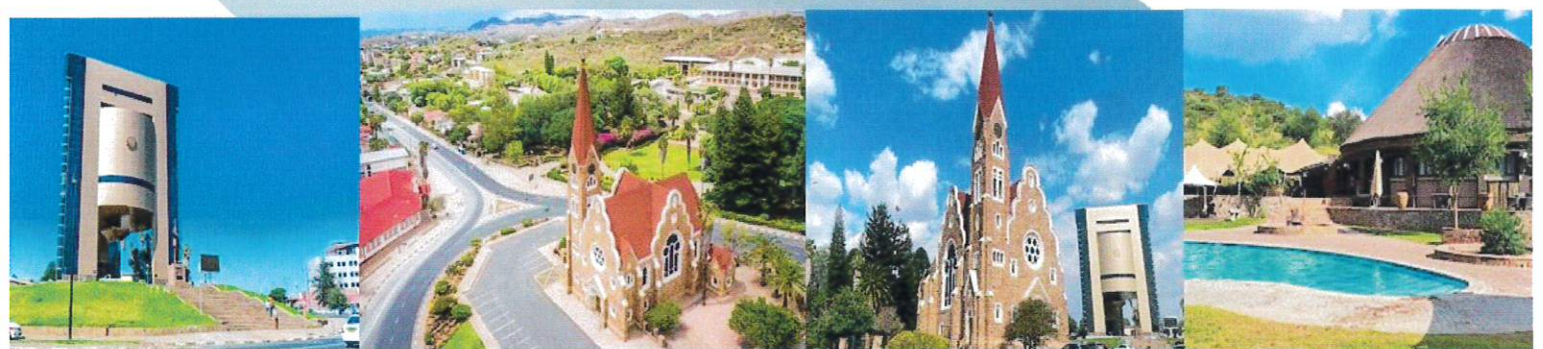




**REPUBLIC OF NAMIBIA**



**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE  
MUNICIPALITY OF WINDHOEK  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021**



**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 year ended 30 June 2021 in terms of Article 127(2) of the Namibian Constitution. The report is transmitted to the Honourable Minister of Finance in terms of Section 27(1) of the State Finance Act 1991 (Act No. 31 of 1991) to be laid upon the Table of the National Assembly in terms of Section 27(4) of the Act.

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

**JUNIAS ETUNA KANDJEKE  
AUDITOR-GENERAL**

**WINDHOEK, September 2023**

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**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE  
MUNICIPALITY OF WINDHOEK FOR THE FINANCIAL YEAR  
ENDED 30 JUNE 2021**

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**1. QUALIFIED AUDIT OPINION**

I have audited the financial statements of the Municipality of Windhoek for the financial year ended 30 June 2021. These financial statements comprise the statement of financial position, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes to the annual financial statements.

In my opinion, except for the effects of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Municipality of Windhoek as at 30 June 2021 and its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards (IPSAS).

**2. BASIS FOR QUALIFIED AUDIT OPINION**

I conducted my audit in accordance with International Standards for Supreme Audit Institutions. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the entity in accordance with the Code of Ethics for Supreme Audit Institutions together with the ethical requirements that are relevant to my audit of the financial statements 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 sufficient and appropriate to provide a basis for my opinion.

A qualified audit opinion is being expressed due to the following:

**2.1. Opening balances**

The following matters that gave rise to the modified opinion in the prior year annual financial statements remained unresolved:

**2.1.1 Housing fund**

The Council could not provide separately an identifiable fund assets for the housing fund amounting to N\$ 206 362 649.

**2.1.2 Accounting of private public partnership transactions**

There is a lack of proper accounting policy note and accounting treatment for the accounting of private public partnerships transactions. Thus, auditors could not obtain sufficient appropriate audit evidence regarding the accounting for property, plant and equipment and loans payable related to private public partnership arrangements.

Consequently, auditors could not obtain sufficient appropriate evidence to satisfy themselves that the opening accumulated surplus and comparative figures in the current year statement of financial position, statement of financial performance, statement of changes in net assets, cash flow statement and notes to the financial statements for the year then ended are fairly presented. Furthermore, the auditors were also unable to determine whether any adjustments might have been found necessary in respect of recorded or unrecorded opening balances for the relevant financial statements areas in the statement of financial position, statement of financial performance, statement of changes in net assets, cash flow statement and notes of the annual financial statements.

## **2.2 Statutory Funds / Housing Fund**

The housing fund balance at year end of N\$ 252 663 773 (2020: N\$ 206 362 649) includes an amount of N\$ 182 485 071 (2020: N\$ 206 362 649) that is not identifiably to classes of assets for the fund. Thus, the auditors could not obtain sufficient appropriate audit evidence regarding the accounting for housing fund and the related fund assets.

## **2.3 Non-disclosure of land transactions**

Revenue of N\$ 90 243 854 and Cost of sales of N\$ 73 097 378 were not separately disclosed in the statement of financial performance. This resulted in a profit on sale of land of N\$ 17 146 476 erroneously being disclosed in the statement of financial performance. By nature, these sales should be disclosed separately in proper categories.

## **3. EMPHASIS ON THE MATTER: FUTURE SUSTAINABILITY OF OPERATIONS AND COMMERCIAL INSOLVENCY**

As at 30 June 2021, the Municipality's current liabilities of N\$ 1 883 514 394 (2020: N\$ 2 303 846 766) exceed its current assets of N\$ 942 557 536 (2020: N\$ 1 200 762 595) by N\$ 942 557 536 (2020: N\$ 1 103 084 167). The Municipality also incurred a deficit of N\$ 482 252 733 (2020: N\$ 298 244 998). These conditions indicate the existence of material uncertainties which may cast significant doubt on the Municipality's ability to settle its obligations and / or maintain the sustainability of the current service delivery level in the normal course of business for the foreseeable future. Management could not provide their plan on how they are going to turnaround the commercial insolvency and the deficit making position in the foreseeable future. My opinion is not modified in respect of these matters.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards and for such internal control as management determines it necessary to enable the preparation of the 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 Municipality'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 Municipality or to cease operations or has no realistic alternative but to do so. Those charged with governance are responsible of overseeing the Municipality's financial reporting process.

## 5. AUDITOR'S RESPONSIBILITY FOR THE AUDIT OF THE ANNUAL 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 audit report that includes the audit 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 annual financial statements whether due to fraud or error design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion forgery intentional omissions misrepresentations or the override of internal controls;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Municipality's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Municipality's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in the audit report to the related disclosures in the financial statements or if such disclosures are inadequate to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of the audit report. However future events or conditions may cause the Municipality 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; and

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 the audit report unless law or regulation precludes public disclosure about the matter or when in extremely rare circumstances. I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## **6. REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

The financial statements were submitted by the Accounting Officer to the Auditor-General on 26 November 2021 in terms of Section 87 (1) of the Local Authorities Act, 1992.

## **7. ACKNOWLEDGEMENT**

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



**WINDHOEK, September 2023**

**JUNIAS ETUNA KANDJEKE  
AUDITOR-GENERAL**



**MUNICIPALITY OF WINDHOEK FOR THE FINANCIAL YEAR  
ENDED 30 JUNE 2021  
GENERAL INFORMATION**

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<b>Country of incorporation and domicile</b>	Republic of Namibia
<b>Legal form of entity</b>	Municipality in terms of section 3 of Local Authorities Act 23 of 1993
<b>Nature of business and principal activities</b>	Principal activities of the Municipal Council of City of Windhoek are:  <ol style="list-style-type: none"><li>1. Provide its residents with equitable municipal services;</li><li>2. Ensure sustainable service delivery to all its inhabitants;</li><li>3. Promote social and economic development</li></ol>
<b>Councillors</b>	
<b>Mayor</b>	SS. Gawanas (1 December 2021) Dr. J. Amupanda (from 3 December 2020 to 1 December 2021)
<b>Councilors</b>	LK Kaiyamo (Resigned 2 December 2020) M. Amadhila (Resigned 2 December 2020) Ashilelo (Resigned 2 December 2020) A. AK. Niizimba (Resigned 2 December 2020) JE. Paulus (Resigned 2 December 2020) M. Shiikwa (Resigned 2 December 2020) I. Subasubani (Resigned 2 December 2020) M. Ukeva (Resigned 2 December 2020) H. Ulumbu (Resigned 2 December 2020) T. Uwanga (Resigned 2 December 2020) I. Semba (Resigned 2 December 2020) J. Kauandenge (resigned 17 October 2019) P Kahure (2 December 2020) BE. Cornelius (Resigned 13 October 2020) C. Hanases (3 December 2020) FN. Hambuda (3 December 2020)

**MUNICIPALITY OF WINDHOEK FOR THE FINANCIAL YEAR  
ENDED 30 JUNE 2021  
GENERAL INFORMATION**

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	I. Keister (3 December 2020) DR. Davids (3 December 2020) J. Uapingene (3 December 2020) N. Larandja (3 December 2020) B. Araeb (3 December 2020) FN. Kahungu (3 December 2020) Q. Kamati (3 December 2020) A. Kwenani (3 December 2020) SS. Nujoma (3 December 2020) M. Piennar-Lombardt (3 December 2020) I. Skrywer (3 December 2020)
<b>Grading of local authority</b>	Part of Schedule 1 of Local Authorities Act 23 of 1992
<b>Chief Executive Officer (Accounting Officer)</b>	Robert N. Kahimise (resigned 31 October 2020) Obrien Hekandjo (Acting) Samuel Mutonga (Acting until 15 September 2020)
<b>Strategic Executive : Finance and Customer Services</b>	Jennifer Comalie (16 September 2020)
<b>Registered office</b>	Windhoek Namibia
<b>Postal address</b>	P.O. Box 59 Windhoek Namibia
<b>Bankers</b>	First National Bank of Namibia
<b>Auditors</b>	Junias Etuna Kandjeke Auditor - General of Namibia 123 Robert Mugabe Avenue Private Bag 13299 Windhoek

**MUNICIPALITY OF WINDHOEK FOR THE FINANCIAL YEAR  
ENDED 30 JUNE 2021  
GENERAL INFORMATION**

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

		2021	2020
			Restated
	Note	N\$	N\$
<b>ASSETS</b>			
<b>Current assets</b>		<b>940 956 858</b>	<b>1 200 762 593</b>
Cash and cash equivalents	23	217 024 011	419 192 678
Consumer debtors	24	339 544 625	287 304 112
VAT receivable	26	20 855 165	103 142 239
Receivable from exchange transaction	27	91 577 352	125 784 579
Receivable from non-exchange transaction	28	128 047 696	114 172 055
Current portion of long-term receivables	29	14 386 555	6 289 757
Inventory	30	129 521 454	144 877 173
<b>Non-Current Assets</b>		<b>18 409 356 380</b>	<b>18 942 068 470</b>
Investment property	32	5 029 366 790	5 088 779 088
Property, plant and equipment	33	13 301 215 261	13 783 916 339
Intangible assets	34	3 269 530	2 968 277
Non-current investments	31	14 982 578	18 041 454
Long-term receivables	29	60 522 221	48 363 312
<b>TOTAL ASSETS</b>		<b>19 350 313 238</b>	<b>20 142 831 063</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>		<b>1 895 827 902</b>	<b>2 318 622 976</b>
Consumer deposits	36	60 047 350	59 210 735
Payables from exchange transactions	35	841 622 119	1 242 463 665
Payables from Non-exchange Transactions	40	44 176 153	39 232 900
Unspent conditional grants and receipts	41	4 950 073	2 283 870
Bank overdraft	23	154 212 909	162 022 452
Employee benefits obligations	25	54 275 000	70 618 000
Finance lease obligation	38	10 404 310	12 346 079
Long-term loans	39	726 139 988	730 445 275
<b>Non-Current Liabilities</b>		<b>1 064 523 940</b>	<b>935 997 576</b>
Finance lease obligation	38	27 366 619	21 462 252
Long-term loans	39	111 968 504	126 217 374
Employee benefits obligations	25	849 118 000	727 733 000
Provisions	37	76 070 817	60 584 950

**MUNICIPALITY OF WINDHOEK**  
**STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE (continued)**

**ANNEXURE A**

		<b>2021</b>	<b>2020</b>
			Restated
	Note	N\$	N\$
<b>TOTAL LIABILITIES</b>		<b>2 960 351 842</b>	<b>3 254 620 552</b>
<b>NET ASSETS</b>		<b>16 389 961 396</b>	<b>16 888 210 511</b>
<b>Reserves</b>			
Housing fund	42	252 663 773	206 362 649
Betterment fund	43	2 567 547	-
Accumulated surplus		16 134 730 076	16 681 847 862
<b>NET ASSETS</b>		<b>16 389 961 396</b>	<b>16 888 210 511</b>

