



**REPUBLIC OF NAMIBIA**



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

# **MUNICIPALITY OF GOBABIS**

**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018**

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**REPUBLIC OF NAMIBIA**



**TO THE HONOURABLE SPEAKER OF THE NATIONAL ASSEMBLY**

I have the honour to submit herewith my report on the accounts of the Municipality of Gobabis for the financial year ended 30 June 2018, in terms of Article 127(2) of the Namibian Constitution. The report is transmitted to the Honourable Minister of Finance in terms of Section 27(1) of the State Finance Act, 1991, (Act 31 of 1991) to be laid upon the Table of the National Assembly in terms of Section 27(4) of the Act.

**WINDHOEK, June 2019**

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

**JUNIAS ETUNA KANDJEKE  
AUDITOR-GENERAL**



**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF  
THE GOBABIS MUNICIPALITY  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018**

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**1. DISCLAIMER AUDIT OPINION**

I have audited the financial statements of the Gobabis Municipality for the financial year ended 30 June 2018. These financial statements comprise the statement of financial position and statement of comprehensive income for the year then ended, and a summary of significant accounting policies.

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

**2. BASIS FOR DISCLAIMER AUDIT OPINION**

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

I believe that the audit evidence I have obtained is not sufficient and appropriate to provide a basis for my opinion. A Disclaimer audit opinion is being expressed due to the following:

- Unable to obtain adequate and appropriately approved representations from management as to the accounting framework utilized by the Gobabis Municipality to prepare their financial statements. In the last annual financial statements, the Municipality indicated that they are following the IFRS for Small to Medium Enterprises framework, whilst in the current financial statements; they claim to be consistent with the prior year presentation. As a result, No suitable audit procedures could be developed to address the accounting framework followed by the Municipality.
- Unable to obtain adequate audit evidence to audit the adjustments done to the appropriation fund of N\$ 5 139 064 888. The amount relates to land that was previously excluded from the accounting records, and was adjusted into the financial statements during the current year. The valuation of this land, as well as the reporting guidelines utilized to come up with its value could be verified.
- The opening balance of N\$ 32 754 418 for The Fixed Property Fund which was written off during the 2016/17 could not be confirmed. The closing balance of N\$ 32 754 418 was written off in the prior period, but however is disclosed as an opening balance in the current financial statements for 2017/18.
- The additions to (PPE) Property, Plant and equipment in the ledger amounted to N\$12 868 819 whilst in the asset register amounted to N\$ 32 783 893. I could not be

provided with the explanations on the reasons for this difference, and which report presented the correct financial position.

- The Municipality failed to provide the auditors with information supporting the balance for housing debtors of N\$ 5 496 349.
- Several items were identified during the stock count as consumables in the stores which were bought several years back and were not included in the stock system. No supporting documentation was provided to confirm the valuation of the inventory.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Section 86 of the Local Authorities Act, 1992 and legislation, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible of overseeing the entity's financial reporting process.

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

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the International Standards for Supreme Audit Institutions (ISSAIs), will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

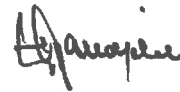
I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, I determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or, when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**5. ACKNOWLEDGEMENT**

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



**WINDHOEK, June 2019**

**JUNIAS ETUNA KANDJEKE  
AUDITOR-GENERAL**



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

<b>ASSETS</b>	Note	<b>2018</b> N\$	<b>2017</b> N\$
<b>Non-current assets</b>		<b>5 244 519 457</b>	<b>97 835 723</b>
Property, plant and equipment	2	5 238 426 513	92 193 220
Intangible assets	3	36 203	-
Other financial assets	17	560 392	-
Housing receivables	5	5 496 349	5 642 503
<b>Current assets</b>		<b>45 703 475</b>	<b>46 839 481</b>
Inventories	6	3 161 866	4 663 971
Loans to employees	19	727 482	813 327
Trade and other receivables	4	25 548 822	25 195 156
Cash and cash equivalents	7	16 265 305	16 167 027
<b>TOTAL ASSETS</b>		<b>5 290 222 932</b>	<b>144 675 204</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>		<b>5 260 784 308</b>	<b>120 724 874</b>
Reserves		52 099 467	49 178 064
Retained income		5 208 684 841	71 546 810
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Government loans	11	3 274 223	3 499 136
<b>Current liabilities</b>		<b>26 164 401</b>	<b>20 451 194</b>
Trade and other payables	10	25 839 592	20 162 193
Government loans - current	11	324 809	289 001
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>5 290 222 932</b>	<b>144 675 204</b>

