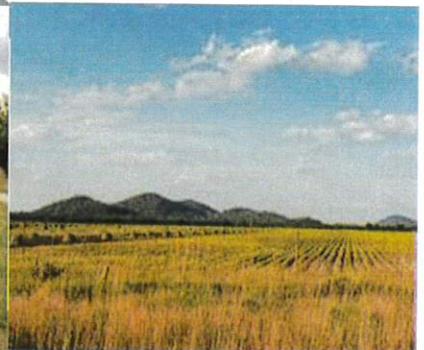




**REPUBLIC OF NAMIBIA**



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

# **MUNICIPALITY OF GROOTFONTEIN**

**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019**



**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 Grootfontein for the financial year ended 30 June 2019, 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, September 2021**

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

**JUNIAS ETUNA KANDJEKE  
AUDITOR-GENERAL**



**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE  
MUNICIPALITY OF GROOTFONTEIN  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019**

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**1. ADVERSE AUDIT OPINION**

I have audited the financial statements of the Municipality of Grootfontein for the financial year ended 30 June 2019. These financial statements comprise the statement of financial position, the statement of financial performance, the statement of changes in net assets, the statement of cash flows for the year then ended, and a summary of significant accounting policies.

In my opinion, because of the significance of matters discussed in the Basis of Adverse audit Opinion paragraph, the financial statements do not present fairly the financial position of the Municipality of Grootfontein for the financial year ended 30 June 2019 and its financial performance for the year ended.

**2. BASIS FOR ADVERSE 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 the audit report. I am independent of the entity in accordance with the Code of Ethics for Supreme Audit Institutions together with the ethical requirements that are relevant to my audit of the financial statements, and I have fulfilled my other ethical responsibilities in accordance with these requirements and the Code of Ethics.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion. The adverse audit opinion is expressed due to the following:

**2.1 LACK OF FIXED ASSET REGISTER**

No fixed asset register was provided for audit purposes.

**2.2 MISTATEMENTS OF INVESTMENT IN CENORED**

The Investment in CENORED could not fully be verified. The share certificates for the investment reflects a value of N\$ 20 147 982 but the balance disclosed in the financial statement amounts to N\$ 28 804 555. This resulted in a difference of N\$ 8 656 573.

**2.3 UNDERSTATEMENT OF INTEREST RECEIVED**

Interest received is understated by N\$ 617 805 in the statement of surplus or deficit.

**2.4 MISTATEMENT OF BUILD TOGETHER LOANS RECEIVABLE**

The auditors observed that the balance of Build Together loans receivable as per the statement of financial position differ from the balance as per the Build Together records with an amount of N\$ 317 915.

## **2.5 CASH EQUIVALENTS BALANCE NOT RECONCILING**

The cash and cash equivalents balance in the statement of cash flows does not agree to the balance in the statement of financial position. The statement of financial position reflects an amount of N\$ 539 115 more than the statement of the cash flows.

## **2.6 MISTATEMENT OF CASH AND BANK**

There was a difference of N\$ 11 470 288 between the bank reconciliation and the statement of financial position bank balance. This was as a result of outstanding cheques not included in the statement of financial position balances.

## **2.7 DIFFERENCES BETWEEN PROPERTY, PLANT NOTE AND RECONCILIATION NOTE**

There were differences noted between the property, plant note and reconciliation note.

## **2.8 DIFFERENCE BETWEEN STATEMENT OF CASH FLOW AND CASH FLOW NOTES**

There were unknown differences noted for cash receipts from customer of N\$ 17 587 304 under note 29 and cash payments to suppliers of N\$ 381 834 under note 30. These were in excess and less than the statement of cash flow respectively.

## **2.9 NON-SUBMISSION OF SUPPORTING DOCUMENTS**

The Municipality could not provide a list of erven sold. We could thus not verify the amount of N\$ 4 799 009 as stated in the financial statements.

## **2.10 WRONG CLASSIFICATION**

Included in the statement of financial position is an amount of N\$ 14 387 455 for unallocated payments received or wrongly classified income.

## **2.11 ERVEN SALES RECOGNISED IN THE WRONG FINANCIAL YEAR**

Included in the statement of surplus or deficit is an amount of N\$ 4 799 009 for erven sold. This erven was sold during the 2018 financial year, but only paid during the 2019 financial year and the sales were recorded when the erven was paid.

### **3. KEY AUDIT MATTERS**

Key audit matters are those matters that, in my professional judgment, were of most significance in my audit of the financial statements of the current period. These matters were addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters. I have determined that there are no key audit matters identified in respect of the financial statements for the Municipality of Grootfontein.

### **4. OTHER INFORMATION**

In connection with the audit of the financial statements, my responsibility is to read the other information and in doing so, consider whether the other information is materially inconsistent with the financial statements or knowledge obtained in the audit or otherwise appears not to be materially misstated. If, based on the work I have performed, I conclude that there are no material misstatements of this other information; I am required to report that fact. I have nothing to report in this regard.

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

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

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

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

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

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue 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. Misstatement 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 for users taken on the basis of these financial statements.

As part of an audit in accordance with the International Standards for Supreme Audit Institutions (ISSAIs). I exercise professional scepticism throughout the audit.

- Identify and assess the risk 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 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. I conclude that a material uncertainty exists, I am required to draw attention in the report to the related disclosures in the financial statements, or if such disclosures are inadequate, to modify the opinion. My conclusions are based on the audit evidence obtained up to date of the report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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 at the current period and are therefore the key audit matters. I describe these matters in my report unless law or regulation precludes public disclosure about the matter or, when, in extremely rare circumstances, I determine that a matter should not be communicated in the report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**7. ACKNOWLEDGEMENT**

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



**WINDHOEK, September 2021**

**JUNIAS ETUNA KANDJEKE  
AUDITOR-GENERAL**

**MUNICIPALITY OF GROOTFONTEIN**  
**FIRST TRANSITIONAL IPSAS FINANCIAL STATEMENTS AS AT 30 JUNE 2019**  
**STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE**

	Note	2019 N\$
<b>ASSETS</b>		
<b>Current assets</b>		
Inventories	5	2 460 609
Accounts receivables	6	7 170 510
Cash and cash equivalents	7	18 033 818
VAT receivable		1 164 280
Prepayments	8	73 694
<b>Total current assets</b>		<b>28 902 911</b>
<b>Non-current assets</b>		
Property, plant and equipment	2	73 561 880
Long term loans receivable	3	11 010 067
Investments	4	28 804 555
		113 376 502
<b>TOTAL ASSETS</b>		<b>142 279 413</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Payables from exchange transactions	9	145 744
Payables from non-exchange transactions	9	73 420
Provisions - employee related	10	11 697 527
Other provisions	10	894 922
Unearned revenue	11	14 387 455
		<b>27 199 068</b>
<b>Non-current liabilities</b>		
Long-term borrowings	12	7 281 888
Consumer deposits	13	1 238 732
		<b>8 520 620</b>
<b>Total liabilities</b>		<b>35 719 688</b>
<b>NET ASSETS</b>		<b>106 559 725</b>
<b>Net assets/equity</b>		
Contributions to capital		85 083 943
Funds and accounts		27 142 596
Accumulated deficit		(5 666 814)
<b>TOTAL NET ASSETS/LIABILITIES</b>		<b>142 279 413</b>

## ANNEXURE B

## MUNICIPALITY OF GROOTFONTEIN

## FIRST TRANSITIONAL IPSAS FINANCIAL STATEMENTS FOR THE YEAR ENDED 30

JUNE 2019

## STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED

	Note	2019 N\$
<b>Revenue from non-exchange transactions</b>		
Rates and taxes	14	17 892 687
Infrastructure grant	15	3 510 841
RFA subsidy	15	1 268 194
Social housing	15	807 968
Grant received in re service bonus	15	500 000
Training grant (OAG)	15	87 983
Trade registration (Licences)	16	268 364
Illegal water connection fines		63 683
Cash surplus		2 226
		<b>24 401 946</b>
<b>Revenue from exchange transactions</b>		
Service charges	17	30 102 929
Rental income	18	5 201 128
Erven sales	19	4 799 009
Sundry income		457 395
Interest received	20	9 912
		<b>40 570 373</b>
<b>Other income</b>		
Electricity surcharge	4	7 860 842
<b>Total revenue</b>		<b>72 833 161</b>
<b>Expenses</b>		
Employee cost	21	37 167 292
Remuneration Councillors	21	569 023
Repairs and maintenance	22	2 316 585
Increase in loss allowance	6	20 506 517
Depreciation expense	2	4 946 070
Water consumption		1 566 950
General expenses	23	12 585 889
Finance cost	20	297 677
Regional Council fees	24	863 836
Legal fees	25	293 617
Provision for court case (Legal costs)	10	126 491
Provision for annual bonus	10	768 430
Severance pay provision	10	70 298
Leave remuneration	10	434 026
		<b>82 512 701</b>
<b>Net deficit for the year</b>		<b>(9 679 540)</b>