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

		<b>2021</b>	<b>2020</b>
	Note	N\$	Restated N\$
<b>REVENUE</b>			
<b>Revenue from non-exchange transactions</b>		<b>735 219 918</b>	<b>887 208 408</b>
Property rates	2	621 276 378	654 286 002
Other government entities	3	52 710 017	84 039 432
Infrastructure developed under PPPs	59	30 931 622	112 603 004
Public contributions and donations	4	1 339 786	2 890 599
Fines penalties and levies		23 879 643	27 670 224
Licenses and permits		5 082 472	5 719 147
<b>Revenue from exchange transactions</b>		<b>3 345 158 908</b>	<b>3 424 943 725</b>
Service charges	5	3 163 097 145	3 244 068 403
Rental of facilities and equipment	6	26 356 951	27 435 871
Dividends		529 513	681 144
Gains on continued operations	12	30 263	349
Profit on sale of land		17 146 476	4 993 356
Other income	7	58 631 518	50 784 734
Interest on Investment	8	16 465 713	29 361 218
Interest on outstanding debtors	21	62 901 329	67 618 650
<b>TOTAL REVENUE</b>		<b>4 080 378 826</b>	<b>4 312 152 133</b>
<b>EXPENSES</b>			
Bulk purchases	9	1 957 147 226	1 807 591 460
Employee cost	10	1 452 845 066	1 506 372 162
Remuneration of Councilors	11	9 672 249	8 525 874
Losses from other operations	12	471 430	3 453 761
Depreciation and amortization	13	552 796 889	563 847 673
Impairment of assets	14	5 347 085	754 696
Repairs and maintenance	15	230 688 790	213 273 933
Contracted services	16	92 603 232	110 206 830
Debt impairment	17	(13 518 199)	71 981 046

**MUNICIPALITY OF WINDHOEK**  
**STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE**  
**(continued)**

	Note	2021	2020
		N\$	Restated N\$
Grants and subsidies	18	1 594 342	3 312 160
General Expenses	19	155 260 755	175 873 302
Finance costs	20	105 920 067	143 579 363
Loss on disposal of assets and liabilities	22	11 799 138	1 597 310
Collection costs		3 489	27 561
<b>DEFICIT FOR THE YEAR</b>		<b>(482 252 733)</b>	<b>(298 244 998)</b>

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

	Housing Fund	Betterment Fund	Total Reserves	Accumulated surplus	Total Net asset
	N\$	N\$	N\$	N\$	N\$
<b>Balance at July 1 2019</b>	206 353 283	-	206 353 283	16 822 228 254	17 028 581 537
Changes in net assets/equity	-	-	-	157 873 972	157 873 972
Net income (losses) recognized directly in net assets	-	-	-	157 873 972	157 873 972
Deficit for the year	-	-	-	(298 244 998)	(298 244 998)
<b>Total net surplus (deficit) for the period</b>	-	-	-	(140 371 026)	(140 371 026)
Interest allocated to funds and reserves	9 366	-	9 366	(9 366)	-
<b>Total changes</b>	9 366	-	9 366	(140 380 392)	(140 371 026)
<b>Restated* Balance at July 1 2020</b>	206 362 649	-	206 362 649	16 681 847 862	16 888 164 469
Changes in net assets/equity	-	-	-	(62 243 620)	(62 243 620)
Actuarial Gains (losses) on Defined Benefits	-	-	-	(62 243 620)	(62 243 620)
Liabilities	-	-	-	(482 252 733)	(482 252 733)
Net income (losses) recognized directly in net assets	-	-	-	(544 496 353)	(544 496 353)
Deficit for the year	46 293 280	-	0	-	46 293 280
Total recognized income and expenses for the year	46 293 280	0	46 293 280	-	46 293 280
Funds introduced	-	2 511 276	2 511 276	(2 511 276)	-
Transfer of income surplus	7 844	56 271	64 115	(64 115)	-
Interest allocated to funds and reserves	-	-	-	-	-
<b>Total changes</b>	46 301 124	2 567 547	48 868 671	(547 071 744)	(498 203 073)
<b>Balance at June 30 2021</b>	252 663 773	2 567 547	255 231 320	16 134 776 118	16 389 961 396



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

		<b>2021</b>	<b>2020</b>
	Note	N\$	N\$
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
		<b>4 147 731 950</b>	<b>4 153 144 053</b>
Property taxes, levies and fines		667 248 432	787 686 076
Sale of goods and services		3 406 772 286	3 249 116 711
Government grants and subsidies		56 716 006	86 298 904
Interest		16 465 713	29 361 218
Dividends		529 513	681 144
<b>Payments</b>			
		<b>(4 273 432 581)</b>	<b>(3 774 199 592)</b>
Compensation of employees		(1 419 718 944)	(1 448 499 971)
Suppliers		(2 750 335 666)	(2 185 021 444)
Finance costs		(103 377 971)	(140 678 177)
<b>Net cash flows from operating activities</b>		<b>(125 700 631)</b>	<b>378 944 461</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	33	(78 923 988)	(215 172 030)
Proceeds from sale of investment property	32	-	105 351 982
Purchase of intangible assets	34	(1 697 298)	(321 956)
Proceeds from sale of financial assets		3 058 876	2 822 532
Issuance of Long-term Receivables		(20 255 707)	(10 264 814)
<b>Net cash flow from investing activities</b>		<b>(97 818 117)</b>	<b>(117 584 286)</b>
<b>Cash flows from financing activities</b>			
Repayment of loans		(18 554 157)	(16 484 450)
Proceeds from Finance leases		18 712 390	28 473 439
Repayment of Finance lease		(17 291 888)	(23 386 257)
Contributions to housing fund received		46 293 279	-
<b>Net cash flows from financing activities</b>		<b>29 159 624</b>	<b>(11 397 268)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(194 359 124)</b>	<b>249 962 907</b>
Cash and cash equivalents at the beginning of the year		257 170 226	7 207 317
<b>Cash and cash equivalents at the end of the year</b>	23	<b>62 811 102</b>	<b>257 170 224</b>

**MUNICIPALITY OF WINDHOEK  
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNT FOR THE YEAR END 30 JUNE**

	Approved Budget	Final budget	Actual amount on comparable basis	Difference between final budget and actual	Reference
	N\$	N\$	N\$	N\$	
<b>Statement of financial Performance</b>					
<b>Revenue from non-exchange transactions</b>	<b>698 965 317</b>	<b>698 965 317</b>	<b>704 288 296</b>	<b>5 322 979</b>	
Property rates	642 956 969	642 956 969	621 276 378	(21 680 591)	
Transfers from other government entities	40 418 642	40 418 642	52 710 017	12 291 375	R3
Public contribution and donations	1 065 392	1 065 392	1 339 786	274 394	R4
Fines Penalties and levies	8 131 264	8 131 264	23 879 643	15 748 379	R1
Licenses and permits	6 393 050	6 393 050	5 082 472	(1 310 578)	R2
<b>Revenue from exchange transactions</b>	<b>3 712 115 979</b>	<b>3 712 115 979</b>	<b>3 327 982 169</b>	<b>(384 133 810)</b>	
Service charges	3 546 420 503	3 546 420 503	3 163 097 145	(383 323 358)	R1
Rental of facilities and equipment	33 177 026	33 177 026	26 356 951	(6 820 075)	
Other revenue	42 194 913	42 194 913	58 631 518	16 436 605	R3
Interest - External investments	24 030 066	24 030 066	16 465 713	(7 564 353)	R4
Interest - Outstanding Debtors	65 613 471	65 613 471	62 901 329	(2 712 142)	
Dividends	680 000	680 000	529 513	(150 487)	

## MUNICIPALITY OF WINDHOEK

## STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNT FOR THE YEAR ENDED 30 JUNE (continued)

	Approved budget	Final budget	Actual amount on comparable basis	Difference between final budget and actual	Reference
	N\$	N\$	N\$	N\$	
<b>Total revenue</b>	<b>4 411 081 296</b>	<b>4 411 081 296</b>	<b>4 032 270 465</b>	<b>(378 810 831)</b>	
<b>Expenditure</b>	<b>(4 446 281 723)</b>	<b>(4 446 281 724)</b>	<b>(4 005 663 032)</b>	<b>440 618 691</b>	
Bulk purchases	(2 012 326 595)	(2 012 326 595)	(1 957 147 226)	55 179 369	R5
Employee cost	(1 605 629 717)	(1 605 629 717)	(1 452 845 066)	152 784 651	R6
Remuneration cost	(11 385 416)	(11 385 416)	(9 672 249)	1 713 167	
Repairs and maintenance	(270 919 211)	(270 919 211)	(230 688 790)	40 230 421	R8
Contracted services	(126 565 602)	(126 565 602)	(92 603 232)	33 962 370	R9
Grants and other transfer payments	(1 435 737)	(1 435 737)	(1 594 342)	(158 605)	
General expenses	(363 561 820)	(363 561 820)	(155 188 571)	208 373 249	R11
Interest paid	(54 346 545)	(54 346 546)	(105 920 067)	(51 573 522)	R12
Collection costs	(111 080)	(111 080)	(3 489)	107 591	
<b>Surplus/(Deficit)</b>	<b>(35 200 427)</b>	<b>(35 200 428)</b>	<b>26 607 433</b>	<b>61 807 860</b>	

**MUNICIPALITY OF WINDHOEK  
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNT FOR THE YEAR ENDED 30 JUNE (Continued)**

	Approved budget	Adjustments	Final budget	Actual amount on Comparable basis	Difference between final budget and actual
	N\$	N\$	N\$	N\$	N\$
<b>Reconciliation</b>					
<b>Non-Cash items</b>					
Gains on continued operations	-	-	-	30 263	-
Infrastructure developed under PPPs	-	-	-	30 931 622	-
Losses from other operations	-	-	-	(471 430)	-
Depreciation and amortization expense	-	-	-	(552 796 889)	-
Depreciation and amortization expense	-	-	-	(5 347 085)	-
Debt impairment	-	-	-	13 518 199	-
Loss on disposal of assets and liabilities	-	-	-	(11 799 138)	-
Profit from sale of land	-	-	-	17 146 476	-
<b>Actual amount in the Statement of Financial Performance</b>	-	-	-	<b>(482 180 549)</b>	-

**MUNICIPALITY OF WINDHOEK**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS (continued)**

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Note: The Council is not required to prepare and publish Budgets for Financial Position and Cash flow thus exempted in terms of IPSAS 24 5 from preparing the Statement of Comparison of the Budget and Actual amounts for those statement.

- R1: There was under budgeted as the basis was underestimated due to the backdated tariff adjustment for breakwater and extended boundaries.
- R2: There was no commitment from the Government for grants at the time of compiling the budget hence the variance.
- R3: It was under-budgeted for traffic tickets. Budget did not consider defaults whilst actual took into account total revenue from fines issued.
- R4: Water revenue was over-budgeted while increase in electricity tariff was subsequently disapproved by the Electricity Control Board (ECB).
- R5: The favourable variance was caused by unbudgeted revenue items e.g. betterment fees written off of long outstanding unallocated receipts and network contributions.
- R6: The unfavourable variance was caused by a significant decrease in repo rate and the banks offering lower interest rate to due to uncertainty caused by Covid-19 which forced Municipality to sell some financial assets to reduce the bank overdraft that came at higher interest rate.
- R7: Savings is mainly from delay in the filling of vacancies and a contingent budget for salary increase of 2% which was not approved by the Minister of Urban and Rural Development during the previous year.
- R8: The favourable variance is largely due to savings as result of various reasons ranging from delayed maintenance projects and continued interruptions by Covid-19.
- R9: The favourable variance is largely due to savings as result of various reasons ranging from delayed projects and continued interruptions by Covid-19.
- R10: The favourable variance is due to savings as result of various reasons ranging from delayed projects and continued interruptions by Covid-19.
- R12: Included in the actual is N\$ 79m of interest on defined employee benefits which is not part budget thus actual amounts to N\$ 29 181 067. Therefore, a favourable variance is mainly due to savings realised from cost-cutting measures which eased cash flow. At the same time improved cash management resulted in reduced bank overdraft interest (see above) in addition to signed payment arrangement with Nampower which resulted in suspension of interest on overdue account.

**MUNICIPALITY OF WINDHOEK  
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE  
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**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 the 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:

**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.

**MUNICIPALITY OF WINDHOEK**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE**  
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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 IPSAS 23 (Revenue from Non-exchange Transactions). As far as Revenue from Non-exchange Transactions is concerned (see Basis of Preparation above) and in particular whether the Municipality when goods are sold had transferred to the buyer the significant risks and rewards of ownership of the goods and when 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.

**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.

**MUNICIPALITY OF WINDHOEK  
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE  
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**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 be 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 Inventory**

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 Inventory 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 Inventory 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.