## GOBABIS MUNICIPALITY

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE

	Note	<b>2018</b>	<b>2017</b>
		N\$	N\$
Revenue	12	117 346 392	93 304 810
Other income	13	496 873	218 853
Operating expenses	20	(121 306 971)	(111 028 154)
<b>Operating loss</b>		<b>(3 463 706)</b>	<b>(17 504 491)</b>
Investment income	14	2 256 150	6 712 959
Finance costs		(319 897)	(797 376)
<b>Loss for the year</b>		<b>(1 527 453)</b>	<b>(11 588 908)</b>
Other comprehensive income		-	-
<b>Total comprehensive loss for the year</b>		<b>(1 527 453)</b>	<b>(11 588 908)</b>

**GOBABIS MUNICIPALITY**  
**STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 30 JUNE**

	Note	<b>2018</b>	<b>2017</b>
		N\$	N\$
<b>Cash flows from operating activities</b>			
Cash generated from (used in) operations	15	8 200 547	(7 436 760)
Interest income		2 256 150	6 712 959
Finance income		(319 897)	(797 376)
<b>Net cash from operating activities</b>		<b>10 136 800</b>	<b>(1 521 177)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	2	(12 868 819)	(18 546 505)
Purchase of investment in shares		(560 392)	-
Repayment received from loan debtors		146 154	311 140
<b>Net cash from investing activities</b>		<b>(13 283 057)</b>	<b>(18 235 365)</b>
<b>Cash flows from financing activities</b>			
Movement in government loans		(189 105)	(951 316)
Movement in loans to employees		85 845	(813 327)
Sales of land (ervens) direct to equity		2 921 403	4 217 016
Net interest income transferred direct to funds		-	247 830
Prior year errors adjusted directly to equity		426 392	(2 464 154)
<b>Net cash from financing activities</b>		<b>3 244 535</b>	<b>236 049</b>
<b>Net changes in cash and cash equivalents</b>		<b>98 278</b>	<b>(19 520 493)</b>
<b>Cash at the beginning of the year</b>		<b>16 167 027</b>	<b>35 687 520</b>
<b>Total cash at end of the year</b>	7	<b>16 265 305</b>	<b>16 167 027</b>

**GOBABIS MUNICIPALITY  
STATEMENT OF NET ASSETS**

	Fixed property fund	Other funds	Capital outlay	Total reserves	Retained income	Total equity
	N\$	N\$	N\$	N\$	N\$	N\$
<b>Balance at 01 July 2016</b>	47 541 304	38 178 677	89 416 865	175 136 846	(44 823 756)	130 313 090
Loss for the year					(11 588 908)	(11 588 908)
Contributions and other income direct to equity	(14 786 886)	(21 586 985)		(36 373 871)	-	(36 373 871)
<b>Total comprehensive loss for the year</b>	<b>(14 786 886)</b>	<b>(21 586 985)</b>		<b>(36 373 871)</b>	<b>(11 588 908)</b>	<b>(47 962 779)</b>
Transfers between reserves		(168 046)	(89 416 865)	(89 584 911)	89 584 911	-
Prior year errors					(3 630 431)	(3 630 431)
Reclassification of other funds to retained earnings through OCI		(168 046)	(89 416 865)	(89 584 911)	127 959 474	38 374 563
<b>Total changes</b>		<b>16 423 646</b>		<b>49 178 064</b>	<b>71 546 810</b>	<b>120 724 874</b>
<b>Balance as at 01 July 2017</b>	<b>32 754 418</b>	<b>16 423 646</b>	<b>-</b>	<b>49 178 064</b>	<b>71 546 810</b>	<b>120 724 874</b>

**GOBABIS MUNICIPALITY  
STATEMENT OF NET ASSETS (CONTINUED)**

	Fixed property fund	Other funds	Capital outlay	Total reserves	Retained income	Total equity
	N\$	N\$	N\$	N\$	N\$	N\$
Loss for the year					(1 527 453)	(1 527 453)
Reclassification and other income directly to equity	2 414 173	507 230		2 921 403		2 921 403
<b>Total comprehensive loss for the year</b>	<b>2 414 173</b>	<b>507 230</b>		<b>2 921 403</b>	<b>(1 527 453)</b>	<b>1 393 950</b>
Adjustments to Property, plant and equipment (Note 2)					5 138 105 092	5 138 105 092
Adjustments to Investment in shares (Note 17)					560 392	560 392
<b>Balance at 30 June 2018</b>	<b>35 168 591</b>	<b>16 930 876</b>		<b>52 099 467</b>	<b>5 208 684 841</b>	<b>5 260 784 308</b>
Note(s)	8	9				

The accounting policies and the notes form an integral part of these financial statements. During the year, Council updated its fixed assets register to incorporate unrecorded assets and reviewed the depreciation method. The take on date of this review was 1 July 2016 as a result an adjustment to reported depreciation in prior years was adjusted to accumulated surplus.

