



REPUBLIC OF NAMIBIA



**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE
MUNICIPALITY OF GROOTFONTEIN
FOR THE FINANCIAL YEARS ENDED 30 JUNE 2020**

Published by authority

Price (Vat excluded) N\$ 86.00

Report no: 52/2024

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 Grootfontein for the financial year ended 30 June 2020, in terms of Article 127(2) of the Namibian Constitution. The report is transmitted to the Honourable Minister in terms of Section 27(1) of the State Finance Act, 1991, (Act 31 of 1991) to be laid upon the Table of the National Assembly in terms of Section 27(4) of the Act.

WINDHOEK, June 2024

A handwritten signature in black ink, appearing to read 'Junias Etuna Kandjeke'.

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

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**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE
MUNICIPALITY OF GROOTFONTEIN
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020**

1. ADVERSE AUDIT OPINION

I have audited the financial statements of the Municipality of Grootfontein for the financial year ended 30 June 2020. These financial statements comprise the statement of financial position, the statement financial performance, the statement of changes in net assets, the statement of cash flows for the year then ended, and a summary of significant accounting policies.

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 Grootfontein for the financial year ended 30 June 2020 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 Property, plant and equipment

The auditors noted that property, plant and equipment was overstated by N\$ 517 990. This is a net difference noted after comparing the balances of all property, plant and equipment components balances as per note 30 on the 2020 financial statements amounting to N\$ 77 917 797 and the fixed asset register amounting to N\$ 77 399 807 as provided by the municipality.

It is recommended that the Municipality should ensure that the balance of property, plant and equipment as per financial statements agrees to the balance as per the fixed asset register.

2.2 INVENTORY

The value of water in the pipes of the Municipality at year end was not included in the inventory balance presented in the statement of financial position. Furthermore, inventory for unsold erven's (land) was not accounted for at the lower of cost and Net Realizable Value in line with IPSAS 12 paragraph 10 requirements which state that", *Net realizable value refers to the net amount that an entity expects to realize from the sale of inventory in the ordinary course of operations. Fair value reflects the amount for which the same inventory could be exchanged between knowledgeable and willing buyers and sellers in the marketplace. The former is an entity-specific value; the latter is not. Net realizable value for inventories may not equal fair value less costs to sell*".

It is recommended that Municipality determines the value of water in the pipes at year-end on an annual basis and include the value thereof as part of the inventory balance in the financial statements as required by IPSAS 12. Furthermore, the Municipality should account for unsold erven's at the lower of cost and net realizable value at year-end as per the IPSAS requirements relating to inventory.

2.3 Open lands

The auditors noted that the value of open land as defined by IPSAS 23 which state that "*On initial recognition, gifts and donations including goods in-kind are measured at their fair value as at the date of acquisition, which may be ascertained by reference to an active market, or by appraisal. An appraisal of the value of an asset is normally undertaken by a member of the valuation profession who holds a recognized and relevant professional qualification*", was not accounted for as part of property, plant and equipment balance in the 2020 financial statements.

It is recommended that the Municipality should ensure that open land is disclosed in the financial statements.

2.4 Provision for the dump sites

The auditors observed that the Council did not make provision for a dumping site for its rehabilitation and restoration after its useful life, in accordance to IPSAS 19, paragraph 27.

This IPSAS's states: "*It is only those obligations arising from past events existing independently of an entity's future actions (that is, the future conduct of its activities) that are recognized as provisions. Examples of such obligations are penalties or clean-up costs for unlawful environmental damage imposed by legislation on a public sector entity. Both of these obligations would lead to an outflow of resources embodying economic benefits or service potential in settlement regardless of the future actions of that public sector entity. Similarly, a public sector entity would recognize a provision for the decommissioning costs of a defense installation or a government-owned nuclear power station, to the extent that the public sector entity is obliged to rectify damage already caused.*

IPSAS 17, Property, plant, and equipment, deals with items, including dismantling and site restoring costs, those are included in the cost of an asset. In contrast, because of legal requirements, pressure from constituents or a desire to demonstrate community leadership, an entity may intend or need to carry out expenditure to operate in a particular way in the future. An example would be where a public sector entity decides to fit emission controls on certain of its vehicles, or a government laboratory decides to install extraction units to protect employees from the fumes of certain chemicals. Because the entities can avoid the future expenditure by their future actions – for example, by changing their method of operation – they have no present obligation for that future expenditure, and no provision is recognized."

It is recommended that the Municipality should ensure compliance with IPSAS 19, paragraph 27.

2.5 Finance lease

The auditors noted that the long-term portion of the finance lease liability relating to high purchase loans was overstated by N\$ 309 216 and the short-term portion thereof was understated by N\$ 302 245 as presented on the face of the financial statements. This misstatement is a result of management having incorrectly split the finance lease liability between the long-term portion as N\$ 591 568 and the short-term portion N\$ 494 868.

It is recommended that the Municipality should be cautious in splitting the finance lease liability between long-term portion and the short term portion by ensuring that an amortization table is correctly prepared for the loans.

2.6 Statement of cash flow

The auditors noted that the increase in government loans (long term loan) amounting to N\$ 363 184 was included in the cash flow statement as a cash inflow under financing activities in the cash flow statement yet this movement is non-cash flow as it relates to interest capitalized to the overdue loan balance.

Furthermore, the auditors noted that management included a direct adjustment to net assets amounting to N\$ 5 782 634 under cash flow from operating activities yet this adjustment is made up largely of a prior year adjustment to accumulated surplus which should not be accounted for in a cash flow statement. The Auditors further noted that the municipality included a debt impairment of N\$ 4 929 664 under changes in working capital yet this is not a working capital movement, what should have been accounted for in this regard is the movement in receivables from exchange transactions.

It is recommended that the Municipality should ensure that the statement of cash flow is prepared correctly as per the requirements of IPSAS 2.

2.7 Severance pay provision

The auditors noted a decrease amounting to N\$ 922 788 in the severance pay provision, which was incorrectly accounted for as a reduction against the employee costs disclosed in the notes to the financial statements.

Furthermore, auditors noted movement in the provision for severance pay is N\$ 1 009 280, however this movement was not journalized and accounted for in the financial statements, thus accumulated surplus is understated by N\$ 1 009 280. This movement is the difference between the opening balance of the provision N\$ 6 280 363 and the closing balance of the provision of N\$ 5 271 083.

