



**REPUBLIC OF NAMIBIA**



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

# **MUNICIPALITY OF TSUMEB**

**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 Tsumeb 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.

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

**JUNIAS ETUNA KANDJEKE  
AUDITOR-GENERAL**

**WINDHOEK, August 2022**



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

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**1. ADVERSE OF AUDIT OPINION**

I have audited the financial statements of the Tsumeb Municipality for the financial year ended 30 June 2020 provided by the Accounting officer as attached in Annexure A-E. These financial statements comprise the Statement of Financial Position, Statement of Financial Performance, Statement of changes in Net Assets, Statement of Cash flow and Notes to the annual financial statements for the year then ended including a summary of significant accounting policies.

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Audit Opinion paragraph, the financial statements do not present fairly, in all material respects, the financial position of the Tsumeb Municipality and its financial performance and cash flow for the year then ended in accordance with the International Public Sector Accounting Standards (IPSAS).

**2. BASIS FOR ADVERSE OF AUDIT 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 my 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. An adverse audit opinion is being expressed due to the following:

**2.1 FIXED ASSET REGISTER**

The auditors were unable to establish the accuracy, validity, physical existence, and condition of the Property, Plant, and Equipment, which had a net book value of N\$ 79 379 051 (2020). This was due to the Municipality of Tsumeb failing to provide the auditors with a fixed asset register. The Municipality did not disclose its open lands in the fixed asset register.

**2.2 BAD DEBT, TRADE RECEIVABLES**

There is no provision for impairment of trade receivables stated in the financial statements. The age analysis for trade receivables reflects an amount of N\$ 143 486 705, and the financial statements reflect an amount of N\$ 17 403 463. There is difference of N\$ 126 083 242 which could not be explained by the Municipality.

### **2.3 COMPLIANCE WITH APPLICABLE FINANCIAL REPORTING STANDARDS**

These financial statements do not comply with the IPSAS statement regarding the following;

IPSAS 1- Presentation of Financial Statements, specifies minimum line items to be presented on the face of the statement of financial position, statement of financial performance, and statement of changes in net assets/equity, and includes guidance for identifying additional line items, headings, and subtotals.

### **2.4 LONG- TERM LOANS**

No long-term loan summary, amounted to N\$ 6 789 529, or any documentation were available for audit purposes. No documentation for the provision of arrear Government loans included in current liabilities, N\$ 29 967 107, were available for audit purposes.

### **2.5 FUNDS**

No split between the Fixed Property Fund and Housing Funds, of N\$ 50 109 704, were disclosed in the financial statements.

### **2.6 CASH FLOW STATEMENT**

According to IPSAS 2, the auditors could not verify the cash flow statement because they could not identify the sources of cash inflows and the items on which cash was expended during the reported period.

### **2.7 OPENING BALANCES/COMPARATIVES**

The auditors noted that the opening balances/comparatives figures for the prior year were changed without any proper explanations; therefore no reliance can be placed on the current year figures reported.

## **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 the Municipality of Tsumeb.

## **4. OTHER INFORMATION**

Management is responsible for the other information. My opinion on the financial statements does not cover the other information and, accordingly, do not express any form of assurance conclusion thereon.

In connection with my 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 my knowledge obtained in the audit or otherwise appears to be materially misstated.

## **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 International Public Sector Accounting (IPSAS) and legislations for such internal control as management determines 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 of 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 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 the International Standards for Supreme Audit Institutions (ISSAIs), will always detect a material misstatement when it exists. Misstatements 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 of users taken on the basis of these financial statements.

As part of an audit in accordance with the 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 uses and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence, obtained, 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 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 my 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 of 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 my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

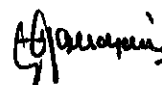
## **7. REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS (COMPLIANCE)**

The financial statements were submitted later than required by the Accounting Officer to the Auditor-General on 15 January 2021 instead of three months after the financial year-end in terms of Section 87 of the Local Authorities Act, 1992 (Act No. 23 of 1992).