**GOBABIS MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

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**General information**

Municipality of Gobabis is a tier 2 local authority (government sector) and incorporated under Local Authorities Act 23 of 1992 in line with Chapter 12 of Namibian Constitution and domiciled in Namibia.

**1. Basis of preparation and summary of significant accounting policies**

The financial statements have been prepared on a going concern basis in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities, and the Local Authorities Act No 23 of 1992. The financial statements have been prepared on the historical cost basis and incorporate the principal accounting policies set out below. They are presented in Namibia Dollar, rounded up to the nearest Namibian Dollar.

These accounting policies are consistent with the previous period.

**1.1 Property, plant and equipment**

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

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

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

Property, plant and equipment is carried at cost less accumulated depreciation and accumulated impairment losses.

Cost include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing an asset and restoring the site on which it is located is also included in the cost of property, plant and equipment, when such dismantling, removal and restoration is obligatory.

Where an asset is acquired through donation, its costs are of fair value as at date of acquisition.

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

**GOBABIS MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**  
**(CONTINUED)**

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Compensation from third parties for an item of property, plant and equipment that was impaired, lost or given up is recognised in the surplus or deficit when the compensation becomes receivable.

Depreciation is provided using the straight-line method to write down the cost, less estimated residual value over the useful life of the property, plant and equipment as follows:

<b>Item</b>	<b>Depreciation method</b>	<b>Average useful life</b>
Buildings	Straight line	4-50
Infrastructure - Sewer	Straight line	10-50
Infrastructure - Electricity	Straight line	10-50
Infrastructure - roads	Straight line	10-50
Infrastructure - water	Straight line	10-50
Motor vehicles	Straight line	5
Furniture and fittings	Straight line	10
IT Equipment and related	Straight line	5
Office equipment	Straight line	5-10
Tools	Straight line	5

If the major components of an item of property, plant and equipment have significantly different patterns of consumption of economic benefits, the cost of the asset is allocated to its major components and each such component is depreciated separately over its useful life.

Land is not depreciated.

The residual value, depreciation method and useful life of each asset are reviewed only where there is an indication that there has been a significant change from the previous estimate.

Gains and losses on disposals are recognised in profit or loss.

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

Depreciation is charged in full in the year the item of property, plant and equipment is capitalised and brought into use.

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

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

**GOBABIS MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**  
**(CONTINUED)**

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**Subsequent expenditure**

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits or service potential over the total life of the asset in excess of the most recently assessed standard of performance of the existing asset will flow to the municipality. All other repairs and maintenance are charged to surplus or deficit for the year in which they are incurred.

**Incomplete construction work (asset under construction)**

Incomplete construction work is stated at historical cost. Depreciation only commences when the asset is ready for use.

**1.2 Financial instruments**

**Initial measurement**

Financial instruments are initially measured at the transaction price (including transaction costs except in the initial measurement of financial assets and liabilities that are measured at fair value through surplus or deficit) unless the arrangement constitutes, in effect, a financing transaction in which case it is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

**Financial instruments at amortised cost**

These include loans, trade receivables and trade payables. Those debt instruments which meet the criteria in section 11.8(b) of the standard, are subsequently measured at amortised cost using the effective interest method. Debt instruments which are classified as current assets or current liabilities are measured at the undiscounted amount of the cash expected to be received or paid, unless the arrangement effectively constitutes a financing transaction.

Interest incurred or earned is recognised into surplus or deficit to extent it relates to municipal instruments.

At each reporting date, the carrying amounts of assets held in this category are reviewed to determine whether there is any objective evidence of impairment. If there is objective evidence, the recoverable amount is estimated and compared with the carrying amount. If the estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in surplus or deficit.



**GOBABIS MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**  
**(CONTINUED)**

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### **1.3 Leases**

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership to the lessee. All other leases are operating leases.

#### **Operating leases - lessor**

Operating lease income is recognised as an income on a straight-line basis over the lease term unless:

- another systematic basis is representative of the time pattern of the benefit from the leased asset, even if the receipt of payments is not on that basis, or
- the payments are structured to increase in line with expected general inflation (based on published indexes or statistics) to compensate for the lessor's expected inflationary cost increases.