ANNEXURE C

MUNICIPALITY OF GROOTFONTJEN  
 FIRST TRANSITIONAL IPSAS FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019  
 STATEMENT OF CHANGES IN NET ASSETS

	Note	Contribution to Capital N\$	Build Together Fund N\$	Accumulated surplus/(deficit) N\$	Total N\$
Opening balance - 1 July 2018	26	77 531 328	34 799 273	4 012 726	116 343 327
Changes in assets Deficit for the year		-	-	(9 679 540)	(9 679 540)
<b>Movements</b>					
IPSAS adjustments	27	7 552 615	-	-	7 552 615
Other movements	28	-	(7 656 677)	-	(7 656 677)
Total movements and changes		7 552 615	(7 656 677)	(9 679 540)	(9 783 602)
<b>Closing balance at 30 June 2019</b>		<b>85 083 943</b>	<b>27 142 596</b>	<b>(5 666 814)</b>	<b>106 559 725</b>

## ANNEXURE D

**MUNICIPALITY OF GROOTFONTEIN**  
**FIRST TRANSITIONAL IPSAS FINANCIAL STATEMENTS FOR THE YEAR**  
**ENDED 30 JUNE 2019 STATEMENT OF CASH FLOWS**

	Note	<u>2019</u> N\$
<b>Cash flow from operating activities</b>		
<b>Receipts from customer</b>		
Sales of goods and services	29	60 967 783
Government grants and subsidies		6 174 986
Interest received		9 912
		<b>67 152 681</b>
<b>Payments to suppliers and employees</b>		
Employee costs		37 167 292
Councillors remuneration		569 023
Cash paid to suppliers	30	16 781 125.
Finance cost paid		297 677
		<b>54 815 117</b>
<b>Net cash flow from operating activities</b>		<b>12 337 564</b>
<b>Cash flow from investing activities</b>		
Additions to property, plant and equipment		(6 051 141)
<b>Net cash flow from investing activities</b>		<b>(6 051 141)</b>
<b>Cash flow from financing activities</b>		
Net movement in long-term borrowings	12	(984 092)
<b>Net cash flow from financing activities</b>		<b>(984 092)</b>
<b>Net increase in cash and cash equivalents</b>		<b>5 302 331</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>12 192 372</b>
<b>Cash and cash equivalents at the end of the year</b>		<b>17 494 703</b>

Cash and cash equivalents consist of balances with banks and short-term investments on call accounts. Cash and cash equivalents included in this cash flow statement comprise the statement of financial position amounts relative to note 7.

**Property, plant and equipment**

During the period, additions to property, plant and equipment with an aggregate cost of N\$ 6 051 141 were constructed. Cash payments to contractors amounted to N\$ 6 051 141 inclusive of N\$ 3 510 841 TIPEEG funds from the Government of Namibia specifically earmarked for capital projects. The remainder of the amount spent on capital projects undertaken relate to the servicing of land under extension 6, 7 and 8 which are still work in progress with management expectation that the projects will be completed in the financial year ending 30 June 2021. Conditions attached to TIPEEG funds (grant) have all been met.

**MUNICIPALITY OF GROOTFONTEIN  
FIRST TRANSITIONAL IPSAS FINANCIAL STATEMENTS FOR THE YEAR  
ENDED 30 JUNE 2019 ACCOUNTING POLICIES**

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

The financial statements have been prepared in accordance with accrual basis International Public Sector Accounting Standards (IPSASs). The financial statements have been prepared using the historical accounting basis. IPSAS 33 allows a first-time adopter a period of up to 3 years to recognise and/or measure certain asset and liabilities.

In its transition to accrual basis IPSAS, The Municipality took advantage of exemptions that affect fair presentation for reporting property, plant and equipment, inventories, financial instruments, and revenue in accordance with these assets'/liabilities respective IPSASs. As a result, The Municipality is not able to make an explicit and unreserved statement of compliance with accrual basis IPSAS in preparing its First Transitional IPSAS Financial Statements for the reporting period ended 30 June 2019.

The Municipality intends to recognise and/or measure its assets, and liabilities as specified in IPSAS 33 paragraphs 39, and 40 by 2021 or an earlier period where the relevant items are recognised and/or measured in the financial statements in accordance with applicable or relevant IPSAS.

Property, plant, and equipment, inventory, accounts receivables, long term loans, and revenue have been reported in these transitional financial statements in accordance with the entity's previous accounting basis and the accounting policies applicable thereto. Where the application of previous accounting policies has resulted in inconsistencies in reporting or where accounting policies as per the previous financial framework are not available, the relevant items of assets or liabilities shall be reported using accounting policies that are compliant with IPSAS.

With respect to unavailability of accounting policies in the previous financial reporting framework used by the Municipality, assets and liabilities, revenue and expenses shall be measured using accounting policies consistent with IPSAS to the extent of the availability of information relating to those assets and/or liabilities, revenues and expenses in accordance with IPSAS 33, paragraph 137 (a) which requires that the Municipality discloses progress made towards recognising, measuring, presenting and/or disclosing assets, liabilities, revenue, and/or expenses.

**1.1 Presentation currency and rounding**

The financial statements are presented in Namibian Dollars which is the Municipality's presentation and functional currency, and all values, including Councillors' remuneration disclosures in note 21 are not rounded off.

**MUNICIPALITY OF GROOTFONTEIN**  
**FIRST TRANSITIONAL IPSAS FINANCIAL STATEMENTS FOR**  
**THE YEAR ENDED 30 JUNE 2019 ACCOUNTING POLICIES (continued)**

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**1.2 Changes in accounting policy**

The accounting policies applied to all IPSASs that Municipality has adopted are not consistent with all accounting policies applied in reporting financial information in the prior periods and beyond. IPSAS 3, allows a change in accounting policy where such a change:

- a) Is required by an IPSAS; and,
- b) Results in the financial statements providing faithfully representative and more relevant information about effects of transactions, other events, and conditions on the entity's financial position, financial performance, and cash flows.

**1.3 Transitional exemptions that do not affect fair presentation**

In its transitional financial statements, the Municipality adopted the following IPSAS which do not affect fair presentation and applied their provisions in full unless stated otherwise;

IPSAS 1, Presentation of financial statements this standard sets out consideration for the presentation of financial statements and offers guidance for the structure of these statements and minimum requirements for their content under the accruals, basis of accounting.

Further, the standard encourages the presentation of comparative figures, but does not make the presentation of comparative figures mandatory. The Municipality has opted not to present comparative figures but shall include in these financial statements non-IPSAS historical summaries in accordance with the previous accounting basis and disclose the nature of the main adjustments that would be required to comply with IPSAS where necessary.

IPSAS 2, Statement of cash flows the standard requires the provision of information about the changes in cash and cash-equivalents during the financial period from operation, investing and financing activities.

IPSAS 19, Provisions, contingent liabilities and contingent assets

The objective of this standard is to identify the circumstances in which provisions, contingent liabilities, and contingent assets should be recognised, how they should be measured and the required disclosures in the financial statements.

**MUNICIPALITY OF GROOTFONTEIN**  
**FIRST TRANSITIONAL IPSAS FINANCIAL STATEMENTS FOR THE YEAR**  
**ENDED 30 JUNE 2019**  
**ACCOUNTING POLICIES (continued)**

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**1.3 Transitional exemptions that do not affect fair presentation (continued)**

IPSAS 24, Presentation of budget information in financial statements

Requires a comparison of budget amounts and actual amounts arising from execution of the budget to be included in the financial statements of the Municipality since it is required to make publicly available its approved budget and for which the Municipality is therefore held accountable.

The accounting policies which relate to the IPSASs set out above that the Municipality has adopted in presenting its financial information for the year beginning 01 July 2018 have been developed (where necessary) and form part of these financial statements.

