



REPUBLIC OF NAMIBIA



REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE

MUNICIPALITY OF WINDHOEK

FOR THE FINANCIAL YEARS ENDED 30 JUNE 2019 AND 2020

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 Windhoek for the financial years ended 30 June 2019 and 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, October 2021

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**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE
MUNICIPALITY OF WINDHOEK FOR THE FINANCIAL YEARS
ENDED 30 JUNE 2019 AND 2020**

1. DISCLAIMER OF OPINION:

I have audited the financial statements of the Municipality of Windhoek for the financial years ended 30 June 2019 and 2020, provided by the Accounting Officer as attached in Annexures A - E. These financial statements comprise the Statement of Financial Position, Statement of Financial Performance, Statement of Changes in Net Assets, Cash Flow Statement, Notes to Financial Statements for the year then ended, and a summary of significant accounting policies.

Because of the significance of the matters described in the Basis for Disclaimer of audit 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 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 in Namibia, 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 insufficient and inappropriate to provide a basis for my opinion.

- Property plant and equipment is overstated by N\$ 32 776 050 (2019: N\$ 33 808 607) due to differences in property (land) sizes and values between the fixed asset register and E-planner;
- No evidence that the municipality is implementing the asset management policy with regards to the classification of properties held for sale in the ordinary course of operations or in the process of construction or development for such sale as inventory. The properties held for sale by the municipality as at 30 June 2019 and 2020 are not included in inventory;
- Properties being developed by private public partnerships for sale are not included in the inventory as at 30 June 2020;
- There are unsubstantiated fund assets of N\$ 206 362 649 (2019: N\$ 177 879 230) disclosed as cash and cash equivalents in the statutory funds reconciliation that are not separable nor identifiable from the operating cash and cash equivalents of the Municipality as the funds are not held in designated bank accounts for the statutory funds;

- Bank overdraft overstated by N\$ 191 325 874 and accounts payable understated by N\$ 191 325 874 due to subsequent payments which were incorrectly recorded as payments made to suppliers at year-end;
- Incorrect accounting for income from assets contributed in the public private partnership agreements for infrastructure. Management created a liability instead of recognising income;
- No information systems audits performed for the past five years on E-Venus, CRS system for payroll and TCS system for fines;
- There is material uncertainty on the commercial insolvency of the Municipality in the foreseeable future, as at 30 June 2020, the Municipality's current liabilities of N\$ 2 303 226 452 (2019: N\$ 2 351 060 468) exceed its current assets of N\$ 1 064 015 671 (2019: N\$ 1 044 225 969) by N\$ 1 259 496 809 (2019: N\$ 1 306 834 499). The Municipality also incurred a deficit of N\$ 103 309 620 (2019: N\$ 401 743 342). Thus, there is commercial solvency risk on the ability of the Municipality to settle its creditors in the normal course of business;
- Legal cases involving the Municipality with a probable loss amounting to N\$ 123 954 191 for 2019 and 2020 as confirmed by the Municipality's lawyers were not disclosed in the annual financial statements; and
- The annual financial statements submitted did not meet the requirements of the International Public Sector Accounting Standards regarding the disclosure of variance analysis and accounting policy notes.

3. 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 Section 86 of the Local Authorities Act, 1992 (Act 23 of 1992), International Public Sector Accounting Standards (IPSAS), 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 of overseeing the entity's financial reporting process.

4. AUDITOR'S RESPONSIBILITY FOR THE AUDIT OF THE FINANCIAL STATEMENTS

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the International Standards for

Supreme Audit Institutions (ISSAIs), will always detect a material misstatement when it exists. 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 controls 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 controls;
- 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 my auditor's 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.

5. REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

The accounts for the financial year ended 30 June 2019 were submitted timeously, whereas those for the financial year ended 30 June 2020 were submitted later than required, by the Accounting Officer to the Auditor-General, on the 30 September 2019 and 23 April 2021 respectively, in terms of Section 87 (1) of the Local Authorities Act, 1992 (Act 23 of 1992).

5.1 NON-COMPLIANCE WITH THE LABOUR ACT

The Municipality of Windhoek's policy for carrying forward annual leave days to the next annual leave cycle is not in accordance with the requirements of the Labour Act. The Municipality's policy stipulates that leave days should be capped at 130 days at any given time for employees who work 5, 6 or 7 days a week.

On the contrary, the Labour Act section 23(3-5) states that an employer may determine when the annual leave is to be taken provided that it is taken not later than four months after the end of the annual leave cycle; or six months after the end of the annual leave cycle, if, before the end of the four-month period contemplated, the employee agreed in writing to such an extension. The impact of the non-compliance with Labour Act has not been adjusted in the annual financial statements.

WINDHOEK, October 2021


JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL

ANNEXURE A

MUNICIPALITY OF WINDHOEK
STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE

	Note	2020 N\$	2019 N\$	2018 N\$
ASSETS				
Current Assets		1 239 210 781	1 044 225 969	842 347 162
Cash and cash equivalents	24	419 192 678	418 139 900	324 698 081
VAT receivable	26	143 132 866	105 746 649	76 726 025
Receivables from exchange transactions	27	413 795 908	335 561 003	303 610 748
Receivables from non-exchange Transactions	28	113 975 634	101 383 332	73 469 147
Current portion of long-term Receivables	29	6 289 757	10 235 777	12 805 485
Inventories	30	142 823 938	73 159 308	51 037 676
Non-Current assets		18 996 393 327	19 443 835 114	19 917 729 528
Investment property	32	5 084 960 450	5 194 214 035	5 126 157 690
Property, plant and equipment	33	13 844 281 232	14 191 977 097	14 725 856 786
Intangible assets	34	746 879	2 627 518	3 667 475
Non-current investments	31	18 041 454	20 863 986	18 995 151
Long term receivables	29	48 363 312	34 152 478	43 052 426
TOTAL ASSETS		20 235 604 108	20 488 061 083	20 760 076 690
LIABILITIES				
Current Liabilities		2 303 226 452	2 351 060 468	2 213 684 098
Consumer Deposits	36	59 210 735	58 091 061	56 120 641
Payables from Exchange Transactions	35	1 939 526 369	1 700 735 958	1 711 388 941
Payables from non-exchange transactions	39	39 232 900	66 735 485	30 146 733
Unspent Conditional Grants and Receipts	41	2 283 870	2 914 997	1 060 220
Bank Overdraft	24	162 022 452	410 932 583	295 183 887
Employee benefits	25	70 618 000	62 028 304	54 436 348
Current Portion of Finance Lease Obligation	38	12 346 079	17 177 757	27 832 959
Long term loans	40	17 986 047	32 444 323	37 514 369
Non-Current Liabilities		950 773 788	1 052 111 853	1 187 971 126
Finance lease obligation	38	21 462 252	8 642 206	25 070 945
Long term loans	40	140 993 586	158 748 849	188 304 476
Employee benefits	25	727 733 000	827 798 603	920 309 324
Provisions	37	60 584 950	56 922 195	54 286 381
Net Assets		16 981 603 868	17 084 888 762	17 358 421 466
Statutory Funds	42	206 362 649	206 353 283	206 342 696
Accumulated Surplus		16 775 241 219	16 878 535 479	17 152 078 771
TOTAL NET ASSETS/EQUITY		20 235 604 108	20 488 061 083	20 760 076 690

ANNEXURE B

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

	2020	2019	2018
	N\$	N\$	N\$
REVENUE			
Revenue from Non-Exchange Taxations	887 208 408	662 798 425	531 653 528
Property Rates	654 286 002	556 669 957	445 217 101
Other Revenue	232 922 406	106 128 468	86 436 427
Transfers from other government entities	84 039 432	61 909 495	53 070 336
Revenue received: Infrastructure developed under PPPs	112 603 004	-	-
Public contributions and donations	2 890 599	2 465 082	2 956 749
Fines, penalties and levies	27 670 224	37 615 782	26 977 891
Licences and permits	5 719 147	4 138 109	3 431 451
Revenue from Exchange Transactions	3 620 755 086	3 830 147 933	3 354 285 725
Service Charges	3 244 068 403	3 309 634 325	3 044 994 690
Rental of Facilities and Equipment	27 435 871	34 262 361	25 487 233
Dividends received	681 144	628 409	642 340
Gains on Continued Operations	157 874 318	201 725 409	36 457 811
Profit on Sale of Land	2 940 121	87 969 993	87 047 914
Other Revenue	90 775 361	81 417 788	49 516 439
Interest earned on Investments	29 361 218	30 460 200	27 697 114
Interest earned on Outstanding Debtors	67 618 650	84 049 448	82 442 184
EXPENDITURE	4 611 273 114	4 894 689 700	4 700 657 096
Bulk Purchases	1 807 591 460	1 932 303 167	1 890 548 030
Employee Costs	1 506 372 162	1 390 847 877	1 331 429 454
Remuneration of Councillors	8 525 874	8 516 070	7 451 440
Losses from other operations	3 453 761	30 454 569	15 996 055
Depreciation and Amortisation	564 723 656	576 562 549	580 331 602
Impairment of Assets	754 696	756 152	-
Repairs and Maintenance	213 273 933	236 544 899	257 658 078
Contracted Services	110 206 830	107 546 156	142 383 165
Debt impairment	71 981 046	224 020 466	130 813 407
Grants and subsidies paid	3 312 160	3 506 968	6 659 262
General expenses	175 873 302	172 922 501	168 880 346
Interest paid	143 579 363	199 771 980	155 638 282
Loss on disposal of assets and liabilities	1 597 310	10 869 135	12 816 796
Collection costs	27 561	67 211	51 179
SURPLUS/(DEFICIT) FOR THE YEAR	(103 309 620)	(401 743 342)	(814 717 843)

MUNICIPALITY OF WINDHOEK

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2018

Description	Housing Development Fund	Total for Accumulated Surplus/(Deficit) Account	Total
	N\$	N\$	N\$
2018			
Balance at 30 June 2017	206 443 500	17 970 882 342	18 177 325 842
Correction of Error		124 048 831	124 048 831
Restated Balance	206 443 500	18 094 931 173	18 301 374 673
Changes in Net Assets for:			
Interest allocated to Funds and Reserves	(100 805)	100 805	-
Net Revenue recognition directly in Net Assets	(100 805)	100 805	-
Surplus/ (Deficit) for the year	-	(814 717 843)	(814 717 843)
Balance at 30 June 2018	206 342 695	17 280 314 135	17 486 656 830
Changes in Net Assets for:			
Interest allocated to Funds and Reserves	10 588	(10 588)	-
Net Revenue recognised directly in Net Assets	10 588	(10 588)	-
Surplus/ (Deficit) for the year		(401 743 342)	(401 743 342)
Total Changes	10 588	(401 753 930)	
Balance at 30 June 2019	206 353 283	16 878 560 205	17 084 913 488
Changes in Net Assets for:			
Surplus for the year	-	(103 309 620)	(103 309 620)
Interest allocated to funds and reserves	9 366	(9 366)	-
Total changes	9 366	(103 318 986)	(103 309 620)
Balance at 30 June 2020	206 362 649	16 775 241 219	16 981 603 868

ANNEXURE C

MUNICIPALITY OF WINDHOEK
CASH FLOW STATEMENT FOR THE YEARS ENDED 30 JUNE

	Note	2020 N\$	2019 N\$	2018 N\$
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts		4 308 257 572	4 170 367 739	3 642 803 890
Property rates		787 686 076	552 873 267	434 171 610
Sale of Goods and Services		3 404 230 230	3 520 176 509	3 123 890 258
Government Grants and Subsidies		86 298 904	66 229 354	56 172 596
Interest received		29 361 218	30 460 200	27 927 086
Dividends or similar distributions		681 144	628 409	642 340
Payments		(3 914 291 237)	(4 140 077 545)	(3 505 982 409)
Compensation of employees		(1 606 373 943)	(1 484 282 710)	(1 267 319 067)
Suppliers		(2 167 239 117)	(2 459 659 142)	(2 083 025 060)
Interest paid		(140 678 177)	(196 135 693)	(155 638 282)
Net cash flows from operating activities	43	393 966 335	30 290 194	136 821 481
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property, plant & equipment	33	(214 464 814)	(52 261 770)	(122 101 671)
Purchase of investment property	32		(633 127)	-
Proceeds from sale of investment property	32	105 351 982	56 898 942	87 047 914
Purchase of intangible assets	34	(321 956)	(856 037)	(2 363 256)
Proceeds from sale of financial assets		2 822 532	(1 868 835)	(1 483 992)
Decrease/ (Increase) in Long-term Receivables		(10 264 814)	11 469 656	7 028 701
Net cash flow from investing activities		(116 877 070)	12 748 829	(31 872 305)
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of loans		(32 213 539)	(34 625 673)	-
Proceeds from Finance leases		28 473 439	1 149 590	6 104 198
Repayment of Finance lease		(23 386 257)	(31 869 818)	(53 783 881)
Net cash flows from financing activities		(27 126 357)	(65 345 901)	(47 679 683)
Net increase / (decrease) in cash and cash equivalents		249 962 908	(22 306 878)	57 269 493
Cash and cash equivalents at beginning of year		7 207 316	29 514 194	(27 755 299)
Cash and cash equivalents at end of year	24	257 170 224	7 207 316	29 514 194

**MUNICIPALITY OF WINDHOEK
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE
YEARS ENDED 30 JUNE 2019 and 2020**

1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS

The annual financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS), as approved by the line minister in consultation with audit Auditor General in accordance with Section 87 (1) of the Local Authorities Act 23 of 1992 as amended.

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.

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

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

These accounting policies are consistent with the previous period.

1.1 Significant judgements and sources of estimation uncertainty

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

These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods

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

**MUNICIPALITY OF WINDHOEK
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE
YEARS ENDED 30 JUNE 2019 and 2020**

Revenue recognition

Accounting Policy 1.3 on Revenue from Exchange Transactions and Accounting Policy 1.2 on Revenue from Non-exchange Transactions describes the conditions under which revenue will be recorded by the management of the municipality.

In making their judgement, the management considered the detailed criteria for the recognition of revenue asset out in IPSAS 9 (Revenue from Exchange Transactions) and IPSAS23 (Revenue from Non-exchange Transactions). As far as Revenue from Non-exchange Transactions is concerned (see Basis of Preparation above), and, in particular, whether the municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services is rendered, whether the service has been rendered. Also of importance is the estimation process involved in initially measuring revenue at the fair value thereof. Management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

Estimation of Meter Readings:

Provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without it being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

Estimation of unused Prepaid Metered Services:

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

Impairment of Financial Assets

Accounting Policy 1.10 on Financial Instruments sub-paragraph Impairment of Financial Assets describes the process followed to determine the value at which Financial Assets should be impaired. In making the estimation of the impairment, the management of the municipality considered the detailed criteria of impairment and used its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of the reporting period. The management of the municipality is satisfied that impairment of Financial Assets recorded during the year is appropriate.

**MUNICIPALITY OF WINDHOEK
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE
YEARS ENDED 30 JUNE 2019 and 2020**

Impairment of Trade Receivables:

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

Impairment of Traffic Fines:

Assessing and recognising impairment of Receivables for Traffic Fines is an event that takes place subsequent to the initial recognition of revenue charged. The municipality assesses the probability of collecting revenue when accounts fall into arrears. Such an assessment is not made at the time of initial recognition.

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

As described in Accounting Policies 1.4, 1.6 and 1.5, the municipality depreciates its Property, Plant & Equipment and Investment Property, and amortises its Intangible Assets, over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use.

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

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

Accounting Policy 1.8 on Impairment of Assets, Accounting Policy 1.5 on Intangible Assets – Subsequent Measurement, Amortisation and Impairment and Accounting Policy 1.11 on Inventory – Subsequent Measurement describe the conditions under which non-financial assets are tested for potential impairment losses by the management of the municipality. Significant estimates and judgements are made relating to impairment testing of Property, Plant and Equipment, impairment testing of Intangible Assets and write-down of Inventories to the lowest of Cost and Net Realisable Value.

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

Water inventory

The estimation of the Water Inventory in reservoirs is based on the measurement of water via electronic level sensors, which determines the depth of water in the reservoirs, which is then converted into volumes based on the total capacity of the reservoir.

Furthermore, the length and width of all pipes are also taken into account in determining the volume of water on hand at year-end. Refer to Accounting Policy 1.11.

MUNICIPALITY OF WINDHOEK
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE
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Provisions and contingent liabilities

Management judgement is required when recognising and measuring Provisions and when measuring Contingent Liabilities. Provisions are discounted where the effect of discounting is material using actuarial valuations. Additional disclosure of these estimates of provisions are included in note 39 - Provisions.

Post-retirement benefits (Defined Benefit Plan Liabilities)

As described in Accounting Policy 1.13, Employee Benefits – Post-employment Benefits, the municipality obtains actuarial valuations of its Defined Benefit Plan Liabilities. The defined benefit obligations of the municipality that were identified are Post- retirement Health Benefit Obligations, Long-service Awards and Severance Pay Liability. The estimated liabilities are recorded in accordance with the requirements of IPSAS 25. Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in the relevant Notes to the Annual Financial Statements.

