



**REPUBLIC OF NAMIBIA**



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

# **MUNICIPALITY OF HENTIES BAY**

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

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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 Henties Bay 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, August 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 HENTIES BAY  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019**

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**1. DISCLAIMER AUDIT OPINION**

I have audited the financial statements of the Municipality of Henties Bay for the financial year ended 30 June 2019 provided by the Accounting Officer as attached in Annexure A - E. These financial statements comprise the statement of financial position, statement of financial performance, statement of changes in net assets, statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

**2. BASIS FOR DISCLAIMER 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:

- Un-serviced and serviced land was not recognized in the Municipality's financial statements. Information on the valuation of Municipal-owned un-serviced and serviced land was not available for inspection. Auditors were therefore unable to obtain sufficient appropriate evidence to satisfy ourselves as to the completeness in recording and the valuation of Municipality land as at 30 June 2019.
- The Municipality of Henties Bay entered into a Joint Business Venture Agreement with Bay Construction CC for the "Planning, Design and Construction of Low Cost and Affordable Bank Finance Housing within the Township of Extension 5 OMDEL, Henties Bay" in September 2018. No financial records in respect of this Joint Business Venture exist and consequently auditors have not been able to obtain such information as is necessary to enable the auditors to make an assessment of the financial implications of the Joint Business Venture agreement on the Municipality financial statements.
- There was an unreconciled difference of N\$ 4 400 881 between the loan receivables recorded in the ledger and the loan receivables trial balance/listing indicating respective individual loan receivable account's identities and outstanding loan receivable balances.

- Unsubstantiated entries in relation to loan instalments net credit entries of N\$ 3 335 399, loans granted net credit entries of N\$ 2 143 142 and interest levied on loans of N\$ 7 929 614 (debit) were processed in the Fixed Property Fund. As of the date of auditor's report, management was still in the process of reviewing entries processed therein with a view to identifying and correcting any posting errors.

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

Key audit matters are those matters that, in my professional judgement, 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 nothing to report in this regard.

### **4. OTHER INFORMATION**

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement 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 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.

## 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. 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.

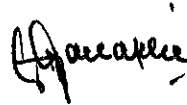
I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit. I also provide those charged with governance with a statement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

## **7. ACKNOWLEDGEMENT**

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

**WINDHOEK, August 2021**



**JUNIAS ETUNA KANDJEKE  
AUDITOR-GENERAL**



**MUNICIPALITY OF HENTIES BAY**  
**STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE**

**ANNEXURE A**

| <b>Assets</b>                       | Note | <b>2019</b><br>N\$ | <b>2018</b><br>N\$ |
|-------------------------------------|------|--------------------|--------------------|
| <b>Non-Current Assets</b>           |      |                    |                    |
| Property, plant and equipment       | 2    | <b>115 379 997</b> | <b>121 275 676</b> |
| Investments in Equity               |      | 85 261 187         | 90 447 818         |
| Loan receivables                    |      | 17 907 356         | 17 907 356         |
|                                     |      | 12 211 454         | 12 920 502         |
| <b>Current Assets</b>               |      |                    |                    |
| Inventories                         |      | <b>8 382 583</b>   | <b>10 023 523</b>  |
| Trade and other receivables         | 3    | 223 374            | 222 956            |
| Cash and cash equivalents           | 4    | 5 989 904          | 6 773 454          |
|                                     |      | 2 169 305          | 3 027 113          |
| <b>Total Assets</b>                 |      | <b>123 762 580</b> | <b>131 299 199</b> |
| <b>Equity and Liabilities</b>       |      |                    |                    |
| <b>Equity</b>                       |      |                    |                    |
| Funds                               | 5    | <b>107 951 256</b> | <b>114 917 711</b> |
| Retained income                     |      | 76 583 984         | 75 944 836         |
|                                     |      | 31 367 272         | 38 972 875         |
| <b>Liabilities</b>                  |      |                    |                    |
| <b>Non-Current Liabilities</b>      |      |                    |                    |
| Loan                                |      | 2 241 866          | 4 030 506          |
| <b>Current Liabilities</b>          |      |                    |                    |
| Trade and other payables            | 6    | <b>13 569 458</b>  | <b>12 350 982</b>  |
| Bank overdraft                      | 4    | 10 617 002         | 10 428 911         |
|                                     |      | 2 952 456          | 1 922 071          |
| <b>Total Equity and Liabilities</b> |      | <b>123 762 580</b> | <b>131 299 199</b> |

