REPUBLIC OF NAMIBIA

REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE

# MUNICIPALITY OF SWAKOPMUND

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2024

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**REPUBLIC OF NAMIBIA**

**TO THE HONOURABLE SPEAKER OF THE NATIONAL ASSEMBLY**

I have the honour to submit herewith my report on the accounts of the Municipality of Swakopmund for the financial year ended 30 June 2024, in terms of Article 127(2) of the Namibian Constitution. The report is transmitted to the Honourable Minister of Finance in terms of Section 27(1) of the State Finance Act, 1991 (Act No. 31 of 1991) to be laid upon the Table of the National Assembly in terms of Section 27(4) of the Act.

**WINDHOEK, August 2025**

**JUNIAS ETUNA KANDJEKE**
**AUDITOR-GENERAL**

# REPORT OF THE AUDITOR-GENERAL
# ON THE ACCOUNTS OF THE MUNICIPALITY OF SWAKOPMUND
# FOR THE FINANCIAL YEAR ENDED 30 JUNE 2024

## 1. ADVERSE AUDIT OPINION

I have audited the financial statements of the Municipality of Swakopmund for the financial year ended 30 June 2024. These financial statements comprise the statement of financial position, the statement of financial performance, the statement of changes in net assets, the statement of cash flows for the year then ended and the notes to the financial statements.

In my opinion, because of the significance of matters discussed in the Basis of Adverse Audit Opinion paragraph, the financial statements do not fairly present the financial position of the Municipality of Swakopmund for the financial year ended 30 June 2024 and its financial performance for the year then ended.

## 2. BASIS FOR ADVERSE AUDIT OPINION

I conducted my audit in accordance with International Standards for Supreme Audits Institutions. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section the audit report. I am independent of the entity in accordance with the Code of Ethics for Supreme Audit Institutions together with the ethical requirements that are relevant to my audit of the financial statements, and I have fulfilled my other ethical responsibilities in accordance with these requirements and the Code of Ethics.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion. The adverse audit opinion is expressed due to the following:

### 2.1 Classification of Short-term investments (Recurring from prior year)

The auditors observed that call account investments totalling N$ 9 406 060, related to the General Account, Build Together Account, and Mass Housing Account, were not classified under cash and cash equivalents. Instead, the Municipality reported them separately as investments on the statement of financial position.

Paragraph 9 of IPSAS 2 defines cash equivalents as "Short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value." Since these are short-term investments that are readily accessible, they meet the IPSAS definition of cash and cash equivalents. As a result, cash and cash equivalents have been understated by N$ 9 406 060.

### 2.2 Non-disclosure of the value of open land- unserviced (Recurring from prior year)

According to the Public Sector Conceptual Framework, Municipality must recognize a resources as an asset if it meets the definition of an asset and satisfies the recognition criteria. The Council owns open land however, this land is neither accounted for nor disclosed in the financial statements for the year under review.

### 2.3 Provision for the rehabilitation of dump sites (Recurring from prior year)

The Council did not recognize the provision with regards to the landfill operations in the financial statements. In terms of the requirements of IPSAS 45, the Council should capitalize the cost associated with constructing or acquiring dumpsites and recognize them as infrastructure assets. By applying these standards, the Council can ensure accurate and transparent financial reporting of dumpsite as well as provisions and related infrastructure assets which is highlighted by IPSAS 19, which guides the accounting treatment of landfill operations and site remediation closure costs.

### 2.4 Inventory not accounted for in line with IPSAS (Recurring from prior year)

The auditors noted that inventory for unsold ervens (land) were not accounted for at the lower of cost and net realizable value, as required by IPSAS 12 and the municipality's accounting policies. This non-compliance may result in a misstatement of inventory values, impacting the fair presentation of the financial statements.

### 2.5 Cash and cash equivalents

The auditors noted that the cash book balances (N$13 683 023) as per the bank reconciliation prepared by the Council does not agree with the cash and cash equivalents balance (N$ 14 897 509) as per the general ledger, resulting in a difference of N$ 1 214 486 between the cash books balances as per the bank reconciliation and the cash books balances as per their general ledger. This than resulted in a difference of N$ 1 214 486 between the cash and cash equivalents balance as per the bank statements as at 30th June 2024 and balance as per the financial statements.

### 2.6 Build Together Loans

The auditors noted that the build together balance as per the financial statements does not agree to the balance as per the supporting schedule provided by Council. The balance as per the financial statements is N$ 31 382 137 whereas the balance as per the supporting schedule provided by management is N$ 18 808 768 resulting in a difference of N$ 12 573 369.

### 2.7 Long term loans Receivable

The auditors observed that long-term receivables totalling N$ 33 589 473, related to Mass Housing, Housing fund loans, Huidare loans, and Build Together loans, were incorrectly classified and presented as finance lease receivables on the face of the statement of financial position.

These loans do not meet the definition of a lease under IPSAS 13 (Leases). Instead, they qualify as financial assets under IPSAS 41 (Financial Instruments). As a result, the current classification and presentation are not in compliance with IPSAS and are therefore incorrect.

### 2.8 Severance pay provision

The auditors noted that the severance pay balance as per the supporting report provided by the client is N$ 58 762 831 whereas the balance disclosed in the financial statements is only N$ 24 394 184 resulting in a difference of N$ 34 368 647.

### 2.9 Non submission of supporting documents for Post-retirement pension benefits

The auditors could not perform any further work as Council did not provide supporting documents to enable us to verify the accuracy and valuation of Post-retirement Pension Benefits Liability (N$ 7 523 128) disclosed under Employee Benefit Liabilities in the financial statements. Refer to note 18.

### 2.10 Non submission of supporting documents for payment received in advance

The auditors noted that no supporting documents was provided by Council for the payments received in advance amounting to N$ 11 981 341 which is included in payables from exchange transactions. Refer to Note 14 of the financial statements.

### 2.11 Non submission of supporting documents for sundry deposits

The auditors could not perform any further work on sundry deposits amounting to N$ 10 954 475 disclosed by Council under current liabilities as management did not provide supporting documents to enable us to verify the accuracy and valuation thereof as requested.

### 2.12 Impairment loss

The auditors noted that impairment loss relating to receivables from exchange transactions as disclosed in the financial statements (Note 3) does not agree to the impairment loss calculations provided by the client. The difference noted reflects that the impairment loss included in the financial statements exceeds the actual loss as per the municipality's calculations, resulting in receivables from exchange transactions understated by N$ 5 738 374.

## 3. KEY AUDIT MATTERS

Key audit matters are those matters that, in my professional judgment, were of most significance in my audit of the financial statements of the current period. These matters were addressed in the context of my audit of the financial statements as a whole, and in forming my onion thereon, and I do not provide a separate opinion on these matters. I have determined that there are no key audit matters identified in respective of the financial statements for Municipality of Swakopmund.

## 4. OTHER INFORMATION

In connection with the audit of the financial statements, my responsibility is to read the other information and in doing so, consider whether the other information is materially inconsistent with the financial statements or knowledge obtained in the audit or otherwise appears not to be materially misstated. If, based on the work I have performed, I conclude that there are no material misstatements of this other information; I am required to report that fact. I have nothing to report in this regard.

## 5. RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS.

Management is responsible for the preparation and fair presentation of these financial statements in accordance with legislation, and for such internal control as management deems it necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the entity's financial reporting process.

## 6. AUDITOR'S RESPONSIBILITY FOR THE AUDIT OF THE FINANCIAL STATEMENTS

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, weather due to fraud or error and to issue and auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the International Standards for Supreme Audit Institutions (ISSAIs), will always detect a material misstatement when it exists. Misstatement can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions for users taken on the basis of these financial statements.

As part of an audit in accordance with the International Standards for Supreme Audit Institutions (ISSAIs). I exercise professional scepticism throughout the audit.

- Identify and assess the risk of material misstatement of the financial statements, weather due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for expressing an opinion on the effectiveness of the Entity's internal control.

- Evaluate the appropriateness of accounting policies uses and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence, obtained weather a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. I conclude that a material uncertainty exists, I am required to draw attention in the report to the related disclosures in the financial statements, or if such disclosures are inadequate, to modify the opinion. My conclusions are based on the audit evidence obtained up to date of the report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and weather the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

- I also provide those charged with governance with a statement that I have compiled with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

- I also provide those charged with governance with a statement that I have compiled with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, I determine those matters that were of most significance in the audit of the financial statements at the current period and are therefore the key audit matters. I describe these matters in my report unless law or regulation precludes public disclosure about the matter or, when, in extremely rare circumstances, I determine that a matter should not be communicated in the report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## 7. REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

The financial statements for the financial year ended 30 June 2024 were submitted by the Accounting Officer of the Auditor-General in compliance with Section 85 of the Local Authorities Act, 1992 (Act No. 23 of 1992), read with Section 25, 26 and 27 if the State Finance Act, 1991 (Act No.31 of 1991).

## 8. ACKNOWLEDGEMENT

The co-operation and assistance by the management and staff the Municipality of Swakopmund during the audit is appreciated.

**WINDHOEK, August 2025**

**JUNIAS ETUNA KANDJEKE**
**AUDITOR-GENERAL**

**ANNEXURE A**

## MUNICIPALITY OF SWAKOPMUND
## STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2024

| | Note | 2024 Actual N$ | 2023 Restated N$ |
|---|---|---|---|
| **ASSETS** | | | |
| **Current Assets** | | **250 453 949** | **270 351 464** |
| Inventories | 2 | 9 205 263 | 8 739 959 |
| Receivables from Exchange Transactions | 3 | 30 010 755 | 32 492 016 |
| Receivables from Non-exchange Transactions | 4 | 14 337 764 | 14 433 750 |
| VAT Receivable | 5 | 49 246 728 | 32 346 482 |
| Cash and Cash Equivalents | 6 | 135 614 687 | 179 738 618 |
| Investments | 10 | 9 406 060 | - |
| Operating Lease Receivables | 12 | 2 632 692 | 2 600 639 |
| **Non-Current Assets** | | **1 247 902 621** | **1 287 449 760** |
| Property, Plant and Equipment | 7 | 1 139 846 518 | 1 184 671 057 |
| Intangible Assets | 8 | 76 297 | 118 800 |
| Investment Property | 9 | 70 829 083 | 70 407 130 |
| Investments | 10 | 3 561 250 | 3 561 250 |
| Finance Lease Receivables | 11 | 33 589 473 | 28 691 523 |
| **Total Assets** | | **1 498 356 570** | **1 557 801 224** |
| **LIABILITIES** | | | |
| **Current Liabilities** | | **83 705 381** | **77 604 409** |
| Consumer Deposits | 13 | 6 974 020 | 6 616 465 |
| Payables from Exchange Transactions | 14 | 42 032 974 | 40 669 428 |
| Payables from Non-exchange Transactions | 15 | 10 954 475 | 9 957 195 |
| Operating Lease Liabilities | 16 | - | 29 211 |
| Borrowings | 17 | 467 714 | 462 770 |
| Employee Benefit Liabilities | 18 | 23 276 198 | 19 869 340 |
| **Non-Current Liabilities** | | **32 909 515** | **36 311 009** |
| Borrowings | 17 | 992 204 | 1 459 918 |
| Employee Benefit Liabilities | 18 | 31 917 311 | 34 851 091 |
| **Total Liabilities** | | **116 614 896** | **113 915 418** |
| **Total Assets and Liabilities** | | **1 381 741 674** | **1 443 885 806** |
| **NET ASSETS** | | **1 381 741 674** | **1 443 885 806** |
| Statutory Funds | 19 | 158 903 003 | 148 457 503 |
| Accumulated Surplus / (Deficit) | 20 | 1 222 838 671 | 1 295 428 303 |
| **Total Net Assets** | | **1 381 741 674** | **1 443 885 806** |

**ANNEXURE B**

**MUNICIPALITY OF SWAKOPMUND**
**STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2024**

| | Note | 2024 Actual N$ | 2023 Restated N$ |
|---|---|---|---|
| **REVENUE** | | | |
| **Revenue from Non-exchange Transactions** | | | |
| Property Rates | **21** | 173 130 667 | 165 901 147 |
| Fines and Penalties | **22** | 239 028 | 186 900 |
| Government Grants and Subsidies | **23** | 6 797 561 | 6 287 313 |
| Licences and Permits | **24** | 232 062 | 70 909 |
| Public Contributions and Donations | **25** | 310 210 | 178 597 |
| Rates Penalties and Collection | | - | (2) |
| **Revenue from Exchange Transactions** | | | |
| Dividends Received | **26** | 2 914 311 | - |
| Interest Earned - External Investments | **27** | 12 760 659 | 13 193 459 |
| Interest Earned - Outstanding Debtors | **27** | 1 914 059 | 1 079 160 |
| Rental of Facilities and Equipment | **28** | 21 994 016 | 19 449 595 |
| Royalties Received | **29** | 16 918 474 | 16 581 189 |
| Service Charges | **30** | 209 618 293 | 199 872 228 |
| Other Revenue | **31** | 15 733 814 | 16 018 114 |
| Profit on Sale of Land:- | **32** | 74 949 119 | 49 179 191 |
| **Total Revenue** | | **537 512 273** | **487 997 800** |
| **EXPENDITURE** | | | |
| Amortisation and Depreciation | **33** | 96 454 321 | 10 572 569 |
| Bulk Purchases | **34** | 85 411 840 | 87 926 430 |
| Contracted Services | **35** | 58 635 246 | 59 326 554 |
| Employee Related Costs | **36** | 258 346 837 | 261 315 905 |
| Finance Cost | **37** | 217 242 | 268 150 |
| Grants and Subsidies Paid | **38** | 3 507 091 | 24 528 238 |
| Hiring, Lease and Rental Charges | **39** | 13 069 096 | 12 483 061 |
| Inventory Consumed | **40** | 16 812 000 | 13 069 448 |
| Remuneration of Councillors | **41** | 2 868 571 | 2 813 930 |
| Other Expenditure | **42** | 51 955 691 | 44 819 844 |
| **Total Expenditure** | | **587 277 935** | **517 124 129** |

**ANNEXURE B**

**MUNICIPALITY OF SWAKOPMUND**
**STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2024 (Continued)**

| | | | |
|---|---|---|---|
| **OPERATING SURPLUS / (DEFICIT) FOR** | | **(49 765 662)** | **(29 126 329)** |
| **OTHER GAINS AND LOSSES** | | | |
| **Other Gains:** | | | |
| Disposal / Sale of Capital Assets | **43** | 711 399 | - |
| **Other Losses:** | | | |
| Debt Impairment | **43** | (15 962 056) | (17 450 170) |
| **TOTAL OTHER REVENUE /** | | **(15 250 657)** | **(17 450 170)** |
| **SURPLUS / (DEFICIT) FOR THE YEAR** | | **(65 016 319)** | **(46 576 499)** |

**Refer to Budget Statement for explanation of budget variances**

ANNEXURE C

**MUNICIPALITY OF SWAKOPMUND**
**STATEMENT OF CHANGES IN NET ASSESTS AT 30 JUNE 2024**

| **Description** | **Build Together Fund** | **Mass Housing Development Fund** | **Total for Accumulated Surplus / (Deficit) Account** | **Total** |
|---|---|---|---|---|
| | N$ | N$ | N$ | N$ |
| **2023** | | | | |
| Balance at 30 June 2022 | 74 845 795 | 42 644 017 | 1 574 161 382 | 1 691 651 195 |
| Change in Accounting Policy (Note 45) | (2 480 326) | (534 354) | (90 180 302) | (93 194 983) |
| Correction of Error (Note 48) | (14 303 961) | 35 462 252 | (135 064 488) | (113 906 197) |
| **Restated Balance** | **58 061 508** | **77 571 915** | **1 348 916 592** | **1 484 550 015** |
| | | | | |
| **Changes in Net Assets for:** | | | | |
| Contributions to Funds and Reserves | - | - | (6 911 790) | -6 911 790 |
| Interest allocated to Funds and Reserves | 2 572 488 | 4 743 645 | - | 7 316 132 |
| Other Income allocated to Funds and Reserves | - | - | - | - |
| Funds and Reserves utilised to finance Operations | (310 481) | (93 861) | - | (404 343) |
| Funds and Reserves utilised to finance Housing | (642 850) | - | - | (642 850) |
| Funds and Reserves utilised to finance Debtors | (58 400) | - | - | (58 400) |
| Funds and Reserves recovered by Loans Advanced | 6 613 540 | - | - | 6 613 540 |
| **Net Revenue/(Expense) recognised directly in Net Assets** | **8 174 297** | **4 649 784** | **(6 911 790)** | **5 912 289** |
| Surplus / (Deficit) for the year | - | - | (46 576 499) | (46 576 499) |
| **Balance at 30 June 2023** | **66 235 805** | **82 221 699** | **1 295 428 303** | **1 443 885 805** |

**MUNICIPALITY OF SWAKOPMUND**
**STATEMENT OF CHANGES IN NET ASSESTS AT 30 JUNE 2024 (Continued)**

| | | | | |
|---|---|---|---|---|
| **2024** | | | | |
| Change in Accounting Policy (Note 45) | - | - | (16 702 551) | (16 702 551) |
| Correction of Error (Note 48) | - | - | (665 150) | (665 150) |
| **Restated Balance** | **66 235 805** | **82 221 699** | **1 295 428 303** | **1 443 885 805** |
| | | | | |
| **Changes in Net Assets for:** | | | | |
| Contributions to Funds and Reserves | - | - | (7 573 314) | (7 573 314) |
| Interest allocated to Funds and Reserves | 3 348 594 | 5 344 489 | - | 8 693 083 |
| Other Income allocated to Funds and Reserves | 24 676 | - | - | 24 676 |
| Funds and Reserves utilised to finance Operations | (992 774) | (151 672) | - | (1 144 446) |
| Funds and Reserves utilised to finance Housing | (3 247 139) | - | - | (3 247 139) |
| Funds and Reserves utilised to finance Debtors | (3 876) | - | - | (3 876) |
| Funds and Reserves recovered by Loans Advanced | 6 123 200 | - | - | 6 123 200 |
| **Net Revenue recognised directly in Net Assets** | **5 252 681** | **5 192 817** | **(7 573 314)** | **2 872 184** |
| Surplus / (Deficit) for the year | - | - | (65 016 318) | (65 016 318) |
| **Balance at 30 June 2024** | **71 488 487** | **87 414 516** | **1 222 838 671** | **1 381 741 674** |

Details on the movement of the Funds are set out in Note 19.

ANNEXURE D

**MUNICIPALITY OF SWAKOPMUND**
**CASHFLOW STATEMENT FOR THE YEAR ENDED AT 30 JUNE 2024**

| | 2024 Actual | 2023 Restated |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | N$ | N$ |
| **Receipts** | | |
| Property Rates | 167 484 550 | 158 891 714 |
| Government Grants and Subsidies | 6 797 561 | 6 287 313 |
| Public Contributions and Donations | 310 210 | 178 597 |
| Service Charges | 205 142 419 | 192 223 029 |
| Interest Received | 12 760 659 | 13 193 459 |
| Dividends Received | 2 914 311 | - |
| Royalties Received | 16 942 906 | 16 455 995 |
| Other Receipts | 38 355 252 | 35 627 616 |
| **Payments** | | |
| Employee Related Costs | (257 635 948) | (243 731 167) |
| Remuneration of Councillors | (2 868 571) | (2 813 930) |
| Grants and Subsidies Paid | (3 507 091) | (24 528 238) |
| Interest Paid | (217 242) | (268 150) |
| Suppliers Paid | (228 710 406) | (216 009 264) |
| VAT Paid | (16 900 246) | (16 755 140) |
| **NET CASH FLOWS FROM OPERATING ACTIVITIES** | **(59 131 636)** | **(81 248 166)** |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | - | |
| Purchase of Property, Plant and Equipment | (51 587 279) | (57 988 230) |
| Purchase of Investment Property | (421 953) | (1 783 619) |
| Proceeds on Disposal of Property, Plant and Equipment | 711 399 | - |
| Profit on Sale of Land | 74 949 119 | 49 179 191 |
| Outflow from Investments Purchased | (9 406 060) | - |
| Repayments from Long-term Receivables | 1 225 250 | 1 275 246 |
| **NET CASH FLOWS FROM INVESTING ACTIVITIES** | **15 470 476** | **(9 317 412)** |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Repayment of Borrowings | (462 770) | (411 864) |
| **NET CASH FLOWS FROM FINANCING ACTIVITIES** | **(462 770)** | **(411 864)** |
| **NET INCREASE / (DECREASE) IN BANK, CASH AND CASH EQUIVALENTS** | **(44 123 930)** | **(90 977 442)** |
| Bank, Cash and Cash Equivalents at Beginning of Period | 179 738 618 | 270 716 058 |
| Bank, Cash and Cash Equivalents at End of Period | 135 614 687 | 179 738 618 |

**MUNICIPALITY OF SWAKOPMUND**
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024**

## 1. BASIS OF PRESENTATION

The Annual Financial Statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS), as approved by the Minister in terms of Section 86(4) the Local Authorities Act, 1992 (Act No 23 of 1992).

The Annual Financial Statements have been prepared in accordance with the historical cost convention, except where indicated otherwise.

The Annual Financial Statements have been prepared on an Accrual Basis of accounting and are in accordance with the historical cost convention, except where indicated otherwise. The Cash Flow Statement has been prepared using the Direct Method.

### 1.1 Presentation Currency

The Annual Financial Statements are presented in Namibian Dollar, rounded off to the nearest Dollar which is the Municipality's functional currency.

### 1.2 Critical Judgements, Estimations and Assumptions

In the application of the Municipality's Accounting Policies, which are described below, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be 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 ongoing 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.

The following are the critical judgements and estimations that management have made in the process of applying the Municipality's Accounting Policies and that have the most significant effect on the amounts recognised in Annual Financial Statements:

#### 1.2.1 Revenue Recognition

In making their judgement, the management considered the detailed criteria for the recognition of revenue as set out in IPSAS 9 (Revenue from Exchange Transactions) and IPSAS 23 (Revenue from Non-exchange Transactions). As far as Revenue from Non-exchange Transactions is concerned (see Basis of Preparation above), and, in particular, whether the Municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when the service is rendered, whether the service has been rendered. Also of importance is the estimation process involved in initially measuring

### 1.2.1 Revenue Recognition (continued)

revenue at the fair value thereof. Management of the Municipality is satisfied that recognition of the revenue in the current year is appropriate.

- Estimation of Meter Readings:
  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 reporting date 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.

- Estimation of unused Prepaid Metered Services
  Estimates of unused consumption of prepaid metered services, based on the consumption history, are made at year-end. Sales for prepaid metered services are recognised as revenue upon receipt of payment for these services, except at year-end when estimates for unused consumption up to reporting date are reversed from revenue and accrued as payment for services received in advance. These accruals are reversed in the new financial year to revenue again, deemed to be consumed after 30 June. In respect of estimates of consumption between the last date of purchase and the reporting date, an accrual for payments received in advance is made based on the average monthly consumption of consumers.

### 1.2.2 Water Inventory

The estimation of the Water Inventory in reservoirs is based on the measurement of water via electronic level sensors, which determines the depth of water in the reservoirs, which is then converted into volumes based on the total capacity of the reservoir. Furthermore, the length and width of all pipes are also taken into account in determining the volume of water on hand at year-end. Refer to Accounting Policy 3.2.2.

### 1.2.3 Impairment of Financial Assets

Accounting Policy 4.1 on Impairment of Financial Assets describes the process followed to determine the value at which Financial Assets should be impaired. In making the estimation of the impairment, the management of the Municipality considered the detailed criteria of impairment and used its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of the reporting period. The management of the Municipality is satisfied that impairment of Financial Assets recorded during the year is appropriate.

- Impairment of Trade Receivables:
  The calculation in respect of the impairment of Debtors is based on an assessment of the extent to which Debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This is performed per service-identifiable categories across all classes of debtors.

### 1.2.4 Capitalisation of Capital Assets

Judgement by management is required to distinguish between expenses incurred to maintain and repair capital assets and expenses incurred that will increase the remaining useful life of capital assets and needs to be capitalised to capital assets.

### 1.2.5 Useful lives of Property, Plant and Equipment, Intangible Assets and Investment Property

As described in Accounting Policies 5.4, 6.3 and 7.3, the Municipality depreciates its Property, Plant & Equipment and Investment Property, and amortises its Intangible Assets, over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use.

The estimation of residual values of assets is based on management's judgement as to whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

### 1.2.6 Impairment of Property, Plant & Equipment, Intangible Assets, Investment Property and Write-down of Inventories

Accounting Policy 8 on Impairment of Assets, Accounting Policy 6.3 on Intangible Assets – Subsequent Measurement, Amortisation and Impairment and Accounting Policy 3.2 on Inventory – Subsequent Measurement describe the conditions under which non-financial assets are tested for potential impairment losses by the management of the Municipality. Significant estimates and judgements are made relating to impairment testing of Property, Plant and Equipment, impairment testing of Intangible Assets and write-down of Inventories to the lowest of Cost or Net Realisable Value.

In making the above-mentioned estimates and judgement, management considered the subsequent measurement criteria and indicators of potential impairment losses. In particular, the calculation of the recoverable service amount for Property, Plant and Equipment, and Intangible Assets and the Net Realisable Value for Inventories involves significant judgment by management.

### 1.2.7 Defined Benefit and Contribution Plan Liabilities

As described in Accounting Policy 11.3, Employee Benefits – Post-employment Benefits, the Municipality obtains actuarial valuations of its Defined Benefit Plan Liabilities. The defined benefit obligations of the Municipality that were identified are Post-retirement Health Benefit Obligations, Long-service Awards and Severance Pay Liability. The estimated liabilities are recorded in accordance with the requirements of IPSAS 25.

### 1.2.7 Defined Benefit and Contribution Plan Liabilities (continued)

Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in the relevant Notes to the Annual Financial Statements.

### 1.2.8 Provisions and Contingent Liabilities

Management judgement is required when recognising and measuring Provisions and when measuring Contingent Liabilities. Provisions are discounted where the effect of discounting is material using actuarial valuations.

### 1.2.9 Budget Information

Deviations between budget and actual amounts are regarded as material differences when a 10% deviation exists. All material differences are explained in the relevant Notes to the Annual Financial Statements.

### 1.2.10 Segment Reporting

The Municipality is assessed to have reportable segments as per the requirements of IPSAS 18. In order to assess that the segments could be aggregated, the following factors were considered in applying its judgement:

- For management purposes the Municipality is broadly organised into business units based on the nature of operations and the services they provide.
- No individually material operating segments have been aggregated to form the above reportable operating segments.

- The Municipality does not monitor segments geographically.

### 1.2.11 Materiality

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

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

## 1.3 Going Concern Assumption

The Annual Financial Statements have been prepared on a Going Concern Assumption.

Management has considered the recent COVID-19 pandemic and its effect on the Municipality's current and expected performance in the assessment of Going Concern Assumption.

## 1.4 Standards, Amendments to Standards and Interpretations issued but not yet Effective

The following IPSAS's have been issued but are not yet effective and have not been early adopted by the Municipality:

| Standard of GRAP / Nature of Impending Changes / Expected Impact | Effective Date | Planned Date for Application by Municipality |
|---|---|---|
| • **IPSAS 41 Financial Instruments**<br>The standard introduces changes related to the classification and measurement of financial instruments. It will impact the impairment calculation for Receivables from Exchange and Non-exchange Transactions, requiring the use of a forward-looking Expected Credit Loss (ECL) model. The extent of the impact on the financial statements will depend on the municipality's credit risk assessment processes and is expected to result in earlier recognition of credit losses. | 2023/01/01 | 2024/06/30 |
| • **IPSAS 42 Social Benefits**<br>No significant changes expected. IPSAS 42 provides a framework for accounting for social benefits, which may impact how certain benefits are recognized and disclosed but does not materially change current practices. | 2023/01/01 | 2024/06/30 |

## 1.4 Standards, Amendments to Standards and Interpretations issued but not yet Effective

| | | |
|---|---|---|
| • **IPSAS 45** **Property, Plant, and Equipment**<br><br>IPSAS 45 replaces IPSAS 17 and provides enhanced guidance on the recognition, measurement, and disclosure of property, plant, and equipment. It introduces changes in asset measurement, particularly related to revaluation models and the recognition of costs associated with asset use. | 2026/01/01 | 2027/06/30 |
| • **IPSAS 46** **Measurement**<br>IPSAS 46 establishes a comprehensive framework for the measurement of assets and liabilities in financial statements. It applies to other IPSAS standards that require or permit measurements at fair value or other measurement bases. This will require the municipality to revisit measurement approaches for various assets and liabilities to ensure compliance. | 2026/01/01 | 2027/06/30 |
| • **IPSAS 47** **Revenue**<br>IPSAS 47 provides a comprehensive framework for recognising revenue from exchange and non-exchange transactions, replacing IPSAS 9 and IPSAS 23. It focuses on the satisfaction of performance obligations and the transfer of control, similar to IFRS 15. The municipality will need to reassess its revenue recognition policies, particularly for grants and services. | 2026/01/01 | 2027/06/30 |
| • **IPSAS 48** **Transfer Expenses**<br>IPSAS 48 introduces guidance for accounting for transfer expenses, providing principles on recognising expenses arising from transfers of resources to other parties without direct exchange. The standard will likely impact how the municipality accounts for grants and subsidies. | 2026/01/01 | 2027/06/30 |
| • **IPSAS 49** **Retirement Benefit Plans**<br>IPSAS 49 establishes accounting requirements for retirement benefit plans, including the presentation of financial statements, measurement of plan assets and liabilities, and disclosure of key information. It aligns with existing international standards on employee benefits. The municipality may need to review its retirement benefit plan disclosures. | 2026/01/01 | 2027/06/30 |

The Municipality has no operations and / or interests in the above-mentioned Standards where the impact is indicated "None, Standard not applicable to Municipality" and therefore it is regarded that no disclosures on these Standards will be necessary.

## 2. BUDGET INFORMATION

The annual budget figures have been prepared in accordance with the IPSAS's and are consistent with the Accounting Policies adopted by the Council for the preparation of these Annual Financial Statements. The amounts are scheduled as a separate additional financial statement, called the Statement of Comparison of Budget and Actual amounts. Explanatory comment is provided in the statement giving reasons for overall growth or decline in the budget and motivations for over- or under spending on line items. The annual budget figures included in the Annual Financial Statements are for the Municipality and do not include budget information relating to subsidiaries or associates. These figures are those approved by the Council at the beginning and during the year following a period of consultation with the public as part of the Integrated Business Plan. The budget is approved on an accrual basis by nature classification.

The approved budget covers the period from 1 July 2023 to 30 June 2024.

## 3. INVENTORIES

### *3.1 Initial Recognition and Measurement*

Inventories comprise current assets held-for-sale and current assets for consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the Inventories to their current location and condition. Where Inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where Inventory 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 the item on the date acquired.

Direct costs relating to properties that will be sold as Inventory are accumulated for each separately identifiable development. Costs also include a proportion of overhead costs.

### 3.2 Subsequent Measurement

#### 3.2.1 Consumable Stores, Raw Materials, Work-in-Progress and Finished Goods

Subsequently, Inventories sold are valued at the lower of cost and net realisable value. The cost is determined using the Weighted Average Method.

Consumable stores, raw materials, work-in-progress, inventories distributed at no charge or for a nominal charge and finished goods are valued at the lower of cost and current replacement cost. The cost is determined using the FIFO Method.

### 3.2.2 Water Inventory

Water is regarded as Inventory when the Municipality purchases water in bulk with the intention to resell it to the consumers or to use it internally, or where the Municipality has incurred purification costs on water obtained from natural resources (rain, rivers, springs, boreholes, etc). However, water in dams, that are filled by natural resources and that has not yet been treated, that is under the control of the Municipality but cannot be measured reliably as there is no cost attached to the water, is therefore not recognised in the Statement of Financial Position.