1.2 Revenue from non-exchange transactions

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

Rates and Taxes

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a Time-proportionate Basis with reference to the principal amount receivable and effective interest rate applicable. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

Government Grants and Receipts

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

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

Interest earned on investments is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor and if it is the municipality's interest, it is recognised as interest earned in Surplus or Deficit.

MUNICIPALITY OF WINDHOEK
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE
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Fines

Fines constitute both spot fines and summonses.

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

Public Contributions

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

1.3 Revenue from exchange transactions**Sale of goods (including Houses)**

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

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

Service Charges

Service Charges are levied in terms of the approved tariffs.

Service Charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been taken. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without it being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meter shave been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

Service Charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to all properties that have improvements. Tariffs are determined per category of property usage, and are levied based on the number of bins on each property.

Service Charges relating to sewerage for residential properties are recognised on a monthly basis in arrears by applying the approved tariff to all properties. Tariffs are levied based on the extent

**MUNICIPALITY OF WINDHOEK
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and / or zoning of each property. All other properties are levied based on the water consumption, using the tariffs approved by Council, and are levied monthly.

Prepaid Electricity and Water

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

Rentals received

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

Finance income

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

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

- Interest earned on Councillors' Gratuity Fund is allocated directly to the Creditor: Councillors' Gratuity Fund.
- Interest earned on unutilised Conditional Donations is allocated directly to the Creditor: Unutilised Public Donations, if the unutilised donations are kept in a dedicated separate bank account.

Dividends

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

Tariff charges

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

Revenue from Agency services

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

1.4 Property, plant and equipment

Initial Recognition

Property, Plant and Equipment are initially recognised at cost.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

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Subsequent Measurement

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

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Depreciation

Depreciation on assets other than land is calculated on cost, using the Straight-line Method, to allocate their cost or revalued amounts to their residual values over the estimated useful lives of the assets. Each part of an item of Property, Plant and Equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

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

Item	Average useful life
<u>Buildings</u>	
• Improvements	8 - 80
<u>Leased</u>	
• Motor vehicles	5 - 15
<u>Infrastructure</u>	
• Electricity	10 - 50
• Roads and storm water	8 - 80
• Sanitation	10 - 90
• Solid waste	5 - 80
• Water	10 - 90
<u>Community</u>	
• Facilities	8 - 80
<u>Other</u>	
• Computer equipment	4-8
• Emergency equipment	5-6
• Furniture and fittings	5-8
• Motor vehicles	5-15
• Office equipment	4-15
• Plant & equipment	4-15
• Specialised vehicles	5-15

Land

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

Incomplete Construction Work

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

Leased Assets

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

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Derecognition

The gain or loss arising from the derecognition of an item of Property, Plant and Equipment is included in surplus or deficit when the item is derecognised. Gains are not classified as revenue

1.5 Intangible assets

Initial recognition

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

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

Intangible Assets are initially recognised at cost.

Where an Intangible Asset is acquired by the municipality for no or nominal consideration (i.e. anon-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

The cost of an Intangible Asset acquired in exchange for non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets, is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up. If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up

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

Subsequent Measurement, Amortisation and Impairment

After initial recognition, Intangible assets are carried at cost less any accumulated amortisation and any impairment losses. Amortisation is charged on a Straight-line Method over the Intangible Assets' useful lives. The residual value of Intangible Assets with finite useful lives is zero, unless an active market exists. Where Intangible Assets are deemed to have indefinite useful lives, such Intangible Assets are not amortised. However, such Intangible Assets are subject to an annual impairment test. Amortisation is provided to write down the intangible assets, on a straight-line basis, to their residual values as follows:

Asset class	Useful life
Computer software	3 - 5 years

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Derecognition

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

1.6 Investment property**Initial recognition**

At initial recognition, the municipality measures Investment Property at cost. However, where an Investment Property was acquired through a non-exchange transaction (i.e. where it acquired the Investment Property for no or a nominal value), its cost is its fair value as at the date of acquisition.

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

Subsequent Measurement

Investment Property is measured using the Cost Model and is stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated on cost, using the Straight-line Method over the useful life of the property, which is estimated at 10-80 years. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately.

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

Derecognition

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

1.7 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.

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1.7.1 The Municipality as Lessee

Finance leases

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

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

Operating Leases

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

1.7.2 The Municipality as a Lessor

Amounts due from lessees under Finance Leases or instalment sale agreements are recorded as receivables at the amount of the municipality's net investment in the leases. Finance lease or instalment sale revenue is allocated to accounting periods so as to reflect a constant periodic rate of return on the municipality's net investment outstanding in respect of the leases or instalment sale agreements.

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

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1.8 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

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

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

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1.9 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

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

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

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1.10 Financial instruments

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

Initial Recognition

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

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

Fair Value Methods and Assumptions

The fair values of financial instruments are determined as follows:

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

Classification

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

Type of Financial Asset	Classification in terms of IPSAS 41
Non-current Investments – Fixed Deposits	Financial assets measured at amortised Cost
Non-current Investments – Shares	Financial assets at fair value through Surplus or Deficit
Long-term Receivables	Financial assets measured at amortised Cost
Receivables from Exchange Transactions	Financial assets measured at amortised Cost
Receivables from Non-exchange Transactions	Financial assets measured at amortised Cost
Bank, Cash and Cash Equivalents – Notice Deposits	Financial assets measured at amortised Cost
Bank, Cash and Cash Equivalents – Call Deposits	Financial assets measured at amortised Cost
Bank, Cash and Cash Equivalents – Bank	Financial assets measured at amortised Cost
Bank, Cash and Cash Equivalents – Cash	Financial assets measured at amortised Cost
Current Portion of Non-current Investments	Financial assets measured at amortised Cost
Current Portion of Long-term Receivables	Financial assets measured at amortised Cost

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Trade and Other Receivables (excluding Value Added Taxation, Prepayments and Operating Lease receivables), Loans to Municipal Entities and Loans that have fixed and determinable payments that are not quoted in an active market are classified as Financial Assets at Amortised Cost.

Cash includes cash-on-hand (including petty cash) and cash with banks (including call deposits). For the purposes of the Cash Flow Statement, Cash and Cash Equivalents comprise cash-on-hand and deposits held on call with banks, net of bank overdrafts.

The 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:

Type of Financial Liability	Classification in terms of IPSAS 41
Long-term Liabilities	Financial liability measured at amortised cost
Payables from Exchange Transactions	Financial liability measured at amortised cost
Payables from Non-exchange Transactions	Financial liability measured at amortised cost
Bank Overdraft	Financial liability measured at amortised cost
Short-term Loans	Financial liability measured at amortised cost
Current Portion of Long-term Liabilities	Financial liability measured at amortised cost

Bank Overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred

Initial and subsequent measurement of financial assets and financial liabilities

Financial Assets:

At Fair Value through Surplus or Deficit

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

Financial assets measured at amortised cost

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

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

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Financial Liabilities:

At Amortised Cost

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

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

Prepayments are carried at cost less any accumulated impairment losses.

Impairment of Financial Assets:

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

Financial Assets at Amortised Cost

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

The carrying amount of the Financial Asset is reduced by the impairment loss directly for all Financial Assets carried at Amortised Cost with the exception of Consumer Debtors, where the carrying amount is reduced through the use of an allowance account. When a Consumer Debtor is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against revenue. Changes in the carrying amount of the allowance account are recognised in Surplus or Deficit.

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Financial Assets Available-for-Sale

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

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

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

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

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

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

Derecognition

Financial assets

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

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

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Financial liabilities

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

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

1.11 Inventories

Initial Recognition

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. The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Where Inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

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

Subsequent Measurement

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

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

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

Water Inventory

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

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

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

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Other Arrangements

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

Inventories identified to be sold by public auction are written down from cost to net realisable value with regard to their estimated economic or realisable values. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

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

The carrying amount of Inventories is recognised as an expense in the period that the Inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

1.12 Provisions and contingencies

The best estimate of the expenditure required to settle the present obligation is the amount that the municipality would rationally pay to settle the obligation at the reporting date or to transfer it to a third party at that time and are determined by the judgment of the management of the municipality, supplemented by experience of similar transactions and, in some cases, reports from independent experts. The evidence considered includes any additional evidence provided by events after the reporting date. Uncertainties surrounding the amount to be recognised as a provision are dealt with by various means according to the circumstances. Where the provision being measured involves a large population of items, the obligation is estimated by weighting all possible outcomes by their associated probabilities.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it – this unavoidable cost resulting from the contract is the amount of the provision to be recognised.

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in Surplus or Deficit as a finance cost as it occurs.

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Decommissioning, restoration and similar liability

Estimated long-term environmental provisions, comprising rehabilitation and landfill site closure, are based on the municipality's policy, taking into account current technological, environmental and regulatory requirements. The provision for rehabilitation is recognised as and when the environmental liability arises. To the extent that the obligations relate to the asset, they are capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are charged to Surplus or Deficit.

Contingent assets and contingent liabilities

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 47.

1.13 Employee benefits

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

Short-term employee benefits

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service. The liability for leave pay is based on the total accrued leave days at year-end and is shown as a creditor in the Statement of Financial Position. The municipality recognises the expected cost of performance bonuses only when the municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

Post-employment benefits

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

Post-employment benefits: Defined contribution plans

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

The municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in Surplus or Deficit in the period in which the service is rendered by the relevant employees. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

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Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Post-retirement Health Care Benefits

The municipality has an obligation to provide Post-retirement Health Care Benefits to certain of its retirees. According to the rules of the Medical Aid Funds with which the municipality is associated, a member (who is on the current Conditions of Service), on retirement, is entitled to remain a continued member of the Medical Aid Fund, in which case the municipality is liable for a certain portion of the medical aid membership fee. Not all Medical Aid Funds with which the Municipality is associated, provide for continued membership.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and unrecognised actuarial gains and losses, reduced by unrecognised past service costs. The plan is unfunded. The present value of the defined benefit obligation is calculated using the Projected Unit Credit Method, incorporating actuarial assumptions and a discount rate based on the government bond rate. Valuations of these obligations are carried out annually by independent qualified actuaries.

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

Long-service Allowance

The municipality has an obligation to provide Long-service Allowance Benefits to its qualifying employees. According to the rules of the Long-service Allowance Scheme, which the municipality instituted and operates, an employee (who is on the current Conditions of Service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 20, 25, 30, 35 and 40 years of continued service. The municipality's liability is based on an actuarial valuation. The Projected Unit Credit Method is used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through Surplus or Deficit.

Severance Allowance

The municipality has an obligation to provide Severance Benefits to its qualifying employees. According to legislation and the rules of the Severance Benefits Scheme, which the municipality instituted and operates, an employee (who is on the current Conditions of Service), is entitled to a severance payment in the event of death-in-service, resignation, retrenchment or retirement. The municipality's liability is based on an actuarial valuation. The Projected Unit Credit Method is used to value the liabilities.

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

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

MUNICIPALITY OF WINDHOEK
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE
YEARS ENDED 30 JUNE 2019 and 2020

1.14 Translation of foreign currencies

Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the municipality at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost and fair value in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in Surplus or Deficit.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Cash flows arising from transactions in a foreign currency are recorded in Namibian Dollar by applying, to the foreign currency amount, the exchange rate between the Namibian Dollar and the foreign currency at the date of the cash flow.

1.15 Borrowing costs

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

1.16 Related parties

Individuals as well as their close family members, and / or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and / or operating decisions. Management is regarded as a related party and comprises the Mayor, Management Committee Members, Council Members, Chief Executive Officer and all other Strategic Executive Officers reporting directly to the Chief Executive Officer or as designated by the Chief Executive Officer.

**MUNICIPALITY OF WINDHOEK
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE
YEARS ENDED 30 JUNE 2019 and 2020**

1.17 Budget information

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

The approved budget covers the period from 1 July 2019 to 30 June 2020.

1.18 Segmental information

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

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

- The provision of electricity and infrastructure to ensure delivery of Electricity.
- The provision of roads and infrastructure to ensure a comprehensive and safe Roads Network.
- The provision of equipment and infrastructure to ensure removal and treatment of Solid Waste.
- The provision of infrastructure for removal of excess water and sewerage through a Storm water and Sewerage Network
- The provision of water and infrastructure to ensure delivery of Water.
- The provision of Ambulance, Development, Emergency & Fire and Transport Services.
- The provision of Town Planning and Property Management Services.
- The provision of services for Crime Prevention, Disaster and Traffic Management.
- The provision of Business Licencing, Economic Development, Health, Parks & Facilities and Burial & Cremation Services.
- The provision of efficient Communication, Customer and Tourism Services to public.
- The provision of Administrative and Technology Services to enable execution of this mandate.

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

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

MUNICIPALITY OF WINDHOEK
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE
YEARS ENDED 30 JUNE 2019 and 2020

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

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

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

1.19 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.

At 30 June 2019 the municipality's Current Liabilities exceeded its Current Assets. In addition the municipality was not spared from the impact of Covid-19 and related effects. However, the municipality have prepared the Annual Financial Statements under the Going Concern Assumption, based on management assumptions as set out in Note 51 to the Annual Financial Statements.

1.20 Net assets

Statutory fund

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

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

Accumulated Surplus

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

**MUNICIPALITY OF WINDHOEK
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE
YEARS ENDED 30 JUNE 2019 and 2020**

1.21 Grants-In-Aid

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

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

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

1.22 Value Added Tax

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

1.23 Material losses

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

1.24 Commitments

Commitments are future expenditure to which the municipality committed and that will result in the out flow of resources. Commitments are not recognised in the Statement of Financial Position as a liability or as expenditure in Surplus or Deficit, but are included in the disclosure Notes. A distinction is made between capital and current commitments.

1.25 Events after reporting date

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

MUNICIPALITY OF WINDHOEK
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED
30 JUNE

2. Change in accounting estimate

The residual values, estimated useful lives and depreciation method were reviewed at 30 June 2019. Adjustments to the residual values and useful lives affect the amount of depreciation for the previous year and are expected to affect future periods as well. The adjustments are as follows:

	2020	2019	2018
	N\$	N\$	N\$
Property, Plant and Equipment			
Increase / (Decrease) in Depreciation due to adjustments to Useful Lives of PPE	-	5 132 854	-
Increase/(decrease) in depreciation of PPE	-	5 132 854	-
Depreciation as previously stated	-	581 695 404	-
Adjustment due to change in accounting Estimate	-	(5 132 854)	-
Depreciation as per Statement of Financial Performance	-	576 562 550	-

3. PROPERTY RATES

Rates received	654 286 002	556 669 957	445 217 101
State	24 009 399	30 062 201	13 701 565
Other	641 408 143	537 779 294	446 524 588
Less: Income forgone	(11 131 540)	(11 171 538)	(15 009 052)
Valuations	106 398 395 311	108 048 321 970	100 994 061
Agricultural	3 200 000	37 000 000	37 000 000
Commercial	17 659 656 318	17 472 973 968	11 328 917
Farm	263 081 864	-	-
Industrial	6 515 683 000	6 443 406 810	3 970 878
Institutional	6 906 938 639	9 935 256 153	6 530 594
Municipal	10 391 602 074	10 862 012 272	7 671 881
Residential	53 929 516 522	53 407 984 196	29 219 904
State	2 938 071 740	3 242 393 140	1 689 910
Other	7 790 645 154	6 647 295 431	3 581 977

Property Rates are levied on the value of land and improvements, which valuation is performed every five years. The last valuation came into effect on 1 September 2018.

Interim valuations are processed on a continuous basis to take into account changes in individual property values due to alterations and subdivisions/consolidations.

MUNICIPALITY OF WINDHOEK
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED
30 JUNE (Continued)

3. PROPERTY RATES (Continued)

Brakwater Areas:

Rates on Site Value of 0, 0800 c/N\$ (2019: 0, 0800 c/N\$ -) and on Improvement value of 0, 0474 c/N\$ (2019: 0, 0474 c/N\$) are applied to property valuations to determine assessment rates.

Windhoek Areas:

Rates on Site Value of 0, 0800 c/N\$ (2019: 0, 0800 c/N\$ -) and on Improvement value of 0, 0474 c/N\$ (2019: 0, 0474 c/N\$) are applied to property valuations to determine assessment rates.

Rebates of 75, 00% (2019: 75, 00%) on agricultural properties, 50, 00% (2019: 50, 00%) on residential properties and 20, 00% (2019: 20, 00%) on properties owned by the State were granted in terms of section 73(4) of the Local Authorities Act (1992, as amended).