## ANNEXURE B

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

|                             | Note | 2019<br>N\$         | 2018<br>N\$         |
|-----------------------------|------|---------------------|---------------------|
| <b>Revenue</b>              |      | <b>39 553 090</b>   | <b>41 448 594</b>   |
| Revenue                     |      | -                   | 41 448 594          |
| Sewerage fees               |      | 4 048 460           | -                   |
| Rental Income               |      | 93 774              | -                   |
| Miscellaneous other revenue |      | 7 143 358           | -                   |
| Water sales                 |      | 11 880 959          | -                   |
| Departmental charges        |      | (727 041)           | -                   |
| Government grants           |      | 1 029 717           | -                   |
| Fines                       |      | 6 057               | -                   |
| Rates & Taxes               |      | 16 077 806          | -                   |
| <b>Other income</b>         |      | <b>2 395 538</b>    | -                   |
| Dividends received          | 7    | 2 384 245           | -                   |
| Interest received           | 7    | 11 293              | -                   |
| <b>Expenses</b>             | 8    | <b>(54 158 786)</b> | <b>(49 475 981)</b> |
| <b>Operating loss</b>       |      | <b>(12 210 158)</b> | <b>(8 027 387)</b>  |
| Finance costs               |      | (464 932)           | -                   |
| <b>Loss for the year</b>    | 9    | <b>(12 675 090)</b> | <b>(8 027 387)</b>  |

## MUNICIPALITY OF HENTIES BAY

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

|  | Funds<br>N\$      | Retained income<br>N\$ | Total equity<br>N\$ |
|--|-------------------|------------------------|---------------------|
| <b>Balance at 01 July 2017</b>               | <b>76 925 366</b> | <b>47 000 262</b>      | <b>123 925 628</b>  |
| Loss for the year                            | -                 | (8 027 387)            | (8 027 387)         |
| Other comprehensive income                   | (980 530)         | -                      | (980 530)           |
| <b>Total comprehensive loss for the year</b> | <b>(980 530)</b>  | <b>(8 027 387)</b>     | <b>(9 007 917)</b>  |
| <b>Balance at 01 July 2018</b>               | <b>75 944 836</b> | <b>38 972 875</b>      | <b>114 917 711</b>  |
| Loss for the year                            | -                 | (12 675 090)           | (12 675 090)        |
| Other comprehensive income                   | 639 148           | -                      | 639 148             |
| <b>Total comprehensive loss for the year</b> | <b>639 148</b>    | <b>(12 675 090)</b>    | <b>(12 035 942)</b> |
| Prior year adjustments                       | -                 | 1 312 970              | 1 312 970           |
| Directly adjustment to appropriation         | -                 | 3 756 517              | 3 756 517           |
| <b>Total changes</b>                         | <b>-</b>          | <b>5 069 487</b>       | <b>5 069 487</b>    |
| <b>Balance at 30 June 2019</b>               | <b>76 583 984</b> | <b>31 367 272</b>      | <b>107 951 256</b>  |

## ANNEXURE D

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

|   | Note | 2019<br>N\$        | 2018<br>N\$        |
|---|------|--------------------|--------------------|
| <b>Cash flows from operating activities</b>                     |      |                    |                    |
| Cash used in operations   | 9    | (4 691 324)        | (1 070 276)        |
| Interest income   |      | 11 293             | -                  |
| Dividends received  |      | 2 384 245          | -                  |
| Finance costs   |      | (464 932)          | -                  |
| <b>Net cash from operating activities</b>                       |      | <b>(2 760 718)</b> | <b>(1 070 276)</b> |
| <b>Cash flows from investing activities</b>                     |      |                    |                    |
| Purchase of property, plant and equipment                       | 2    | (3 756 518)        | (5 590 526)        |
| Sale of property, plant and equipment                           | 2    | -                  | 2 618 147          |
| Sale of loan receivables  |      | 709 048            | 11 298 605         |
| <b>Net cash from investing activities</b>                       |      | <b>(3 047 470)</b> | <b>8 326 226</b>   |
| <b>Cash flows from financing activities</b>                     |      |                    |                    |
| Movement in loan  |      | (1 788 640)        | (2 291 664)        |
| Direct adjustment to appropriation (capital outlay & PY errors) |      | 5 069 487          | (2 719 650)        |
| Movement in funds   |      | 639 148            | (980 530)          |
| <b>Net cash from financing activities</b>                       |      | <b>3 919 995</b>   | <b>(5 991 844)</b> |
| <b>Total cash movement for the year</b>                         |      | <b>(1 888 193)</b> | <b>1 264 106</b>   |
| Cash at the beginning of the year                               |      | 1 105 042          | (159 064)          |
| <b>Total cash at end of the year</b>                            | 4    | <b>(783 151)</b>   | <b>1 105 042</b>   |

**1. ACCOUNTING POLICIES**

**1.1 Basis of preparation and summary of significant accounting policies**

The annual financial statements have been prepared on a going concern basis in accordance with the International Public Sector Accounting Standards, and the Local Authorities Act 23 of 1992. The annual 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.

