



REPUBLIC OF NAMIBIA



**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE
MUNICIPALITY OF OMARURU**

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

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REPUBLIC OF NAMIBIA



TO THE HONOURABLE SPEAKER OF THE NATIONAL ASSEMBLY

I have the honour to submit herewith my report on the accounts of the Municipality of Omaruru 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 of Finance 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 2022

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

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

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

1. DISCLAIMER AUDIT OPINION

I have audited the financial statements of the Municipality of Omaruru for the financial year ended 30 June 2020. These financial statements comprise the statement of financial position, statement of financial performance, statement of changes in equity, cash flow statement, notes to the financial statements for the year then ended, and a summary of significant accounting policies.

I do not express an opinion on the financial statements of the Municipality of Omaruru. Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraph, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, I do not express an opinion on the financial statements.

2. BASIS FOR DISCLAIMER OF OPINION

I conducted my audit in accordance with International Standards for Supreme Audit Institutions; my responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of 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 not sufficient and appropriate to provide a basis for the audit opinion. A disclaimer audit opinion is being expressed due to the following:

2.1 Bank Reconciliation

It was observed that bank reconciliations were not performed and properly maintained, which resulted in audit scope limitation on carrying out required audit procedure for cash and cash equivalent as at year end.

2.2 Sale of Erven

For sale of ervens sold during the financial year under review, documentations and listing of such beneficiaries from the erven sales could not be provided for audit purpose resulting in scope limitation on carrying out required audit procedure to ascertain the completeness of sales of ervens.

2.3 Investment in Erongo Red

For investment disclosed amounting to N\$ 6 225 100, certificates of shareholding and relevant supporting documents for such investment could not be provided for audit purposes in order to ascertain the existence and accurate valuation of such investments.

2.4 Fixed Asset Register

The fixed assets register was found to be inadequate to ascertain the existence and valuation of the Municipality's property, plant and equipment as at year end.

2.5 IPSAS 23 Donations in Good Kind

The Municipality did not disclose revenue from non-exchange transaction donations in good kind for exemptions on audit fees in compliance with IPSAS 23 Par 95 which states that gifts and donations are recognised as asset or revenue when it is probable that future economic benefits or services will flow to the entity and can be measured reliably.

2.6 IPSAS 23 Open Lands

The Municipality did not disclose its open lands in the fixed asset register. IPSAS 23, paragraph 97 "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. For many assets, the fair value will be readily ascertainable by reference to quoted prices in an active and liquid market. For example, current market prices can usually be obtained for land, non-specialized buildings, motor vehicles and many types of plant and equipment."

2.7 IPSAS 33 Opening Statement of Financial Position

It was observed that on adoption of IPSAS the Municipality did not prepare and present an opening statement of financial position in its preparation and presentation of financial statements, at the date of adoption as required by IPSAS 33 paragraph 15.

2.8 Fruitless Consultation Expenditure

The Municipality incurred external consultation expenditure for the preparation of financial statements; however the cost benefit of this expenditure did not meet the desired quality output raising concern of competency in this regard.

3. OTHER INFORMATION

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon. 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 to be materially misstated.

4. 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 International Public Sector Accounting Standards and legislation, and for such internal control as management determines is 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.

5. 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 a 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 International Standards for Supreme Audit Institutions (ISSAI's), will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards for Supreme Audit Institutions, I exercise professional scepticism throughout the audit, I also;

- Identify and assess the risks 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 the purpose of 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. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the 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.
- 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.
- 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 of the current period and are therefore the key audit matters. I describe these matters in my auditor's 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 my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

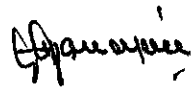
6. REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

The financial statements were submitted by the Accounting Officer to the Auditor-General in compliance with Section 87 of the Local Authority Act, 1992 (Act No. 23 of 1992) except that they were only submitted to the Auditor-General on 29 December 2020 instead of three months after the financial year-end.

