	-	13 221
(Decrease) in operational costs - Professional bodies, memberships and subscriptions	-	(4 921)
(Decrease) in operational costs - Registration and training fees	-	(132 116)
(Decrease) in operational costs - Travel, subsistence and accommodation	-	(81 925)
(Decrease) in operational costs - Wet fuel	-	(36 156)
(Decrease) in contracted services - Legal services and litigation	-	(1 131 044)
Increase in contracted services - Legal collection	-	1 131 044
Increase in contracted services - Contractors - Electrical	-	15 750
(Decrease) in contracted services - Contractors - Safeguard and security	-	(95 526)
Increase in contracted services - Contractors - Transportation	-	175 594
(Decrease) in contracted services - Contractors - Maintenance of buildings and facilities	-	(175 139)
(Decrease) in contracted services - Contractors - Maintenance of equipment	-	(11 019)
Increase in contracted services - Contractors - Maintenance of unspecified assets	-	2 725 814
(Decrease) in contracted services - Outsourced - Communications	-	(380 000)
Increase in contracted services - Outsourced - Human resources	-	7 252
(Decrease) in contracted services - Outsourced - Catering services	-	(32 527)
Increase in contracted services - Outsourced - Cleaning	-	7 200
Increase in contracted services - Outsourced - Hygiene services	-	3 930
(Decrease) in contracted services - Outsourced - Sewerage services	-	(2 921 099)
Increase in contracted services - Outsourced - Transportation	-	72 720
Increase in inventory consumed	-	343 826
	-	-

Reclassification 2 - mSCOA changes

During the year under review certain mSCOA changes occurred in the financial statements. Reclassifications due to these mSCOA changes were as follows:

Nature of reclassification

Increase in depreciation, amortisation and impairment	-	21 933 426
(Decrease) in impairment losses on assets	-	(21 933 426)
Decrease in rental of premises	-	89 650
(Increase) in rental from facilities and equipment	-	(89 650)
	-	-

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55. Financial instruments

55.1 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:

		2024		2023	
		Carrying amount	Fair value / Amortised cost	Carrying amount	Fair value / Amortised cost
Financial assets					
Fair value					
Investments	8	4 723 333	4 723 333	3 959 976	3 959 976
Amortised cost					
Trade and other receivables from exchange transactions	3	263 043 292	263 043 292	241 275 571	241 275 571
Other current assets	7	4 292 998	4 292 998	9 711 226	9 711 226
Cash and cash equivalents	2	57 062 518	57 062 518	66 207 531	66 207 531
		324 398 808	324 398 808	317 194 328	317 194 328
Total financial assets		329 122 141	329 122 141	321 154 304	321 154 304
Financial liabilities					
Amortised cost					
Bank facilities:					
Financial liabilities	13	15 047 365	15 047 365	1 265 103	1 265 103
		15 047 365	15 047 365	1 265 103	1 265 103
Trade and other payables:					
Consumer deposits	14	3 190 178	3 190 178	3 186 098	3 186 098
Trade and other payables from exchange transactions	15	130 735 885	130 735 885	105 329 456	105 329 456
		133 926 063	133 926 063	108 515 554	108 515 554
Total financial liabilities		148 973 428	148 973 428	109 780 657	109 780 657

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:

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55. 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 2024

	Level 1	Level 2	Level 3	Total
Financial assets				
Financial instruments at fair value:				
Listed investments - Sanlam	1 166 138	-	-	1 166 138
Listed investments - OVK	-	-	1 903 985	1 903 985
Total financial assets	1 166 138	-	1 903 985	3 070 123

30 June 2023

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

55.2 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.

55.3 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.

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55. Financial instruments (continued)

55.4 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.

55.5 Market risk

The municipality's activities expose it primarily to the financial risks of changes in interest rates (see Note 55.6 below). No formal policy exists to hedge volatilities in the interest rate market.

55.6 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.

55.7 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 2024

	Within 1 year	2 to 5 years	Total
Maturity analysis			
Financial liabilities	2 709 387	12 337 978	15 047 365
Payables from exchange transactions	130 735 885	-	130 735 885
	133 445 272	12 337 978	145 783 250

30 June 2023

	Within 1 year	2 to 5 years	Total
Maturity analysis			
Financial liabilities	398 412	866 691	1 265 103
Payables from exchange transactions	105 329 456	-	105 329 456
	105 727 868	866 691	106 594 559

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.

55.8 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.

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Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

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55. 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	4 723 333	3 959 976
Other current assets	7	4 292 998	9 711 226
Trade and other receivables from exchange transactions	3	263 043 292	241 275 571
Bank and cash balances	2	57 062 518	66 207 531
Maximum credit and interest risk exposure		329 122 141	321 154 304

55.9 Other price risks

The municipality is not exposed to equity price risks arising from equity investments as the municipality does not trade these investments.

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56. 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.