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

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

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

	2020	2019	2018
	N\$	N\$	N\$
4. Transfers from other government entities	84 039 432	61 909 495	53 070 336
Operating grants - Road Fund Administration	-	40 816 000	39 726 000
Capital grants	84 039 432	21 093 495	13 344 336
GRN - water and related subsidies	30 040 984	12 783 138	-
GRN - Informal Settlement Upgrade	44 466 668	1 000 000	-
GRN - Informal Settlement Electrification	9 531 780	7 310 357	-
National Agriculture and water subsidies	-	-	12 800 424
Other Subsidies	-	-	543 912
Conditional Grants recon	2 283 870	2 914 997	1 060 220
Balance unspent at beginning of year	2 914 997	1 060 220	(914 709)
Current-year receipts	-	1 854 777	1 974 929
Conditions met - transferred to revenue	(631 127)	-	-

Conditions still to be met - remain liabilities (see note 43).

MUNICIPALITY OF WINDHOEK
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED
30 JUNE (Continued)

	2020	2019	2018
	N\$	N\$	N\$
5. PUBLIC CONTRIBUTIONS AND DONATIONS	2 890 599	2 465 082	2 956 749
6. SERVICE CHARGES	3 244 068 403	3 309 634 325	3 044 994 690
Sale of electricity	1 782 940 112	1 868 338 280	1 802 698 751
Sale of water	863 329 457	871 887 734	769 771 776
Solid waste	329 457 256	304 016 402	239 852 712
Sewerage and sanitation charges	260 823 479	258 426 706	225 779 715
Other service charges	7 518 099	6 965 203	6 891 736
7. RENTAL OF FACILITIES AND EQUIPMENT	27 435 871	34 262 361	25 487 233
Rental income - amenities	16 256 904	12 768 459	8 174 752
Rental of Premises and related	2 022 226	3 319 421	3 177 524
Rental of other facilities	9 156 741	18 174 481	14 134 957
8. DIVIDENDS RECEIVED			
Listed financial assets - Local	681 144	628 409	642 340
9. INTEREST RECEIVED - INVESTMENT	29 361 218	30 460 200	27 697 114
Housing and land loans	3 722 130	2 933 131	6 028 330
Call deposits	12 539 018	16 100 628	12 458 498
Fixed deposits	12 548 145	5 803 556	5 466 128
Land sales	402 435	5 449 228	3 544 228
10. BULK PURCHASES	1 807 591 460	1 932 303 167	1 890 548 030
Electricity	1 479 154 030	1 567 026 810	1 498 018 838
Water	328 437 430	365 276 357	392 529 192

Bulk Purchases are the cost of commodities not generated by the municipality, which the municipality distributes in the municipal area for resale to the consumers. Electricity is purchased from NamPower whilst Water is purchased from NamWater and WINGCOG.

Included in Bulk Purchases for Electricity is an amount of N\$ 4 294 791 (2019: N\$2 963 174), being purchases made from Independent Power Producers.

MUNICIPALITY OF WINDHOEK
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED
30 JUNE (Continued)

	2020	2019	2018
	N\$	N\$	N\$
11. OTHER INCOME	90 775 361	81 417 788	49 516 439
Better fees	5 392 346	29 182 923	8 219 299
Bus tickets	9 244 375	10 592 189	10 707 860
Endowment fees	829 850	3 467 034	1 107 204
Building plans and related	6 277 012	5 345 344	5 204 973
Advertising fees	4 070 367	3 550 176	5 739 069
Cemetery fees	1 911 582	2 028 533	1 874 905
Duplicate accounts and cards	795 891	2 585 396	2 679 539
Sale of Documents, Materials & Stores	2 465 177	4 176 252	973 525
Swimming Pool Tickets	1 317 772	1 596 670	947 259
Forfeited Moneys	-	2 246 922	1 880 816
Ambulance Fees	(649 296)	1 595 936	2 217 371
Interdepartmental Charges	1 687 825	3 007 891	2 666 408
Fire Brigade Fees	453 967	1 219 451	578 660
Bad Debt Recovered	14 040	426 720	-
Telephone Cost Recovered	8 133 037	849 543	326 783
Parking Meter Fees	170 611	441 060	431 773
Town Planning Fees	481 385	582 838	-
Recovery of Cost	326 138	1 852 730	335 472
Sundry income	41 219 779	2 295 838	3 625 521
Health care waste risk fees	6 633 503	4 374 342	-

Included in the sundry income is penalty refund amounting to N\$ 39 million as a result of penalties amnesty.

12. EMPLOYEE RELATED COSTS	1 506 372 162	1 391 427 548	1 331 429 455
Basic	758 623 586	650 864 283	653 953 253
Pension Medical aid contributions	243 168 147	243 700 620	216 468 582
Overtime payments	30 126 264	27 623 485	33 878 865
Travel, Motor Car, Accommodation, Subsistence and other allowances	182 627 989	179 779 779	158 069 276
Housing benefits and allowances	246 898 363	238 815 927	216 714 250
Defined Benefit Plan Expense: current service cost	44 927 813	50 643 454	52 345 229

MUNICIPALITY OF WINDHOEK
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED
30 JUNE (Continued)

	2020	2019	2018
	N\$	N\$	N\$
12. EMPLOYEE RELATED COSTS (Continued)			
CHIEF EXECUTIVE OFFICER	4 136 615	4 031 620	-
Annual Remuneration	2 124 113	2 087 580	-
13th Cheque	173 965	162 050	-
Contributions to UIF, Medical and Pension Funds	542 483	561 592	-
Other allowance	1 296 054	1 220 398	-
STRATEGIC EXECUTIVES (9)	26 878 166	24 578 483	-
Annual Remuneration	11 745 175	12 047 552	-
13th Cheque	1 415 843	1 059 272	-
Contributions to UIF, Medical and Pension Funds	3 065 208	2 996 662	-
Other allowances	7 953 761	8 442 871	-
Termination benefits	2 694 920	10 397	-
Long service award	3 259	21 729	-

2019/20

The Strategic Executive: Housing, Property Management, and Human Settlement resigned on 31 August 2019 and Manager: Housing and Land Delivery was appointed in acting capacity and then followed by Manager: Property Management until when the substantive Strategic Executive was appointed on 1 July 2020.

2018/19

The contract of the Strategic Executive: Finance and Customer Services came to an end on 31 January 2019 and Manager: Financial Reporting was appointed in acting capacity until 15 September 2020 when the substantive Strategic Executive was appointed.

Advance to employees

Advances are made to employees in terms of the municipality's policy to assist them with medical expenses and in the event of the death of a dependant. Loans to employees are set out in Note 31.

13. REMUNERATION OF COUNCILLORS	8 525 874	8 516 070	7 451 440
Executive Major	513 578	542 753	475 296
Deputy Executive Mayor	469 608	476 805	399 492
MC Chairperson	425 356	437 044	399 256
Management Committee Members	1 532 779	1 593 869	1 407 160
Councillors	4 440 637	4 885 928	2 661 296
Councillors' Gratuity plan	1 143 916	579 671	2 108 940

In-kind benefits

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

MUNICIPALITY OF WINDHOEK
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED
30 JUNE (Continued)

	2020	2019	2018
	N\$	N\$	N\$
14. GAINS AND LOSSES FROM OPERATIONS			
Other gains	157 874 318	201 725 409	36 457 811
Actuarial gains on defined benefits liabilities	157 873 969	200 600 231	35 978 705
Gains in Net Foreign Exchange	349	14 445	165 076
Gains on Disposal of Investments	-	1 110 733	314 030
	3 453 761	30 454 569	15 996 055
Actuarial losses on defined benefits liabilities	-	29 573 631	15 796 148
Losses in net Foreign Exchange	26 584	295 222	199 907
Losses on Disposal of Investments	3 427 177	585 716	-
Actuarial Gains and Losses on Defined Benefits Liabilities disclosed above are attributable to continuing operations and forthcoming from actuarial valuations performed on the Post-retirement Employee Benefits.			
Foreign Exchange gains and losses disclosed above are attributable to continuing operations.			
Gains and losses on Fair Value Investments disclosed above are attributable to continuing operations.			
15. DEPRECIATION AND AMORTISATION EXPENSE	564 723 656	576 562 549	580 331 602
Property, plant and equipment	558 619 458	570 778 076	575 034 108
Investment property	3 901 603	3 888 479	1 852 195
Intangible assets	2 202 595	1 895 994	3 445 299
16. IMPAIRMENT OF ASSETS			
Impairments - Property, plant and equipment	754 696	756 152	53 940 660
17. REPAIRS AND MAINTENANCE			
Repairs and maintenance (all assets)	213 273 933	236 544 899	257 658 078
18. CONTRACTED SERVICES	110 206 830	107 546 156	142 383 15
Outsourced Services	72 191 937	75 437 146	110 717 344
Professional Services	7 842 494	11 058 297	9 636 009
Other Contracted Services	30 172 399	21 050 713	22 029 812
19. DEBT IMPAIRMENT			
Debt impairment	71 981 046	224 020 466	76 872 747

MUNICIPALITY OF WINDHOEK
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED
30 JUNE (Continued)

	2020	2019	2018
	N\$	N\$	N\$
20. GENERAL EXPENSES	175 873 302	172 922 501	168 880 342
Accreditation	286 910	106 029	183 233
Ad Hoc Allowances	272 902	391 481	500 861
Administration costs	9 173	13 699	1 466 339
Advertising	952 347	1 851 480	2 263 909
Bank charges	9 587 860	6 633 441	7 459 530
Betterment fees refund	7 963 613	-	-
Catering & Entertainment Cost	758 368	1 125 599	976 437
Ceremonies	102 104	26 154	17 653
Chemicals and Poison	2 313 272	2 404 705	1 700 544
Cleaning	186 894	157 080	161 540
Commission paid	14 366	21 629	188 365
Community and public participation	324 896	512 812	598 419
Consulting and professional fees	8 025 779	4 740 340	4 324 870
Convention bureau	(51 522)	3 403 620	
Disaster Expenditure	-	131 319	111 942
Fire Fighting Expenses	364 997	93 173	239 629
Fuel and oil	20 735 141	24 727 892	20 426 808
Hiring of Facilities & Equipment	4 556 571	2 300 088	5 084 139
Inspections carried out	4 285 892	358 906	672 835
Insurance	5 808 219	5 970 095	11 627 975
Inter-departmental Transfers	2 180 470	(4 269 438)	(7 958 429)
Internship expenditure	25 000	32 340	34 486
Inventories Written-off	-	1	2 804 035
Land invasion	310 860	422 700	455 675
Marketing	1 434 570	1 856 813	2 843 599
Motor vehicle expenses	6 418 757	9 571 747	7 437 188
Other expenses	7 774 588	2 085 006	3 912 484
Pest control	1 113 506	1 293 994	41 075
Policies and Strategies	23 840	732 422	-
Postage and courier	3 267 369	2 516 858	2 806 832
Pre-paid Services Tokens	197 614	1 126 176	3 986 252
Printing and stationery	5 228 940	4 228 733	5 402 911
Refund Service Charges	2 530 000	3 690 335	4 993 344
Refuse	4 006 136	3 430 787	3 384 600
Regional Council 5% rates and taxes	22 769 634	33 978 175	7 394 958
Other Levies	-	-	29 018 112
Research and development costs	-	142 088	-
Royalties and license fees	4 452 487	1 982 433	3 413 876
Sample Tests	345 395	4 721 572	562 106
Service Connections	5 780 956	6 018 075	7 613 505

MUNICIPALITY OF WINDHOEK
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED
30 JUNE (Continued)

	2020	2019	2018
	N\$	N\$	N\$
20. GENERAL EXPENSES (Continued)			
Software expenses	7 978 145	6 686 496	6 026 708
Staff welfare	264 526	486 448	842 668
Subscriptions and membership fees	250 157	306 865	530 065
Telephone and fax	6 492 873	9 257 842	10 622 448
Training	10 284 175	8 181 477	7 850 962
Transport and freight	89 229	15 619	93 702
Travel - local	921 275	1 785 914	2 516 071
Uniforms	3 728 712	2 239 643	4 189 553
Vocational Training Levy	11 406 687	15 361 529	-
Work orders	99 619	70 309	56 531
	143 579 363	199 771 980	155 638 282
21. INTEREST PAID			
Defined benefits liabilities	80 928 179	90 712 769	85 628 621
Trade and other payables	105	33 837 936	15 833 743
Finance leases	2 901 186	3 636 287	6 145 600
Bank	42 311 336	52 588 337	27 739 172
Current borrowings	13 775 802	16 360 837	15 117 896
Landfill Sites	3 662 755	2 635 814	5 173 250
Borrowing Costs to the amount of N\$ 0 (2019: N\$ 0) was capitalised during the financial year.			
22. OTHER REVENUE			
Interest earned on outstanding debtors	67 618 650	84 049 448	49 516 436
23. GAINS (LOSS) ON DISPOSAL OF ASSETS AND LIABILITIES			
Property, plant and equipment	(1 597 310)	(10 869 135)	(12 816 796)
24. CASH AND CASH EQUIVALENTS	257 170 226	7 207 317	29 514 194
Cash and cash equivalents consist of:			
Bank balances	10 024 409	9 548 124	7 530 747
Short-term deposits	409 168 269	408 591 776	317 167 333
Bank overdraft	(162 022 452)	(410 932 583)	(295 183 887)
	257 170 226	7 207 317	29 514 194
Current assets	419 192 678	418 139 900	324 698 080
Current liabilities	(162 022 452)	(410 932 583)	(295 183 887)

MUNICIPALITY OF WINDHOEK
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED
30 JUNE 2019 and 2020 (Continued)

24. CASH AND CASH EQUIVALENTS (Continue)

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

The municipality pledged of its Cash and Cash Equivalents as collateral for its financial liabilities. Cessions to an amount of N\$9 454 209 (2019: N\$9 454 209) and a further unlimited amount exist in favour of First National Bank in respect of credit balances held by the municipality at the bank.

No other restrictions have been imposed on the municipality in terms of the utilisation of its Cash and Cash Equivalents. Short-term deposits consist of Call Deposits and Fixed deposits:

Call and Notice Deposits

Call Deposits are investments with a maturity period of less than 3 months and earn interest rates varying from 4.25% to 4.85% (2019: 4.00% to 6.25%) per annum.

Fixed Deposits

Fixed Deposits are fixed term investments with a maturity period of less than 12 months and earn interest rates varying from 5.90% to 8.25% (2019: 8.03% to 8.25%) per annum.

The municipality pledged the following Current Investment Deposits as unlimited collateral for its financial liabilities in favour of First National Bank in respect of accounts held by the municipality at First National Bank:

1. Call Deposit Account 3000901337
2. 48 Notice Deposit Account 74271987082
3. 48 Notice Deposit Account 74271987074
4. 48 Notice Deposit Account 74267203583
5. Fixed Deposit Account 71269113645
6. Fixed Deposit Account 71175740897
7. Fixed Deposit Account 71246320544

Furthermore, the municipality pledged of its Current Investment Deposits as collateral for its financial liabilities. Cessions to the amounts of N\$ 7 915 882 (2019: N\$ 7 915 882) and N\$ 12 928 443 (2019: N\$ 12 928 443) exist in favour of First National Bank in respect of accounts held by the municipality at Bank Windhoek Limited.

MUNICIPALITY OF WINDHOEK
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED
30 JUNE (Continued)

	2020	2019	2018
	N\$	N\$	N\$
25. EMPLOYEE BENEFIT OBLIGATIONS			
The amounts recognised in the statement of financial position are as follows:			
Carrying value	(798 351 000)	(889 826 907)	(971 758 513)
Post-retirement Health Care Benefits Liability	(613 239 000)	(678 972 689)	(788 850 222)
Long Service Awards Liability	(56 912 000)	(72 221 299)	(69 141 834)
Severance Pay Liability	(128 200 000)	(138 632 919)	(113 766 457)
	(798 351 000)	(889 826 907)	
Non-current liabilities	(727 733 000)	(827 798 603)	(920 309 324)
Current liabilities	(70 618 000)	(62 028 304)	(54 436 348)
Post-retirement Health Care Benefits Liability			
	613 239 000	678 972 689	788 850 222
Opening balance	678 972 689	769 768 452	716 351 462
Benefits paid	(23 546 023)	(812 040)	-
Net expense in financial performance	(42 187 666)	(89 983 723)	72 498 760
The amounts recognised in the Statement of Financial Performance are as follows:			
	(42 187 666)	(89 983 723)	72 498 760
Current service cost	28 040 520	34 924 112	36 477 172
Interest cost	63 931 491	75 692 396	72 000 293
Actuarial (gains) losses	(134 159 677)	(200 600 231)	(35 978 705)

The Municipality offers employees and continuation members the opportunity of belonging to one of several medical schemes, most of which offer a range of options pertaining to levels of cover.

Upon retirement, an employee may continue membership of the medical scheme. Upon a member's death-in-service or death-in-retirement, the surviving dependants may continue membership of the medical scheme.

Members contribute according to tables of contribution rates, which differentiate between them on the type and number of dependants. Some options also differentiate on the basis of income. All continuation members and their eligible dependants receive a subsidy of 50% of a benchmark option, depending on which medical aid scheme they participate in, and irrespective of the actual option they are on. However, the subsidy will not exceed 100% of the total contribution due in respect of a continuation member (and their eligible dependants).