## **8. ACKNOWLEDGEMENT**

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

WINDHOEK, August 2022



**JUNIAS ETUNA KANDJEKE  
AUDITOR-GENERAL**



## ANNEXURE A

**MUNICIPALITY OF TSUMEB**  
**STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE**

		<b>2020</b>	<b>2019</b>
	Note	N\$	N\$
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
		<b>47 120 364</b>	<b>26 932 709</b>
Cash and cash equivalents	11	22 619 548	6 572 937
VAT receivable		1 832 770	4 695 662
Receivables from exchange transactions	12	22 107 758	15 049 376
Inventories		560 288	614 734
<b>NON-CURRENT ASSETS</b>			
		<b>134 660 291</b>	<b>141 168 650</b>
Property, plant and equipment	13	79 379 051	82 352 858
Investments	14	55 281 240	58 815 792
<b>TOTAL ASSETS</b>		<b>181 780 655</b>	<b>168 101 359</b>
<b>EQUITY AND LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
		<b>50 811 176</b>	<b>56 467 456</b>
Bank Overdraft	11	2 421 087	3 692 747
Payables under exchange transactions	15	42 647 563	40 455 204
Payables under non-exchange transactions		5 742 526	4 944 201
Unspent unconditional grants and receipts		-	7 375 304
<b>NON-CURRENT LIABILITIES</b>			
External loans	18	6 789 529	10 036 816
<b>TOTAL LIABILITIES</b>		<b>57 600 705</b>	<b>66 504 272</b>
<b>FUNDS</b>			
		<b>124 179 950</b>	<b>101 597 087</b>
Fixed Property Fund and Housing Funds		50 109 704	41 920 336
Accumulated surplus		74 070 246	63 136 220
<b>TOTAL FUNDS AND LIABILITIES</b>		<b>181 780 655</b>	<b>168 101 359</b>

## ANNEXURE B

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

		<b>2020</b>	<b>2019</b>
	Note	N\$	N\$
<b>REVENUE FROM NON - EXCHANGE TRANSACTIONS</b>	<b>2</b>	<b>27 414 389</b>	<b>19 131 798</b>
<b>TAXATION REVENUE</b>			
Property rates	3	12 797 655	12 149 471
Property rates - Penalties imposed	3	20 000	76 000
<b>TRANSFER REVENUE</b>			
Transfers from other Government entities	4	7 171 533	-
Electricity surcharges		5 696 135	6 180 152
Transfers from other Government agencies		1 729 066	726 175
<b>REVENUE FROM EXCHANGE TRANSACTIONS</b>	<b>2</b>	<b>72 168 755</b>	<b>73 466 907</b>
Sale of goods		8 640	9 920
Service charges	5	68 207 468	63 261 628
Rendering of services		1 112 911	1 159 358
Rental of facilities and equipment	6	1 919 609	1 885 571
Interest received		668	524
Dividends or similar distributions received		504 000	-
Miscellaneous revenue		415 459	391 392
Fair value adjustments		-	6 758 514
<b>TOTAL REVENUE</b>		<b>99 583 144</b>	<b>92 598 705</b>
<b>EXPENSES</b>			
Employee Cost	7	41 948 145	40 811 086
Remuneration of Councilors	8	592 122	322 724
Depreciation and amortisation expenses		9 553 934	2 990 401
Debt impairment		3 958 667	77 504 594
Repairs and maintenance		2 217 544	2 830 955
Contracted services		1 024 624	1 014 189
General expenses	9	25 790 181	26 177 208
Interest paid		29 349	3 306
Impairment loss on equity investment		3 534 552	-
<b>TOTAL EXPENSES</b>		<b>88 649 118</b>	<b>151 654 463</b>
<b>SURPLUS FOR THE YEAR</b>		<b>10 934 026</b>	<b>(59 055 758)</b>