**Employee benefit obligations (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 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.

**MUNICIPALITY OF WINDHOEK  
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE  
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Service Charges relating to sewerage for residential properties are recognised on a monthly basis in arrears by applying the approved tariff to all properties. Tariffs are levied based on the extent and, or zoning of each property. All other properties are levied based on the water consumption using the tariffs approved by Council and are levied monthly.

**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.

**Rental income**

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

**Interest 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.

**1.3 Revenue from non-exchange transactions**

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

**MUNICIPALITY OF WINDHOEK  
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE  
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### **Rates and Taxes**

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

### **Government Grants and Receipts**

Conditional grants, donations and funding are recognised as revenue to the extent that the Municipality has complied with any of the criteria, conditions or obligations embodied in the agreement Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Municipality with no future related costs are recognised in surplus or deficit in the period in which they become receivable.

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

### **Fines**

Fines constitute both spot fines and summonses.

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

### **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.

#### **1.4. 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.

**MUNICIPALITY OF WINDHOEK**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE**  
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**Subsequent Measurement**

Subsequently all property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

**Depreciation**

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

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

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

**MUNICIPALITY OF WINDHOEK  
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE  
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**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.

**De-recognition**

The gain or loss arising from de-recognition 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 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.

**De-recognition**

The gain or loss arising from de-recognition of an item of Investment Property is included in surplus or deficit when the item is derecognised. Gains are not classified as Revenue.

**MUNICIPALITY OF WINDHOEK  
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE  
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**1.6 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. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

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

**MUNICIPALITY OF WINDHOEK  
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE  
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<b>Asset class</b>	<b>Useful life</b>
Computer software	3 - 5 years

**De-recognition**

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

**1.7 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.

**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 de-recognition 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.

**MUNICIPALITY OF WINDHOEK  
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE  
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**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.

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

**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.

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 pro-rata 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.



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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.

**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.

**MUNICIPALITY OF WINDHOEK  
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**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:

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.

**MUNICIPALITY OF WINDHOEK**  
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<b>Type of Financial asset</b>	<b>Classification in terms of IPSAS 41</b>
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

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:

<b>Type of Financial Liability</b>	<b>Classification in terms of IPSAS 41</b>
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.

**MUNICIPALITY OF WINDHOEK  
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**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.

**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.

**MUNICIPALITY OF WINDHOEK  
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE  
YEAR ENDED 30 JUNE (continued)**

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**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.

**De-recognition**

**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 assets, the Municipality continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

**MUNICIPALITY OF WINDHOEK  
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE  
YEAR ENDED 30 JUNE (continued)**

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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. Inventory**

**Initial Recognition**

Inventories are initially measured at cost except where Inventory are acquired through a non-exchange transactions and then their costs are their fair value as at the date of acquisition. The cost of Inventory comprises of all costs of purchases costs of conversion and other costs incurred in bringing the Inventory 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  
Inventory sold is 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 inventory 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.

**MUNICIPALITY OF WINDHOEK**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE**  
**YEAR ENDED 30 JUNE (continued)**

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**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 in so far as it is stored and controlled in the distribution network at year-end.

**Other Arrangements**

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

Inventory 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 Inventory arising from an increase in current replacement cost or net realisable value is recognised as a reduction in the amount of Inventory recognised as an expense in the period in which the reversal occurs.

The carrying amount of Inventory 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.

**MUNICIPALITY OF WINDHOEK  
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE  
YEAR ENDED 30 JUNE (continued)**

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**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.

**De-commissioning, 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.



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

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**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 pays 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, councillors and both has defined benefit 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.

**Post-employment benefits: Defined benefit plans**

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

**MUNICIPALITY OF WINDHOEK  
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE  
YEAR ENDED 30 JUNE (continued)**

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**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).

**MUNICIPALITY OF WINDHOEK  
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE  
YEAR ENDED 30 JUNE (continued)**

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Actuarial gains or losses are recognised immediately in surplus or deficit. Past-service costs are recognised immediately in surplus or deficit.

**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 Namibia Dollar by applying to the foreign currency amount, the exchange rate between the Namibia 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**  
**YEAR ENDED 30 JUNE (continued)**

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**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 statements, 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.

**MUNICIPALITY OF WINDHOEK  
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE  
YEAR ENDED 30 JUNE (continued)**

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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.

Inter-segmental 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**

##### **Housing fund**

The Housing Fund was established in terms of Section 58 of the Local Authorities Act, 1992 (Act No. 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.

**MUNICIPALITY OF WINDHOEK  
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE  
YEAR ENDED 30 JUNE (continued)**

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**Betterment Contribution Fund**

The Betterment Contribution Fund was established in terms of Section 59 of the Urban and Regional Planning Act (act No. 5 of 2018)

The Betterment Contribution Fund contains all proceeds from betterment contributions and sale of land. Money standing to the credit of the Betterment Contribution Fund shall be applied in such manner as the Minister may approve towards the discharge of any debt of the Municipality or otherwise for any purpose for which capital money may be applied.

**Accumulated Surplus**

The accumulated surplus contains accumulated surplus after appropriations to and from the Statutory Funds.

**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 balances, purchases, sales and closing balances 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 (Inventory).

**MUNICIPALITY OF WINDHOEK**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE**  
**YEAR ENDED 30 JUNE (continued)**

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**1.24. Commitments**

Commitments are future expenditure to which the Municipality committed and that will result in the outflow 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.

**1.26 Unauthorised expenditure**

Unauthorised expenditure means:

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

**1.27 Fruitless and wasteful expenditure**

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

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

	<b>2021</b>	<b>2020</b>
	N\$	N\$
<b>2. Property rates</b>		
Rates received	<b>621 276 378</b>	<b>654 286 002</b>
State	24 305 152	24 009 399
Other	608 170 945	641 408 143
Less: Income forgone	(11 199 719)	(11 131 540)
	<b>111 713 087 313</b>	<b>106 398 395 311</b>
<b>Valuations</b>		
Agricultural	35 840 000	3 200 000
Commercial	18 229 772 737	17 659 656 318
Farm	673 971 203	263 081 864
Industrial	6 609 821 702	6 515 683 000
Institutional	7 940 952 917	6 906 938 639
Municipal	11 107 929 134	10 391 602 074
Residential	55 520 474 379	53 929 516 522
State	3 042 746 141	2 938 071 740
Other	8 551 579 100	7 790 645 154
<b>3. Other government entities</b>	<b>52 710 017</b>	<b>84 039 432</b>
Operating grants	30 493 515	-
<b>Capital grants</b>		
Government - Water and related subsidies	13 571 013	30 040 984
Government - Informal Settlement Upgrade	2 145 693	44 466 668
Government - Informal Settlement Electrification	6 499 796	9 531 780
<b>4. Public contributions and donations</b>		
Public contributions and donations	1 339 786	2 890 599
Conditions still to be met - remain liabilities (see note 41)		
<b>5. Service charges</b>	<b>3 163 097 145</b>	<b>3 244 068 403</b>
Sale of electricity	1 807 325 947	1 782 995 266
Sale of water	786 275 084	863 274 303
Solid waste	310 484 289	329 457 256
Sewerage and sanitation charges	250 937 066	260 823 479
Other service charges	8 074 759	7 518 099



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

	2021	2020
	N\$	N\$
<b>6. Rental of facilities and equipment</b>	<b>26 356 951</b>	<b>27 435 871</b>
Rental income - amenities	15 609 348	16 256 904
Rental of Premises and related	2 345 913	2 022 226
Rental of other facilities	8 401 690	9 156 741

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

	58 631 518	50 784 734
<b>7. Other income</b>		
Betterment fees	9 728 750	5 392 346
Bus tickets	5 814 873	9 244 375
Endowment fees	619 695	829 850
Building plans and related	6 671 582	6 277 012
Advertising fees	3 701 831	4 070 367
Cemetery fees	1 961 234	1 911 582
Duplicate accounts and cards	1 030 826	795 891
Sale of Documents Materials & Stores	3 226 209	2 465 177
Swimming Pool Tickets	731 565	1 317 772
Forfeited Moneys	4 660 927	-
Ambulance Fees	762 753	-649 296
Interdepartmental Charges	3 566 973	1 687 825
Fire Brigade Fees	524 773	453 967
Bad Debt Recovered	-	14 040
Telephone Cost Recovered	4 690 196	8 133 037
Parking Meter Fees	-	170 611
Town Planning Fees	522 766	481 385
Recovery of Cost	160 001	326 138
Sundry income	1 974 589	1 229 152
Health care waste risk fees	8 281 975	6 633 503

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

	<b>2021</b>	<b>2020</b>
	N\$	N\$
<b>8. Interest received - investment</b>	<b>16 465 713</b>	<b>29 361 218</b>
Housing and land loans	1 329 908	3 722 130
Call deposits	8 576 342	12 539 018
Fixed deposits	4 850 274	12 548 145
Land sales	1 693 657	402 435
Bank	15 532	149 490
<b>9. Bulk purchases</b>	<b>1 957 147 226</b>	<b>1 807 591 460</b>
Electricity	1 415 011 709	1 479 154 030
Water	542 135 517	328 437 430
<b>10. Employee related costs</b>	<b>1 452 831 566</b>	<b>1 506 372 162</b>
Basic	696 490 735	758 623 586
Medical aid - company contributions	129 024 574	114 521 919
Social Security	2 136 273	2 192 083
Defined contribution plans	125 734 543	126 454 145
Overtime payments	29 223 731	30 126 264
Transport allowance	94 059 615	91 309 538
Housing benefits and allowances	244 144 865	246 898 363
Other allowances	95 711 230	91 318 451
Defined Benefit Plan Expense: current service cost	36 306 000	44 927 813
<b>Chief Executive Officer</b>	<b>2 673 616</b>	<b>4 136 615</b>
Annual Remuneration	944 846	2 124 113
Bonuses (13th Cheque)	164 497	173 965
Contributions to UIF Medical and Pension Funds	183 949	542 483
Other	434 679	1 296 054
Termination Benefits	945 645	-

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

	<b>2021</b>	<b>2020</b>
	N\$	N\$
<b>Strategic Executives</b>	<b>27 005 713</b>	<b>26 878 166</b>
Annual Remuneration	12 310 562	11 745 175
Performance Bonuses	986 275	1 415 843
Contributions to UIF Medical and Pension Funds	3 205 241	3 065 208
Other allowances	8 178 362	7 953 761
Termination benefits	2 325 273	2 694 920
Long service award	-	3 259
<b>11. Remuneration of councilors</b>	<b>9 672 249</b>	<b>8 525 874</b>
Mayor	564 096	513 578
Deputy Mayor	514 787	469 608
Management Committee Chairperson	470 028	425 356
Management Committee Members	1 710 017	1 532 779
Councilors	5 254 334	4 440 637
Councilors' Gratuity plan	1 158 987	1 143 916
<b>12. Gain and losses from operations</b>		
<b>Other gain</b>	<b>30 263</b>	<b>349</b>
Gains in Net Foreign Exchange	-	349
Gains on Disposal of Investments	30 263	-
<b>Losses</b>	<b>471 430</b>	<b>3 453 761</b>
Losses in net Foreign Exchange	-	26 584
Losses on Disposal of Investments	471 430	3 427 177
<b>13. Depreciation and amortization</b>	<b>552 796 889</b>	<b>563 847 673</b>
Property plant and equipment	548 355 502	558 619 458
Investment property	3 866 393	3 901 603
Intangible assets	574 994	1 326 612
<b>14. Impairment of assets</b>		
Property, plant and equipment	5 347 085	754 696

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

	<b>2021</b>	<b>2020</b>
	N\$	N\$
<b>15. Repairs and maintenance</b>		
Repair and maintenance (all assets)	230 688 790	213 273 933
<b>16. Contracted services</b>	<b>92 603 232</b>	<b>110 206 830</b>
Outsourced Services	70 112 648	72 191 937
Professional Services	1 927 467	7 842 494
Other Contracted Services	20 563 117	30 172 399
<b>17. Debt impairment</b>		
Debt impairment	(13 518 199)	71 981 046
<b>18. Grants and other transfer payments</b>	<b>1 594 342</b>	<b>3 312 160</b>
Benevolent Organization	26 079	191 315
Community Projects	1 038 111	2 651 280
Public Festivals	28 179	42 072
Other Grants and Subsidies Paid	501 973	427 493