Eligible employees will receive a post-employment subsidy in line with the above should they be a member of a medical scheme at retirement. Upon a member's death-in-service or death-in-retirement, the surviving dependants will receive the same subsidy.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2020 by Mr C Weiss Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

MUNICIPALITY OF WINDHOEK
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED
30 JUNE (Continued)

	2020	2019	2018
	N\$	N\$	N\$
25.EMPLOYEE BENEFIT OBLIGATIONS (Continued)			
The members of the Post-employment Health Care Benefit Plan are made up as follows:			
In-service Members (Employees)	1 935	1 940	1 968
In-service Non-members (Employees)	51	57	55
Continuation Members (Retirees, widowers and orphans)	483	449	426
Total members	2 469	2 446	2 449

The liability in respect of past service has been estimated as follows:

	613 239 000	678 972 689	788 850 222
In-service Members	293 815 000	354 598 065	496 209 680
In-service Non-members	2 221 000	2 690 764	13 576 324
Continuation Members	317 203 000	321 683 860	279 064 218

The municipality makes monthly contributions for health care arrangements to the following Medical Aid Schemes:

- NHP
- NMC
- Renaissance

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	10.59 %	9.56 %	9.71%
Health care cost inflation rate	6.62 %	6.96 %	7.48%
Net Effective Discount Rate	3.72 %	2.43 %	2.04%

While the expected retirement age of male and female was 59 years (2019: 59 years).

General:

It is assumed that the employer's health care arrangements and subsidy policy would remain as outlined in the accounting policy, and that the level of benefits receivable and the contributions payable would remain unchanged, with the exception of allowing for inflationary adjustments. Implicit in this approach is the assumption that current levels of cross-subsidy from in-service members to continuation members within the medical scheme are sustainable, and will continue.

Continuation of Membership:

It is assumed that 90% of in-service members will remain on the municipality's health care arrangement should they stay until retirement.

MUNICIPALITY OF WINDHOEK
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED
30 JUNE (Continued)

25. EMPLOYEE BENEFIT OBLIGATIONS (Continued)

Family profile

It is assumed that female spouses will be five years younger than their male counter parts. Further, it is assumed that 65% of eligible employees on a health care arrangement at retirement will have a spouse dependant on their medical aid. For current retiree members, actual medical aid dependants were used and the potential for remarriage was ignored.

Discount rate

IPSAS 25 stipulates that the choice of this rate should be derived from government bond yields consistent with the estimated term of the post-employment liabilities. However, where there is no deep market in government bonds with a sufficiently long maturity to match the estimated term of all the benefit payments, current market rates of the appropriate term should be used to discount shorter term payments, and the discount rate for longer maturities should be estimated by extrapolating current market rates along the yield curve

Consequently, a discount rate of 9,55% per annum has been used. The corresponding index-linked yield at this term is 3,41%. These rates were deduced from the interest rate data obtained from the Johannesburg Stock Exchange after the market close on 30 June 2020. This was deemed the most suitable alternative in the absence of a readily available Namibian bond yield curve.

Analyses of Actuarial Gains and Losses:

The unexpected movements (otherwise termed Actuarial Gains and Losses) are separated into four main components: The effect of the change in the basis (assumptions), unexpected increases in the subsidies, un predicted movements in the membership profile, and the effect of actual benefits vested being different from what was expected.

	2020	2019	2018
	N\$	N\$	N\$
Basis Changes:-	(134 159 677)	(200 600 231)	35 978 705)
Increase in Net Discount Rate	(141 592 000)	(43 482 071)	(64 421 466)
Increase in assumed Average Retirement Age	-	(125 679 618)	-
Decrease in assumed In-service Non-member take-up rate	-	(9 389 332)	-
Decrease in assumed Spouse Dependant proportion at retirement	-	(74 723 387)	-
Application of revised Withdrawal Rates	-	10 539 774	-
Application of Post-retirement Mortality improvement	-	71 903 832	-
Subsidy increases higher (lower) than assumed	(3 324 000)	5 203 210	40 497 468
Changes to Membership Profile different from assumed	8 154 768	(35 784 679)	(15 005 173)
Actual Benefits vested greater than expected	2 601 555	812 040	2 950 466

MUNICIPALITY OF WINDHOEK
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED
30 JUNE (Continued)

	2020	2019	2018
	N\$	N\$	N\$
25.EMPLOYEE BENEFIT OBLIGATIONS (Continued)			
Other assumptions			
Assumed healthcare cost trends rates have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed healthcare cost trends rates would have the following effects:			
INCREASE:			
Effect on the aggregate of the service cost and interest cost	19 815 700	22 046 000	22 478 500
Effect on defined benefit obligation	101 035 000	125 953 723	135 589 940
DECREASE			
Effect on the aggregate of the current service cost and the interest cost	15 348 200	17 383 000	17 619 500
Effect on the defined benefit obligation	81 338 000	99 534 174	108 997 908

The municipality expects to make a contribution of N\$86 683 000 (2019: N\$91 972 011) to the Defined Benefit Plans during the next financial year.

The history of experienced adjustments is as follows:

Present Value of Defined Benefit Obligation (Unfunded)

2020	2019	2018	2017	2016
N\$	N\$	N\$	N\$	N\$
613 239 000	678 972 689	788 850 222	734 881 829	671 203 379

In accordance with the transitional provisions for the amendments to IPSAS 25 Employee Benefits, the disclosures above are determined prospectively from the 2016 reporting period.

Long Service Awards Liability

The municipality offers employees Long Service Awards from five years of completed (continuous) service. The awards made are in the form of a Bonus Leave or a Long Service Endowment, as described below:

The entity is under no obligation to cover any unfunded benefits.

Bonus Leave:

This benefit is based on employees' basic salary and is awarded upon reaching pre-determined service milestones. In the event of death or termination of service, the benefit is awarded on a pro-rata basis. The pro-rata benefit is not applicable to the 5-year service milestone. This benefit is in the process of being phase out and employees employed after 31 July 2014 are not eligible for this benefit. Employees employed prior to this date are eligible, but the benefit has been limited according to the 2003 and 2011 conditions of service. In effect, depending on date of joining, this latter group of employees are entitled to receive up to 2 more of these service-milestone leave awards.

MUNICIPALITY OF WINDHOEK
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED
30 JUNE (Continued)

25.EMPLOYEE BENEFIT OBLIGATIONS (Continued)

Long Service Endowment:

As per management's instruction, this benefit is based on basic salaries at date of valuation instead of employees' total earnings, which was used in the previous valuation. Under the plan, a Long Service Endowment is payable after 20 years of continuous service, and every 5 years of continuous service thereafter to 40 years, to employees. The amount granted is based on pre-determined percentages for each category of service.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2020 by Mr C Weiss Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

At year-end 1986, (2019: 1997) employees were eligible for Long-service Awards.

	2020	2019	2018
	N\$	N\$	N\$
Balance at beginning of year	46 522 971	45 572 734	45 381 366
Contributions to provision	10 389 029	26 648 565	23 760 468
Expenditure incurred	-	-	-
Balance at end of Year	56 912 000	72 221 299	69 141 834
Transfer to Current Provisions	(32 342 000)	(25 698 328)	(23 569 100)
Total Long Service Awards Liability	24 570 000	46 522 971	45 572 734

General:

It is assumed that the employer's long service arrangements would remain as outlined in the accounting policy, and that the level of benefits and the contributions would remain unchanged, with the exception of inflationary adjustments.

Discount rate

IPSAS 25 stipulates that the choice of this rate should be derived from government bond yields consistent with the estimated term of the post-employment liabilities. However, where there is no deep market in government bonds with a sufficiently long maturity to match the estimated term of all the benefit payments, current market rates of the appropriate term should be used to discount shorter term payments, and the discount rate for longer maturities should be estimated by extrapolating current market rates along the yield curve.

Consequently, a discount rate of 5.10% per annum has been used. The first step in the derivation of this yield is to calculate the liability-weighted average of the yields corresponding to the actual terms until payment of long service awards, for each employee. The 5.10% is then derived as the liability-weighted average of the yields derived in the first step. These rates were deduced from the interest rate data obtained from the Johannesburg Stock Exchange after the market close on 30 June 2020. This was deemed the most suitable alternative in the absence of a readily available Namibian bond yield curve.

MUNICIPALITY OF WINDHOEK
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED
30 JUNE (Continued)

	2020	2019	2018
	N\$	N\$	N\$
25. EMPLOYEE BENEFIT OBLIGATIONS (Continued)			
Movements in the present value of the Defined Benefit Obligation were as follows:	56 912 000	72 221 299	69 141 834
Balance at the beginning of the year	72 221 299	69 141 834	70 207 733
Current service costs	6 934 365	7 042 915	8 042 611
Interest cost	4 488 281	4 621 680	4 492 496
Benefits paid	(25 698 328)	(26 556 259)	(21 839 208)
Actuarial losses / (gains)	(1 033 617)	14 983 970	11 225 361
Reversal of Benefits to be Paid Provided prior Year	-	2 987 159	(2 987 159)

These unexpected movements (otherwise termed Actuarial Gains and Losses) are separated into four main components: The effect of the change in the basis (assumptions), changes to earnings, and to the employee profile and actual benefits vested being different from what was expected as at the previous valuation.

Analyses of Actuarial Gains and Losses:

Basis Changes:	(1 033 617)	14 983 970	11 225 361
- Increase in Net Discount Rate	(206 000)	(197 949)	(44 424)
- Increase in assumed Average Retirement Age	(3 028 000)	3 136 248	-
- Application of revised Withdrawal Rates	2 200 383	2 249 675	-
Earnings increases higher than assumed	-	3 150 446	7 803 232
Changes to Membership Profile different from assumed	-	6 645 550	6 453 712
Actual benefits vested greater/(lower) than expected	-	-	(2 987 159)

The amounts recognised in the Statement of Financial Position are as follows:

Present value of fund obligations (Unfunded Accrued Liability)	56 912 000	72 221 299	69 141 834
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The amounts recognised in the Statement of Financial Performance are as follows:

	10 389 029	26 648 565	23 760 468
Current service cost	6 934 365	7 042 915	8 042 611
Interest cost	4 488 281	4 621 680	4 492 496
Actuarial losses / (gains)	(1 033 617)	14 983 970	11 225 361

	2020	2019	2018	2017	2016
	N\$	N\$	N\$	N\$	N\$
Present Value of Defined Benefit Obligation (unfunded)	56 912 000	72 221 299	72 128 993	70 207 733	73 850 104

MUNICIPALITY OF WINDHOEK
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED
30 JUNE (Continued)

	2020	2019	2018
	N\$	N\$	N\$
25. EMPLOYEE BENEFIT OBLIGATIONS (Continued)			
The effect of a 1% movement in the assumed rate of long service cost inflation is as follows:			
Increase:	1 193 800	1 519 279	1 373 188
Effect on the aggregate of the current service cost and the interest cost	259 800	238 200	273 900
Effect on the defined benefit obligation	934 000	1 281 079	1 099 288
Decrease:	(1 182 100)	(1 447 081)	(1 329 177)
Effect on the aggregate of the current service cost and the interest cost	(303 100)	(230 400)	(264 600)
Effect on the defined benefit obligation	(879 000)	(1 216 681)	(1 064 577)
Severance Payment Liability	113 630 000	123 247 411	104 968 138
Balance at beginning of year	123 247 411	104 968 138	92 234 392
Contributions to provision	4 952 589	33 664 781	21 532 065
Subtotal	128 200 000	138 632 919	113 766 457
Transfer to Current Provisions	(14 570 000)	(15 385 508)	(8 798 319)

The municipality offers employees a Severance Payment in the event of death in-service, dismissal/retranchment (except for fair dismissal) or retirement / resignation.

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

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2020 by Mr C Weiss Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

At year end 1 986 (2019: 1997) employees were eligible for Long-service Awards.

General:

It is assumed that the employer's long service arrangements would remain as outlined in the accounting policy, and that the level of benefits and the contributions would remain unchanged, with the exception of inflationary adjustments.

MUNICIPALITY OF WINDHOEK
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED
30 JUNE (Continued)

25. EMPLOYEE BENEFIT OBLIGATIONS (Continued)

Discount rate

IPSAS 25 stipulates that the choice of this rate should be derived from government bond yields consistent with the estimated term of the post-employment liabilities. However, where there is no deep market in government bonds with a sufficiently long maturity to match the estimated term of all the benefit payments, current market rates of the appropriate term should be used to discount shorter-term payments, and the discount rate for longer maturities should be estimated by extrapolating current market rates along the yield curve.

Consequently, a discount rate of 9.03% per annum has been used. The first step in the derivation of this yield is to calculate the liability-weighted average of the yields corresponding to the actual terms until payment of long service awards, for each employee. The 9.03% is then derived as the liability-weighted average of the yields derived in the first step. These rates were deduced from the interest rate data obtained from the Johannesburg Stock Exchange after the market close on 30 June 2020. This was deemed the most suitable alternative in the absence of a readily available Namibian bond yield curve.

	2020	2019	2018
	N\$	N\$	N\$
Movements in the present value of the Defined Benefit Obligation were as follows:			
Balance at the beginning of the year	138 632 919	113 766 457	98 094 282
Current service costs	9 952 928	8 676 427	7 825 446
Interest cost	12 508 407	10 398 693	9 135 832
Benefits paid	(10 213 579)	(8 798 319)	(5 859 890)
Actuarial losses / (gains)	(22 680 675)	14 589 661	4 570 787
Total Recognised Benefit Liability	128 200 000	138 632 919	113 766 457

These unexpected movements (otherwise termed Actuarial Gains and Losses) are separated into four main components: The effect of the change in the basis (assumptions), changes to earnings, and to the employee profile and actual benefits vested being different from what was expected as at the previous valuation.

Analyses of Actuarial Gains and Losses:	(22 680 675)	14 589 661	4 570 787
Increase in Net Discount Rate	(14 050 000)	(3 621 028)	(2 597 496)
Earnings increases higher than assumed	(10 528 000)	12 809 211	11 099 774
Changes to Membership Profile different from assumed	7 069 254	8 213 584	33 186 191
Actual Benefits vested greater / (lower) than expected	(5 171 929)	(2 812 106)	(32 425 273)
Adjustment in terms of revised valuation report	-	-	(4 692 409)

MUNICIPALITY OF WINDHOEK
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED
30 JUNE (Continued)

	2020	2019	2018
	N\$	N\$	N\$
25. EMPLOYEE BENEFIT OBLIGATIONS (Continued)			
The amounts recognised in the Statement of Financial Position are as follows			
Present value of fund obligations (Unfunded accrued Liability)	128 200 000	138 632 919	113 766 457

The amounts recognised in the Statement of Financial Performance are as follows:	(219 340)	33 664 781	21 532 065
Current service cost	9 952 928	8 676 427	7 825 446
Interest cost	12 508 407	10 398 693	9 135 832
Actuarial losses / (gains)	(22 680 675)	14 589 661	4 570 787

	2020	2019	2018	2017	2016
	N\$	N\$	N\$	N\$	N\$
Present value - defined benefit obligation	128 200 000	138 632 919	113 766 457	98 094 282	139 784 653

The effect of a 1% movement in the assumed rate of long service cost inflation is as follows:

Increase:	10 486 800	14 300 502	10 244 531
Effect on the aggregate of the current service cost and the interest cost	805 800	1 994 400	1 295 700
Effect on the defined benefit obligation	9 681 000	12 306 102	8 948 831

Decrease:	(12 038 700)	(12 553 400)	(9 299 865)
Effect on the aggregate of the current service cost and the interest cost	(904 700)	(1 732 600)	(1 180 100)
Effect on the defined benefit obligation	(11 134 000)	(10 820 800)	(8 119 765)

The municipality expects to make a contribution of N\$19 536 000 (2019: N\$22 461 335) to the defined benefit plans during the next financial year.

26. VAT RECEIVABLE	143 132 866	105 746 649	76 723 774
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VAT is payable in terms of section 7 of the Value-Added Tax Act. VAT is payable/receivable on receipt of an invoice or payment, whichever is the earlier.

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

MUNICIPALITY OF WINDHOEK
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED
30 JUNE (Continued)

	2020	2019	2018
	N\$	N\$	N\$
27. RECEIVABLES FROM EXCHANGE TRANSACTIONS	413 795 908	335 561 003	303 610 748
Trade debtors	354 266 818	297 020 524	224 710 000
Prepayments (if immaterial)	757 730	-	-
VAT Debtors control	-	-	28 643 473
Accruals	58 771 360	38 540 479	50 257 275

Included in Accruals is an amount of N\$53 721 550 (2019: N\$33 523 934) in respect of the consumption of metered services not billed as at 30June.

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

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

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

Allowance for Impairment:

At 30June 2020 Receivables from Exchange Transactions of N\$593 851 041 (30 June 2019: N\$567 331 334) were impaired and fully provided for.