7. ACKNOWLEDGEMENT

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

WINDOEK, June 2022


JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL

ANNEXURE A

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

		2020	2019
	Note	N\$	Restated N\$
REVENUE FROM NON - EXCHANGE TRANSACTIONS			
TAXATION REVENUE			
Property rates	3	8 419 125	7 886 043
TRANSFER REVENUE			
Transfers from other Government entities	4	5 770 884	2 399 169
Fines penalties and levies		723 838	784 279
TOTAL REVENUE FROM NON - EXCHANGE TRANSACTIONS		14 913 847	11 069 491
REVENUE FROM EXCHANGE TRANSACTIONS			
Service charges	5	14 251 256	15 710 870
Rendering of services		13 853 619	17 349 730
Rental of facilities and equipment.	6	515 429	563 486
Interest received (Trading)	7	2 727 164	2 270 610
Licences and permits		209 987	201 377
Municipal revenue UD2		342 757	347 718
Miscellaneous revenue		96 571	2 565 507
Commissions received	10	41 386	37 520
Other income	10	1 498 340	1 363 720
TOTAL REVENUE FROM EXCHANGE TRANSACTIONS		33 536 509	40 410 538
TOTAL REVENUE	2	48 450 356	51 480 029
EXPENSES			
Employee Cost	8	18 906 924	18 650 217
Remuneration of Councillors		569 023	566 907
Depreciation and amortisation expenses		4 367 370	5 245 017
Repairs and maintenance		7 353	518 756
Debt impairment		7 567 266	16 986 635
General expenses	9	15 957 405	21 491 479
Interest paid		143 395	87 582
TOTAL EXPENSES		47 518 736	63 546 593
SURPLUS/(DEFICIT) FOR THE YEAR		931 620	(12 066 564)

The accounting policies on pages 11 to 22 and the notes on pages 23 to 28 form an integral part of the annual financial statements.

ANNEXURE B

THE MUNICIPALITY OF OMARURU
STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 30 JUNE 2020

		2020	2019
	Note	N\$	Restated N\$
ASSETS			
CURRENT ASSETS			
		17 757 775	15 643 877
Cash and cash equivalents	11	9 095 997	8 203 709
VAT receivable		1 867 962	2 192 624
Receivables from exchange transactions	12	6 515 055	5 055 825
Inventories		278 761	191 719
NON CURRENT ASSETS			
		81 082 907	80 462 365
Property, plant and equipment	13	70 985 520	70 264 708
Investments in associates	14	6 225 100	6 225 100
Long-term receivables from exchange transactions		3 872 287	3 972 557
TOTAL ASSETS		98 840 682	96 106 242
FUNDS AND LIABILITIES			
CURRENT LIABILITIES			
		11 756 675	9 695 500
Payables under exchange transactions	15	11 561 640	9 507 241
GRN loans - Current portion of long-term loans		195 035	188 259
NON-CURRENT LIABILITIES			
Long-term loans		712 720	907 754
TOTAL LIABILITIES		12 469 395	10 603 254
NET ASSETS		86 371 287	85 502 988
FUNDS AND RESERVES			
Funds and reserves		83 988 189	84 051 511
Accumulated surplus		2 383 098	1 451 477
		86 371 287	85 502 988

THE MUNICIPALITY OF OMARURU
STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE

	Other NDR	Accumulated surplus	Total net assets/equity
	N\$	N\$	N\$
Balance 1 July 2018	85 239 630	9 489 203	94 728 833
Changes in net assets/equity			
Surplus for the year	-	(12 066 564)	(12 066 564)
Net movement in Funds	(1 188 119)	4 028 838	2 840 719
Restated balance at 1 July 2019	84 051 511	1 451 477	85 502 988
Changes in net assets/equity			
Surplus for the year	-	931 620	931 620
Net movement in Funds	(63 321)	-	(63 321)
Balance at 30 June 2020	83 988 190	2 383 097	86 371 287