**1.4 Transitional exemptions that affect fair presentation**

As a first-time adopter of International Public Sector Accounting Standards (IPSASs), the Municipality has taken advantage of transitional exemptions that provide a 3-year relief for the following IPSASs:

IPSAS 12, Inventories

IPSAS 16, Investment property

IPSAS 17, Property, plant and equipment

IPSAS 29, financial instruments: Recognition and measurement

IPSAS 31, Intangible assets

A summary of significant accounting policies which have been applied in the preparation of these annual financial statements are disclosed below.

**1.5 Significant judgements and sources of estimation uncertainty**

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

The Municipality may receive information after the date of adoption of IPSAS about estimates that it had made under the previous basis of accounting. The Municipality shall account for such information in the same way as non-adjusting events in accordance with IPSAS 14, Events after the

**MUNICIPALITY OF GROOTFONTEIN**  
**FIRST TRANSITIONAL IPSAS FINANCIAL STATEMENTS FOR THE YEAR**  
**ENDED 30 JUNE 2019**  
**ACCOUNTING POLICIES (continued)**

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reporting period. This, however, shall not apply where estimates were in error or the adjustment is due to differences in accounting policies.

Management has exercised the following significant judgements in applying accounting policies:

**1.5.1 Provisions, contingent liabilities and contingent assets**

Management shall establish the requirements for the recognition of provisions and disclosure of contingent liabilities and contingent assets.

**1.5.2 Accounts receivables, loans and other receivables**

The Municipality assesses its accounts receivables, loans and other receivables at the end of each reporting date. In determining whether an impairment loss should be recorded in surplus or deficit, management makes judgement based on past practices or observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

As a prudent precaution on accounts receivables, management shall make an allowance for credit losses where an allowance for credit losses shall be shown as an expense in the statement of surplus or deficit. Accounts receivables shall be presented on the face of the statement net of allowance for receivables.

**1.5.3 Allowance for slow moving, obsolete or damaged inventory items**

Inventory items shall be written down to the lower of cost and net realisable value.

**1.5.4 Useful lives of items of property, plant, and equipment**

Management determines the useful lives of all items of property, plant, and equipment and the related depreciation charges. Management shall assess the useful lives of items of property, plant, and equipment every year and, where useful lives are less than previously estimated, a review shall be performed to increase the useful lives of the respective items.

**1.6 Offsetting**

Assets and liabilities, and revenue and expenses are reported in these financial statements separately and shall not be offset unless required or permitted by an IPSAS.

**MUNICIPALITY OF GROOTFONTEIN**  
**FIRST TRANSITIONAL IPSAS FINANCIAL STATEMENTS FOR THE YEAR ENDED**  
**30 JUNE 2019**  
**ACCOUNTING POLICIES (continued)**

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**1.7 Value added tax (VAT) on goods and services**

Items in the financial statements are stated exclusive of value added tax, except for accounts receivables and accounts payables which are presented on a value added tax inclusive basis.

Where value added tax is not recoverable, it forms part of the stated asset or expense.

Commitments or contingencies are disclosed exclusive of value added tax.

**1.8 Budget information**

The budget figures for the Municipality are those approved by the Ministry of Urban and Rural Development. General purpose financial reporting by the Municipality shall provide information on whether resources were deployed in accordance with the set limit and provisions of the respective legislative oversight.

The approved budget is prepared on cash basis and covers the financial period beginning 01 July 2018 and ending 30 June 2019.

Comparative information shall not be required for the budget.

Differences between actual figures and budget figures shall be considered to be material where such a difference is above 10%. Significant variances shall be explained in the statement of comparison of budget and actual amounts to the annual financial statements.

The budget has been prepared on cash basis and the financial statements have been prepared on the full accrual basis. A separate statement of comparison of actual and budget has henceforth been presented and forms part of these financial statements

**1.9 Going concern**

These financial statements have been prepared using accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and the settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of the Municipality's operations.

**1.10 Revenue**

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

**MUNICIPALITY OF GROOTFONTEIN**  
**FIRST TRANSITIONAL IPSAS FINANCIAL STATEMENTS FOR THE YEAR ENDED**  
**30 JUNE 2019**  
**ACCOUNTING POLICIES (continued)**

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**1.11 Revenue from exchange transactions**

An exchange transaction is one in which the Municipality receives assets or services or has liabilities extinguished, and directly gives approximately equal value to the other part in exchange

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

**Recognition**

**Rendering of services**

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

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

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

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

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

**MUNICIPALITY OF GROOTFONTEIN**  
**FIRST TRANSITIONAL IPSAS FINANCIAL STATEMENTS FOR THE YEAR ENDED**  
**30 JUNE 2019**  
**ACCOUNTING POLICIES (continued)**

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**Sale of goods**

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

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

**Measurement**

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

Service charges relating to solid waste, sanitation and sewerage are levied in terms of approved tariffs.

Service charges relating to water are based on consumption. Meters are read on a monthly basis and revenue is recognised in the period when the consumption took place. Provisional estimates of consumption are made monthly when meter readings are not performed. Adjustments to provisional estimates of consumption are made in the invoicing period when meters have been read. These adjustments are recognised as revenue in the invoicing period.

Services provided on a prepayment basis are recognised at a point of sale. An adjustment to an unutilised portion is made at year end, based on the average consumption history.

**1.12 Revenue from non-exchange transactions**

Municipality is not required to change its accounting policies in respect of the recognition and measurement of revenue from non-exchange transactions, for reporting periods beginning on a date within 3 years of first-time adoption of this standard. However, the Municipality's IPSAS task force recommended the application of transitional provisions to the extent necessary to achieve compliance with this IPSAS.

**MUNICIPALITY OF GROOTFONTEIN**  
**FIRST TRANSITIONAL IPSAS FINANCIAL STATEMENTS FOR THE YEAR ENDED**  
**30 JUNE 2019**  
**ACCOUNTING POLICIES (continued)**

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

Amounts collected by the Council as agent of the government or other third parties do not meet the definition of revenue.

Control of an asset arises when the Municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or regulate the access of others to that benefit.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, the Municipality receives value from another party without directly giving approximately equal value in exchange.

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

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

Taxes such as property rates are economic benefits or service potential compulsorily paid to the Municipality in accordance with laws and/or regulations. Taxes do not include fines or penalties imposed as a result of breaches of the law.

Transfers are future economic benefits or service potential from non-exchange transactions other than taxes.

**Recognition**

The Municipality recognises revenue from fees, and fines when the event occurs, and the asset recognition criteria is met. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, deferred income is recognised instead of revenue.

Other non-exchange revenue is recognised when it is probable that future economic benefits or service potential associated with the asset will flow to the entity and the fair value of the asset can be reliably measured.

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**ACCOUNTING POLICIES (continued)**

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### **1.13 Investments**

The Municipality holds an equity instrument in NORED in accordance with IPSAS 28, Financial Instruments: Presentation. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all its liabilities. IPSAS 33 provides that a first-time adopter applies the criteria in IPSAS 28 financial instruments classified as equity instruments in accordance with the substance of the contractual arrangement when the instrument first satisfied the recognition criteria in IPSAS 28 (Paragraphs 13).

### **1.14 Property, plant and equipment**

The Municipality has adopted IPSAS as set out in the basis for preparation paragraph above. Amongst the IPSASs adopted is IPSAS 17 property, plant and equipment (PPE). In its previous basis of accounting, the Municipality did not have an accounting policy for the recognition, and measurement of items of PPE that is consistent with IPSAS 17, Property, Plant and Equipment.

The Municipality is in the process of recognising and/or measuring its items of property, plant and equipment for inclusion in the financial statements during the transitional period beginning 01 July 2018. The process of recognising and measuring items of property, plant and equipment necessitates a continuous development of accounting policies relating to those items of PPE subsequently brought to the statement of financial position.

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

#### **Recognition**

The cost of an item of Property, plant and equipment is recognised as an asset when the following criteria are met:

- \* It is probable that future economic benefits or service potential associated with the item of Property, plant and equipment flow to the Municipality;
- \* The cost of the item can be measured reliably.

#### **Initial measurement**

An item of property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and the other cost attributable to bringing the asset to its present location and condition necessary for it to be capable

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of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at cost.