Council adopted accrual basis International Public Sector Accounting Standards (IPSAS) effective from 1 Jul 2018 having previously prepared its annual financial statements on a mix of accrual and cash basis of accounting. Council elected to utilize some of the transitional exemptions as allowed by IPSAS 33 - First Time Adoption of Accrual Basis of IPSAS.

Some of the transition exemptions utilized do affect the fair presentation of the annual financial statements, as well as compliance with accrual basis IPSASs, during the period of the transition and therefore Council cannot assert full compliance with accrual basis of IPSASs. During the transition period the annual financial statements will be known as Transitional IPSAS Annual Financial Statements. Certain Disclosures and reconciliations are required to provide sufficient and relevant information to the users of the annual financial statements.

These accounting policies are consistent with the previous period.

**1.2 Significant judgments and sources of estimation uncertainty**

**Critical judgements in applying accounting policies**

Management did not make critical judgements in the application of accounting policies, apart from those involving estimations, which would significantly affect the annual financial statements.

**MUNICIPALITY OF HENTIES BAY**  
**NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2019 (continued)**

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**Key sources of estimation uncertainty**

**Impairment testing**

The council reviews and tests the carrying value of property, plant and equipment and intangible assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. When such indicators exist, management determines the recoverable amount by performing value in use and fair value calculations. These calculations require the use of estimates and assumptions. When it is not possible to determine the recoverable amount for an individual asset, management assesses the recoverable amount for the cash generating unit to which the asset belongs.

**1.3 Property, plant and equipment**

Property, plant and equipment are tangible assets which the council holds for its own use or for rental to others and which are expected to be used for more than one period.

Property, plant and equipment is initially measured at cost.

Cost includes 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 derecognized.

Expenditure incurred subsequently for major services, additions to or replacements of parts of property, plant and equipment are capitalized if it is probable that future economic benefits associated with the expenditure will flow to the council and the cost can be measured reliably. Day to day servicing costs are included in profit or loss in the period in which they are incurred.

Property, plant and equipment is subsequently stated at cost less accumulated depreciation and any accumulated impairment losses, except for land which is stated at cost less any accumulated impairment losses.

Depreciation of an asset commences when the asset is available for use as intended by management. Depreciation is charged to write off the asset's carrying amount over its estimated useful life to its estimated residual value, using a method that best reflects the pattern in which the asset's economic benefits are consumed by the company.

## MUNICIPALITY OF HENTIES BAY

## NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2019 (continued)

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

| <b>Item</b>    | <b>Depreciation method</b> | <b>Average useful life</b> |
|----------------|----------------------------|----------------------------|
| Income assets  | Straight line              | 5-20                       |
| General assets | Straight line              | 5-20                       |

The depreciation charge for each period is recognised in profit or loss unless it is included in the carrying amount of another asset.

Depreciation is not charged to an asset if its estimated residual value exceeds or is equal to its carrying amount.

Where 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 the components and they are depreciated separately over each component's useful life.

When indicators are present that the useful lives and residual values of items of property, plant and equipment have changed since the most recent annual reporting date, they are reassessed. Any changes are accounted for prospectively as a change in accounting estimate.

Impairment tests are performed on property, plant and equipment when there is an indicator that they may be impaired. When the carrying amount of an item of property, plant and equipment is assessed to be higher than the estimated recoverable amount, an impairment loss is recognised immediately in profit or loss to bring the carrying amount in line with the recoverable amount.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its continued use or disposal. Any gain or loss arising from the derecognition of an item of property, plant and equipment, determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, is included in profit or loss when the item is derecognised.

#### 1.4 Investments in Equity

Investments in associates are measured at cost less accumulated impairment losses, except for investments in associates for which there is a published price quotation, which are measured at fair value with changes to fair value recognised in profit or loss.

**MUNICIPALITY OF HENTIES BAY**  
**NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2019 (continued)**

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**1.5 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 profit or loss) 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.

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 profit or loss.