It is recommended that the Municipality should ensure that movement in severance pay provision closing balance compared to the opening balance is accounted for correctly.

2.8 Provision for leave pay.

The auditors noted that the leave provision amounted to N\$ 7 628 745 whereas the leave pay provision closing balance as per the supporting schedule provided by the municipality indicated a closing balance of N\$ 8 038 142, resulting in uncorrected difference of N\$ 409 497.

It is recommended that the Municipality should ensure journal entries are processed timely to correctly account for the movement in the provision for leave pay.

2.9 Cash and cash equivalents

The auditors noted that the Municipality's operational business bank account closing balance as per the financial statements amounting to N\$ 11 147 381 does not agree to the cash book bank reconciliation as at 30 June 2020 amounting to N\$ 2 233 181, hence the closing balance of cash and cash equivalents are overstated by N\$ 8 914 200.

It is recommended that the Municipality should ensure that the bank balance as disclosed in the annual financial statements agrees to the closing balance as per the cash book and general ledger.

2.10 Noncompliance with IPSAS 1

Based on IPSAS 1, paragraph 21 section (e) and (f); when an entity makes publicly available its approved budget, a comparison of budget and actual amounts either as a separate additional financial statement or as a budget column in the financial statements; and notes comprising a summary of significant accounting policies and other explanatory notes must be present for a set of financials to be completed. The auditors noted that there is no comparison of budget and actual as well as notes that are explanatory.

It is recommended that the Municipality ensures that explanations for variances resulting from budget information between current year budget and actuals in the financial statements are presented.

2.11 Decrease in revenue and expenses for 2019

The auditors noted that the Municipality have restated the figures of the statement of financial performance amounting to N\$ 1 875 363 for 2019.

It is recommended that the Municipality should ensure that restatements of figures in the annual financial statements are correctly done.

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 opinion thereon, and I do not provide a separate opinion on these matters. I have determined that there are no key audit matters identified in respect of the financial statements for Municipality of Grootfontein.

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, whether due to fraud or error and to issue an 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 skepticism throughout the audit.

- Identify and assess the risk of material misstatement of the financial statements, whether 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 used 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 whether 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 whether 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 complied 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.

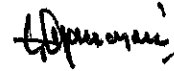
7. REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

The financial statements for the financial year ended 30 June 2020 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) on the 15 September 2023 instead of three months after year end.

8. ACKNOWLEDGEMENT

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

WINDHOEK, June 2024



**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERA**

ANNEXURE A

THE MUNICIPALITY OF GROOTFONTEIN
STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE

	Note	2020 N\$	2019 N\$
Assets			
Current assets			
Cash and cash equivalents	9	23 647 027	18 033 818
Consumer deposits	10	3 881 758	7 170 510
Value added tax receivables	11	930 577	1 164 280
Receivables from exchange transactions	12	-	73 694
Inventories	14	2 706 621	2 460 609
		31 165 983	28 902 911
Non-current assets			
Property, plant and equipment	15	77 917 797	73 561 880
Other financial assets(CENORED)		28 804 555	28 804 555
Long-term receivables	13	10 933 242	11 010 067
		117 655 594	113 376 502
Total assets		148 821 577	142 279 413
Liabilities			
Current liabilities			
Payables under exchange transactions	16	9 891 596	7 840 277
Payables from non-exchange transactions	19	4 164 350	14 387 445
Finance lease obligations	17	494 868	-
Long-term loans	18	5 773 280	-
		20 324 094	22 227 722
Non-current liabilities			
Finance lease obligation	17	591 568	1 871 793
Long-term loans	18	(1)	5 410 095
Employee benefits		5 271 083	6 210 066
		5 862 650	13 491 954
Total liabilities		26 186 744	35 719 676
Net assets		122 634 833	106 559 737
Reserves			
Funds and accounts		28 531 29	27 142 596
Accumulated surplus		94 103 541	79 417 141
Total net assets/equity		122 634 833	106 559 737

ANNEXURE B

THE MUNICIPALITY OF GROOTFONTEIN
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE

	Note	2020 N\$	2019 N\$
REVENUE			
Revenue from non-exchange transactions		30 861 880	23 259 706
Property rates and taxes	2	18 711 356	17 892 688
Transfers from Government and related entities	3	12 150 524	5 367 018
Revenue from exchange transactions		47 083 102	47 698 092
Sale of erven		-	4 799 009
Service charges	4	31 982 431	27 604 868
Surcharges		7 860 891	7 860 841
Rental of facilities and equipment		5 613 389	5 201 128
Other income	5	1 617 129	2 222 334
Interest earned on investments		9 262	9 912
Total revenue		77 944 982	*70 957 798
Total expenses		(68 233 611)	*(80 637 326)
Employee costs	6	(40 629 674)	(39 253 052)
Remuneration of Councilors		(502 110)	(569 023)
Depreciation and amortization expense		(5 399 664)	(4 946 070)
Repairs and maintenance		(1 591 437)	(2 370 598)
Debt impairment		(8 218 416)	(20 506 517)
General expenses	7	(11 539 791)	(12 694 389)
Interest paid		(352 519)	(297 677)
Surplus (deficit) for the year		9 711 371	(9 679 528)

**See paragraph 2.12 total revenue and total expenses reduced by N\$ 1 875363 from the tabled report.*

ANNEXURE C

**THE MUNICIPALITY OF GROOT FONTEIN
STATEMENT OF CHANGES IN NET ASSET/EQUITY FOR THE YEAR ENDED 30 JUNE**

	Housing Fund N\$	Other Reserve N\$	Accumulated Surplus N\$	Total Net Assets/Equity N\$
Balance 1 July 2018	77 531 328	34 799 273	4 012 726	116 343 627
Changes in net assets/equity				
Deficit for the year	-	-	(9 679 528)	(9 679 528)
Direct adjustments to net assets	7 552 615	(7 656 677)	-	(7 656 677)
IPSAS adjustments	-	-	-	7 552 615
Reclassification for unsupported reserves (85 083 943)	-	-	85 083 943	-
Opening Balance as previously reported	-	27 142 596	79 417 142	106 559 738
Prior year adjustments (See prior year note)	-	-	4 975 028	4 975 028
Balance at 1 July 2019 as restated*	-	27 142 596	84 392 170	111 534 766
Changes in net assets/equity				
Surplus for the year	-	-	9 711 371	9 711 371
Interest on housing fund	-	952 876	-	952 876
Interest on Investments of the funds	-	435 820	-	435 820
Balance at 30 June 2020	-	28 531 292	94 103 541	122 634 833