The basis of determining the cost of water purchased and not yet sold at reporting date comprises all costs of purchase, cost of conversion and other costs incurred in bringing the Inventory to its present location and condition, net of trade discounts and rebates.

Water and purified effluent are valued by using the FIFO Method, at the lowest of purified cost and net realisable value, insofar as it is stored and controlled in reservoirs at year-end.

### 3.2.3 Other Arrangements

Redundant and slow-moving Inventories identified are written down from cost to current replacement cost, if applicable.

Inventories identified to be sold by public auction are written down from cost to net realisable value with regard to their estimated economic or realisable values.

Differences arising on the measurement of such Inventory at the lower of cost and current replacement cost or net realisable value, are recognised in Surplus or Deficit in the year in which they arise. The amount of any reversal of any write-down of Inventories arising from an increase in current replacement cost or net realisable value 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.

## 4. FINANCIAL INSTRUMENTS

The Municipality has various types of Financial Instruments, and these can be broadly categorised as Financial Assets, Financial Liabilities or Residual Interests in accordance with the substance of the contractual agreement.

The Municipality does not offset a Financial Asset and a Financial Liability unless a legally enforceable right to set off the recognised amounts currently exist and the Municipality intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

## 4.1 Financial Assets

### 4.1.1 Initial Recognition:

Financial Assets are recognised when the Municipality becomes a party to the contractual provisions of the financial instrument. Financial assets are generally recognised at fair value, which is typically the transaction price. For assets not measured at fair value through surplus or deficit, transaction costs directly attributable to acquisition are added to the fair value. Trade receivables without significant financing components are recognised at the transaction price.

### 4.1.2 Classification:

Financial Assets are classified into categories based on the Municipality's business model and the characteristics of the financial asset's cash flows.

The Municipality has the following types of Financial Assets:

| Type of Financial Asset | Classification in terms of IPSAS 29 |
|---|---|
| Investments – Unlisted Shares | Financial Assets at Amortised Cost |
| Investments – Notice Deposits | Financial Assets at Amortised Cost |
| Finance Lease Receivables | Financial Assets at Amortised Cost |
| Long-term Receivables | Financial Assets at Amortised Cost |
| Receivables from Exchange Transactions | Financial Assets at Amortised Cost |
| Receivables from Non-exchange | Financial Assets at Amortised Cost |
| Bank, Cash and Cash Equivalents – Bank | Financial Assets at Amortised Cost |
| Bank, Cash and Cash Equivalents – Call | Financial Assets at Amortised Cost |
| Bank, Cash and Cash Equivalents – Cash | Financial Assets at Amortised Cost |

Trade and Other Receivables exclude Value Added Taxation, Prepayments and Operating Lease Receivables are classified as Financial Assets at Amortised Cost.
Cash includes cash-on-hand (including petty cash) and cash with banks (including call deposits). For the purposes of the Cash Flow Statement, Cash and Cash Equivalents comprise cash-on-hand and deposits held on call with banks, net of bank overdrafts.

### 4.1.3 Measurement:

**At Amortised Cost**
Amortised Cost is applied when the objective is to hold assets to collect contractual cash flows, which consist solely of payments of principal and interest. Initially measured at fair value plus transaction costs, and subsequently at amortised cost using the effective Interest Rate (EIR) method.

**At Fair Value through Surplus or Deficit (FVSD)**

Assets held for trading or failing the cash flow characteristics test (SPPI) are measured at Fair Value with changes recognised in surplus or deficit.

**At Fair Value through Net Assets / Equity (FVNA)**

Equity investments where the entity irrevocably elects to present fair value changes in net assets / equity. Gains and losses are recognised in Equity, while dividends are recognised in surplus or deficit.

**4.1.4 Impairment:**

The Municipality applies an **Expected Credit Loss (ECL)** model to measure impairment for financial assets at amortised cost or FVNA. The model is forward-looking and considers various scenarios.

**Stage 1:**
Assets without a significant increase in credit risk since initial recognition are measured for 12-month ECL. Interest revenue is calculated on the gross carrying amount.

**Stage 2:**
Assets with significant increases in credit risk are measured for lifetime ECL. Interest revenue is still calculated on the gross carrying amount.

**Stage 3:**
Credit-impaired assets are measured for lifetime ECL, with interest revenue calculated on the amortised cost (gross amount minus loss allowance).

For **Trade and Lease Receivables**, the Municipality uses a simplified approach, recognising a loss allowance equal to lifetime ECL at initial recognition, simplifying the process by not requiring credit risk tracking.

**4.1.5 Derecognition:**

Financial Assets are derecognised when the Municipality loses control over the contractual rights, such as when cash flow rights expire or substantially all risks and rewards of ownership are transferred.

**4.2 Financial Liabilities**

**4.2.1 Initial Recognition:**

Financial Liabilities are recognised when the Municipality becomes a party to the contract. Financial liabilities are initially measured at fair value, with directly attributable transaction costs included for liabilities not measured at fair value through surplus or deficit.

### 4.2.2 Classification:

Financial Liabilities are measured based on classification:

The Municipality has the following types of Financial Liabilities:

| Type of Financial Asset | Classification in terms of IPSAS 29 |
|---|---|
| Finance Lease Liabilities | Financial Liabilities at Amortised Cost |
| Borrowings | Financial Liabilities at Amortised Cost |
| Payables from Exchange Transactions | Financial Liabilities at Amortised Cost |
| Payables from Non-exchange Transactions | Financial Liabilities at Amortised Cost |

The Bank Overdraft presented in the Annual Financial Statements is in respect of Cash Book only. The Municipality does not have overdraft facilities with its Banker and its Bank Account is not over-drawn at year-end.

### 4.2.3 Measurement:

**At Amortised Cost**
Amortised Cost applies to liabilities that are not held for trading. Measured at amortised cost using the EIR method.

**At Fair Value through Surplus or Deficit (FVSD)**
Financial Liabilities held for trading or designated as FVSD are measured at fair value with changes recognised in surplus or deficit.

Prepayments are carried at cost less any accumulated impairment losses.

### 4.2.4 Derecognition:

The Municipality derecognises Financial Liabilities when the liability is discharged, cancelled, or expires.

## 5. PROPERTY, PLANT AND EQUIPMENT

### 5.1 Transitional Provisions

The Municipality has taken advantage of the transitional provisions in IPSAS 33 with the implementation of IPSAS 17, which allows 3 years for the recognition and/or measurement of Property, Plant and Equipment.

It is therefore possible that some items of Property, Plant and Equipment have not been recognised and/or measured in accordance with IPSAS 17. The Municipality is in the process of recognising and/or measuring all its Property, Plant and Equipment for inclusion in the 2024/25 Annual Financial Statements.

### 5.2 Initial Recognition and Measurement

Property, Plant and Equipment are initially recognised at cost.
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.
Repairs and Maintenance are expenses incurred through servicing equipment or repairing of existing assets. These expenses are not recognised in the carrying value of the asset, but directly recognised in Surplus or Deficit and measured at cost.

### 5.3 Subsequent Measurement

Subsequently all Property Plant and Equipment are measured at cost, less accumulated depreciation and accumulated impairment losses.

### 5.4 Depreciation

Depreciation on assets other than land is calculated on cost, using the Straight-line Method, to allocate their cost or revalued amounts to their residual values over the estimated useful lives of the assets. 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 | Years | Asset Class | Years |
|---|---|---|---|
| **Buildings** | | **Community** | |
| Improvements | 15-70 | Facilities | 10 - 70 |
| **Infrastructure** | | **Other** | |
| Roads and Storm Water | 10 - 70 | Computer Equipment | 5 |
| Sanitation | 15 - 70 | Furniture and Fittings | 5-7 |
| Solid Waste | 5 - 10 | Motor Vehicles | 10-15 |
| Water | 15 - 70 | Plant and Equipment | 5 |

### 5.5 Land

Land is stated at historical cost and is not depreciated as it is deemed to have an indefinite useful life.

### 5.6 Incomplete Construction Work

Incomplete Construction Work is stated at historical cost. Depreciation only commences when the asset is available for use.

### 5.7 Infrastructure Assets

Infrastructure Assets are any assets that are part of a network of similar assets. Infrastructure assets are shown at cost less accumulated depreciation and accumulated impairment. Infrastructure assets are treated similarly to all other assets of the Municipality in terms of the Asset Management Policy.

### 5.8 Leased Assets

Assets capitalised under finance leases are depreciated over their expected useful lives on the same basis as Property, Plant and Equipment controlled by the Municipality or, where shorter, the term of the relevant lease if there is no reasonable certainty that the Municipality will obtain ownership by the end of the lease term.

### 5.9 Derecognition

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 are not classified as revenue.

## 6. INTANGIBLE ASSETS

### 6.1 Transitional Provisions

The Municipality has taken advantage of the transitional provisions in IPSAS 33 with the implementation of IPSAS 31, which allows 3 years for the recognition and/or measurement of Intangible Assets.

It is therefore possible that some items of Intangible Assets have not been recognised and/or measured in accordance with IPSAS 31. It is also possible that some items of Intangible Assets have been included in Property, Plant and Equipment in accordance with the previous basis of accounting. The Municipality is in the process of recognising and/or measuring all its Intangible Assets for inclusion in the 2024/25 Annual Financial Statements.

### 6.2 Initial Recognition and Measurement

Identifiable non-monetary assets without physical substance are classified and recognised as Intangible Assets.

Intangible Assets are initially recognised at cost.

Where an Intangible 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.

### 6.2 Initial Recognition and Measurement (continued)

The cost of an Intangible Asset acquired in exchange for 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. If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

Repairs and Maintenance are expenses incurred through servicing equipment or repairing of existing assets. These expenses are not recognised in the carrying value of the asset, but directly recognised in Surplus or Deficit and measured at cost.

### 6.3 Subsequent Measurement, Amortisation and Impairment

After initial recognition, Intangible Assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Amortisatioin is charged on a Straight-line Method over the Intangible Assets useful lives. The residual value of Intangible Assets with finite useful lives is zero, unless an active market exists. Where Intangible Assets are deemed to have indefinite useful lives, such Intangible Assets are not amortised. However, such Intangible Assets are subject to an annual impairment test.

The amortisation rates are based on the following estimated useful lives:

| Asset Class | Years |
|---|---|
| Computer Software | 4 |

### 6.4 Derecognition

The gain or loss arising from the derecognition of an item of Intangible Asset is included in Surplus or Deficit when the item is derecognised. Gains are not classified as Revenue.

## 7. INVESTMENT PROPERTY

### 7.1 Transitional Provisions

The Municipality has taken advantage of the transitional provisions in IPSAS 33 with the implementation of IPSAS 16, which allows 3 years for the recognition and/or measurement of Investment Property.

It is therefore possible that some items of Investment Property have not been recognised and/or measured in accordance with IPSAS 16. It is also possible that some items of Investment Property have been included in Property, Plant and Equipment in accordance with the previous basis of accounting. The Municipality is in the process of recognising and/or measuring all its Investment Property for inclusion in the 2024/25 Annual Financial Statements.

### 7.2 Initial Recognition and Measurement

At initial recognition, the Municipality measures Investment Property at cost. 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.

Repairs and Maintenance are expenses incurred through servicing equipment or repairing of existing assets. These expenses are not recognised in the carrying value of the asset, but directly recognised in Surplus or Deficit and measured at cost.

### 7.3 Subsequent Measurement

Investment Property is measured using the Cost Model and is stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated on cost, using the Straight-line Method over the useful life of the property. Investment Property consists of Land only, and no depreciation has been calculated.

The gain or loss arising on the disposal of an Investment Property is recognised in Surplus or Deficit.

### 7.4 Derecognition

The gain or loss arising from the derecognition of an item of Investment Property is included in Surplus or Deficit when the item is derecognised. Gains are not classified as Revenue.

## 8. CONSUMER DEPOSITS

Consumer deposits are a partial security for a future payment of an account. All consumers are therefore required to pay a deposit, published annually in the tariff listing approved by council. Deposits are considered a liability as the deposit is only refunded once the service is terminated. No interest is paid on deposits.

## 9. LEASES

### 9.1 The Municipality as Lessor

Amounts due from lessees under Finance Leases or instalment sale agreements are recorded as receivables at the amount of the Municipality's net investment in the leases. Finance lease or instalment sale revenue 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 instalment sale agreements.

Rental revenue from Operating Leases is recognised on a Straight-line Basis over the term of the relevant lease.

### 9.2 The Municipality as Lessee

#### 9.2.1 Finance Leases

Property, plant and equipment or intangible assets subject to finance lease agreements are capitalised at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. Corresponding liabilities are recognised at equal amounts. In discounting the lease payments, the Municipality uses the interest rate that exactly discounts the lease payments to the fair value of the asset, plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment or intangible assets. The lease liability is reduced by the lease payments, which are allocated between the finance cost and the capital repayment using the Effective Interest Rate Method. Finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

#### 9.2.2 Operating Leases

The Municipality recognises operating lease rentals as an expense in Surplus or Deficit on a Straight-line Basis over the term of the relevant lease. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability. Any lease incentives are included as part of the net consideration agreed.

## 10. BORROWING COSTS

All borrowing costs are treated as an expense in the period in which they are incurred.

## 11. EMPLOYEE BENEFIT LIABILITIES

### 11.1 Transitional Provisions

The Municipality has taken advantage of the transitional provisions in IPSAS 33 with the implementation of IPSAS 39, which allows 3 years for the recognition and/or measurement of Employee Benefit Liabilities.

It is therefore possible that some items of Employee Benefits have not been recognised and/or measured in accordance with IPSAS 39. It is also possible that some items of Employee Benefits have been included in Payables or Provisions in accordance with the previous basis of accounting. The Municipality is in the process of recognising and/or measuring all its Employee Benefits for inclusion in the 2024/25 Annual Financial Statements.

### 11.2 Short-term Employee Benefits

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. The liability for leave pay is based on the total accrued leave days at year end and is shown as a creditor in the Statement of Financial Position. The municipality recognises the expected cost of performance bonuses only when the municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

#### 11.2.1 Provision for Staff Leave

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year-end and also on the total remuneration package of the employee.

Accumulating leave, capped at 130 days, is carried forward and can be used in future periods if the current period's entitlement is not used in full. All unused leave will be paid out to the specific employee at the end of that employee's employment term.

Accumulated leave is vesting.

#### 11.2.2 Staff Bonuses Accrued

Liabilities for staff bonuses are recognised as they accrue to employees. The liability at year end is based on bonus accrued at year-end for each employee.

The municipality pays employees for absence for various reasons including holidays, sickness and short-term disability, and maternity or paternity. The expected cost of short-term employee benefits in the form of paid absences for accumulating paid absences is recognised when the employees render service that increases their entitlement to future paid absences. The expected cost of non-accumulating paid absences is recognised when the absences occur.

### 11.3 Post-employment Benefits

The Municipality provides retirement benefits for its employees and has both defined benefit and defined contribution post-employment plans.

#### 11.3.1 Defined Contribution Plans

The Municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in Surplus or Deficit in the period in which the service is rendered by the relevant employees. The Municipality has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

**Local-administered Contribution Benefit Plan**

The Municipality contributes to a Local-administered Defined Contribution Plan on behalf of its qualifying employees. This fund is a single-employer fund. The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. This defined benefit fund is actuarially valued annually on the Projected Unit Credit Method basis.

#### 11.3.2 Defined Benefit Plans

Defined Benefit Cost is made up of the following components:

(a) Service Cost, comprising:
- Current Service Cost
- Settlements
- Past Service Cost, comprising:
  (1) Plan Amendments
  (2) Curtailments

(b) Net Interest Revenue / Expense

(c) Remeasurements, comprising:
- Actuarial Gains and Losses
- Return on Plan Assets, excluding amounts included in net interest on the net defined benefit liability (asset)
- Any change in the Effect of the Asset Ceiling, excluding amounts included in net interest on the net defined benefit liability (asset)

**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. All Medical Aid Funds with which the Municipality is associated, provide for continued membership.

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.

Actuarial gains or losses are recognised immediately in Surplus or Deficit.

Past-service costs are recognised immediately in Surplus or Deficit.

**Long-service Allowance**
The Municipality has an obligation to provide Long-service Allowance Benefits to its qualifying employees, which the Municipality instituted and operates. According to the rules of the Bonus Leave Scheme, an employee is awarded bonus leave days, calculated in terms of the rules of the scheme, after 5, 10, and every year thereafter, completed service years. According to the rules of the Long-service Award Scheme, an employee is entitled to a 'level amount' bonus of N$2 800 after 5 years of continuous service, and every 5 years thereafter.

The Municipality's liability is based on an actuarial valuation. The Projected Unit Credit Method is used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through Surplus or Deficit.

Actuarial gains or losses are recognised immediately in Surplus or Deficit.

Past-service costs are recognised immediately in Surplus or Deficit.

**Severance Allowance**
The Municipality has an obligation to provide Severance Benefits to its qualifying employees. According to legislation and the rules of the Severance Benefits Scheme, which the Municipality instituted and operates, an employee is entitled to a severance payment in the event of death-in-service, retrenchment or retirement, at age 55 years. The Municipality's liability is based on an actuarial valuation. The Projected Unit Credit Method is used to value the liabilities.

The benefit provided is one week's fixed remuneration per year of uninterrupted service, subject to at least one year's completed service. Annual Fixed Remuneration is equal to Annual Basic Salary, plus Annual Housing Allowance, plus Annual Transport Allowance, plus Bonus (13th Cheque).

Actuarial gains or losses are recognised immediately in Surplus or Deficit.

Past-service costs are recognised immediately in Surplus or Deficit.

### 11.4 Termination Benefits

The municipality provides termination benefits for its employees in terms of the municipality's Employee Benefit Plan.

Termination Benefits to employees is recognised as an expense in the Statement of Financial Performance and as a liability in the Statement of Financial Position when the municipality can no longer withdraw the offer of those benefits.

## 12. PROVISIONS

### 12.1 Transitional Provisions

The Municipality has taken advantage of the transitional provisions in IPSAS 33 with the implementation of IPSAS 19, which allows 3 years for the recognition and/or measurement of certain Provisions.

Where a first-time adopter takes advantage of the exemption in IPSAS 33.36 which allows a 3 year transitional relief period to not recognise and/or measure Property, Plant and Equipment, it is not required to recognise and/or measure the liability relating to the initial estimate of costs of dismantling and removing the item and restoring the site on which it is located until the exemption for IPSAS 17 has expired, and/or the relevant asset is recognised and/or measured in accordance with IPSAS 17, whichever is earlier.

It is therefore possible that some Provisions relating to the dismantling and removal of items of Property, Plant and Equipment have not been recognised. If relevant, Provisions of this nature will be recognised and measured when the related asset(s) have been recognised. The Municipality is in the process of recognising and/or measuring all its Provisions for inclusion in the 2024/25 Annual Financial Statements.

## 13. General

The best estimate of the expenditure required to settle the present obligation is the amount that the Municipality 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 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 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 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 Surplus or Deficit as a finance cost as it occurs.

## 14. Provision for Environmental Rehabilitation

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 Surplus or Deficit.

## 15. NET ASSETS

Included in the Net Assets of the Municipality are the following Funds that are maintained in terms of specific requirements:

## 15.1 Statutory Funds

### 15.1.1 Build Together Fund:

The Build Together Fund was established in terms of Section 8 of the National Housing Development Act, 2000 (Act No 28 of 2000).

The Build Together Fund contains all proceeds from government allocations, subsequent repayment of loans granted from the Fund and interest accrued from loans and cash investments. Monies standing to the credit of the Build Together Fund shall be applied to grant loans to applicants in terms of the Guidelines and Procedures on the National Housing Programme, issued by the Ministry of Regional and Local Government, Housing and Rural Development.

### 15.1.2 Mass Housing Development Fund:

The Mass Housing Development Fund was established in terms of Section 8 of the National Housing Development Act, 2000 (Act No 28 of 2000).

The Mass Housing Development Fund contains all proceeds from government allocations, subsequent repayment of loans granted from the Fund and interest accrued from loans and cash investments. Monies standing to the credit of the Mass Housing Fund shall be applied in terms of the Guidelines and Procedures on the National Housing Programme, issued by the Ministry of Regional and Local Government, Housing and Rural Development.

### 15.1.3 Accumulated Surplus

The Accumulated Surplus contains accumulated surpluses, after appropriations to and from Statutory Funds.

# 16. REVENUE RECOGNITION

## 16.1 General

Revenue 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.

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Municipality's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

## 16.2 Revenue from Non-exchange Transactions

### 16.2.1 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-proportionate Basis with reference to the principal amount receivable and effective interest rate applicable. A composite rating system charging different rate tariffs is employed. Certain categories of ratepayers are exempted from property rates in terms of Section 75 the Local Authorities Act, 1992 (Act No 23 of 1992).

### 16.2.2 Fines

Fines constitute both spot fines and summonses.

Revenue for fines is recognised when the fine is issued at the full amount of the receivable. The Municipality uses estimates to determine the amount of revenue that the Municipality is entitled to collect that is subject to further legal proceedings.

### 16.2.3 Government Grants and Receipts

Conditional grants, donations and funding are recognised as revenue to the extent that the Municipality has complied with any of the criteria, conditions or obligations embodied in the agreement.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Municipality with no future related costs, are recognised in Surplus or Deficit in the period in which they become receivable.

Interest earned on investments 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 Surplus or Deficit.

### 16.2.4 Public Contributions

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use.

## 16.3 Revenue from Exchange Transactions

### 16.3.1 Service Charges

Service Charges are levied in terms of approved tariffs.

Service Charges relating to 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 taken. 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 all properties that have improvements. Tariffs are determined per category of property usage and are levied based on the number of bins on each property.

Service Charges relating to sewerage for residential properties are recognised on a monthly basis in arrears by applying the approved tariff to all properties. Tariffs are levied based on the extent and / or zoning of each property. All other properties are levied based on the water consumption, using the tariffs approved by Council and published thereafter, and are levied monthly.

### 16.3.2 Prepaid Water

Revenue from the sale of water prepaid meter cards are recognised at the point of sale. Revenue from the prepaid sales are recognised based on an estimate of the prepaid service consumed as at the reporting date.

### 16.3.3 Rentals Received

**Ad-hoc Rentals:** Revenue from the rental of facilities and equipment is recognised as revenue upon receipt of payment in terms of tariffs set by Council, except at year-end when pre-paid rentals for periods after the reporting date are reversed from revenue and accrued as payment for services received in advance. These accruals are reversed in the new financial year to revenue again, deemed to be consumed after 30 June. In respect of rentals paid for periods after the reporting date, an accrual for payments received in advance is made based on the actual periods reflected on the receipts issued.

**Lease Rentals:** Revenue from the rental of facilities and equipment is recognised on a Straight-line Basis over the term of the lease agreement.

### 16.3.4 Finance Income

Interest earned on investments is recognised in Surplus or Deficit on the Time-proportionate Basis that takes into account the effective yield on the investment.

### 16.3.5 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.

### 16.3.6 Royalties

Royalties are recognised on an Accrual Basis in accordance with the substance of the relevant agreement. Royalties determined on a time basis are recognised on a Straight-line Basis over the period of the agreement. Royalty arrangements that are based on production, sales and other measures are recognised by reference to the underlying arrangement.

### 16.3.7 Tariff Charges

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant authorised tariff. This includes the issuing of licences and permits.

### 16.3.8 Sale of Goods (including Houses)

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

(a) The Municipality has transferred to the buyer the significant risks and rewards of ownership of the goods;
(b) The Municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
(c) The amount of revenue can be measured reliably.
(d) It is probable that the economic benefits or service potential associated with the transaction will flow to the Municipality; and
(e) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

## 17. GRANTS-IN-AID

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

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

These transfers are recognised in Surplus or Deficit as expenses in the period that the events giving rise to the transfer occurred.

## 18. MATERIAL LOSSES

Due to their significance, the complete calculation of water losses is provided, including the opening balance, purchases, sales and closing balance where applicable. For water the unit rate is measured based on the Weighted Average Method as defined by IPSAS 12 (Inventories).

## 19. COMMITMENTS

Commitments are disclosed for:

- 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 IPSAS;

- Approved but not yet contracted commitments, where the expenditure has been approved and the contract has yet to be awarded or is awaiting finalisation at the reporting date;

- 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 Annual Financial Statements; and

- Other commitments for contracts that are non-cancellable or only cancellable at significant cost, should relate to something other than the business of the municipality.

## 20. RELATED PARTIES

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 Mayor, Management Committee Members, Council Members, Chief Executive Officer and all other General Managers reporting directly to the Chief Executive Officer or as designated by the Chief Executive Officer.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

## 21. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Contingent Assets and Contingent Liabilities are not recognised. Contingencies are disclosed in Notes to the Annual Financial Statements.

## 22. EVENTS AFTER THE 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 Notes to the Annual Financial Statements.

## 23. SEGMENT REPORTING

The mandate of the Municipality is to provide basic services to the community over which it governs. In order to properly execute its mandate and achieve its strategic goals, internal management reporting is based on each service objective and also considered separately for each of the areas within the municipal jurisdiction. The components described below have been identified as individually significant segments for purposes of reporting in terms of IPSAS 18 (Segment Reporting).

The following services are considered significant to the Municipality and is accordingly managed separately:

- The provision of roads and infrastructure to ensure a comprehensive and safe Roads Network and Town Planning and Property Management Services.
- The provision of equipment and infrastructure to ensure removal and treatment of Solid Waste; infrastructure to ensure delivery of Water and infrastructure for removal of excess water and sewerage through a Sewerage Network.
- The provision of Community & Economic Development, Beaches & Resorts, Fire & Protection, Housing & Properties, Libraries & Museums, Parks & Cemeteries and Sports, Arts & Culture Services.
- The provision of Financial Services to ensure financial viability.
- The provision of Administrative, Communication, Legal and Support Services to Corporate and all Services for the well-being of the Municipal Employees.
- The provision of Executive, Customer, Public Communication and Technology Services to enable execution of this mandate.

All other sources of income and expenditure is aggregated through means of the administrative function as these services are not significant to the other services of the Municipality as a whole.

The Municipality only operates in a single geographical location and accordingly does not report separately on each location within its jurisdiction.

Intersegmental transfers are per the Municipality's approved tariff policy. The reconciliation clearly describes the effects of all internal transfers between segments.

The accounting policies for segmental reporting in the management accounts are aligned to the requirements of IPSAS as described in these accounting policies.

No changes from were made from prior periods measurement methods used to determine reported segment surplus or deficit.

## 24. VALUE ADDED TAX

The Municipality accounts for Value Added Tax in accordance with section 18 of the Value-Added Tax Act (Act No 10 of 2000).

**MUNICIPALITY OF SWAKOPMUND**
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024**

## 1. GENERAL INFORMATION

The Municipality of Swakopmund (the Municipality) is a local government institution in Swakopmund under the jurisdiction of the Erongo Regional Council. The addresses of its registered office and principal place of business are disclosed under "General Information" included in the Annual Financial Statements and in the introduction of the Annual Report. The principal activities of the Municipality are disclosed in the Annual Report and are prescribed by the Local Authorities Act, 1992 (Act No 23 of 1992).

## 2. INVENTORIES

| | 2024 | 2023 |
|---|---|---|
| | N$ | N$ |
| Consumable Stores | 7 030 626 | 6 211 385 |
| Fuel and Oil | 477 734 | 833 237 |
| Land / Property Held-for-Sale | 563 590 | 1 136 469 |
| Nursery | 609 369 | 9 853 |
| Water for Distribution | 523 944 | 549 015 |
| **Total Inventories** | **9 205 263** | **8 739 959** |

The prior year amount for Inventories has been adjusted. Refer to Note 45.4 on "Change in Accounting Policy" for details of the restatement.

The prior year amount for Inventories has been adjusted. Refer to Note 46.3 on "Correction of Error" for details of the restatement.

Inventories, other than "Water for Distribution", are held for own use and measured at the lower of Cost and Current Replacement Cost. No write downs of Inventory to Current Replacement Cost were required.

Water for Distribution is held for distribution and measured at the lower of Cost and Net Realisable Value. No write downs of Water for Distribution to Net Realisable Value were required.

Obsolete and / or Lost Inventories to the amount of N$ 565 559 (2023: N$0) were written off and recognised in Profit and Loss during the period.

The cost of Inventories recognised as an expense during the period was N$18 047 597 (2023: N$14 552 190).

The cost of water production for the year amounted to N$14.87 per kilolitre (2023: N$14.87 per kilolitre).

## 3. RECEIVABLES FROM EXCHANGE TRANSACTIONS

| | Gross Balances | Allowance for Impairment | Net Balances |
|---|---|---|---|
| | N$ | N$ | N$ |
| **As at 30 June 2024** | | | |
| Service Debtors: | 80 410 398 | 61 507 250 | 18 903 148 |
| Refuse | 18 436 426 | 11 300 104 | 7 136 322 |
| Sewerage | 21 602 542 | 22 353 560 | -751 018 |
| Water | 40 371 430 | 27 853 586 | 12 517 844 |
| Loan Services | 4 591 074 | 4 442 126 | 148 948 |
| Other Trading Services | 21 485 619 | 15 615 663 | 5 869 956 |
| VAT on Service Debtors | 2 803 491 | - | 2 803 491 |
| **Total Receivables from Billed Services** | **109 290 583** | **81 565 039** | **27 725 544** |
| Accruals | 1 450 624 | - | 1 450 624 |
| Recoverable Expenses | 1 123 703 | - | 1 123 703 |
| Sundry Debtors | 83 819 | - | 83 819 |
| Tourism | 923 314 | 1 296 248 | -372 934 |
| **Total Receivables from Exchange Transactions** | **112 872 042** | **82 861 287** | **30 010 755** |

**MUNICIPALITY OF SWAKOPMUND**
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024 (CONTINUED)**

| | Gross Balances | Allowance for Impairment | Net Balances |
|---|---|---|---|
| | N$ | N$ | N$ |
| **As at 30 June 2023** | | | |
| Service Debtors: | 83 201 977 | 62 453 341 | 20 748 637 |
| Refuse | 17 901 894 | 10 702 099 | 7 199 796 |
| Sewerage | 21 878 820 | 22 019 444 | -140 624 |
| Water | 43 421 263 | 29 731 798 | 13 689 465 |
| Loan Services | 3 579 127 | 3 365 705 | 213 421 |
| Other Trading Services | 18 773 074 | 12 486 575 | 6 286 498 |
| VAT on Service Debtors | 2 735 519 | - | 2 735 519 |
| **Total Receivables from Billed Services** | **108 289 697** | **78 305 621** | **29 984 075** |
| Accruals | 1 475 056 | - | 1 475 056 |
| Recoverable Expenses | 735 452 | - | 735 452 |
| Sundry Debtors | 357 013 | - | 357 013 |
| Tourism | 923 314 | 982 895 | -59 581 |
| **Total Receivables from Exchange Transactions** | **111 780 532** | **79 288 516** | **32 492 015** |

The prior year amount for Receivables from Exchange Transactions has been adjusted. Refer to Note 45.16 on "Change in Accounting Policy" for details of the restatement.

The prior year amount for Receivables from Exchange Transactions has been adjusted. Refer to Note 46.3 on "Correction of Error" for details of the restatement.

Other Receivables include outstanding debtors for various other utility services, e.g. Deposits, Interest, Rentals and Sundry Services like Garden Refuse, Sanitation Bags, etc.

Included in Accruals is an amount of N$ 8 820 096 (2023: N$ 6 873 216) in respect of the consumption of metered services not billed as at 30 June.