**MUNICIPALITY OF WINDHOEK**

**ANNEXURE F**

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED  
30 JUNE (continued)**

	<b>2021</b>	<b>2020</b>
	N\$	N\$
<b>19. General expenses</b>	<b>155 260 755</b>	<b>175 873 302</b>
Accreditation	181 735	286 910
Ad hoc Allowances	250 176	272 902
Administration costs	18 837	9 173
Advertising	1 082 000	952 347
Bank charges	4 887 391	9 587 860
Betterment fees refund	-	7 963 613
Catering & Entertainment Cost	772 143	758 368
Ceremonies	-	102 104
Chemicals and Poison	1 863 213	2 313 272
Cleaning	216 826	186 894
Commission	-	14 366
Community and public participation	357 979	324 896
Consulting and professional fees	8 847 797	8 025 779
Convention bureau	124 428	(51 522)
Disaster Expenditure	390 937	-
Fire Fighting Expenses	464 751	364 997
Fuel and oil	21 132 393	20 735 141
Hiring of Facilities & Equipment	3 448 197	4 556 571
Inspections carried out	823 220	4 285 892
Insurance	5 211 010	5 808 219
Inter-departmental Transfers	(6 332 353)	2 180 470
Internship expenditure	12 848 482	25 000
Land invasion	273 378	310 860
Marketing	727 658	1 434 570
Motor vehicle expenses	6 127 925	6 418 757
Other expenses	4 331 186	7 774 588
Pest control	1 457 510	1 113 506
Policies and Strategies	174 080	23 840
Postage and courier	2 449 248	3 267 369
Pre-paid Services Tokens	1 053 894	197 614
Printing and stationery	4 999 749	5 228 940
Refund Service Charges	2 760 000	2 530 000
Refuse	5 092 847	4 006 136
Regional Council 5% rates and taxes	24 146 303	22 769 634
Royalties and license fees	3 137 558	4 452 487

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

	<b>2021</b>	<b>2020</b>
	N\$	N\$
<b>19. General expenses (continued)</b>		
Sample Tests	288 850	345 395
Service Connections	1 136 361	5 780 956
Software expenses	11 349 267	7 978 145
Staff welfare	107 028	264 526
Subscriptions and membership fees	335 385	250 157
Telephone and fax	7 547 733	6 492 873
Training	2 184 805	10 284 175
Transport and freight	16 040	89 229
Travel - local	5 338	921 275
Uniforms	4 572 678	3 728 712
Vocational Training Levy	14 617 133	11 406 687
Work orders	(220 361)	99 619
	<b>105 920 067</b>	<b>143 579 363</b>
<b>20. Finance costs</b>		
Defined benefits liabilities	76 739 000	80 928 179
Trade and other payables	1	105
Finance leases	2 542 096	2 901 186
Bank	13 496 775	42 311 336
Current borrowings	8 309 669	13 775 802
Landfill Sites	4 832 526	3 662 755
<b>21. Other revenue</b>		
Interest earned on outstanding debtors	62 901 329	67 618 650
<b>22. Loss on Disposal of Asset and Liabilities</b>		
Property plant and equipment	(11 799 138)	(1 597 310)
<b>23. Cash and cash equivalents</b>	<b>217 024 011</b>	<b>419 192 678</b>
Cash on hand	31 451	22 393
Bank balances	11 270 136	10 002 016
Short-term deposits	205 722 424	409 168 269
Bank overdraft	(154 212 909)	(162 022 452)

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

	<b>2021</b>	<b>2020</b>
	N\$	N\$
	<b>62 811 102</b>	<b>257 170 226</b>
Current assets	217 024 011	419 192 678
Current liabilities	(154 212 909)	(162 022 452)

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% 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 5.9% 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
2. 48 Notice Deposit Account
3. 48 Notice Deposit Account

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 YEAR ENDED**  
**30 JUNE (continued)**

	<b>2021</b>	<b>2020</b>
	N\$	N\$
<b>24. Consumer debtors</b>	<b>339 544 625</b>	<b>287 304 112</b>
<b>Gross balance</b>	<b>916 976 878</b>	<b>881 155 153</b>
Electricity	161 488 511	130 736 445
Water	251 674 716	264 185 358
Sewerage	63 312 534	61 229 352
Refuse	92 895 220	87 372 041
Housing rental	7 697 651	7 330 400
Other	339 908 246	330 301 557
<b>Less: Allowance for Impairment</b>	<b>(577 432 253)</b>	<b>(593 851 041)</b>
Electricity	(76 239 446)	(77 691 414)
Water	(140 997 241)	(149 655 480)
Sewerage	(34 869 104)	(31 506 460)
Refuse	(47 689 964)	(45 593 093)
Housing rental	(7 497 705)	(7 330 400)
Other	(70 138 793)	(282 074 194)
<b>Net balance</b>	<b>339 544 625</b>	<b>287 304 112</b>
Electricity	85 249 065	53 045 031
Water	110 677 475	114 529 878
Sewerage	28 443 430	29 722 892
Refuse	45 205 256	41 778 948
Housing rental	199 946	-
Other	69 769 453	48 227 363
<b>Electricity</b>	<b>161 488 511</b>	<b>130 736 445</b>
Current (0 -30 days)	51 500 316	58 192 226
31 - 60 days	23 020 450	20 059 498
61 - 90 days	12 479 110	14 152 920
91 - 120 days	6 030 567	9 639 833
121 - 365 days	26 418 775	22 694 058
> 365 days	42 039 293	5 997 910



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

	<b>2021</b>	<b>2020</b>
	N\$	N\$
<b>Water</b>	<b>251 674 717</b>	<b>264 185 357</b>
Current (0 -30 days)	49 474 366	79 183 483
31 - 60 days	26 245 862	37 278 569
61 - 90 days	20 803 081	17 964 564
91 - 120 days	12 329 228	19 713 016
121 - 365 days	63 338 063	46 340 358
> 365 days	79 484 117	63 705 367
<b>Sewerage</b>	<b>63 312 534</b>	<b>61 229 351</b>
Current (0 -30 days)	13 889 029	18 003 024
31 - 60 days	6 748 193	7 009 085
61 - 90 days	4 100 012	4 671 371
91 - 120 days	3 147 034	3 547 810
121 - 365 days	14 568 661	12 720 532
> 365 days	20 859 605	15 277 529
<b>Refuse</b>	<b>92 895 220</b>	<b>87 372 042</b>
Current (0 -30 days)	22 000 622	21 393 624
31 - 60 days	11 759 888	10 036 656
61 - 90 days	7 959 026	7 316 118
91 - 120 days	4 686 068	5 646 316
121 - 365 days	22 532 195	19 830 222
> 365 days	23 957 421	23 149 106
<b>Housing debtors</b>	<b>7 697 651</b>	<b>7 330 401</b>
Current (0 -30 days)	328 714	406 978
31 - 60 days	248 705	293 987
61 - 90 days	255 855	265 206
91 - 120 days	199 946	231 414
121 - 365 days	1 233 579	1 225 001
> 365 days	5 430 852	4 907 815

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

	<b>2021</b>	<b>2020</b>
	N\$	N\$
<b>Other services</b>	<b>339 908 246</b>	<b>330 301 558</b>
Current (0 -30 days)	11 306 755	10 755 140
31 - 60 days	7 470 989	8 746 646
61 - 90 days	7 165 469	5 656 813
91 - 120 days	5 498 047	6 320 816
121 - 365 days	34 178 389	41 479 364
> 365 days	274 288 597	257 342 779
<b>Reconciliation of allowance for impairment</b>	<b>(577 432 253)</b>	<b>(593 851 041)</b>
Balance at beginning of the year	(593 851 041)	(567 331 334)
Contribution to allowance	(5 626 819)	(41 414 914)
Reversal of allowance	22 045 607	14 895 207

#### **Allowances for Impairment**

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

#### **Approach Followed in Calculating Provision for Impairment of Debtors**

##### **Risk**

Provision for Impairment of Debt is directly linked to the estimated risk of not recovering debt. The Municipality opted to determine the estimated risk of non-payment on an individual debtor/consumer basis. This should relate to a higher accuracy in the final calculations than when fixed percentages are allocated to a class of user or type of debtor.

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

**Payment Percentage per Debtor**

To obtain an estimated risk per user/debtor average payment percentage per debtor was calculated. A detail transaction report for the 2020/21 financial period was obtained that indicate all billings as well as receipts per individual debtor. This payment percentage was calculated as follows:  $\text{Payment Percentage} = \text{Total Received} / \text{Total Billed}$ .

**Calculation of Provision for Impairment of Debt**

A detailed Debtor's Age Analysis, BP136-6 was extracted from the billing system that indicates the outstanding Debt per User Type and Per Service Type. This Detail Debtor's Age Analysis differentiates between the Gross Balance of the Debt and the VAT portion of the Debt. The Estimated Impairment Percentages as calculated above was then applied to each individual Debtor's Gross outstanding balances excluding VAT to obtain the impairment provision amounts.

**An Impairment Percentage per individual Debtor/User was allocated relative to the calculated average Payment Percentage.**

An Impairment Percentage per individual Debtor/User was allocated relative to the calculated average payment percentage. The relation between these two factors were allocated as follows:

<b>PMT From</b>	<b>PMT To</b>	<b>Impairment Provision</b>	<b>Cross carrying amount</b>	<b>Provision for Impairment</b>
0%	25%	100%	486 710 496	486 710 496
26%	50%	75%	64 629 794	48 472 346
51%	85%	50%	84 498 821	42 249 411
86%	100%	0%	281 137 767	-
<b>Total</b>			<b>916 976 878</b>	<b>577 432 253</b>

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

**25. Employee benefit obligation**

The amounts recognised in the statement of financial position are as follows:

	<b>2021</b>	<b>2020</b>
	N\$	N\$
<b>Carrying value</b>	<b>(903 393 000)</b>	<b>(798 351 000)</b>
Present value of the defined benefit obligation - Post-retirement Health Care benefits	(731 048 000)	(613 239 000)
Present value of the defined benefit obligation - Long Service Awards	(33 042 000)	(56 912 000)
Fair value of defined benefit obligation- Severance Payment	(139 303 000)	(128 200 000)
Non-current liabilities	(849 118 000)	(727 733 000)
Current liabilities	(54 275 000)	(70 618 000)
	<b>(903 393 000)</b>	<b>(798 351 000)</b>
<b>Post-retirement Health Care Benefits Liability</b>	<b>731 048 000</b>	<b>613 239 000</b>
Opening balance	613 239 000	678 972 689
Benefits paid	(26 972 098)	(23 546 023)
Net expense recognized in the statement of financial performance & net assets	144 781 098	(42 187 666)

The amounts recognised in the statement of financial position are as follows:

Current service cost (Statement of Financial Performance)	22 965 000	28 040 520
Interest cost (Statement of Financial Performance)	63 718 000	63 931 491
Actuarial losses (gains) (Statement of Net Assets)	58 098 098	(134 159 677)
	<b>144 781 098</b>	<b>(42 187 666)</b>

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

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. 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

**The members of the Post-employment Health Care Benefit Plan are made up as follows:**

	<b>2021</b>	<b>2020</b>
	N\$	N\$
In-service Members (Employees)	1875	1935
In-service Non-members (Employees)	52	51
Continuation Members (Retirees widowers and orphans)	513	483
	<b>2440</b>	<b>2469</b>
In-service Members (Employees)	353 992 000	293 815 000
In-service Non-members (Employees)	2 741 000	2 221 000
Continuation Members (Retirees widowers and orphans)	374 315 000	317 203 000
<b>Total members</b>	<b>731 048 000</b>	<b>613 239 000</b>

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

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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	10.26%	10.59%
Medical cost trend rates	6.84%	6.62%
Expected increase in salaries	3.20%	3.72%

While the expected retirement age of male and female was 59 years (2020: 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.

**Family profile**

It is assumed that female spouses will be five years younger than their male counter parts. Furthermore, 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 retired members, actual medical aid dependants were used and the potential for remarriage was ignored.

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

**Discount rate**

IPSAS 39 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 10.26% per annum has been used. The corresponding index-linked yield at this term is 4.20%. These rates were deduced from the interest rate data obtained from the Johannesburg Stock Exchange after the market close on 30 June 2021. 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 subsidy unpredicted movements in the membership profile and the effect of actual benefits vested being different from what was expected.

	<b>2021</b>	<b>2020</b>
	N\$	N\$
<b>Basis Changes:-</b>		
<b>Increase in Net Discount Rate</b>	<b>58 098 098</b>	<b>(134 159 677)</b>
Decrease (Increase) in Net Discount Rate	56 793 000	(141 592 000)
Subsidy increases higher (lower) than assumed	6 012 000	(3 324 000)
Changes to Membership Profile different from assumed	(7 973 000)	8 154 768
Actual Benefits vested greater than expected	3 266 098	2 601 555

**Other assumption**

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:

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

	One percentage point increase	One percentage point decrease
Effect on the aggregate of the service cost and interest cost	16 500 000	19 815 700
Effect on defined benefit obligation	125 630 000	101 035 000
Effect on the aggregate of the current service cost and the interest cost	13 055 000	15 348 200
Effect on the defined benefit obligation	100 513 000	81 338 000

The Municipality expects to make a contribution of N\$100 594 000 (2020: N\$ 86 683 000) to the Defined Benefit Plans during the next financial year.