## MUNICIPALITY OF TSUMEB

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

	Other NDR	Capitalisation	Total reserves	Accumulated	Total
	N\$	reserve	N\$	Surplus	N\$
<b>BALANCE AT 01 JULY 2018</b>	<b>75 589 369</b>	<b>65 169 145</b>	<b>140 758 514</b>	<b>118 732 509</b>	<b>259 491 023</b>
Changes in net assets/equity					
Surplus/(deficit) for the year	-	-	-	(59 055 758)	(59 055 758)
Direct adjustments to equity	(33 669 033)	(65 169 145)	(98 838 178)	-	(98 838 178)
Total changes	(33 669 033)	(65 169 145)	(98 838 178)	(59 055 758)	(157 893 936)
<b>BALANCE AT 01 JULY 2019</b>	<b>41 920 336</b>	<b>-</b>	<b>41 920 336</b>	<b>63 136 220</b>	<b>105 056 556</b>
Surplus/(deficit) for the year	-	-	-	10 934 026	10 934 026
Other direct adjustments to equity	8 189 368	-	8 189 368	-	8 189 368
Total changes	8 189 368	-	8 189 368	10 934 026	19 123 394
<b>BALANCE AT 30 JUNE 2020</b>	<b>50 109 704</b>	<b>-</b>	<b>50 109 704</b>	<b>74 070 246</b>	<b>124 179 950</b>

## ANNEXURE D

**MUNICIPALITY OF TSUMEB**  
**STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE**

	Note	2020 N\$	2019 N\$
<b>Cash flows from operating activities</b>		<b>15 743 199</b>	<b>13 269 159</b>
Surplus/(deficit)		10 934 026	(59 055 758)
<b>Adjustments for:</b>			
Depreciation and amortisation expense		9 553 934	2 990 401
Fair value adjustments		3 534 552	(6 758 514)
Impairment deficit		3 958 667	77 504 594
<b>Changes in working capital</b>			
Inventories		54 446	(276 825)
Receivables from exchange transactions		(11 017 049)	(7 846 191)
Consumer debtors adjustments		246 348	-
Payables under exchange transactions		2 192 362	880 181
VAT		2 862 892	(454 415)
Taxes and transfers payable (non-exchange)		798 325	4 944 201
Unspent unconditional grants and receipts		(7 375 304)	1 341 485
<b>Cash flow from investing activities</b>			
Purchases of property, plant and equipment	13	(6 580 127)	(6 568 963)
<b>Cash flow from financing activities</b>		<b>8 155 198</b>	<b>1 343 777</b>
Movement in external loans		(3 247 287)	(4 099 951)
Finance lease payments		3 213 117	-
Movements due to changes in accounting policies		-	(93 394 450)
Movement in Funds		8 189 368	98 838 178
<b>Net increase /(decrease) in cash and cash equivalents</b>		<b>17 318 270</b>	<b>8 043 973</b>
Cash and cash equivalents in the beginning of the year		2 880 191	(5 163 782)
<b>Cash and cash equivalents at the end of the year</b>	11	<b>20 198 461</b>	<b>2 880 191</b>

**TSUMEB MUNICIPLITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED**  
**30 JUNE**

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## **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 in accordance with Section 87 of the Local Authorities Act, No 23 of 1992 as amended.

Some of the transitional exemptions utilized may have an effect on the fair presentation of the financial statements, as well as compliance with the accrual basis IPSASs. Because of these matters, the municipality may not therefore assert full compliance with the accrual basis IPSASs. During the transitional period, the financial statements will be known as, 'Transitional IPSASs Financial Statements'. Certain disclosures and reconciliations may be required 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 Namibian 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 paragraphs 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.

These accounting policies are consistent with the previous period.

#### **1.1 Presentation currency**

These annual financial statements are presented in 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.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

**TSUMEB MUNICIPLITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED**  
**30 JUNE (Continued)**

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**1.2 Revenue from non-exchange transactions(continued)**

Control of an asset arise when the entity can use or otherwise benefit from the asset in pursuit of its objective and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulations, or binding arrangements, imposed upon the use of a transferred asset by entities external to the reporting entity.

**Gifts and donations, including goods in-kind**

Gifts and donations, including good 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.

**TSUMEB MUNICIPLITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED**  
**30 JUNE (Continued)**

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### **1.3 Revenue from exchange transactions**

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

Services in-kind are not recognised.

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.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

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.