THE MUNICIPALITY OF GROOTFONTEIN
STATEMENT OF CASHFLOW FOR THE YEAR ENDED 30 JUNE

	Note	2020 N\$	2019 N\$
Cash flow from operating activities			
Surplus (deficit)		9 711 371	(9 679 528)
Adjustment for:			
Depreciation and amortization expense		5 399 664	4 946 070
Finance costs		352 519	-
Debt impairment		8 218 416	20 506 517
Movements in retirement benefit assets and liabilities		(938 983)	(99 776)
Direct adjustments to net assets (cash)		5 782 634	16 082 612
Changes in working capital:			
Inventories		(246 012)	(1 963 684)
Receivables from exchange transactions		73 694	1 092 881
Debt impairment		(4 929 664)	(24 727 549)
Payables under exchange transactions		2 051 320	(14 028 295)
Value added tax		233 703	(302 478)
Payables under non-exchange transactions		(10 223 095)	14 246 666
Net cash flow from operating activities		15 485 567	6 073 436
Cash flow from investing activities			
Purchase of property, plant and equipment	15	(9 174 491)	(6 051 141)
Proceeds from sale of property, plant and equipment	15	-	5 074 519
Receipts from long-term receivable		76 825	1 074 921
Net cash flow from investing activities		(9 097 666)	98 299
Cash flow from financing activities			
Repayment of loans		*363 184	3 671 632
Finance lease payments		(1 137 876)	1 871 793
Net cash flow from financing activities		(774 692)	5 543 425
Net increase cash and cash equivalents		5 613 209	11 715 160
Cash and cash equivalents as at the beginning of the year		18 033 818	6 318 658
Cash and cash equivalents at the end of the year	9	23 647 027	18 033 818

The accounting policies on pages 10 to 25 and the notes on pages 26 to 34 form an integral part of the annual financial statements.

*Refer to 2.9

THE MUNICIPALITY OF GROOTFONTEIN
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

Accounting policies

1. Presentation of annual financial statements

The annual financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS), as approved by the line minister in consultation with audit Auditor General in accordance with Section 87 (1) of the Local Authorities Act 23 of 1992 as amended. The Grootfontein Municipal Council adopted accrual basis International Public Sector Accounting Standards (IPSAS) on 1 July 2018, having previously prepared its financial statements in accordance with D3 format directed by the Auditor-General. In the adoption of accrual basis IPSAS's, it has elected to utilize some of the transitional exemptions allowed by IPSAS 33, "First Time Adoption of Accrual Basis IPSAS".

In its transition to accrual basis IPSAS, The Municipality took advantage of exemptions that affect fair presentation for reporting property, plant and equipment, inventories, financial instruments, and revenue in accordance with these assets/liabilities respective IPSASs. As a result, The Municipality is not able to make an explicit and unreserved statement of compliance with accrual basis IPSAS in preparing its First Transitional IPSAS Financial Statements for the reporting period ended 30 June 2019.

The Municipality intends to recognize and/or measure its assets, and liabilities as specified in IPSAS 33 paragraphs 39, and 40 by 2021 or an earlier period where the relevant items are recognized and/or measured in the financial statements in accordance with applicable or relevant IPSAS.

With respect to unavailability of accounting policies in the previous financial reporting framework used by the Municipality, assets and liabilities, revenue and expenses shall be measured using accounting policies consistent with IPSAS to the extent of the availability of information relating to those assets and/or liabilities, revenues and expenses in accordance with IPSAS 33, paragraph 137 (a) which requires that the Municipality discloses progress made towards recognizing, measuring, presenting and/or disclosing assets, liabilities, revenue, and/or expenses.

Some of the transitional exemptions utilized do affect the fair presentation of the financial statements, as well as compliance with accrual basis IPSAS's, during the period of transition and therefore town council cannot assert full compliance with accrual basis IPSAS's. During this transition period the financial statements will be known as the Transitional IPSAS Financial Statements and certain disclosures and reconciliations are required to provide sufficient and relevant information to the users of the financial statements.

Municipality adopted accrual basis IPSAS's for the first time at 1 July 2018 and is making use of some of the transitional provisions for the 2019/2020 financial year. Details of the exemptions in adopting accrual basis IPSAS's are provided below.

**THE MUNICIPALITY OF GROOTFONTEIN
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

Accounting policies (continued)

Municipalities choose to utilise the following transitional exemptions that do affect the fair presentation of the financial statements:

IPSAS 12 Inventories
IPSAS 16 Investment Property
IPSAS 17 Property, Plant and Equipment
IPSAS 19 Provision, Contingent liabilities, and Contingent Assets
IPSAS 30 Financial Instruments
IPSAS 31 Intangible Assets
IPSAS 35 Consolidated Financial Statements
IPSAS 36 Investments in Associates and Joint Ventures
IPSAS 39 Employee Benefits

Transitional exemptions utilized that do not affect fair presentation of financial statements:

IPSAS 4 The Effects of Changes in Foreign Exchange Rates
IPSAS 10 Financial Reporting in Hyperinflationary Economies
IPSAS 21 Impairment for Non-Cash Generating Assets
IPSAS 26 Impairment of Cash Generating Assets
IPSAS 32 Services Concession Arrangements: Grantor
IPSAS 35 Consolidated Financial Statements
IPSAS 37 Joint Arrangements

IPSAS's to be adopted in full during 2020/2021 financial period:

IPSAS 1 Presentation of Financial Statements
IPSAS 3 Accounting Policies, Changes in Accounting Estimates and Errors
IPSAS 13 Leases
IPSAS 14 Events after Reporting Date
IPSAS 20 Related Party Disclosure
IPSAS 22 Disclosure of information about the General Government Sector
IPSAS 24 Presentation of Budget Information in the Financial Statements
IPSAS 28 Financial Instruments: Disclosure
IPSAS 29 Financial Instruments: Recognition and Measurement

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

In the absence of an issued and effective Standard of IPSAS, accounting policies for material transactions, events or conditions were developed in accordance with paragraph 12 of IPSAS 3.