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

28. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

	113 975 634	101 383 332	73 469 147
Assessment Rates Debtors	153 433 243	113 256 837	70 408 871
Short-term Loans	15 904 478	14 335 450	8 987 202
Sundry Debtors	21 021 821	30 854 535	21 860 128
Suspense	32 218 939	36 619 542	25 159 716
Allowance for impairment	(108 602 847)	(93 683 032)	(52 946 771)

MUNICIPALITY OF WINDHOEK
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED
30 JUNE (Continued)

28. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS (Continued)

Short-term Loans mainly comprise advances made to staff members that are repayable within 36 months.

Sundry Debtors are in respect of Traffic Fines issued but not yet paid for and Other Debits outstanding at year-end on normal business transactions entered into by the municipality.

Suspense Accounts are in respect of temporary advances made in the normal month-to-month operations of the municipality, not recovered at year-end.

The municipality does not hold deposits or other security for its Receivables.

None of the Receivables has been pledged as security for the municipality's financial liabilities.

Allowance for Impairment

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

In determining the recoverability of a Rates Assessment Debtor and Receivables from Non-exchange Transactions, the municipality considers any change in the credit quality of the Rates Assessment Debtor from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the management believe that there is no further credit allowance required in excess of the Allowance for Impairment.

	2020	2019	2018
	N\$	N\$	N\$
29. LONG TERM RECEIVABLES	54 653 069	44 388 255	55 857 911
Long term receivables	48 363 312	34 152 478	43 052 426
Current Portion of Long-term Receivables	6 289 757	10 235 777	12 805 485

The long-term receivables are composed of the following:

DEVELOPMENT AND HOUSING

Housing Loans in terms of the Build Together Housing Scheme are granted to qualifying individuals at an interest rate of 4,00% per annum, repayable over a maximum period of 20 years.

Housing Loans in terms of the Windhoek Housing Scheme are granted to qualifying individuals at an interest rate between 6,00% to 12,00% per annum, depending on the stipulations of the contract, repayable over a maximum period of 20 years.

However, there are on-going old contracts for both housing schemes that were granted over a period of 340 months.

MUNICIPALITY OF WINDHOEK
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED
30 JUNE (Continued)

29. LONG TERM RECEIVABLES (Continued)

SALE OF STANDS

Stands in low income are as are sold on an instalment basis at an interest rate of 0 to 15, 00% per annum. The loans are repayable over a period of 5 to 8 years, depending on the stipulations of the contract.

VEHICLE LOANS

Senior staff in Job Grading D and higher, are entitled to Vehicle Loans at an interest rate of 5, 00% per annum, repayable over a maximum period of 5 years. The maximum loans are determined by the Vehicle Allowance applicable to the post.

The municipality does not hold deposits or any other security for its Long-term Receivables.

No Long-term Receivables have been pledged as security for the municipality's financial liabilities.

Long-term Receivables are neither past due nor impaired, as management have no concerns over the credit quality of these assets.

The following loans were granted and outstanding:

	Loans Granted current year	Balance as at 30 June 2020
2019/20		
Chief Executive Officer		
Kahimise R N	-	443 360
Strategic Executives		
SE: Electricity - Hekandjo O.A	-	318 458
SE: ICT - Kandjiriomuini R.	-	527 653
Chief: City Police		
Kanime A.K.	55 820	-
	55 820	1 289 471
2018/19		
Chief Executive Officer		
Kahimise R N	1 334 364	759 960
Strategic Executives		
SE: Human Capital & Corporate Services - Mayumbelo M.G.	586 862	324 313
SE: Economic Development & CS - Hambuda F.N.	360 000	100 793
SE: Electricity - Hekandjo O.A	750 000	468 426
SE: Housing, Property & Management - Esterhuizen G.W.	523 000	149 907
SE: ICT - Kandjiriomuini R.	1 064 014	765 390
SE: Infrastructure, Water & Technical Services - Narib L.	762 220	51 556
SE: Urban & Transport Planning - Van Rensburg P.	450 000	83 391
Chief: City Police		
Kanime A.K.	890 700	327 582
	6 721 160	3 031 318

MUNICIPALITY OF WINDHOEK
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED
30 JUNE (Continued)

	2020	2019	2018
	N\$	N\$	N\$
30. INVENTORIES	142 823 938	73 159 308	51 037 676
Ammunition	130 092	133 847	144 361
Consumable stores	1 723 690	1 677 902	1 393 689
Fuel and oil	1 012 725	2 842 926	3 927 801
Maintenance materials	61 125 434	65 829 123	42 319 854
Land for sale	75 519 141	-	-
Spare Parts and Meters	133 425	148 434	133 494
Water for distribution	3 179 431	2 527 076	3 118 477

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

The cost of inventory recognised as an expense during the period was N\$ 66 527 643 (2019: N\$ 67 774 723).

Inventories of N\$ 14 484 671(2019:15 673 886) are held as spare parts for infrastructure assets and have been transferred to Property, Plant and Equipment.

The cost of water production for the year amounted to N\$ 18.80 per kilolitre (2019: N\$14.55 per kilolitre).

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

31. NON-CURRENT INVESTMENTS

Designated at fair value – Listed shares	14 923 029	18 350 206	17 825 189
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Listed Shares are investments in shares of public companies with no specific maturity dates or interest rates.

At amortised cost	3 118 425	2 513 780	1 169 962
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Fixed Deposits

Fixed Deposits are investments with a maturity period of more than 12 months and specifically invested to provide gratuity benefits for councillors. Interest, dividends and costs accrue to the Creditor, Councillors Gratuity Plan.

Total other financial assets	18 041 454	20 863 986	18 995 151
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Non-current assets	18 041 454	20 863 986	18 995 151
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Designated at fair value	14 923 029	18 350 206	17 825 189
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Residual interest at cost	3 118 425	2 513 780	1 169 962
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**MUNICIPALITY OF WINDHOEK
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED 30 JUNE (Continued)**

32. INVESTMENT PROPERTY

	2020			2019			2018		
	Cost / Valuation	Carrying value	Accumulated depreciation and accumulated impairment	Cost / Valuation	Carrying value	Accumulated depreciation and accumulated impairment	Cost / Valuation	Carrying value	Accumulated depreciation and accumulated impairment
	N\$	N\$	N\$	N\$	N\$	N\$	N\$	N\$	N\$
	5 152 879 986	(67 919 536)	5 084 960 450	5 258 231 968	(64 017 933)	5 194 214 035	5 186 287 144	(60 129 454)	5 126 157 690

	Opening balance	Additions	Transfers	Disposals	Depreciation	Total
	N\$	N\$	N\$	N\$	N\$	N\$

Reconciliation of investment property - 2020
Investment property

	5 194 214 035	-	-	(105 351 982)	(3 901 603)	5 084 960 450
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Reconciliation of investment property - 2019
Investment property

	5 254 368 329	633 127	-	(56 898 942)	(3 888 479)	5 194 214 035
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Reconciliation of investment property - 2018
Investment property

	5 084 934 328	-	44 668 661	-	(3 445 299)	5 126 157 690
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All of the municipality's Investment Property is held under freehold interests and no Investment Property had been pledged as security for any liabilities of the municipality.

There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal. There are no contractual obligations on Investment Property.

ANNEXURE E

MUNICIPALITY OF WINDHOEK
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED 30 JUNE (Continued)

32. INVESTMENT PROPERTY (Continued)**Investment Property carried at Fair Value**

The municipality's Investment Properties are accounted for according to the cost model and therefore no fair value has been determined.

Impairment of Investment Property

No impairment losses have been recognised on Investment Property of the municipality at the reporting date.

33. PROPERTY, PLANT AND EQUIPMENT

	2020		2019		2018
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
	N\$	N\$	N\$	N\$	N\$
Land	1 777 226 134		1 777 226 134	-	1 777 226 134
Buildings	625 389 574	(282 836 378)	625 389 574	(250 932 537)	389 857 951
Leased assets	137 064 314	(68 622 095)	137 064 314	(56 284 353)	93 257 113
Infrastructure	20 304 007 305	(9 338 298 669)	20 117 933 176	(8 859 033 839)	11 258 899 337
Community	599 248 046	(317 873 983)	599 248 046	(317 873 983)	281 374 063
Other assets	840 131 387	(431 154 403)	815 530 476	(396 289 911)	419 240 565
	24 283 066 760	(10 438 785 528)	24 072 391 720	(9 880 414 623)	14 191 977 097

**MUNICIPALITY OF WINDHOEK
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED 30 JUNE (Continued)**

33. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Opening balance	Additions	Disposals	Spare parts transfer (net movement)	Depreciation	Impairment loss	Total
	N\$	N\$	N\$	N\$	N\$	N\$	N\$
<u>Reconciliation of property, plant and equipment - 2020</u>							
Land	1 777 226 134	-	-	-	-	-	1 777 226 134
Buildings	374 457 037	-	-	-	(31 903 841)	-	342 553 196
Leased assets	80 779 961	-	-	-	(12 337 742)	-	68 442 219
Infrastructure	11 258 899 337	189 863 903	(1 597 310)	(1 189 215)	(480 247 071)	(21 008)	10 965 708 636
Community	281 374 063	-	-	-	-	-	281 374 063
Other assets	419 240 565	24 600 911	-	-	(34 130 804)	(733 688)	408 976 984
	14 191 977 097	214 464 814	(1 597 310)	(1 189 215)	(558 619 458)	(754 696)	13 844 281 232
<u>Reconciliation of property, plant and equipment - 2019</u>							
Land	1 777 226 134	-	-	-	-	-	1 777 226 134
Buildings	389 857 951	-	-	-	(15 400 914)	-	374 457 037
Leased assets	93 257 113	-	-	-	(12 477 152)	-	80 779 961
Infrastructure	11 712 431 484	36 843 359	(275 785)	(3 738 097)	(486 361 624)	-	11 258 899 337
Community	296 248 157	1 534 415	-	-	(16 408 509)	-	281 374 063
Other assets	456 835 946	13 883 997	(10 593 351)	-	(40 129 876)	(756 151)	419 240 565
	14 725 856 785	52 261 771	(10 869 136)	(3 738 097)	(570 778 075)	(756 151)	14 191 977 097

MUNICIPALITY OF WINDHOEK
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED 30
JUNE (Continued)

33 PROPERTY, PLANT AND EQUIPMENT (Continued)

Pledged as security

Land and Buildings (Erven 5377 and 5378) with a carrying amount of N\$ 209 903 752 (2019: N\$ 209 903 752) have been pledged under Composite Bonds to secure borrowings of the municipality (see Note 41). Furthermore, the municipality ceded Short-term Insurance for Fire and NASRIA Cover over the said properties for an adequate amount as security for the obligations of the municipality towards the banking institution.

In addition, the municipality's obligations under Finance Leases (see Note 40) are secured by the lessors' title to the leased assets, which have a carrying amount of N\$ 68 442 219 (2019: N\$ 80 779 962).

Land and Building carried at fair value

The municipality's Land and Buildings are accounted for according to the cost model and therefore no fair value has been determined.

	2020	2019	2018
	N\$	N\$	N\$
Capitalised expenditure (excluding borrowing costs)	114 695 256	26 718 240	
Buildings	4 313 234	633 127	
Infrastructure	87 994 614	12 201 116	-
Other assets	22 387 408	13 883 997	
Assets subject to finance lease (Net carrying amount)			
Leased assets	68 442 219	80 779 961	93 257 113
	Included within Infrastructure	Included within Community	Total
	N\$	N\$	N\$
Reconciliation of Work-in-Progress 2020			
Opening balance	298 623 070	4 151 514	302 774 584
Reconciliation of Work-in-Progress 2019			
Opening balance	277 718 924	2 617 099	280 336 023
Additions/capital expenditure	36 843 360	1 534 415	38 377 775
Transferred to completed items	(15 939 214)	-	(15 939 214)
	298 623 070	4 151 514	302 774 584

MUNICIPALITY OF WINDHOEK
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED 30
JUNE (Continued)

34 INTANGIBLE ASSETS

	2020			2019		
	Cost / Valuation	Accumulated amortisation and impairment	Carrying value	Cost / Valuation	Accumulated amortisation and impairment	Carrying value
	N\$	N\$	N\$	N\$	N\$	N\$
Computer software	6 789 685	(6 042 806)	746 879	6 467 729	(3 840 211)	2 627 518

Other information

The amortization expense has been included in the line item "Depreciation and Amortization" in the Statement of Financial Performance (see Note 16).

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

The following restrictions apply to Intangible Assets:

- Software:.

(i) The systems are non-assignable, non-transferable, and the municipality has no exclusive rights to use the systems.

ii) The municipality, as the licensee, shall not grant usage of, or distribute, the systems in its original or modified form, to a third party for the third party's benefit.

iv) The municipality has no intellectual property rights to the systems.

Significant Intangible Assets

Significant Intangible Assets, that did not meet the recognition criteria for Intangible Assets as stipulated in IPSAS 32, are the following:

(i) Website Costs incurred during the last two financial years, if applicable, have been expensed and not recognized as Intangible Assets. The municipality cannot demonstrate how its website will generate probable future economic benefits.

Intangible Assets with Indefinite Useful Lives

The municipality amortizes all its Intangible Assets and no of such assets are regarded as having indefinite useful lives. The useful lives of the Intangible Assets remain unchanged from the previous year.

Impairment of Intangible Assets

No impairment losses have been recognized on Intangible Assets of the municipality at the reporting date.

MUNICIPALITY OF WINDHOEK
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED 30
JUNE (Continued)

	2020	2019	2018
	N\$	N\$	N\$
35 PAYABLES UNDER EXCHANGE TRANSACTIONS	1 939 526 369	1 700 735 958	1 711 388 941
Trade payables	674 244 118	592 756 377	387 476 558
Payments received in advanced	90 958 776	82 601 113	93 239 293
Staff Bonuses	28 962 864	28 584 625	27 344 670
Staff leave	353 557 891	270 449 837	282 304 067
Retention	31 031 637	31 167 672	31 506 526
Councillors gratuity plan	3 118 425	2 513 780	1 169 962
Other creditors	710 673 378	692 662 554	888 347 864
VET levy	46 979 280	-	-

Councillors Gratuity Plan:

Gratuities accrue to councillors of the municipality on a monthly basis, subject to certain conditions. The accrual is the contra amount of the investments made during the year in terms of the Gratuity Plan. Also, see Note 33.

Staff Bonuses:

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

Staff Leave:

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

Other Creditors:

Other Creditors comprise of on-lending agreements entered into with KfW, EIB and DBSA for loans received for the construction of Infrastructure. In terms of the agreement, the loans are serviced by government. The amount disclosed is in respect of outstanding instalments payable to government by the municipality.

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

The municipality did not default on any payment of its Creditors. However, in exceptional cases terms for payment have been re-negotiated by the municipality.

36 CONSUMER DEPOSITS	59 210 735	58 091 061	56 120 641
Electricity	43 531 209	42 916 506	41 760 905
Water	15 679 526	15 174 555	14 359 736

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

No interest is paid on Consumer Deposits held.

MUNICIPALITY OF WINDHOEK
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED 30
JUNE (Continued)

37 PROVISIONS	Opening Balance	Contributions to provision	Total
	N\$	N\$	N\$
Reconciliation of provisions - 2020			
Provision for Rehabilitation of Land-fill Sites	56 922 195	3 662 755	60 584 950
Reconciliation of provisions – 2019			
Provision for Rehabilitation of Land-fill Sites	54 286 381	2 635 814	56 922 195
Reconciliation of provisions - 2018			
Provision for Rehabilitation of Land-fill Sites	49 113 131	5 173 250	54 286 381

Rehabilitation of Land-fill Sites

The municipality will incur licensing and rehabilitation costs of N\$78 537 690 (2019: N\$75 187 820) to restore the sites at the end of their useful lives. Provision has been made for the net present value of the future cost, using the average bond yield interest rate.

	2020	2019	2018
	N\$	N\$	N\$
Land fill site and year of decommissioning	78 537 690	75 187 820	72 547 777
Eros Landfill (2032/33)	5 291 780	5 524 531	5 347 240
Havana Landfill (2021/22)	2 535 144	2 557 680	2 475 297
Khomasdal Landfill (2026/27)	2 627 917	2 641 310	2 556 201
Kupferberg Landfill - General (2023/24)	35 971 522	34 604 968	33 359 427
Kupferberg Landfill - Hazardous (22/23)	20 363 865	18 299 810	17 645 263
Ludwigsdorf Landfill (2024/25)	1 543 088	1 601 549	1 544 952
Okuryangava Landfill (2037/38)	2 516 999	2 398 888	2 321 688
Otjomuise Landfill (2025/26)	1 292 359	1 102 641	1 067 157
Pioneers Park Landfill (2027/28)	6 395 016	6 456 443	6 230 552

38 FINANCE LEASE OBLIGATION

Present value of minimum lease payments	33 808 332	25 819 964	52 903 905
- within one year	14 220 053	18 656 397	31 469 246
- in second to fifth year inclusive	23 857 683	9 263 421	26 975 971
	38 077 736	27 919 818	58 445 217
less: future finance charges	(4 269 404)	(2 099 854)	(5 541 312)
Present value of minimum lease payments due	33 808 331	25 819 963	52 903 905
- within one year	12 346 079	17 177 757	27 832 959
- in second to fifth year inclusive	21 462 252	8 642 206	25 070 945
	33 808 331	25 819 963	52 903 905
Non-current liabilities	21 462 252	8 642 206	25 070 945
Current liabilities	12 346 079	17 177 757	27 832 959

MUNICIPALITY OF WINDHOEK
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED 30
JUNE (Continued)

38. FINANCE LEASE OBLIGATION (Continued)

Finance Lease Liabilities relate to Vehicles with lease terms varying from 1 to 5 (2019:1 to 5) years. The effective interest rate on Finance Leases is 2.23% (2019: 6.48%). Capitalized Lease Liabilities are secured over the items of vehicles leased.