#### **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.

**TSUMEB MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED**  
**30 JUNE (Continued)**

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**1.3 Revenue from exchange transactions(continued)**

**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

**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.



**TSUMEB MUNICIPLITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED**  
**30 JUNE (Continued)**

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#### **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 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 items fair value was not determinable, its 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:

**TSUMEB MUNICIPLITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED**  
**30 JUNE (Continued)**

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**1.4 Property, plant and equipment (continued)**

Item	Average useful life
Land	Infinity
Buildings	20 - 50
Leasehold property	20
Plant and machinery	10
Furniture and fixtures	10
Motor vehicles	5
Office equipment	10
IT equipment	5
Computer software	5
Infrastructure	15 - 25
Bins and Containers	10
Tools and loose gear	5
Wastewater network	15 - 25

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 the 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 losses arising from derecognition 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 derecognition 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.

**TSUMEB MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED**  
**30 JUNE(Continued)**

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**1.4 Property, plant and equipment (continued)**

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 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.

**Operating leases - lessor**

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

**1.6 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 uncollectibility.

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

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.

**TSUMEB MUNICIPLITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED**  
**30 JUNE (Continued)**

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**1.6 Financial instruments(continued)**

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 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

**TSUMEB MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED**  
**30 JUNE (Continued)**

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**1.6 Financial instruments(continued)**

- exchange financial assets or financial liabilities with another entity under conditions that are potentially favorable to the entity.

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 unfavorable 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.

**TSUMEB MUNICIPLITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED**  
**30 JUNE (Continued)**

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**1.6 Financial instruments(continued)**

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.

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

**TSUMEB MUNICIPLITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED**  
**30 JUNE (Continued)**

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**1.6 Financial instruments(continued)**

- 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 of 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:

<b>Class</b>	<b>Category</b>
Trade debtors	Financial asset measured at amortised cost
Housing loans	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost
Bank balances	Financial asset measured at amortised cost
Investments in associates	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:

<b>Class</b>	<b>Category</b>
Government Loans	Financial liability measured at amortised cost
Hire Purchase agreements	Financial liability measured at amortised cost
Trade creditors and other payables	Financial liability measured at amortised cost
Bank overdraft	Financial liability measured at fair value

**TSUMEB MUNICIPLITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED**  
**30 JUNE (Continued)**

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## **1.6 Financial instruments(continued)**

### **Initial recognition**

The entity recognises a financial asset or a financial liability on 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.



**TSUMEB MUNICIPLITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED**  
**30 JUNE(Continued)**

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**1.6 Financial instruments (continued)**

**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.

**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.

**TSUMEB MUNICIPLITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED**  
**30 JUNE (Continued)**

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**1.6 Financial instruments(continued)**

**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 for a similar financial asset. Such impairment losses are not reversed.

**TSUMEB MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED**  
**30 JUNE (Continued)**

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**1.6 Financial instruments (continued)**

**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.

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.

**TSUMEB MUNICIPLITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED**  
**30 JUNE (Continued)**

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### **1.7 Inventories**

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, and 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.

Inventories are measured at the lower of cost and current replacement cost where they are held for:

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

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

### **1.8 Provisions and contingencies**

Provisions are recognised when:

- the entity has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

#### **Decommissioning, restoration and similar liability**

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

**TSUMEB MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED**  
**30 JUNE (Continued)**

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**1.9 Employee benefits**

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

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

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

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

Vested employee benefits are employee benefits that are not conditional on future employment.

**Short-term employee benefits**

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

Short-term employee benefits include items such as:

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

**TSUMEB MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED**  
**30 JUNE (Continued)**

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**1.9 Employee benefits (continued)**

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

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

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measures the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

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

**Post-employment benefits**

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

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

**TSUMEB MUNICIPLITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED**  
**30 JUNE (Continued)**

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### **1.9 Employee benefits(continued)**

#### **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.

When an employee has rendered service to the entity during a reporting period, the entity recognises the contribution payable to a defined contribution plan in exchange for that service:

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

#### **Other post retirement obligations**

The municipality provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

#### **Termination benefits**

The entity recognises termination benefits as a liability and an expense when the entity is demonstrably committed to either:

- terminate the employment of an employee or group of employees before the normal retirement date; or

### **1.10 Borrowing costs**

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

**TSUMEB MUNICIPLITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED**  
**30 JUNE (Continued)**

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**1.11 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.