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

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

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

When significant components of an item of PPE have different useful lives, they are accounted for as separate items (major components) of PPE.

The cost of an item of PPE includes costs incurred initially to acquire or construct an item of PPE and costs subsequently incurred to add to, and/or to replace part of the item of PPE. If a replacement cost is recognised in the carrying amount of an item of PPE, the carrying amount of the replaced item of PPE is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site in which it is located is also included in the cost of PPE where the Municipality has an obligation to incur such an expenditure, and the obligation arises as a result of acquiring the asset or using it for the purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of PPE ceases when the item is in the location, and condition, necessary for it to be operated in the manner intended by management.

Major spare parts and standby equipment which are expected to be used for more than one period are included in PPE.

Major inspection costs which are a condition of continuing use of an item of PPE and which meet the recognition criteria above are included as a replacement in the cost of item of PPE. Any remaining inspection costs from the previous inspection are derecognised.

PPE is carried at cost less accumulated depreciation and any impairment losses except for land which is not depreciated.

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**ACCOUNTING POLICIES (continued)**

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

PPE items are depreciated using the straight-line depreciation method over the item's useful life. Items of PPE shall not have any residual value as they shall be fully employed in the provision of goods and/or services. For plant and equipment, useful lives and depreciation method shall be reviewed annually, and changes shall be recognised prospectively as a change in accounting estimate in the statements of surplus or deficit. Minor assets below N\$ 2 500 are not depreciated. They are expensed in the year of acquisition.

Assets that are fully depreciated and are no longer used in the production of goods and/or services are held at a dollar value in the fixed asset register for the purposes of completeness and monitoring pending disposal.

Items of PPE are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

Gains or losses arising from the derecognition of an item of PPE are recognised in the statement of surplus or deficit as other income. The gain or loss arising from the derecognition of an item of PPE is determined as the difference between the net disposal proceeds (if any) and the carrying amount of the item.

Assets which the Municipality holds for rental to others and subsequently routinely sells as part of the ordinary course of activities are transferred to inventories when the rentals end and they are available-for-sale. These assets are not accounted for as non-current assets held for sale. Proceeds from sale of these assets are recognised as revenue. Profit or loss from the disposal of these assets is included in the cash flow statement under operating activities.

Each part of any item of PPE with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in the statement of financial performance unless if it is included in the cost of another asset. Items of property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. The useful lives of items of property, plant and equipment have been assessed as follows:

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

<b>TYPE OF ASSET</b>	<b>DEPRECIATION METHOD</b>	<b>(AVERAGE) USEFUL LIFE</b>
Land and buildings	Straight line	50
Furniture and fittings	Straight line	5
Computer & office equipment	Straight line	(5-10)
Plant and machinery	Straight line	(5-15)
Motor vehicles	Straight line	5
Infrastructure	Straight line	50

The useful life of each item of property, plant and equipment is reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

**1.15 Site restoration and dismantling costs**

The Municipality has an obligation to dismantle, remove and/or restore items of property, plant, and equipment in circumstances where dismantlement, removal or restoration is necessitated. At recognition of an item of PPE, the cost shall include the initial estimates of costs of dismantling and removing the item and restoring the site on which it is located as a consequence of having used the item during a particular period for the purposes other than to produce inventories during the period. This accounting policy is attributable to the dumpsite under ownership and control of the Municipality.

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**ACCOUNTING POLICIES (continued)**

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**1.15 Site restoration and dismantling costs (continued)**

**Measurement using the cost model:**

- a) Subject to (b), changes in the 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 the statement of surplus or deficit;
- c) If the adjustment results in an addition to the cost of the asset, the Municipality considers whether this is an indication that the carrying amount of the asset is not fully recoverable. If it is such an indication, the asset is tested for impairment by testing its recoverable amount and any impairment loss is recognised the statement of accumulated surplus or deficit on the date of the adoption of IPSAS and/or in subsequent accounting periods within the transitional period. The Municipality may rely on further guidance in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash generating assets.

**1.16 Inventories**

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

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

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

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

The cost of inventories shall be determined using the first in first out formula (FIFO). The same formula is used for all inventories having a similar nature and use to the Municipality.

When inventories are sold and/or used, the carrying amounts of those inventories are recognised as expenses in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or services are rendered.

The amount of any write-down of inventories to net realisable value and all losses on inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value are recognised as a reduction in the amount, of inventories recognised as an expense in the period in which the reversal occurs.

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**ACCOUNTING POLICIES (continued)**

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**1.17 Provisions and contingencies**

Provisions are recognised when:

- \* The Municipality has a present obligation as a result of past events;
- \* It is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- \* A reliable estimate can be made of the obligation.

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

Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

Where some or all of the expenditure required to settle the provision is reimbursed by another part, the reimbursement is recognised when, and only when, it is virtually certain that the reimbursement will be received. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an out flow of resources embodying economic benefits or service potential will be required to settle the obligation.

A provision is used only for the expenditures for which the provision was initially recognised.

Provisions are not recognised for future operating deficits, if the Municipality has an onerous contract, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

**1.18 Employee benefits**

Employee benefits are all forms of consideration given by Grootfontein municipality in exchange for services rendered by employees. There are four categories of employee benefits:

- Short term employee benefits
- Post-employment benefits
- Other long-term employee benefits
- Termination benefits

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**1.18 Employee benefits (continued)**

The categories are explained below together with the municipality's employee benefits included in these categories.

**Short-term employee benefits**

Short-term employee benefits are benefits payable within a year of the end of the year in which an employee rendered services. Within the Municipality of Grootfontein, this category includes wages and salaries, fixed and variable allowances, social security contributions, paid sick leave, and variable short-term remuneration. The costs of these employee benefits are recognised in the statement of surplus or deficit when the service is rendered, or the rights to benefits are accrued.

**Post-employment benefits**

These are employee benefits that fall due after the completion of employment. They include pension and job-related early retirement. Municipality of Grootfontein's pension plan is administered by Retirement Fund for Local Authorities and Utilities Services in Namibia (RFLAUN). The retirement fund was established in March 1992 and is registered in terms of both the pension Fund Act, No. 24 of 1956 and Income Tax Act. The pension plan is regarded as a group scheme involving more than one employer qualifying it as a defined contribution plan because:

- \* The affiliated employers have no supplementary obligation to make additional contributions in the event of a deficit at RFLAUN nor are they entitled to any surpluses in addition to paying the premium set by RFLAUN;
- \* The members bear the actuarial and investment risk in full; and
- \* Each year, the premium is set by RFLAUN board on the basis of its own file data, with due regard for prescribed parameters or requirements.

Accordingly, in measuring the obligation arising from the pension plan, the municipality recognises pension contributions payable as an expense in the statement of surplus or deficit.

**Other long-term employee benefits**

These are employee benefits which do not wholly fall due within a year of the end of the period in which the employee renders the service.

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**ACCOUNTING POLICIES (continued)**

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**1.18 Employee benefits (continued)**

**Termination benefits**

These are benefits paid as a result of the municipality's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept voluntary redundancy in exchange for such benefits. The costs are recognised in full in the statement of surplus or deficit as soon as a decision is made. Termination benefits are recognised at the present value of the obligation.

**1.19 Unauthorised expenditure**

Unauthorised expenditure means:

- \* Overspending on a vote or a main division within a vote; and
- \* Expenditure not in accordance with the purpose of a vote, in the case of a main division not in accordance with the purpose of a main division

**1.20 Fruitless and wasteful expenditure**

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

All fruitless and unauthorised expenditure are recognised in the statement of surplus or deficit in the year in which they are incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered it is subsequently recognised as revenue in the statement of surplus or deficit.

**1.21 Conditional grants and receipts**

Revenue received from conditional grants, donations is recognised as revenue to the extent that the Municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions, or obligations have not been met a liability is recognised.

**1.22 Debt forgiveness**

The Municipality recognises revenue in respect to debt forgiveness when the former debt no longer meets the definition of a liability.

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**1.23 Bequests**

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

**1.24 Gifts and donations**

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

**Measurement**

An asset acquired through a non-exchange transaction shall initially be measured at its fair value at the date of acquisition.

Revenue from non-exchange transactions shall be measured at the amount of the increase in net assets recognised by the entity.

**1.25 Fines**

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

**1.26 Investments**

Where the carrying amount of an investment is greater than the recoverable amount, the investment must be written down to its recoverable amount, and an impairment loss is charged to the statement of surplus or deficit in the year in which the impairment has occurred.