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56. Segment information (continued)				
Segment surplus or deficit				
2024	Technical services	Community and social services	Governance & Admin (Non-reportable segments)	Total
Segment revenue				
External revenue from exchange transactions	(264 897 407)	(1 150 693)	(5 052 652)	(271 100 752)
External revenue from non-exchange transactions	(262 067 690)	(850 850)	(276 046 107)	(538 964 647)
Interest revenue	(228 802)	-	(70 246 888)	(70 475 690)
	(527 193 899)	(2 001 543)	(351 345 647)	(880 541 089)
Segment expenditure	Technical services	Community and social services	Governance & Admin (Non-reportable segments)	Total
Bulk purchases	106 176 124	-	-	106 176 124
Bad debt written off	132 847 414	-	16 632 440	149 479 854
Debt impairment	387 426	568 958	26 983 451	27 939 835
Depreciation, amortisation and impairment	96 800 383	17 349 017	42 000 253	156 149 653
Employee related costs	81 538 975	36 451 152	120 513 361	238 503 488
Interest expense	3 365 343	-	200 173	3 565 516
Other operational expenses	35 155 781	2 728 288	109 266 263	147 150 332
Remuneration of councillors	-	-	14 740 876	14 740 876
Total segment expenditure	456 271 446	57 097 415	330 336 817	843 705 678
Total segment revenue	(527 193 899)	(2 001 543)	(351 345 647)	(880 541 089)
(Surplus) / Deficit for the year	(70 922 453)	55 095 872	(21 008 830)	(36 835 411)

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56. Segment information (continued)				
2023	Technical services	Community and social services	Governance & Admin (Non-reportable segments)	Total
Segment revenue				
External revenue from exchange transactions	(225 778 580)	(1 098 627)	(11 141 924)	(238 019 131)
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)
	(471 466 165)	(1 808 115)	(330 344 702)	(803 618 982)
Segment expenditure	Technical services	Community and social services	Governance & Admin (Non-reportable segments)	Total
Bulk purchases	91 044 547	-	-	91 044 547
Bad debt written off	66 398 213	-	15 243 550	81 641 763
Debt impairment	8 902 719	366 529	10 267 848	19 537 096
Depreciation, amortisation and impairment	93 099 872	29 868 660	87 802 014	210 770 546
Employee related costs	70 102 113	34 173 203	116 110 095	220 385 411
Interest expense	2 856 528	-	540 884	3 397 412
Other operational expenses	6 712 254	3 460 695	80 970 482	91 143 431
Remuneration of councillors	-	-	14 072 038	14 072 038
Total segment expenditure	339 116 246	67 869 087	325 006 911	731 992 244
Total segment revenue	(471 466 165)	(1 808 115)	(330 344 702)	(803 618 982)
(Surplus) / Deficit for the year	(132 349 919)	66 060 972	(5 337 791)	(71 626 738)

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Appendix A

June 2024

Schedule of external loans as at 30 June 2024

Loan Number	Redeemable	Balance at Friday, 30 June 2023	Received during the period	Interest for the period	Redeemed written off during the period	Balance at Sunday, 30 June 2024
		Rand	Rand	Rand	Rand	Rand

Development Bank of South Africa

DBSA Loan @11.36%	101389	31/12/2024	1 265 103	-	121 835	941 721	445 218	-
			1 265 103	-	121 835	941 721	445 218	-

Instalment sales agreements - ABSA Bank Limited

ABSA Bank Limited at 10.51%	98996767	01/06/2029	-	1 689 153	-	-	1 689 153	-
ABSA Bank Limited at 10.51%	98996775	01/06/2029	-	1 689 153	-	-	1 689 153	-
ABSA Bank Limited at 10.51%	98996864	01/06/2029	-	1 689 153	-	-	1 689 153	-
ABSA Bank Limited at 10.51%	98996910	01/06/2029	-	1 689 153	-	-	1 689 153	-
ABSA Bank Limited at 10.51%	99021360	01/08/2029	-	406 131	-	-	406 131	-
ABSA Bank Limited at 10.51%	99021468	01/08/2029	-	406 131	-	-	406 131	-
ABSA Bank Limited at 10.51%	99021549	01/08/2029	-	406 131	-	-	406 131	-
ABSA Bank Limited at 10.51%	1	01/07/2029	-	2 209 047	-	-	2 209 047	-
ABSA Bank Limited at 10.51%	2	01/07/2029	-	2 209 047	-	-	2 209 047	-
ABSA Bank Limited at 10.51%	3	01/07/2029	-	2 209 048	-	-	2 209 048	-
			-	14 602 147	-	-	14 602 147	-

Total external loans

Development Bank of South Africa			1 265 103	-	121 835	941 721	445 218	-
Instalment sales agreements - ABSA Bank Limited			-	14 602 147	-	-	14 602 147	-
			1 265 103	14 602 147	121 835	941 721	15 047 365	-