**1.6 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 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.



**MUNICIPALITY OF HENTIES BAY**  
**NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2019(continued)**

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### **1.7 Inventories**

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.

### **1.8 Impairment of assets**

The council assesses at each reporting date whether there is any indication that property, plant and equipment or intangible assets may 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 profit or loss.

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 profit or loss.

### **1.9 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.

#### **Termination benefits**

Termination benefits are recognised as an expense with its resulting liability when the entity is demonstrably committed either:

- to terminate the employment of an employee or group of employees before the normal retirement date; or
- to provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

**MUNICIPALITY OF HENTIES BAY**  
**NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2019(continued)**

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The termination benefits are measured at the best estimate of the expenditure that would be required to settle the obligation at the reporting date.

### **1.10 Government grants**

Grants that do not impose specified future performance conditions are recognised in income 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 recognized 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 council has transferred the 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 council. Revenue is measured at the fair value of the consideration received or receivable, excluding sales taxes and discounts.

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

Dividends are recognised, in profit or loss, when the council's right to receive payment has been established.

### **1.12 Borrowing costs**

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

MUNICIPALITY OF HENTIES BAY  
 NOTES TO THE FINANCIAL STATEMENTS AT 30 June (continued)

2. Property, plant and equipment

|                                 | 2019                |                          |                   | 2018                |                          |                   |
|---------------------------------|---------------------|--------------------------|-------------------|---------------------|--------------------------|-------------------|
|                                 | N\$                 | N\$                      | N\$               | N\$                 | N\$                      | N\$               |
|                                 | Cost or revaluation | Accumulated depreciation | Carrying value    | Cost or revaluation | Accumulated depreciation | Carrying value    |
| Property, plant and equipment 1 | 63 386 578          | (9 439 846)              | 53 946 732        | 61 269 260          | (4 953 335)              | 56 315 925        |
| Property, plant and equipment 2 | 40 094 456          | (8 780 001)              | 31 314 455        | 38 455 256          | (4 323 363)              | 34 131 893        |
| <b>Total</b>                    | <b>103 481 034</b>  | <b>(18 219 847)</b>      | <b>85 261 187</b> | <b>99 724 516</b>   | <b>(9 276 698)</b>       | <b>90 447 818</b> |

Reconciliation of property, plant and equipment - 2019

|                                 |                 |                   |           |                  |              |                    |                 |                   |
|---------------------------------|-----------------|-------------------|-----------|------------------|--------------|--------------------|-----------------|-------------------|
| Property, plant and equipment 1 | Opening balance | 56 315 925        | Additions | 2 117 318        | Depreciation | (4 486 511)        | Closing balance | 53 946 732        |
| Property, plant and equipment 2 | Opening balance | 34 131 893        | Additions | 1 639 200        | Depreciation | (4 456 638)        | Closing balance | 31 314 455        |
| <b>Total</b>                    | Opening balance | <b>90 447 818</b> | Additions | <b>3 756 518</b> | Depreciation | <b>(8 943 149)</b> | Closing balance | <b>85 261 187</b> |

Reconciliation of property, plant and equipment - 2018

|                        |                 |                   |           |                  |           |                   |           |             |              |                    |                 |                   |
|------------------------|-----------------|-------------------|-----------|------------------|-----------|-------------------|-----------|-------------|--------------|--------------------|-----------------|-------------------|
| General capital Assets | Opening balance | 51 777 631        | Additions | 3 863 544        | Disposals | -                 | Transfers | 5 628 085   | Depreciation | (4 953 335)        | Closing balance | 56 315 925        |
| Income assets          | Opening balance | 44 974 506        | Additions | 1 726 982        | Disposals | (2 618 147)       | Transfers | (5 628 085) | Depreciation | (4 323 363)        | Closing balance | 34 131 893        |
|                        | Opening balance | <b>96 752 137</b> | Additions | <b>5 590 526</b> | Disposals | <b>-2 618 147</b> | Transfers | <b>-</b>    | Depreciation | <b>(9 276 698)</b> | Closing balance | <b>90 447 818</b> |