Receivables from Exchange Transactions are billed monthly, latest end of month. No interest is charged on Receivables until the end of the following month. Thereafter interest is charged at a rate determined by Council on the outstanding service balance. However, Council lifted the levying of interest on arrear accounts until further notice. The Municipality strictly enforces its approved credit control policy to ensure the recovery of Receivables.

The Municipality receives applications for basic services that it processes. Deposits are required to be paid for all water accounts opened. There are no consumers who represent more than 5% of the total balance of Receivables.

At 30 June 2024 the Municipality is owed N$ 2 223 747 (30 June 2023: N$ 3 516 781) by National and Regional Government.

**MUNICIPALITY OF SWAKOPMUND**
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024 (CONTINUED)**

## 3.1 Ageing of Receivables from Exchange Transactions

| As at 30 June 2024 | Current | Past Due | | | Total |
|---|---|---|---|---|---|
| | 0-30 days | 31-60 days | 61-90 days | +90 days | |
| **Refuse:** | | | | | |
| Gross Balances | 2 522 481 | 866 220 | 655 698 | 14 392 027 | 18 436 426 |
| Less: Allowances for Impairment | 715 102 | 496 060 | 374 570 | 9 714 372 | 11 300 104 |
| **Net Balances** | **1 807 379** | **370 160** | **281 128** | **4 677 655** | **7 136 322** |
| **Water:** | | | | | |
| Gross Balances | 5 316 144 | 1 744 742 | 1 392 701 | 13 148 955 | 21 602 542 |
| Less: Allowance for Impairment | 1 616 869 | 940 769 | 754 726 | 19 041 196 | 22 353 560 |
| **Net Balances** | **3 699 275** | **803 973** | **637 975** | **(5 892 241)** | **(751 018)** |
| **Loan Services:** | | | | | |
| Gross Balances | 8 127 093 | 2 091 257 | 1 768 781 | 28 384 299 | 40 371 430 |
| Less: Allowance for Impairment | 2 572 361 | 1 175 806 | 939 186 | 23 166 233 | 27 853 586 |
| **Net Balances** | **5 554 732** | **915 451** | **829 595** | **5 218 066** | **12 517 844** |
| **Loan Services:** | | | | | |
| Gross Balances | 173 893 | 193 247 | 177 965 | 4 045 970 | 4 591 074 |
| Less: Allowance for Impairment | 108 406 | 144 058 | 135 706 | 4 053 956 | 4 442 126 |
| **Net Balances** | **65 487** | **49 189** | **42 259** | **-7 986** | **148 948** |
| **Other Trading Services:** | | | | | |
| Gross Balances | 2 693 110 | 654 596 | 550 365 | 17 587 547 | 21 485 619 |
| Less: Allowance for Impairment | 1 183 172 | 307 748 | 264 192 | 13 860 551 | 15 615 663 |
| **Net Balances** | **1 509 938** | **346 848** | **286 173** | **3 726 996** | **5 869 956** |
| **VAT on Service Debtors:** | | | | | |
| Gross Balances | 882 857 | 174 890 | 135 270 | 1 610 475 | 2 803 491 |
| Less: Allowance for Impairment | - | - | - | - | - |
| **Net Balances** | **882 857** | **174 890** | **135 270** | **1 610 475** | **2 803 491** |

## 3.1 Ageing of Receivables from Exchange Transactions (continued)

**As at 30 June Receivables of N$ 14 205 876 were past due but not impaired. The age analysis of these Receivables are as follows:**

| | Current | Past Due | | | Total |
|---|---|---|---|---|---|
| | 0-30 days | 31-60 days | 61-90 days | +90 days | |
| **Refuse:** | | | | | |
| Gross Balances | 19 715 578 | 5 724 952 | 4 680 780 | 79 169 273 | 109 290 583 |
| Less: Allowances for Impairment | 6 195 910 | 3 064 441 | 2 468 381 | 69 836 308 | 81 565 039 |
| **Net Balances** | **13 519 668** | **2 660 511** | **2 212 399** | **9 332 965** | **27 725 544** |

**MUNICIPALITY OF SWAKOPMUND**
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024 (CONTINUED)**

## 3.1 Ageing of Receivables from Exchange Transactions (continued)

| As at 30 June 2023 | Current | Past Due | | | Total |
|---|---|---|---|---|---|
| | 0-30 days | 31-60 days | 61-90 days | +90 days | |
| **Refuse:** | | | | | |
| Gross Balances | 2 339 768 | 839 407 | 673 571 | 14 049 148 | 17 901 894 |
| Less: Allowances for Impairment | 368 399 | 295 125 | 278 749 | 9 759 827 | 10 702 099 |
| **Net Balances** | **1 971 369** | **544 282** | **394 822** | **4 289 321** | **7 199 795** |
| **Water:** | | | | | |
| Gross Balances | 4 709 887 | 1 809 029 | 1 481 348 | 13 878 557 | 21 878 820 |
| Less: Allowance for Impairment | 783 745 | 632 803 | 604 514 | 19 998 382 | 22 019 444 |
| **Net Balances** | **3 926 142** | **1 176 226** | **876 834** | **-6 119 825** | **(140 624)** |
| **Loan Services:** | | | | | |
| Gross Balances | 6 990 002 | 2 495 247 | 2 070 752 | 31 865 261 | 43 421 263 |
| Less: Allowance for Impairment | 1 115 361 | 893 789 | 819 563 | 26 903 085 | 29 731 798 |
| **Net Balances** | **5 874 641** | **1 601 458** | **1 251 189** | **4 962 176** | **13 689 465** |
| **Loan Services:** | | | | | |
| Gross Balances | 134 703 | 149 003 | 137 134 | 3 158 286 | 3 579 127 |
| Less: Allowance for Impairment | 111 501 | 128 939 | 119 366 | 3 005 899 | 3 365 705 |
| **Net Balances** | **23 202** | **20 064** | **17 768** | **152 387** | **213 422** |
| **Other Trading Services:** | | | | | |
| Gross Balances | 1 945 314 | 824 692 | 527 803 | 15 475 264 | 18 773 074 |
| Less: Allowance for Impairment | 416 056 | 372 306 | 210 069 | 11 488 144 | 12 486 575 |
| **Net Balances** | **1 529 258** | **452 386** | **317 734** | **3 987 120** | **6 286 499** |
| **VAT on Service Debtors:** | | | | | |
| Gross Balances | 728 648 | 199 666 | 158 055 | 1 649 150 | 2 735 519 |
| Less: Allowance for Impairment | - | - | - | - | - |
| **Net Balances** | **728 648** | **199 666** | **158 055** | **1 649 150** | **2 735 519** |

## 3.1 Ageing of Receivables from Exchange Transactions (continued)

As at 30 June Receivables of N$ 15 930 816 were past due but not impaired. The age analysis of these Receivables are as follows:

| | Current | Past Due | | | Total |
|---|---|---|---|---|---|
| | 0-30 days | 31-60 days | 61-90 days | +90 days | |
| **Refuse:** | | | | | |
| Gross Balances | 16 848 323 | 6 317 044 | 5 048 664 | 80 075 666 | 108 289 697 |
| Less: Allowances for Impairment | 2 795 063 | 2 322 962 | 2 032 261 | 71 155 336 | 78 305 621 |
| **Net Balances** | **14 053 260** | **3 994 082** | **3 016 403** | **8 920 330** | **29 984 076** |

## 3.2 Summary of Receivables from Exchange Transactions by Customer Classification

| As at 30 June 2024 | House hold | Industrial/ Commercial | National and Regional Government | Other |
|---|---|---|---|---|
| | N$ | N$ | N$ | N$ |
| Current: | | | | |
| 0-30 days | 2 633 540 | 15 751 816 | 600 497 | 729 724 |
| Past Due: | | | | |
| 31-60 days | 1 046 037 | 4 229 918 | 303 490 | 145 506 |
| 61-90 days | 837 287 | 3 525 354 | 240 553 | 77 587 |
| +90 days | 23 921 428 | 52 031 790 | 706 388 | 2 509 667 |
| Sub-total | 28 438 292 | 75 538 878 | 1 850 928 | 3 462 484 |
| Less: Allowance for Impairment | 18 002 299 | 59 133 322 | 1 555 072 | 2 874 346 |
| **Total Trade Receivables by Customer Classification** | **10 435 993** | **16 405 556** | **295 856** | **588 138** |

| As at 30 June 2023 | House hold | Industrial/ Commercial | National and Regional Government | Other |
|---|---|---|---|---|
| | N$ | N$ | N$ | N$ |
| Current: | | | | |
| 0-30 days | 2 167 092 | 13 292 051 | 495 220 | 893 960 |
| Past Due: | | | | |
| 31-60 days | 1 115 647 | 4 614 313 | 431 293 | 155 791 |
| 61-90 days | 954 822 | 3 567 684 | 433 936 | 92 222 |
| +90 days | 24 739 400 | 50 891 660 | 1 690 415 | 2 754 191 |
| Sub-total | 28 976 961 | 72 365 708 | 3 050 864 | 3 896 164 |
| Less: Allowance for Impairment | 18 922 742 | 54 777 047 | 1 723 614 | 2 882 218 |
| **Total Trade Receivables by Customer Classification** | **10 054 219** | **17 588 661** | **1 327 250** | **1 013 946** |

### 3.3 Reconciliation of the Allowance for Impairment

| | 2024 | 2023 |
|---|---|---|
| | N$ | N$ |
| Balance at beginning of year | 79 288 516 | 67 688 906 |
| Impairment Losses recognised | 10 135 143 | 11 676 941 |
| Impairment Losses reversed | - | - |
| Amounts written off as uncollectable | (6 562 372) | (77 332) |
| **Balance at end of year** | **82 861 287** | **79 288 515** |

At 30 June 2024 Receivables from Exchange Transactions of N$ 82 861 287 (30 June 2023: N$7 9 288 516) were impaired and fully provided for.

In determining the recoverability of Receivables, the Municipality has placed strong emphasis on verifying the payment history of consumers. Allowance for impairment of Receivables has been made for all consumer balances outstanding based on the payment ratio over 12 months per service type. No further credit allowance is required in excess of the Allowance for Impairment.

### 3.3 Ageing of impaired Receivables from Exchange Transactions

| | 2024 | 2023 |
|---|---|---|
| | N$ | N$ |
| Current: | | |
| 0 - 30 Days | 6 195 910 | 2 795 063 |
| Past Due: | | |
| 31 - 60 Days | 3 064 441 | 2 322 962 |
| 61 - 90 Days | 2 468 381 | 2 032 261 |
| + 90 Days | 71132555 | 72 138 230 |
| **Total** | **82 861 287** | **79 288 516** |

### 3.4 Derecognition of Financial Assets

No Financial Assets have been transferred to other parties during the year

## 4 Receivables from Non-Exchange Transactions

| | Gross Balances | Allowance for Impairment | Net Balances |
|---|---|---|---|
| | N$ | N$ | N$ |
| **As at 30 June 2024** | | | |
| Assessment Rates Debtors | 65 852 287 | 51 706 512 | 14 145 776 |
| Study Aid Advances | 191 988 | - | 191 988 |
| **Total Receivables from Non-exchange Transactions** | **66 044 275** | **51 706 512** | **14 337 764** |

| | Gross Balances | Allowance for Impairment | Net Balances |
|---|---|---|---|
| | N$ | N$ | N$ |
| **As at 30 June 2023** | | | |
| Assessment Rates Debtors | 63 722 524 | 49 395 953 | 14 326 572 |
| Study Aid Advances | 107 178 | - | 107 178 |
| **Total Receivables from Non-exchange Transactions** | **63 829 702** | **49 395 953** | **14 433 750** |

The prior year amount for Receivables from Non-exchange Transactions has been adjusted. Refer to Note 45.16 on "Change in Accounting Policy" for details of the restatement.

The prior year amount for Receivables from Non-exchange Transactions has been adjusted. Refer to Note 46.3 on "Correction of Error" for details of the restatement.

### 4.1 Ageing of Receivables from Non-exchange Transactions

| As at 30 June 2024 | Current | Past Due | | | Total |
|---|---|---|---|---|---|
| | 0-30 days | 31-60 days | 61-90 days | +90 days | |
| **Assessment Rates:** | | | | | |
| Gross Balances | 13 196 585 | 3 439 444 | 2 632 704 | 46 583 553 | 65 852 287 |
| Less: Allowances for Impairment | 2 837 699 | 1 984 895 | 1 628 669 | 45 255 248 | 51 706 512 |
| **Net Balances** | **10 358 886** | **1 454 549** | **1 004 035** | **1 328 305** | **14 145 775** |
| **Study Aid Advances:** | | | | | |
| Gross Balances | - | - | - | 191 988 | 191 988 |
| Less: Allowance for Impairment | - | - | - | - | - |
| **Net Balances** | - | - | - | **191 988** | **191 988** |

As at 30 June Receivables of N$3 978 877 were past due but not impaired. The age analysis of these Receivables are as follows:

| | Current | Past Due | | | Total |
|---|---|---|---|---|---|
| | 0-30 days | 31-60 days | 61-90 days | +90 days | |
| **All Receivables:** | | | | | |
| Gross Balances | 13 196 585 | 3 439 444 | 2 632 704 | 46 775 542 | 66 044 276 |
| Less: Allowances for Impairment | 2 837 699 | 1 984 895 | 1 628 669 | 45 255 248 | 51 709 512 |
| **Net Balances** | **10 358 886** | **1 454 549** | **1 004 035** | **1 520 294** | **14 334 764** |

**As at 30 June 2023**

| | Current | Past Due | | | Total |
|---|---|---|---|---|---|
| | 0-30 days | 31-60 days | 61-90 days | +90 days | |
| **Assessment Rates:** | | | | | |
| Gross Balances | 12 211 240 | 3 329 095 | 2 723 591 | 45 458 598 | 63 722 524 |
| Less: Allowances for Impairment | 1 483 712 | 1 243 271 | 1 186 981 | 45 481 989 | 49 395 953 |
| **Net Balances** | **10 727 528** | **2 085 824** | **1 536 610** | **(23 391)** | **14 326 571** |

| | | | | | |
|---|---|---|---|---|---|
| **Study Aid Advances:** | | | | | |
| Gross Balances | - | - | - | 107 178 | 107 178 |
| Less: Allowance for Impairment | - | - | - | - | - |
| **Net Balances** | - | - | - | **107 178** | **107 178** |

As at 30 June Receivables of N$ 3 706 221 were past due but not impaired. The analysis of these Receivables are as follows:

| | Current | Past Due | | | Total |
|---|---|---|---|---|---|
| | 0-30 days | 31-60 days | 61-90 days | +90 days | |
| **All Receivables:** | | | | | |
| Gross Balances | 12 211 240 | 3 329 095 | 2 723 591 | 45 565 776 | 63 829 702 |
| Less: Allowances for Impairment | 1 483 712 | 1 243 271 | 1 186 981 | 45 481 989 | 49 395 953 |
| **Net Balances** | **10 727 528** | **2 085 824** | **1 536 610** | **83 787** | **14 433 749** |

### 4.2 Summary of Assessment Rates Debtors by Customer Classification

| **As at 30 June 2024** | **House hold** | **Industrial/ Commercial** | **National and Regional Government** | **Other** |
|---|---|---|---|---|
| | N$ | N$ | N$ | N$ |
| Current: | | | | |
| 0-30 days | 1 611 664 | 11 478 901 | 103 726 | 2 296 |
| Past Due: | | | | |
| 31-60 days | 345 299 | 3 000 340 | 93 805 | - |
| 61-90 days | 241 360 | 2 322 212 | 69 132 | - |
| +90 days | 4 226 535 | 41 816 400 | 106 155 | 626 452 |
| Sub-total | 6 424 858 | 58 617 852 | 372 818 | 628 747 |
| Less: Allowance for Impairment | 3 351 297 | 47 418 051 | 310 712 | 626 452 |
| **Total Rates Debtors by Customer Classification** | **3 073 561** | **11 199 801** | **62 107** | **2 296** |

| As at 30 June 2023 | House hold | Industrial/ Commercial | National and Regional Government | Other |
|---|---|---|---|---|
| | N$ | N$ | N$ | N$ |
| Current: | | | | |
| 0-30 days | 1 300 186 | 10 824 466 | 83 049 | 3 539 |
| Past Due: | | | | |
| 31-60 days | 375 322 | 2 870 094 | 81 224 | 2 454 |
| 61-90 days | 298 016 | 2 347 584 | 75 537 | 2 454 |
| +90 days | 3 900 905 | 40 365 493 | 226 108 | 1 073 271 |
| Sub-total | 5 874 429 | 56 407 637 | 455 917 | 1 081 719 |
| Less: Allowance for Impairment | 4 174 530 | 43 880 635 | 262 854 | 1 077 933 |
| **Total Rates Debtors by Customer Classification** | **1 699 899** | **12 527 002** | **203 063** | **3 786** |

| | 2024 | 2023 |
|---|---|---|
| | N$ | N$ |
| **4.1 Reconciliation of the Allowance for Impairment** | | |
| Balance at beginning of year | 49 395 953 | 43 627 594 |
| Impairment Losses recognised | 5 826 913 | 5 773 229 |
| Impairment Losses reversed | - | - |
| Amounts written off as uncollectable | (3 516 354) | (4 870) |
| **Balance at end of year** | **51 706 512** | **49 395 953** |

At 30 June 2024 Receivables from Non-exchange Transactions of N$51 706 512 (30 June 2023: N$49 395 953) were impaired and fully provided for.

The Allowance for Impairment on Receivables exists predominantly due to the possibility that these debts will not be at 30 June 2024 Receivables from Non-exchange Transactions of N$ 51 706 512 (30 June 2023: N$49 395 953) were impaired and fully provided for.

The Allowance for Impairment on Receivables exists predominantly due to the possibility that these debts will not be recovered. The Allowance for Impairment was calculated after grouping all the financial assets of similar nature and risk ratings and assessing the recoverability.

In determining the recoverability of Rates Assessment Debtors and Receivables from Non-exchange Transactions, the Municipality has placed strong emphasis on verifying the payment history of consumers. Allowance for impairment of Receivables has been made for all consumer balances outstanding based on the payment ratio over 12 months per service type. No further credit allowance is required in excess of the Allowance for Impairment.

Furthermore, no Allowance for Impairment was calculated on Receivables other than Assessment Rates Debtors as the management is of the opinion that all Receivables are recoverable within normal credit terms recovered.

## 5 VAT RECEIVABLE

| | 2024 | 2023 |
|---|---|---|
| | N$ | N$ |
| Vat Receivables | 49 246 728 | 32 346 482 |

The prior year amount for VAT Receivable has been adjusted. Refer to Note 46.3 on "Correction of Error" for details of the restatement.

VAT is payable in terms of section 7 of the Value-Added Tax Act. VAT is payable/receivable on receipt of an invoice or payment, whichever is the earlier.

No interest is payable to the Commissioner of Inland Revenue if the VAT is paid over timeously, but interest for late payments is charged in accordance with the Value-Added Tax Act. The Municipality has financial risk policies in place to ensure that payments are affected before the due date.

No interest is receivable from the Commissioner of Inland Revenue on VAT Receivable.

## 6. CASH AND CASH EQUIVALENTS

| | | |
|---|---|---|
| Bank Accounts | 14 897 509 | 67 509 569 |
| Call Investment Deposits | 120 711 878 | 112 223 749 |
| Cash Floats and Advances | 5 300 | 5 300 |
| **Total Cash and Cash Equivalents** | **135 614 687** | **179 738 618** |

The prior year amount for Cash and Cash Equivalents has been adjusted. Refer to Note 46.3 on "Correction of Error" for details of the restatement.

For the purposes of the Statement of Financial Position and the Cash Flow Statement, Cash and Cash Equivalents include Cash-on-Hand and Cash in Banks, net of outstanding Bank Overdrafts.

**Allocated to Statement of Financial Position as follows:**

| | | | |
|---|---|---|---|
| Current Assets | Cash and Cash Equivalents | 135 614 687 | 179 738 618 |
| | | **135 614 687** | **179 738 618** |

### 6.1 Bank Accounts

| | | |
|---|---|---|
| Cash in Bank | 14 897 509 | 67 509 569 |
| **Total in Bank Accounts** | **14 897 509** | **67 509 569** |

The Municipality has the following bank accounts:

| | | |
|---|---|---|
| **Primary Bank Account** | | |
| First National Bank - Swakopmund Branch, Swakopmund: | | |
| Cash book balance at beginning of year | 60 865 058 | 34 206 380 |
| Cash book balance at end of year | 9 930 077 | 60 865 058 |
| Bank statement balance at beginning of year | 70 826 486 | 61 855 128 |
| Bank statement balance at end of year | 18 685 519 | 70 826 486 |

| | **2024** | **2023** |
|---|---|---|
| | N$ | N$ |
| **Build Together Bank Account** | | |
| First National Bank - Swakopmund Branch, Swakopmund: | | |
| Cash book balance at beginning of year | 4 290 186 | 3 643 416 |
| Cash book balance at end of year | 2 996 033 | 4 290 186 |
| Bank statement balance at beginning of year | 5 506 433 | 4 822 153 |
| Bank statement balance at end of year | 3 120 419 | 5 506 433 |
| **Key Deposits Bank Account** | | |
| First National Bank - Swakopmund Branch, Swakopmund: | | |
| Cash book balance at beginning of year | 89 077 | 69 999 |
| Cash book balance at end of year | 97 000 | 89 077 |
| Bank statement balance at beginning of year | 89 077 | 69 999 |
| Bank statement balance at end of year | 97 000 | 89 077 |

**MUNICIPALITY OF SWAKOPMUND**
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024 (CONTINUED)**

| | 2024 | 2023 |
|---|---|---|
| | N$ | N$ |
| **Mass Housing Bank Account** | | |
| First National Bank - Swakopmund Branch, Swakopmund: | | |
| Cash book balance at beginning of year | 2 265 247 | 2 039 666 |
| Cash book balance at end of year | 1 874 399 | 2 265 247 |
| | | |
| Bank statement balance at beginning of year | 2 274 301 | 2 046 719 |
| Bank statement balance at end of year | 1 833 453 | 2 274 301 |

The Municipality does not have any overdrawn current account facilities with its banker and therefore does not incur interest on overdrawn current accounts. Interest is earned at floating rates per annum, based on daily bank deposit rates, on favourable balances.

### 6.2 Call Investment Deposits

| | | |
|---|---|---|
| Call Deposit Accounts | 120 711 878 | 112 223 749 |
| **Total Call Investment Deposits** | **120 711 878** | **112 223 749** |

The Municipality has the following call investment accounts:

| | **Bank Statement Balances** | | **Cash Book Balances** | |
|---|---|---|---|---|
| | **30-Jun-24** | **30-Jun-23** | **30-Jun-24** | **30-Jun-23** |
| Build Together Fund | 36 788 471 | 34 387 389 | 36 788 471 | 34 387 389 |
| Mass Housing Fund | 83 330 435 | 77 581 688 | 83 330 435 | 77 581 688 |
| Tourism Deposit Account | 592 973 | 254 672 | 592 973 | 254 672 |
| | **120 711 878** | **112 223 749** | **120 711 878** | **112 223 749** |

Call Deposits are investments with a maturity period of less than 3 months and earn interest rates varying from 6.85% to 7.90% (2023: 6.85% to 7.90%) per annum.

**Call Investment Deposits attributable to Commitments of the Municipality**

| | 2024 | 2023 |
|---|---|---|
| | N$ | N$ |
| Deposits attributable to Statutory Reserves | 120 711 878 | 112 223 749 |
| **Total Current Investments attributable to Commitments of the Municipality** | **120 711 878** | **112 223 749** |

| | 2024 | 2023 |
|---|---|---|
| **a. Cash Floats and Advances** | N$ | N$ |
| Petty Cash | 5 300 | 5 300 |
| **Total Cash Floats and Advances** | **5 300** | **5 300** |

## 7. PROPERTY, PLANT AND EQUIPMENT

**30 June 2024**

**Reconciliation of Carrying Value**

| Description | Land | Buildings | Infra-structure | Community | Other | Total |
|---|---|---|---|---|---|---|
| | N$ | N$ | N$ | N$ | N$ | N$ |
| **Carrying values at 01 July 2023** | **2 481 075** | **124 699 751** | **918 223 499** | **42 880 904** | **96 385 828** | **1 184 671 057** |
| Cost | 2 481 075 | 125 218 440 | 918 801 166 | 42 880 904 | 129 474 351 | 1 218 855 936 |
| *-Completed Assets* | 2 481 075 | 125 218 440 | 918 801 166 | 42 880 904 | 129 474 351 | 1 218 855 936 |
| Accumulated Depreciation: | - | (518 689) | (577 666) | - | (33 088 523) | (34 184 879) |
| Acquisitions | | 649 279 | 32 243 139 | 592 401 | 18 102 459 | 51 587 279 |
| Depreciation: | | (4 050 115) | (68 195 857) | (1 195 802) | (22 970 044) | (96 411 818) |
| **Carrying values at 30 June 2024** | **2 481 075** | **121 298 915** | **882 270 782** | **42 277 503** | **91 518 243** | **1 139 846 518** |
| Cost | 2 481 075 | 125 867 719 | 951 044 305 | 43 473 305 | 147 576 810 | 1 270 443 214 |
| *-Completed Assets* | 2 481 075 | 125 867 719 | 951 044 305 | 43 473 305 | 147 576 810 | 1 270 443 214 |
| *-Under Construction* | - | - | - | - | - | - |
| Accumulated Depreciation: | - | (4 568 804) | (68 773 523) | (1 195 802) | (56 058 567) | (130 596 696) |

## 7. PROPERTY, PLANT AND EQUIPMENT (continued)

**30 June 2023**

**Reconciliation of Carrying Value**

| Description | Land | Buildings | Infra-structure | Community | Other | Total |
|---|---|---|---|---|---|---|
| | N$ | N$ | N$ | N$ | N$ | N$ |
| **Carrying values at 01 July 2022** | **2 481 075** | **122 496 342** | **892 110 779** | **38 513 713** | **81 623 788** | **1 137 225 696** |
| Cost | 2 481 075 | 122 722 279 | 892 110 779 | 38 513 713 | 105 039 860 | 1 160 867 706 |
| *-Completed Assets* | *2 481 075* | *122 722 279* | *892 110 779* | *38 513 713* | *105 039 860* | *1 160 867 706* |
| *-Under Construction* | - | - | - | - | - | - |
| Accumulated Depreciation: | - | (225 938) | - | - | (23 416 072) | (23 642 009) |
| Acquisitions | - | 2 496 160 | 26 690 387 | 4 367 191 | 24 434 491 | 57 988 230 |
| Depreciation: | - | (292 751) | (577 666) | - | (9 672 451) | (10 542 869) |
| **Carrying values at 30 June 2023** | **2 481 075** | **124 699 751** | **918 223 499** | **42 880 904** | **96 385 828** | **1 184 671 057** |
| Cost | 2 481 075 | 125 218 440 | 918 801 166 | 42 880 904 | 129 474 351 | 1 218 855 936 |
| *-Completed Assets* | *2 481 075* | *125 218 440* | *918 801 166* | *42 880 904* | *129 474 351* | *1 218 855 936* |
| *-Under Construction* | - | - | - | - | - | - |
| Accumulated Depreciation: | - | (518 689) | (577 666) | - | (33 088 523) | (34 184 879) |

## 7. PROPERTY, PLANT AND EQUIPMENT (continued)

The prior year amount for Property, Plant and Equipment has been adjusted. Refer to Note 46.3 on "Correction of Error" for details of the restatement.

Refer to Appendices "B and C" for more detail on Property, Plant and Equipment, including those in the course of construction.

| | 2024 | 2023 |
|---|---|---|
| | N$ | N$ |
| Buildings: | 1 756 413 | 2 022 122 |
| - Contracted Services | 1 672 113 | 1 999 372 |
| - Inventory Consumed | 84 300 | 22 750 |
| Refuse Infrastructure: | 3 295 619 | 3 525 651 |
| - Contracted Services | 3 295 619 | 3 525 651 |
| - Inventory Consumed | - | - |
| Roads & Storm Water Infrastructure: | 13 903 116 | 14 426 184 |
| - Contracted Services | 12 888 643 | 13 860 870 |
| - Inventory Consumed | 1 014 473 | 565 314 |
| Sanitation Infrastructure: | 2 813 366 | 2 796 144 |
| - Contracted Services | 2 235 364 | 2 630 390 |
| - Inventory Consumed | 578 002 | 165 754 |
| Water Infrastructure: | 9 507 038 | 8 656 895 |
| - Contracted Services | 3 175 263 | 4 447 706 |
| - Inventory Consumed | 6 331 775 | 4 209 189 |
| Community Assets: | 1 314 006 | 1 928 340 |
| - Contracted Services | 1 052 260 | 1 888 744 |
| - Inventory Consumed | 261 746 | 39 596 |
| Other Assets - Furniture & Fittings: | 7 000 | - |
| - Contracted Services | 7 000 | - |
| - Inventory Consumed | - | - |

## 7. PROPERTY, PLANT AND EQUIPMENT (continued)

| | 2024 | 2023 |
|---|---|---|
| | N$ | N$ |
| Other Assets - Motor Vehicles: | 5 980 711 | 5 173 235 |
| - Contracted Services | 5 559 618 | 4 844 266 |
| - Inventory Consumed | 421 094 | 328 969 |
| Other Assets - Plant & Equipment: | 563 500 | 872 882 |
| - Contracted Services | 497 389 | 829 737 |
| - Inventory Consumed | 66 111 | 43 145 |
| Other Assets - Specialised Vehicles: | 77 955 | 88 420 |
| -Contracted Services | 77 955 | 88 420 |
| - Inventory Consumed | - | - |
| **Total Expenditure incurred to Repair and Maintain** | **39 218 724** | **39 489 873** |

## 8. INTANGIBLE ASSETS

| | | |
|---|---|---|
| At Cost less Accumulated Amortisation and Accumulated Impairment Losses | **76 297** | **118 800** |

The movement in Intangible Assets is reconciled as follows:
**Computer Software:**

| | | |
|---|---|---|
| **Carrying values at 01 July** | **118 800** | **148 500** |
| Cost: | 178 200 | 178 200 |
| Accumulated Amortisation: | (59 400) | (29 700) |
| Acquisitions: | - | - |
| Obtained:- | - | - |
| Amortisation: | (42 503) | (29 700) |
| Carrying values at 30 June | **76 297** | **118 800** |
| Cost: | 178 200 | 178 200 |
| Accumulated Amortisation: | (101 903) | (59 400) |

## 8. INTANGIBLE ASSETS (continued)

The prior year amount for Intangible Assets has been adjusted. Refer to Note 46.3 on "Correction of Error" for details of the restatement.

The amortisation expense has been included in the line item "Depreciation and Amortisation" in the Statement of Financial Performance (see Note 38).

All of the Municipality's Intangible Assets are held under freehold interests and no Intangible Assets had been pledged as security for any liabilities of the Municipality.

-Software:
(i) The systems are non-assignable, non-transferable, and the Municipality has no exclusive rights to use the systems.
(ii) The Municipality, as the licensee, shall not grant usage of, or distribute, the systems in its original or modified form, to a third party for the third party's benefit.
(iii) The Municipality has no intellectual property rights to the systems.

Refer to Appendix "B" for more detail on Intangible Assets.

### 8.1 Significant Intangible Assets

Significant Intangible Assets, that did not meet the recognition criteria for Intangible Assets as stipulated in IPSAS 32, are the following:
(i) Website Costs incurred during the last two financial years, if applicable, have been expensed and not recognised as Intangible Assets. The Municipality cannot demonstrate how its website will generate probable future economic benefits.

### 8.2 Intangible Assets with Indefinite Useful Lives

The Municipality amortises all its Intangible Assets and no of such assets are regarded as having indefinite useful lives.