**1.27 Transfers**

The Municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfies the recognition criteria as an asset.

**1.28 Cash and cash equivalents**

Cash and cash equivalents include all cash balances, deposits held at call at financial institutions, and short term highly liquid investments with an original maturity of three months or less that are readily convertible into known amounts of cash. Liquid investments with an original maturity exceeding three months are excluded from cash and cash equivalents and reported under accounts receivables. Bank overdrafts are included in the short-term payables.

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**30 JUNE 2019 NOTES TO THE FINANCIAL STATEMENTS**

**2. PROPERTY, PLANT AND EQUIPMENT**

	<b>Deemed construction/ acquisition cost</b>	<b>Accumulated depreciation</b>	<b>Net book value</b>
	N\$	N\$	N\$
	<b>93 216 197</b>	<b>19 654 317</b>	<b>73 561 880</b>
Land and buildings	15 508 700	7 577 930	7 930 770
Office equipment	406 905	394 080	12 825
Motor vehicles	11 630 214	1 574 045	10 056 169
Plant and machinery	7 946 796	1 478 899	6 467 897
Infrastructure	57 723 582	8 629 363	49 094 219

The municipality has not reconciled its net assets/equity of the IPSAS framework to its previous basis of accounting. It is management's judgement that, the adoption of IPSAS has resulted in the need for the municipality to perform a valuation exercise for its assets. However, due to the timing of the communication from the Line Ministry (Ministry of Urban and Rural Development), Grootfontein Municipality could not perform the revaluation exercise in retrospect. The valuation of its assets to ensure compliance with IPSAS shall be performed in the year ending 30 June 2020.

The land element disclosed in the property, plant and equipment reconciliation below relate to the land on which the municipal buildings (or any other structure(s)) have been constructed with the approval of the Municipality of Grootfontein (excluding land sold to residents and private individuals and/or businesses) to date is yet to be determined, due to the timing and implementation of IPSAS. The timing of adoption and implementation of IPSAS rendered measurement impracticable due to insufficient data relating to land owned by the Municipality as at the time of preparation of the financial statements. It is management judgement that all its assets shall be measured within the transitional period while presentation and disclosure restrictions as specified in IPSAS 33, paragraph 35 apply.

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**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**2. PROPERTY, PLANT AND EQUIPMENT (continued)**

**THE CARRYING VALUE OF PLANT AND EQUIPMENT CAN BE RECONCILED AS FOLLOWS:**

	Carrying value - beginning of year	Disposals	Additions	Depreciation	Carrying value - end of year
	N\$	N\$	N\$	N\$	N\$
	77 531 328	(5 074 519)	6 051 141	(4 946 070)	73 561 880
WIP (Assets under construction)	7 211 305	-	6 036 347	-	13 247 652
Land and buildings	8 527 916	-	-	(597 146)	7 930 770
Office equipment	397 108	-	4 899	(112 178)	289 829
Plant and machinery	7 936 901	-	9 895	(489 023)	7 457 773
Motor vehicles	10 834 174	(5 074 519)	-	(778 006)	4 981 649
Infra structure	42 623 924	-	-	(2 969 717)	39 654 207

**Work in progress**

The Municipality has assets under construction amounting to N\$ 13 247 652 with N\$ 6 036 347 of this amount attributable to the current financial year (30 June 2019). The projects relate to the establishment of new extensions namely extension 6, 7 and 8 for residential and business erven. All the extensions are still work in progress as they have not yet been brought to the condition and manner in which the erven contained there-in can be sold to potential residents, and investors (for businesses).

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**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**2. PROPERTY, PLANT AND EQUIPMENT (continued)**

**Motor vehicles reconciliation 2019**

	<b>Net book value 30/06/2017</b>	<b>Depreciation</b>	<b>Net book value 30/06/2018</b>	<b>Depreciation</b>	<b>Net book value 30/06/2019</b>
	N\$	N\$	N\$	N\$	N\$
	<b>585 525</b>	<b>30 249</b>	<b>555 276</b>	<b>30 247</b>	<b>525 029</b>
Trailer	7 125	475	6 650	475	6 175
Hino Fire Engine N5219G	11 152	558	10 594	557	10 037
Nissan 1400 N3313G	36 409	1 821	34 588	1 820	32 768
Nissan Cab Star N705G	97 518	4 876	92 642	4 876	87 766
Nissan Tanker N1354G	212 810	10 641	202 169	10 641	191 528
Nissan Cab Star N835G	96 907	4 846	92 061	4 846	87 215
Nissan Cab Star N836G	120 601	6 031	114 570	6 031	108 539
Nissan UG 780 N4069G	3 003	1 001	2 002	1 001	1 001

The adoption of IPSAS requires that, the Municipality recognises and measures its assets and/or liabilities with 3-year transitional period. The Municipality has elected transitional exemptions that affects fair presentation and compliance with accrual basis IPSAS. Accumulated depreciation for the category of vehicle above is for 2 financial years ending 30 June 2018 and 30 June 2019. Management has determined that, retrospective adjustments will be made in the second year of the transitional period after valuation of motor vehicles has been performed. Management recognises that some of the vehicles are not likely to be in a condition necessary for them to be capable of operating in the manner intended by management. Management's judgement derives from IPSAS 17, property, plant and equipment and such judgement did not exist as per the accounting framework in use during prior years.

MUNICIPALITY OF GROOTFONTJEN  
 FIRST TRANSITIONAL IPSAS FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019  
 NOTES TO THE FINANCIAL STATEMENTS (continued)

2. PROPERTY, PLANT AND EQUIPMENT (continued)

Motor vehicles reconciliation 2019 (Continued)

	Net book value 30/06/2017 N\$	Depreciation N\$	Net book value 30/06/2018 N\$	Depreciation N\$	Net book value 30/06/2019 N\$
Tipper Body N3886G	576 676	-	576 676	-	-
Tipper Body N4313G	576 675	-	576 675	-	-
Nissan Diesel Waist	1 219 050	-	1 219 050	-	-
Front End Loader	8 075	-	8 075	-	-
Daihatsu 3.5 Ton	198 261	-	198 261	-	-
Daihatsu 3.5 Ton Truck N1370G	182 604	-	182 604	-	-
Nissan CM 16 Tipper N1624G	397 123	-	397 123	-	-
Nissan CM 16 Tipper N1624G	313 959	-	313 959	-	-
Wright 120G Grader N4075G	319 220	-	319 220	-	-
Bell Backhou/Loader N1772G	319 220	-	319 220	-	-
Nissan LDV N1900G	71 075	-	71 075	-	-
IP Compress 1798G	727	-	727	-	-
Massy Ferguson N2940G	70 470	-	70 470	-	-
Mazda 6 N1G	191 217	-	191 217	-	-
JBC F/Eng loader N1458G	211 715	-	211 715	-	-
N2186G & N521G/N2537G	242 000	-	242 000	-	-
Mazda Drifter N5142G	50 500	-	50 500	-	-
Toyota Hilux 2.0	155 195	-	155 195	-	-
Toyota Hilux 2.0	155 195	-	155 195	-	-
Ford Ranger N4265G	134 783	-	134 783	-	-
	<b>5 074 520</b>		<b>5 074 520</b>		

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**30 JUNE 2019**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**2. PROPERTY, PLANT AND EQUIPMENT (continued)**

This list of motor vehicles in this category has not been depreciated from the time the Municipality acquired them and brought them into use up to dates when the vehicles no longer had any useful life remaining. These potentially fully depreciated vehicles have not been presently on the statement of financial position. However, the impact of the fully depreciated vehicles has been taken through the statement of surplus or deficit to account for their non-depreciation in prior years.

**Motor vehicles reconciliation 2019**  
**(Continued)**

	<b>Net book value 30/06/2017</b>	<b>Depreciation</b>	<b>Net book value 30/06/2018</b>	<b>Depreciation</b>	<b>Net book value 30/06/2019</b>
	N\$	N\$	N\$	N\$	N\$
	<b>5 970 169</b>	<b>765 791</b>	<b>5 204 378</b>	<b>747 758</b>	<b>4 456 620</b>
Mercedes Benz					
Atego	1 825 713	260 817	1 564 896	260 817	1 304 079
Legend	288 500	72 126	216 374	54 093	162 281
Ud85 Truck	651 040	65 104	585 936	65 104	520 832
Ud85 Truck	650 082	65 008	585 074	65 008	520 066
Quoin 6x4 RiRi					
Truck	2 082 313	208 232	1 874 081	208 232	1 665 849
Merc	472 521	94 504	378 017	94 504	283 513

The category of vehicles above has a determinable acquisition date and cost. Depreciation has been calculated over the vehicles' estimated useful life using the straight-line basis of depreciation.