## ANNEXURE E

**MUNICIPALITY OF HENTIES BAY**  
**NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE (continued)**

|                                       | <b>2019</b>       | <b>2018</b>       |
|---------------------------------------|-------------------|-------------------|
|                                       | N\$               | N\$               |
| <b>3. Trade and other receivables</b> | <b>5 989 904</b>  | <b>6 773 454</b>  |
| Trade receivables                     | 5 088 859         | 5 823 871         |
| VAT                                   | 595 082           | 790 715           |
| Other receivable                      | 305 963           | 158 868           |
| <b>4. Cash and cash equivalents</b>   | <b>(783 151)</b>  | <b>1 105 042</b>  |
| Short-term deposits                   | 2 169 305         | 3 027 113         |
| Bank overdraft                        | (2 952 456)       | (1 922 071)       |
| <b>5. Funds</b>                       | <b>76 583 984</b> | <b>75 944 836</b> |
| Social fund                           | 293 793           | 288 727           |
| Capital Development fund              | 4 444 365         | 5 037 480         |
| Fixed property fund                   | 39 858 711        | 39 593 463        |
| Jetty fund                            | 446 432           | 508 310           |
| Low-cost housing fund                 | 4 119 360         | 4 053 170         |
| Trust fund                            | 717 172           | 717 169           |
| Build Together fund                   | 19 163 703        | 17 738 545        |
| Sewerage fund                         | 7 463 673         | 7 931 197         |
| Sanmaric Unam                         | 71 313            | 71 313            |
| Mayoral relief fund                   | 5 462             | 5 462             |
| <b>6. Trade and other payables</b>    | <b>10 617 002</b> | <b>10 428 911</b> |
| Trade payables                        | 4 132 314         | 2 891 557         |
| Accrued leave pay                     | 1 044 518         | 1 451 987         |
| Retention                             | 652 559           | 995 464           |
| Debtors credit balances               | 38 951            | -                 |
| Deposits received                     | 1 984 840         | 1 919 414         |
| TIPEEG                                | 2 763 820         | 3 170 489         |
| <b>7. Investment revenue</b>          | <b>2 395 538</b>  | <b>-</b>          |
| Dividends and Surcharges              | 2 384 245         | -                 |
| Bank                                  | 11 293            | -                 |

**MUNICIPALITY OF HENTIES BAY**  
**NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE (continued)**

**ANNEXURE E**

|  | <b>2019</b>         | <b>2018</b>         |
|--|---------------------|---------------------|
|  | N\$                 | N\$                 |
| <b>8. Operating expenses</b>               | <b>(54 158 786)</b> | <b>(49 475 981)</b> |
| Expenses                                   | -                   | (40 199 283)        |
| Bad debts                                  | (4 518 299)         | -                   |
| Bank charges                               | (291 268)           | -                   |
| Consulting and professional fees           | (16 862)            | -                   |
| Depreciation, amortisation and impairments | (8 943 149)         | (9 276 698)         |
| Donations                                  | (2 000)             | -                   |
| Employee costs                             | (23 755 129)        | -                   |
| Entertainment                              | (80 012)            | -                   |
| Contribution to Regional Council           | (1 577 261)         | -                   |
| Bulk purchases - water                     | (6 435 433)         | -                   |
| General expense                            | (3 249 128)         | -                   |
| Electricity expense                        | (1 168 890)         | -                   |
| Hire                                       | (190 468)           | -                   |
| Legal expenses                             | (167 149)           | -                   |
| Motor vehicle expenses                     | (1 206 883)         | -                   |
| Repairs and maintenance                    | (1 218 473)         | -                   |
| Telephone and fax                          | (109 500)           | -                   |
| Travel - local                             | (1 228 882)         | -                   |

## ANNEXURE E

**MUNICIPALITY OF HENTIES BAY**  
**NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE (continued)**

|                                    | 2019               | 2018               |
|------------------------------------|--------------------|--------------------|
|                                    | N\$                | N\$                |
| <b>9. Cash used in operations</b>  | <b>(4 691 324)</b> | <b>(1 070 276)</b> |
| Loss before taxation               | (12 675 090)       | (8 027 387)        |
| <b>Adjustments for:</b>            |                    |                    |
| Depreciation and amortisation      | 8 943 147          | 9 276 698          |
| Dividends and Surcharges received  | (2 384 245)        | -                  |
| Interest received                  | (11 293)           | -                  |
| Finance costs                      | 464 932            | -                  |
| <b>Changes in working capital:</b> |                    |                    |
| Inventories                        | (418)              | 253 637            |
| Trade and other receivables        | 783 550            | (1 909 344)        |
| Trade and other payables           | 188 091            | (663 880)          |

**10. First-time adoption of the International Public Sector Accounting Standard**

The council has applied the International Public Sector Accounting Standards, for the first time for the 2019-year end. On principle this standard has been applied retrospectively and the 2018 comparatives contained in these annual financial statements differ from those published in the annual financial statements published for the year ended 30 June 2018. The standard gives certain mandatory exemptions from this principle, and certain optional exemptions which have been detailed below. All adjustments were made to the opening comparative statement of financial position.