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

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

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

	2020	2019	2018
	N\$	N\$	N\$
39 PAYABLES FROM NON-EXCHANGE TRANSACTIONS	39 232 900	66 735 485	30 146 733
Suspense accounts	37 959 970	65 607 912	29 687 440
Sundry deposits	1 272 930	1 127 573	459 293

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

Sundry Deposits are mostly in respect of security deposits held by the municipality for houses in the various housing schemes, rented to public.

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

The municipality did not default on any payment of its Creditors. No terms for payment have been re-negotiated by the municipality.

The municipality's credit risk management processes are disclosed in Note 50 to the Annual Financial Statements.

MUNICIPALITY OF WINDHOEK
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED 30
JUNE (Continued)

	2020	2019	2018
	N\$	N\$	N\$
40 LONG TERM LOANS			
At amortised cost	158 979 631	191 193 169	225 818 844
Bank loan	135 553 527	147 571 936	157 053 033
The First National Bank Loan is repaid over a period of 10 (2019:10) years at an interest rate of Prime less 2% (2019: Prime less 2%) per annum. The Loan is secured by composite bonds to the amount of N\$140 000 000 (2019: N\$140 000 000) over the property funded.			
Nampower	1 297 229	5 377 392	8 963 403
The NamPower Loan is repaid over a period of 1 (2019:2) years at an interest rate of Prime +2,00% (2019: Prime +2,00%) per annum. The Loan is not secured.			
Government of the Republic of Namibia (On-Lending)	17 238 914	31 631 989	51 484 243
The On-lending Loans are repaid over periods varying from 3 to 11(2019: 3 to 11) years and at interest rates varying from 7.00% to 16.00% (2019:7.00% to 16.00%) per annum. The Loans are not secured.			
Government of the Republic of Namibia (Direct)	4 540 052	6 176 438	7 712 479
The Direct Loans are repaid over periods varying from 4 to 10 (2019: 4 to 10) years and at interest rates varying from 9.00% to 12.00%(2019: 9.00% to 12.00%) per annum. The Loans are not secured.			
Bank loans – other	349 909	435 414	605 686
Other Loans are repaid over periods varying from 1 to 6 (2019: 1 to 6) years and at interest rates varying from 9.00% to 12.00% (2019: 9.00% to 12.00%) per annum. The Loans are not secured.			
Total Long-term loans	158 979 631	191 193 169	225 818 844
Non-current liabilities			
At amortised cost	140 993 586	158 748 849	188 304 475
Current liabilities			
At amortised cost	17 986 047	32 444 323	37 514 369

MUNICIPALITY OF WINDHOEK
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED 30
JUNE (Continued)

	2020	2019	2018
	N\$	N\$	N\$
41 UNSPENT CONDITIONAL GRANTS AND RECEIPTS			
Unspent conditional grants and receipts comprises of:			
Unspent conditional grants and receipts			
Public Contributions	2 283 870	2 914 997	1 060 220
Movement during the year	2 283 870	2 914 997	1 060 220
Balance at the beginning of the year	2 914 997	1 060 220	914 709
Additions during the year	-	3 316 253	2 106 461
Income recognition during the year	(631 127)	(1 461 476)	(1 960 950)
42 FUNDS			
Housing fund	206 362 649	206 353 283	206 342 696

The Housing Fund was established in terms of Section 58 of the Local Authorities Act, 1992 (Act 23 of 1992).

The Housing Fund contains all proceeds from housing developments, which include proceeds of loans raised, rental income, redemption of loans granted, sale of houses, interest from investments and other moneys accruing to the fund.

Unexpended moneys in the Housing Fund, which are not required for immediate use, may be invested with such financial institution as may be approved by the Minister.

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

Reconciliation of Housing Fund:	206 362 649	206 353 283	206 342 696
Balance at beginning of year	206 353 283	206 342 696	206 443 500
Revenue:	-	-	-
- Contributions Received	-	-	-
- Interest Received	9 366	10 587	(100 805)
Expenditure:	-	-	-
- Funding of Capital Projects	-	-	-
- Funding of Operational Projects	-	-	-

MUNICIPALITY OF WINDHOEK
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED 30
JUNE (Continued)

	2020	2019	2018
	N\$	N\$	N\$
43 CASH GENERATED FROM OPERATIONS			
Deficit	(103 309 620)	(401 743 342)	(814 717 843)
Adjustments for:			
Depreciation and amortisation expense	564 723 656	576 562 549	580 331 602
Gain on sale of assets and liabilities	1 597 310	10 869 135	12 816 796
Finance costs - Finance leases	2 901 186	3 636 287	-
Impairment deficit	754 696	756 152	53 940 660
Profit on Sale of Land	-	-	(87 047 914)
Transfer to Property, Plant and Equipment	-	-	43 619 363
Transfer to Investment Property	-	-	(44 668 661)
Debt impairment	71 981 046	224 020 466	76 872 747
Movements in retirement benefit assets and liabilities	(91 475 907)	(84 918 765)	72 498 760
Expenditure incurred from Post-Retirement Health Care Benefits	-	-	(18 530 367)
Contribution to Long Service Awards Liability	-	-	23 760 468
Expenditure incurred from Long Service Awards Liability	-	-	(21 839 208)
Contribution to Severance Pay Liability	-	-	21 532 065
Expenditure incurred from Severance Pay Liability	-	-	(5 859 890)
Movements in provisions	3 662 755	2 635 814	5 173 250
Other non-cash items	24 723	-	-
Bad Debts Written-off	-	-	(114 587 976)
Changes in working capital:			
Inventories	(68 475 415)	(18 383 534)	(4 660 418)
Receivables from exchange transactions	(78 234 905)	(31 950 254)	33 978 330
Debt impairment	(71 981 046)	(224 020 466)	-
Other receivables from non-exchange transactions	(12 592 302)	(41 412 472)	(1 002 983)
Payables under exchange transactions	238 790 413	(10 652 987)	387 688 839
VAT	(37 386 217)	(29 020 624)	(85 734 405)
Payables from non-exchange transactions	(27 502 585)	50 087 038	20 906 256
Unspent conditional grants and receipts	(631 127)	1 854 777	145 511
Current Portion of Long-Term Receivable	-	-	150
Consumer deposits	1 119 674	1 970 420	2 206 349
Cash generated from operations	393 966 335	30 290 194	136 821 481

MUNICIPALITY OF WINDHOEK
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED 30
JUNE (Continued)

44 COMMITMENTS FOR EXPENDITURE

LEASE COMMITMENTS

Finance Lease Liabilities are disclosed in Note 40.

Other commitments

The municipality has entered into a contract on 27 October 2015 with Akira Cleaning Services cc for "Cleaning Services Rendered for the City of Windhoek Sport and Recreational Facilities" for a five year period, which will give rise to a monthly charge of N\$53 500 (VAT and Transport inclusive). The contract terminates on 26 October 2020.

The municipality has entered into a contract on 4 December 2015 with Endola Original Trading Enterprises cc for "Cleansing Services Rendered for the Remote Offices for the Parks Division (Cemetery Section)" for a five year period, which will give rise to a monthly charge of N\$ 26 450 (VAT and Transport inclusive). The contract terminates on 3 December 2020.

The municipality has entered into a contract on 11 February 2016 with Salon Africana & Cleaning Services cc for "Rendering of Garden and Terrain Maintenance Services at the Playgrounds, Recreational Parks, Municipal Sub Offices and Informal Markets
- Zone 1" for a five year period, which will give rise to a monthly charge of N\$ 16 000 (VAT and Transport inclusive). The contract terminates on 10 February 2021.

The municipality has entered into a contract on 11 February 2016 with Vino's Cleaning & Construction cc for "Rendering of Garden and Terrain Maintenance Services at the Playgrounds, Recreational Parks, Municipal Sub Offices and Informal Markets
- Zone 2" for a five year period, which will give rise to a monthly charge of N\$ 15 478 (VAT and Transport inclusive). The contract terminates on 10 February 2021.

The municipality has entered into a contract on 11 February 2016 with Collaboration Cleaning Services for "Rendering of Garden and Terrain Maintenance Services at the Playgrounds, Recreational Parks, Municipal Sub Offices and Informal Markets
- Zone 3" for a five year period, which will give rise to a monthly charge of N\$ 14 306 (VAT and Transport inclusive). The contract terminates on 10 February 2021.

The municipality has entered into a contract on 11 February 2016 with Isabella Trading Enterprises cc for "Rendering of Garden and Terrain Maintenance Services at the Playgrounds, Recreational Parks, Municipal Sub Offices and Informal Markets
- Zone 4" for a five year period, which will give rise to a monthly charge of N\$ 14 414 (VAT and Transport inclusive). The contract terminates on 10 February 2021.

The municipality has entered into a contract on 11 February 2016 with Kavehepa Cleaning Services cc for "Rendering of Garden and Terrain Maintenance Services at the Playgrounds, Recreational Parks, Municipal Sub Offices and Informal Markets
- Zone 5" for a five year period, which will give rise to a monthly charge of N\$ 16 157 (VAT and Transport inclusive). The contract terminates on 10 February 2021.

MUNICIPALITY OF WINDHOEK
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED 30
JUNE (Continued)

44. COMMITMENTS FOR EXPENDITURE (Continued)

The municipality has entered into a contract on 25 August 2017 with Honahona Trading cc for "Rendering of Professional Horticultural Gareden Terrain and Turf Maintenance Services at Municipal Stadiums (excluding Buildings) at the Sam Nuyoma Stadium, Khomasdal Sport Ground and John Otto Nankudhu Soccer Field" for a three year period, which will give rise to a monthly charge of N\$ 55 500 (VAT inclusive). The contract terminates on 24 August 2020.

The municipality has entered into a contract on 5 June 2018 with Loureal Investment cc for "Rendering of Professional Horticultural Garden and Terrain Maintenance Services at the Brakwater Recreation Area (zone 2) Old Oponganda Cemetry (zone 1) and Oponganda Cemetry New Extension B (zone 2)" for a three year period, which will give rise to a monthly charge of N\$ 42 820 (VAT inclusive). The contract terminates on 4 June 2021.

The municipality has entered into a contract on 5 June 2018 with X-Tra Cleaning Services for "Rendering of Professional Horticultural Garden and Terrain Maintenance Services at the Playground (Zones 7, 8 and 9)" for a three year period, which will give rise to a monthly charge of N\$ 14 835 (VAT inclusive). The contract terminates on 4 June 2021.

The municipality has entered into a contract on 4 July 2018 with Lypa Investment cc for "Provision of Cleaning Services for Wernhill Taxi Rank, including Ablution Facility at Windhoek Central/CBD, cnr of Mandume Hdemufayo and Aupa Frans Indongo Street" for a two year period, which will give rise to a monthly charge of N\$ 11 443 (VAT inclusive). The contract terminates on 3 July 2020.

The municipality has entered into a contract on 5 June 2018 with Omaalala Investment cc for "Rendering of Professional Horticultural Garden and Terrain Maintenance Services at the Playgrouds (Zone 7, 8 and 9)" for a three year period, which will give rise to a monthly charge of N\$ 29 910 (VAT inclusive). The contract terminates on 4 June 2021.

The municipality has entered into a contract on 5 June 2018 with Camilla's Cleaning Services cc for "Rendering of Professional Horticultural Garden and Terrain Maintenance Services at the Old Location Cemetery (Zones 1 and 2) and the Leutwein Cemetery" for a three year period, which will give rise to a monthly charge of N\$ 49 707 (VAT inclusive). The contract terminates on 4 June 2021.

The municipality has entered into a contract on 26 July 2018 with The E-Path cc for "Provision of Organizational Cultural Assessment and Change Management Services" for a two year period, which will give rise to a total charge of N\$ 1 926 100 (VAT exclusive). The contract terminates on 25 July 2020.

The municipality has entered into a contract on 10 July 2018 with MINET Namibia Insurance Brokers (Pty) Ltd for "Rendering of Short Term Insurance Broker Services" for a five year period, which will give rise to a yearly charge of N\$ 10 550 914 (VAT inclusive). The contract terminates on 9 July 2023.

MUNICIPALITY OF WINDHOEK
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED 30
JUNE (Continued)

44. COMMITMENTS FOR EXPENDITURE (Continued)

The municipality has entered into a contract on 18 March 2020 with Mathew Trading for "Provision of cleaning service at the New Townhouse building for a period of four Month", which will give rise to a charge N\$ 95 973.48. The contract terminates on 18 July 2020.

The municipality has entered into a contract on 18 March 2020 Tudao Tulonge Trading Enterprises cc for "Provision of cleaning services at the Bokamoso Enterpreneurial centre" for a 2-year period, which will give rise to a yearly charge of N\$ 235,367.28 (VAT inclusive). The contract terminates on 19 March 2022.

The municipality has entered into a contract on 16 February 2020 with Hugestone Investment cc "Provision of Cleaning Service at the Khomasdal and Wanaheda Industrial Stalls, which will give rise to a yearly charge of N\$ 180 752.40 (VAT inclusive). The contract terminates on 16 February 2022.

The municipality has entered into a contract on 16 February 2020 with Hugestone Investment cc "Provision of Cleaning Service at the Menarovandu Industriall Stalls, which will give rise to a yearly charge of N\$ 155 912.40 (VAT inclusive). The contract terminates on 16 February 2022.

The municipality has entered into a contract on Kament Cleaning Services cc "Provision of cleaning services at the public toilets and tourism information office for a period of four months", which will give rise to a charge of N\$ 121 440.00 (VAT inclusive) The contract will terminates on 18 July 2020

The municipality has entered into a contract on 27 August 2020 with Amtshila Investment cc "Provision of cleaning Services at the New TownHouse Building " for a period of 4 months, which will give rise to a charge of N\$ 183 200.00 (VAT inclusive). The contract terminates on 27 December 2020.

The municipality has entered into a contract on 27 August 2020 with Namibia Landscaping cc for "Gardening and terrain maintenance services at Gammams water care works " for a 5 months period, which will give rise to a charge of N\$ 98 750.00 (VAT inclusive). The contract terminates on 27 January 2021.

MUNICIPALITY OF WINDHOEK
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED 30
JUNE (Continued)

	2020	2019	2018
	N\$	N\$	N\$
45 CONTINGENT LIABILITIES			
Guarantees:			
First National Bank:	14 409 855	16 409 855	16 409 855

Bank guarantees issued by the bank on behalf of the municipality in favour of Contractors to cover contract payments for work to be performed.

Court Proceedings: Court cases	201 478 383	193 676 967	88 749 734
(i) Cancellation of Sale of Property Agreement	500 000	500 000	500 000
(ii) Claim for Damages Sustained	342 739	342 739	342 739
(iii) Claim for Reduction of Potential of Development	8 045 195	8 045 195	8 045 195
(iv) Claim for Services Rendered:	1 830 000	1 830 000	1 830 000
(v) Claim for Constructive Dismissal	2 115 578	1 864 560	1 864 560
(vi) Claim for Unpaid Remuneration:	-	400 000	400 000
(vii) Claim for termination of contract	5 827 581	5 827 581	5 827 581
(vii) Claim for structure declared to be illegal	-	-	500 000
(viii) Breach of contract	69 439 659	69 439 659	69 439 659
(ix) Claim for damages/penalty	3 933 426	3 933 426	-
(x) Claim for termination of Contract	376 000	-	-
(xi) Claim for Unpaid Remuneration:	6 554 826	-	-
(xii) Claim for damages/penalty:	100 194	-	-
(xiii) Claim for Breach of Contract:	101 493 807	101 493 807	-
(xiv) Breach of Development Agreement:	919 378	-	-

(i) Cancellation of Sale of Property Agreement:

Zest Investments Seventy Three CC has lodged an appeal to review an application from the municipality for cancellation of an agreement for sale of property. Plaintiff has lodged an application for transfer of the property to the plaintiff and the payment of the legal fees incurred in this regard. The municipality is contesting the claim. The outcome of the case is still uncertain.