As per previous accounting basis used by Grootfontein Municipality for reporting financial information, no depreciation charge was calculated on assets purchased using long-term borrowings from financial institutions. The adoption and implementation of IPSAS has resulted in a conflict in the application of accounting policies where accounting policies aligned to the adopted IPSAS provide for the calculation of depreciation based on the asset's useful life rather than calculating depreciation on assets (which qualify for depreciation) when the loan was fully repaid. Due to the inconsistencies in accounting policies, the Municipality has calculated depreciation on assets where depreciation was not being calculated and adjusted accumulated surplus or deficit with an amount equivalent to depreciation omissions which should have been accumulated in prior years.

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**FIRST TRANSITIONAL IPSAS FINANCIAL STATEMENTS FOR THE YEAR ENDED**  
**30 JUNE 2019**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

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**2. PROPERTY, PLANT AND EQUIPMENT (continued)**

Where management judge the useful life of a vehicle is finished, no depreciation was calculated, and the total cost of the vehicle (where available) was taken to accumulated surplus or deficit to match the consumption pattern of the asset to the accumulated surplus or deficit over the years the asset was in the location and condition necessary for it to be capable of operating in the manner intended by management.

**3. LONG-TERM RECEIVABLES**

	<b>2019</b>
	N\$
<b>Loan debtors</b>	
Omulunga	16 148
Build Together	7 656 677
SQ, MAN, re-location	4 361 882
<b>Opening balance of loans 1 July 2018</b>	<b>12 034 707</b>
<b>Movements during the year</b>	
Loan credit (old beneficiaries)	1 145 256
Loan credit (new debtors)	35 035
Interest accrued	474 517
	<b>1 654 808</b>
<b>Total loans outstanding</b>	13 689 515
Ledger movement	(2 679 448)
<b>Closing balance 30 June 2019</b>	<b>11 010 067</b>

These loans related to Government housing programmes intended for ensuring homeownership to loan beneficiaries in any of the three schemes which are administrated by Grootfontein Municipality. The Build Together loans attract an annual interest rate between 4% and 7% depending on the amount of the loan falling between N\$ 3 000 and N\$ 40 000 and agreed between the recipient and Grootfontein Municipality. The Municipality is working on the loan schemes to establish the rate of default to ensure appropriate classification under current liabilities (payment defaults for principal and interest) and non-current liabilities for loans bearing minimum risk of default. It is management judgement that compliance with current and non-current classification of loan liabilities will be complied with subsequent financial reporting period beginning 1 July 2021 due to the timing of the IPSAS financial reporting framework adoption and implementation.

**MUNICIPALITY OF GROOTFONTEIN**  
**FIRST TRANSITIONAL IPSAS FINANCIAL STATEMENTS FOR THE YEAR ENDED**  
**30 JUNE 2019**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

	<u>2019</u>
	N\$
<b>4. INVESTMENTS</b>	<b>28 804 555</b>
Equity shares paid up	1 030 000
Equity assets transferred	27 774 555

The investment in CENORED consist of equity shares paid up of N\$ 1 030 000 and equity assets transferred to CENORED valued at N\$ 27 774 555 bringing the total investment in CENORED to N\$ 28 804 555.

The Municipality received an annual surcharge of N\$ 7 860 841 based on a rate of 0.34 cents/kwh of units sold every month where sales (in units) during the year amounted to N\$ 17 735 541.

**5. INVENTORIES**

Grootfontein Municipality recognises inventory held in its warehouse at cost less impairment losses. IPSAS 33, first time adoption of accrual basis IPSAS allows the Municipality to measure its inventories within a 3-year transition period though the nature of the inventories held under current assets are realisable, consumable and/or saleable or usable within the Municipality's normal annual operating cycle.

	<b>2 460 609</b>
Opening balance as at 1 July 2018	504 725
Stocks received	1 482 756
Stores adjustment	(124 192)
Requisitions	(1 380 313)
Unsold erven	1 977 633

**Unsold erven**

Land size  
Sq. meters

Omulunga extension 4 & 5	61 797	763 633
Luperdheuwel	34 692	1 214 000
		<u>1 977 633</u>

**MUNICIPALITY OF GROOTFONTEIN**  
**FIRST TRANSITIONAL IPSAS FINANCIAL STATEMENTS FOR THE YEAR ENDED**  
**30 JUNE 2019**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

	<b>2019</b>
	N\$
<b>6. ACCOUNTS RECEIVABLES</b>	<b>7 170 510</b>
Accounts receivables before allowance	102 271 613
Allowance for credit losses	(95 101 103)

<b>Days</b>	<b>Weighted average loss rate</b>	<b>Gross amount</b>	<b>Loss allowance</b>	<b>Carrying amount</b>
		N\$	N\$	N\$
1 - 30	0.80%	2 978 487	(23 828)	2 954 659
31 - 60	2.40%	2 248 301	(53 959)	2 194 342
61 - 90	6.40%	2 159 732	(138 223)	2 021 509
91 - 120	100.00%	2 013 906	(2 013 906)	-
120 +	100.00%	92 871 187	(92 871 187)	-
		<b>102 271 613</b>	<b>(95 101 103)</b>	<b>7 170 510</b>

<b>Reconciliation for loss allowance</b>	<b>2019</b>	<b>2018</b>	<b>Movement</b>
	N\$	N\$	N\$
	<b>95 101 103</b>	<b>74 594 586</b>	<b>20 506 517</b>

The allowance for doubtful debts of N\$ 95 101 103 covers 100% of the amounts owed by combined billing debtors that are in bankruptcy or have applied for a suspension of payments as well as receivables older than four months (120 days +). No debtors have applied for suspension of payments and nothing has come to the attention of the Municipality that debtors are in bankruptcy.

**MUNICIPALITY OF GROOTFONTEIN**  
**FIRST TRANSITIONAL IPSAS FINANCIAL STATEMENTS FOR THE YEAR ENDED**  
**30 JUNE 2019**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

		<b>2019</b>
		N\$
<b>7. CASH AND CASH EQUIVALENTS</b>		<b>18 033 818</b>
Standard Bank	Fixed deposit interest	21 872
First National Bank	Fixed deposit	964 963
Bank Windhoek	Build Together	10 561 119
Bank Windhoek	Build Together (CHK)	188 995
First National Bank	Call account	1 181
First National Bank	Call account	10 492
First National Bank	Fixed deposit	138 432
First National Bank	Business account	6 146 234
		18 033 288
Petty cash and other cash held by the Municipality		530

Cash and cash equivalents amounted to N\$ 18 033 818 as at 30 June 2019. Short-term investments with financial institutions are call accounts with First National Bank.

As at 30 June 2019, the fixed investment account with First National Bank held N\$ 964 962 which is expected to mature at 20 October 2020. The investment is for 5 years and the interest rate attributable to this investment is 11, 25% per annum.

The fixed deposit account with Standard Bank carries an annual interest rate of 3, 25%. The held in this account provide guarantee in case of default by residents buying properties through the bank.

<b>8. PREPAYMENTS</b>	<b>73 694</b>
Prepayments	73 694

Prepayments relate to vehicle licences that were purchased but had not expired as at 30 June 2019. Major contributor to the prepayment balance is a UD-TRUCK P9156.

**MUNICIPALITY OF GROOTFONTEIN**  
**FIRST TRANSITIONAL IPSAS FINANCIAL STATEMENTS FOR THE YEAR ENDED**  
**30 JUNE 2019**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**9. PAYABLES FROM EXCHANGE AND NON-EXCHANGE TRANSACTIONS**

	<u>2019</u>
	N\$
	<b>219 164</b>
Prepayments from exchange transactions	145 744
Prepayments from non-exchange transactions	73 420

Accounts payables from exchange and non-exchange transactions are both due within 12 months from the end of the current financial year ended 30 June 2019. Accounts payables from non-exchange transactions relate to Regional Council 5% rates and taxes levy a quarterly payment outstanding at year end.