ANNEXURE D

THE MUNICIPALITY OF OMARURU

CASH FLOW STATEMENT FOR THE FINANCIAL YEAR ENDED 30 JUNE

		2020	2019
	Note	N\$	Restated N\$
CASH FLOW FROM OPERATING ACTIVITIES			
RECEIPTS			
		39 748 522	48 744 337
Property Taxes Revenue		24 834 675	37 674 846
Sale of goods and services		6 494 722	3 183 448
Government grants and subsidies			
PAYMENTS			
		33 616 743	40 701 984
Employee Cost		19 475 847	19 217 124
Supplies		13 997 501	21 397 278
Interest paid		143 395	87 582
NET CASH FROM OPERATIONS	16	6 131 779	8 042 353
CASH FLOW FROM INVESTING ACTIVITIES			
Net change to property, plant and equipment	13	(5 088 181)	(10 052 369)
Proceeds from sale of long-term receivables from exchange transactions		100 270	172 943
Non cash items		-	(9 974)
		(4 987 911)	(9 889 400)
CASH FLOW FROM FINANCING ACTIVITIES			
Movement in long term-liabilities		(188 258)	(2 480 285)
Net cash flows of discontinued operations		-	4 028 839
Other non cash item - Capital outlay		(63 322)	(1 188 119)
NET CASH FLOW USED IN FINANCING ACTIVITIES		(251 580)	360 435
Net change in cash and cash equivalents		892 288	(1 486 612)
Cash and cash equivalents at 1 July		8 203 709	9 690 321
CASH AND CASH EQUIVALENTS AT 30 JUNE	11	9 095 997	8 203 709

The accounting policies on pages 11 to 22 and the notes on pages 23 to 28 form an integral part of the annual financial statements.

THE MUNICIPALITY OF OMARURU**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 the International Public Sector Accounting Standards (IPSAS), issued by the International Public Sector Accounting Standards Board and in accordance with Section 87 of the Local Authorities Act, 1992 (Act No. 23 of 1992) as amended. The Municipality of Omaruru adopted accrual basis International Public Sector Accounting Standards (IPSASs) on 01 July 2019, having previously prepared its financial statements using the Circular D3 format in accordance with a directive of the Auditor-General. In the adoption of the accrual basis IPSASs, the Council has elected to utilize some of the transitional exemptions as permitted by IPSAS 33, "First Time Adoption of Accrual Basis of IPSASs".

Some of the transitional exemptions utilized may have an effect the fair presentation of the financial statements including compliance with accrual basis IPSASs, as such the Council may not assert full compliance with the accrual basis IPSASs. During the transitional period the financial statements will be known as the "Transitional IPSAS Financial Statements". The financial statements will contain disclosures and reconciliations that are intended to provide sufficient and relevant information to the users of the financial statements.

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 IPSASs 3.

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

These accounting policies are consistent with the previous period, except for those set in note 32 First Time Adoption of IPSASs.

THE MUNICIPALITY OF OMARURU
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020
(Continued)

1.1 Presentation currency

These annual financial statements are presented in Namibian Namibia Dollar, which is the functional currency of the entity.

1.2 Revenue from non-exchange transactions

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

Recognition

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

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

Measurement

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

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

Transfers

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

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

THE MUNICIPALITY OF OMARURU
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020
(Continued)

1.2 Revenue from non-exchange transactions (continued)

Debt forgiveness and assumption of liabilities

The entity recognise revenue in respect of debt forgiveness when the former debt no longer meets the definition of a liability or satisfies the criteria for recognition as a liability, provided that the debt forgiveness does not satisfy the definition of a contribution from owners.

Revenue arising from debt forgiveness is measured at the carrying amount of debt forgiven.

Fines

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

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

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

Bequests

Bequests that satisfy the definition of an asset are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the entity, and the fair value of the assets can be measured reliably.

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the entity and the fair value of the assets can be measured reliably.