(ii) Claim for Damages Sustained:

A claim has been lodged by FMB Shiimi for damage caused by an underground water leakage, which was not attended to timeously. The municipality is contesting the claim. The outcome of the case is still uncertain.

(iii) Claim for Reduction of Potential of Development:

A claim has been lodged by CJ Mouton, based on the reduction of potential of development as a result of a sub-division allowed by the municipality. The municipality is contesting the claim. The outcome of the case is still uncertain.

MUNICIPALITY OF WINDHOEK
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED 30
JUNE (Continued)

45. CONTINGENT LIABILITIES (Continued)

(iv) Claim for Services Rendered:

A claim has been lodged by APB Services and Another for additional work performed on a tender awarded to perform an interim valuation of all rateable properties within the newly extended boundaries of the CoW for which Plaintiff has not been paid. The municipality is contesting the claim. The outcome of the case is still uncertain.

(v) Claim for Constructive Dismissal:

A claim has been lodged by Ms N Brandt for constructive dismissal. The municipality is contesting the claim. The outcome of the case is still uncertain. A Notice of Motion filed on 23 April 2019.

(vi) Claim for Unpaid Remuneration:

A claim has been lodged by Ms M Hendjala for the underpayment of remuneration. An Arbitration Award filed on 13 June 2019 and thus become an order of court. Subsequently, payment was made by the municipality in terms of settlement of N\$254,213.18 paid on 18 May 2020 via the Office of the Deputy Sheriff.

(vii) Claim for termination of contract

A claim has been lodged by NES for electrical works continued beyond the date of completion of contract. Plaintiff was awarded N\$5 827 581 by the Dispute Adjudication Board. The municipality is contesting the award made. The outcome of the case is still uncertain.

(viii) Breach of contract

Elisenheim Property Development Company (Pty) Ltd has lodged a claim for the breach of a contract by the municipality in respect of the planning, designing and construction of infrastructure works, allegedly suffering damages to the amount of N\$69 439 660. The municipality is contesting the claim. The outcome of the case is still uncertain.

(ix) Claim for damages/penalty

The claim has been lodged by (Namibia Breweries Ltd) and the latter was given an approval by the Defendant (CoW) to supply Plaintiff with sewerage service. Plaintiff according to the contract made payment to the Defendant. A statement of account iro sewerage service was received by the plaintiff from the Defendant and to which account a levied penalty was charged. The plaintiff objected such penalty charges and Defendant refused the objection, thus Plaintiff was obliged to pay. It was discovered that the sewerage sample(s) from the Defendant was faulty/inaccurate. Defendant failed to rectify such and the Plaintiff has suffered damages to the amount of N\$3 933 426.07 to which Plaintiff is claiming.

MUNICIPALITY OF WINDHOEK
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED 30
JUNE (Continued)

45. CONTINGENT LIABILITIES (Continued)

(x) Claim for termination of Contract

A claim has been lodged by Ms. Nuukongo (Plaintiff) who entered into a Deed of Sale with the First Defendant re Erf 1664 GG. Ms. Nuukongo initiated payment as per the conditions and she believed that the said Agreement was valid. The Plaintiff demanded transfer of the property from First Defendant. To the Plaintiff's surprise, the Second Defendant (CoW) informed the Plaintiff and the First Defendant that such Agreement was already cancelled during October - December 2000. It is against this background that the Plaintiff is claiming an amount of N\$376 000 from Council. The Council is contesting the claim. The outcome of the case is still uncertain.

(xi) Claim for Unpaid Remuneration:

A claim has been lodged by P. Kandjumbwa & 15 others for the underpayment of remuneration. In terms of the varied award, it is ordered that Council pay an amount of N\$6 554 826.00 before or on 31 October 2019 to the Applicants.

(xii) Claim for damages/penalty:

A claim has been lodged by Monte Bello Body Corporate for damages suffered as a result of the relocation of an entrance gate and removal of a precast wall at the Body Corporate. There was no approved plans in place for the said construction work. The municipality is contesting the claim. The outcome of the case is still uncertain.

(xiii) Claim for Breach of Contract:

A claim has been lodged by Pionierspark Dam Investments CC for the breach of contract by the municipality. Subsequently, the Plaintiff suffered damages to the amount of N\$101 493 807. The Council is contesting the claim. The outcome of the case is still uncertain.

(xiv) Breach of Development Agreement:

A claim has been lodged by Garden Plaza Investments CC and Jimmey Construction (Pty) Ltd for the construction of the Lossen road extension. The value of the construction work was N\$1 958 757.91, and the Plaintiffs rendered services to the value of N\$1 039 380.00 setting off resulting in the claim. The Council is contesting the claim. The outcome of the case is still uncertain.

	2020	2019	2018
	N\$	N\$	N\$
Insurance Claims:			
Alleged Damages Incurred:	988 077	195 560	636 879

Claims lodged against the municipality for alleged damages caused by incidents of which the municipality should take ownership, have been referred to the municipality's insurers.

MUNICIPALITY OF WINDHOEK
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED 30
JUNE (Continued)

	2020	2019	2018
	N\$	N\$	N\$
46 CONTINGENT ASSETS			
Insurance Claims:			
Lost / Damaged Assets:	1 709 789	1 337 761	1 553 043

The municipality has claims outstanding against its Insurers for lost and /or damaged assets. The management believe that it is probable that the claims will be successful and that compensation of N\$1 709 789 (2019: N\$1 337 761) will be recovered.

Court Proceedings:	56 460 384	56 460 384	-
Namibia Dairies	34 000 000	34 000 000	-
David John Bruni	22 460 384	22 460 384	-

(i) Claim for damages:

The municipality has lodged a claim against Namibia Dairies for the rehabilitation, restoration and remedying of all affected sources and infrastructure that has been adversely affected by the spillage of heavy furnace oil into the City's sewer system. Namibia Dairies denies liability for any loss, damage or expenses. The outcome of the case is still uncertain.

(ii) Claim for unlawful occupation, damages and possession of premises:

The municipality has lodged a claim against David John Bruni for the unlawful occupation and possession of portion of Farm 466 situated in Windhoek. The outcome of the case is still uncertain.

MUNICIPALITY OF WINDHOEK
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED 30
JUNE (Continued)

	2020	2019	2018
	N\$	N\$	N\$
47 RELATED PARTIES			
All Related Party Transactions are conducted at arm's length, unless stated otherwise.			
During the year the municipality rendered services to the following related parties that are related to the municipality as indicated:			
Related party balances:			
Outstanding balances on services accounts	288 153	126 694	122 630
Councillors	204 878	51 968	33 109
Chief Executive Officer and Strategic Executives	83 275	74 725	89 521
Related party transactions:			
Rates Charges	248 564	186 174	124 180
Councillors	110 351	73 221	63 272
Chief Executive Officer and Strategic Executives	138 213	112 954	60 908
Service Charges	677 607	571 269	407 946
Councillors	291 053	138 798	131 885
Chief Executive Officer and Strategic Executives	386 554	432 471	276 061
Sundry charges	28 600	29 164	33 795
Councillors	8 812	4 354	13 113
Chief Executive Officer and Strategic Executives	19 788	24 810	20 682

The services rendered to Related Parties are charged at approved tariffs that were advertised to the public. No Bad Debts were written off or recognised in respect of amounts owed by Related Parties.

The amounts outstanding are unsecured and will be settled in cash. Consumer Deposits were received from Councillors, the Chief Executive Officer and Strategic Executives. No expense has been recognised in the period for bad or doubtful debts in respect of the amounts owed by related parties.

Loans granted to Related Parties

The municipality does not grant loans to its Councillors. Loans, together with the conditions thereof, granted to Management, Staff and Public are disclosed in Note 31 to the Annual Financial Statements.

Compensation of Related Parties

Compensation of Key Management Personnel and Councillors is set out in Notes 13&14 to the Annual Financial Statements.

Purchases from Related Parties

The municipality did not buy goods from any companies, which can be considered to be Related Parties.

MUNICIPALITY OF WINDHOEK
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED 30
JUNE (Continued)

48 RISK MANAGEMENT FINANCIAL RISK MANAGEMENT

It is the policy of the municipality to disclose information that enables the user of its Annual Financial Statements to evaluate the nature and extent of risks arising from Financial Instruments to which the municipality is exposed on the reporting date.

The entity's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. Risks and exposures are disclosed as follows:

Liquidity risk

Liquidity Risk is the risk that the municipality will encounter difficulty in meeting the obligations associated with its Financial Liabilities that are settled by delivering cash or another financial asset. The municipality's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the municipality's reputation.

Liquidity Risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

Ultimate responsibility for liquidity risk management rests with the Council, which has built an appropriate liquidity risk management framework for the management of the municipality's short, medium and long-term funding and liquidity management requirements. The municipality manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in Note is a listing of additional undrawn facilities that the municipality has at its disposal to further reduce liquidity risk (cash).

Credit risk

Credit Risk is the risk of financial loss to the municipality if a customer or counterparty to a Financial Instrument fails to meet its contractual obligations and arises principally from the municipality's receivables from customers and investment securities. The municipality has a sound credit control and debt collection policy and obtains sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The municipality uses its own trading records to assess its major customers. The municipality's exposures of its counterparties are monitored regularly.

Potential concentrations of credit rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

MUNICIPALITY OF WINDHOEK
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED 30
JUNE (Continued)

48. RISK MANAGEMENT FINANCIAL RISK MANAGEMENT (Continued)

Investments/Bank, Cash and Cash Equivalents

The municipality limits its counter party exposures from its money market investment operations (financial assets that are neither past due nor impaired) by only dealing with Bank Windhoek, First National Bank, Nedbank and Standard Bank. No investments with a tenure exceeding twelve months are made.

Trade and Other Receivables

Trade and Other Receivables are amounts owed by consumers and are presented net of impairment losses. The municipality has a credit risk policy in place and the exposure to credit risk is monitored on an ongoing basis. The municipality is compelled in terms of its constitutional mandate to provide all its residents with basic minimum services without recourse to an assessment of creditworthiness. Subsequently, the municipality has no control over the approval of new customers who acquire properties in the designated municipal area and consequently incur debt for rates, water and electricity services rendered to them.

The municipality limits this risk exposure in the following ways, in addition to its normal credit control and debt management procedures:

- The application of the Credit Control Policy, which permits the municipality to refuse connection of services whilst any amount remains outstanding from a previous debtor on the same property;
- A new owner is advised, prior to the issue of a clearance certificate, that the property will not be transferred until the full settlement of any debt remaining from the previous owner;
- The consolidation of rates and service accounts, enabling the disconnecting services for the non-payment of any of the individual debts;
- The requirement of a deposit for new service connections, serving as guarantee and are reviewed annually;
- Encouraging residents to use water and electricity wisely by monitoring consumption.

There were no material changes in the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the year under review. The municipality's maximum exposure to credit risk is represented by the carrying value of each financial asset in the Statement of Financial Position, without taking into account the value of any collateral obtained. The municipality has no significant concentration of credit risk, with exposure spread over a large number of consumers, and is not concentrated in any particular sector or geographical area.

MUNICIPALITY OF WINDHOEK**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED 30 JUNE (Continued)**

48. RISK MANAGEMENT FINANCIAL RISK MANAGEMENT (Continued)

The municipality establishes an allowance for impairment that represents its estimate of anticipated losses in respect of trade and other receivables.

Payment of accounts of consumer debtors, who are unable to pay, are renegotiated as an ongoing customer relationship in response to an adverse change in the circumstances of the customer in terms of the Credit Control and Debt Collection Policy.

Long-term Receivables and Other Debtors are individually evaluated annually at reporting date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The municipality does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The municipality defines counter parties as having similar characteristics if they are related entities. The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings.

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

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

MUNICIPALITY OF WINDHOEK

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED 30 JUNE (Continued)

48. RISK MANAGEMENT FINANCIAL RISK MANAGEMENT (Continued)

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

	2020	2019	2018
	N\$	N\$	N\$
Financial instrument			
P Rent a Drum	-	1 657 262	-
MPG Projects CC	2 940 454	-	-
Elephant Farms and Training Centre	-	1 633 140	1 187 372
T Gaeseb	1 626 885	1 470 382	1 184 487
Cynthia Martin Haihambo	-	1 447 854	-
Windhoek Goreangab Operating	-	1 019 437	-
Rehoboth Properties	-	-	822 278
EK Mbunguha	1 037 608	-	864 618
Group Five Namibia	-	-	727 272
Media Solutions Namibia CC	1 019 030	-	-
Kamenco (Pty) Ltd	990 002	-	-

Financial assets exposed to credit risk at year end were as follows:

The maximum credit and interest risk exposure in respect of the relevant financial instruments is as follows:

	1 855 221 088	1 677 549 367	1 337 254 494
Long-term Investments	18 041 454	20 863 986	18 995 151
Long term receivables from exchange (Non-current)	48 363 312	34 152 478	43 052 426
Long term receivables from exchange (current)	6 289 757	10 235 777	12 805 485
Trade and other receivables from exchange transactions (cost)	1 150 779 815	1 008 638 986	811 287 433
Recoverables from non-exchange transactions	222 578 481	195 066 364	126 415 918
Cash and cash equivalents	409 168 269	408 591 776	324 698 081
Bank and Cash Balances	419 192 678	418 139 900	324 698 080
Bank Windhoek	35 458 499	33 116 603	31 150 552
First National Bank	377 169 393	378 482 734	287 321 085
Nedbank	6 542 393	6 489 188	6 182 577
Cash Equivalents	22 393	51 375	43 866

MUNICIPALITY OF WINDHOEK
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED 30
JUNE (Continued)

48. RISK MANAGEMENT FINANCIAL RISK MANAGEMENT (Continued)

Market risk

The municipality's activities expose it primarily to the financial risks of changes in interest rates (see below). No formal policy exists to hedge volatilities in the interest rate market. There has been no change to the municipality's exposure to market risks or the manner in which it manages and measures the risk.

Interest rate risk

Interest Rate Risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

Potential concentrations of interest rate risk consist mainly of variable rate on deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

The municipality limits its counterparty exposures from its money market investment operations by only dealing with Bank Windhoek, First National Bank, Nedbank, Standard Bank and Sanlam. No investments with a tenure exceeding twelve months are made.

Consumer Debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Consumer debtors are presented net of a provision for impairment.

In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy. Consumer Deposits are increased accordingly.

Long-term Receivables and Other Debtors are individually evaluated annually at Balance Sheet date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The municipality is exposed to interest rate risk as the municipality borrows funds at both fixed and floating interest rates. The risk is managed by the municipality by maintaining an appropriate mix between fixed and floating rate borrowings, such borrowing being below market related rates.

The municipality is exposed to interest rate risk as the municipality borrows funds at both fixed and floating interest rates. The risk is managed by the municipality by maintaining an appropriate mix between fixed and floating rate borrowings, such borrowing being below market related rates.

The municipality's exposures to interest rates on Financial Assets and Financial Liabilities are detailed in the Credit Risk Management section of tis note.

MUNICIPALITY OF WINDHOEK
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED 30
JUNE (Continued)

48. RISK MANAGEMENT FINANCIAL RISK MANAGEMENT (Continued)

Interest Rate Sensitivity Analysis

The sensitivity an analysis has been determined based on the exposure to interest rates at the Statement of Financial Position date. The analysis is prepared by averaging the amount of the investment at the beginning of the financial year and the amount of the investment at the end of the financial year. A 100 basis point increase or decrease was used, which represents management's assessment of the reasonably possible change in interest rates. The short and long-term financial instruments at year-end with variable interest rates are set out in Note 57.8 below:

Cash and Cash Equivalents:

If interest rates had been 100 basis points higher / lower and all other variables were held constant, the municipality's:

- Surplus for the year ended 30 June 2020 would have increased / decreased by N\$ 2 640 762 (30 June 2019: N\$2 621 123). This is mainly attributable to the municipality's exposure to interest rates on its variable rate investments.

The municipality's sensitivity to interest rates has slightly increased during the current period mainly due to the increase in variable rate debt instruments.

Finance Lease Liabilities:

If interest rates had been 100 basis points higher / lower and all other variables were held constant, the municipality's:

- Surplus for the year ended 30 June 2020 would have decreased / increased by N\$ 1 747 142 (30 June 2019: decreased / increased by N\$ 2 170 000). This is mainly attributable to the municipality's exposure to interest rates on its variable rate borrowings.

The municipality's sensitivity to interest rates has decreased during the current period mainly due to the reduction in variable rate debt instruments.

Price risk

The entity is exposed to equity securities price risk because of investments held by the entity and classified on the consolidated statement of financial position either as available-for-sale or at fair value through surplus or deficit. The entity is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the entity diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the entity.

MUNICIPALITY OF WINDHOEK
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED 30
JUNE (Continued)

49. GOING CONCERN

Management considered the following matters relating to the Going Concern:

(i) 1. On 6 June 2020, the Council adopted the 2020/21 Budget Estimates. It was budgeted for an operational deficit of N\$ 506 million (2019/20: N\$653.4 million) for the period under review. The approved budget supports the International Public Sector Accounting Standards (IPSAS) accounting framework for the compilation of the Annual Financial Statements, which has brought about significant changes. Notwithstanding the budgeted deficit, the budget still supports the ongoing delivery of municipal services to residents. Strict cost control measures were implemented to reduce the budgeted deficit to the absolute minimum.