The useful lives of the Intangible Assets remain unchanged from the previous year.

## 9. INVESTMENT PROPERTY

| | 2024 | 2023 |
|---|---|---|
| | N$ | N$ |
| At Cost less Accumulated Depreciation | **70 829 083** | **70 407 130** |
| **Carrying values at 1 July** | **70 407 130** | **68 623 511** |
| Cost | 70 407 130 | 68 623 511 |
| Accumulated Depreciation | - | - |
| Acquisitions during the Year | 421 953 | 1 783 619 |
| Depreciation during the Year | - | - |
| **Carrying values at 30 June** | **70 829 083** | **70 407 130** |
| Cost | 70 829 083 | 70 407 130 |
| Accumulated Depreciation | - | - |

The prior year amount for Investment Property has been adjusted. Refer to Note 46.3 on "Correction of Error" for details of the restatement.

All of the Municipality's Investment Property is held under freehold interests and no Investment Property had been pledged as security for any liabilities of the Municipality.

Refer to Appendix "B" for more detail on Investment Property.

## 10. INVESTMENTS

| | | |
|---|---|---|
| Current Investments | 9 406 060 | - |
| Non-current Investments | 3 561 250 | 3 561 250 |
| **Total Investments** | **12 967 310** | **3 561 250** |

### 10.1 Current Investments

| | | |
|---|---|---|
| Notice Deposits | 9 406 060 | - |
| **Total Current Investments** | **9 406 060** | - |

The prior year amount for Current Investments has been adjusted. Refer to Note 46.3 on "Correction of Error" for details of the restatement.

Current Investments are made for varying periods, depending on the immediate cash requirements of the Municipality and earn interest at the respective short-term deposit rate.

## 10 INVESTMENTS (continued)

**Notice Deposits:**
Notice Deposits are investments with a maturity period of less than 12 months and earn interest rates varying from 8.15% to 8.15% (2023: 0.00% to 0.00%) per annum.

### 10.2 Non-current Investments

| | 2024 | 2023 |
|---|---|---|
| | N$ | N$ |
| **Unlisted** | | |
| Shares | 3 561 250 | 3 561 250 |
| | **3 561 250** | **3 561 250** |
| **Total Non-current Investments** | **3 561 250** | **3 561 250** |
| ***Council's valuation of Unlisted Investments*** | | |
| Shares | 135 517 796 | 135 517 796 |
| | **135 517 796** | **135 517 796** |

The prior year amount for Non-current Investments has been adjusted. Refer to Note 46.3 on "Correction of Error" for details of the restatement.

**Unlisted Investments** comprise the following:
(i) Investments in Shares as described below.
- Shares held in Erongo Electricity Distributor Company (Pty) Ltd, an unlisted company, whose main object and business is the distribution and supply of electricity to customers in the Erongo Region.

### 10.3 Determining control over Entities in which the Municipality holds investment in Shares.

Management considered the requirements of IPSAS's 35, 36, 37 and 38 and, after assessing the substance of the relationships with the respective entities, it is Management's judgement that, although it holds a considerable percentage of issued shares, it does not exercise any control over nor does it have any significant influence in the entities as it does not govern or participate in the financial and operating policies, nor does it benefit from the results of the entities (IPSAS 38.14). Details of the assessment of the substance of the relationships are provided below:

## 10. INVESTMENTS (continued)

| 10.3.1 Erongo Electricity Distributor Company (Pty) Ltd: | 2024 | 2023 |
|---|---|---|
| | N$ | N$ |
| Issued Share Capital (N$) | 12 500 000 | 12 500 000 |
| Percentage held by Council (%) | 28.49% | 28.49% |
| Total Number of Directors on Board | 8 | 8 |
| Percentage held by Council (%) (2 Members) | 25.00% | 25.00% |

**Conclusion**: ERED is governed by legislation and policies are determined by the Minister. The Municipality has no control or significant influence over ERED.

## 11 FINANCE LEASE RECEIVABLES

| | Gross Balances | Provision for Impairment | Net Balances |
|---|---|---|---|
| | N$ | N$ | N$ |
| **As at 30 June 2024** | | | |
| Build Together Loans | 31 382 137 | - | 31 382 137 |
| Housing Fund Loans | 42 244 | - | 42 244 |
| Huidare Loans | 65 513 | - | 65 513 |
| Sale of Land Loans | - | - | - |
| Mass Housing Development Loans | 2 099 579 | - | 2 099 579 |
| | 33 589 473 | - | 33 589 473 |
| Less: Current Portion transferred to Current Receivables: - | | | - |
| **Total Finance Lease Receivables** | | | **33 589 473** |

## 11. FINANCE LEASE RECEIVABLES (continued)

| | Gross Balances | Provision for Impairment | Net Balances |
|---|---|---|---|
| | N$ | N$ | N$ |
| **As at 30 June 2023** | | | |
| Build Together Loans | 26 304 307 | - | 26 304 307 |
| Housing Fund Loans | 57 128 | - | 57 128 |
| Huidare Loans | 97 268 | - | 97 268 |
| Sale of Land Loans | 2 178 | - | 2 178 |
| Mass Housing Development Loans | 2 230 641 | - | 2 230 641 |
| | 28 691 523 | - | 28 691 523 |
| Less: Current Portion transferred to Current Receivables: - | | | - |
| **Total Finance Lease Receivables** | | | **28 691 523** |

The prior year amount for Finance Lease Receivables has been adjusted. Refer to Note 46.3 on "Correction of Error" for details of the restatement.

**BUILD TOGETHER LOANS**
Housing Loans in terms of the Build Together Housing Scheme are granted to qualifying individuals at interest rates between 4,00% to 8,00% per annum, repayable over a maximum period of 20 years.

**HOUSING FUND LOANS**
Housing Fund Loans were granted to qualifying individuals to either purchase an existing property or to buy an erf for purposes of constructing a house. No new loans are granted.

**HUIDARE LOANS**
Huidare Loans are granted to qualifying individuals to either purchase an existing property or to buy an erf for purposes of constructing a house, at interest rates between 4,00% to 8,00% per annum, repayable over a maximum period of 20 years. No new loans are granted.

**SALE OF LAND LOANS**
Sale of Land Loans in terms of the Sale and Lease of Land Policy are granted to qualifying individuals at an interest rate at 5% per annum, which rate is to be determined and/or revised by Council from time to time, and repayable over a maximum period of thirty six (36 ) equal monthly instalments.

## 11. FINANCE LEASE RECEIVABLES (continued)

### MASS HOUSING DEVELOPMENT LOANS

Mass Housing Development Loans are granted to qualifying individuals to either purchase an existing property or to buy an erf for purposes of constructing a house, at interest rates between 5,00% to 15,00% per annum, repayable over periods between 15 to 20 years, depending on the stipulations of the contract.

Finance Lease Receivables are neither past due nor impaired as management have no concerns over the credit quality of these assets. The lessees' obligations under Finance Leases are secured by the municipality's titles to the leased assets.

## 12. OPERATING LEASE RECEIVABLES

| | 2024 | 2023 |
|---|---|---|
| | N$ | N$ |
| Current Operating Lease Receivables | 2 632 692 | 2 600 639 |
| Non-current Operating Lease Receivables | - | - |
| **Total Operating Lease Receivables** | **2 632 692** | **2 600 639** |

### 12.1 Current Operating Lease Receivables

Operating Leases are recognised on the straight-line basis as per the requirement of IPSAS 13. In respect of Non-cancellable Operating Leases the following assets have been recognised:

| | | |
|---|---|---|
| Balance at beginning of year | 2 600 639 | 2 427 231 |
| Operating Lease Revenue effected (Straight-lined Receipts) | 320 612 | 307 045 |
| Operating Lease Revenue recorded (Actual Receipts) | (288 559) | (133 636) |
| Balance at end of year (Straight-lined Operating Lease) | 2 632 692 | 2 600 639 |
| Short-term Portion of Non-current Operating Leases | - | - |
| **Total Operating Lease Receivables** | **2 632 692** | **2 600 639** |

The prior year amount for Operating Lease Receivables has been adjusted. Refer to Note 45.5 on "Change in Accounting Policy" for details of the restatement.

#### 12.1.1 Leasing Arrangements

The Municipality as Lessor:
Operating Leases relate to Property owned by the Municipality with lease terms of between 1 to 25 (2023: 1 to 25) years, with an option to extend.

All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

The property rental income earned by the Municipality from its Investment Property, all of which is leased out under operating leases, amounted to N$0 (2023: N$0).

### 12.1.2 Amounts receivable under Operating Leases

At the Reporting Date the following minimum lease payments were receivable under Non-cancellable Operating Leases for Property, Plant and Equipment, which are receivable as follows:

| | | |
|---|---|---|
| Up to 1 year | 4 071 651 | 3 999 251 |
| 2 to 5 years | 12 120 845 | 13 002 628 |
| More than 5 years | 3 393 534 | 4 204 178 |
| **Total Operating Lease Arrangements** | **19 586 030** | **21 206 057** |

The impact of charging the escalations in Operating Leases on a straight-line basis over the term of the lease has been an increase of N$32 053 (2023: an increase of N$173 408) in current year income.

The following receipts have been recognised for Rental Income in the Statement of Financial Performance:

| | | |
|---|---|---|
| Rental Income | 320 612 | 307 045 |

The following restrictions have been imposed by the Municipality in terms of the lease agreements:

(i) The hirer shall not make any alterations or modifications to the property without prior written consent from the lessor.
(ii) The lessee shall not sell, sublet, cede, assign or delegate any of its rights or obligations on the property without the prior consent of the lessor.
(iii) The lessor or its duly authorised agent, representative or servant shall have the right at all reasonable times to inspect the premises let.
(iv) The lessee shall use the premises let for the sole purpose prescribed in the agreement
(v) The lessee shall not be entitled to claim to be compensated by the lessor in respect of any improvements of whatever nature erected on the premises.

## 13. CONSUMER DEPOSITS

| | 2024 | 2023 |
|---|---|---|
| | N$ | N$ |
| Water | 6 974 020 | 6 616 465 |
| **Total Consumer Deposits** | **6 974 020** | **6 616 465** |

The prior year amount for Consumer Deposits has been adjusted. Refer to Note 46.3 on "Correction of Error" for details of the restatement.

Consumer Deposits are paid by consumers on application for new water connections. The deposits are repaid when the water connections are terminated. In cases where consumers default on their accounts, the Municipality can utilise the deposit as payment for the outstanding account.

## 14. PAYABLES FROM EXCHANGE TRANSACTIONS

| | 2024 | 2023 |
|---|---|---|
| | N$ | N$ |
| Payments received in Advance | 11 981 341 | 11 165 570 |
| Retentions | 1 728 301 | 2 809 591 |
| Trade Creditors | 28 302 495 | 26 911 238 |
| Salary Control | 20 837 | -216 972 |
| **Total Exchange Payables** | **42 032 974** | **40 669 428** |

The prior year amount for Payables from Exchange Transactions has been adjusted. Refer to Note 45.1 on "Change in Accounting Policy" for details of the restatement.

The prior year amount for Payables from Exchange Transactions has been adjusted. Refer to Note 46.3 on "Correction of Error" for details of the restatement.

**Payments received in Advance:**
Payments received in Advance are mostly in respect of Debtor Accounts in credit, and Sundry Deposits held for services to be rendered.

**Retentions:**
Retentions are in respect of payments made to contractors for work completed of which a portion of these payments is held back in terms of the contract entered into to serve as a guarantee.

**Salary Control:**
Salary Control are in respect of wage differences in the payment of pro-rata bonusses, advances, overtime, etc awaiting clearance.

The average credit period on purchases from Trade Creditors is 53 (2023: 51) days, as opposed to the norm of 30 days from the receipt of the invoice.

No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the Municipality deals with.

The Municipality's credit risk management processes are disclosed in Note 50.3 to the Annual Financial Statements.

## 15. PAYABLES FROM NON-EXCHANGE TRANSACTIONS

| | 2024 | 2023 |
|---|---|---|
| | N$ | N$ |
| Sundry Deposits | 10 954 475 | 9 957 195 |
| **Total Non-exchange Payables** | **10 954 475** | **9 957 195** |

The prior year amount for Payables from Non-exchange Transactions has been adjusted. Refer to Note 46.3 on "Correction of Error" for details of the restatement.

Sundry Deposits are mostly in respect of Land Sales, Tourism and Unappropriated Deposits (unidentified transactions on the bank statements still awaiting processing).

No credit period exists for Payables from Non-exchange Transactions, neither has any credit period been arranged. No interest is charged on outstanding amounts.

The Municipality's credit risk management processes are disclosed in Note 50.3 to the Annual Financial Statements.

## 16. OPERATING LEASE LIABILITIES

Operating Leases are recognised on the straight-line basis as per the requirements of IPSAS 13. In respect of Non-cancellable Operating Leases, the following liabilities have been recognised:

| | | |
|---|---|---|
| Balance at beginning of year | 29 211 | 39 815 |
| Operating Lease expenses recorded (actual) | (163 013) | (156 570) |
| Operating Lease payments effected (straight-lined) | 133 802 | 145 966 |
| **Total Operating Lease Liabilities** | **-** | **29 211** |

The prior year amount for Operating Lease Liabilities has been adjusted. Refer to Note 45.5 on "Change in Accounting Policy" for details of the restatement.

### 16.1 Leasing Arrangements

**The Municipality as Lessee:**
Operating Leases relate to Property, Plant and Equipment with lease terms not longer than 5 years, with an option to extend for a further period. All operating lease contracts contain market review clauses in the event that the Municipality exercises its option to renew. The Municipality does not have an option to purchase the leased asset at the expiry of the lease period.

## 16.2 Amounts payable under Operating Leases

At the Reporting Date the Municipality had outstanding commitments under Non-cancellable Operating Leases for Property, Plant and Equipment, which fall due as follows:

| | 2024 | 2023 |
|---|---|---|
| | N$ | N$ |
| **Other Equipment:** | 471 600 | 1 141 689 |
| Up to 1 year | 471 600 | 670 089 |
| 2 to 5 years | - | 471 600 |
| More than 5 years | - | - |
| **Total Operating Lease Arrangements** | **471 600** | **1 141 689** |

The following payments have been recognised as an expense in the Statement of Financial Performance:

| | | |
|---|---|---|
| Minimum lease payments | 133 802 | 145 966 |
| **Total Operating Lease Expenses** | **133 802** | **145 966** |

The Municipality has operating lease agreements for the following classes of assets, which are only significant collectively:
-Office Equipment

The following restrictions have been imposed on the Municipality in terms of the lease agreements on Office Equipment:

(i) The equipment shall remain the property of the lessor.
(ii) The hirer shall not make any alterations or modifications to devices.
(iii) The hirer shall not sell, sublet, cede, assign or delegate any of its rights or obligations on the equipment.
(iv) The lessor may, without notice to the hirer, be entitled to cede, sell, pledge and/or assign or re-assign it's rights.
(v) The equipment shall be returned in good order and condition to the lessor upon termination of the agreement.

## 17. BORROWINGS

| | 2024 | 2023 |
|---|---|---|
| | N$ | N$ |
| Government Loans | 1 459 918 | 1 922 688 |
| Sub-total | 1 459 918 | 1 922 688 |
| Less: Current Portion transferred to Current Borrowings: - | 467 714 | 462 770 |
| Government Loans | 467 714 | 462 770 |
| **Total Borrowings** (Neither past due, nor impaired) | **992 204** | **1 459 918** |

The prior year amount for Borrowings has been adjusted. Refer to Note 46.3 on "Correction of Error" for details of the restatement.

### *17.1 Summary of Arrangements*

**Government Loans:**
Government Loans are repaid over periods varying from 30 to 30 (2023: 30 to 30) years and at interest rates varying from 12.00% to 12.00% (2023: 12.00% to 12.00%) per annum. The Loans are not secured.

Refer to Appendix "A" for more detail on Long-term Liabilities.

## 18. EMPLOYEE BENEFIT LIABILITIES

| | 2024 | 2023 |
|---|---|---|
| | N$ | N$ |
| Current Employee Benefit Liabilities | 23 276 198 | 19 869 340 |
| Non-current Employee Benefit Liabilities | 31 917 311 | 34 851 091 |
| **Total Employee Benefit Liabilities** | **55 193 509** | **54 720 430** |

### 18.1 Current Employee Benefit Liabilities

| | 2024 | 2023 |
|---|---|---|
| Staff Bonuses | 8 916 050 | 5 803 593 |
| Staff Leave | 14 360 149 | 14 065 746 |
| **Total Current Employee Benefit Liabilities** | **23 276 198** | **19 869 340** |

The prior year amount for Current Employee Benefit Liabilities has been adjusted. Refer to Note 45.4 on "Change in Accounting Policy" for details of the restatement.

The prior year amount for Current Employee Benefit Liabilities has been adjusted. Refer to Note 46.3 on "Correction of Error" for details of the restatement.

**Reconciliation of Current Employee Benefit Liabilities:**

**Short-term Liabilities**

| | **Staff Bonuses** | **Staff Leave** |
|---|---|---|
| | N$ | N$ |
| **30-Jun-24** | | |
| Balance at beginning of year | 5 803 593 | 14 065 746 |
| Contributions to provision | 3 240 255 | 2 008 182 |
| Benefits paid | (127 799) | (1 713 780) |
| **Balance at end of year** | **8 916 050** | **14 360 149** |

| | **Staff Bonuses** | **Staff Leave** |
|---|---|---|
| | **N$** | **N$** |
| **30-Jun-23** | | |
| Balance at beginning of year | 4 110 323 | 22 381 218 |
| Contributions to provision | 1 815 309 | 8 179 214 |
| Benefits paid | (122 039) | (16 494 686) |
| **Balance at end of year** | **5 803 593** | **14 065 746** |

**18.2 Non-current Employee Benefit Liabilities**

| | | |
|---|---|---|
| Post-retirement Pension Benefits Liability | 7 523 128 | 8 194 077 |
| Severance Pay Liability | 24 394 184 | 26 657 013 |
| **Total Non-current Employee Benefit Liabilities** | **31 917 312** | **34 851 090** |

The prior year amount for Non-current Employee Benefit Liabilities has been adjusted. Refer to Note 45.4 on "Change in Accounting Policy" for details of the restatement.

The prior year amount for Non-current Employee Benefit Liabilities has been adjusted. Refer to Note 46.3 on "Correction of Error" for details of the restatement.

| | 2024 | 2023 |
|---|---|---|
| | N$ | N$ |

### *18.3 Post-retirement Pension Benefits Liability*

| | 2024 | 2023 |
|---|---|---|
| Opening Balance | 8 194 077 | 5 840 855 |
| Contributions to provision | - | 2 760 000 |
| Current Service Cost | - | 2 760 000 |
| Benefits Paid | (670 950) | (406 778) |
| **Total Post-retirement Pension Benefits Liability** | **7 523 128** | **8 194 077** |

### *18.4 Severance Payment Liability*

| | 2024 | 2023 |
|---|---|---|
| Balance at beginning of year | 26 657 013 | 4 846 197 |
| Contributions to provision | - | 23 000 000 |
| Current service cost | - | 23 000 000 |
| Benefits paid | (2 262 830) | (1 189 184) |
| **Total Severance Payment Liability** | **24 394 184** | **26 657 013** |

## 19. STATUTORY FUNDS

| | 2024 | 2023 |
|---|---|---|
| Build Together Fund | 71 488 487 | 66 235 805 |
| Mass Housing Development Fund | 87 414 516 | 82 221 698 |
| **Total Statutory Funds** | **158 903 003** | **148 457 503** |

·The prior year amount for Statutory Funds has been adjusted. Refer to Note 46.3 on "Correction of Error" for details of the restatement.

### 19.1 Build Together Fund

The Build Together Fund was established in terms of Section 8 of the National Housing Development Act, 2000 (Act No 28 of 2000).

The Build Together Fund contains all proceeds from government allocations, subsequent repayment of loans granted from the Fund and interest accrued from loans and cash investments. Monies standing to the credit of the Build Together Fund shall be applied to grant loans to applicants in terms of the Guidelines and Procedures on the National Housing Programme, issued by the Ministry of Regional and Local Government, Housing and Rural Development.

## 19.2 Mass Housing Development Fund

The Mass Housing Development Fund was established in terms of Section 8 of the National Housing Development Act, 2000 (Act No 28 of 2000).

The Mass Housing Development Fund contains all proceeds from government allocations, subsequent repayment of loans granted from the Fund and interest accrued from loans and cash investments. Monies standing to the credit of the Mass Housing Fund shall be applied in terms of the Guidelines and Procedures on the National Housing Programme, issued by the Ministry of Regional and Local Government, Housing and Rural Development.

**Reconciliation of Statutory Funds:**

| | 2024 | 2023 |
|---|---|---|
| | N$ | N$ |
| **As at 30 June 2024** | | |
| | **Build Together Fund** | **Mass Housing Fund** |
| Balance at beginning of year | 66 235 805 | 82 221 698 |
| Revenue: | 9 496 470 | 5 344 489 |
| Interest Received | 3 348 594 | 5 344 489 |
| Loans Taken-on | 6 123 200 | - |
| Other Income | 24 676 | - |
| Expenditure: | (4 243 788) | (151 672) |
| Advances Made | (3 876) | - |
| Funding of Capital Projects | (3 247 139) | - |
| Funding of Operational Projects | (992 774) | (151 672) |
| **Balance at end of year** | **71 488 487** | **87 414 516** |

**The Funds are represented by the following Assets and Liabilities:**

| | | |
|---|---|---|
| Instalment Sales Debtors (See Note 11) | 31 382 137 | 2 099 579 |
| Cash and Cash Equivalents (See Note 6) | 39 784 503 | 85 204 833 |
| Receivables from Exchange Transactions (See Note 3) | 52 157 | 96 791 |
| Advance to/(from) Operating Services | 269 690 | 13 312 |
| **Total Statutory Funds Assets and Liabilities** | **71 488 487** | **87 414 516** |

**MUNICIPALITY OF SWAKOPMUND**
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024 (CONTINUED)**

| | 2024 | 2023 |
|---|---|---|
| | N$ | N$ |
| **As at 30 June 2023** | **Build Together Fund** | **Mass Housing Fund** |
| Balance at beginning of year | 58 061 508 | 77 571 915 |
| Revenue: | 9 186 028 | 4 743 645 |
| Interest Received | 2 572 488 | 4 743 645 |
| Loans Taken-on | 6 613 540 | - |
| Other Income | - | - |
| Expenditure: | (1 011 731) | (93 861) |
| Advances Made | (58 400) | - |
| Funding of Capital Projects | (642 850) | - |
| Funding of Operational Projects | (310 481) | (93 861) |
| **Balance at end of year** | **66 235 805** | **82 221 698** |

**The Funds are represented by the following Assets and Liabilities:**

| | | |
|---|---|---|
| Instalment Sales Debtors (See Note 11) | 26 304 307 | 2 230 641 |
| Cash and Cash Equivalents (See Note 6) | 38 677 576 | 79 846 935 |
| Receivables from Exchange Transactions (See Note 3) | 86 348 | 127 073 |
| Advance to/(from) Operating Services | 1 167 574 | 17 049 |
| **Total Statutory Funds Assets and Liabilities** | **66 235 805** | **82 221 698** |

## 20. ACCUMULATED SURPLUS

| | **Build Together Fund** | **Mass Housing Fund** |
|---|---|---|
| | N$ | N$ |
| Accumulated Surplus / (Deficit) due to the results of Operations | 1 222 838 671 | 1 295 428 303 |
| **Total Accumulated Surplus** | **1 222 838 671** | **1 295 428 303** |

The prior year amount for Accumulated Surplus has been adjusted. Refer to Note 44.1 on "Change in Accounting Policy" for details of the restatement.

The prior year amount for Accumulated Surplus has been adjusted. Refer to Note 44.1 on "Correction of Error" for details of the restatement.

Refer to Statement of Changes in Net Assets for more detail and the movement on Accumulated Surplus.

## 21. PROPERTY RATES

| | Property Valuations | | Actual Levies | |
|---|---|---|---|---|
| | July 2024 | July 2023 | | |
| | N$000's | N$000's | | |
| Agricultural | 178 488 | 161 654 | 218 527 | 197 917 |
| Commercial | 11 225 | 10 898 | 70 057 | 68 016 |
| Government | 116 614 | 113 161 | 839 393 | 814 537 |
| Residential | 19 536 911 | 18 721 143 | 172 002 690 | 164 820 676 |
| **Total Property Rates** | **19 843 238** | **19 006 856** | **173 130 667** | **165 901 147** |

Property Rates are levied on the value of land and improvements, which valuation is performed every five years. The last valuation came into effect on 1 July 2019.

Interim valuations are processed on a continuous basis to take into account changes in individual property values due to alterations, subdivisions, rezoning and new construction.

A general rate is applied as follows to property valuations to determine property rates and include the 5% contribution to Erongo Regional Council in terms of section 77 of The Local Authorities Act, 1992:

| **Township :** | c/N$ | c/N$ |
|---|---|---|
| On Site Value: | 0.014873 | 0.01444 |
| On Improvements Value: | 0.006866 | 0.006666 |

| **Smallholdings - Agriculture:** | c/N$ | c/N$ |
|---|---|---|
| On Site Value: At tariff, less 60% per dollar per year | 0.004155 | 0.004034 |
| On Improvements Value: At tariff, less 60% per dollar per year | 0.001684 | 0.001635 |

| **Smallholdings - Businesses:** | c/N$ | c/N$ |
|---|---|---|
| On Site Value: At tariff, less 60% per dollar per year | 0.041623 | 0.040411 |
| On Improvements Value: At tariff, less 60% per dollar per year | 0.008376 | 0.008132 |

Organisations described in section 75 of The Local Authorities Act (1992, as amended) may be exempted from the payment of rates on annual application.

Organisations and Individuals not covered in section 75 of The Local Authorities Act, 1992 (as amended), may apply for a reduction in rates on an annual basis. Set criteria is used to evaluate whether they qualify for exemption, and to what extent.

Rates are levied monthly on property owners and are payable the end of each month. Interest is levied at a rate determined by Council on outstanding rates amounts.

## 22. FINES AND PENALTIES

| | 2024 | 2023 |
|---|---|---|
| | N$ | N$ |
| **Fines:** | | |
| Other Fines | 17 512 | 33 331 |
| **Penalties:** | | |
| Other Penalties | 221 517 | 153 569 |
| **Total Fines and Penalties** | **239 028** | **186 900** |

The prior year amount for Fines has been restated. Refer to Note 46.1 on "Correction of Error" for details of the restatement.

The Municipality is entitled by legislation to levy fines on those individuals or companies who fail to comply with the by-laws of the Municipality.

## 23. GOVERNMENT GRANTS AND SUBSIDIES

| | 2024 | 2023 |
|---|---|---|
| Roads and Streets | 342 031 | 204 990 |
| Other Grants and Subsidies | 6 455 530 | 6 082 322 |
| **Total Government Grants and Subsidies** | **6 797 561** | **6 287 313** |

The prior year amount for Government Grants and Subsidies has been restated. Refer to Note 46.1 on "Correction of Error" for details of the restatement.

| | 2024 | 2023 |
|---|---|---|
| | N$ | N$ |

## 24. LICENCES AND PERMITS

| | 2024 N$ | 2023 N$ |
|---|---|---|
| **Licences:** | | |
| Dogs | 100 951 | 29 474 |
| **Permits:** | | |
| Flammable Material | 43 193 | - |
| Sand Removal | 87 917 | 41 435 |
| **Total Licences and Permits** | **232 062** | **70 909** |

The prior year amount for Licences and Permits has been restated. Refer to Note 46.1 on "Correction of Error" for details of the restatement.

## 25. PUBLIC CONTRIBUTIONS AND DONATIONS

| | 2024 N$ | 2023 N$ |
|---|---|---|
| Conditional Contributions: | | |
| Other Conditional Donations | 50 600 | - |
| Unconditional Contributions | 259 610 | 178 597 |
| **Total Public Contributions and Donations** | **310 210** | **178 597** |

The prior year amount for Public Contributions and Donations has been restated. Refer to Note 46.1 on "Correction of Error" for details of the restatement.

## 26. DIVIDENDS RECEIVED

| | 2024 N$ | 2023 N$ |
|---|---|---|
| Unlisted Shares | 2 914 311 | - |
| **Total Dividends Received** | **2 914 311** | - |

| | 2024 | 2023 |
|---|---|---|
| | N$ | N$ |

## 27. INTEREST EARNED

| | | |
|---|---|---|
| **External Investments:** | | |
| Bank Account | 4 092 588 | 4 032 351 |
| Call Deposits | 8 555 888 | 9 104 989 |
| Land Sales | 112 183 | 56 118 |
| | **12 760 659** | **13 193 459** |
| | | |
| **Outstanding Debtors:** | | |
| Exchange Receivables | 1 055 284 | 426 461 |
| Housing and Land Loans | 858 775 | 652 699 |
| | **1 914 059** | **1 079 160** |
| | | |
| **Total Interest Earned** | **14 674 718** | **14 272 617** |

The prior year amount for Interest Earned has been restated. Refer to Note 46.1 on "Correction of Error" for details of the restatement.

Interest Earned on Financial Assets, analysed by category of asset, is as follows:

| | | |
|---|---|---|
| Cash & Cash Equivalents and Investments without maturity dates | 12 760 659 | 13 193 459 |
| Loans and Receivables | 1 914 059 | 1 079 158 |
| | **14 674 718** | **14 272 617** |

Revenue recognised in respect of Financial Assets designated as at 'fair value' is disclosed in Note 45.

## 28. RENTAL OF FACILITIES AND EQUIPMENT

| | 2024 | 2023 |
|---|---|---|
| | N$ | N$ |
| **Contingent Rentals:** | | |
| Amenities | 16 359 054 | 14 098 744 |
| Buildings | 180 930 | 169 735 |
| Halls | 332 905 | 258 070 |
| Housing | 36 274 | 88 094 |
| Land | 5 084 853 | 4 834 952 |
| **Total Rental of Facilities and Equipment** | **21 994 016** | **19 449 595** |
| | | |
| Contingent Rentals | 21 673 404 | 19 142 550 |
| Fixed Term Rentals | 320 612 | 307 045 |
| **Total Rental of Facilities and Equipment** | **21 994 016** | **19 449 595** |

The prior year amount for Rental of Facilities and Equipment has been adjusted. Refer to Note 45.1 on "Change in Accounting Policy" for details of the restatement.

The prior year amount for Rental of Facilities and Equipment has been restated. Refer to Note 46.1 on "Correction of Error" for details of the restatement.

Rental revenue earned on Facilities and Equipment is in respect of Non-financial Assets rented out.

## 29 ROYALTIES RECEIVED

| | 2024 | 2023 |
|---|---|---|
| Erongo Regional Electricity Distributor (ERED) | 16 918 474 | 16 581 189 |
| **Total Royalties Received** | **16 918 474** | **16 581 189** |

The prior year amount for Royalties Received has been restated. Refer to Note 46.1 on "Correction of Error" for details of the restatement.

| | 2024 | 2023 |
|---|---|---|
| | N$ | N$ |

## 30. SERVICE CHARGES

| | 2024 | 2023 |
|---|---|---|
| **Refuse Removal Services** | 41 460 598 | 38 673 411 |
| Billed Services | 38 031 593 | 36 088 858 |
| Other Service Fees | 4 343 557 | 3 959 193 |
| Revenue Foregone | - | (489 489) |
| Self-Consumption | (914 552) | (885 152) |
| **Sewerage and Sanitation Services** | 67 496 613 | 63 068 483 |
| Billed Services | 68 570 551 | 65 633 047 |
| Other Service Fees | 25 041 | 22 248 |
| Revenue Foregone | - | (1 320 188) |
| Self-Consumption | (1 098 980) | (1 266 624) |
| **Water Services** | 100 661 083 | 98 130 334 |
| Billed Services | 103 704 373 | 99 446 160 |
| Pre-paid Services | 2 065 194 | 1 854 889 |
| Other Service Fees | 229 820 | 307 295 |
| Revenue Foregone | (3 410 554) | (1 434 870) |
| Self-Consumption | (1 927 750) | (2 043 139) |
| **Total Service Charges** | **209 618 293** | **199 872 228** |

The prior year amount for Service Charges has been adjusted. Refer to Note 45.1 on "Change in Accounting Policy" for details of the restatement.