Services in-kind

Services in-kind are not recognised.

1.3 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

THE MUNICIPALITY OF OMARURU
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020
(Continued)

1.3 Revenue from exchange transactions (continued)

Measurement

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

Sale of goods

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.

Rendering of services

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

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

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

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

THE MUNICIPALITY OF OMARURU
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020
(Continued)

1.3 Revenue from exchange transactions (continued)

Rendering of services

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

Interest, royalties and dividends

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

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

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

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

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

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

1.4 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one reporting period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the entity; and
- the cost or fair value of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

**THE MUNICIPALITY OF OMARURU
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020
(Continued)**

1.4 Property, plant and equipment (continued)

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

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

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or assets, or a combination of assets and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

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

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

Item	Average useful life (years)
Land	Infinite
Buildings	25 - 50
Leasehold property	5 - 10
Plant and machinery	5 - 10
Furniture and fixtures	5 - 10
Motor vehicles	5 - 10
Office equipment	5 - 10
IT equipment	3 - 5
Computer software	5
Infrastructure	15 - 50
Bins and containers	10
Water network	15 - 25

THE MUNICIPALITY OF OMARURU
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020
(Continued)

1.4 Property, plant and equipment (continued)

The residual value, the useful life and depreciation method of each asset are reviewed at least at of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

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

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

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

Property, plant and equipment which the entity holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. These assets are not accounted for as non-current assets held for sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

1.5 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or collectability.

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

**THE MUNICIPALITY OF OMARURU
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020
(Continued)**

1.5 Financial instruments (continued)

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

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

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

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses.

The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of IPSAS on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
 - receive cash or another financial asset from another entity; or
 - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

THE MUNICIPALITY OF OMARURU
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020
(Continued)

1.5 Financial instruments (continued)

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

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

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

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

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

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

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

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

THE MUNICIPALITY OF OMARURU
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020
(Continued)

1.5 Financial instruments (continued)

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

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

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
 - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
 - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
 - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
 - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

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
Trade debtors	Financial asset measured at amortised cost
Other receivables	Financial asset measured at amortised cost

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

THE MUNICIPALITY OF OMARURU
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020
(Continued)

1.5 Financial instruments (continued)

Class	Category
GRN Loan non-current portion	Financial liability measured at amortised cost
GRN Loan - Instalment over due	Financial liability measured at amortised cost
GRN Loan - current portion of long term liabilities	Financial liability measured at amortised cost

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

Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The entity measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value].

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.

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

THE MUNICIPALITY OF OMARURU
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020
(Continued)

1.5 Financial instruments (continued)

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an entity calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

Reclassification

The entity does not reclassify a financial instrument while it is issued or held unless it is:

- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

Where the entity cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined instrument at fair value. This requires a reclassification of the instrument from amortised cost or cost to fair value.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the entity reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from cost to fair value.

THE MUNICIPALITY OF OMARURU
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020
(Continued)

1.5 Financial instruments (continued)

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

The entity assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

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 directly OR 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 directly OR 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.

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

THE MUNICIPALITY OF OMARURU
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020
(Continued)

1.5 Financial instruments (continued)

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity:
 - derecognise the asset; and
 - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

If the entity transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognise either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

THE MUNICIPALITY OF OMARURU
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020
(Continued)

1.5 Financial instruments (continued)

Financial assets

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continues to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the entity recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a 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, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of IPSAS on Revenue from Non-exchange Transactions (Taxes and Transfers).

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Dividends or similar distributions relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

THE MUNICIPALITY OF OMARURU
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020
(Continued)

1.5 Financial instruments (continued)

Presentation

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Distributions to holders of residual interests are debited by the entity directly to net assets, net of any related income tax benefit [where applicable]. Transaction costs incurred on residual interests is accounted for as a deduction from net assets, net of any related income tax benefit [where applicable].

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability.