The history of experienced adjustments is as follows:

	2021	2020	2019	2018	2017
	N\$	N\$	N\$	N\$	N\$
Defined benefit obligation	731 048 000	613 239 000	678 972 689	788 850 222	734 881 829

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 bonuses, leave or a long service Endowment as described below:

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



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

**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 services, 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.

**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. 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 1927 (2019: 1986) employees were eligible for Long-service Awards.

	<b>2021</b>	<b>2020</b>
	N\$	N\$
Balance at beginning of year	56 912 000	72 221 299
Contributions to provision	8 472 000	10 389 026
Expected benefits vesting	(32 342 000)	(25 698 325)
Balance at end of Year	33 042 000	56 912 000
Transfer to Current Provisions	(11 292 000)	(32 342 000)
<b>Total Long Service Awards Liability</b>	<b>21 750 000</b>	<b>24 570 000</b>

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

**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.

**Movements in the present value of the Defined Benefit Obligation were as follows:**

	<b>2021</b>	<b>2020</b>
	N\$	N\$
Balance at the beginning of the year	56 912 000	72 221 299
Current service costs	4 738 000	6 934 365
Interest cost	2 088 000	4 488 281
Benefits paid	(32 342 000)	(25 698 328)
Actuarial losses / (gains)	1 646 000	(1 033 617)
<b>Total Recognized Benefit Liability</b>	<b>33 042 000</b>	<b>56 912 000</b>

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

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

**Analysis of actuarial gains and losses:**

**Basis Changes:**

- Decrease (Increase) in Net Discount Rate	64 000	(206 000)
- Earnings increases higher (lower) than assumed	120 000	(3 028 000)
- Changes to employee profile different from assumed	1 462 000	2 200 383
<b>Balance at the end of the year</b>	<b>1 646 000</b>	<b>(1 033 617)</b>

The amount recognised in the statement of financial position are as follow

Present value of fund obligation (unfunded accrued liability)	33 042 000	56 912 000
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The amount recognised in the statement of financial performance and net assets are as follows:

Current service cost	4 738 000	6 934 365
Interest cost	2 088 000	4 488 281
Actuarial losses / (gains)	1 646 000	(1 033 617)
	<b>8 472 000</b>	<b>10 389 029</b>

	2021	2020	2019	2018	2017
Present value of defined benefit obligation (unfunded)	33 042 000	56 912 000	72 221 299	72 128 993	70 207 733

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

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

	2021	2020
	N\$	N\$
<b>Increase</b>	<b>948 000</b>	<b>1 193 800</b>
Effect on the aggregate of the current service cost and the interest cost	156 000	259 800
Effect on the defined benefit obligation	792 000	934 000
<b>Decrease</b>	<b>879 000</b>	<b>(1 182 100)</b>
Effect on the aggregate of the current service cost and the interest cost	145 000	(303 100)
Effect on the defined benefit obligation	734 000	(879 000)
<b>Severance Payment Liability</b>		
Balance at beginning of year	128 200 000	138 632 919
Contributions to provision	22 035 532	(219 340)
Benefits vesting	(10 932 532)	(10 213 579)
<b>Sub-total</b>	<b>139 303 000</b>	<b>128 200 000</b>
Transfer to Current provisions	(14 570 000)	(14 570 000)
<b>Non-current portion of liability</b>	<b>124 733 000</b>	<b>113 630 000</b>

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. 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 YEAR ENDED**  
**30 JUNE (continued)**

At year end 1927 (2020: 1986) employees were eligible for Long-service Awards.

**General**

It's 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 9.96% 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 9.96% 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 2021. This was deemed the most suitable alternative in the absence of a readily available Namibian bond yield curve.

**Movement in the present value of the Defined benefit obligation were as follows:**

Balance at the beginning of the year	128 200 000	138 632 919
Current-service cost	8 603 000	9 952 928
Interest cost	10 933 000	12 508 407
Benefits vesting	(10 932 532)	(10 213 579)
Actuarial (gain) / loss	2 499 532	(22 680 675)
<b>Total Recognized Benefit Liability</b>	<b>139 303 000</b>	<b>128 200 000</b>

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

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

**Analyses of Actuarial Gains and Losses:**

	<b>2021</b>	<b>2020</b>
	N\$	N\$
Decrease (Increase) in Net Discount Rate	4 295 000	(14 050 000)
Earnings increases lower than assumed	(2 808 000)	(10 528 000)
Changes to employee profile different from assumed	4 650 000	7 069 254
Actual benefits vesting lower than expected	(3 637 468)	(5 171 929)
	<b>2 499 532</b>	<b>(22 680 675)</b>
Present value of fund obligations (Unfunded accrued Liability)	139 303 000	128 200 000

**The amount recognised in the statement of financial performance is as follows:**

Current-service cost	8 603 000	9 952 928
Interest cost	10 933 000	12 508 407
Actuarial loss / (gain) through Net Assets	2 499 532	(22 680 675)
	<b>22 035 532</b>	<b>(219 340)</b>

**The history of experienced adjustments is as follows:**

	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
Present value of defined benefit obligation	139 303 000	128 200 000	138632919	113 766 457	98094282

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

<b>Increase:</b>	<b>14 410 000</b>	<b>13 664 100</b>
Effect on the aggregate of the current service cost and the interest cost	1 997 000	2 301 100
Effect on the defined benefit obligation	12 413 000	11 363 000
<b>Decrease</b>	<b>12 710 000</b>	<b>12 022 600</b>
Effect on the aggregate of the current service cost and the interest cost	1 744 000	2 006 600
Effect on the defined benefit obligation	10 966 000	10 016 000

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

**ANNEXURE F**

	<b>2021</b>	<b>2020</b>
	N\$	N\$
<b>26. VAT receivable</b>		
Value Added Tax	20 855 165	103 142 239

VAT is payable in terms of Section 7 of the Value-Added Tax Act. VAT is payable/receivable on receipt of an invoice or payments, 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.

<b>27. Receivables from exchange transactions</b>	<b>91 577 352</b>	<b>125 784 579</b>
Trade debtors	37 746 671	66 962 704
Prepayments	269 107	50 515
Accruals	53 561 574	58 771 360

Included in Accruals is an amount of N\$ 53 721 550 (2020: N\$ 53 721 550) in respect of the consumption of metered services not billed as at 30 June.

Receivables from Exchange Transactions are billed monthly. 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 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.

<b>28. Receivables from non-exchange transaction</b>	<b>128 047 696</b>	<b>114 172 055</b>
Assessment Rates Debtors	144 196 802	153 433 243
Short-term Loans - Staff	16 244 369	15 904 478
Sundry Debtors	437 710	21 021 821
Suspense	39 243 465	32 415 360
Allowance for impairment	(72 074 650)	(108 602 847)

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

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Short term Loans mainly comprise advances made to staff members for the purpose of studies which are repayable within 36 months. The advances come with free interest.

**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 have 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, Debtors 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.

**Approach Followed in Calculating Provision for Impairment of Debtors**

**Risk**

Provision for Impairment of Debt is directly linked to the estimated risk of not recovering debt. The Municipality opted to determine the estimated risk of non-payment on an individual debtor/consumer basis. This should relate to a higher accuracy in the final calculations than when fixed percentages are allocated to a class of user or type of debtor.

**Payment Percentage per Debtor**

To obtain an estimated risk per user/debtor average Payment percentages per debtor was calculated. A detail transaction report for the 2020/21 Financial Period was obtained that indicates all billings/as well as receipts per individual debtor. This payment percentage was calculated as follows:  $\text{Payment percentage} = \text{Total Received} / \text{Total Billed}$ .



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

**ANNEXURE F**

**Calculation of Provision for Impairment of Debt**

A detailed Debtor's Age Analysis, BP136 6 was extracted from the billing system that indicates the outstanding debt per user type and per service type. This Detail Debtor's Age Analysis differentiates between the gross balance of the debt and the VAT portion of the Debt. The estimated impairment percentages as calculated above was then applied to each individual debtor's gross outstanding balances excluding VAT to obtain the Impairment provision amounts.

An impairment percentage per individual debtor/user was allocated relative to the calculated average payment percentage. The relation between these two factors were allocated as follows:

<b>PMT From</b>	<b>PMT To</b>	<b>Impairment Provision</b>	<b>Cross carrying Amount</b>	<b>Provision for Impairment</b>
0%	25%	100%	54 759 975	54 759 975
26%	50%	75%	11 137 334	8 353 001
51%	85%	50%	17 923 348	8 961 674
86%	100%	0%	60 376 145	-
<b>Total</b>			<b>144 196 802</b>	<b>72 074 650</b>

**29. Long-term receivables**

Total receivables from exchange transactions	<b>74 908 776</b>	<b>54 653 069</b>
Long term receivables	60 522 221	48 363 312
Current Portion of Long-term receivables	14 386 555	6 289 757

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 % 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 of 6 % to 12 % per annum depending on the stipulations of the contract repayable over a maximum period of 20 years.

However, there are ongoing 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 YEAR ENDED**  
**30 JUNE (continued)**

**SALE OF STANDS**

Stands in low income are sold on an instalment basis at an interest rates from 0 to 15 % 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% per annum repayable over a maximum period of 5 years. The maximum loan is 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 to and outstanding from senior management:

	<u>2021</u>	<u>2020</u>
	N\$	N\$
<b>2021</b>		
	Loans Granted	Balance as at
	current year	30 June 2021
Strategic Executives		
Comalie J	982 379	734 575
SE: Electricity		
Hekandjo O.A	-	160 769
SE: Housing Property Management & Humann		
Settlement		
Maanda F I R.	766 251	694 455
SE: Infrastructure water & Technical services		
Narib L.	304 982	270 134
	<u>2 053 612</u>	<u>1 859 933</u>

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

**Long term receivables (continued)**

	<u>2021</u>	<u>2020</u>
	N\$	N\$
<b>2020</b>	Loans Granted	Balance as at
	Current year	30-Jun-20
Chief Executive Officer		
Kahimise R. N	-	443 360
Strategic executives		
SE: Electricity		
Hekandjo O.A	-	318 458
Chief : City Police		
Kanime A.K.	55 820	-
SE: Information & communication technology		
Kamdjiriomuini R	-	527 653
	<u>55 820</u>	<u>1 289 471</u>

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

	<b>2021</b>	<b>2020</b>
	N\$	N\$
<b>30. Inventory</b>	<b>129 521 454</b>	<b>144 877 173</b>
Ammunition	126 587	130 092
Consumable stores	1 548 194	1 723 690
Fuel and oil	2 113 979	1 012 725
Maintenance materials	61 472 275	61 125 434
Land for sale	60 020 903	77 572 376
Spare Parts and Meters	249 374	133 425
Water for distribution	3 990 142	3 179 431

Inventory 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\$ 74 764 977 (2020: N\$ 66 527 643).

Inventory of N\$ 12 275 143 (2020: N\$ 13 418 229) are held as spare parts for infrastructure assets and have been transferred to Property, Plant and Equipment.

Inventory of 6 886 934 (2020: 14 484 671) 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\$ 20.95 per kilolitre (2020: N\$ 18.80 per kilolitre).

No Inventory have been pledged as collateral for Liabilities of the Municipality.

**31. Non-Current Investment**

Designated at fair value		
Listed shares	14 451 599	14 923 029
Listed shares are investment in shares of public companies with no specific maturity dates or interest rates		

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

	<b>2021</b>	<b>2020</b>
	N\$	N\$
<b>Amortized cost</b>		
Fixed deposits	530 979	3 118 425
Fixed deposits are investment with a maturity period of more than 12 months and specifically invested to provide gratuity benefits for councilors		
Interest dividends and costs accrued to the Creditor Councilors Gratuity Plan.		
<b>Total other financial assets</b>	<b>14 982 578</b>	<b>18 041 454</b>
Non-current assets		
Designated at fair value	14 451 599	14 923 029
Residual interest at cost	530 979	3 118 425
	<b>14 982 578</b>	<b>18 041 454</b>

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

	2021		2020		
	Cost / Valuation N\$	Accumulated depreciation and impairment N\$	Carrying value N\$	Accumulated depreciation and impairment N\$	Carrying value N\$
<b>32. Investment property Company</b>					
Investment property	5 101 152 719	(71 785 929)	5 029 366 790	5 156 698 624	(67 919 536) 5 088 779 088
Reconciliation of investment property 2021					
	<b>Opening balance</b>	<b>Transfers</b>	<b>Depreciation</b>	<b>Total</b>	
Investment property	5 088 779 088	(55 545 905)	(3 866 393)	5 029 366 790	
Reconciliation of investment property 2020					
	<b>Opening balance</b>	<b>Disposal</b>	<b>Depreciation</b>	<b>Total</b>	
Investment property	5 198 032 673	(105 351 982)	(3 901 603)	5 088 779 088	

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

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 reliability of Investment Property or the remittance of revenue and proceeds of disposal.