#### **Operating leases – lessee**

Operating lease payments are recognised as an expense on a straight-line basis over the lease term unless:

- another systematic basis is representative of the time pattern of the benefit from the leased asset, even if the payments are not on that basis, or
- the payments are structured to increase in line with expected general inflation (based on published indexes or statistics) to compensate for the lessor's expected inflationary cost increases.

Any contingent rents are expensed in the period they are incurred.

### **1.4 Inventories**

Inventories include those assets that are held for consumption and for provision of goods and services. Inventories are measured at the lower of cost and estimated selling price less costs to complete and sell, on the first-in, first-out (FIFO) basis.

### **1.5 Impairment of assets**

The municipality assesses at each reporting date whether there is any indication that property, plant and equipment or intangible assets be impaired.

If there is any such indication, the recoverable amount of any affected asset (or group of related assets) is estimated and compared with its carrying amount. If the estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in surplus or deficit.

**GOBABIS MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**  
**(CONTINUED)**

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If an impairment loss subsequently reverses, the carrying amount of the asset (or group of related assets) is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset (or group of assets) in prior years. A reversal of impairment is recognised immediately in surplus or deficit.

**1.6 Internal reserves and funds**

The Municipality established internal reserves in line with section 80 of the Local Authorities Act 23 of 1992.

**Fixed property reserve**

Established by the Municipality as a revolving fund to fund infrastructure development including development of new Municipal areas. Contributions to the fund are by way of sales of ervens and qualifying government contributions.

Sales of land are recognised in the statement of surplus or deficit and subsequently transferred to the fund through the Statement of Changes in Net Assets to the reserve.

Time to time the Municipality receives government contributions for infrastructure development. Government contribution is recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions, or obligations embodied in the funding agreement. To the extent that the criteria, conditions or obligations have not been met, a liability is recognised. Unconditional grants and receipts are recognised in the surplus or deficit upon receipt. Subsequently the funds recognised as revenue is transferred to fixed property reserve through the Statement of Changes in Net Assets.

**Other reserves**

The Municipality has established other reserves such as sanitation reserves, to fund other municipality projects. Contributions to and from the reserve are transferred via the Statement of Changes in Net Assets to such reserve in line with the amount provided for in the operating budget.

All reserves are supported by investments held with financial institutions and to a certain extent with accounts receivable. Interest earned on the investments supporting up these funds is recorded as part of interest earned in surplus or deficit for the year and can be transferred via the Statement of Changes in Net Assets to the Fund.

**GOBABIS MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**  
**(CONTINUED)**

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**1.7 Housing development fund**

The Municipality has two housing development funds established under section 58(1) of Local Authority Act no 23 of 1992 which is read with S30 of the same act. These funds were established to provide funding to low income earners, within the municipal area, for the purpose of housing development. The terms require separate operating accounts to be maintained by the municipality i.e. each fund to have separate bank account or investments and must be backed by cash and receivable.

Interest earned (and impairment on loan receivables) on the investments and loan receivable supporting up these funds is recorded as interest earned and impairment in surplus or deficit for the year. Interest earned (net of impairment of receivables) is transferred via the Statement of Changes in Net Assets to the two-housing development fund.

**1.8 Employee benefits**

**Short-term employee benefits**

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as leave pay and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

**Defined contribution plans**

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due. These contributions are paid to Retirement Fund of Local Authorities and Utility Services in Namibia, which manages the funds on behalf of the employees in with Pension Funds Act, No 24 of 1956.

**1.9 Provisions and contingencies**

Provisions are recognised when the municipality has an obligation at the reporting date as a result of a past event; it is probable that the municipality will be required to transfer economic benefits in settlement; and the amount of the obligation can be estimated reliably.

Provisions are measured at the present value of the amount expected to be required to settle the obligation using a pre-tax rate (municipality is not subject to income tax) that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as interest expense.

Provisions are not recognised for future operating losses.

**GOBABIS MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**  
**(CONTINUED)**

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**1.10 Government grants**

Grants that do not impose specified future performance conditions are recognised in surplus or loss when the grant proceeds are receivable.

Grants that impose specified future performance conditions are recognised in income only when the performance conditions are met.

Grants received before the revenue recognition criteria are satisfied are recognised as a liability.

Grants are measured at the fair value of the asset received or receivable.

**1.11 Revenue**

Revenue is recognised to the extent that the municipality has transferred significant risks and rewards of ownership of goods to the buyer or has rendered services under an agreement provided the amount of revenue can be measured reliably and it is probable that economic benefits associated with the transaction will flow to the municipality. Revenue is measured at the fair value of the consideration received or receivable, excluding value added tax and discounts received.