1.6 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

1.7 Borrowing costs

It is inappropriate to capitalise borrowing costs when, and only when, there is clear evidence that it is difficult to link the borrowing requirements of an entity directly to the nature of the expenditure to be funded i.e. capital or current.

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

1.8 Related parties

The entity operates in an economic sector currently dominated by entities directly or indirectly owned by the Namibia Government. As a consequence of the constitutional independence of the three spheres of government in Namibia, only entities within the national sphere of government are considered to be related parties.

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

THE MUNICIPALITY OF OMARURU
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020
(Continued)

1.9 Budget information

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

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

The approved budget covers the fiscal period from 01/07/2019 to 30/06/2020.

1.10 Significant judgements and sources of estimation uncertainty

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

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

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

Available-for-sale financial assets

The entity follows the guidance of IAS 39 to determine when an available-for-sale financial asset is impaired. This determination requires significant judgment. In making this judgment, the entity evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

Allowance for slow moving, damaged and obsolete stock

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

**THE MUNICIPALITY OF OMARURU
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020
(Continued)**

1.10 Significant judgements and sources of estimation uncertainty (continued)

Useful lives of waste and water network and other assets

The entity's management determines the estimated useful lives and related depreciation charges for the waste water and water networks. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

Allowance for doubtful debts

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

1.11 Turnover

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

1.12 Investment income

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

1.13 Going concern assumption

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

1.14 Investments in associates

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

THE MUNICIPALITY OF OMARURU
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE
(Continued)

2. REVENUE

	2020	2019
	N\$	Restated
	N\$	N\$
Service charges	14 251 256	15 710 870
Rendering of services	13 853 619	17 349 730
Rental of facilities and equipment.	515 429	563 486
Interest received (Trading)	2 727 164	2 270 610
Licences and permits	209 987	201 377
Municipal revenue UD2	342 757	347 718
Miscellaneous revenue	96 571	2 565 507
Commissions received	41 386	37 520
Other income	1 498 340	1 363 720
Property rates	8 419 125	7 886 043
Transfers from other Government entities	5 770 884	2 399 169
Fines penalties and levies	723 838	784 279
	48 450 356	51 480 029

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

Service charges	14 251 256	15 710 870
Rendering of services	13 853 619	17 349 730
Rental of facilities and equipment.	515 429	563 486
Interest received (Trading)	2 727 164	2 270 610
Licences and permits	20 987	201 377
Municipal revenue UD2	342 757	347 718
Miscellaneous revenue	96 571	2 565 507
Commissions received	41 386	37 520
Other income	1 498 340	1 363 720
	33 536 509	40 410 538

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

Property rates	8 419 125	7 886 043
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Transfer revenue

Transfers from other Government entities	5 770 884	2 399 169
Fines penalties and levies	723 838	784 279
	14 913 847	11 069 491

THE MUNICIPALITY OF OMARURU
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE
(Continued)

3. PROPERTY RATES	2020	2019
		Restated
	N\$	N\$
Rates received		
Property rates and taxes	8 419 125	7 886 043
4. TRANSFER FROM OTHER GOVERNMENT ENTITIES		
Operating grants		
NATIS operating expense claim	483 394	747 147
Government operating grant	3 133 186	-
Road Fund Authority grant	2 154 304	1 652 022
Capital grants	5 770 884	2 399 169
Conditional and Unconditional		
Included in above are the following grants and subsidies received:		
Unconditional grants received	5 770 884	2 399 169
5. SERVICE CHARGES		
Sale of water	8 439 925	10 174 461
Sewerage and sanitation charges	3 759 908	3 611 365
Refuse removal	2 051 423	1 925 044
	14 251 256	15 710 870
6. RENTAL OF FACILITIES AND EQUIPMENT		
Rental of municipal facilities income - third party	514 707	562 374
Equipment rental income	722	1 112
	515 429	563 486
7. INTEREST RECEIVED (TRADING)		
Interest on debtors' accounts	2 649 526	2 270 610
Interest on short term deposits	77 638	-
	2 727 164	2 270 610