**10. PROVISIONS**

**Leave provision**

Balance as at 30 June 2018	4 983 137
Accumulation of leave provision	1 277 015
Paid to employees as at 30 June 2019	<u>(842 989)</u>
Balance as at 30 June 2019	<u><b>5 417 163</b></u>
Balance as at 30 June 2018	4 983 137
Balance as at 30 June 2019	<u>5 417 163</u>
<b>To statement of surplus and deficit</b>	<u><b>434 026</b></u>

The provision for leave is calculated based on accumulated outstanding leave days not taken as at the end of the financial year. Salary increases from the prior year have resulted in an increased provision by a proportion of 8%. The total increase in provision (as a result of leave days accumulated) was mitigated by an amount of N\$ 842 989 paid out to retiring employees resulting in a net effect of N\$ 434 026 being added to liabilities.

**MUNICIPALITY OF GROOTFONTEIN**  
**FIRST TRANSITIONAL IPSAS FINANCIAL STATEMENTS FOR THE YEAR ENDED**  
**30 JUNE 2019**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**10. PROVISIONS (continued)**

	<u>2019</u>
<b>Severance pay provision</b>	NS
Balance as at 30 June 2018	6 210 066
Accumulated to 30 June 2019	93 497
Severance pay paid to retirees	<u>(23 199)</u>
Balance as at 30 June 2019	<u><b>6 280 364</b></u>
Balance as at 30 June 2018	6 210 066
Balance as at 30 June 2019	<u>6 280 364</u>
<b>To statement of surplus and deficit</b>	<u><b>70 298</b></u>

The Municipality makes a provision for severance pay attributable to employees who leave employment due to any circumstances other than the expiration of the contract of employment or reaching retirement age. The severance pay provision is based on a week's salary of every employee except employees on probation. The severance pay provision rose by N\$ 70 298 from prior year's severance pay balance reported in the statement of financial position.

**Provision for a 5-year bonus**

During the financial year ended 30 June 2018 the Municipality did not meet its obligation for the payment of bonus to Municipal employees as a result of a change in laws that governed the payment of five-year bonuses to local authorities' employees. The employees took legal action resulting in a court of law in Namibia passing judgement in favour of the Municipality employees who had brought legal action against the Municipality. The Municipality paid N\$ 660 235 with N\$ 500 000 coming from the Ministry of Urban and Rural Development and the balance of N\$ 160 235 being settled by Grootfontein Municipality. It is a management judgement that employees who had not received a five-year bonus (not forming part of the first group) are likely to take legal action against the Municipality on similar grounds. Management judges that the payment for the five-year bonus to the second group of employees will highly probable, so a contingent liability amounting to N\$ 768 430 for the outstanding bonus has been recognised.

There are no any other claims by third parties against the Municipality, and no provisions in relation to this have been made.

**MUNICIPALITY OF GROOTFONTEIN**  
**FIRST TRANSITIONAL IPSAS FINANCIAL STATEMENTS FOR THE YEAR ENDED**  
**30 JUNE 2019**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

	<u>2019</u>
	N\$
<b>11. UNEARNED REVENUES</b>	<b>14 387 455</b>
Unearned revenue	14 387 455

Unearned revenue consists of consumers with credit balances arising from payments on accounts made in advance as at 30 June 2019. As at year end, the Municipality had not offered products or services of equal value to the customers in exchange.

**12. LONG-TERM BORROWINGS**

	<b>Loan amount</b>	<b>Instalments</b>	<b>Principal portion</b>	<b>Interest portion</b>	<b>Outstanding loan</b>
	N\$	N\$	N\$	N\$	N\$
	<b>3 726 578</b>	<b>6 394 188</b>	<b>1 854 786</b>	<b>4 539 343</b>	<b>7 281 888</b>
GR Series loans	1 110 253	5 410 096	1 110 253	4 299 843	5 410 095
Financial institutions	2 616 325	984 092	744 533	239 500	1 871 793

External loans are loans that were arranged by the Municipality with the Ministry of Finance. The Municipality had not been discharging the agreed portion of interest and principal for the duration specified in the loan documents held with the Ministry of Finance. Due to default on the part of the Municipality to service the loans, the loans (principal and interest) have to be reclassified to current liabilities. However, the lender (Ministry of Finance), has not exercised its powers to demand payment of both the capital and interest portion for a period of more than 15 years in itself impliedly waives obligations placed on the borrower. There were no renegotiations of the existing terms of the loan agreements between the borrower and the lender. Grootfontein Municipality has presented the Government loans as long-term liabilities pending further consultations regarding the loans.

Loans obligations with external financial institutions relate to loan arranged with Wes Bank for the purchase of Municipal vehicles. The loans are being serviced in the loan contract and no defaults in payments have been recorded to date.

**MUNICIPALITY OF GROOTFONTEIN**  
**FIRST TRANSITIONAL IPSAS FINANCIAL STATEMENTS FOR THE YEAR ENDED**  
**30 JUNE 2019**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

	<b>2019</b>
	N\$
<b>13. CONSUMER DEPOSITS</b>	<b>1 238 732</b>
Opening balance	1 118 122
Opening balance (other)	66 683
Deposits received (consumers)	98 877
Deposits received (other)	31 095
Refunded deposits during the year (decreases)	(57 435)
Refunded deposits: other (decreases)	(18 610)
<p>Consumer deposits are held as security by the Municipality to mitigate the risk of consumers who hold utility services accounts not paying for services and products rendered by leaving, transferring or purposefully or otherwise abandoning accounts without clearing outstanding arrears.</p>	
<b>14. RATES AND TAXES</b>	<b>17 892 687</b>
Site Town	13 887 600
Site Luperdheuwel	328 453
Site Omulunga	3 074 442
Improvements Central Auth	602 192
<b>15. GOVERNMENT AND OTHER DEPARTMENT TRANSFERS</b>	<b>6 174 986</b>
Infrastructure grant	3 510 841
RFA Subsidy	1 268 194
Social housing	807 968
Grant received in re-service bonus	500 000
Training grant (Office of the Auditor-General)	87 983

The Municipality has consumed the service potential embodied in grants transferred by the Government in line with the stipulated conditions. Grants transfers were from Government (capital grants) and other Government departments. The Office of the Auditor-General meets the fee obligation due to external auditors on behalf of a group of local authorities subject to external or out-sourced audits. Local authorities are required to use the resources which they were obliged to pay to external auditors for training personnel in accounting and finance department.

**MUNICIPALITY OF GROOTFONTEIN**  
**FIRST TRANSITIONAL IPSAS FINANCIAL STATEMENTS FOR THE YEAR ENDED**  
**30 JUNE 2019**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

	<b>2019</b>
	N\$
<b>16. TRADE REGISTRATION LICENCES</b>	<b>268 364</b>
Trade registration (licences)	268 364
Revenue from trade registration relates to operational business licences within the Grootfontein area.	
<b>17. SERVICE CHARGES</b>	<b>30 102 929</b>
Water sales	13 703 556
Sanitation: Residential	10 283 471
Sewerage: Residential	4 061 247
Sanitation	146 827
Sewerage	113 828
Water	1 171 302
Building plan fees	219 718
Burial fees	85 558
Water connections	60 269
Water reconnection	91 876
Slaughter fees private	163 619
Water drawn	1 658
<b>18. RENTAL INCOME</b>	<b>5 201 128</b>
Rental: Agricultural hall	25 956
Rental: Open market	114 260
Rental: Civic buildings	2 977
Rental: Community hall	23 296
Rental: Houses Omulunga	416 814
Rental: Reception area	1 294 292
Rental: Houses personnel	43 775
Rental: Police station	22 402
Rental: Shopping centre	63 733
Rental: Single quarters	3 041 749
Rental: Soccer field	18 703
Rental: Sports grounds	8 031
Rental: Townlands	125 140

**MUNICIPALITY OF GROOTFONTEIN**  
**FIRST TRANSITIONAL IPSAS FINANCIAL STATEMENTS FOR THE YEAR ENDED**  
**30 JUNE 2019**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

	<u>2019</u>
	N\$
<b>19. ERVEN SALES</b>	
Erven sales	4 799 009
	<u>4 799 009</u>
<p>For all erven sold, the Municipality transferred all the risks and rewards of ownership to the buyer and there is no continued managerial involvement associated with ownership.</p>	
<b>20. INTEREST</b>	
Interest received	
Interest on investments	9 912
	<u>9 912</u>
<p>Interest receive is on investments with financial institutions.</p>	
<b>Finance cost</b>	
Motor vehicles	239 559
Unpaid leave bonus	58 118
	<u>297 677</u>

Finance costs are attributable to the loan on motor vehicles arranged with Wes Bank while finance costs on unpaid leave relate to leave bonus after a court ruling instructing the Municipality to pay the leave bonus to Tjtemisa and associates, a company of lawyers representing Municipality employees in a five-year bonus court case.