Service revenue is recognised by reference to the stage of completion of the transaction at the end of the reporting period. The Stage of completion is determined by surveys of work performed. When the outcome of a transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Interest is recognised, in profit or loss, using the effective interest rate method.

**Borrowing costs**

Borrowing costs are recognised as an expense in the period in which they are incurred. Municipality incurs borrowing costs (finance cost) from Government loans only.

**1.13 Site preparation and restoration cost**

The municipality has an obligation to rehabilitate and restore items of property, plant and equipment. Such obligations are referred to as “rehabilitation provisions”. The cost of an item of property, plant and equipment includes the initial estimate of the costs of rehabilitation and restoring the site on which it is located, the obligation for which municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period.

As the related asset is measured using the cost model: -

new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

**GOBABIS MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**  
**(CONTINUED)**

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

**GOBABIS MUNICIPALITY  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018  
(CONTINUED)**

**2. PROPERTY PLANT AND EQUIPMENT**

	<u>2018</u>		<u>2017</u>			
	Cost N\$	Accumulated Depreciation N\$	Carrying Value N\$	Cost N\$	Accumulated Depreciation N\$	Carrying Value N\$
Land	5 139 064 888	-	5 139 064 888	-	-	-
General Capital Assets	-	-	-	70 604 120	(17 110 656)	53 493 464
Buildings	16 147 168	(3 250 421)	12 896 747	-	-	-
Infrastructure: Sewer and Water	43 656 152	(4 074 136)	39 582 016	-	-	-
Plant and equipment	6 876 382	(3 629 061)	3 247 321	-	-	-
Motor vehicles	4 945 481	(2 618 513)	2 326 968	-	-	-
Sanitation	725 967	(217 787)	508 180	-	-	-
IT equipment	2 085 035	(1 240 421)	844 614	-	-	-
Computer software	15 413 332	(1 735 675)	13 677 657	-	-	-
Infrastructure: Roads	5 796 676	(2 222 708)	3 573 968	-	-	-
Loan Assets	-	-	-	34 535 203	(8 731 196)	25 804 007
Income Assets	-	-	-	6 306 314	(1 765 250)	4 541 064
Infrastructure: Electricity	29 740 990	(8 346 244)	21 394 746	-	-	-
Capital work in progress	1 309 408	-	1 309 408	8 354 685	-	8 354 685
<b>TOTAL</b>	<b>5 265 761 479</b>	<b>(27 334 966)</b>	<b>5 238 426 513</b>	<b>119 800 322</b>	<b>(27 607 102)</b>	<b>92 193 220</b>

**GOBABIS MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**  
**(CONTINUED)**

**RECONCILIATION OF PROPERTY PLANT AND EQUIPMENT - 2018**

	N\$	N\$	N\$	N\$	N\$	N\$	N\$
	Opening Balance	Additions	Transfers & Prior Year Corrections	Other Changes / Movements	Depreciation	Total	Total
Land	-	-	-	5 139 064 888	-	-	5 139 064 888
General Capital assets	53 493 464	3 970	(53 497 434)	-	-	-	-
Buildings	-	81 740	12 837 201	506 476	(528 670)	12 896 747	12 896 747
Infrastructure: Sewer and Water	-	4 311 424	41 785 737	(5 373 378)	(1 141 767)	39 582 016	39 582 016
Plant and equipment	-	-	3 804 473	-	(557 152)	3 247 321	3 247 321
Motor vehicles	-	-	2 750 139	-	(423 171)	2 326 968	2 326 968
Sanitation	-	-	580 775	-	(72 595)	508 180	508 180
IT equipment	-	-	1 179 963	-	(335 349)	844 614	844 614
Infrastructure: Water	-	3 269 988	10 975 121	-	(567 452)	13 677 657	13 677 657
Infrastructure Roads	-	316 266	2 256 633	1 167 385	(166 316)	3 573 968	3 573 968
Loan assets	25 804 007	-	(25 804 007)	-	-	-	-
Income assets	4 541 064	-	(4 541 064)	-	-	-	-
Infrastructure Electricity	-	-	19 603 171	2 825 451	(1 033 876)	21 394 746	21 394 746
Capital work in progress	8 354 685	4 885 431	(11 930 708)	-	-	1 309 408	1 309 408
	<b>92 193 220</b>	<b>12 868 819</b>	<b>-</b>	<b>5 138 190 822</b>	<b>(4 826 348)</b>	<b>5 238 426 513</b>	<b>5 238 426 513</b>