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

THE MUNICIPALITY OF GROOTFONTEIN
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

Accounting policies (continued)

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below. Certain accounting policies are supported by reasonable and prudent judgements and estimates.

1.1 Presentation currency

These annual financial statements are presented in Namibia Dollar, which is the functional currency of the municipality and the amount have been rounded to the nearest Dollar.

1.2 Significant judgements and sources of estimation uncertainty

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

These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized 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 Municipality may receive information after the date of adoption of IPSAS about estimates that it had made under the previous basis of accounting. The Municipality shall account for such information in the same way as non-adjusting events in accordance with IPSAS 14, Events after the reporting period. This, however, shall not apply where estimates were in error, or the adjustment is due to differences in accounting policies.

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 recognized in Annual Financial Statements:

Revenue recognition

Accounting Policy 1.3 on Revenue from Exchange Transactions and Accounting Policy 1.4 on Revenue from non-exchange Transactions describes the conditions under which revenue will be recorded by the management of the municipality.

In making their judgement, the management considered the detailed criteria for the recognition of revenue asset outing IPSAS9 (Revenue from Exchange Transactions) and IPSAS23 (Revenue from non-exchange Transactions). As far as Revenue from Non-exchange

THE MUNICIPALITY OF GROOTFONTEIN
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

1.2 Significant judgements and sources of estimation uncertainty (continued)

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 services is rendered, whether the service has been rendered. Also of importance is the estimation process involved in initially measuring 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 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.

Impairment of Financial Assets

Accounting Policy 1.11 on Financial Instruments sub-paragraph 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 credit worthiness. This is performed per service-identifiable categories across all classes of debtors.

Allowance for slow moving, damaged and obsolete stock

Inventory items shall be written down, through deficit or surplus, to the lower of cost and net realizable value.

THE MUNICIPALITY OF GROOTFONTEIN
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

1.2 Significant judgements and sources of estimation uncertainty (continued)

Useful lives of property, plant and equipment, intangible assets, and investment property

As described in Accounting Policies 1.5, 1.7 and 1.6, the municipality depreciates its Property, Plant & Equipment and Investment Property, and amortizes 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.

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

Accounting Policy 1.9 on Impairment of Assets, Accounting Policy 1.6 on Intangible Assets – Subsequent Measurement, amortization and Impairment and Accounting Policy 1.12 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 and Net Realizable 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 PPE and Intangible Assets and the Net Realizable Value for Inventories involves significant judgment by management.

Estimated impairments during the year to Inventory, Property, Plant and Equipment; Intangible Assets and Investment Property are disclosed in Notes 17, and 19, to the Annual Financial Statements, if applicable.

Allowance for doubtful debts

On debtors an impairment loss is recognized in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

THE MUNICIPALITY OF GROOTFONTEIN
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

1.3 Revenue from exchange transactions

Sale of goods (including Houses)

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

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

Service Charges

Service Charges are levied in terms of the 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 meter 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 are levied monthly

THE MUNICIPALITY OF GROOTFONTEIN
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

1.3 Revenue from exchange transactions (Continued)

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, and royalties are recognised when:

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

Interest is recognized, in surplus or deficit, using the effective interest rate method

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

Rentals received

Revenue from the rental of facilities and equipment is recognized on a Straight-line Basis over the term of the lease agreement.

Finance income

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

Interest earned on the following investments is not recognized in Surplus or Deficit:

- Interest earned on Councilors Gratuity Fund is allocated directly to the Creditor: Councilors Gratuity Fund.
- Interest earned on unutilized Conditional Donations is allocated directly to the Creditor: Unutilized Public Donations, if the unutilized donations are kept in dedicated separate bank account.

Dividends

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

Tariff charges

Revenue arising from the application of the approved tariff of charges is recognized when the relevant service is rendered by applying the relevant authorized tariff. This includes the issuing of licenses and permits

THE MUNICIPALITY OF GROOTFONTEIN
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

1.3 Revenue from exchange transactions (Continued)

Revenue from Agency services

Revenue for agency services is recognised on a monthly basis once their venue collected on behalf of agents has been quantified. The revenue recognised is in terms of the agency agreement.

1.4 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by the council, which represents an increase in net assets, other than increases relating to contributions from owners.

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. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

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.

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.

THE MUNICIPALITY OF GROOTFONTEIN
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

1.4 Revenue from non-exchange transactions (Continued)

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.

1.5 Property, Plant and Equipment

Initial Recognition

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

Subsequent Measurement

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

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

THE MUNICIPALITY OF GROOTFONTEIN
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

1.5 Property, Plant and Equipment (Continued)

Item	Average useful life
Buildings	
* Improvements	8 - 80
Infrastructure	
* Roads and storm water	8 - 80
* Sanitation	10 - 90
* Solid waste	5 - 80
* Water	10 - 90
Community	
* Facilities	8 - 80
Other	
* Computer equipment	4 - 8
* Emergency equipment	5 - 6
* Furniture and fittings	5 - 8
* Motor vehicles	5 - 15
* Office equipment	4 - 15
* Plant and equipment	4 - 15
* Specialized vehicles	5 - 15

Land

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

Incomplete Construction Work

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

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.

1.6 Intangible assets

Initial recognition.

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

THE MUNICIPALITY OF GROOTFONTEIN
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

1.6 Intangible assets (Continued)

For internally generated Intangible Assets, all research expenditure is recognised as an expense as it is incurred, and costs incurred on development projects are recognised as Intangible Assets in accordance with IPSAS 31 (Intangible Assets). Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as Intangible Assets and amortised from the point at which the asset is available for use. Development assets are tested for impairment annually.

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.

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, its 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.

Subsequent Measurement, Amortisation, and Impairment

Derecognition

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised. Gains are not classified as Revenue.

1.7 Investment property

Initial recognition

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.

THE MUNICIPALITY OF GROOTFONTEIN
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

1.7 Investment property (Continued)

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, which is estimated at 10-80 years. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately.

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

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.

1.8 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

The Council as Lessee

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.