The prior year amount for Service Charges has been restated. Refer to Note 46.1 on "Correction of Error" for details of the restatement

**Revenue Forgone** is income that the Municipality is entitled to levy, but which has subsequently been forgone by way of free services, rebates or remissions

The amounts disclosed above for revenue from Service Charges are in respect of services rendered which are billed to the consumers on a monthly basis according to approved tariff

## 31 OTHER REVENUE

| | 2024 N$ | 2023 N$ |
|---|---|---|
| Administration Fees | 855 531 | 496 059 |
| Aerodrome | 1 458 315 | 1 652 112 |
| Betterment Fees | 2 141 756 | 2 169 507 |
| Cemetery Fees | 316 196 | 246 847 |
| Compliance Certificates | 308 102 | 274 923 |
| Encroachment Fees | 58 831 | 54 981 |
| Fire Brigade Fees | 890 333 | 853 183 |
| Inspection Fees | 946 195 | 889 501 |
| Inventory Surpluses | 599 517 | - |
| Maintenance Charges | 1 916 | 2 242 |
| Registration Fees | 1 629 401 | 1 303 209 |
| Sale of Documents, Materials & Stores | 791 722 | 707 923 |
| Surplus Cash | 2 018 | 279 |
| Town Planning Fees | 236 592 | 31 073 |
| Training Courses | 51 517 | 4 144 |
| Sundry Income | 1 264 311 | 2 449 808 |
| Contributions from Funds, Provisions & Reserves | 612 236 | 497 148 |
| Interdepartmental Charges | 3 569 983 | 4 384 636 |
| **Total Other Revenue** | **15 733 814** | **16 018 114** |

The prior year amount for Other Revenue has been adjusted. Refer to Note 45.1 on "Change in Accounting Policy" for details of the restatement.

The prior year amount for Other Revenue has been restated. Refer to Note 46.1 on "Correction of Error" for details of the restatement.

The amounts disclosed above for Other Revenue are in respect of services, other than described in Notes 20 to 26, rendered which are billed to or paid for by the users as the services are required according to approved tariffs. Inter-departmental Recoveries are received from other trading and economic services.

## 32 PROFIT ON SALE OF LAND

| | 2024 N$ | 2023 N$ |
|---|---|---|
| Proceeds on Sale of Land | 74 949 119 | 49 179 191 |
| **Total Profit on Sale of Land** | **74 949 119** | **49 179 191** |

The prior year amount for Profit on Sale of Land has been restated. Refer to Note 46.1 on "Correction of Error" for details of the restatement.

| | 2024 | 2023 |
|---|---|---|
| | N$ | N$ |

## 33. AMORTISATION AND DEPRECIATION

| | 2024 | 2023 |
|---|---|---|
| Depreciation: Property, Plant and Equipment | 96 411 818 | 10 542 869 |
| Amortisation: Intangible Assets | 42 503 | 29 700 |
| **Total Depreciation and Amortisation** | **96 454 321** | **10 572 569** |

## 34. BULK PURCHASES

| | 2024 | 2023 |
|---|---|---|
| Water | 85 411 840 | 87 926 430 |
| **Total Bulk Purchases** | **85 411 840** | **87 926 430** |

The prior year amount for Bulk Purchases has been adjusted. Refer to Note 45.4 on "Change in Accounting Policy" for details of the restatement.

Bulk Purchases are the cost of commodities not generated by the Municipality, which the Municipality distributes in the municipal area for resale to the consumers. Water is purchased from NamWater.

## 35. CONTRACTED SERVICES

| | 2024 | 2023 |
|---|---|---|
| Outsourced Services | 54 109 256 | 55 751 733 |
| Professional Services | 4 525 990 | 3 574 821 |
| **Total Contracted Services** | **58 635 246** | **59 326 554** |

The prior year amount for Contracted Services has been adjusted. Refer to Note 46.2 on "Correction of Error" for details of the restatement.

## 36. EMPLOYEE RELATED COSTS

| | 2024 | 2023 |
|---|---|---|
| | N$ | N$ |
| **Remuneration** | | |
| Salaries and Wages | 112 900 090 | 105 823 858 |
| Allowances: | 48 525 547 | 45 394 971 |
| Housing Benefits | 38 853 581 | 36 138 572 |
| Service Related (Acting, Firemen, Standby, etc.) | 6 769 486 | 6 570 320 |
| Vehicle | 2 902 481 | 2 686 080 |
| Bonuses | 9 755 356 | 8 776 878 |
| Overtime Payments | 17 638 312 | 15 457 131 |
| **Social Contributions** | | |
| Medical Aid, Pension, WCA, etc. | 64 279 094 | 50 108 544 |
| Defined Benefit Plan Expense: | 5 248 438 | 35 754 524 |
| *Service Cost:-* | 5 248 438 | 35 754 524 |
| Current Service Cost | 5 248 438 | 35 754 524 |
| **Total Employee Related Costs** | **258 346 837** | **261 315 905** |

The prior year amount for Employee Related Costs has been adjusted. Refer to Note 46.2 on "Correction of Error" for details of the restatement.

Advances are made to employees in terms of the Municipality's policy to assist them with medical and various personal expenses, and in the event of the death of a dependant. Loans to employees are set out in Note 13.

## 37. FINANCE COST

| | 2024 | 2023 |
|---|---|---|
| External Loans | 217 242 | 268 150 |
| **Total Finance Cost** | **217 242** | **268 150** |

The weighted average capitalisation rate on funds borrowed generally is 14.88% per annum (2023: 13.95% per annum).

## 38. GRANTS AND SUBSIDIES PAID

| | 2024 | 2023 |
|---|---|---|
| | N$ | N$ |
| **Operational Grants Paid:** | | |
| Benevolent Organisations | 1 232 141 | 1 208 638 |
| Community Projects | 570 777 | 487 948 |
| Government Organisations | 228 557 | 16 960 |
| Individual Beneficiaries | 1 110 540 | 598 055 |
| Low Income Subsidy | 919 | 1 634 |
| Mayoral Discretionary Expenditure | 9 350 | - |
| Public Festivals | - | 450 613 |
| Sport Events | 46 567 | 52 246 |
| Other Grants and Subsidies Paid | 308 240 | 21 712 144 |
| **Total Grants and Subsidies Paid** | **3 507 091** | **24 528 238** |

The prior year amount for Grants and Subsidies Paid has been adjusted. Refer to Note 46.2 on "Correction of Error" for details of the restatement.

Benevolent Organisations are in respect of donations made to charitable organisations, or activities related to charitable organisations, within the Municipality's area of jurisdiction.

Community Projects are in respect of the benefit and wellbeing of the general public and social responsibility within the Municipality's area of jurisdiction.

Low Income Subsidy are in respect of assistance to and providing basic service levels to indigent households.

Public Festivals are in respect of events, festivals and functions hosted or held by the Municipality for the benefit of the general public within the Municipality's area of jurisdiction.

Sport Events are in respect accommodation and travelling expenses of participants for sporting events attended outside the municipal area of jurisdiction.

Other Grants and Subsidies are in respect of grants made available by the Mayor on own discretion.

## 39. HIRING, LEASE AND RENTALS CHARGES

| | 2024 | 2023 |
|---|---|---|
| | N$ | N$ |
| **Hiring Charges** | | |
| Office and Other Equipment | 317 972 | 266 521 |
| **Lease Charges** | | |
| Computer Equipment | 9 031 114 | 8 703 180 |
| Office and Other Equipment | 1 129 345 | 1 085 235 |
| **Rental Charges** | | |
| Buildings | 50 092 | 62 950 |
| Office and Other Equipment | 2 039 920 | 1 908 654 |
| Vehicle Tracking System | 500 653 | 456 522 |
| **Total Hiring, Lease and Rental Charges** | **13 069 096** | **12 483 061** |

The prior year amount for Hiring, Lease and Rental Charges has been adjusted. Refer to Note 45.5 on "Change in Accounting Policy" for details of the restatement.

The prior year amount for Hiring, Lease and Rental Charges has been adjusted. Refer to Note 46.2 on "Correction of Error" for details of the restatement.

## 40. INVENTORY CONSUMED

| | 2024 | 2023 |
|---|---|---|
| Consumables | 8 054 499 | 7 694 732 |
| Repairs and Maintenance | 8 757 501 | 5 374 717 |
| **Total Inventory Consumed** | **16 812 000** | **13 069 448** |

The prior year amount for Inventory Consumed has been adjusted. Refer to Note 46.2 on "Correction of Error" for details of the restatement.

**MUNICIPALITY OF SWAKOPMUND**
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024 (CONTINUED)**

| | 2024 | 2023 |
|---|---|---|
| | N$ | N$ |
| **41 REMUNERATION OF COUNCILLORS** | | |
| Mayor | 376 464 | 360 252 |
| Deputy Mayor | 326 150 | 312 108 |
| Chairman of Management Committee | 634 021 | 614 490 |
| Management Committee Members | 619 214 | 735 588 |
| Councillors | 714 322 | 572 292 |
| Other Allowances (Cellular Phones, Housing, Transport, etc) | 198 400 | 219 200 |
| **Total Councillors' Remuneration** | **2 868 571** | **2 813 930** |

Remuneration of Councillors:

**In-kind Benefits**
The Mayor is provided with office accommodation and secretarial support at the expense of the Municipality in order to enable her to perform her official duties.

The Mayor has use of a Council owned vehicle for official duties which may also be used by the Deputy Mayor when representing the Mayor.

Councillors may utilise official Council transportation when engaged in official duties.

## 42. OTHER EXPENDITURE

Included in General Expenses are the following:

| | 2024 | 2023 |
|---|---|---|
| | N$ | N$ |
| Advertising | 1 674 023 | 1 015 551 |
| Bank Charges | 1 331 910 | 963 567 |
| Catering and Entertainment Cost | 633 860 | 518 909 |
| Ceremonies | 37 499 | 18 291 |
| Conferences and Meetings | 1 625 629 | 701 980 |
| Covid-19 Emergency Expenses | - | 7 251 |
| Disease Prevention and Control | 10 426 | - |
| Electricity | 19 844 686 | 18 432 306 |
| Gifts, Pledges and Tokens of Appreciation | 214 370 | 116 853 |
| Insurance | 1 932 585 | 1 627 236 |
| Inventory Adjustment / Written-Off | 565 559 | 540 391 |
| Inventory Asset Purchases | 766 086 | 789 089 |
| Levies:- | | |
| Regional Council (Erongo) | 8 112 927 | 8 235 877 |
| Vocational Education and Training (VET) | 2 535 966 | 2 400 093 |
| Licence Fees | 2 037 933 | 2 093 736 |
| Marketing | 101 780 | 215 752 |
| Medical Examinations | 246 258 | 155 802 |
| Membership and Subscription Fees | 165 688 | 134 800 |
| Municipal Projects | 91 093 | 74 770 |
| Pest Control | - | 7 809 |
| Postal Charges | 805 196 | 747 116 |
| Printing and Stationery | 2 117 944 | 1 600 803 |
| Recruitment Cost | 55 621 | 82 416 |
| Refunds | 4 138 425 | 352 261 |
| Staff Wellness and Other Expenses | 320 325 | 8 604 |
| Telecommunication Cost | 1 409 759 | 1 613 387 |
| Training Cost | 284 231 | 723 232 |
| Travelling and Subsistence | 130 000 | 237 888 |
| Uniforms and Protective Clothing | 762 083 | 1 389 878 |
| Other General Expenses | 3 828 | 14 195 |
| **Total General Expenses** | **51 955 691** | **44 819 844** |

**MUNICIPALITY OF SWAKOPMUND**
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024 (CONTINUED)**

The prior year amount for General Expenses has been adjusted. Refer to Note 46.2 on "Correction of Error" for details of the restatement.

The amounts disclosed above for Other General Expenses are in respect of costs incurred in the general management of the Municipality and not direct attributable to a specific service or class of expense. Inter-departmental Charges are charged to other trading and economic services for support services rendered.

| | 2024 | 2023 |
|---|---|---|
| | N$ | N$ |
| ***42.1 Material Losses*** | **8 262 840** | **8 234 708** |
| Distribution Losses: | | |
| Water Losses | 8 262 840 | 8 234 708 |

Material Water Losses were as follows and are not recoverable:

**Water:**

| | | Lost Units | Tariff | Value |
|---|---|---|---|---|
| **30-Jun-24** | Unaccounted Water Losses | 555 672 | 14.87 | 8 262 840 |
| **30-Jun-23** | Unaccounted Water Losses | 553 780 | 14.87 | 8 234 708 |

Water Losses occur due to inter alia, leakages, the tampering of meters, the incorrect ratios used on bulk meters, faulty meters and illegal water connections. The problem with tampered meters and illegal connections is an ongoing process, with regular action being taken against defaulters. Faulty meters and leakages are replaced/repaired as soon as they are reported.

| **Volumes in Kl/year:** | | |
|---|---|---|
| System Input Volume | 5 783 917 | 5 954 097 |
| Billed Consumption | 5 228 245 | 5 400 317 |
| Distribution Loss | 555 672 | 553 780 |
| Percentage Distribution Loss | 9.61% | 9.30% |

## 43. OTHER GAINS AND LOSSES

| | | 2024 N$ | 2023 N$ |
|---|---|---|---|
| **Other Gains** | | | |
| Debt Impairment | Note 43.1 | - | - |
| Disposal / Sale of Capital Assets | Note 43.2 | 711 399 | - |
| **Total Other Gains** | | **711 399** | **-** |
| **Other Losses** | | | |
| Debt Impairment | Note 43.1 | 15 962 056 | 17 450 170 |
| Disposal / Sale of Capital Assets | Note 43.2 | - | - |
| **Total Other Losses** | | **15 962 056** | **17 450 170** |
| **Net Other Gains and Losses** | | **(15 250 657)** | **(17 450 170)** |

### *43.1 Debt Impairment*

| | 2024 N$ | 2023 N$ |
|---|---|---|
| **Impairment Losses Recognised:** | | |
| Receivables from Exchange Transactions | 10 135 143 | 11 676 941 |
| Receivables from Non-exchange Transactions | 5 826 913 | 5 773 229 |
| **Net Debt Impairment** | **15 962 056** | **17 450 170** |

The prior year amount for Debt Impairment has been adjusted. Refer to Note 45.16 on "Change in Accounting Policy" for details of the restatement.

| | 2024 | 2023 |
|---|---|---|
| ***43.2 Disposal / Sale of Capital Assets*** | N$ | N$ |
| **Gains on Disposal / Sale of Capital Assets:** | | |
| Property, Plant and Equipment | 711 399 | - |
| **Total Gains on Disposal / Sale of Capital Assets** | **711 399** | **-** |
| | | |
| **Losses on Disposal / Sale of Capital Assets:** | | |
| Property, Plant and Equipment | - | - |
| **Total Losses on Disposal / Sale of Capital Assets** | **-** | **-** |
| | | |
| **Net Gains / Losses on Disposal / Sale of Capital Assets** | **711 399** | **-** |

## 44. RECLASSIFICATION OF ANNUAL FINANCIAL STATEMENTS

The prior year amount for Debt Impairment has been adjusted. Refer to Note 45.16 on "Change in Accounting Policy" for details of the restatement.

### *44.1 Reclassification of Accumulated Surplus*

The prior year figures of Accumulated Surplus have been restated to correctly disclose the monies held by the Municipality in terms of the disclosure notes indicated below.

**The effects of the Changes are as follows:**

| | | Accumulated Surplus |
|---|---|---|
| | | N$ |
| **Balances published as at 30 June 2022** | | **1 574 161 382** |
| Change in Accounting Policy as per Note 45:- | | |
| Adjustment for Unbilled Metered Services at Year-end | 8 585 792 | |
| Adjustment for Pre-paid Services at Year-end | (427 338) | |
| Adjustment for Debt Impairment | (100 823 616) | |
| Adjustment for Inventory - Water | 97 443 | |
| Adjustment for Operating Lease Receivables | 2 427 231 | |
| Adjustment for Operating Lease Payables | (39 815) | (90 180 302) |
| Correction of Error as per Note 46.3: - | | |
| Adjustment for Oil Inventory Consumed | (410 024) | |
| Adjustment for Royalties Accrued | 1 349 861 | |
| Adjustment for Medical Expenses Accrued | (1 916 185) | |
| Adjustment for Unlisted Shares | (131 956 546) | |
| Adjustment for Audit Fees Accrual | 754 244 | |
| Adjustment for VAT Claims Disallowed | (2 885 839) | (135 064 488) |
| **Restated Balances as at 30 June 2022** | | **1 348 916 592** |
| Transactions incurred for the Year 2022/23 | | (36 120 589) |
| Change in Accounting Policy as per Note :- | | |
| Adjustment for Unbilled Metered Services at Year-end | (1 712 576) | |
| Adjustment for Pre-paid Services at Year-end | (74 842) | |
| Adjustment for Debt Impairment | (15 099 145) | |
| Adjustment for Operating Lease Receivables | 173 408 | |
| Adjustment for Operating Lease Payables | 10 604 | (16 702 551) |
| Correction of Error as per Note 46.3:- | | |
| Adjustment for Oil Inventory Consumed | (70 765) | |
| Adjustment for Royalties Accrued | (1 349 861) | |
| Adjustment for Staff Bonus Accrual | 604 691 | |
| Adjustment for Staff Leave Accrual | 150 786 | (665 150) |
| **Restated Balances as at 30 June 2023** | | **1 295 428 303** |

**MUNICIPALITY OF SWAKOPMUND**
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024 (CONTINUED)**

## 44.2 Reclassification of Revenue

The prior year figures of Revenue Classes have been restated to correctly classify the nature of Revenue of the Municipality.

**The effect of the Changes are as follows:**

| | Prior Year 2022/23 AFS Audited | Restatements | Restated 2022/23 AFS Amount |
|---|---|---|---|
| | N$ | N$ | N$ |
| Property Rates | 165 901 145 | (2) | 165 901 147 |
| Fines and Penalties | - | (186 900) | 186 900 |
| Government Grants and Subsidies Received | 6 082 322 | (204 990) | 6 287 313 |
| Licences and Permits | - | (70 909) | 70 909 |
| Public Contributions and Donations | - | (178 597) | 178 597 |
| Rates Penalties and Collection | - | 2 | -2 |
| Interest Earned - External Investments | 6 412 357 | (6 781 102) | 13 193 459 |
| Interest Earned - Outstanding Debtors | - | (1 079 160) | 1 079 160 |
| Rental of Facilities and Equipment | 5 316 559 | (14 133 036) | 19 449 595 |
| Royalties Received | - | (16 581 189) | 16 581 189 |
| Service Charges | 211 460 123 | 11 587 895 | 199 872 228 |
| Other Revenue | 62 508 799 | 46 490 686 | 16 018 114 |
| Profit on Sale of Land | - | (49 179 191) | 49 179 191 |
| Bungalows | 11 705 937 | 11 705 937 | - |
| Nursery | 630 700 | 630 700 | - |
| Local Authority Surcharges | 17 931 051 | 17 931 051 | - |
| Swakopmund Aerodrome | 2 904 851 | 2 904 851 | - |
| | **490 853 845** | **2 856 044** | **487 997 800** |

## 44.3 Reclassification of Expenditure

The prior year figures of Expenditure Classes have been restated to correctly classify the nature of Expenditure of the Municipality.

**The effect of the Changes are as follows:**

| | Prior Year 2022/23 AFS Audited | Restatements | Restated 2022/23 AFS Amount |
|---|---|---|---|
| | N$ | N$ | N$ |
| Amortisation and Depreciation | 10 572 569 | - | 10 572 569 |
| Bulk Purchases | 87 926 430 | - | 87 926 430 |
| Contracted Services | 26 598 534 | (32 728 020) | 59 326 554 |
| Employee Related Costs | 233 138 687 | (28 177 218) | 261 315 905 |
| Finance Cost | 268 150 | - | 268 150 |
| Grants and Subsidies Paid | - | 24 528 238) | 24 528 238 |
| Hiring, Lease and Rental Charges | - | (12 483 061) | 12 483 061 |
| Inventory Consumed | - | (13 069 448) | 13 069 448 |
| Remuneration of Councillors | 2 813 930 | - | 2 813 930 |
| Other Expenditure | 80 550 296 | 35 730 452 | 44 819 844 |
| Debt Impairment | 2 000 000 | (15 450 170) | 17 450 170 |
| Inventory Adjustment | 537 496 | 537 496 | - |
| Departmental Charges | 4 194 915 | 4 194 915 | - |
| Repairs and Maintenance | 38 107 379 | 38 107 379 | - |
| Payment 5% of Revenue on Rates & Taxes - Regional Council | 8 235 877 | 8 235 877 | - |
| Surplus / (Deficit) for the Year | (4 090 419) | 42 486 080 | (46 576 499) |
| | **490 853 845** | **2 856 044** | **487 997 800** |

## 44.4 Reclassification of Statement of Financial Position

The prior year figures of Classes in the Statement of Financial Position have been restated to correctly classify the nature of Assets, Liabilities and Net Assets of the Municipality.

**MUNICIPALITY OF SWAKOPMUND**
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024 (CONTINUED)**

**The effects of the Changes are as follows:**

| | Prior Year 2022/23 AFS Audited | Restatements | Restated 2022/23 AFS Amount |
|---|---|---|---|
| | N$ | N$ | N$ |
| **Current Assets** | | | |
| Inventories | 9 123 305 | 383 346 | 8 739 959 |
| Receivables from Exchange Transactions | 117 921 588 | 85 429 572 | 32 492 016 |
| Receivables from Non-exchange Transactions | - | 14 433 750) | 14 433 750 |
| VAT Receivable | 37 967 840 | 5 621 358 | 32 346 482 |
| Cash and Cash Equivalents | 67 770 541 | (111 968 077) | 179 738 618 |
| Investments | 111 969 077 | 111 969 077 | - |
| Operating Lease Receivables | - | (2 600 639) | 2 600 639 |
| **Non-Current Assets** | | | |
| Property, Plant and Equipment | 1 255 196 987 | 70 525 930 | 1 184 671 057 |
| Intangible Assets | - | (118 800) | 118 800 |
| Investment Property | - | (70 407 130) | 70 407 130 |
| Investments | 135 517 796 | 131 956 546 | 3 561 250 |
| Finance Lease Receivables | - | (28 691 523) | 28 691 523 |
| Long-term Receivables | 28 691 523 | 28 691 523 | - |
| **Current Liabilities** | | | |
| Consumer Deposits | (14 774 088) | (8 157 624) | (6 616 465) |
| Payables from Exchange Transactions | (29 835 401) | 10 834 026 | (40 669 428) |
| Payables from Non-exchange Transactions | - | 9 957 195 | (9 957 195) |
| Operating Lease Liabilities | - | 29 211 | (29 211) |
| Borrowings | - | 462 770 | (462 770) |
| Employee Benefit Liabilities | (55 475 906) | (5 606 567) | (19 869 340) |
| **Non-Current Liabilities** | | | |
| Borrowings | (1 922 688) | (462 770) | (1 459 918) |
| Employee Benefit Liabilities | - | 34 851 091 | (34 851 091) |
| | | | |
| **Net Assets** | | | |
| Statutory Funds | (124 109 777) | 24 347 726 | (148 457 503) |
| Accumulated Surplus / (Deficit) | (1 538 040 794) | (242 612 491) | (1 295 428 303) |
| | - | - | - |

## 45 CHANGE IN ACCOUNTING POLICY

First Time Implementation of IPSAS's:
The Municipality adopted the following Accounting Standards for the first time during the financial year 2023/24 in order to comply with the basis of preparation of the Annual Financial Statements as disclosed in Accounting Policy 1:

| | |
|---|---|
| - IPSAS 02 | Cash Flow Statements |
| - IPSAS 03 | Accounting Policies, Changes in Accounting Estimates and Errors |
| - IPSAS 04 | The Effects of Changes in Foreign Exchange Rates |
| - IPSAS 05 | Borrowing Costs |
| - IPSAS 09 | Revenue from Exchange Transactions |
| - IPSAS 10 | Financial Reporting in Hyperinflationary Economics |
| - IPSAS 11 | Construction Contracts |
| - IPSAS 12 | Inventories |
| - IPSAS 13 | Leases |
| - IPSAS 14 | Events after the Reporting Date |
| - IPSAS 18 | Segment Reporting |
| - IPSAS 20 | Related Party Disclosures |
| - IPSAS 22 | Disclosure of Financial Information about the General Government Sector |
| - IPSAS 23 | Revenue from Non-exchange Transactions |
| - IPSAS 24 | Presentation of Budget Information in Financial Statements |
| - IPSAS 32 | Service Concession Arrangements: Grantor |
| - IPSAS 34 | Separate Financial Statements |
| - IPSAS 35 | Consolidated Financial Statements |
| - IPSAS 36 | Investments in Associates and Joint Ventures |
| - IPSAS 37 | Joint Arrangements |
| - IPSAS 38 | Disclosure of Interests in Other Entities |
| - IPSAS 40 | Public Sector Combinations |
| - IPSAS 41 | Financial Instruments |
| - IPSAS 42 | Social Benefits |

The Municipality utilised the exemptions offered in terms of IPSAS 33 for the recognition and measurement Assets and Liabilities where information is not readily available for the following Accounting Standards:

| | |
|---|---|
| - IPSAS 01 | Presentation of Financial Statements |
| - IPSAS 12 | Inventories |
| - IPSAS 16 | Investment Property |
| - IPSAS 17 | Property, Plant and Equipment |
| - IPSAS 19 | Provisions, Contingent Liabilities and Contingent Assets |
| - IPSAS 21 | Impairment of Non-cash-generating Assets |
| - IPSAS 26 | Impairment of Cash-generating Assets |
| - IPSAS 27 | Agriculture |
| - IPSAS 31 | Intangible Assets |
| - IPSAS 39 | Employee Benefits |

**MUNICIPALITY OF SWAKOPMUND**
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024 (CONTINUED)**

The following adjustments were made to amounts previously reported in the Annual Financial Statements of the Municipality arising from the implementation of IPSAS:-

### 45.1 IPSAS 9 - Revenue from Exchange Transactions

The exempted portion of the Accounting Standard for Revenue from Exchange Transactions, recognition of revenue related to the relief on recognition of financial assets, has been recognised in the Annual Financial Statements of the Municipality as at 30 June 2024 in terms of IPSAS 9.

The Municipality has developed Accounting Policies to fully comply with IPSAS 9 (Revenue from Exchange Transactions). Previously the Municipality utilised the exemptions set out in IPSAS 33.

The prior year figures of Revenue from Exchange Transactions have been restated to correctly disclose the revenue recognised by the Municipality in terms of IPSAS 9.

**The effect of the Change in Accounting Policy is as follows:**

| | Revenue Prior 2022/23 AFS | Amounts Reclassified | Amount Restated | Revenue Current 2023/24 AFS |
|---|---|---|---|---|
| | N$ | N$ | N$ | N$ |
| Property Rates & Taxes | 165 901 145 | (165 901 145) | - | - |
| Service Charges | 211 460 123 | - | (1 773 503) | 209 686 620 |
| Bungalows | 11 705 937 | - | - | 11 705 937 |
| Nursery | 630 700 | - | - | 630 700 |
| Local Authority Surcharges | 17 931 051 | - | - | 17 931 051 |
| Swakopmund Aerodrome | 2 904 851 | - | - | 2 904 851 |
| Rental of Facilities and Properties | 5 316 559 | - | (13 873) | 5 302 686 |
| Interest Received: Current Account & Investments | 6 412 357 | - | - | 6 412 357 |
| Government Subsidies: Operational | 6 082 322 | (6 082 322) | - | - |
| Other Revenue | 62 508 799 | (6 644 080) | (42) | 55 864 677 |
| | **490 853 845** | **(178 627 547)** | **-1 787 418** | **310 438 880** |

**Summary of Restatements in lieu of 'Change in Accounting Policy':**

| | Service Charges | Rental of Facilities | Other Revenue |
|---|---|---|---|
| | N$ | N$ | N$ |
| Recognition of Unbilled Services | (1 712 576) | - | - |
| Recognition of Pre-paid Services | (60 927) | (13 873) | (42) |
| | **(1 773 503)** | **(13 873)** | **(42)** |

The effect of the recognition of 'unbilled services' on Receivables from Exchange Transactions is disclosed in Note 45.16 below:

The effect of the recognition of 'pre-paid services' on Payables from Exchange Transactions is as follows:

| | Payables Exchange Transactions |
|---|---|
| **Balances published as at 30 June 2022** | **(29 514 088)** |
| Reclassification of Payables | (7 665 987) |
| Recognition of Pre-paid Services (IPSAS 9) | (427 338) |
| **Restated Balances as at 30 June 2022** | **(37 607 413)** |
| Transactions incurred for the Year 2022/23: | |
| Payables Transactions for the Year | (321 314) |
| Recognition of Pre-paid Services (IPSAS 9) | (74 842) |
| **Restated Balances as at 30 June 2023** | **(38 003 569)** |

## 45.2 IPSAS 10 - Financial Reporting in Hyperinflationary Economies

The Accounting Standard for Financial Reporting in Hyperinflationary Economies, provisions around severe hyperinflation, has been considered for inclusion in the Annual Financial Statements of the Municipality as at 30 June 2024 in terms of IPSAS 10.

Management has evaluated the requirements of the Standard and it was found that it is not applicable to the Municipality at this stage. Therefore, no adjustments need to be made and no Accounting Policies need to be developed to fully comply with IPSAS 10 (Financial Reporting in Hyperinflationary Economies).

### 45.3 IPSAS 11 - Construction Contracts

The Accounting Standard for Construction Contracts has been considered for inclusion in the Annual Financial Statements of the Municipality as at 30 June 2024 in terms of IPSAS 11.

Management has evaluated the requirements of the Standard and it was found that it is not applicable to the Municipality at this stage. Therefore, no adjustments need to be made and no Accounting Policies need to be developed to fully comply with IPSAS 11 (Construction Contracts).

### 45.4 IPSAS 12 – Inventories

The exempted portion of the Accounting Standard for Inventories, assets not recognised under previous basis of accounting, has been recognised in the Annual Financial Statements of the Municipality as at 30 June 2024 in terms of IPSAS 12.

The Municipality has developed Accounting Policies to fully comply with IPSAS 12 (Inventories). Previously the Municipality utilised the exemptions set out in IPSAS 33. The carrying value of inventories has been recognised retrospectively in the Annual Financial Statements in terms of IPSAS 12 and the comparative amounts have been restated.