**1.12 Significant judgments 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 judgment 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.

**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.

**Fair value estimation**

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

**Provisions**

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



**TSUMEB MUNICIPLITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED**  
**30 JUNE (Continued)**

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**1.13 Significant judgments and sources of estimation uncertainty(continue)**

**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 in industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

**Post-retirement benefits**

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

**Allowance of 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.

**1.14 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.

**1.15 Investment income**

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

**1.16 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.

**1.17 Investments in associates**

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

**TSUMEB MUNICIPLITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED**  
**30 JUNE (Continued)**

	<b>2020</b>	<b>2019</b>
	N\$	N\$
<b>2. REVENUE FROM EXCHANGE TRANSACTIONS</b>	<b>72 168 755</b>	<b>73 466 907</b>
Sale of goods	8 640	9 920
Service charges	68 207 468	63 261 628
Rendering of services	1 112 911	1 159 358
Rental of facilities and equipment	1 919 609	1 885 571
Interest received	668	524
Dividends or similar distributions received	504 000	-
Miscellaneous revenue	415 459	391 392
Fair value adjustments	-	6 758 514
<b>REVENUE FROM NON - EXCHANGE TRANSACTIONS</b>	<b>27 414 389</b>	<b>19 131 798</b>
<b>TAXATION REVENUE</b>		
Property rates	12 797 655	12 149 471
Property rates - Penalties imposed	20 000	76 000
<b>TRANSFER REVENUE</b>		
Transfers from other Government entities	7 171 533	-
Electricity surcharges	5 696 135	6 180 152
Transfers from other Government agencies	1 729 066	726 175
<b>3. PROPERTY RATES</b>	<b>12 817 655</b>	<b>12 225 471</b>
Property rates	12 797 655	12 149 471
Property rates - Penalties imposed	20 000	76 000
<b>4. TRANSFERS FROM OTHER GOVERNMENT ENTITIES</b>	<b>7 171 533</b>	<b>7 375 304</b>
Unconditional Government grant	7 171 533	-
Unspent Government grant	-	7 375 304

**TSUMEB MUNICIPLITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED**  
**30 JUNE(Continued)**

	<b>2020</b>	<b>2019</b>
	N\$	N\$
<b>5. SERVICE CHARGES</b>	<b>68 207 468</b>	<b>63 261 628</b>
Service charges	51 625	52 679
Sale of electricity	2 296	2 296
Sale of water	37 435 602	33 931 015
Sewerage and sanitation charges	15 560 256	14 746 959
Refuse removal	15 157 689	14 528 679
<b>6. RENTAL OF FACILITIES AND EQUIPMENT</b>	<b>1 919 609</b>	<b>1 885 571</b>
Rental of municipal facilities	139 224	145 164
Rental of municipal houses	1 780 385	1 740 407
<b>7. EMPLOYEE RELATED COST</b>	<b>41 948 145</b>	<b>40 811 086</b>
Basic	23 000 446	22 606 283
Bonus	181 064	173 271
Medical aid - Municipal contributions	3 938 722	3 477 142
Social security contributions	113 926	112 746
Leave pay provision charge	1 645 973	1 181 682
Defined contribution plans	4 540 538	4 359 802
Overtime payments	1 509 096	1 717 842
Car allowance	462 159	462 140
Housing benefits and allowances	5 529 853	5 304 418
Termination benefits	1 026 368	911 537
Unexplained difference	-	504 223
<b>8. REMUNERATION OF COUNCILLORS</b>	<b>592 122</b>	<b>322 724</b>
Mayor	88 910	88 910
Deputy Mayor	86 089	88 489
Councillors	417 123	145 325