THE MUNICIPALITY OF GROOTFONTEIN
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

1.8 Leases (continued)

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.

The Council as a 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.

1.9 Impairment of cash-generating assets

The municipality classifies all assets held with the primary objective of generating a commercial return as Cash Generating Assets. All other assets are classified as Non-cash Generating Assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired.

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

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

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

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

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

**THE MUNICIPALITY OF GROOTFONTEIN
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

1.9 Impairment of cash-generating assets (continued)

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

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

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

1.10 Impairment of non-cash-generating assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired.

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

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

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

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

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

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

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

THE MUNICIPALITY OF GROOTFONTEIN
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

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

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortization is recognised immediately in Surplus or Deficit.

1.11 Financial instruments

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

Initial Recognition

Financial Assets and Financial Liabilities are recognised when it becomes party to the contractual provisions of the instrument.

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.

Fair Value Methods and Assumptions

The fair value of Financial instruments is determined as follows:

- The fair values of quoted investments are based on current bid prices;
- The market for a Financial Asset is not active (and for unlisted securities), the municipality establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs;

Classification

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

Class	Category
Receivables from Exchange	Financial asset measured at amortised cost
Receivables from Non-Exchange	Financial asset measured at amortised cost
Long term Receivable	Financial asset measured at amortised cost
Bank, Cash and Cash Equivalent	Available for Sale Investment
Trade and Other Receivables (excluding Value Added Taxation, Prepayments and Operating Lease receivables), Loans to Municipal Entities and Loans that have fixed and determinable payments that are not quoted in an active market are classified as Financial Assets at Amortised Cost.	

THE MUNICIPALITY OF GROOTFONTEIN
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

1.11 Financial instruments (continued)

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.

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

Class	Category
Payables under exchange transactions	Financial liability measured at amortised cost
Payables from Non-exchange Transactions	Financial liability measured at amortised cost
Bank overdraft	Financial liability measured at amortised cost

Financial Assets

At Fair Value through Surplus or Deficit

Financial Assets at Fair Value through Surplus or Deficit are initially and subsequently, at the end of each financial year, measured at fair value with the profit or loss being recognised in Surplus or Deficit.

Financial assets measured at amortised cost.

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

THE MUNICIPALITY OF GROOTFONTEIN
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

1.11 Financial instruments (continued)

Financial Liabilities:

At Amortised Cost

Any other Financial Liabilities are classified as Other Financial Liabilities (All Payables, Loans and Borrowings are classified as Other Liabilities) and are initially measured at Fair Value, net of transaction costs. Trade and Other Payables, Interest-bearing Debt including Finance Lease Liabilities, Non-interest-bearing Debt and Bank Borrowings are subsequently measured at amortised cost using the Effective Interest Rate Method. Interest expense is recognised in Surplus or Deficit by applying the effective interest rate.

Bank Borrowings, consisting of interest-bearing short-term bank loans, repayable on demand and over drafts are recorded at the proceeds received. Finance costs are accounted for using the Accrual Basis and are added to the carrying amount of the bank borrowing to the extent that they are not settled in the period that they arise.

Prepayments are carried at cost less any accumulated impairment losses.

Impairment of Financial Assets:

Financial Assets, other than those at fair value, are assessed for indicators of impairment at the end of each reporting period. Financial Assets are impaired where there is objective evidence of impairment of Financial Assets (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated, and an impairment loss is recognised through the use of an allowance account.

Financial Assets at Amortised Cost

A provision for impairment of Accounts Receivables is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables. The provision is made whereby the recoverability of accounts receivable is assessed individually and then collectively after grouping the assets in financial assets with similar credit risk characteristics. The amount of the provision is the difference between the Financial Asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Future cash flows in a group of Financial Assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Cash flows relating to short-term receivables are not discounted where the effect of discounting is immaterial.

The carrying amount of the Financial Asset is reduced by the impairment loss directly for all Financial Assets carried at Amortised Cost with the exception of Consumer Debtors, where the carrying amount is reduced through the use of an allowance account.

THE MUNICIPALITY OF GROOTFONTEIN
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

1.11 Financial instruments (continued)

When a Consumer Debtor is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against revenue. Changes in the carrying amount of the allowance account are recognised in Surplus or Deficit

Financial Assets Available-for-Sale

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in net assets and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in net assets shall be removed and recognised in Surplus or Deficit even though the financial asset has not been derecognised.

The amount of the cumulative loss that is removed from net assets and recognised in Surplus or Deficit is the difference between the acquisition cost (net of any principal repayment and amortization) and current fair value, less any impairment loss on that financial asset previously recognised in Surplus or Deficit.

Impairment losses recognised in Surplus or Deficit for an investment in an equity instrument classified as available-for-sale are not reversed through Surplus or Deficit.

If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss is recognised in Surplus or Deficit, the impairment loss must be reversed, with the amount of the reversal recognised in Surplus or Deficit.

The entity first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the entity analyses a concessionary loan into its component parts and accounts for each component separately. The entity accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of IPSAS on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

Derecognition

Financial assets

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

THE MUNICIPALITY OF GROOTFONTEIN
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

1.11 Financial instruments (continued)

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

Financial liabilities

The council derecognises Financial Liabilities when, and only when, the council's obligations are discharged, cancelled or they expire.

The council recognises the difference between the carrying amount of the Financial Liability (or part of a Financial Liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, in Surplus or Deficit.

1.12 Inventories

Initial Recognition

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition. The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Where Inventory is acquired by the municipality for no or nominal consideration (i.e. 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.

Subsequent Measurement

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

Inventories sold are valued at the lower of cost and net realisable value. The cost is determined using the FIFO 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.

THE MUNICIPALITY OF GROOTFONTEIN
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

1.12 Inventories (continued)

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 Weighted Average Method, at the lowest of purified cost and net realisable value, insofar as it is stored and controlled in the distribution network at year-end.

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 realizable value with regard to their estimated economic or reliable values. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Differences arising on the measurement of such Inventory at the lower of cost and current replacement cost or net realizable 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 realizable 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 recognised as an expense in the period that the Inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalization to the cost of another asset.

1.13 Provisions and contingencies

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 MUNICIPALITY OF GROOTFONTEIN
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

1.13 Provisions and contingencies (continued)

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 the 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.