**GOBABIS MUNICIPALITY  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018  
(CONTINUED)**

**RECONCILIATION OF PROPERTY PLANT AND EQUIPMENT -- 2017**

	Opening Balance	Additions	Depreciation	Total
	N\$	N\$	N\$	N\$
General Capital Assets	49 286 515	9 749 279	(5 542 330)	53 493 464
Loan Assets	28 867 315	-	(3 063 308)	25 804 007
Income Assets	4 585 077	442 541	(486 554)	4 541 064
Capital Work in progress	-	8 354 685	-	8 354 685
	<b>82 738 907</b>	<b>18 546 505</b>	<b>(9 092 192)</b>	<b>92 193 220</b>



**GOBABS MUNICIPALITY  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018  
(CONTINUED)**

	2018		2017		
	Cost N\$	Accumulated amortization N\$	Carrying value N\$	Cost N\$	
Licenses and franchises	60 338	(24 135)	36 203	-	
				-	
<b>Reconciliation of intangible assets - 2018</b>					
	<b>Opening Balance</b>		<b>Other Changes / Movements</b>	<b>Amortization</b>	<b>Total</b>
	N\$		N\$	N\$	N\$
General Capital Assets	-		48 270	(12 067)	36 203

**GOBABIS MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**  
**(CONTINUED)**

	<b>2018</b>	<b>2017</b>
	N\$	N\$
<b>4. TRADE AND OTHER RECEIVABLES</b>	<b>25 548 822</b>	<b>25 195 156</b>
Trade Receivables	13 679 189	15 182 766
Employee Costs in Advance	-	33 299
VAT.	8 060 751	5 195 484
Sundry Receivable	746 411	881 324
Other Loan Receivable	3 062 471	3 902 283
<b>IMPAIRMENT OF TRADE RECEIVABLES</b>	<b>(46 295 341)</b>	<b>(39 387 742)</b>

Trade receivables are presented net of impairment

The municipality considers accounts receivable to be impaired when they are outstanding for 120 days and more. Therefore, a 100% allowance for credit losses (provision for bad debts) is provided for all account receivables outstanding for 120 days. However, no provision for impairment is made for accounts receivable relating to government departments/ministries as government will always honour its dues.

**Trade and other receivables pledged as security**

There are no trade and other receivables pledged as security

**5. HOUSING RECEIVABLES**

<b>Housing loan receivables</b>	<b>5 496 349</b>	<b>5 642 503</b>
Housing funds loans	115 240	115 240
Build together loan debtors	1 396 971	1 373 572
Build together loans	1 738 398	1 930 174
Mapange loan debtors	1 293 067	1 260 720
Smallingerland debtors	1 915 001	1 915 001
Mapange loans	380 909	391 033
Provision for bad debts - Build together	(1 343 237)	(1 343 237)

Housing loans consist of loan advances to Build Together fund and Smallerland fund participants. The provision for bad debts represents instalment overdue for 120 days and above

**GOBABIS MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**  
**(CONTINUED)**

	<b>2018</b>	<b>2017</b>
	N\$	N\$
<b>6. INVENTORY</b>		
Consumables	<b>3 161 866</b>	<b>4 663 971</b>
<b>Inventory pledged as security</b>		
No inventory was pledged as security		
<b>7. CASH AND CASH EQUIVALENTS</b>	<b>16 265 305</b>	<b>16 167 027</b>
Cash and Cash equivalents consist of:		
Cash on hand	460	460
Bank Balances	498 609	1 307 488
Short term investments with financial institutions - Sm/land	2 261 644	2 134 909
Short term investments with financial institutions - General	10 515 965	9 882 122
Short term investments with financial institutions - B/Together	2 988 627	2 842 048
<b>8. FIXED PROPERTY FUND</b>		
Fixed property reserve comprises of proceeds from sale of land (developed and undeveloped) and any other funds e.g. TIPPEG funds as received from central government for the purpose of development of the local authority area. The ministry has a directive in place that should be maintained as revolving fund. The monies under this fund are only recognised in profit or loss based on percentage of completion of a qualifying project.		
<b>Fixed property fund</b>	<b>35 168 591</b>	<b>32 754 418</b>