There are no contractual obligations on Investment Property.

**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.

	Cost		Accumulated		Carrying value	Cost	Accumulated		Carrying value
	Valuation	Valuation	depreciation and impairment	depreciation and impairment			Valuation	depreciation and impairment	
	N\$	N\$	N\$	N\$	N\$	N\$	N\$	N\$	N\$
Land	1 777 226 134	1 777 226 134	-	-	1 777 226 134	-	-	1 777 226 134	
Buildings	626 199 568	625 389 574	(281 584 147)	(282 836 378)	344 615 421			342 553 196	
Leased assets	131 038 907	137 064 314	(75 770 628)	(68 481 012)	55 268 279			68 583 302	
Infrastructure	20 374 026 426	20 303 815 053	(9 821 924 775)	(9 338 298 669)	10 552 101 651			10 965 516 384	
Community	601 300 074	599 440 299	(350 881 675)	(317 873 983)	250 418 399			281 566 316	
Other assets	676 521 492	691 750 709	(354 936 115)	(343 279 702)	321 585 377			348 471 007	
<b>Total</b>	<b>24 186 312 601</b>	<b>24 134 686 083</b>	<b>(10 885 097 340)</b>	<b>(10 350 769 744)</b>	<b>13 301 215 261</b>	<b>24 134 686 083</b>	<b>(10 350 769 744)</b>	<b>13 783 916 339</b>	

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

**33. Property, plant and equipment (continued)**

**Reconciliation of property, plant and equipment 2021**

	Opening balance	Additions	Disposals	Transfer	Other adjustment	Spare parts transfer	Depreciation	Impairment Loss	Total
	N\$	N\$	N\$	N\$	N\$	N\$	N\$	N\$	N\$
Land	1 777 226 134	-	-	-	-	-	-	-	1 777 226 134
Buildings	342 553 196	809 994	-	16503126	-	-	(15 250 895)	-	344 615 421
Leased assets	68 583 302	-	(2 154 131)	-	-	-	(11 160 892)	-	55 268 279
Infrastructure	10 965 516 384	66 225 753	(3 169)	1 199 996	10 653 341	(7 597 736)	(479 864 788)	(4 028 130)	10 552 101 651
Community	281 566 316	1 976 702	-	(16 520 053)	-	-	(16 504 566)	-	250 518 399
Other assets	348 471 007	9 911 539	(9 641 838)	(1 083 069)	-	-	(25 574 357)	(497 905)	321 585 377
<b>Total</b>	<b>13 783 916 339</b>	<b>78 923 988</b>	<b>(11 799 138)</b>	<b>100 000</b>	<b>10 653 341</b>	<b>(7 597 736)</b>	<b>(548 355 498)</b>	<b>(4 526 035)</b>	<b>13 301 315 261</b>



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

**33. Property, plant and equipment (continued)**

**Reconciliation of property, plant and equipment 2020**

	N\$	N\$	N\$	N\$	N\$	N\$
	Cost Valuation	Accumulated depreciation and impairment	Carrying Value	Cost Valuation	Accumulated depreciation and impairment	Carrying value
Land	1 777 226 134	-	1 777 226 134	1 777 226 134	-	1 777 226 134
Buildings	626 199 568	(281 584 147)	907 783 715	625 389 574	(282 836 378)	908 225 952
Leased assets	131 038 907	(75 770 628)	206 809 535	137 064 314	(68 481 012)	205 545 326
Infrastructure	20 374 026 426	(9 821 924 775)	30 195 951 201	20 303 815 053	(9 338 298 669)	29 642 113 722
Community	601 300 074	(350 881 675)	952 181 749	599 440 299	(317 873 983)	917 314 282
Other assets	676 521 492	(354 936 115)	1 031 457 607	691 750 709	(343 279 702)	1 035 030 411
<b>Total</b>	<b>24 186 312 601</b>	<b>(10 885 097 340)</b>	<b>35 071 409 941</b>	<b>24 134 686 083</b>	<b>(10 350 769 744)</b>	<b>34 485 455 827</b>

**MUNICIPALITY OF WINDHOEK**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR 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 (2020: 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 asset which have a carrying amount of N\$ 55 268 279 (2020: N\$ 68 442 219).

**33. Property, plant and equipment (continued)**

	<u>2021</u>	<u>2020</u>
	N\$	N\$
Capitalized expenditure (excluding borrowing costs)		
Buildings	-	4 313 234
Infrastructure	50 232 014	87 994 614
Other assets	13 302 794	22 387 408
	<u>63 534 808</u>	<u>114 695 256</u>

**Reconciliation of working in progress**  
**2021**

	<u>Included within Infrastructure</u>	<u>Included within Community</u>	<u>Total</u>
	N\$	N\$	N\$
Opening balance	399 854 292	11 739	399 866 031
Additions/capital expenditure	34 159 674	2 786 697	36 946 371
Transferred to completed items	(39 578 673)	-	(39 578 673)
	<u>394 435 293</u>	<u>2 798 436</u>	<u>397 233 729</u>

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

**Reconciliation of working in progress**  
**2020**

	<b>Included within Infrastructure</b>	<b>Included within Community</b>	<b>Total</b>
	N\$	N\$	N\$
Opening balance	298 623 070	4 151 514	302 774 584
Additions/capital expenditure	189 225 836	173 459	189 399 295
Transferred to completed items	(87 994 614)	(4 313 234)	(92 307 848)
	<b>399 854 292</b>	<b>11 739</b>	<b>399 866 031</b>

	2021			2020		
	<b>Cost Valuation</b>	<b>Accumulated amortization &amp; impairment</b>	<b>Carrying value</b>	<b>Cost Valuation</b>	<b>Accumulated amortization &amp; impairment</b>	<b>Carrying value</b>
	N\$	N\$	N\$	N\$	N\$	N\$
Computer software	8 486 983	(5 217 453)	3 269 530	6 789 685	(3 821 408)	2 968 277

**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.
- iii). The Municipality has no intellectual property rights to the systems.

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

**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.

	<b>2021</b>	<b>2020</b>
	N\$	N\$
<b>35. Payables from exchange transactions</b>	<b>841 622 119</b>	<b>1 242 463 665</b>
Trade payables	261 827 478	674 864 431
Payments received in advanced	92 606 603	90 958 776
Staff Bonuses	29 087 935	28 962 864
Staff leave	366 552 521	353 557 891
Retention	31 342 165	31 031 637
Council gratuity plan	531 189	3 118 425
Other creditors	12 694 948	12 990 361
VET levy	46 979 280	46 979 280

**Council Gratuity Plan:**

Gratuities accrued 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, are subject to certain conditions. The provision is an estimate of the amount due at the reporting date.

**Staff Leave:**

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

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

**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.

	<u>2021</u>	<u>2020</u>
	N\$	N\$
<b>36. Consumer deposits</b>	<b>60 047 350</b>	<b>59 210 735</b>
Electricity	43 677 671	43 531 209
Water	16 369 679	15 679 526

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.

**37. Provisions****Reconciliation of provision 2021**

	<b>Opening</b>		<b>Change in</b>	
	<b>Balance</b>	<b>Additions</b>	<b>estimate</b>	<b>Total</b>
	N\$	N\$	N\$	N\$
Provision for Rehabilitation of Landfill Sites	60 584 950	4 832 526	10 653 341	76 070 817

**Reconciliation of provision 2020**

Provision for Rehabilitation of Landfill Sites	-	56 922 195	3 662 755	60 584 950
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**MUNICIPALITY OF WINDHOEK**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30**  
**JUNE (continued)**

**Rehabilitation of Land-fill Sites**

The Municipality will incur licensing and rehabilitation costs of N\$ 85 933 296 (2020: N\$ 78 537 690) 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.

**37. Provision (continued)**

	<u>2021</u>	<u>2020</u>
	N\$	N\$
<b>Land fill site and year of decommissioning</b>	<b>85 933 296</b>	<b>78 537 690</b>
Eros Landfill (2032/33)	5 045 982	5 291 780
Havana Landfill (2021/22)	2 639 479	2 535 144
Khomasdal Landfill (2026/27)	2 749 844	2 627 917
Kupferberg Landfill - General (2023/24)	41 331 624	35 971 522
Kupferberg Landfill - Hazardous (22/23)	22 089 076	20 363 865
Ludwigsdorf Landfill (2024/25)	1 743 454	1 543 088
Okuryangava Landfill (2037/38)	2 665 782	2 516 999
Otjomuise Landfill (2025/26)	1 449 696	1 292 359
Pioneers Park Landfill (2027/28)	6 218 359	6 395 016

**38. Finance lease obligation**

<b>Present value of minimum lease payments</b>	<b>37 770 930</b>	<b>33 808 332</b>
- within one year	12 701 576	14 220 053
- in second to fifth year inclusive	30 236 954	23 857 683
	42 938 530	38 077 736
less: future finance charges	(5 167 600)	(4 269 404)
<b>Present value of minimum lease payments due</b>	<b>37 770 930</b>	<b>33 808 331</b>
- within one year	10 404 309	12 346 079
- in second to fifth year inclusive	27 366 621	21 462 252
Non-current liabilities	27 366 619	21 462 252
Current liabilities	10 404 310	12 346 079
	<b>37 770 929</b>	<b>33 808 331</b>

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

**38. Finance lease obligation (continued)**

Finance lease liabilities relate to vehicles with lease terms varying from 1 to 5 years (2020:1 to 5). The effective interest rate on finance leases is 6.34% (2020: 2.23%). 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 line 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.

**39. Long term loans**

**At amortised cost**

	2021	2020
	N\$	N\$
Bank loan	119 333 142	135 553 527
<p>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.</p>		
Nampower	-	1 297 229
<p>The NamPower Loan is repaid over a period of 1 (2019:2) years at an interest rate of Prime +2% (2019: Prime +2 %) per annum. The Loan is not secured.</p>		

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

**Long term loans (continued)**

	<b>2021</b>	<b>2020</b>
	N\$	N\$
Government of the Republic of Namibia (On-Lending)	715 530 732	714 921 933
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 % to 16 % (2019:7 % to 16 %) per annum. The Loans are not secured		
Government of the Republic of Namibia (Direct)	2 946 371	4 540 052
The Direct Loans are repaid over periods varying from 4 to 10 (2019: 4 to 10) years and at interest rates varying from 9 % to 12 %(2019: 9 % to 12 %) per annum. The Loans are not secured.		
Bank loans – other	298 247	349 909
Other loans are repaid over periods varying from 1 to 6 (2019: 1 to 6) years and at interest rates varying from 9 % to 12 % (2019: 9 % to 12 %) per annum. The loans are not secured.		
<b>Total Amortized financial liabilities</b>	<b>838 110 513</b>	<b>856 664 670</b>
<b>Non-current liabilities</b>		
At amortized cost	111 968 504	126 217 374
<b>Current liabilities</b>		
At amortized cost	726 139 988	730 445 275
<b>40. Payables from Non-exchange transactions</b>	<b>44 176 153</b>	<b>39 232 900</b>
Suspense accounts	42 767 444	37 959 970
Sundry deposits	1 408 709	1 272 930

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

Sundry Deposits are mostly in respect of security held by the Municipality of houses in the various housing schemes rented to public.



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

No credit period exists for payables from non-exchanges 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 renegotiated by the Municipality.

The Municipality's credit risk management processes are disclosed in Note 50 to the annual financial statements.

	<b>2021</b>	<b>2020</b>
	N\$	N\$
<b>41. Unspent conditional grants and receipts:</b>		
Public Contributions	4 950 073	2 283 870
Movement during the year	<b>4 950 073</b>	<b>2 283 870</b>
Balance at the beginning of the year	2 283 870	2 914 997
Income received during the year	2 666 203	(631 127)
<b>42. Housing Fund</b>	<b>252 663 773</b>	<b>206 362 649</b>
Housing fund	206 370 493	206 362 649
Contribution received during the year	46 293 280	-
<b>Reconciliation of Housing Fund:</b>	<b>206 370 493</b>	<b>206 362 649</b>
Balance at beginning of year	206 362 649	206 353 283
Interest received during the year	7 844	9 366
<b>43. Betterment fund</b>		
The following funds are established under the Act of Parliament:		
Betterment fund	2 567 547	-

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

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**Betterment contribution fund**

The Betterment Contribution Fund was established in terms of Section 59 of the Urban and Regional Planning Act (Act No. 5 of 2018). The Betterment Contribution Fund, known as Compensation contains all proceeds from betterment contributions and sale of land. Money standing to the credit of the Betterment Contribution Fund shall be applied in such manner as the Minister may approve towards the discharge of any debt of the Municipality or otherwise for any purpose for which capital money may be applied.