Contingent assets and contingent liabilities

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

1.14 Employee benefits

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

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 recognizes the expected cost of performance bonuses only when the council has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

THE MUNICIPALITY OF GROOTFONTEIN
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

1.14 Employee benefits (continued)

Post-employment benefits

The council provides retirement benefits for its employees. They are all defined contribution post-employment plans.

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

These are employee benefits that fall due after the completion of employment. They include pension and job-related early retirement. Municipality of Grootfontein's pension plan is administered by Retirement Fund for Local Authorities and Utilities Services in Namibia (RFLAUN).

The retirement fund was established in March 1992 and is registered in terms of both the pension Fund Act, No. 24 of 1956 and Income Tax Act. The pension plan is regarded as a group scheme involving more than one employer qualifying it as a defined contribution plan because:

- The affiliated employers have no supplementary obligation to make additional contributions in the event of a deficit at RFLAUN nor are they entitled to any surpluses in addition to paying.
- The members bear the actuarial and investment risk in full; and
- Each year, the premium is set by RFLAUN board on the basis of its own file data, with due regard for prescribed parameters or requirements.

Accordingly, in measuring the obligation arising from the pension plan, the municipality recognizes pension contributions payable as an expense in the statement of surplus or deficit.

Other long-term employee benefits.

These are employee benefits which do not wholly fall due within a year of the end of the period in which the employee renders the service.

Termination benefits

These are benefits paid as a result of the municipality's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept voluntary redundancy in exchange for such benefits. The costs are recognised in full in the statement of surplus or deficit as soon as a decision is made. Termination benefits are recognised at the present value of the obligation.

THE MUNICIPALITY OF GROOTFONTEIN
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

1.15 Borrowing costs

The council uses the Benchmark treatment of Borrowing costs as such borrowing costs are recognised as an expense in the period in which they are incurred regardless of how the borrowing costs were applied.

1.16 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 head of department Officers reporting directly to the Chief Executive Officer or as designated by the Chief Executive Officer.

1.17 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 online 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.

The approved budget covers the period from 1 July 2020 to 30 June 2021.

1.18 Going concern assumption

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

The Municipality council have prepared the Annual Financial Statements under the Going Concern Assumption, based on management assumptions as set out in Note 26 to the Annual Financial Statements.

1.19 Site restoration and dismantling cost

Council has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration, and similar liabilities.

THE MUNICIPALITY OF GROOTFONTEIN
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

1.19 Site restoration and dismantling cost (continued)

The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

If the related asset is measured using the cost model:

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

1.20 Equity Investments in Cenored (Pty) Ltd

An investment in an associate is carried at cost less any accumulated impairment.

1.21 Unauthorized expenditure

Unauthorized expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

1.22 Fruitless and wasteful expenditure

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

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

THE MUNICIPALITY OF GROOTFONTEIN
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

1.23 Net assets**Statutory fund**

The Housing Fund was established in terms of Section 58 of the Local Authorities Act, 1992 (Act 23 of 1992). The Housing Fund contains all proceeds from housing developments, which include proceeds of loans raised, rental income, redemption of loans granted, and sale of houses, interest from investments and other moneys accruing to the fund. Unexpended moneys in the Housing Fund which are not required for immediate use may be invested with such financial institution as may be approved by the Minister.

Monies standing to the credit of the Housing Fund are used only for purposes of the construction, acquisition or maintenance of dwellings; loans granted; repayment of loans raised; costs incurred in connection with the administration of housing schemes and any other purpose approved in writing by the Minister.

Accumulated Surplus

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

1.24 Grants-In-Aid

The council transfers money to individuals, organizations and or the 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.

1.25 Value Added Tax

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

1.26 Events after reporting date

Events after the reporting date that are classified as adjusting events have been accounted for in the Annual Financial Statements. The events after the reporting date that are classified as Non-adjusting Events after the Reporting Date have been disclosed in Notes to the Annual Financial Statements.

THE MUNICIPALITY OF GROOTFONTEIN
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE

	2020	2019
	N\$	N\$
2. Property, rates and taxes	18 711 356	17 892 688
Site town	14 376 445	13 887 600
Improvements town	344 773	328 453
Site - Omulunga	3 272 547	3 074 442
Improvement central	717 591	602 193
3. Transfers from government and related entities	12 150 524	5 367 018
Government grant - service bonus	-	500 000
Government grant - streets	2 966 458	1 268 194
Training grant (AOG)	-	87 983
Government grant	9 184 066	3 510 841
4. Service charges	31 982 431	27 604 868
Sale of water	16 626 365	13 703 556
Sewerage and sanitation charges	5 497 270	4 061 247
Refuse removal	10 688 688	10 283 471
Other service charges	(829 892)	(443 406)
5. Other Income	1 617 129	2 222 334
Building plans	224 205	219 718
Illegal connections fees	34 000	63 683
Sundry income	512 770	65 858
Slaughter private fees	22 554	163 619
Burial fees	108 107	85 558
Registration of business	272 674	268 365
New water connections	213 760	153 536
Disconnection and reconnection fees	73 641	91 877
Social housing recol funds	-	807 968
Sign board advert fees	155 418	302 152

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 tariffs.

THE MUNICIPALITY OF GROOTFONTEIN
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE

	2020	2019
	N\$	N\$
6. Employee costs	40 629 674	39 253 052
Basic	22 872 003	22 286 586
Bonus	1 021 046	1 268 430
Medical aid - company contributions	4 661 201	4 414 942
Social Security	93 440	95 511
Leave pay provision charge	2 620 979	434 026
Defined contribution plans	3 797 867	3 626 168
Car allowance	30 267	-
Housing benefits and allowances	6 455 659	6 244 085
Severance	(922 788)	70 298
Other # 5	-	813 006

In-kind benefits

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

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

7. General Expenses	11 539 791	12 694 389
Materials and stores	532 731	898 990
Advertising	78 351	144 050
Auditors' remuneration	59 615	-
Bank charges	414 685	323 347
Catering & Entertainment Cost	89 469	57 651
Cleaning	102 415	33 118
Consulting and professional fees	286 536	562 692
Department charges	3 268 343	3 558 001
Fuel and oil	983 990	1 186 725
Hiring of Facilities & Equipment	1 019 682	1 026 052
Insurance	668 744	839 101
Levies - Regional council levy	859 420	863 836
Motor vehicle expenses	278 946	185 035
Other expenses	157 401	175 344
Postage, courier and telephone	610 961	629 050
Printing and stationery	422 736	266 705
Protective clothing	-	10 285
Endowment and consent	129 375	231 856
Security (Guarding of council property)	1 002 326	940 364
Tourism development	2 915	2 511
Travel - local	571 150	759 676