**GOBABIS MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**  
**(CONTINUED)**

	<b>2018</b>	<b>2017</b>
	N\$	NS
<b>9. OTHER COUNCIL FUNDS</b>	<b>16 930 876</b>	<b>16 423 646</b>
Grant/Donation	1 905	1 905
Study loan reserve fund	534 152	534 152
Housing fund	80 100	80 100
Tarif stabilisation fund	384 863	384 863
Sanitation revolving fund	221 448	204 337
Smallerland fund	9 439 247	9 088 822
Build together fund	6 269 161	6 129 467
<b>10. TRADE AND OTHER PAYABLES</b>	<b>25 839 592</b>	<b>20 162 193</b>
Trade payables	13 877 381	7 752 506
Amounts received in advance	154 181	136 391
Credit balances of trade receivables	-	1 261 973
Accrued leave and severance	9 238 068	8 698 486
Suspense	173 774	173 774
Salaries creditors	-	300
Deposits received	2 358 018	2 138 763
Other payables	38 170	-
<b>11. GOVERNMENT LOANS</b>	<b>3 599 032</b>	<b>3 788 137</b>
Government loan - non-current	3 274 223	3 499 136
Government loan - current	324 809	289 001

**GOBABIS MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**  
**(CONTINUED)**

	<b>2018</b>	<b>2017</b>
	N\$	N\$
<b>12. Revenue</b>	<b>117 346 392</b>	<b>93 304 810</b>
Government grants	17 863 585	7 639 907
Sanitation charges	7 837 931	7 316 945
Sewage charges	4 606 678	4 232 143
Rates and taxes	13 993 825	13 709 007
Sale of electricity	53 486 976	41 774 452
Rental income	1 166 748	2 317 590
Sale of water	16 960 957	14 935 543
Miscellaneous other revenue	3 682 528	3 137 970
Less Inter-departmental charges	(2 252 836)	(1 758 747)
<b>13. OTHER INCOME</b>	<b>496 873</b>	<b>218 853</b>
Rental income	82 770	112 446
Debt collection lawyers' fees recoveries	41 543	106 407
Tender document fees	361 045	-
Sale of obsolete materials	11 515	-
<b>14. INVESTMENT INCOME</b>	<b>2 256 150</b>	<b>6 712 959</b>
Interest income		
Loans	88 865	-
Bank	633 844	999 730
Interest charged on trade and other receivables	1 533 441	5 713 229

**GOBABIS MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**  
**(CONTINUED)**

	<b>2018</b>	<b>2017</b>
	N\$	N\$
<b>15. CASH (USED IN) GENERATED FROM OPERATIONS</b>	<b>8 200 547</b>	<b>(7 436 760)</b>
Loss before taxation	(1 527 453)	(11 588 908)
Adjustments for:		
Depreciation and amortisation	4 838 415	9 092 192
Interest received	(2 256 150)	(6 712 959)
Finance cost	319 897	797 376
<b>CHANGES IN WORKING CAPITAL:</b>		
Inventories	1 502 105	(825 085)
Trade and other receivables	(353 666)	(5 210 471)
Trade and other payables	5 677 399	7 011 095
<b>16. RELATED PARTIES</b>		
Relationships		
Government and all its departments		
<b>17. PRIOR PERIOD ERRORS</b>		
<b>Statement of Financial Position</b>		
Opening retained earnings	<b>5 142 921 165</b>	<b>4 268 591</b>
Property, plant and equipment	5 142 408 333	-
Investment in shares	560 392	-

**GOBABIS MUNICIPALITY  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018  
(CONTINUED)**

**18. CATEGORY OF FINANCIAL INSTRUMENTS**

	Note	Trade and other receivables	Financial liabilities at amortised cost	Income received in advance	Equity and non-financial assets and liabilities	Total
		N\$	N\$	N\$	N\$	N\$
<b>Categories of financial instruments - 2018</b>						
<b>Assets</b>						
<b>Non-current assets</b>						
Property plant and equipment	2				5 244 519 457	5 244 519 457
Intangible assets	3				5 238 426 513	5 238 426 513
Other financial assets	17				36 203	36 203
Housing receivables	5	-	-	-	560 392	560 392
					5 496 349	5 496 349
					-	-
					-	-
<b>Current assets</b>						
Inventories	6	727 482	-	-	44 975 993	45 703 475
Loans to employees	19	-	-	-	3 161 866	3 161 866
Trade and other receivables	4	727 482	-	-	-	727 482
Cash and cash equivalents	7	-	-	-	25 548 822	25 548 822
					16 265 305	16 265 305
<b>TOTAL ASSETS</b>		<b>727 482</b>	<b>-</b>	<b>-</b>	<b>5 289 495 450</b>	<b>5 290 222 932</b>