**Endowment Fund**

The Endowment Fund was established in terms of Section 66(1) (k) and Section 90 of the Urban and Regional Planning Act (Act No. 5 of 2018). The Endowment Fund contains all proceeds from endowment contributions on sub-divisions of land. Money standing to the credit of the Endowment Fund shall be used to finance and carry out betterment works or for erecting constructing or acquiring amenities or public places in the public interest.

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

	<b>2021</b>	<b>2020</b>
	N\$	N\$
<b>44. Cash (used in) generated from operations</b>	<b>(125 700 631)</b>	<b>378 944 461</b>
Deficit	(482 252 733)	(298 244 998)
<b>Adjustments for:</b>		
Depreciation and amortization expense	552 796 889	563 847 673
Gain on sale of assets and liabilities	11 799 138	1 597 310
Finance costs - Finance leases	2 542 096	2 901 186
Impairment deficit	5 347 085	754 696
Debt impairment	(13 518 199)	71 981 046
Movements in retirement benefit assets and liabilities	105 042 000	(91 475 907)
Movements in provisions	4 832 526	3 662 755
Other non-cash items	(46 042)	24 723
Actuarial Gains (losses) on Defined Benefits Liabilities recognized to net assets	(62 243 629)	157 873 970
<b>Changes in working capital:</b>		
Inventory	78 499 362	(70 528 650)
Receivables from exchange transactions	(18 033 284)	(77 527 690)
Debt impairment	13 518 199	(71 981 046)
Other receivables from non-exchange transactions	(13 875 641)	(12 592 302)
Payables from exchange transactions	(400 841 543)	223 061 323
VAT	82 287 074	2 604 410
Payables from non-exchange transactions	4 943 253	(27 502 585)
Unspent conditional grants and receipts	2 666 203	(631 127)
Consumer deposits	836 615	1 119 674

**45. Commitments for expenditure**

**Other commitments**

The Municipality has entered into a contract on 29 December 2020 with Kavehepa Cleaning Services cc for cleaning services to the municipal town house and adjacent building and public toilets and tourism information offices for a three (3) year period which will give rise to a monthly charge of N\$ 32 469 (VAT and transport inclusive). The contract terminates on 29 December 2023.

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

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The Municipality has entered into a contract on 29 December 2020 with Florida Trading cc for cleaning services to the municipal town house adjacent buildings public toilets and tourism information offices for a three (3) year period which will give rise to a monthly charge of N\$ 49 795 (VAT and transport inclusive). The contract terminates on 29 December 2023.

The Municipality has entered into a contract on 29 December 2020 with Mono Trading cc for cleaning services to the municipal town house adjacent buildings public toilets and tourism information offices for a three (3) year period which will give rise to a monthly charge of N\$ 82 887 (VAT and transport inclusive). The contract terminates on 29 December 2023.

The Municipality has entered into a contract on 29 December 2020 with Prota Trading cc for the cleaning services at Wernhill Taxi Rank Mandume Ndemufayo Avenue in the Central Business District Windhoek for a two (2) year period which will give rise to a monthly charge of N\$ 7 015 (VAT and transport inclusive). The contract terminates on 23 December 2023.

The Municipality has entered into a contract on 18 December 2020 with Namibia Landscapes cc for Garden and terrain maintenance services at the Gamams Water Care Works for a one (1) year period which will give rise to N\$ 14 950 (VAT and transport inclusive). The contract terminates on 18 December 2021.

The Municipality has entered into a contract on 12 July 2021 with OME Trading Enterprise cc for Cleaning of crematorium building, ablution facilities, Old Location cemetery toilets, Katutura cemetery toilets, Oponganda cemetery office and ablution facilities for a four (4) month period which will give rise to a monthly charge of N\$ 8 500 (VAT and transport inclusive) The contract terminates on 12 November 2021.

The Municipality has entered into a contract on 09 July 2021 with Oukume Investments cc for Horticultural and terrain maintenance services at Bismarck & John Ludwig monuments and Zoo Park for a six (6) months period which will give rise to a monthly of N\$ 53 015. The contract terminates on 09 January 2022.

The Municipality has entered into a contract on 21 June 2021 with Namibia Landscapes for Horticultural maintenance services (Eastern facilities) for a period of two (2) years which will give rise to N\$ 2 354 280 (VAT and Transport Inclusive). The contract terminates on 21 June 2023.

The Municipality has entered into a contract on 21 June 2021 for Horticultural maintenance services (Western facilities) for period of two (2) years with Namibia Landscapes cc which will give rise to a monthly charge of N\$ 196 190 (VAT and transport inclusive). The contract terminates on 21 June December 2023.

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

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The Municipality has entered into a contract on 11 May 2021 with Kavehepa Cleaning Services cc for cleaning services to the Windhoek municipal informal markets under group A B and C for a six (6) months period which will give rise to a monthly charge of N\$ 226 803. The contract terminates on 11 November 2021.

The Municipality has entered into a contract on 10 May 2021 for cleaning services to the Windhoek municipal informal markets under group A, B and C for the period of (4) to (6) months with Mwendamsri Investment cc which will give rise to N\$ 212 875. The contract terminates on 10 November 2021.

The Municipality has entered into a contract on 03 September 2020 with Reward cleaning services cc for Professional Horticultural garden and terrain services at the City of Windhoek head office gardens for a period of two (2) years which will give rise to a monthly charge of N\$ 13 450. The contract terminates on 03 September 2022.

The Municipality has entered into a contract on 03 September 2020 with Tjiuee Cleaning Services for rendering of professional horticultural garden and terrain services at the Post Street Mall Kudu Island Christus Kirche Island below Wernhill bridge, OK parking wall, John Meinert and the Palm trees in Independence avenue for a period of two (2) years, which will give rise to a monthly charge of N\$ 11 026. The contract terminates on 03 September 2022.

The Municipality has entered into a contract on 27 August 2020 with Namibia Landscapes cc for gardening and terrain maintenance services at Gamams water Care Works for a five (5) months period which will give rise to monthly charge of N\$ 19 550. The contract terminates on 27 January 2022.

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.

The Municipality has entered into a contract on 28 August 2020 with Lizma Trading Enterprises cc and Namibia Landscapes cc for cleaning services at the public toilets and Tourism Information Offices for a four (4) months period which will give rise to monthly charge of N\$ 47 318 . The contract terminates on 28 December 2021.

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.

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

The Municipality has entered into a contract on 16 February 2020 with Hugestone Investment cc for provision of cleaning service at the Khomasdal and Wanaheda Industrial Stalls which will give rise to a yearly charge of N\$ 180 752 (VAT inclusive). The contract terminates on 16 February 2022.

The Municipality has entered into a contract on 16 February 2020 with Hugestone Investment cc for provision of cleaning service at the Menarovandu Industrial Stalls which will give rise to a yearly charge of N\$ 155 912 (VAT inclusive). The contract terminates on 16 February 2022.

	<b>2021</b>	<b>2020</b>
	N\$	N\$
<b>46. Contingent Liabilities</b>		
<b>Guarantee:</b>		
First National Bank	14 409 855	14 409 855
<b>Court Proceedings:</b>		
<b>Court cases</b>	<b>248 265 267</b>	<b>201 478 383</b>
(i) Cancellation of sale of property agreement	500 000	500 000
(ii) Claim for damages sustained	342 739	342 739
(iii) Claim for reduction of potential development	8 045 195	8 045 195
(iv) Claim for services rendered	1 830 000	1 830 000
(v) Claim for constructive dismissal	2 115 578	2 115 578
(vi) Claim for termination of contract	5 827 581	5 827 581
(vii) Breach of contract	69 439 659	69 439 659
(viii) Claim for damages/penalty	3 933 426	3 933 426
(ix) Claim for termination of contract	376 000	376 000
(x) Claim for unpaid remuneration	6 554 826	6 554 826
(xi) Claim for damages/penalty	100 194	100 194
(xii) Claim for breach of contract	101 493 807	101 493 807
(xiii) Breach of development agreement	919 378	919 378
(xiv) Claim for damages	1 300 000	-
(xv) Breach of credit agreement contract	45 000 000	-
(xvi) Claim for services rendered	386 884	-
(xvii) Claim for damages	100 000	-

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

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**(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.

**(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 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.

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.

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

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**(viii) 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 iron 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 to which the Plaintiff is claiming.

**(ix) 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 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.

**(x). Claim for Unpaid Remuneration:**

A claim has been lodged by P. Kandjumbwa and 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 before or on 31 October 2019 to the applicants.

**(xi). 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 were no approved plans in place for the said construction work. The Municipality is contesting the claim. The outcome of the case is still uncertain.

**xii). 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.



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

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**(xiii) Breach of Development Agreement:**

A claim has been lodged by Garden Plaza Investments CC and Jimmey Construction (Pty) Ltd for the construction of the Loosen 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 setting off resulting in the claim. The Council is contesting the claim. The outcome of the case is still uncertain.

**(xiv) Claim for damages:**

Combined summons: Ngurimuje Mervin Tjiramba // Municipal Council of Windhoek: Plaintiff instituted action against Council in an alleged unlawful assault against him. Plaintiff accordingly seeks damages.

**(xv) Breach of credit agreement contract:**

Spitz Investment // Municipal Council of Windhoek and Others: This is a contractual dispute wherein the financier seeks to recover money from Council following to an event of default.

**(xvi) Claim for Services Rendered:**

Kopplinger Boltman // Municipal Council of Windhoek: This is a claim for the payment of service rendered to Council which was unpaid for a considerable period of time.

**(xvii) Claim for damages**

Pritzen // Municipal Council of Windhoek: The applicant disputed the levies levied in respect of utilities fees. Applicant obtained an order for the payment of the wrongful levies.

**46. Contingent (Liabilities)**

	<u>2021</u>	<u>2020</u>
	N\$	N\$
<b>Insurance Claims</b>		
Alleged damaged incurred	2 615 255	988 077
Pritzen // Municipal Council of Windhoek: The applicant disputed the levies in respect of utilities fees. Applicant obtained an order for the payment of the wrongful levies.		
<b>Insurance Claims</b>		
Lost / Damaged Assets	813 728	1 709 789

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

	<b>2021</b>	<b>2020</b>
	N\$	N\$
<b>Court Proceedings</b>	<b>56 460 384</b>	<b>56 460 384</b>
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.

**48. Related Parties**

	<b>2021</b>	<b>2020</b>
	N\$	N\$
<b>Outstanding balances on services accounts</b>	<b>404 552</b>	<b>126 101</b>
Councilors	366 679	57 082
Chief Executive Officer and Strategic Executives	37 873	69 019
<b>Related party transactions:</b>		
<b>Rates Charges:</b>	<b>307 868</b>	<b>170 013</b>
Councilors	183 834	79 394
Chief Executive Officer and Strategic Executives	124 034	90 619
<b>Service Charges:</b>	<b>519 735</b>	<b>557 725</b>
Councilors	230 063	225 493
Chief Executive Officer and Strategic Executives	289 672	332 232

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

	<b>2021</b>	<b>2020</b>
	N\$	N\$
<b>Sundry charges:</b>	<b>351 852</b>	<b>31 609</b>
Councillors	199 503	6 768
Chief Executive Officer and Strategic Executives	152 349	24 841

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.

#### **Remuneration of management**

#### **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 29 to the annual financial statements.

#### **Compensation of Related Parties**

Compensation of Key Management Personnel and Councillors is set out in notes 10 & 11 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 YEAR ENDED 30**  
**JUNE (continued)**

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**49. Prior period errors**

Presented here is explanation to prior year adjustments to financial position and financial performance.

1. A reversal by Receiver of Revenue amounting to N\$ 39 990 627 of a credit on VAT account was initially utilised to set off against penalties on PAYE and reported as income despite penalties not being recognised in the books of the Municipality.
2. Prepayment on skip containers was not reclassified at delivery of the skip containers.
3. Refund of interest amounting to N\$ 196 421 was erroneous overcharged by the lender on a long term.
4. Transfer of inventory to cost of sales of serviced land upon sale was overstated due to use of the selling price instead of the cost price amounting to an error of N\$ 2 053 237.
5. The investment property to the value of N\$ 3 818 638 was erroneously not recognised during the creation of IPSAS compliant fixed asset register.
6. Disposal of assets with book value of N\$ 61 213 191 in prior years was erroneously not recognised in the books.
7. Intangible was underestimated during the prior periods.
8. Recognition of creditors not recognised in prior periods.
9. The reclassification of outstanding balance of on-lending loans government loans from payables from exchange transactions and long-term portion of loans to short term portion of long term loans.
10. Actuarial gains on defined benefits liabilities amounting N\$ 157 873 969 were reported through surplus and deficit instead of direct in Net assets in line with IPSAS 39.122.