**MUNICIPALITY OF GROOTFONTEIN**  
**FIRST TRANSITIONAL IPSAS FINANCIAL STATEMENTS FOR THE YEAR ENDED**  
**30 JUNE 2019**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

	<b>2019</b>
	N\$
<b>21. EMPLOYEE AND COUNCILLORS REMUNERATION</b>	<b>37 736 315</b>
Salaries, wages and allowances	22 286 586
Medical aid contributions	4 414 942
Social security	95 511
Payment: Service bonus	500 000
Pension fund contributions	3 626 168
Housing allowance	6 244 085
Remuneration Councillors	569 023

Councillors' remuneration has been paid as per gazetted rates.

Employee costs have been paid in accordance with salary scales as per signed contracts. The Municipality runs a defined contribution scheme for its employees.

<b>22. REPAIRS AND MAINTENANCE</b>	<b>2 316 585</b>
Buildings and fencing	7 395
Machines and equipment	303 792
Water and sewer network repairs	611 265
Traffic signs	13 605
Vehicles	1 380 528

**MUNICIPALITY OF GROOTFONTEIN**  
**FIRST TRANSITIONAL IPSAS FINANCIAL STATEMENTS FOR THE YEAR ENDED**  
**30 JUNE 2019**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

	<b>2019</b>
	N\$
<b>23. GENERAL EXPENSES</b>	<b>12 585 889</b>
Advertisement	144 050
Bank charges	323 358
In-service training	813 006
Protective clothing	10 285
Fuel and oil	1 186 725
Printing and stationery	266 705
Electricity consumption	3 558 001
Tools and equipment	54 012
Outsourced services	1 026 052
Consultancy and training	142 584
Contribution ALAN	50 000
Licences - accounting system	93 162
Vehicle licences	185 035
Entertainment	57 651
Tourism	2 511
Travelling and accommodation	759 676
Sanitation	308 414
Endowments and consents	231 856
Cleaning material	33 118
Business expo	7 183
Postage and telephone	629 050
Insurance	839 101
Materials and stores supplies	898 990
Security services	940 364
Amicaal	25 000
<b>24. REGIONAL COUNCIL FEES</b>	<b>863 836</b>
Regional Council fees	863 836

Regional Council fees are assessed at 5% of rates and taxes received or receivable by the Municipality on an annual basis.

## MUNICIPALITY OF GROOTFONTEIN

## FIRST TRANSITIONAL IPSAS FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

## NOTES TO THE FINANCIAL STATEMENTS (continued)

	2019
	N\$
<b>25. LEGAL FEES</b>	<b>293 617</b>
Legal fees	293 617

Legal fees related to employee, a case for five-year service bonus and suspension of SE: Finance whose suspension was ruled to be without cause and has since been reinstated.

<b>26. RECONCILIATION OF SURPLUS OR DEFICIT</b>	<b>4 012 726</b>
Accumulated deficit as at 30 June 2018	(35 517 394)
<b>Adjustments for:</b>	
Motor loan scheme fund (420)	2 120 551
Personnel housing fund (419)	3 104 523
Insurance reserve (417)	892 712
Renewal fund (416)	4 266 357
Housing fund M&N Show houses (414)	12 845 517
Housing fund (411)	916 137
Housing fund Town (410)	1 040 002
Housing fund loans (409)	239 084
Capital development fund	3 999 477
Betterment fund (403)	11 285 554
Fixes property fund (402)	3 673 493
Depreciation: Motor vehicles acquired on loan	(3 789 387)
Depreciation: Council houses	(1 063 900)

**Unsupported funds**

Management has relied on IPSAS 1, paragraph 100 for further guidance in reversing the accounting for revenue directly to fund accounts specified in the reconciliation above. IPSAS1, paragraph 100 states that, all items of revenue and expenses recognised in a period are included in surplus or deficit. Further, the setting-up/creation of reserves shall be in accordance with IPSAS 1, paragraph 94(f), which state that, components of net assets and equity are disaggregated into contributed capital, accumulated surpluses and deficits, and any reserves, and 95(c) directing the separate disclosure to net assets/equity on the face of the statement of financial position showing reserves separately including a description of the nature and purpose of each reserve within net assets/equity.

**MUNICIPALITY OF GROOTFONTEIN  
FIRST TRANSITIONAL IPSAS FINANCIAL STATEMENTS FOR THE YEAR ENDED  
30 JUNE 2019  
NOTES TO THE FINANCIAL STATEMENTS (continued)**

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**26. RECONCILIATION OF SURPLUS OR DEFICIT (continued)**

Fund accounts in the reconciliation above have been written-off on the accumulated surplus or deficit as they are not supported by assets. These funds were set-up using policies applicable to the accounting basis used to report financial information in prior years. Management has no intention to resuscitate these funds in the foreseeable future. Any fund accounts to be presented on the face of the statement of financial position shall be resourced from accumulated surplus or deficit.

**Depreciation - Motor vehicles**

Motor vehicles acquired through loans had never been depreciated. The depreciation amounting to N\$ 3 789 387 attributable to these vehicles is based on an estimated useful life of the individual vehicles. The depreciation had never been charged to the statement of surplus or deficit in the prior years from the acquisition of the respective vehicle(s).

**Depreciation - Municipal houses**

Municipal houses constructed during the pre-independence era are located in Omulunga, Luiperdheuwel, and Grootfontein town area. As per prior periods accounting basis, the houses had never been depreciated because the Municipality constructed the houses from loan financing. The depreciation attributable to these houses amounts to N\$ 1 063 900 and the Municipality went back as far as is practically possible to account for prior period's non-calculation of depreciation.

**27. IPSAS ADJUSTMENTS**

The adjustment relate to Municipal houses that were kept off statement of financial position and have been restated on the statement of financial position based on the 2015 to 2018 valuation roll. The adjustment of N\$ 7 552 615 is a deemed cost pending valuation of Municipal properties during the transitional period.

**28. OTHER MOVEMENTS**

Other movements amounting to N\$ 7 656 678 relate to Build Together loans made to loan debtors and remain outstanding as at year end with the possibility of default assessed as high.

**MUNICIPALITY OF GROOTFONTEIN**  
**FIRST TRANSITIONAL IPSAS FINANCIAL STATEMENTS FOR THE YEAR ENDED**  
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**NOTES TO THE FINANCIAL STATEMENTS (continued)**

	<b>2019</b>
	N\$
<b>29. SALE OF GOODS AND SERVICES</b>	<b>(5 680 479)</b>
Opening accounts receivables	79 006 830
Sales revenue for the year	-
Unknown difference	17 584 304
Closing accounts receivables	(102 271 613)
<b>Sales revenue for the year</b>	<b>66 648 262</b>
Rates and taxes	17 892 687
Trade registration (Licences)	268 364
Illegal water connection fines	63 683
Cash surplus	2 226
Service charges	30 102 929
Rental income	5 201 128
Erven sales	4 799 009
Sundry income	457 394
Electricity surcharge	7 860 842
<b>30. CASH PAID TO SUPPLIERS</b>	<b>16 781 125</b>
Opening accounts payables	817 871
Purchases for the year	16 182 417
Closing accounts payables	(219 163)

**MUNICIPALITY OF GROOTFONTEIN**  
**FIRST TRANSITIONAL IPSAS FINANCIAL STATEMENTS FOR THE YEAR ENDED**  
**30 JUNE 2019**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

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	<b>2019</b>
	N\$
<b>30. CASH PAID TO SUPPLIERS (Continued)</b>	<b>16 182 417</b>
Repairs and maintenance	2 316 585
General expenses	12 585 889
Regional Council fees	863 836
Legal fees	293 617
Movement in leave remuneration	434 026
Movement in severance pay	70 298
Unknown	(381 834)