**TSUMEB MUNICIPLITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED**  
**30 JUNE (Continued)**

	<b>2020</b>	<b>2019</b>
	N\$	N\$
<b>9. GENERAL EXPENSES</b>	<b>25 790 181</b>	<b>26 177 208</b>
Advertising	49 318	171 844
Assessment rates and municipal charges	639 689	607 474
Auditors remuneration	(68 167)	140 612
Bank Charges	848 467	739 346
Computer expenses	415 308	393 749
Consultation and professional fees	474 707	487 742
Consumables	784 455	285 840
Donations	1 712 446	1 775 880
Entertainment	68 431	76 269
Financial instruments - Fee expense	4 183 077	4 882 808
Insurance	374 100	364 536
Lease rentals on operating lease	79 713	56 806
Levies	251 923	252 032
Motor vehicle expenses	1 992 737	1 078 202
Pest control	27 971	1 628
Fuel and oil	2 399 919	2 330 908
Printing and stationery	122 719	125 897
Protective Clothing	164 647	146 620
Royalties and license fees	319 330	176 694
Security services	2 214 007	2 209 104
Subscriptions and membership fees	100 582	95 392
Telephone and fax	489 968	560 793
Transport and freight	40 739	28 148
Training	113 902	55 530
Travel	518 462	609 647
Electricity	6 779 573	7 931 177
Chemicals	7 844	-
Other expenses	684 314	592 530

**TSUMEB MUNICIPLITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED**  
**30 JUNE (Continued)**

	<b>2020</b>	<b>2019</b>
	N\$	N\$
<b>10. AUDITORS REMUNERATION</b>	<b>(68 167)</b>	<b>140 612</b>
Fees	(115 700)	115 700
Consulting	47 533	24 912
<b>11. CASH AND CASH EQUIVALENTS</b>	<b>20 198 461</b>	<b>2 880 190</b>
Commercials Banks	22 619 373	6 572 762
Cash on hand	175	175
Bank Overdraft	(2 421 087)	(3 692 747)
Current assets	22 619 548	6 572 937
Current liabilities	(2 421 087)	(3 692 747)
	<b>20 198 461</b>	<b>2 880 190</b>
<b>12. RECEIVABLES FROM EXCHANGE TRANSACTIONS</b>	<b>22 107 758</b>	<b>15 049 376</b>
Trade debtors	17 403 463	14 655 968
Medical aid payments received from retirees	490 500	393 408
Weatherly Mine land exchange	4 213 795	-

**TSUMEB MUNICIPALITY  
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE (Continued)**

**13. PROPERTY, PLANT AND EQUIPMENT**

	2020		2019			
	Opening balance N\$	Accumulated depreciation and accumulated impairment N\$	Carrying value N\$	Cost/valuation N\$	Accumulated depreciation and accumulated impairment N\$	Carrying value N\$
Buildings	19 401 602	(1 061 451)	18 340 151	20 077 228	(675 626)	19 401 602
Plant and machinery	6 527 018	(1 549 793)	4 977 225	7 336 460	(1 218 552)	6 117 908
Furniture and fixtures	484 841	(133 467)	351 374	518 189	(129 866)	388 323
Motor vehicles	15 681 471	(5 345 129)	10 336 342	16 274 095	(592 624)	15 681 471
Office equipment	321 946	(76 931)	245 015	362 366	(57 850)	304 516
Infrastructure	36 598 106	(1 150 375)	35 447 731	33 592 911	(219 938)	33 372 973
Other property plant and equipment	9 918 001	(236 788)	9 681 213	7 182 010	(95 945)	7 086 065
	<b>88 932 985</b>	<b>(9 553 934)</b>	<b>79 379 051</b>	<b>85 343 259</b>	<b>(2 990 401)</b>	<b>82 352 858</b>