**GOBABIS MUNICIPALITY  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018  
(CONTINUED)**

	Debt instrument at amortised cost	N\$	Financial liabilities at amortised cost	N\$	Income received in advance	N\$	Equity and non- financial assets and liabilities	N\$	Total	N\$
	Note	N\$	N\$	N\$	N\$	N\$	N\$	N\$	N\$	
<b>EQUITY</b>										
Equity attributable to equity holders of the parent										
Reserves							52 099 467		52 099 467	
Accumulated profit							5 208 684 841		5 208 684 841	
<b>TOTAL EQUITY</b>							<b>5 260 784 308</b>		<b>5 260 784 308</b>	
<b>Liabilities</b>										
<b>Non-current liabilities</b>										
Government loans	11						3 274 223		3 274 223	
<b>Current liabilities</b>										
Trade and other payables	10						154 181		154 181	
Government loans	11						25 685 411	154 181	26 164 401	
							25 685 411		25 839 592	
							324 809	324 809	324 809	
<b>TOTAL LIABILITIES</b>							<b>25 685 411</b>	<b>154 181</b>	<b>3 599 032</b>	<b>29 438 624</b>
<b>TOTAL EQUITY AND LIABILITIES</b>							<b>25 685 411</b>	<b>154 181</b>	<b>5 264 383 340</b>	<b>5 290 222 932</b>



**GOBABIS MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**  
**(CONTINUED)**

	Note	Trade and other receivables	Financial liabilities at amortised cost	Income received in advance	Equity and non-financial assets and liabilities	Total
		N\$	N\$	N\$	N\$	N\$
<b>Categories of financial instruments – 2017</b>						
<b>Non-current assets</b>						
Property plant and equipment	2				<b>97 835 723</b>	<b>97 835 723</b>
Housing receivables	5				92 193 220	92 193 220
					5 642 503	5 642 503
<b>Current assets</b>						
Inventories	6	<b>36 946 727</b>			<b>9 892 754</b>	<b>46 839 481</b>
Loans to employees	19	813 327			4 663 971	4 663 971
Trade and other receivables	4	19 966 373			5 228 783	813 327
Cash and cash equivalents	7	16 167 027				25 195 156
<b>TOTAL ASSETS</b>		<b>36 946 727</b>			<b>107 728 477</b>	<b>144 675 204</b>

**GOBABIS MUNICIPALITY  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018  
(CONTINUED)**

	Note	Debt instrument at amortised cost	Financial liabilities at amortised cost	Income received in advance	Equity and non-financial assets and liabilities	Total
		N\$	N\$	N\$	N\$	N\$
<b>Equity and Liabilities</b>						
<b>EQUITY</b>						
Equity attributable to equity holders of the parent		-	-	-	120 724 874	120 724 874
Reserves		-	-	-	49 178 064	49 178 064
Accumulated profit		-	-	-	71 546 810	71 546 810
<b>Liabilities</b>						
<b>Non-current liabilities</b>						
Government loans	11		20 298 584	(136 391)	3 499 136	3 499 136
<b>Current liabilities</b>						
Trade and other payables	10		20 298 584	(136 391)	289 001	20 451 194
Government loans	11		-	-	289 001	20 162 193
<b>TOTAL LIABILITIES</b>			20 298 584	(136 391)	3 788 137	23 950 330
<b>TOTAL EQUITY AND LIABILITIES</b>			20 298 584	(136 391)	124 513 011	144 675 204

**GOBABIS MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**  
**(CONTINUED)**

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	<b>2018</b>	<b>2017</b>
	N\$	N\$
<b>19 Loans to employees</b>	<b>727 482</b>	<b>813 327</b>
Advances during the year	813 327	813 327
Repayments	(85 845)	-

**GOBABIS MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

(CONTINUED)

	2018	2017
	N\$	N\$
<b>20. Operating expenses</b>	<b>121 306 971</b>	<b>111 028 154</b>
Administration and management fees	3 885 607	5 169 000
Advertising	226 787	72 730
Bad debts	6 907 599	-
Bank charges	96 843	239 913
Consulting and professional fees	1 042 547	145 704
Depreciation, amortisation and impairment	4 838 415	9 092 192
Employee costs	34 840 315	35 951 910
Entertainment	36 735	91 255
Electricity purchases	46 611 654	39 021 566
Water purchases	13 698 822	13 999 576
Hire	166 156	166 095
Insurance	353 129	313 252
Legal expenses	1 392 950	237 490
Levies paid to Regional Council	652 218	141 145
Motor vehicle expenses	385 831	450 291
Petrol and oil	824 274	810 178
Postage	-	87 531
Printing and stationery	539 750	111 564
Protective clothing	235 059	58 510
Repairs and maintenance	3 763 664	4 033 088
Telephone and fax	424 492	380 096
Transport and freight	69 221	59 827
Travel - local	314 903	366 842
Travel - overseas	-	28 399