THE MUNICIPALITY OF OMARURU
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE
(Continued)

8. EMPLOYEE RELATED COST	2020	2019
	-	Restated
	N\$	N\$
Basic	8 548 537	8 564 108
Medical aid - company contributions	1 853 794	1 620 365
Workmen's Compensation Fund	46 398	45 851
Social Security Contributions	377 547	657 829
Leave pay provision charge	198 923	46 024
Cell phone and air time allowance	738 852	842 233
Defined contribution plans	1 834 145	1 786 335
Travel, motor car, accommodation, subsistence and other allowances	12 570	25 479
Overtime payments	696 198	564 046
13th Cheques	690 914	677 494
Transport allowance	977 148	980 556
Housing benefits and allowances	2 870 026	2 795 417
Employee insurance cover	44 800	44 480
Provision for severance pay	17 072	-
	18 906 924	18 650 217

THE MUNICIPALITY OF OMARURU
 NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE
 (Continued)

9. GENERAL EXPENSES	2020	2019
	N\$	Restated N\$
Advertising	285 161	221 861
Bank charges	132 556	121 705
Cleaning	5 712	7 677
Computer expenses	22 355	2 850
Consulting and professional fees	306 867	518 422
Consumables	240 716	63 907
Entertainment	123 588	91 700
Insurance	156 963	205 785
IT expenses	240 122	276 844
Lease rentals on operating lease	45 658	67 223
Promotions and sponsorships	478 419	632 047
Levies	264 362	533 482
Motor vehicle expenses	613 258	427 991
Fuel and oil	712 230	661 117
Postage and courier	136 836	115 120
Printing and stationery	143 394	119 218
Promotions	58 150	10 700
Protective clothing	69 617	49 928
Security (Guarding of municipal property)	725 485	646 123
Subscriptions and membership fees	115 913	98 938
Telephone and fax	343 581	120 864
Training	36 389	28 798
Travel – local	380 646	431 823
Uniforms	11 776	12 667
Expense 3	7 355 220	12 238 566
Expense 8	16 783	536
Other expenses	913 139	854 220
Water treatment expenses	2 022 509	2 931 367
	15 957 405	21 491 479

THE MUNICIPALITY OF OMARURU
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE
(Continued)

	2020	2019
	N\$	Restated N\$
10. OTHER REVENUE		
Commissions received	41 386	37 520
Other income	1 498 340	1 363 720
	1 539 726	1 401 240
11. CASH AND BANK BALANCES		
Cash and cash equivalents consist of:		
Bank balances	8 174 490	789 473
Short-term deposits	921 507	7 414 236
	9 095 997	8 203 709
12. RECEIVABLES FROM EXCHANGE TRANSACTIONS		
Trade debtors	6 322 340	4 879 025
Student loans	192 715	176 800
	6 515 055	5 055 825
Reconciliation of provision for impairment of trade and other receivables		
Opening balance	32 114 564	15 127 929
Provision for impairment	7 567 266	16 986 635
	39 681 830	32 114 564

THE MUNICIPALITY OF OMARURU
 NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE
 (Continued)

13. PROPERTY, PLANT AND EQUIPMENT

	2020			2019		
	Cost	Accumulated Depreciation	Carrying Amount	Cost	Accumulated Depreciation	Carrying Amount
	N\$	N\$	N\$	N\$	N\$	N\$
Infrastructure						
Town planning	73 866 218	19 431 754	54 434 464	73 323 798	15 982 912	57 340 886
Buildings	11 938 488	3 101 045	8 837 443	9 555 172	2 605 345	6 949 827
Office furniture	3 676 568	853 171	2 823 397	3 548 040	666 067	2 881 973
Vehicles	3 344 420	1 848 315	1 496 105	3 344 420	1 662 912	1 681 508
Plant	688 473	90 765	597 708	688 473	86 547	601 926
Tools and equipment	96 452	69 134	27 318	82 201	24 111	58 090
Siding and erven	752 830	3 412	749 418	752 830	2 332	750 498
Assets under construction	2 019 667	-	2 019 667	-	-	-
	96 383 116	25 397 596	70 985 520	91 294 934	21 030 226	70 264 708