**TSUMEB MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE (Continued)**

**13. PROPERTY, PLANT AND EQUIPMENT (continued)**  
**Reconciliation of Property, Plant and Equipment - 2020**

	Opening Balance	Additions	Transfers	Other movements	Depreciat on	Total
	N\$	N\$	N\$	N\$	N\$	N\$
Buildings	19 401 602	-	-	-	(1 061 451)	18 340 151
Plant and machinery	6 117 908	409 110	-	-	(1 549 793)	4 977 225
Furniture and fixtures	388 323	96 518	-	-	(133 467)	351 di374
Motor vehicles	15 681 471	-	-	-	(5 345 129)	10 336 342
Office equipment	304 516	17 430	-	-	(76 931)	245 015
Infrastructure	33 372 973	4 957 535	(1 732 402)	-	(1 150 375)	35 447 731
Other property, plant and equipment	7 086 065	1 099 534	1 732 402	-	(236 788)	9 681 213
	<b>82 352 858</b>	<b>6 580 127</b>	<b>-</b>	<b>-</b>	<b>(9 553 934)</b>	<b>79 379 051</b>

**ANNEXURE E**

**TSUMEB MUNICIPALITY  
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE (Continued)**

**13. PROPERTY, PLANT AND EQUIPMENT (continued)  
Reconciliation of Property, Plant and Equipment - 2019**

	Opening Balance N\$	Additions N\$	Transfers N\$	Other movements N\$	Depreciation N\$	Total N\$
Buildings	24 806 340	7 600	(4 736)	-	(675 626)	19 401 602
Plant and machinery	488 043	295 517	6 552 900	-	(1 218 552)	6 117 908
			(10 336)			
Furniture and fixtures	10 838 950	15 643	404	-	(129 866)	388 323
Motor vehicles	3 332 083	-	13 473 628	(531 616)	(592 624)	15 681 471
			(20 321)			
Office equipment	20 624 884	59 133	651	-	(57 850)	304 516
Infrastructure	19 989 038	5 817 930	7 785 943	-	(219 938)	33 372 973
Other property, plant and equipment	(773 429)	373 140	7 582 299	-	(95 945)	7 086 065
	<b>79 305 909</b>	<b>6 568 963</b>	<b>3</b>	<b>(531 616)</b>	<b>(2 990 401)</b>	<b>82 352 858</b>



**TSUMEB MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED**  
**30 JUNE (Continued)**

			<b>2020</b>	<b>2019</b>
			N\$	N\$
<b>14. INVESTMENTS IN ASSOCIATES</b>				
	%	%	<b>Carrying</b>	<b>Carrying</b>
	<b>holding</b>	<b>holding</b>	<b>amount</b>	<b>amount</b>
	<b>2020</b>	<b>2019</b>		
CENORED	12.60	12.60	55 281 240	58 815 792
<b>MOVEMENTS IN CARRYING VALUES</b>				
			<b>55 284 240</b>	<b>58 818 792</b>
Opening balance			58 818 792	58 818 792
Impairment			(3 534 552)	-
<b>15. PAYABLES UNDER EXCHANGE TRANSACTIONS</b>			<b>42 647 563</b>	<b>40 455 204</b>
Trade payables			763 106	472 864
Government loans			29 968 107	28 714 696
Workman's compensation			399 417	335 798
Accrued leave pay			3 657 267	3 396 535
Accrued severance pay			3 944 841	3 603 145
Deposits received			3 914 825	3 932 166
<b>16. PAYABLES UNDER NON-EXCHANGE TRANSACTIONS</b>				
Other payables from non-exchange transactions			5 742 526	4 944 201
<b>17. UNSPENT UNCONDITIONAL GRANTS AND RECEIPTS</b>				
Government grants			-	7 375 304

**TSUMEB MUNICIPLITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED**  
**30 JUNE (Continued)**

	<b>2020</b>	<b>2019</b>
	N\$	N\$
<b>18. EXTERNAL LOANS</b>	<b>6 789 529</b>	<b>10 036 816</b>
External loans from Government grants infrastructural services	4 623 265	5 267 980
Hire Purchases loans for trucks obtained from Wesbank	2 166 264	4 768 836

**19. FIXED PROPERTY FUND AND HOUSING FUND RESERVES**

Fixed Property Fund and Housing Funds	50 109 704	41 920 336
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**20. FIRST TIME ADOPTION OF INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS**

The entity has applied IPSAS 1, First-time adoption of international Public Sector Accounting Standards, to provide a starting point for reporting under International Reporting and Accounting Standards in 2019. 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 for the year ended 30 June 2019.