The effect of the Change in Accounting Policy is as follows:

| | Bulk Purchases: Water | Inventories |
|---|---|---|
| | N$ | N$ |
| **Balances published as at 30 June 2022** | | **6 841 966** |
| Recognition of Water Inventory in Distribution System (IPSAS 12) | | 97 443 |
| **Restated Balances as at 30 June 2022** | | **6 939 409** |
| Transactions incurred for the Year 2022/23: | | |
| Transactions for the Year | (87 926 430) | 2 281 338 |
| Recognition of Water Inventory in Distribution System (IPSAS 12) | - | - |
| **Restated Balances as at 30 June 2023** | **(87 926 430)** | **9 220 748** |

**45.5 IPSAS 13 – Leases**

The exempted portion of the Accounting Standard for Leases, relief on recognition of leases, has been recognised in the Annual Financial Statements of the Municipality as at 30 June 2024 in terms of IPSAS 13.

| | Operating Lease Receivables | Finance Lease Receivables | Long-term Receivables |
|---|---|---|---|
| | N$ | N$ | N$ |
| **Changes affected as at 30 June 2022** | | | |
| Recognition of Operating Lease Receivables | 2 427 231 | - | - |
| Reclassification of Finance Lease Receivables | - | 23 353 228 | (23 353 228) |
| **Total Changes affected as at 30 June 2022** | **2 427 231** | **23 353 228** | **(23 353 228)** |
| **Changes affected for the Year 2022/23** | | | |
| Actual Operational Lease Receipts Reversed | (133 636) | - | - |
| Operational Lease Receipts Recorded (Straight lining) | 307 045 | - | - |
| Reclassification of Finance Lease Receivables | - | 5 338 294 | (5 338 294) |
| **Total Changes affected for the Year 2022/23** | **173 408** | **5 338 294** | **(5 338 294)** |
| **Total for Change in Accounting Policy** | **2 600 639** | **28 691 523** | **(28 691 523)** |

The Municipality has developed Accounting Policies to fully comply with IPSAS 13 (Leases). Previously the Municipality utilised the exemptions set out in IPSAS 33. Lease receivables and lease payables have been recognised retrospectively in the Annual Financial Statements in terms of IPSAS 13 and the comparative amounts have been restated.

The effect of the Change in Accounting Policy is as follows:

The opening balances of Operating Lease Receivables, Finance Lease Receivables, Long-term Receivables and Accumulated Surplus have been restated to correctly disclose the assets and liabilities of the Municipality in terms of IPSAS 13.

The prior year amounts of Rental of Facilities & Equipment, Operating Lease Receivables, Finance Lease Receivables and Long-term Receivables have been restated to correctly disclose the assets and liabilities of the Municipality in terms of IPSAS 13.

The opening balances of Operating Lease Payables and Accumulated Surplus have been restated to correctly disclose the assets and liabilities of the Municipality in terms of IPSAS 13.

The prior year amounts of Hire, Lease & Rental Charges and Operating Lease Payables have been restated to correctly disclose the assets and liabilities of the Municipality in terms of IPSAS 13.

| | Operating Lease Payables |
|---|---|
| | N$ |
| **Changes affected as at 30 June 2022** | |
| Recognition of Operating Lease Payables | 39 815 |
| **Total Changes affected as at 30 June 2022** | **39 815** |
| **Changes affected for the Year 2022/23** | |
| Actual Expenditure Reversed | (156 570) |
| Recorded Expenditure (Straight lining) | 145 966 |
| **Total Changes affected for the Year** | **(10 604)** |
| **Total for Change in Accounting Policy** | **29 211** |

### 45.6 IPSAS 18 - Segment Reporting

The exempted portion of the Accounting Standard for Segment Reporting, no segment report for the relief period, has been disclosed in the Annual Financial Statements of the Municipality as at 30 June 2024 in terms of IPSAS 18.

The Municipality has developed Accounting Policies to fully comply with IPSAS 18 (Segment Reporting). Previously the Municipality utilised the exemptions set out in IPSAS 33.

Management has evaluated the requirements of the Standard and it was found that no adjustments affecting Financial Position, Financial Performance, Net Assets or Cash Flows need to be made. However, extended reports were included in the Annual Financial Statements to adhere to the disclosure requirements of IPSAS 18.

### 45.7 IPSAS 20 - Related Parties

The exemption portion of the Accounting standard for Related Parties, no disclosure for the relief period, has been recognised in the Annual Financial Statements of the Municipality as at 30 June 2024 in terms of IPSAS 20.

The Municipality has developed Accounting Policies to fully comply with IPSAS 20 (Related Parties). Previously the Municipality utilised the exemptions set out in IPSAS 33.

Management has evaluated the requirements of the Standard and it was found that no adjustments need to be made. However, extended notes were included in the Annual Financial Statements to adhere to the disclosure requirements of IPSAS 20.

### 45.8 IPSAS 22 - Disclosure of Financial Information about the General Government Sector

The Accounting Standard for Disclosure of Financial Information about the General Government Sector has been recognised in the Annual Financial Statements of the Municipality as at 30 June 2024 in terms of IPSAS 22.

Management has evaluated the requirements of the Standard and it was found that it is not applicable to the Municipality at this stage. Therefore, no adjustments need to be made and no Accounting Policies need to be developed to fully comply with IPSAS 22 (Disclosure of Financial Information about the General Government Sector).

### 45.9 IPSAS 23 - Revenue from Non-exchange Transactions (Taxes and Transfers)

The exempted portion of the Accounting Standard for Revenue from Non-exchange Transactions (Taxes and Transfers), non-exchange revenue not recognised under previous basis of accounting and recognition of revenue related to the relief on recognition of financial assets, has been recognised in the Annual Financial Statements of the Municipality as at 30 June 2024 in terms of IPSAS 23.

The Municipality has developed Accounting Policies to fully comply with IPSAS 23 (Revenue from Non-exchange Transactions (Taxes and Transfers). Previously the Municipality utilised the exemptions set out in IPSAS 33.

The prior year figures of Revenue from Non-exchange Transactions have been restated to correctly disclose the revenue recognised by the Municipality in terms of IPSAS 23.

**The effect of the Change in Accounting Policy is as follows:**

| | Revenue Prior 2022/23 AFS | Amounts Reclassified | Amount Restated | Revenue Current 2022/23 AFS |
|---|---|---|---|---|
| | N$ | N$ | N$ | N$ |
| Property Rates | - | 165 901 147 | - | 165 901 147 |
| Fines and Penalties | - | 186 900 | - | 186 900 |
| Government Grants and Subsidies | - | 6 287 313 | - | 6 287 313 |
| Licences and Permits | - | 6 073 592 | - | 6 073 592 |
| Public Contributions and Donations | - | 178 597 | - | 178 597 |
| Rates Penalties and Collection | - | (2) | - | (2) |
| | **-** | **178 627 547** | **-** | **178 627 547** |

### 45.9.1 IPSAS 32 - Service Concession Arrangements: Grantor

The accounting standard for service concession arrangements: grantor, service concession assets and related liabilities not recognised under previous basis of accounting, has been considered for inclusion in the Annual Financial Statements of the Municipality as at 30 June 2024 in terms of IPSAS 32.

Management has evaluated the requirements of the Standard and it was found that it is not applicable to the Municipality at this stage. Therefore, no adjustments need to be made and no Accounting Policies need to be developed to fully comply with IPSAS 32 (Service Concession Arrangements: Grantor).

### 45.10 IPSAS 34 - Separate Financial Statements

The exempted portion of the Accounting Standard for Separate Financial Statements, no separate financial statements for the relief period, has been recognised in the Annual Financial Statements of the Municipality as at 30 June 2024 in terms of IPSAS 34.

Management has evaluated the requirements of the Standard and it was found that it is not applicable to the Municipality at this stage. Therefore, no adjustments need to be made and no Accounting Policies need to be developed to fully comply with IPSAS 34 (Separate Financial Statements).

### 45.11 IPSAS 35 - Consolidated Financial Statements

The exempted portion of the Accounting Standard for Consolidated Financial Statements, no separate financial statements for the relief period, has been recognised in the Annual Financial Statements of the Municipality as at 30 June 2024 in terms of IPSAS 35.

Management has evaluated the requirements of the Standard and it was found that it is not applicable to the Municipality at this stage. Therefore, no adjustments need to be made and no Accounting Policies need to be developed to fully comply with IPSAS 35 (Consolidated Financial Statements).

### 45.12 IPSAS 36 - Investments in Associates and Joint Ventures

The exempted portion of the Accounting Standard for Investments in Associates and Joint Ventures, relief to recognise/measure interest in Associates and Joint Ventures for the relief period, has been recognised in the Annual Financial Statements of the Municipality as at 30 June 2024 in terms of IPSAS 36.

Management has evaluated the requirements of the Standard and it was found that it is not applicable to the Municipality at this stage. Therefore, no adjustments need to be made and no Accounting Policies need to be developed to fully comply with IPSAS 36 (Investments in Associates and Joint Ventures).

### 45.13 IPSAS 37 - Joint Arrangements

The exempted portion of the Accounting Standard for Joint Arrangements, relief to recognise/measure interest in Joint Arrangement for the relief period, has been recognised in the Annual Financial Statements of the Municipality as at 30 June 2024 in terms of IPSAS 37.

Management has evaluated the requirements of the Standard and it was found that it is not applicable to the Municipality at this stage. Therefore, no adjustments need to be made and no Accounting Policies need to be developed to fully comply with IPSAS 37 (Joint Arrangements).

### 45.14 IPSAS 38 - Disclosure of Interests in Other Entities

The exempted portion of the Accounting Standard for Joint Arrangements, relief for disclosure of interest in Other Entities for the relief period, has been recognised in the Annual Financial Statements of the Municipality as at 30 June 2024 in terms of IPSAS 38.

Management has evaluated the requirements of the Standard and it was found that it is not applicable to the Municipality at this stage. Therefore, no adjustments need to be made and no Accounting Policies need to be developed to fully comply with IPSAS 38 (Disclosure of Interests in Other Entities).

### 45.15 IPSAS 41 - Financial Instruments

The Accounting Standard for Financial Instruments has been recognised in the Annual Financial Statements of the Municipality as at 30 June 2024 in terms of IPSAS 41.

The Municipality has developed Accounting Policies to fully comply with IPSAS 41 (Financial Instruments). Previously the Municipality prepared its Annual Financial Statements in terms of the requirements of IPSAS's 28, 29 and 30.

The prior year figures of Expenditure for Debt Impairment, Receivables from Exchange Transactions, Receivables from Non-exchange Transactions, Non-current Finance Lease Receivables and Accumulated Surplus have been restated to correctly disclose the financial instruments held by the Municipality in terms of IPSAS 41.

**The effect of the Change in Accounting Policy is as follows:**

| | Expenditure Debt Impairment | Receivables Exchange Transactions | Receivables Non-exchange Transactions | Non-current Finance Lease Receivables |
|---|---|---|---|---|
| | N$ | N$ | N$ | N$ |
| **Balances published as at 30 June 2022** | | **117 921 588** | **-** | **-** |
| Reclassification of Debtors: Assessment Rates | | (54 384 030) | 54 384 030 | - |
| Recognition of Unbilled Services (IPSAS 9) | | 8 585 792 | - | - |
| Recognition of Assessed Losses (IPSAS 41) | | (62 544 636) | (41 293 660) | - |
| **Restated Balances as at 30 June 2022** | | **9 578 713** | **13 090 370** | **-** |
| Transactions incurred for the Year 2022/23: | | | | |
| Debtors Transactions for the Year | | (1 817 798) | 3 355 613 | - |
| Reclassification of Debtors: Assessment Rates | | (6 509 431) | 6 509 431 | - |
| Debt Impairment | 2 000 000 | - | - | - |
| Recognition of Unbilled Services (IPSAS 9) | - | (1 712 576) | - | - |
| Recognition of Assessed Losses (IPSAS 41) | 15 450 170 | (10 176 941) | (5 273 229) | - |
| **Restated Balances as at 30 June 2023** | **17 450 170** | **(10 638 032)** | **17 682 185** | **-** |

### 45.16 IPSAS 42 - Social Benefits

The Accounting Standard for Social Benefits has been recognised in the Annual Financial Statements of the Municipality as at 30 June 2024 in terms of IPSAS 42.

Management has evaluated the requirements of the Standard and it was found that it is not applicable to the Municipality at this stage. Therefore, no adjustments need to be made and no Accounting Policies need to be developed to fully comply with IPSAS 42 (Social Benefits).

The effect of above-mentioned changes in Accounting Policies on the Accumulated Surplus is a decrease of N$16 702 551 as at 30 June 2023 and a decrease of N$90 180 302 as at 30 June 2022.

## 46 CORRECTION OF ERROR

Corrections were made during the previous financial years. Details of the corrections are described below:

### 46.1 Reclassification of Revenue

Prior year amounts of items in Revenue included in the Statement of Financial Performance have been restated as indicated below:

Reclassification of accounts have been made to adhere to the requirements of disclosures in terms of IPSAS 1. These reclassifications are listed under the heading "Reclassification of Accounts" and no further explanations for these are deemed necessary.

| | Property Rates | Fines & Penalties | Government Grants |
|---|---|---|---|
| | N$ | N$ | N$ |
| **Balance previously reported** | **165 901 145** | **-** | **6 082 322** |
| *Reclassification of Accounts:-* | | | |
| Account 20-00-2-05-010-00, Interest: Late Fees | 2 | - | - |
| Account 35-05-2-20-550-00, Sundry Fines | - | 33 331 | - |
| Account 50-00-2-20-740-00, Penalties Illegal Buildings | - | 153 569 | - |
| Account 65-00-2-10-080-00, Subsidized Sidewalks | - | - | 204 990 |
| **Restated Balance now reported** | **165 901 147** | **186 900** | **6 287 313** |

**MUNICIPALITY OF SWAKOPMUND**
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024 (CONTINUED)**

| | Licences & Permits | Public Donations | Rates Penalty Charges |
|---|---|---|---|
| | N$ | N$ | N$ |
| **Balance previously reported** | - | - | - |
| *Reclassification of Accounts:-* | | | |
| Account 30-00-2-20-065-00, Dog Licences | 29 474 | - | - |
| Account 30-00-2-20-505-00, Sand Exploitation Levies | 47 650 | - | - |
| Account 50-00-2-20-505-00, Sand Exploitation Levies | (6 215) | - | - |
| Account 20-05-2-10-060-00, Donations Received | - | 178 597 | - |
| Account 20-00-2-05-010-00, Interest: Late Fees | - | - | (2) |
| **Restated Balance now reported** | **70 909** | **178 597** | **(2)** |

| | Interest: Investments | Interest: Debtors | Profit on Sale of Land |
|---|---|---|---|
| | N$ | N$ | N$ |
| **Balance previously reported** | **6 412 357** | - | - |
| ***Reclassification of Accounts:-*** | | | |
| Account 20-05-2-10-055-00, Interest on Sale of Erven | 56 118 | - | - |
| Account 20-05-2-20-200-00, Late Fees | - | 426 461 | - |
| Account 20-05-2-20-870-00, Interest on Housing Loans | - | 61 551 | - |
| Account 20-05-2-20-885-00, Sale of Erven | - | - | 49 179 191 |
| Correction of Errors:- | | | |
| Adjustment for Operating Revenue allocated to Funds | **6 724 984** | **591 149** | - |
| **Restated Balance now reported** | **13 193 459** | **1 079 160** | **49 179 191** |

**Interest Earned - External Investments:**
The prior year amounts for Interest Earned on External Investments and Accumulated Surplus Appropriations have been restated to correctly disclose the interest on Housing Funds in terms of IPSAS 1, previously incorrectly allocated directly to Fund Accounts.

**Interest Earned - Outstanding Debtors:**
The prior year amounts for Interest Earned on Outstanding Debtors and Accumulated Surplus Appropriations have been restated to correctly disclose the interest on Housing Funds in terms of IPSAS 1, previously incorrectly allocated directly to Fund Accounts.

| | Rental of Facilities | Royalties Received | Service Charges | Other Income |
|---|---|---|---|---|
| | N$ | N$ | N$ | N$ |
| **Balance previously reported** | **5 316 559** | **-** | **211 460 123** | **62 508 799** |
| *Reclassification of Accounts:-* | | | | |
| Account 85-00-2-20-135-00, Fish | 1 534 489 | - | - | - |
| Account 85-00-2-20-140-00, Welwitschia | 886 639 | - | - | - |
| Account 85-00-2-20-145-00, Gecko | 435 333 | - | - | - |
| Account 85-00-2-20-150-00, Dunes | 3 146 222 | - | - | - |
| Account 55-00-2-20-695-00, LA Surcharge | - | 17 931 051 | - | - |
| Account 20-05-2-20-885-00, Sale of Erven | - | - | - | (49 179 191) |
| Unidentified Accounts | 7 970 817 | - | (9 814 392) | 2 457 392 |
| *Change in Accounting Policy:-* | | | | |
| Change in Accounting Policy as per Note 45.1 above | (13 873) | - | (1 773 503) | -42 |
| Change in Accounting Policy as per Note 45.5 above | 173 408 | - | - | - |
| *Correction of Errors:-* | | | | |
| Adjustment for Royalties Accrued | - | -1 349 861 | - | - |
| Adjustment for Home Insurance Recovered | - | - | - | 64 371 |
| Adjustment for Revenue appropriated to Surplus Account | | - | - | 166 785 |
| **Restated Balance now reported** | **19 449 595** | **16 581 189** | **199 872 228** | **16 018 114** |

**MUNICIPALITY OF SWAKOPMUND**
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024 (CONTINUED)**

**Royalties Received:**
The **prior year amounts** for Royalties Received and Receivables from Exchange Transactions have been restated to correctly disclose the revenue for Royalties Received, previously incorrectly accrued for.

**Other Income:**
The **prior year amounts** for Other Income and Accumulated Surplus, Appropriations, have been restated to correctly disclose the revenue for Home Insurance Recovered from Loan Debtors, previously mis-allocated to Accumulated Surplus, Appropriations.

Furthermore, the **prior year amounts** for Other Income and Accumulated Surplus, Appropriations have been restated to correctly disclose the revenue for other income in terms of IPSAS 1, previously directly appropriated to Surplus Account.

| | **Bungalows** | **Nursery** | **Local Authority Surcharges** | **Swakopmund Aerodrome** |
|---|---|---|---|---|
| | N$ | N$ | N$ | N$ |
| **Balance previously reported** | **11 705 937** | **630 700** | **17 931 051** | **2 904 851** |
| *Reclassification of Accounts:-* | | | | |
| Account 55-00-2-20-695-00, LA Surcharge | - | - | (17 931 051) | - |
| Unidentified Accounts | (11 705 937) | (630 700) | - | (2 904 851) |
| **Restated Balance now reported** | - | - | - | - |

### 46.2 Reclassification of Expenditure

Prior year amounts of items in **Expenditure** included in the Statement of Financial Performance have been restated as indicated below:

Reclassification of accounts have been made to adhere to the requirements of disclosures in terms of IPSAS 1. These reclassifications are listed under the heading "Reclassification of Accounts" and no further explanations for these are deemed necessary.

## MUNICIPALITY OF SWAKOPMUND
## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024 (CONTINUED)

| | Amortisation & Depreciation | Bulk Purchases | Remuneration Councillors | Contracted Services |
|---|---|---|---|---|
| | N$ | N$ | N$ | N$ |
| **Balance previously reported** | **10 572 569** | **87 926 430** | **2 813 930** | **26 598 534** |
| *Reclassification of Accounts:-* | | | | |
| Unidentified Accounts | - | - | - | 37 820 556 |
| | | | - | |
| *Correction of Errors:-* | | | | |
| Adjustment for Inventory Consumed | - | - | - | (5 127 176) |
| Adjustment for Operating Expenditure allocated to Funds | - | - | - | 34 639 |
| **Restated Balance now reported** | **10 572 569** | **87 926 430** | **2 813 930** | **59 326 554** |

**Contracted Services:**

The **prior year amounts** for Contracted Services and Repairs & Maintenance have been restated to correctly classify maintenance expenses in terms of IPSAS 1.112 according to "nature of expense method", repairs and maintenance expense being a "function of expense method" in terms of IPSAS 1.113.

Furthermore, the **prior year amounts** for Contracted Services and Inventory Consumed have been restated to correctly disclose the expenditure for maintenance services, inventories utilised included in the contracted accounts.

Furthermore, the **prior year amounts** for Contracted Services and Accumulated Surplus Appropriations have been restated to correctly disclose the expenditure on Housing Funds in terms of IPSAS 1, previously incorrectly allocated directly to Fund Accounts.

**MUNICIPALITY OF SWAKOPMUND**
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024 (CONTINUED)**

| | Employee Costs | Finance Costs | Grants & Subsidies Paid | Hiring, Lease & Rental Charges |
|---|---|---|---|---|
| | N$ | N$ | N$ | N$ |
| **Balance previously reported** | **233 138 687** | **268 150** | - | - |
| *Reclassification of Accounts:-* | | | | |
| Unidentified Accounts | (2 867 306) | - | - | - |
| Various Accounts from Range XX-XX-1-55-XX-00 | | - | 748 266 | 12 493 665 |
| Various Accounts from Range XX-XX-1-60-XX-00 | | - | 1 036 568 | - |
| Various Accounts from Range XX-XX-1-65-XX-00 | | - | 1 031 260 | - |
| Account 20-05-1-55-780-00, Payments: Funds and Grants | | - | 21 712 144 | - |
| *Change in Accounting Policy:-* | | | | |
| Change in Accounting Policy as per Note 45.5 above | - | - | - | (10 604) |
| *Correction of Errors:-* | | | | |
| Adjustment for Expense appropriated to Surplus Account | 31 800 000 | - | - | - |
| Adjustment for Employee Benefits - Staff Bonuses | (604 691) | - | - | - |
| Adjustment for Employee Benefits - Staff Leave | (150 786) | - | - | - |
| **Restated Balance now reported** | **261 315 905** | **268 150** | **24 528 238** | **12 483 061** |

**Employee Related Costs:**
The **prior year amounts** for Employee Related Costs and Accumulated Surplus, Appropriations have been restated to correctly disclose the expenditure for Benefit Contributions in terms of IPSAS 1, previously directly appropriated to Surplus Account.

Furthermore, the **prior year amounts** for Employee Related Costs and Employee Benefit Liabilities have been restated to correctly disclose the expenditure for staff bonuses, the accrual at year-end previously incorrectly calculated in terms of 2023 Audit Finding.

Furthermore, the **prior year amounts** for Employee Related Costs and Employee Benefit Liabilities have been restated to correctly disclose the expenditure for staff leave, the accrual at year-end previously incorrectly calculated in terms of 2023 Audit Finding.

| | **Inventory Consumed** | **General Expenses** | **Debt Impairment** |
|---|---|---|---|
| | N$ | N$ | N$ |
| **Balance previously reported** | **-** | **80 550 296** | **2 000 000** |
| *Reclassification of Accounts:-* | | | |
| Various Accounts from Range XX-XX-1-55-XX-00 | 7 871 508 | - | - |
| Account 20-00-1-55-015-00, Rates to Regional Council | - | 8 235 877 | - |
| Account 20-05-1-55-795-00, Inventory Adjustments | - | 537 496 | - |
| Unidentified Accounts | - | (44 983 829) | - |
| *Change in Accounting Policy:-* | | | |
| Change in Accounting Policy as per Note 45.16 above | - | - | 15 450 170 |
| *Correction of Errors:-* | | | |
| Adjustment for Inventory Consumed | 5 127 176 | - | |
| Adjustment for Oil Inventory expensed | 70 765 | - | |
| Adjustment for Operating Expenditure allocated to Funds | - | 18 679 | - |
| Adjustment for Expense appropriated to Surplus Account | - | 461 325 | - |
| **Restated Balance now reported** | **13 069 448** | **44 819 844** | **17 450 170** |

## MUNICIPALITY OF SWAKOPMUND
## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024 (CONTINUED)

**Inventory Consumed:**
The **prior year amounts** for Inventory Consumed and Repairs & Maintenance have been restated to correctly classify maintenance expenses in terms of IPSAS 1.112 according to "nature of expense method", repairs and maintenance expense being a "function of expense method" in terms of IPSAS 1.113.

Furthermore, the **prior year amounts** for Inventory Consumed and Contracted Services have been restated to correctly disclose the expenditure for maintenance services, inventories utilised included in the contracted accounts.

Furthermore, the **prior year amounts** for Inventory Consumed and Inventory have been restated to correctly disclose the expenditure for oil consumed, inventory for oil consumed not recorded.

**General Expenses:**
The **prior year amounts** for General Expenses and Accumulated Surplus, Appropriations have been restated to correctly disclose the expenditure on Housing Funds in terms of IPSAS 1, previously incorrectly allocated directly to Fund Accounts.

Furthermore, the **prior year amounts** for General Expenses and Accumulated Surplus, Appropriations have been restated to correctly disclose the expenditure for General Expenditure in terms of IPSAS 1, previously directly appropriated to Surplus Account.

| | **Inventory Adjustment** | **Departmental Charges** | **Repairs & Maintenance** | **5% Payment Regional Council** |
|---|---|---|---|---|
| | N$ | N$ | N$ | N$ |
| **Balance previously reported** | **537 496** | **4 194 915** | **38 107 379** | **8 235 877** |
| *Reclassification of Accounts:-* | | | | |
| Account 20-05-1-55-795-00, Inventory Adjustments | (537 496) | - | - | - |
| Account 20-00-1-55-015-00, Rates to Regional Council | - | - | - | (8 235 877) |
| Unidentified Accounts | - | (4 194 915) | (38 107 379) | - |
| **Restated Balance now reported** | - | - | - | - |

### 46.3 Reclassification of Statement of Financial Position

Opening balances and prior year amounts of items in the Statement of Financial Position have been restated as indicated below:

Reclassification of accounts have been made to adhere to the requirements of disclosures in terms of IPSAS 1. These reclassifications are listed under the heading "Reclassification of Accounts" and no further explanations for these are deemed necessary.

| | Inventories | Receivables: Exchange | Receivables: Non-exchange |
|---|---|---|---|
| | N$ | N$ | N$ |
| **Balances previously published per AFS as at 30 June 2022** | **6 841 966** | **107 104 172** | **-** |
| *Reclassification of Accounts:-* | | | |
| Account 94-10-5-05-000-00, BTF: Advances Made | - | 17 897 817 | - |
| Account 95-10-5-05-000-00, MHF: Advances Made | - | 3 260 474 | - |
| Account 96-00-5-21-000-00, Assessment Rates | - | (54 384 030) | 54 384 030 |
| Account 96-00-5-15-000-00, Insurance Claims | - | - | (17 250) |
| Account 96-00-5-64-164-00, Study Aid Advances | - | - | 265 653 |
| Account 96-00-7-43-011-00, Recoverable Works | | 1 733 051 | - |
| Unidentified Accounts | - | 11 756 238 | - |
| *Change in Accounting Policy:-* | | | |
| Change in Accounting Policy as per Note 45.4 above | 97 443 | - | - |
| Change in Accounting Policy as per Note 45.16 above | - | 8 585 792 | - |
| Change in Accounting Policy as per Note 45.16 above | - | (62 544 636) | (41 293 660) |
| *Correction of Errors:-* | | | |
| Adjustment for Oil Inventory | (410 024) | - | - |
| Adjustment for Royalties Received | - | 1 349 861 | - |
| Adjustment for Accrual of Medical Expenses | - | (1 916 185) | - |
| **Balances now published per AFS as at 30 June 2022** | **6 529 385** | **32 842 554** | **13 338 773** |

**ANNEXURE F**

**MUNICIPALITY OF SWAKOPMUND**
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024 (CONTINUED)**

| | Inventories | Receivables: Exchange | Receivables: Non-exchange |
|---|---|---|---|
| Transactions incurred for the Year 2022/23 | N$ | N$ | N$ |
| *Reclassification of Accounts:-* | | | |
| Account 94-10-5-05-000-00, BTF: Advances Made | - | 6 555 140 | - |
| Account 95-10-5-05-000-00, MHF: Advances Made | - | - | - |
| Account 96-00-5-21-000-00, Assessment Rates | - | (6 509 431) | 6 509 431 |
| Account 96-00-5-15-000-00, Insurance Claims | - | - | 17 250 |
| Account 96-00-5-64-164-00, Study Aid Advances | - | - | (158 475) |
| Account 96-00-7-43-011-00, Recoverable Works | | 918 585 | - |
| Unidentified Accounts | - | 1 107 130 | - |
| *Change in Accounting Policy:-* | | | |
| Change in Accounting Policy as per Note 45.16 above | - | (1 712 576) | - |
| Change in Accounting Policy as per Note 45.16 above | - | (10 176 941) | (5 273 229) |
| *Correction of Errors:-* | | | |
| Adjustment for Oil Inventory | (70 765) | - | - |
| Adjustment for Royalties Received | - | (1 349 861) | - |
| **Balances now published per AFS as at 30 June 2023** | **8 739 959** | **32 492 016** | **14 433 750** |

**Inventories:**
The **opening balances** for Inventories and Accumulated Surplus have been restated to correctly disclose the inventories for oil, oil consumed not previously recognised.

The **prior year amounts** for Inventories and Inventory Consumed have been restated to correctly disclose the inventories for oil, oil consumed not previously recognised.

**Receivables from Exchange Transactions:**
The **opening balances** of Receivables from Exchange Transactions and Accumulated Surplus have been restated to correctly disclose the value of Receivables, Royalties previously incorrectly accrued for in the wrong financial year.

Furthermore, the **opening balances** of Receivables from Exchange Transactions and Accumulated Surplus have been restated to correctly disclose the value of Receivables, medical expenses previously accumulated instead of expensed.

ANNEXURE F

**MUNICIPALITY OF SWAKOPMUND**
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024 (CONTINUED)**

The **prior year amounts** of Receivables from Exchange Transactions and Royalties Received have been restated to correctly disclose the value of Receivables, Royalties previously incorrectly accrued for in the wrong financial year.

| | VAT Receivable | Cash & Cash Equivalents | Current Investments |
|---|---|---|---|
| | N$ | N$ | N$ |
| **Balances previously published per AFS as at 30 June 2022** | **21 270 708** | **40 220 201** | **230 495 858** |
| *Reclassification of Accounts:-* | | | |
| Call Investment Accounts | - | 230 495 858 | (230 495 858) |
| Unidentified Accounts | (2 793 526) | - | - |
| *Correction of Errors:-* | | | |
| Adjustment for Write-off of Disallowed VAT Claims | (2 885 839) | - | - |
| **Balances now published per AFS as at 30 June 2022** | **15 591 342** | **270 716 058** | **-** |
| Transactions incurred for the Year 2022/23 | 16 697 133 | 27 550 340 | (118 526 781) |
| *Reclassification of Accounts:-* | | | |
| Call Investment Accounts | - | (118 526 781) | 118 526 781 |
| Unidentified Accounts | 58 007 | (1 000) | - |
| **Balances now published per AFS as at 30 June 2023** | **32 346 482** | **179 738 618** | **-** |

**VAT Receivable:**
The **opening balances** of VAT Receivable and Accumulated Surplus have been restated to correctly disclose the amount for VAT Receivable, claims prior to 30/06/2022 not allowed by NAMRA.

**MUNICIPALITY OF SWAKOPMUND**
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024 (CONTINUED)**

| | Operating Lease Receivables | Property, Plant & Equipment | Intangible Assets |
|---|---|---|---|
| | N$ | N$ | N$ |
| **Balances previously published per AFS** | **-** | **1 205 997 707** | **-** |
| *Reclassification of Accounts:-* | | | |
| Account 96-00-6-19-XXX-00, | - | -565 933 | 565 933 |
| Account 96-00-6-36-XXX-00, | - | (62 859 739) | - |
| *Change in Accounting Policy:-* | | | |
| Change in Accounting Policy as per Note | 2 427 231 | - | - |
| *Correction of Errors:-* | | | |
| Reclassification of Assets at Cost | - | (2 081 990) | (571 688) |
| Reclassification of Assets at | | (3 264 349) | 154 255 |
| **Balances now published per AFS as at** | **2 427 231** | **1 137 225 696** | **148 500** |
| Transactions incurred for the Year | - | 49 199 279 | - |
| *Reclassification of Accounts:-* | | | |
| Account 96-00-6-19-XXX-00, | - | 91 977 | (91 977) |
| Account 96-00-6-36-XXX-00, | - | (2 980 388) | |
| *Change in Accounting Policy:-* | | | |
| Change in Accounting Policy as per Note | 173 408 | - | - |
| *Correction of Errors:-* | | | |
| Reclassification of Acquisitions | - | 1 196 769 | - |
| Reclassification of Depreciation | | (62 277) | 62 277 |
| **Balances now published per AFS as at 30 June 2023** | **2 600 639** | **1 184 671 057** | **118 800** |

**Property, Plant and Equipment:**

The opening balances of Property, Plant & Equipment, Intangible Assets and Investment Property have been restated to correctly disclose Capital Assets held in their correct asset classes, restated as per Asset Register compiled for the Year 2023/24.