## MUNICIPALITY OF WINDHOEK

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE (continued)

Presented below are those items contained in the statement of financial position and statement of financial performance that been affected prior year adjustment.

## Statement of financial position

	As previously reported	Reclassification	Correction of errors	Total
	N\$	N\$	N\$	N\$
VAT	143 132 866			103 142 239
Receivables from exchange	413 795 908	(39 990 627)	-	413 088 693
Receivable from non-exchange	113 975 634	(707 215)	-	114 172 055
Inventories	142 823 938	-	196 421	144 877 175
Investment property	5 084 960 450	-	2 053 237	5 088 779 088
Property plant and equipment	13 844 281 232	707 215	3 818 638	13 783 916 339
Intangible assets	746 879	-	(61 072 108)	2 968 277
Payables from exchange transactions	1 939 526 369	(697 683 017)	2 221 398	1 242 483 666
Short term portion of Long-term loans	17 986 047	712 459 228	640 314	730 445 275
long-term portion of Long-term loans	140 993 586	(14 776 211)	-	126 217 375
Accumulated surplus	(16 775 241 219)	39 990 627	53 448 772	(16 681 801 820)
<b>Total</b>	<b>5 066 981 690</b>	<b>-</b>	<b>1 306 672</b>	<b>5 068 288 362</b>

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

**49. Prior period errors (continued)**

Statement of financial performance	As previously Reported		Reclassification		Correction of errors		Restated	
	N\$	N\$	N\$	N\$	N\$	N\$	N\$	N\$
Gains on Continued Operations	157 874 318	157 874 318	-	-	-	-	349	349
Sundry income	90 775 361	90 775 361	-	-	-	-	50 784 734	50 784 734
Profit from sale of land	2 940 121	2 940 121	2 053 235	2 053 235	2 053 235	2 053 235	4 993 356	4 993 356
	<b>251 589 800</b>	<b>251 589 800</b>	<b>2 053 235</b>	<b>2 053 235</b>	<b>2 053 235</b>	<b>2 053 235</b>	<b>55 778 439</b>	<b>55 778 439</b>

**50. 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.

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

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**50. Risk management (continued)**

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 the 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 exposure of its counterparties are monitored regularly.

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

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

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**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 YEAR ENDED 30**  
**JUNE (continued)**

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.

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

	<u>2021</u>	<u>2020</u>
	N\$	N\$
Financial instrument		
Indigenous People's Forum	6 350 619	-
MPG Projects CC	-	2 940 454
Ministry of Health and Social	5 663 820	-
T Gaeseb	-	1 626 885
Namibia Broadcasting Corporation	3 650 251	-
EK Mbunguha	-	1 037 608
Rent a Drum P	3 546 598	-
Media Solutions Namibia CC	-	1 019 030
Kamenco (Pty) Ltd	-	990 002
Ministry of Health- Katutura Hospital	3 350 858	-

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

Financial assets exposed to credit risk end were as follows:

	<b>2021</b>	<b>2020</b>
	N\$	N\$
<b>Maximum Credit and Interest risk exposure</b>	<b>608 200 092</b>	<b>933 586 905</b>
Long-term Investments	14 982 578	18 041 454
Long term receivables from exchange (Non-current)	60 522 221	48 363 312
Long term receivables from exchange (current)	14 386 555	6 289 757
Trade and other receivables from exchange transactions (cost)	112 432 517	228 926 818
Recoverable from non-exchange transactions	200 122 346	222 774 902
Cash and cash equivalents	205 753 875	409 190 662
<b>Bank and Cash Balances</b>	<b>217 093 528</b>	<b>419 192 678</b>
Bank Windhoek	13 365 905	35 458 499
First National Bank	196 431 304	377 169 393
Nedbank	7 264 867	6 542 393
Cash Equivalents	31 452	22 393

**Market 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.

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

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Consumer debtors comprise of a large number of rate payers 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 this note.

### **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.

### **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 2021 would have increased / decreased by N\$ 2 336 065 (30 June 2020: N\$ 2 640 762). This is mainly attributable to the Municipality's exposure to interest rates on its variable rate investments.

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

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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\$ 1 839 564 (30 June 2020: decreased / increased by N\$ 1 747 14). 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 investment in equity securities, the entity diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the entity.

**51. Going concern**

Management considered the following matters relating to the going concern:

- (i) 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) Daily cash management processes are embedded in the Municipality's operations to manage and monitor all actual cash inflows and cash outflows in terms of the budget.
- (iii) The Municipality has 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.

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

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(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 back to 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 2020 and council expects improvement in revenue generation and collection.

Taking the aforementioned into account management has prepared the annual financial statements on the going concern basis.

**52. Events after the reporting date**

No events having financial implications requiring disclosure occurred subsequent to 30 June 2021.

**53. 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.

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

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**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 include 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.

**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.

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

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**53. Segmental information (continued)**

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.

**54. Multi-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\$ 125 734 543 (2020: N\$ 127 598 061) 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.

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

**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 2018.

The valuation performed as at 31 December 2018 revealed that the fund had net assets of N\$ 4 456.3 million. The Fund's assets appropriately matched the nature and term of the Fund's liabilities as at the valuation date.

The employee has the option to contribute at a rate of 7.5%, 9%, 10%, 12%, 14% and 16% of their pensionable salaries. In addition to the aforementioned members, who joined before 01 of September 2008 have the option to contribute at a rate of 2.5% or 5% 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.

**55. Financial instruments disclosure**

**Categories of financial instruments**

**2021**

	<u>At amortized cost</u>	<u>Total</u>
	N\$	N\$
<b>Financial assets</b>	<b>791 125 747</b>	<b>791 125 747</b>
Available-for-Sale Financial assets:		
- Non-current Investments	14 982 578	14 982 578
- Cash and Cash Equivalents	217 024 011	217 024 011
Loans and Receivables:		
- Trade and other receivables from exchange transactions	431 071 462	431 071 462
- Receivables from non-exchange transactions	128 047 696	128 047 696



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

**ANNEXURE F**

	<b>At amortized cost</b>	<b>Total</b>
	N\$	N\$
<b>Financial liabilities</b>	<b>1 975 937 952</b>	<b>1 975 937 952</b>
Consumer Deposits	60 047 350	60 047 350
Trade and other payables from exchange transactions	1 542 376 636	1 542 376 636
Payables from non-exchange transactions	44 176 153	44 176 153
Bank overdraft	154 212 909	154 212 909
Lease liability	37 770 929	37 770 929
Long-term loans	137 353 975	137 353 975

**2020**

<b>Financial assets</b>	<b>1 019 658 743</b>	<b>1 019 658 743</b>
Held-to-Maturity Investments	3 118 425	3 118 425
Available-for-Sale Financial assets:		
- Non-current Investments	14 923 029	14 923 029
- Cash and Cash Equivalents	419 192 678	419 192 678
Loans and Receivables:		
- Receivables from exchange transactions	413 795 908	413 795 908
- Receivables from non-exchange transactions	113 975 634	113 975 634
- Long-term receivables	54 653 069	54 653 069

<b>Financial liabilities</b>	<b>5 010 760 246</b>	<b>5 010 760 246</b>
Consumer Deposits	59 210 735	59 210 735
Payables from exchange transactions	1 860 800 198	1 860 800 198
Payables from non-exchange transactions	39 232 900	39 232 900
Bank overdraft	353 348 326	353 348 326
Lease liability	33 808 331	33 808 331
Long-term loans	158 979 633	158 979 633
	2 505 380 123	2 505 380 123

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

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**55. Financial instruments disclosure (continued)**

**Long-term Investment**

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

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 IPSAS 30. The different levels are based on the extent to which quoted prices are used in the calculation of the Fair Value of the Financial

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

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

**Financial assets****Financial instrument at fair value****2021**

	Level 1	Level 2	Level 3	Total
	N\$	N\$	N\$	N\$
<b>Total financial assets</b>	<b>14 923 029</b>	<b>3 140 819</b>	-	<b>18 063 848</b>
Listed investments	14 923 029	-	-	14 923 029
Fixed Deposits	-	3 118 425	-	3 118 425
Cash and Cash equivalents	-	22 394	-	22 394

**2020**

<b>Total financial assets</b>	<b>14 923 029</b>	<b>3 140 819</b>	-	<b>18 063 848</b>
Listed investments	14 923 029	-	-	14 923 029
Fixed Deposits	-	3 118 425	-	3 118 425
Cash and Cash equivalents	-	22 394	-	22 394

No financial instrument of the Municipality has been transferred between level 1 and 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 optimisation of the debt and equity balance. The Municipality's overall strategy remains unchanged from 2020.

The capital structure of the Municipality consists of debt which includes the Long-term liabilities disclosed in Note 38 & 39 Cash and cash equivalents and Equity comprising Funds reserves and Accumulated surplus as per the Statement of Changes in Net Assets

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

**56. Utilisation of Long-term liabilities reconciliation**

	<b>2021</b>	<b>2020</b>
	N\$	N\$
<b>Long term liabilities reconciliation</b>	<b>838 108 492</b>	<b>85 934 786</b>
Long term liabilities raised	838 108 492	278 722 750
Used to finance property plant and equipment	-	(192 787 964)

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.

**57. 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.

**(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**

- Academia Extension 1: Phase 7 sales planned for May/June 2022 (34 erven).  
 Otjomuise Ext 4 1 x Institutional Erf and 1 x General Residential Erf included in Academia Phase 7 sales phase (May/June 2022).

**b) Betula Nigra**

57. Private Public Partnerships (continued)  
 Erf 2317 Otjomuise (Co-Development: Project on hold due to impact of current market conditions. developer to review project concept and submit proposal for consideration by the Project Team/Council.

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

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**(c) Champac Investments**

31 Erven remaining from Sales Phase 1. Erven to be advertised during first sales phase in 2022/2023 financial year. Phase 2 to commence after Council approval of the request for pre-sales.

**(d) Heikky Property Development**

13 remaining erven to be advertised and included in first new sales phase in 2022/2023 financial year.

**(e) INO Investments**

13 remaining erven to be advertised to be included in first new sales phase in 2022/2023 financial year.

**(f) Omba Holdings**

Technical comments to be incorporated by Developer's Town Planner. SUSDEV to submit item for Council approval.

**(g) Otweya Land Developers**

The remaining Business and General Residential erven (37 in total) to be advertised in May/June 2022.

**(h) Shikongo's Investment**

Detail designs being finalized for City of Windhoek approval. Financing to be negotiated.

**(i). Sinco Investments**

Construction has commenced 21 July 2021. Date of completion of Section 1 of Phase 1: 18 August 2022 (as per construction programme).

**(j). Tuye Buco Construction CC**

Subdivision approval and Township establishment/proclamation in process. URPB approval pending.

**(k) Twine Investment Holdings**

Facility Agreement(s) to be finalized. Preliminary design report reviewed. Detail designs to be finalized for release.

**(l) Waterberg Investments**

Finalization of detail designs in process. Financing negotiations in final stages.

**(m) Wilru Investments**

Layout to be finalized for City of Windhoek to circulate for comments. Flood study report to be finalized. Statutory approval process to be finalized.

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

**58. Financial facilities**

**Secure Bank overdraft facility reviewed annually**

	<b>2021</b>	<b>2020</b>
	N\$	N\$
Amount used	142 066 655	148 161 708
Amount unused	87 933 345	81 838 292
	<b>230 000 000</b>	<b>230 000 000</b>

**Secured Bank bridging facility:**

Amount unused	100 000 000	100 000 000
	<b>100 000 000</b>	<b>100 000 000</b>

**Secured short-term first card facility:**

Amount used	10 000	10 000
	<b>10 000</b>	<b>10 000</b>

**Secured Short-term contingent facility:**

Amount used	14 409 855	14 409 855
Amount unused	2 000 000	2 000 000
	<b>16 409 855</b>	<b>16 409 855</b>

**Secured finance lease facility:**

Amount unused	32 229 071	33 808 331
Amount used	37 770 929	36 191 669
	<b>70 000 000</b>	<b>70 000 000</b>

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

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**59. Infrastructures developed under PPPs**

	<b>2021</b>	<b>2020</b>
	N\$	N\$
Revenue received : Infrastructure from PPPs	30 931 622	112 603 004

The Municipality was in partnerships with various development companies, see note 57 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 Developers hand 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\$ 30 931 622 (2020: N\$ 112 603 004).