(ii) Strict daily cash management processes are embedded in the municipality's operations to manage and monitor all actual cash inflows and cash outflows in terms of the Budget.

(iii) As the municipality has the power to levy fees, tariffs and charges, this will result in an ongoing inflow of revenue to support the ongoing delivery of municipal services.

(iv) The City of Windhoek is the capital of Namibia and it is in public interest that the municipality remains solvent and continue as an ongoing concern.

(v) City of Windhoek, like many organisations, was not spared by Covid-19. The cash flow was negative affected during the last quarter of the year ending 30 June 2020 however, it stabilised after as the residents slowly adapted to the new normal. The debt book had increased from N\$840 million on 31 March 2020 to N\$1 billion on 30 June 2020, and settled at N\$968 million on 28 February 2021. This is expected to further reduce as the Ministry of Urban and Rural Development has authorised all local authorities to fully implement their credit control policy, which was partially suspended. Council had introduced some relief measures, which included reduction in rental payments for markets, suspension of interest levying and extended payment arrangements however, these have little impact on the revenue of the council. State of Emergency that was declared by the President ended on the 17 September 2020 and it is business as usual under the new normal. Bank of Namibia has projected that the economy will grow by 2.6% during 2021 from contraction of 7.3% during 2021.

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

50. Events after the reporting date

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

MUNICIPALITY OF WINDHOEK
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED 30
JUNE (Continued)

51. SEGMENTAL INFORMATION

General information

Identification of segments

For management purposes, the municipality is broadly organised into business units based on the nature of operations and the services they provide. The municipality has ten primary reportable segments:

The segment for Chief Executive Officer:-

This segment consists of services such as executive services, support services to the executive, corporate communication services, customer care services and tourism services.

The segment for Economic Development and Community Services:-

This segment consists of services such as economic development services, solid waste services and community services like business licencing, health, parks & facilities, fire & emergency, administration and burial & cremation services.

The segment for Electricity Services:-

This segment consists of all services for the management, supply and distribution of electricity services, including street lighting.

The segment for Finance and Customer Services:-

This segment consists of all services for the financial management of all the municipal services and customer services.

The segment for Human Capital and Corporate Services:-

This segment consists of all services for the well-being of all the municipal employees and the corporate functions.

The segment for Infrastructure, Water and Technical Services:-

This segment consists of infrastructure services such as roads, storm water, waste (sewerage) and water services, and also includes minor services such as architecture, scientific and building maintenance services.

The segment for Information & Communication Technology Services:-

This segment consists of all services for the management of information, communication and technology systems of the municipality.

MUNICIPALITY OF WINDHOEK
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED 30
JUNE (Continued)

51. SEGMENTAL INFORMATION

The segment for Housing, Property Management and Human Settlement Services:-

This segment consists of services such as providing of housing and settlement services to the community and property planning, surveying & valuation services.

The segment for City Police Services:-

This segment consists of all services for the management of crime prevention, disaster and traffic within the municipal area.

The segment for Urban and Transport Planning Services:-

This segment consists of services such as urbanisation & environmental planning services, transport planning & regulation services, roads planning & design services and traffic lights planning services.

No individually material operating segments have been aggregated to form the above reportable operating segments. The municipality does not monitor segments geographically.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on non-financial metrics and the segment's operating surplus or deficit, measured consistently with the accounting policies applied in the Annual Financial Statements. However, the municipality's financing (including finance costs and finance income) and revenue from taxes are managed on a group basis and are not allocated to operating segments.

Inter-business unit services are not valued and are deemed to have been supplied for no consideration, and are therefore not eliminated. However, the quality of services provided internally is monitored as part of the non-financial service performance information.

MUNICIPALITY OF WINDHOEK
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED 30
JUNE (Continued)

52. MULT-EMPLOYER RETIREMENT BENEFIT INFORMATION

The municipality makes provision for post-retirement benefits to eligible employees, who belong to the prescribed pension scheme. No benefits are provided for Municipal Councillors.

Employees belong to the approved Retirement Fund for Local Authorities and Utility Services as described below.

The fund is registered by the Namibia Financial Institutions Supervisory Authority (NAMFISA) and is administered according to the Pension Funds Act and the rules of the fund. The fund is a defined contribution scheme.

The fund is a multi-employer plan and is subject to a tri-annual statutory actuarial valuation of which details are provided below. Sufficient information is not available to use defined benefit accounting for the retirement fund, due to the following reasons:-

- (i) The assets of each fund are held in one portfolio and are not notionally allocated to each of the participating employers.
- (ii) One set of financial statements are compiled for each fund and financial statements are not drafted for each participating employer.
- (iii) The same rate of contribution applies to all participating employers and no regard is paid to differences in the membership distribution of the participating employers.

It is therefore seen that the fund operates as a single entity and is not divided into sub-funds for each participating employer.

The only obligation of the municipality with respect to the retirement benefit plan is to make the specified contributions. Where employees leave the plan prior to full vesting of the contributions, the contributions payable by the municipality are reduced by the amount of forfeited contributions.

The total expense recognised in the Statement of Financial Performance of N\$ 127 598 061 (2019: N\$ 123 321 382) represents contributions payable to these plans by the municipality at rates specified in the rules of the plans. These contributions have been expensed.

The Retirement Fund has been valued by making use of the Discounted Cash Flow method of valuation.

53. DEFINED CONTRIBUTION SCHEMES

Retirement Fund for Local Authorities and Utility Services in Namibia:

The scheme is subject to a tri-annual statutory actuarial valuation. The last statutory valuation was performed as at 31 December 2015.

The valuation performed as at 31 December 2017 revealed that the fund had net assets of N\$ 4 419 8 million. The Fund's assets appropriately matched the nature and term of the Fund's liabilities as at the valuation date.

MUNICIPALITY OF WINDHOEK
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JUNE (Continued)

54. MULTI-EMPLOYER RETIREMENT BENEFIT INFORMATION

The employee has the option to contribute at a rate of 7, 5%, 9, 0%, 10, 0%, 12, 0%, 14, 0% or 16, 0% of their pensionable salaries. In addition to the aforementioned, members who joined before 1 September 2008 have the option to contribute at a rate of 2, 5% or 5, 0% of pensionable salaries. The municipality contributes a total of 21, 7% of members' pensionable salaries. The contributions received exceeded those required to provide for sundry and risk benefit expenses incurred by the Fund.

The Fund was in a sound financial position at the valuation date. The above-mentioned plan is not a State Plan.

	2020	2019	2018
	N\$	N\$	N\$

55. FINANCIAL INSTRUMENTS DISCLOSURE

Categories of financial instruments

Financial assets - At amortised cost

	1 162 562 158	876 117 103	
Held-to-Maturity Investments:	3 118 425	2 513 780	1 169 962
Available-for-Sale Financial Assets:	-	-	
- Non-current Investments	14 923 029	18 350 206	17 825 189
- Cash and Cash Equivalents	419 192 678	268 173 877	256 145 916
Loans and Receivables:	-		
- Trade and other receivables from exchange transactions	413 795 908	335 561 003	
- VAT Receivable	142 903 415	105 746 649	
- Receivables from non-exchange transactions	113 975 634	101 383 333	73 469 147
- Long-term receivables	54 653 069	44 388 255	55 384 878

Financial liabilities – At amortised cost

	2 505 380 123	2 456 423 214	
Consumer Deposits	59 210 735	58 091 061	56 120 641
Trade and other payables from exchange transactions	1 860 800 198	1 700 735 953	1 710 218 979
Payables from non-exchange transactions	39 232 900	69 650 482	30 146 733
Bank overdraft	353 348 326	410 932 583	295 183 887
Lease liability	33 808 331	25 819 963	25 070 945
Long-term loans	158 979 633	191 193 172	253 651 805

MUNICIPALITY OF WINDHOEK
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED 30
JUNE (Continued)

55. FINANCIAL INSTRUMENTS DISCLOSURE (Continued)

Fair Value

The following methods and assumptions were used to estimate the Fair Value of each class of Financial Instrument for which it is practical to estimate such value:

Cash and cash equivalents

The carrying amount approximates the Fair Value because of the short maturity of these instruments.

Long-term Investments

The Fair Value of Listed Investments are estimated based on quoted market prices of those or similar investments. Unlisted Equity Investments are estimated using the discounted cash flow method.

Loan Receivables/Payables

Interest-bearing Borrowings and Receivables are generally at interest rates in line with those currently available in the market on a floating-rate basis, and therefore the Fair Value of these Financial Assets and Liabilities closely approximates their carrying values. Fixed interest-rate instruments are fair valued based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

Trade and Other Receivables/Payables

The Fair Value of Trade and Other Payables are estimated at the present value of future cash flows.

The management of the municipality is of the opinion that the carrying value of Trade and Other Receivables recorded at amortised cost in the Annual Financial Statements approximate their fair values. The Fair Value of Trade Receivables were determined after considering the standard terms and conditions of agreements entered in to between the municipality and other parties as well as the current payment ratios of the municipality's debtors.

Other Financial Assets and Liabilities

The Fair Value of Other Financial Assets and Financial Liabilities (excluding Derivative Instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

Long-term Liabilities

The Fair Value of Long-term Liabilities was determined after considering the standard terms and conditions of agreements entered into between the municipality and the relevant financing institutions.

Management considers the carrying amounts of Financial Assets and Financial Liabilities recorded at amortised cost in the Annual Financial Statements to approximate their Fair Values as at 30 June 2020, as a result of the short-term maturity of these assets and liabilities.

MUNICIPALITY OF WINDHOEK
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED 30
JUNE (Continued)

55. FINANCIAL INSTRUMENTS DISCLOSURE (Continued)

Assumptions used in determining Fair Value of Financial Assets and Financial Liabilities

The table below analyses Financial Instruments carried at Fair Value at the end of the reporting period by the level of fair-value hierarchy as required by IPSAS30. The different levels are based on the extent to which quoted prices are used in the calculation of the Fair Value of the Financial Instruments. The levels have been defined as follows:

Level 1:-

Fair Values are based on quoted market prices (unadjusted) in active markets for an identical instrument.

Level 2:-

Fair Values are calculated using valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments, quoted prices for identical or similar instruments in markets that are considered less than active or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3:-

Fair Values are based on valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. Also, this category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

30 June 2020	Level 1	Level 1	Level 1	Total
	N\$	N\$	N\$	N\$
FINANCIAL ASSETS				
Financial Instruments at Fair Value:	14 923 029	3 140 819	-	18 063 848
Listed Investments	14 923 029	-	-	14 923 029
Fixed Deposits	-	3 118 425	-	3 118 425
Cash and Cash Equivalents	-	22 394	-	22 394

30 June 2019

FINANCIAL ASSETS				
Financial Instruments at Fair Value:	18 350 206	2 513 780	51 375	20 915 361
Listed Investments	18 350 206	-	-	18 350 206
Fixed Deposits	-	2 513 780	-	2 513 780
Cash and Cash Equivalents	-	-	51 375	51 375

MUNICIPALITY OF WINDHOEK
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED 30
JUNE (Continued)

55. FINANCIAL INSTRUMENTS DISCLOSURE (Continued)

No Financial Instruments of the municipality have been transferred between Level 1 and Level 2 fair value measurements during the year.

Capital Risk Management

The municipality manages its capital to ensure that the municipality will be able to continue as a going concern while delivering sustainable service to consumers through the optimization of the debt and equity balance. The municipality's overall strategy remains unchanged from 2019.

The capital structure of the municipality consists of debt, which includes the Long-term Liabilities disclosed in Note , Cash and Cash Equivalents and Equity, comprising Funds, Reserves and Accumulated Surplus as disclosed in Note 24 and the Statement of Changes in Net Assets.

56. SERVICE CONCESSION ARRANGEMENTS

The municipality did not enter into Service Concession Arrangements during the year under review.

	2020	2019	2018
	N\$	N\$	N\$
57. Utilisation of Long-term liabilities reconciliation			
Long-term liabilities raised	192 787 964	217 013 135	278 722 750
Used to finance property, plant and equipment	(192 787 964)	(217 013 135)	(278 722 750)
Cash set aside for the repayment of long-term liabilities			

Long-term liabilities have been utilized in accordance with the Local Authorities Act. Sufficient cash has been set aside to ensure that long-term liabilities can be repaid on redemption date.

58. PRIVATE PUBLIC PARTNERSHIPS

The municipality was in partnerships during the year with the following institutions:

- (i) Bremen:

A contract has been entered into on 16 August 2017 for approximately two years to cooperate within the frame work of the project "Municipal Climate Partnerships" to exchange knowledge on the topics of climate change mitigation and adaption with the binding objective of developing a joint programme of action.

MUNICIPALITY OF WINDHOEK
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED 30
JUNE (Continued)

58. PRIVATE PUBLIC PARTNERSHIPS (Continued)

(ii) Development Companies:

The municipality was in partnerships with the following development companies during the financial year, with the sole purpose to speed up the land delivery process and address the high demand for serviced land. Developments are in various phases of completion at year-end as indicated below:

(a) Acacia Investments

Sale of 8 x General Residential Erven in Oct/Nov 2020 is planned; Phase 6 sales (76 remaining erven) to be effected in February 2021.

b) Betula Nigra

Otjomuise Ext 4: All erven sold. Project combined with Academia Ext 1 & 2. Project closeout pending.

Erf 2317, Otjomuise (Co-Development: Project on hold due to impact of current market conditions. Submission to Council for early exit from project is being assessed.

(c) Champac Investments

Substantive completion of construction 30 October 2020. Sales through the Closed Bid Method planned for Nov/Dec 2020.

(d) Heikky Property Development

Sale of 27 x erven through Closed Bid Method in Oct/Nov 2020.

(e) INO Investments

Sale of 8 x remaining erven through Closed Bid Method in Oct/Nov 2020. Institutional erven to be sold in accordance to Institutional Land Policy.

(f) Omba Holdings

Council Resolution of layout pending. Redesign of layout required following technical comments/inputs. Resubmission of layout by Developer awaited.

(g) Otweya Land Developers

Sale of Gen Res (12), Business (22) and remaining Single Residential (6) erven through Closed Bid Method in Oct/Nov 2020.

(h) Shikongo's Investment

Registration and proclamation of Township pending.

(i) Sinco Investments

Finalizing terms of Facility Agreement; Commencement of Construction February 2021.

MUNICIPALITY OF WINDHOEK
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED 30
JUNE (Continued)

58. PRIVATE PUBLIC PARTNERSHIPS (Continued)

- (j) Tuye Buco Construction CC
NAMPAB and Township Board approvals pending.
- (k) Twine Investment Holdings
Negotiating terms of Facility Agreement. Construction to commence March 2021.
- (l) Waterberg Investments
Negotiating terms of Facility Agreement. Construction to commence March 2021.
- (m) Wilru Investments
Flood line study (with extended scope) currently being finalized. Redesign and submission of layout for approval pending.

	2020	2019	2018
	N\$	N\$	N\$
59. FINANCING FACILITIES			
Secured Bank Overdraft Facility:	230 000 000	230 000 000	200 000 000
Amount used	148 161 708	230 000 000	200 000 000
Amount unused	81 838 292	-	-
Secured Bank Bridging Facility:	100 000 000	-	136 349 634
Amount used	-	-	85 556 150
Amount unused	100 000 000	-	50 793 484
Secured Short-term First Card Facility:	10 000	10 000	10 000
Amount used	10 000	10 000	10 000
Amount unused	-	-	-
Secured Short-term Contingent Facility:	16 409 855	16 409 855	22 304 148
Amount used	14 409 855	16 409 855	-
Amount unused	2 000 000	-	22 304 148
Secured Bank Loan Facility: Amount used	90	-	
Secured Finance Lease Facility:	70 000 000	70 000 000	100 000 000
Amount used	33 808 331	25 819 963	30 843 988
Amount unused	36 191 669	44 180 037	69 156 012

MUNICIPALITY OF WINDHOEK
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED 30
JUNE (Continued)

	<u>2020</u>	<u>2019</u>	<u>2018</u>
	N\$	N\$	N\$
60. REVENUE RECEIVED: INFRASTRUCTURE FROM PPPS			
Revenue received: Infrastructure from PPPs	<u>112 603 004</u>	-	-

The municipality was in partnerships with various development companies, see note 58, during the financial year, with the sole purpose to speed up the land delivery process and address the high demand for serviced land. Developments are in various phases of completion at year-end. The agreements entail that upon completion of works of each section, the Developer hands over completed works in accordance with agreement. The handed over works fulfils the requirements of IPSAS 23: Revenue from Non-Exchange Transactions. The total value of works completed and handed over during the year was N\$ 112 603 004 (2019: N\$ 0).