The prior year amounts for Property, Plant & Equipment, Intangible Assets and Investment Property have been restated to correctly disclose the transactions for Capital Assets in their correct asset classes, restated as per Asset Register compiled for the Year 2023/24.

**ANNEXURE F**

**MUNICIPALITY OF SWAKOPMUND**
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024 (CONTINUED)**

**Intangible Assets:**

The opening balances of Intangible Assets, Property, Plant & Equipment and Investment Property have been restated to correctly disclose Capital Assets held in their correct asset classes, restated as per Asset Register compiled for the Year 2023/24.

The prior year amounts for Intangible Assets, Property, Plant & Equipment and Investment Property have been restated to correctly disclose the transactions for Capital Assets in their correct asset classes, restated as per Asset Register compiled for the Year 2023/24.

| | **Investment Property** | **Non-current Investments** | **Non-current Finance Leases** | **Long-term Receivables** |
|---|---|---|---|---|
| | N$ | N$ | N$ | N$ |
| **Balances previously published per AFS as at 30 June 2022** | **-** | **135 517 796** | **-** | **23 353 228** |
| *Reclassification of Accounts:-* | | | | |
| Account 96-00-6-36-XXX-00, Investment Property | 62 859 739 | - | - | - |
| Account Range for prior Long-term Receivables | - | - | 23 353 228 | (23 353 228) |
| *Correction of Errors:-* | | | | |
| Reclassification of Assets at Cost | 2 653 678 | - | - | - |
| Reclassification of Assets at Accumulated Depreciation | 3 110 094 | | - | - |
| Adjustment for Erongo RED Shares Value | - | (131 956 546) | - | - |
| **Balances now published per AFS as at 30 June 2022** | **68 623 511** | **3 561 250** | **23 353 228** | **-** |

| | Investment Property | Non-current Investments | Non-current Finance Leases | Long-term Receivables |
|---|---|---|---|---|
| | N$ | N$ | N$ | N$ |
| Transactions incurred for the Year 2022/23 | | | | |
| *Reclassification of Accounts:-* | | | | |
| Account 96-00-6-36-XXX-00, Investment Property | 2 980 388 | - | - | - |
| Account Range for prior Long-term Receivables | - | - | 5 338 294 | (5 338 294) |
| *Correction of Errors:-* | | | | |
| Reclassification of Acquisitions | (1 196 769) | - | - | - |
| **Balances now published per AFS as at 30 June 2023** | **70 407 130** | **3 561 250** | **28 691 523** | **-** |

**Investment Property:**
The opening balances of Investment Property, Property, Plant & Equipment and Intangible Assets have been restated to correctly disclose Capital Assets held in their correct asset classes, restated as per Asset Register compiled for the Year 2023/24.

The prior year amounts for Investment Property, Property, Plant & Equipment and Intangible Assets have been restated to correctly disclose the transactions for Capital Assets in their correct asset classes, restated as per Asset Register compiled for the Year 2023/24.
Non-current Investments:
The opening balances of Non-current Investments and Accumulated Surplus have been restated to correctly disclose the balance for Erongo RED Shares held, previously incorrectly valued at carrying value of assets transferred to the RED.

| | Consumer Deposits | Payables: Exchange |
|---|---|---|
| | N$ | N$ |
| **Balances previously published per AFS as at 30 June 2022** | **(10 123 207)** | **(29 514 088)** |
| *Reclassification of Accounts:-* | | |
| Account 96-00-7-02-010-00, Reservation Deposits | 325 439 | - |
| Account 96-00-7-02-020-00, Sundry Deposits | 302 823 | - |
| Account 96-00-7-02-030-00, Unappropriated Deposits | 3 249 177 | - |
| Account 96-00-7-32-031-00, Land Sale Deposits | - | 1 539 368 |
| Account 96-00-7-38-201-00, Default Cash Suspense | - | 5 759 |
| Account 96-00-7-43-011-00, Recoverable Works | - | (1 733 051) |
| Unidentified Accounts | - | (9 211 114) |
| *Change in Accounting Policy:-* | | |
| Change in Accounting Policy as per Note 45.1 above | - | (427 338) |
| *Correction of Errors:-* | | |
| Adjustment for Audit Fees Accrual | - | 754 244 |
| **Balances now published per AFS as at 30 June 2022** | **6 245 768** | **(38 586 220)** |
| Transactions incurred for the Year 2022/23 | (4 650 881) | (321 314) |
| *Reclassification of Accounts:-* | | |
| Account 96-00-7-02-010-00, Reservation Deposits | 18 310 | - |
| Account 96-00-7-02-020-00, Sundry Deposits | 47 614 | - |
| Account 96-00-7-02-030-00, Unappropriated Deposits | 4 214 261 | - |
| Account 96-00-7-43-011-00, Recoverable Works | - | (918 585) |
| Unidentified Accounts | - | (768 467) |
| *Change in Accounting Policy:-* | | |
| Change in Accounting Policy as per Note 45.1 above | - | (74 842) |
| **Balances now published per AFS as at 30 June 2023** | **(6 616 465)** | **(40 669 428)** |

**Payables from Exchange Transactions:**
The **opening balances** for Payables from Exchange Transactions and Accumulated Surplus have been restated to correctly disclose the liability for Exchange Payables, audit fees previously incorrectly accrued for.

**MUNICIPALITY OF SWAKOPMUND**
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024 (CONTINUED)**

| | Payables: Non-exchange | Operating Lease Payables |
|---|---|---|
| | N$ | N$ |
| *Change in Accounting Policy:-* | | |
| Change in Accounting Policy as per Note 45.5 above" | - | (39 815) |
| **Balances now published per AFS as at 30 June 2022** | **(5 422 567)** | **(39 815)** |
| Transactions incurred for the Year2022/23 | - | - |
| *Reclassification of Accounts:-* | | |
| Account 96-00-7-02-010-00, Reservation Deposits | (18 310) | - |
| Account 96-00-7-02-020-00, Sundry Deposits | (47 614) | - |
| Account 96-00-7-02-030-00, Unappropriated Deposits | (4 214 261) | - |
| Account 96-00-7-32-031-00, Land Sale Deposits | (260 204) | - |
| Account 96-00-7-38-201-00, Default Cash Suspense | 5 759 | - |
| *Change in Accounting Policy:-* | | |
| Change in Accounting Policy as per Note 45.5 above" | - | 10 604 |
| **Balances now published per AFS as at 30 June 2023** | **(9 957 195)** | **(29 211)** |

| | Current Borrowings | Current Employee Benefits |
|---|---|---|
| | N$ | N$ |
| **Balances previously published per AFS as at 30 June 2022** | - | **(37 178 593)** |
| *Reclassification of Accounts:-* | | |
| Account 96-00-7-95-040-00, Early Retirement Pension Fund | - | 5 840 855 |
| Account 96-00-7-95-030-00, Severance Pay Liability | - | 4 846 197 |
| *Correction of Errors:-* | | |
| Adjustment for Short-term Portion of Borrowings | (411 864) | - |
| **Balances now published per AFS as at 30 June 2022** | **(411 864)** | **(26 491 541)** |
| Transactions incurred for the Year 2022/23 | - | (18 297 313) |
| *Reclassification of Accounts:-* | | |
| Account 96-00-7-95-040-00, Early Retirement Pension Fund | - | 2 353 222 |
| Account 96-00-7-95-030-00, Severance Pay Liability | - | 21 810 816 |
| *Correction of Errors:-* | | |
| Adjustment for Short-term Portion of Borrowings | (50 907) | - |
| Adjustment for Employee Benefits - Staff Bonuses | - | 604 691 |
| Adjustment for Employee Benefits - Staff Leave | - | 150 786 |
| **Balances now published per AFS as at 30 June 2023** | **(462 770)** | **(19 869 340)** |

**Current Borrowings:**
The **opening balances** of Current Borrowings and Non-current Borrowings have been restated to correctly disclose the balances for Current Borrowings in terms of IPSAS 1, the short-term portion previously not accounted for.

The **prior year amounts** of Current Borrowings and Non-current Borrowings have been restated to correctly disclose the balances for Current Borrowings in terms of IPSAS 1, the short-term portion previously not accounted for.

**Current Portion of Retirement Benefit Liabilities:**
The **prior year amounts** for Employee Benefit Liabilities and Employee Related Costs have been restated to correctly disclose the accrual for staff bonuses, the year-end accrual previously incorrectly calculated in terms of 2023 Audit Finding.

Furthermore, the **prior year amounts** for Employee Benefit Liabilities and Employee Related Costs have been restated to correctly disclose the accrual for staff leave, the year-end accrual previously incorrectly calculated in terms of 2023 Audit Finding.

| | **Non-current Borrowings** |
|---|---|
| | N$ |
| **Balances previously published per AFS as at 30 June 2022** | **(2 334 552)** |
| *Correction of Errors:-* | |
| Adjustment for Short-term Portion of Borrowings | 411 864 |
| **Balances now published per AFS as at 30 June 2022** | **(1 922 688)** |
| Transactions incurred for the Year 2022/23 | 411 864 |
| *Correction of Errors:-* | |
| Adjustment for Short-term Portion of Borrowings | 50 907 |
| **Balances now published per AFS as at 30 June 2023** | **(1 459 918)** |

**Non-current Borrowings:**
The **opening balances** of Non-current Borrowings and Current Borrowings have been restated to correctly disclose the balances for Non-current Borrowings in terms of IPSAS 1, the short-term portion previously not accounted for.

The **prior year amounts** of Non-current Borrowings and Current Borrowings have been restated to correctly disclose the balances for Non-current Borrowings in terms of IPSAS 1, the short-term portion previously not accounted for.

**MUNICIPALITY OF SWAKOPMUND**
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024 (CONTINUED)**

| | Non-current Employee Benefits | Statutory Funds |
|---|---|---|
| | N$ | N$ |
| **Balances previously published per AFS as at 30 June 2022** | **-** | **(117 489 812)** |
| *Reclassification of Accounts:-* | | |
| Account 96-00-7-95-040-00, Early Retirement Pension Fund | (5 840 855) | - |
| Account 96-00-7-95-030-00, Severance Pay Liability | (4 846 197) | - |
| Account 94-10-5-05-000-00, BTF: Advances Made | - | (17 897 817) |
| Account 95-10-5-05-000-00, MHF: Advances Made | - | (3 260 474) |
| *Change in Accounting Policy:-* | | |
| Change in Accounting Policy as per Note 45.16 above | - | 3 014 681 |
| **Balances now published per AFS as at 30 June 2022** | **(10 687 053)** | **(135 633 423)** |
| Transactions incurred for the Year 2022/23 | - | (6 619 965) |
| *Reclassification of Accounts:-* | | |
| Account 96-00-7-95-040-00, Early Retirement Pension Fund | (2 353 222) | - |
| Account 96-00-7-95-030-00, Severance Pay Liability | (21 810 816) | - |
| Account 94-10-5-05-000-00, BTF: Advances Made | - | (6 555 140) |
| Account 95-10-5-05-000-00, MHF: Advances Made | - | - |
| *Change in Accounting Policy:-* | | |
| Change in Accounting Policy as per Note 45.16 above | - | 351 025 |
| **Balances now published per AFS as at 30 June 2023** | **(34 851 091)** | **(148 457 503)** |

**MUNICIPALITY OF SWAKOPMUND**
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024 (CONTINUED)**

| | | 2024 | 2023 |
|---|---|---|---|
| | | N$ | N$ |
| **47. CASH GENERATED BY OPERATIONS** | | | |
| Surplus / (Deficit) for the Year | | (65 016 318) | (46 576 499) |
| | | | |
| Adjustment for Non-cash Transactions included in Surplus / (Deficit): | | | |
| Employee Related Costs | Note 36.1 | 5 248 438 | 35 754 524 |
| Depreciation and Amortisation | | 96 454 321 | 10 572 569 |
| Impairment Losses on Financial Assets | Note 43.3 | 15 962 056 | 17 450 170 |
| | | | |
| Adjustment for Cash Transactions not included | | | |
| Exchange Receivables: Bad Debts Written- | Note 3.3 | (6 562 372) | (77 332) |
| Non-exchange Receivables: Bad Debts | Note 4.3 | (3 516 354) | (4 870) |
| Expenditure incurred from Current | Note 18.1 | (1 841 579) | (16 616 725) |
| Expenditure incurred from Non-current | Note 18.2 | (2 933 779) | (1 595 962) |
| Expenditure incurred from Statutory Funds | Note 19.1 | (3 251 014) | (701 250) |
| | | | |
| Adjustment for Transactions included in Surplus / (Deficit) directly recognised in Cash Flow: | | | |
| Profit on Sale of Land | Note 32.2 | (74 949 119) | (49 179 191) |
| Gains on Disposal of Fixed Assets | Note 43.2 | (711 399) | - |
| **Operating surplus before working capital changes** | | **(41 117 120)** | **(50 974 566)** |
| | | | |
| Decrease/(Increase) in Inventories | | (465 304) | (2 210 574) |
| Decrease/(Increase) in Receivables from Exchange Transactions | | (1 091 511) | (11 249 071) |
| Decrease/(Increase) in Receivables from Non-exchange Transactions | | (2 214 573) | (6 863 336) |
| Decrease/(Increase) in VAT Receivable | | (16 900 246) | (16 755 140) |
| Decrease/(Increase) in Operating Lease Assets | | (32 053) | (173 408) |
| Increase/(Decrease) in Consumer Deposits | | 357 555 | 370 697 |
| Increase/(Decrease) in Payables from Exchange Transactions | | 1 363 547 | 2 083 208 |
| Increase/(Decrease) in Payables from Non-exchange Transactions | | 997 280 | 4 534 629 |
| Increase/(Decrease) in Operating Lease Liabilities | | (29 211) | (10 604) |
| **Cash generated by / (utilised in) Operations** | | **(59 131 637)** | **(81 248 165)** |

## 48. FINANCING FACILITIES

| | 2024 | 2023 |
|---|---|---|
| | N$ | N$ |
| Secured Credit Card Facility, reviewed annually and payable monthly: | | |
| *Namibia Fleet Control - FNB Account nr. 8812 5000 0036 8001* | | |
| - Amount used | 3 036 | 2 629 |
| - Amount unused | 6 964 | 7 371 |
| | **10 000** | **10 000** |
| Secured Credit Card Facility, reviewed annually and payable monthly: | | |
| *Commercial Credit Card - FNB Account nr. 4808 5500 3120 3003* | | |
| - Amount used | 3 001 | - |
| - Amount unused | 6 999 | 10 000 |
| | **10 000** | **10 000** |

## 49. COMMITMENTS FOR EXPENDITURE

### *49.1 Capital Commitments*

| | 2024 | 2023 |
|---|---|---|
| | N$ | N$ |
| Commitments in respect of Capital Expenditure: | | |
| **- Approved and Contracted for:-** | **28 172 980** | **42 244 859** |
| *Land and Buildings* | 1 720 528 | 2 298 208 |
| *Infrastructure* | 20 332 908 | 33 104 146 |
| *Community* | 6 119 545 | 6 842 505 |
| *Other* | - | - |
| *Intangible Assets* | - | - |
| **- Approved but Not Yet Contracted for:-** | **72 637 000** | **181 446 000** |
| *Land and Buildings* | 21 476 000 | 9 424 000 |
| *Infrastructure* | 35 217 000 | 130 085 000 |
| *Community* | 6 000 000 | 23 530 000 |
| *Other* | 9 594 000 | 16 160 000 |
| *Intangible Assets* | 350 000 | 2 247 000 |
| **Total Capital Commitments** | **100 809 980** | **223 690 859** |
| This expenditure will be financed from: | | |
| Own Resources | 100 809 980 | 223 690 859 |
| | **100 809 980** | **223 690 859** |

### 49.2 Lease Commitments

Finance Lease Liabilities are disclosed in Note 19.

### 49.3 Other Commitments

The Municipality has entered into a contract on 22 October 2019 with Frontier Multi Industries CC for "Landfill Management Services" for a period of 60 months, which will give rise to a total charge of N$14 939 831 (excluding VAT). The contract terminates on 31 December 2024.

The Municipality has entered into a contract on 8 November 2023 with AK and FF Investment CC for "Maintenance of Public Parks - Independence Play Park" for a period of 10 months, which will give rise to a monthly charge of N$3 045 (excluding VAT). The contract terminates on 31 August 2024.

The Municipality has entered into a contract on 8 November 2023 with Super Hope Trading CC for "Maintenance of Public Parks - Vineta Park" for a period of 10 months, which will give rise to a monthly charge of N$2 470 (excluding VAT). The contract terminates on 31 August 2024.

The Municipality has entered into a contract on 3 October 2023 with Tumbee Investments CC for "Maintenance of Public Parks - Tamariskia Park" for a period of 11 months, which will give rise to a monthly charge of N$3 099 (excluding VAT). The contract terminates on 31 August 2024.

The Municipality has entered into a contract on 3 October 2023 with Bensarie Investment CC for "Maintenance of Public Parks - Northern Beach" for a period of 11 months, which will give rise to a monthly charge of N$3 500 (excluding VAT). The contract terminates on 31 August 2024.

The Municipality has entered into a contract on 3 October 2023 with Good Dream Investment CC for "Maintenance of Public Parks - Fitness Public Park" for a period of 11 months, which will give rise to a monthly charge of N$7 220 (excluding VAT). The contract terminates on 31 August 2024.

The Municipality has entered into a contract on 4 October 2023 with Hanpa Trading CC for "Maintenance of Public Parks-Strand Street Gardens" for a period of 11 months, which will give rise to a monthly charge of N$7 675 (excluding VAT). The contract terminates on 31 August 2024.

The Municipality has entered into a contract on 4 October 2023 with Joska Builders for "Maintenance of Public Parks - Ocean View Parks" for a period of 11 months, which will give rise to a monthly charge of N$4 200 (excluding VAT). The contract terminates on 31 August 2024.

The Municipality has entered into a contract on 3 October 2023 with Kannacky Investment CC for "Maintenance of Public Parks - Kramesdorp Parks an Circle" for a period of 11 months, which will give rise to a monthly charge of N$4 100.00 (excluding VAT). The contract terminates on 31 August 2024.

The Municipality has entered into a contract on 4 October 2023 with N Susan Investment CC for "Maintenance of Public Parks - Hendrickson & Jetty " for a period of 11 months, which will give rise to a monthly charge of N$4 700 (excluding VAT). The contract terminates on 31 August 2024.

The Municipality has entered into a contract on 4 October 2023 with Makulila Investment CC for "Maintenance of Public Parks - Matutura Parks & DRC Soccer Field" for a period of 11 months, which will give rise to a monthly charge of N$5 000 (excluding VAT). The contract terminates on 31 August 2024.

The Municipality has entered into a contract on 4 October 2023 with Mutwezu Investment CC for "Maintenance of Public Parks - Museum & Mole Garden" for a period of 11 months, which will give rise to a monthly charge of N$4 100 (excluding VAT). The contract terminates on 31 August 2024.

The Municipality has entered into a contract on 3 October 2023 with Mawady Cleaning services CC for "Maintenance of Public Parks - Jukskei Park" for a period of 11 months, which will give rise to a monthly charge of N$3 600 (excluding VAT). The contract terminates on 31 August 2024.

The Municipality has entered into a contract on 3 October 2023 with Ndapy Cleaning Services CC for "Maintenance of Public Parks - Municipal Head Office" for a period of 11 months, which will give rise to a monthly charge of N$7 300 (excluding VAT). The contract terminates on 31 August 2024.

The Municipality has entered into a contract on 3 October 2023 with Omundudu Trading CC for "Maintenance of Public Parks - Hanganeni Park" for a period of 11 months, which will give rise to a monthly charge of N$4 100 (excluding VAT). The contract terminates on 31 August 2024.

The Municipality has entered into a contract on 3 October 2023 with PNH Trading Enterprises for "Maintenance of Public Parks - Mondesa Park & Multipurpose Centre" for a period of 11 months, which will give rise to a monthly charge of N$3 800 (excluding VAT). The contract terminates on 31 August 2024.

The Municipality has entered into a contract on 3 October 2023 with Twatuka Investment CC for "Maintenance of Public Parks - Andre More Park" for a period of 11 months, which will give rise to a monthly charge of N$5 000 (excluding VAT). The contract terminates on 31 August 2024.

The Municipality has entered into a contract on 3 October 2023 with Romeo Mike Investment CC for "External and Internal Cleaning of Windows of Municipal Buildings" for a period of 24 months, which will give rise to a monthly charge of N$48 000 (excluding VAT). The contract terminates on 30 September 2025

The Municipality has entered into a contract on 26 September 2023 with N Susan Investment CC for "Maintenance of Mondesa Cemetery" for a period of 12 months, which will give rise to a monthly charge of N$15 295 (excluding VAT). The contract terminates on 30 September 2024.

The Municipality has entered into a contract on 26 September 2023 with Hanpa Trading CC for "Manure Milling" for a period of 12 months, which will give rise to a monthly charge of N$9 895 (excluding VAT). The contract terminates on 30 September 2024.

The Municipality has entered into a contract on 26 September 2023 with Marco Trading CC for "Cleaning Services at Business Trading Facilities and Open Markets, Arts and Crafts Markets - Lot 3: Cleaning of Market at Erf 118 and Kavita Park Arts and Craft Market" for a period of 12 months, which will give rise to a monthly charge of N$3 800 (excluding VAT). The contract terminates on 30 September 2024.

The Municipality has entered into a contract on 26 September 2023 with N Susan Investment CC for "Cleaning Services at Business Trading Facilities and Open Markets, Arts and Craft Markets - Lot 2: Cleaning Informal Trading Area on Erf 4354, Mondesa" for a period of 6 months, which will give rise to a monthly charge of N$3 200 (excluding VAT). The contract terminates on 30 September 2024.

The Municipality has entered into a contract on 26 September 2023 with Twaifanwa Trading CC for "Cleaning Services at Business Trading Facilities and Open Markets, Arts and Crafts - Lot 1: Cleaning of the SME Park (Erf4352) and Informal Markets (1832 & 3215), Mondesa" for a period of 12 months, which will give rise to a monthly charge of N$4 820 (excluding VAT). The contract terminates on 30 September 2024.

The Municipality has entered into a contract on 22 November 2023 with Super-Hope Trading CC for "Rendering of Cleaning Services at the Multipurpose Centre" for a period of 9 months, which will give rise to a monthly charge of N$10 400 (excluding VAT). The contract terminates on 31 August 2024.

The Municipality has entered into a contract on 1 March 2024 with Triple One Investment CC for "Security Services at Lot 2: Zone 2" for a period of 24 months, which will give rise to a total charge of N$3 437 838 (VAT inclusive). The contract terminates on 28 February 2026.

The Municipality has entered into a contract on 1 March 2024 with PIS Security Services CC for "Security Services at Lot 4: Zone 4" for a period of 24 months, which will give rise to a total charge of N$3 490 848 (VAT inclusive). The contract terminates on 28 February 2026.

The Municipality has entered into a contract on 1 March 2024 with OMLE Security Services for "Security Services at Lot1: Zone1" for a period of 24 months, which will give rise to a total charge of N$3 332 599 (VAT inclusive). The contract terminates on 28 February 2026.

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024 (CONTINUED)**

The Municipality has entered into a contract on 1 March 2024 with Nelito Investment CC for "Security Services at Lot 3: Zone 3" for a period of 24 months, which will give rise to a total charge of N$3 142 656 (VAT inclusive). The contract terminates on 28 February 2026.

The Municipality has entered into a contract on 15 December 2023 with Ducharme Namibia Financial Management (Pty) Ltd for "Consultancy Services for the Implementation of International Public Sector Accounting Standards (IPSAS)" for a three year period, which will give rise to a total charge of N$10 111 916 (VAT inclusive). The contract terminates on 31 October 2026.

The Municipality has entered into a contract on 23 October 2023 with Golden Footsteps Investments CC for "Placement, Maintenance and Servicing of 54 Mobile toilets - LOT 3: Airport and Seaside Areas" for a period of 12 months, which will give rise to a monthly charge of N$55 827 (VAT inclusive). The contract terminates on 31 October 2024.

The Municipality has entered into a contract on 23 October 2023 with Golden Footsteps Investments CC for "Placement, Maintenance and Servicing of 60 Mobile Toilets - LOT 2: Erf 161 - 163 DRC Wagdaar" for a period of 12 months, which will give rise to a monthly charge of N$82 041 (VAT inclusive). The contract terminates on 31 October 2024.

The Municipality has entered into a contract on 23 October 2023 with Tushiya Investment CC for "Placement, Maintenance and Servicing of 39 Mobile Toilets - LOT 1" for a period of 12 months, which will give rise to a monthly charge of N$36 659 (VAT inclusive). The contract terminates on 31 October 2024.

The Municipality has entered into a contract on 1 September 2023 with Sunshine Group for "Ward Cleaning Project - Group 5" for a period of 12 months, which will give rise to a monthly charge of N$12 000 (excluding VAT). The contract terminates on 31 August 2024.

The Municipality has entered into a contract on 1 September 2023 with Joy of Harvesting Group for "Ward Cleaning Project - Group 10" for a period of 12 months, which will give rise to a monthly charge of N$12 000 (excluding VAT). The contract terminates on 31 August 2024.

The Municipality has entered into a contract on 1 September 2023 with Gubasen Group for "Ward Cleaning Project - Group 11" for a period of 12 months, which will give rise to a monthly charge of N$12 000 (excluding VAT). The contract terminates on 31 August 2024.

The Municipality has entered into a contract on 1 September 2023 with King Power Group for "Ward Cleaning Project - Group 3 " for a period of 12 months, which will give rise to a monthly charge of N$12 000 (excluding VAT). The contract terminates on 31 August 2024.

The Municipality has entered into a contract on 1 September 2023 with Lucia Group for "Ward Cleaning Project - Group 22" for a period of 12 months, which will give rise to a monthly charge of N$12 000 (excluding VAT). The contract terminates on 31 August 2024.

The Municipality has entered into a contract on 1 September 2023 with United Group for "Ward Cleaning Project - Group 2" for a period of 12 months, which will give rise to a monthly charge of N$12 000 (excluding VAT). The contract terminates on 31 August 2024.

The Municipality has entered into a contract on 1 September 2023 with Lets Work Together Group for "Ward Cleaning Project - Group 1" for a period of 12 months, which will give rise to a monthly charge of N$12 000 (excluding VAT). The contract terminates on 31 August 2024.

The Municipality has entered into a contract on 1 September 2023 with Victory Group for "Ward Cleaning Project - Group 4" for a period of 12 months, which will give rise to a monthly charge of N$12 000 (excluding VAT). The contract terminates on 31 August 2024.

The Municipality has entered into a contract on 1 September 2023 with Grace and Mercy Group for "Ward Cleaning Project - Group 30" for a period of 12 months, which will give rise to a monthly charge of N$12 000 (excluding VAT). The contract terminates on 31 August 2024.

The Municipality has entered into a contract on 1 September 2023 with Trust Group for "Ward Cleaning Project - Group 25" for a period of 12 months, which will give rise to a monthly charge of N$12 000 (excluding VAT). The contract terminates on 31 August 2024.

The Municipality has entered into a contract on 1 September 2023 with Ngatukondje Group for "Ward Cleaning Project - Group 20" for a period of 12 months, which will give rise to a monthly charge of N$12 000 (excluding VAT). The contract terminates on 31 August 2024.

The Municipality has entered into a contract on 1 September 2023 with Munee Group for "Ward Cleaning Project - Group 7" for a period of 12 months, which will give rise to a monthly charge of N$12 000 (excluding VAT). The contract terminates on 31 August 2024.

The Municipality has entered into a contract on 1 September 2023 with OB Group for "Ward Cleaning Project - Group 26" for a period of 12 months, which will give rise to a monthly charge of N$12 000 (excluding VAT). The contract terminates on 31 August 2024.

The Municipality has entered into a contract on 1 September 2023 with PK Paulus Group for "Ward Cleaning Project - Group 19" for a period of 12 months, which will give rise to a monthly charge of N$12 000 (excluding VAT). The contract terminates on 31 August 2024.

The Municipality has entered into a contract on 1 September 2023 with Tukondjeni Group for "Ward Cleaning Project - Group 6" for a period of 12 months, which will give rise to a monthly charge of N$12 000 (excluding VAT). The contract terminates on 31 August 2024.

The Municipality has entered into a contract on 1 September 2023 with Hope Group for "Ward Cleaning Project - Group 21" for a period of 12 months, which will give rise to a monthly charge of N$12 000 (excluding VAT). The contract terminates on 31 August 2024.

The Municipality has entered into a contract on 1 September 2023 with Ombili Group for "Ward Cleaning Project - Group 23" for a period of 12 months, which will give rise to a monthly charge of N$12 000 (excluding VAT). The contract terminates on 31 August 2024.

The Municipality has entered into a contract on 1 September 2023 with Tjameya Group for "Ward Cleaning Project - Group 15" for a period of 12 months, which will give rise to a monthly charge of N$12 000 (excluding VAT). The contract terminates on 31 August 2024.

The Municipality has entered into a contract on 1 September 2023 with Wapaleke Cleaning CC for "Ward Cleaning Project - Group 14" for a period of 12 months, which will give rise to a monthly charge of N$12 000 (excluding VAT). The contract terminates on 31 August 2024.

The Municipality has entered into a contract on 1 September 2023 with Shonena Group for "Ward Cleaning Project - Group 8" for a period of 12 months, which will give rise to a monthly charge of N$12 000 (excluding VAT). The contract terminates on 31 August 2024.

The Municipality has entered into a contract on 1 September 2023 with Early Bird Group for "Ward Cleaning Project - Group 13" for a period of 12 months, which will give rise to a monthly charge of N$12 000 (excluding VAT). The contract terminates on 31 August 2024.

The Municipality has entered into a contract on 1 September 2023 with God is with us Group for "Ward Cleaning Project - Group 18" for a period of 12 months, which will give rise to a monthly charge of N$12 000 (excluding VAT). The contract terminates on 31 August 2024.

The Municipality has entered into a contract on 1 September 2023 with Crystal Group for "Ward Cleaning Project - Group 16" for a period of 12 months, which will give rise to a monthly charge of N$12 000 (excluding VAT). The contract terminates on 31 August 2024.

The Municipality has entered into a contract on 1 September 2023 with Faith Group for "Ward Cleaning Project - Group 29" for a period of 12 months, which will give rise to a monthly charge of N$12 000 (excluding VAT). The contract terminates on 31 August 2024.

The Municipality has entered into a contract on 1 September 2023 with Grace Group for "Ward Cleaning Project - Group 28" for a period of 12 months, which will give rise to a monthly charge of N$12 000 (excluding VAT). The contract terminates on 31 August 2024.

The Municipality has entered into a contract on 1 September 2023 with Mission Possible Group for "Ward Cleaning Project - Group 12" for a period of 12 months, which will give rise to a monthly charge of N$12 000 (excluding VAT). The contract terminates on 31 August 2024.