PROPERTY, PLANT AND EQUIPMENT CAN BE RECONCILED AS FOLLOWS

	Carrying value beginning of year	Transfers	Additions	Depreciation	Carrying value end of year
	N\$	N\$	N\$	N\$	N\$
2020					
Infrastructure Town planning	57 340 886	-	542 420	(3 448 842)	54 434 464
Buildings	6 949 827	-	2 383 316	(495 700)	8 837 443
Office furniture	2 881 973	-	128 528	(187 104)	2 823 397
Vehicles	1 681 508	-	-	(185 403)	1 496 105
Plant	601 926	-	-	(4 218)	597 708
Tools and equipment	58 090	-	14 250	(45 022)	27 318
Siding and erven	750 498	-	-	(1 080)	749 418
Assets under construction	-	-	2 019 667	-	2 019 667
	70 264 708	-	5 088 181	(4 367 369)	70 985 520

THE MUNICIPALITY OF OMARURU
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020
(Continued)

13. PROPERTY, PLANT AND EQUIPMENT (continued)

PROPERTY, PLANT AND EQUIPMENT CAN BE RECONCILED AS FOLLOWS

2019

	Carrying value beginning of year	Transfers	Additions	Depreciation	Carrying value end of year
	N\$	N\$	N\$	N\$	N\$
Infrastructure town planning	53 587 774	-	8 159 392	(4 406 280)	57 340 886
Buildings	7 270 843	-	-	(321 016)	6 949 827
Office furniture	1 264 631	-	1 892 977	(275 635)	2 881 973
Vehicles	1 913 217	-	-	(231 709)	1 681 508
Plant	606 612	-	-	(4 686)	601 926
Tools and equipment	62 645	-	-	(4 555)	58 090
Siding and erven	751 634	-	-	(1 136)	750 498
	65 457 356	-	10 052 369	(5 245 017)	70 264 708

14. INVESTMENTS

	2020	2019
	N\$	Restated N\$
% Holding		
2020		
1.00%		
Equity - Erongo RED	6 225 100	6 225 100

15. PAYABLES UNDER EXCHANGE TRANSACTIONS

Trade payables	4 655 981	3 207 883
Other payables 2	1 922 196	1 617 525
Accrued leave pay	2 164 245	1 965 322
Accrued provision for severance	1 676 446	1 659 374
Deposits received	1 142 772	1 057 137
	11 561 640	9 507 241

THE MUNICIPALITY OF OMARURU
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE
(Continued)

	2020	2019
	N\$	Restated N\$
16. CASH GENERATED BY OPERATIONS		
Net operating surplus/(deficit)	931 620	(12 066 564)
ADJUSTMENTS FOR		
Depreciation and amortisation expense	4 367 370	5 245 017
Debt impairment	7 567 266	16 986 635
CHANGES IN WORKING CAPITAL		
Inventories	(87 042)	30 504
Receivables from exchange transactions	(1 459 230)	15 767 271
Debt Impairment	(7 567 266)	(16 986 635)
Payables under exchange transactions	2 054 399	582 453
VAT	324 662	(1 516 328)
CASH GENERATED BY OPERATIONS	6 131 779	8 042 353

17. FIRST TIME ADOPTION OF IPSAS

The entity has applied IPSAS 1, First-time adoption of International Financial Reporting Standards, to provide a starting point for the reporting under International Reporting and Accounting Standards. On principle these standards have been applied retrospectively and the 2019 comparatives contained in these annual financial statements differ from those published in the annual financial statements published for the year ended 30 June 2020.