THE MUNICIPALITY OF GROOTFONTEIN
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE

	2020	2019
	N\$	N\$
8. Interest Paid	352 519	297 677
Finance leases	352 519	-
Available-for-sale debt instruments	-	297 677
9. Cash and Cash equivalents	23 647 027	18 033 818
Cash on hand	530	530
Bank balances	11 147 381	6 146 234
Short-term deposits	12 499 116	11 887 054
10. Consumer debtors	(103 319 519)	(95 101 103)
Consumer Debtors	107 201 277	102 271 613
Less: Allowance for impairment		
Consumer Debtors	(103 319 519)	(95 101 103)
Net balance		
Consumer Debtors	3 881 758	7 170 510
Reconciliation of allowance for impairment		
Balance at beginning of the year	(95 101 103)	(74 594 586)
Contributions to allowance	(8 218 416)	(20 506 517)

ANNEXURE E

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

The municipality provides for impairment at 100% of all accounts with age of 120 days plus. The following was debtors age analysis:

	120 Days+	120 Days	90 Days	60 Days	30 Days	Current
Total	-	2 630 463	2 683 059	3 082 493	3 116 650	
Subtotal	103 319 519	2 630 463	2 683 059	3 082 493	3 116 650	(11 794 675)
Impairment	(103 319 519)	-	-	-	-	-
	-	2 630 463	2 683 059	3 082 493	3 116 650	(11 794 675)

	2020	2019
	N\$	N\$

930 577	1 164 280
----------------	------------------

11. VAT Receivable

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.

THE MUNICIPALITY OF GROOTFONTEIN
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE

	<u>2020</u>	<u>2019</u>
	N\$	N\$
12. Receivables from exchange transactions		
Prepayments	-	73 694

Receivables from Exchange Transactions are billed monthly, latest end of month. No interest is charged on Receivables until the end of the following month. There after interest is charged at a rate determined by council on the outstanding balance. The municipality strictly enforces its approved credit control policy to ensure the recovery of receivables.

The municipality did not pledge any of its Receivables as security for borrowing purposes.

	<u>2020</u>	<u>2019</u>
	N\$	N\$
13. Long term receivable		
Long term receivables	10 933 242	11 010 067

The long-term receivables consist of housing debtors

Housing Loans in terms of the Build Together Housing Scheme are granted to qualifying individuals at an interest rate of 4% - 8,00% per annum, repayable over a maximum period of 20 years. Housing loans in terms of the Single quarters were granted to qualifying individuals at an interest rate of 4% to 8% per annum. Kindly note that Single quarters scheme was replaced by Build Together and the balance included relates to those who issue before the replacement took place. The municipal council does not hold deposits or any other security for its Long-term Receivables. The housing debtors includes N\$ 684 600 of debtors not recognised in 2019.

14. Inventories	2 706 621	2 440 609
Consumable stores	728 988	462 976
Land	1 977 633	1 977 633

Inventories are held for own use and measured at the lower of Cost and Current Replacement Cost. No write downs of Inventory to Net Realizable Value were required.

Grootfontein Municipality recognizes inventory held in its warehouse at cost less impairment losses. IPSAS 33, first time adoption of accrual basis IPSAS allows the Municipality to measure its inventories within a 3-year transition period though the nature of the inventories held under current assets are realizable, consumable and/or saleable or usable within the Municipality's normal annual operating cycle.

No Inventories have been pledged as collateral for Liabilities of the municipality.

ANNEXURE E

THE MUNICIPALITY OF GROOTFRONTEIN
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE

Transitional provisions
15. Property, plant and equipment

Description	2020		2019			
	Cost / Deemed Cost N\$	Accumulated depreciation and impairment N\$	Carrying value N\$	Cost / Deemed Cost N\$	Accumulated depreciation and impairment N\$	Carrying value N\$
Land and Buildings	31 727 487	(8 491 606)	23 235 881	15 508 700	(7 577 930)	7 930 770
Plant and machinery	15 371 930	(11 649 455)	3 722 475	7 946 796	(1 478 899)	6 467 897
Motor vehicles	1 183 668	(793 797)	389 871	11 630 214	(1 574 045)	10 056 169
Office equipment	843 014	(475 803)	367 211	406 905	(394 080)	12 825
Infrastructure	57 005 535	(15 924 118)	41 081 417	57 723 582	(8 629 363)	49 094 219
Work in progress	9 120 942	-	9 120 942	-	-	-
Total	115 252 576	(37 334 779)	77 917 797	93 216 197	(19 654 317)	73 561 880

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

**15. Property, plant and equipment (continued)
Reconciliation of property, plant and equipment 2020**

	Opening balance	Additions	Other changes, movements	Depreciation	Total
	N\$	N\$	N\$	N\$	N\$
Land and Buildings	7 930 770	-	16 219 117	(914 006)	23 235 881
Plant and machinery	6 467 897	-	(1 112 069)	(1 633 353)	3 722 475
Motor vehicles	10 056 169	-	(9 544 789)	(121 509)	389 871
Office equipment	12 825	6 999	405 874	(58 487)	367 211
Infrastructure	49 094 219	46 550	(5 387 043)	(2 672 309)	41 081 417
Work in progress	-	9 120 842	-	-	9 120 842
	73 561 880	9 174 391	581 090	(5 399 664)	77 917 697

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

ANNEXURE E

**15. Property, plant and equipment (continued)
Reconciliation of property, plant and equipment 2019**

	Opening balance	Additions		Disposals	Transfers		Other changes, movements		Depreciation	Total
	N\$	N\$	N\$	N\$	N\$	N\$	N\$	N\$	N\$	N\$
Land and Buildings	-	-	-	-	7 930 770	-	-	-	-	7 930 770
Plant and machinery	-	-	-	-	6 467 897	-	-	-	-	6 467 897
Motor vehicles	-	-	-	-	10 056 169	-	-	-	-	10 056 169
Office equipment	-	-	-	-	12 825	-	-	-	-	12 825
Infrastructure	-	-	-	-	49 094 219	-	-	-	-	49 094 219
Property, Plant and Equipment	78 681 211	6 051 141	-	(5 074 519)	(73 561 880)	(1 149 883)	(4 946 070)	-	-	73 561 880
	78 681 211	6 051 141		(5 074 519)		(1 149 883)	(4 946 070)			73 561 880

The above value of assets excludes value of assets fully depreciated but still in use. The fully depreciated assets have original cost amounting. N\$ 13 886 555 as per 2020.