The Municipality has entered into a contract on 1 September 2023 with Monika Group for "Ward Cleaning Project - Group 27" for a period of 12 months, which will give rise to a monthly charge of N$12 000 (excluding VAT). The contract terminates on 31 August 2024.

The Municipality has entered into a contract on 1 September 2023 with New DRC Concern Group for "Ward Cleaning Project - Group 24" for a period of 12 months, which will give rise to a monthly charge of N$12 000 (excluding VAT). The contract terminates on 31 August 2024.

The Municipality has entered into a contract on 1 September 2023 with Mercy Group for "Ward Cleaning Project - Group 9" for a period of 12 months, which will give rise to a monthly charge of N$12 000 (excluding VAT). The contract terminates on 31 August 2024.

The Municipality has entered into a contract on 1 September 2023 with Tulina Group for "Ward Cleaning Project - Group 17" for a period of 12 months, which will give rise to a monthly charge of N$12 000 (excluding VAT). The contract terminates on 31 August 2024.

The Municipality has entered into a contract on 5 October 2023 with PNH Trading Enterprises CC for "Sweeping and Cleaning of Surfaced Roads and Adjacent Sidewalks (areas to be allocated on a weekly basis between groups)" for a period of 12 months, which will give rise to a monthly charge of N$13 100 (excluding VAT). The contract terminates on 30 October 2024.

The Municipality has entered into a contract on 5 October 2023 with Wendyboyboy Trading CC for “Sweeping and Cleaning of Surfaced Roads and Adjacent Sidewalks (areas to be allocated on a weekly basis between groups)" for a period of 12 months, which will give rise to a monthly charge of N$13 000 (excluding VAT). The contract terminates on 30 October 2024.

The Municipality has entered into a contract on 5 October 2023 with Yomoontanda Investment CC for "Sweeping and Cleaning of Surfaced Roads and Adjacent Sidewalks (areas to be allocated on a weekly basis between groups)" for a period of 12 months, which will give rise to a monthly charge of N$13 035 (excluding VAT). The contract terminates on 30 October 2024.

The Municipality has entered into a contract on 5 October 2023 with Beetles Trading and Construction CC for "Sweeping and Cleaning of Surfaced Roads and Adjacent Sidewalks (areas to be allocated on a weekly basis between groups)" for a period of 12 months, which will give rise to a monthly charge of N$14 950 (VAT inclusive). The contract terminates on 30 October 2024.

The Municipality has entered into a contract on 5 October 2023 with Forever Cleaning Services CC for "Sweeping and Cleaning of Surfaced Roads and Adjacent Sidewalks (areas to be allocated on a weekly basis between groups)" for a period of 12 months, which will give rise to a monthly charge of N$13 149 (excluding VAT). The contract terminates on 30 October 2024.

The Municipality has entered into a contract on 5 October 2023 with Grandwest Trading CC for "Sweeping and Cleaning of Surfaced Roads and Adjacent Sidewalks (areas to be allocated on a weekly basis between groups)" for a period of 12 months, which will give rise to a monthly charge of N$15 180 (VAT inclusive). The contract terminates on 30 October 2024.

The Municipality has entered into a contract on 5 October 2023 with Hanpa Trading CC for "Sweeping and Cleaning of Surfaced Roads and Adjacent Sidewalks (areas to be allocated on a weekly basis between groups)" for a period of 12 months, which will give rise to a monthly charge of N$12 975 (excluding VAT). The contract terminates on 30 October 2024.

The Municipality has entered into a contract on 5 October 2023 with Johannes P Trading CC for "Sweeping and Cleaning of Surfaced Roads and Adjacent Sidewalks (areas to be allocated on a weekly basis between groups)" for a period of 12 months, which will give rise to a monthly charge of N$13 156 (excluding VAT). The contract terminates on 30 October 2024.

The Municipality has entered into a contract on 5 October 2023 with Laborite Investment CC for "Sweeping and Cleaning of Surfaced Roads and Adjacent Sidewalks (areas to be allocated on a weekly basis between groups)" for a period of 12 months, which will give rise to a monthly charge of N$13 025 (excluding VAT). The contract terminates on 30 October 2024.

The Municipality has entered into a contract on 5 October 2023 with Makulila Investment CC for "Sweeping and Cleaning of Surfaced Roads and Adjacent Sidewalks (areas to be allocated on a weekly basis between groups)" for a period of 12 months, which will give rise to a monthly charge of N$13 000 (excluding VAT). The contract terminates on 30 October 2024.

The Municipality has entered into a contract on 5 October 2023 with Mwandy Cleaning Services CC for "Sweeping and Cleaning of Surfaced Roads and Adjacent Sidewalks (areas to be allocated on a weekly basis between groups)" for a period of 12 months, which will give rise to a monthly charge of N$12 980 (excluding VAT). The contract terminates on 30 October 2024.

The Municipality has entered into a contract on 5 October 2023 with Noria Trading CC for "Sweeping and Cleaning of Surfaced Roads and Adjacent Sidewalks (areas to be allocated on a weekly basis between groups)" for a period of 12 months, which will give rise to a monthly charge of N$13 000 (VAT inclusive). The contract terminates on 30 October 2024.

## 50 FINANCIAL INSTRUMENTS

The Municipality's **Financial Instruments** expose it to various financial risks, including credit risk, liquidity risk, market risk (currency, interest rate, and other price risk), and fair value risk.

The Municipality's risk management strategy is aimed at mitigating the negative effects of these risks on its financial performance. The Municipality's policies on financial risk management are set by the finance department and are reviewed periodically.

### 50.1 Classification

In accordance with IPSAS 41, the Municipality classifies its Financial Instruments as follows:

| | 30-Jun-24 | | 30-Jun-23 | |
|---|---|---|---|---|
| | **Carrying Amount** | **Fair Value** | **Carrying Amount** | **Fair Value** |
| | N$ | N$ | N$ | N$ |
| **FINANCIAL ASSETS** | | | | |
| **Measured at Amortised Cost:** | 358 284 296 | 358 284 296 | 384 866 105 | 384 866 105 |
| Unlisted Shares | 3 561 250 | 3 561 250 | 3 561 250 | 3 561 250 |
| Finance Lease Receivables | 33 589 473 | 33 589 473 | 28 691 523 | 28 691 523 |
| Trade Receivables from Exchange Transactions | 110 068 551 | 110 068 551 | 109 045 012 | 109 045 012 |
| Trade Receivables from Non-exchange Transactions | 66 044 276 | 66 044 276 | 63 829 702 | 63 829 702 |
| Notice Deposits | 9 406 060 | 9 406 060 | - | - |
| Bank Balances | 14 897 509 | 14 897 509 | 67 509 569 | 67 509 569 |
| Call Investment Deposits | 120 711 878 | 120 711 878 | 112 223 749 | 112 223 749 |
| Cash and Cash Equivalents | 5 300 | 5 300 | 5 300 | 5 300 |
| **Total Financial Assets** | **358 284 296** | **358 284 296** | **384 866 105** | **384 866 105** |
| **FINANCIAL LIABILITIES** | | | | |
| **Measured at Amortised Cost:** | 40 737 726 | 40 737 726 | 38 574 150 | 38 574 150 |
| Government Loans | 992 204 | 992 204 | 1 459 918 | 1 459 918 |
| Trade and Other Payables: | | | | |
| - Payables from Exchange Transactions | 28 323 332 | 28 323 332 | 26 694 266 | 26 694 266 |
| - Payables from Non-exchange Transactions | 10 954 475 | 10 954 475 | 9 957 195 | 9 957 195 |
| Current Borrowings | 467 714 | 467 714 | 462 770 | 462 770 |
| **Total Financial Liabilities** | **40 737 726** | **40 737 726** | **38 574 150** | **38 574 150** |
| | | | | |
| **Total Financial Instruments** | **317 546 570** | **317 546 570** | **346 291 955** | **346 291 955** |
| | | | | |
| **Unrecognised Gain / (Loss)** | | - | | - |

**MUNICIPALITY OF SWAKOPMUND**
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024 (CONTINUED)**

The Financial Instruments of the Municipality have been reclassified as disclosed in Note 46.3, Reclassification of Statement of Financial Position.

### 50.2 Impairment of Financial Assets

**The Municipality applies the Expected Credit Loss (ECL)** model for the impairment of financial assets measured at amortised cost and at fair value through net assets / equity (FVNA). The ECL model uses forward-looking information and considers a range of scenarios to estimate potential credit losses.

**Receivables from Exchange Transactions and Receivables from Non-exchange Transactions** are evaluated based on historical experience, adjusted for current conditions and forecasts of future economic conditions.

The impairment model categorises financial assets into three stages based on changes in credit risk since initial recognition:

- **Stage 1 (12-month ECL):**
Financial assets that have not had a significant increase in credit risk since initial recognition.

- **Stage 2 (Lifetime ECL):**
Financial assets with a significant increase in credit risk but not yet credit-impaired.

- **Stage 3 (Credit-impaired)**
Financial assets that are credit-impaired.

For **Trade Receivables**, the Municipality applies the simplified approach and recognizes lifetime ECL from initial recognition.

Reconciliation of Impairment Loss Allowance

#### 50.2.1 Reconciliation of Impairment Loss Allowance

The following table summarises the loss allowance movements during the year:

| Receivables Category | Opening Balance | Losses Recognised | Losses Reversed | Losses Written Off | Closing Balance |
|---|---|---|---|---|---|
| | N$ | N$ | N$ | N$ | N$ |
| Exchange Transactions | 79 288 516 | 10 135 143 | - | (6 562 372) | 82 861 287 |
| Non-exchange Transactions | 49 395 953 | 5 826 913 | - | (3 516 354) | 51 706 512 |
| | **128 684 468** | **15 962 056** | **-** | **(10 078 726)** | **134 567 799** |

**Key Assumptions in ECL Model**
The following factors were considered in the development of the ECL model:

- **Macro-Economic Factors**:
The Municipality considers GDP growth, inflation, and other economic indicators in estimating future cash flows.

- **Historical Loss Rates:**

These are adjusted for forward-looking information to predict future defaults.

- **Credit Risk of the Counter Party:**

External ratings, payment histories, and current conditions are assessed.

### 50.2.2 Risk Management Objectives and Policies

The Municipality is exposed to various financial risks. The key risks are as follows:

### 50.2.3 Credit Risk

**Credit Risk** arises from receivables and other financial assets. The maximum exposure to credit risk is the carrying value of these financial instruments. The Municipality manages credit risk by regularly monitoring receivables, implementing credit policies, and assessing the creditworthiness of counterparties.

The table below shows the balance of the 5 major counterparties at the reporting date. Management is of the opinion that, although these parties are the 5 counterparties with highest outstanding balances, no significant credit risk exposure exists based on the payment history of the parties.

| Counterparty and Location | 30-Jun-24 | | 30-Jun-23 | |
|---|---|---|---|---|
| | Credit Limit | Carrying Amount | Credit Limit | Carrying Amount |
| | N$ | N$ | N$ | N$ |
| QE Construction & Bonsec | - | 1 712 713 | - | 1 567 363 |
| OB Davids Properties CC | - | 1 533 708 | - | 1 086 383 |
| ST Kathindi | - | 1 064 481 | - | - |
| Myl 4 (Edms) Bpk Caravan Park | - | 1 019 629 | - | 2 399 205 |
| Rossmund Golf Course CC | - | 984 866 | - | - |
| Ministry of Urban & Rural Developement | - | - | - | 1 578 226 |
| Heritage Hill Property | - | - | - | 1 054 644 |

**MUNICIPALITY OF SWAKOPMUND**
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024 (CONTINUED)**

| | 2024 | 2023 |
|---|---|---|
| | N$ | N$ |
| The maximum credit and interest risk exposure in respect of the relevant financial instruments is as follows: | | |
| Long-term Investments | 3 561 250 | 3 561 250 |
| Finance Lease Receivables | 33 589 473 | 28 691 523 |
| Receivables from Exchange Transactions | 112 872 042 | 111 780 531 |
| Receivables from Non-exchange Transactions | 66 044 276 | 63 829 702 |
| Bank, Cash and Cash Equivalents | 135 614 687 | 179 738 618 |
| **Maximum Credit and Interest Risk Exposure** | **351 681 728** | **387 601 624** |

The major concentrations of credit risk that arise from the Municipality's receivables in relation to customer classification are as follows:

| | % | % |
|---|---|---|
| Consumer Debtors: | | |
| - Household | 19.88% | 20.25% |
| - Industrial / Commercial | 76.51% | 74.82% |
| - National and Regional Government | 1.27% | 2.04% |
| - Other Classes | 2.33% | 2.89% |
| **Total Credit Risk** | **100.00%** | **100.00%** |

| | | |
|---|---|---|
| **Bank and Cash Balances** | | |
| First National Bank | 15 490 482 | 67 764 241 |
| Standard Bank | 129 524 965 | 111 969 077 |
| Cash Equivalents | 5 300 | 5 300 |
| **Total Bank and Cash Balances** | **145 020 747** | **179 738 618** |

**Credit quality of Financial Assets:**
The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

| | 2024 | 2023 |
|---|---|---|
| **Finance Lease Receivables** | N$ | N$ |
| High | 33 589 473 | 28 689 344 |
| Medium | | |
| **Total Finance Lease Receivables** | **33 589 473** | **28 691 523** |
| **Receivables from Exchange Transactions** | | |
| Counterparties without external credit rating:- | | |
| High | 13 052 216 | 9 086 583 |
| Medium | 467 452 | 4 966 677 |
| | 13 519 668 | 14 053 260 |
| **Total Receivables from Exchange Transactions** | **13 519 668** | **14 053 260** |
| **Receivables from Non-exchange Transactions** | | |
| High | 10 358 887 | 10 727 528 |
| Medium | - | - |
| **Total Receivables from Non-exchange Transactions** | **10 358 887** | **10 727 528** |

**Credit quality Groupings:**
High - High certainty of timely payment. Liquidity factors are strong and the risk of non-payment is small.

Medium - Reasonable certainty of timely payment. Liquidity factors are sound, although ongoing funding needs may enlarge financing requirement. The risk of non-payment is small.

Low - Satisfactory liquidity factors and other factors which qualify the entity as investment grade. However, the risk factors of non-payment are larger.

None of the financial assets that are fully performing have been renegotiated in the last year.

**50.3 Market Risk**

**Market Risk** arises from fluctuations in market variables such as interest rates and equity prices. The Municipality's exposure to interest rate risk arises from its borrowings and investments. The Municipality does not engage in speculative financial activities and monitors changes in interest rates.

**MUNICIPALITY OF SWAKOPMUND**
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024 (CONTINUED)**

**Interest Rate Sensitivity Analysis**

The sensitivity analysis has been determined based on the exposure to interest rates at the Reporting Date. The analysis is prepared by averaging the amount of the investment at the beginning of the financial year and the amount of the investment at the end of the financial year. A 100 basis point increase or decrease was used, which represents management's assessment of the reasonably possible change in interest rates.

Cash and Cash Equivalents:
If interest rates had been 100 basis points higher / lower and all other variables were held constant, the Municipality's:

- Surplus for the year ended 30 June 2024 would have increased / decreased by N$ 1 576 714 (30 June 2023: N$ 2 252 220). This is mainly attributable to the Municipality's exposure to interest rates on its variable rate investments.

The Municipality had no floating rate long-term financial liability instruments at year-end requiring an Interest Rate Sensitivity Analysis.

**Sensitivity analysis - Interest rate**

**Financial Assets:**

**30-Jun-24**

| | |
|---|---|
| **Actual average interest rate for the year** | **8.09%** |

| **Input variables** | **Values** | **Values** | **Values** | **Values** |
|---|---|---|---|---|
| Floating Rate Financial Assets Balance (Average) | 157 671 352 | 157 671 352 | 157 671 352 | 157 671 352 |
| Finance Income - Variable Rates | 12 760 659 | 13 549 016 | 14 337 373 | 15 914 086 |
| Average Interest Rate for the year - Floating Rate Investments | 8.09% | 8.59% | 9.09% | 10.09% |
| Change in Interest Rate | | 0.50% | 1.00% | 2.00% |
| **Intermediate Calculations** | | | | |
| Total Revenue excluding Finance Income | 524 751 614 | 524 751 614 | 524 751 614 | 524 751 614 |
| Finance Income - Fixed Rates | - | - | - | - |
| Total Revenue | 537 512 273 | 538 300 630 | 539 088 987 | 540 665 700 |
| Total Expenditure | 587 277 934 | 587 277 934 | 587 277 934 | 587 277 934 |
| **Performance Measure** | | | | |
| Annual Profit | 49 765 661 | 48 977 304 | 48 188 947 | 46 612 234 |
| Increase / (Decrease in Profit | 15 250 657 | 788 357 | 1 576 714 | 3 153 427 |

**30-Jun-23**

| | |
|---|---|
| **Actual average interest rate for the year** | **5.86%** |

| **Input variables** | **Values** | **Values** | **Values** | **Values** |
|---|---|---|---|---|
| Floating Rate Financial Assets Balance (Average) | 225 222 038 | 225 222 038 | 225 222 038 | 225 222 038 |
| Finance Income - Variable Rates | 13 193 459 | 14 319 569 | 15 445 679 | 17 697 900 |
| Average Interest Rate for the year - Floating Rate Investments | 5.86% | 6.36% | 6.86% | 7.86% |
| Change in Interest Rate | | 0.50% | 1.00% | 2.00% |
| **Intermediate Calculations** | | | | |
| Total Revenue excluding Finance Income | 474 804 342 | 474 804 342 | 474 804 342 | 474 804 342 |
| Finance Income - Fixed Rates | - | - | - | - |
| Total Revenue | 487 997 800 | 489 123 911 | 490 250 021 | 492 502 241 |
| Total Expenditure | 517 124 130 | 517 124 130 | 517 124 130 | 517 124 130 |
| **Performance Measure** | | | | |
| Annual Profit | 29 126 329 | 28 000 219 | 26 874 109 | 24 621 889 |
| Increase / (Decrease in Profit | 17 450 170 | 1 126 110 | 2 252 220 | 4 504 441 |

## 50 FINANCIAL INSTRUMENTS (Continued)

### 50.4 Liquidity Risk

Liquidity Risk is the risk that the Municipality will not be able to meet its financial obligations as they fall due. The Municipality monitors its liquidity position on an ongoing basis to ensure sufficient funds are available.

Liquidity and Interest Risk Tables
The following tables detail the Municipality's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Municipality can be required to pay. The table includes both interest and principal cash flows.

| Description | Note ref in AFS | Average effective Interest Rate | Total | 6 Months or less | 6 - 12 Months | 1 - 2 Years | 2 - 5 Years | More than 5 Years |
|---|---|---|---|---|---|---|---|---|
| | # | % | N$ | N$ | N$ | N$ | N$ | N$ |
| **30-Jun-24** | | | | | | | | |
| Non-interest Bearing | | 0.00% | 39 277 808 | 39 277 808 | - | - | - | - |
| Fixed Interest Rate Instruments | | 12.00% | 1 459 918 | 210 472 | 257 243 | 514 486 | 477 718 | - |
| | | | **40 737 726** | **39 488 279** | **257 243** | **514 486** | **477 718** | **-** |
| **30-Jun-23** | | | | | | | | |
| Non-interest Bearing | | 0.00% | 36 651 461 | 36 651 461 | - | - | - | - |
| Fixed Interest Rate Instruments | | 12.00% | 1 922 688 | 208 247 | 254 524 | 509 047 | 950 871 | - |
| | | | **38 574 150** | **36 859 708** | **254 524** | **509 047** | **950 871** | **-** |

## 51 RETIREMENT BENEFIT INFORMATION

The Municipality makes provision for post-retirement benefits to eligible employees, who belong to the prescribed pension schemes. No benefits are provided for Municipal Councillors.

Employees belong to the approved Retirement Fund for Local Authorities and Utility Services and the Alexander Forbes Namibia Retirement Fund as described below.

The funds are registered by the Namibia Financial Institutions Supervisory Authority (NAMFISA) and is administered according to the Pension Funds Act and the rules of the funds. The funds are defined contribution schemes.

The Retirement Fund for Local Authorities and Utility Services and the Alexander Forbes Namibia Retirement Fund are multi-employer plans.

The only obligation of the Municipality with respect to the retirement benefit plan is to make the specified contributions. Where employees leave the plan prior to full vesting of the contributions, the contributions payable by the Municipality are reduced by the amount of forfeited contributions.

The total expense recognised in the Statement of Financial Performance of N$29 932 405 (2023: N$21 689 169) represents contributions payable to these plans by the Municipality at rates specified in the rules of the plans. These contributions have been expensed.

The Retirement Funds have been valued by making use of the Discounted Cash Flow method of valuation.

**DEFINED CONTRIBUTION SCHEMES**
**Retirement Fund for Local Authorities and Utility Services in Namibia:**
Sufficient information is not available to use defined benefit accounting for the Retirement Fund, due to the following reasons:-

(i) The assets of each fund are held in one portfolio and are not notionally allocated to each of the participating employers.
(ii) One set of financial statements are compiled for each fund and financial statements are not drafted for each participating employer.
(iii) 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.

It is therefore seen that the Fund operates as a single entity and is not divided into sub-funds for each participating employer.

The scheme is subject to a tri-annual statutory actuarial valuation. The last statutory valuation was performed as at 31 December 2021.

The valuation performed as at 31 December 2022 revealed that the fund had net assets of N$6 329,5 million (31 December 2021: N$6 205,9 million). The investments held provided a suitable match for Fund liabilities at the valuation date.

The employee has the option to contribute at a rate of 7,5%, 9,0%, 10,0%, 12,0%, 14,0% or 16,0% of their pensionable salaries and the Municipality contributes a total of 21,7% of members' pensionable salaries.

The Fund was financially sound as at 31 December 2022 in that its assets exceeded the value of its liabilities. The Fund is expected to remain financially sound until its next statutory valuation as at 31 December 2024.

**Alexander Forbes Namibia Retirement Fund**
The scheme is subject to a tri-annual statutory actuarial valuation. The last statutory valuation was performed as at 31 May 2022.

The valuation performed as at 31 May 2022 revealed that the fund had net assets of N$887,4 million (31 May 2019: N$740,8 million). The Fund's liabilities are adequately met by the assets as at the valuation date.

The employee has the option to contribute at a rate of 7,5%, 9,0%, 10.0%, 12,0%, 14,0% or 16,0% of their pensionable salaries and the Municipality contributes a total of 21,7% of members' pensionable salaries.

The Fund was in a sound financial position and continues to be able to meet its liabilities at the valuation date.

The above-mentioned plans are not State Plans.

## 52. RELATED PARTY TRANSACTIONS

All Related Party Transactions are conducted at arm's length, unless stated otherwise

### *52.1 Interest of Related Parties*

Councillors and/or management of the Municipality had relationships with businesses during the financial period as indicated below:

| Name of Related Person | Designation | Description of Related Party Relationship |
|---|---|---|
| Namubes D | Mayor | 100% Ownership in Africa View Accommodation |
| Shimhanda RN (Wife) | Management Committee Member | 100% Ownership in Thandile Tuckshop |
| Kanandjembo H | Manager: Procurement Management Unit | 50% Partnership in Mixx Business Enterprises |

### 52.2 Services rendered to Related Parties

During the year the Municipality rendered services to the following related parties that are related to the Municipality as indicated:

| | Rates Charges | Service Charges | Sundry Charges | Outstanding Balances |
|---|---|---|---|---|
| | N$ | N$ | N$ | N$ |
| **For the Year ended 30 June 2024** | | | | |
| Councillors | 32 349 | 100 283 | 4 922 | 39 447 |
| Chief Executive Officer and General Managers | 71 705 | 77 993 | 85 728 | 1 165 |
| **Total Services** | **104 054** | **178 276** | **90 650** | **40 612** |
| **For the Year ended 30 June 2023** | | | | |
| Councillors | 31 407 | 107 899 | - | 42 262 |
| Chief Executive Officer and General Managers | 69 617 | 32 654 | 72 383 | 3 894 |
| **Total Services** | **101 024** | **140 552** | **72 383** | **46 156** |

The services rendered to Related Parties are charged at approved tariffs that were advertised to the public. No Bad Debts were written off or recognised in respect of amounts owed by Related Parties.

The amounts outstanding are unsecured and will be settled in cash. Consumer Deposits were received from Councillors, the Chief Executive Officer and General Managers. No expense has been recognised in the period for bad or doubtful debts in respect of the amounts owed by related parties.

### 52.3 Loans granted to Related Parties

The Municipality does not grant loans to its Councillors. Loans, together with the conditions thereof, granted to Management, Staff and Public are disclosed in Note 13 and Appendix F, Statement of Remuneration of Management, to the Annual Financial Statements.

### 52.4 Compensation of Related Parties

Compensation of Key Management Personnel and Councillors is set out in Notes 36, 37 and Appendix F, Statement of Remuneration of Management, to the Annual Financial Statements.

### 52.5 Purchases from Related Parties

The Municipality did not buy goods from any companies which can be considered to be Related Parties.

| | 2024 | 2023 |
|---|---|---|
| | N$ | N$ |
| **53. CONTINGENT LIABILITIES** | | |
| ***53.1 Guarantees:*** | **4 443 497** | **4 443 497** |
| (i) Bank Windhoek:<br>Bank guarantee issued by the bank on behalf of the Municipality to honour payments in favour of Erongo Regional Electricity Distributor Company (Pty) Ltd in respect of a deposit for the Supply of Electricity to the New Municipality Building. | 274 574 | 274 574 |
| Bank guarantee issued by the bank on behalf of the Municipality in favour of Erongo Regional Electricity Distributor Company (Pty) Ltd in respect of a deposit for putting in operation the new Sewerage Plant for Town. | 551 938 | 551 938 |
| (ii) Standard Bank Namibia:<br>House loan suretyships signed in favour of the bank for loans obtained by staff members. | 3 616 985 | 3 616 985 |
| ***53.2 Court Proceedings:*** | **40 706** | **40 706** |
| ***(i) Claim in respect of compensation:*** | **40 706** | **40 706** |

At the time of appointment, an employee was paid less than the specified salary since he did not meet the requirements of the position in full as per the Council's policy at the time. After a change to the job description, the employee met the requirement of the position in full and institute a claim for compensation backdated to his date of appointment. The arbitrator ruled in favour of the employee, but Council appealed the matter as the arbitrator's ruling was fatally flawed. The outcome of the matter is still uncertain.

(ii) Claim for unfair dismissal:
An employee was dismissed after a disciplinary enquiry found the employee guilty of bribery/corruption. The employee referred the matter to the Labour Commissioner and claimed, amongst others, an unfair dismissal. Council contested the claim whereafter the employee lodged an appealed to the Labour Court. The amount claimed by the employee is for his salary as from date of dismissal until date of reinstatement. As reinstatement never occurred, the amount claimed could not be established in monetary terms. The matter was struck from the role by the High Court on 24 January 2024.

| | | |
|---|---|---|
| **53.3 Insurance Claims:** | - | 5 499 |
| (i) Alleged Damages Incurred: | | 5 499 |

Claims lodged against the Municipality for alleged damages caused by incidents of which the Municipality should take ownership, have been referred to the Municipality's insurers.

## 54. CONTINGENT ASSETS

| | | |
|---|---|---|
| **54.1 Insurance Claims:** | 147 385 | 107 984 |
| (i) Lost / Damaged Assets: | 147 385 | 107 984 |

The Municipality has claims outstanding against its Insurers for lost and / or damaged assets. The management believe that it is probable that the claims will be successful and that compensation of N$147 385 (2023: N$107 984) will be recovered.

| | | |
|---|---|---|
| **54.2 Court Proceedings:** | 650 000 | 505 828 |
| (i) Claim for losses: | 650 000 | 505 828 |

Funds were misappropriated by a former employee during her employment as cashier at the Municipality. Council instituted civil action against the employee to recover the funds, as well as a contribution towards the costs paid to auditors who investigated the conduct, from her pension fund. Settlement in respect of the costs relating to the specific fraudulent transactions as well as the auditor's costs, was reached and Council received payment in the amount of N$333 938 on 24 June 2024 from the employee's pension fund. Council is currently appealing to the Supreme Court against the order made to not award Council's legal costs. The estimated legal cost amounts to N$650 000.

## 55. COMPARATIVE FIGURES

The comparative figures were restated as a result of the effect of Changes in Accounting Policies (Note 45) and Prior Period Errors (Note 46).

## 56. SEGMENTAL INFORMATION

For management purposes the Municipality is broadly organised into business units based on the nature of operations and the services they provide. The Municipality has ten primary reportable segments:

- **The segment for Chief Executive Officer:-**

This segment consists of services such as executive services, public relation services, customer care services and services for the management of information, communication and technology systems of the Municipality, as well as the internal audit function.

- **The segment for Community and Economic Development:-**

This segment consists of services for community and economic development, such as beaches and resorts, fire and protection, housing and properties, libraries and museums, parks and cemeteries, sports facilities and arts, youth & culture.

- **The segment for Finance:-**

This segment consists of all services for the financial management of all the municipal services.

- **The segment for Human Resources and Corporate Services:-**

This segment consists of services such as legal and support services to the council and executive, corporate communication services, building management services and all services for the well-being of the municipal employees.

- **The segment for Roads and Building Control:-**

This segment consists of services for the control of buildings and roads, and include services such as building inspections and maintenance; infrastructure design; roads construction and maintenance; town planning and townlands; and management of vehicle fleet, roads machinery and plant.

- **The segment for Water, Waste and Environmental Management:-**

This segment consists of services such as cleansing, waste (refuse and sewerage) and water services, and also include services for health and environmental management.

No individually material operating segments have been aggregated to form the above reportable operating segments. The Municipality does not monitor segments geographically.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on non-financial metrics and the segment's operating surplus or deficit, measured consistently with the accounting policies applied in the Annual Financial Statements. However, the Municipality's financing (including finance costs and finance income) and revenue from taxes are managed on a group basis and are not allocated to operating segments.

Inter-business unit services are not valued and are deemed to have been supplied for no consideration, and are therefore not eliminated. However, the quality of services provided internally is monitored as part of the non-financial service performance information.

The segmental information for Capital Assets of the Municipality is disclosed in Appendix "C", whilst the segmental information for Financial Performance of the Municipality is disclosed in Appendix "E". It is not practical to segmentize Financial Position and Cash Flow operations.

## 57. GOING CONCERN ASSESSMENT

Management considered the following matters relating to the Going Concern:

(i) On 29 May 2023 the Council adopted the 2023/24 Budget Estimates. A balanced budget was prepared and It was budgeted for a zero operational surplus / deficit (2022/23: Zero operational surplus / deficit) for the period under review. Balanced budget is a standing directive from the line ministry, and it applies to to all local authorities within Namibia. In accordance with sections 83(1) and 84(4) of the Local Authorities Act, 1992 (Act No. 23 of 1992) the budget was submitted to the Minister, and it was approved on 27 September 2023. The budget supports the ongoing delivery of municipal services to residents.

(ii) Strict daily cash management processes are embedded in the Municipality's operations to manage and monitor all actual cash inflows and cash outflows in terms of the Budget.

(iii) The Municipality has a positive cash book balance of N$14 897 508.75 at year-end (30 June 2023: N$67 509 568.65). The Municipality's cash position is however still very healthy in spite of the decline in the cash book balance.

(iv) Furthermore, the Municipality has investment deposits of N$9 406 059.97 at year-end (30 June 2023: N$0.00).

(v) As the Municipality has the power to levy fees, tariffs and charges, this will result in an ongoing inflow of revenue to support the ongoing delivery of municipal services.

(vi) The Municipality of Swakopmund is a Part I municipality and represents the social and economic interest of the town. It will be in public interest that the Municipality of Swakopmund remains solvent and continue as an on-going concern.

Taking the aforementioned into account, management has prepared the Annual Financial Statements on the Going Concern Basis.