Land and building include vacant land to the value of N\$ 13 244 099 (2019: N\$) which were not recognised in prior years. The value is based on last valuation roll of 2015. The new valuation roll was only completed in 2022 due delays.

The adoption of IPSAS requires that, the Municipality recognizes and measures its assets and/or liabilities with 3-year transitional period. The Municipality has elected transitional exemptions that affects fair presentation and compliance with accrual basis IPSAS.

Opening carrying amount as per PPE reconciliation for 2019 was misstated by N\$ 1 149 883, however it did not have effect on closing balance for 2019. This was due to typing error.

THE MUNICIPALITY OF GROOTFONTEIN
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE

	2020	2019
	N\$	N\$
16. Payables under exchange transactions	9 891 596	7 840 277
Trade payables	275 913	(1)
Accrued leave pay	7 628 745	5 417 163
Accrued bonus	652 604	838 728
Deposits received	1 334 334	1 384 476
Regional Council levy	-	73 420
VET levy	-	126 491

Bonuses accrue to the staff of the municipality on an annual basis, subject to certain conditions. The provision is an estimate of the amount due at the reporting date.

Staff Leave:

Leave accrues to the staff of the council on an annual basis, subject to certain conditions. The provision is an estimate of the amount due at the reporting date.

17. Finance lease obligation

	1 086 436	1 871 793
Non-current liabilities	591 568	1 871 793
Current liabilities	494 868	-

Finance Lease Liabilities relate to Vehicles with lease terms varying from 1 to 3 (2019:1 to 4) years.

Interest rates are floating rates, linked to the prime lending rate of the financial institutions, thereby constituting contingent rentals. Straight-lining of payments can therefore not be done in terms of IPSAS 13.

The risks and rewards of ownership in respect of the Property, Plant and Equipment will transfer to the municipality at the conclusion of the agreement.

The municipality's obligations under Finance Leases are secured by the lessors' title to the leased assets.

THE MUNICIPALITY OF GROOTFONTEIN
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE

	2020	2019
	N\$	N\$
18. Long term loans		
At amortization cost		
Government of Republic of Namibia	5 773 279	5 410 095
Terms and conditions Give us the terms e.g. period and interest rate range (if interest differ from one to another).		
Non-current liabilities		
At amortised cost		(1) 5 410 095
Current liabilities		
At amortised cost	5 773 280	-
19. Payables from Non-exchange Transactions		
Unallocated receipts	4 164 350	14 387 445

Suspense Accounts are in respect of temporary advances received in the normal month-to-month Municipality not settled at year-end.

20. Related parties

All Related Party Transactions are conducted at arm's length, unless stated otherwise.

During the year the municipality rendered services to the following related parties that are related to the municipality as indicated:

Related party balances:

Related party transactions:

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 Councilors, the Chief Executive Officer and Strategic Executives. No expense has been recognised in the period for bad or doubtful debts in respect of the amounts owed by related parties.

THE MUNICIPALITY OF GROOTFONTEIN
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE

20. Related parties (Continued)
Remuneration of management
2020

Name	Allowance N\$
Councillors	505 516
Haimene AO: Mayor	88 910
Tsanigab E: MC - Chair	83 828
Taukuheke E: MC - Member	81 289
Gaweseb P: MC - Member	81 289
Shinyemba M: MC - Member	81 289
Kastoor E: Ordinary Councillor	38 105
Hausiku VM: Ordinary Councillor	19 052
Tjikuua O: Ordinary Councillor	31 754
2019	
Councillors	569 023
Haimene AO: Mayor	88 910
Tsanigab E: MC - Chair	83 828
Taukuheke E: MC - Member	81 289
Gaweseb P: MC - Member	81 289
Shinyemba M: MC - Member	81 289
Hausiku VM: Ordinary Councillor	76 209
Tjikuua O: Ordinary Councillor	76 209
2020	
Executive management	Remuneration 5 302 004
K.M Sinvula - CEO (From 1 Mar 2020)	320 185
Ameb A: SE- Property	1 545 589
Haingumbi TI: SE- Finance	905 189
Mieze A: Chief Env Officer	806 845
Sanzila CN: SE - Technical	837 986
Dandu WAN: SE - HR	886 210
2019	
Executive management	3 108 984
Ameb A: SE- Property	874 733
Haingumbi TI: SE- Finance	892 331
Mieze A: Chief Env Officer	796 783
Sanzila CN: SE - Technical	132 794
Dandu WAN:SE - HR	412 343

THE MUNICIPALITY OF GROOTFONTEIN
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE

21. Prior period Errors

Prior year adjustments of N\$ 4 975 028 to accumulated surplus (current year) is made of the following:

Recognition of vacant land to the value of N\$ 13 244 099.

1. Recognition of depreciation of property, plant and equipment items which were not depreciated in prior years, amounting to N\$ 12 663 009.
Receipts of prior period land sales not accrued in in prior periods, amounting to N\$ 1 191 413.
2. Recognition of government loan capital due current year however written or unrecognized in prior periods amounting N\$ 166 664.
3. Recognition of understatement of fund debtors and consumer debtors amounting to N\$ 684 600 and N\$ 156 569 respectively

22. Going concern

Management considered the following matters relating to the Going Concern:

- I. Strict daily cash management processes are embedded in the council's operations to manage and monitor all actual cash inflows and cash outflows in terms of the Budget.
- II. as the council 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.

Taking the aforementioned into account, management has prepared the Annual Financial Statements on the Going Concern Basis.

23. Events after the reporting date

No events having financial implications requiring disclosure occurred subsequent to 30 June 2020