The date of transition was 01 July 2018 and the effect of the transition was as follows.

MUNICIPALITY OF HENTIES BAY  
 NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE (continued)

ANNEXURE E

|  | 2019               | 2018                           |
|--|--------------------|--------------------------------|
|  | N\$                | N\$                            |
| <b>Reconciliation of equity at 30 June 2018</b>  |                    |                                |
|  | Other              | Effects of transition to IPSAS |
|  |                    | IPSAS                          |
| Property, plant and equipment                    | 90 447 818         | -                              |
| Financial assets                                 | 33 760 630         | (2 932 772)                    |
| <b>Total non-current assets</b>                  | <b>124 208 448</b> | <b>(2 932 772)</b>             |
| Trade and other receivables                      | 6 773 454          | -                              |
| Inventories                                      | 222 956            | -                              |
| Cash and cash equivalents                        | -                  | 3 027 113                      |
| <b>Total current assets</b>                      | <b>6 996 410</b>   | <b>3 027 113</b>               |
| Interest bearing loan                            | 4 030 506          | -                              |
| Trade and other payables                         | 7 258 422          | 3 170 489                      |
| Bank overdraft                                   | 1 922 071          | -                              |
| <b>Total liabilities</b>                         | <b>13 210 999</b>  | <b>3 170 489</b>               |
| <b>Total assets less total liabilities</b>       | <b>117 993 859</b> | <b>(3 076 148)</b>             |
| Capital outlay                                   | 90 447 818         | (90 447 818)                   |
| Funds  | 27 546 041         | 48 398 795                     |
| Accumulated surplus                              | -                  | 38 972 875                     |
| <b>Total Equity</b>                              | <b>117 993 859</b> | <b>(3 076 148)</b>             |
| <b>Reconciliation of profit or loss for 2018</b> |                    |                                |
|  | Other              | Effects of transition to IPSAS |
|  |                    | IPSAS                          |
| Revenue  | 41 448 594         | -                              |
| Gross Profit                                     | 41 448 594         | -                              |
| Expenses   | (40 199 284)       | (9 276 698)                    |
| <b>Net Loss</b>                                  | <b>1 249 310</b>   | <b>(9 276 698)</b>             |

**MUNICIPALITY OF HENTIES BAY  
NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE (continued)**

| 11. Categories of financial instruments           |   | Note       | Financial assets at fair value through profit or loss | Financial assets at amortised cost | Equity and non-financial assets and liabilities | Total       |
|---|---|------------|---|------------------------------------|---|-------------|
| <b>Categories of financial instruments - 2019</b> |   |            |   |                                    |   |             |
| <b>Assets</b>                                     |   |            |   |                                    |   |             |
| <b>Non-Current Assets</b>                         |   |            |   |                                    |   |             |
| Property, plant and equipment                     | 2 | -          | -   | 85 261 187                         | 85 261 187                                      | 17 907 356  |
| Investments in Erongo Red                         |   | 17 907 356 | -   | -                                  | 12 211 454                                      | 12 211 454  |
| Loan receivables                                  |   | 17 907 356 | -   | -                                  | 97 472 641                                      | 115 379 997 |
|   |   |            |   |                                    |   |             |
| <b>Current Assets</b>                             |   |            |   |                                    |   |             |
| Inventories                                       |   | -          | -   | 223 374                            | 223 374   | 223 374     |
| Trade and other receivables                       | 3 | -          | 5 394 822   | 595 082                            | 5 989 904                                       | 5 989 904   |
| Cash and cash equivalents                         | 4 | -          | 2 169 305   | -                                  | 2 169 305                                       | 2 169 305   |
|   |   |            |   |                                    |   |             |
|   |   |            | -   | 7 564 127                          | 818 456   | 8 382 583   |
| <b>Total Assets</b>                               |   |            | 17 907 356  | 7 564 127                          | 98 291 097                                      | 123 762 580 |
|   |   |            |   |                                    |   |             |
| <b>Equity and Liabilities</b>                     |   |            |   |                                    |   |             |
| Equity  |   |            |   |                                    |   |             |
| Equity Funds                                      | 5 | -          | -   | -                                  | 76 583 984                                      | 76 583 984  |
| Accumulated profit                                |   | -          | -   | -                                  | 31 367 272                                      | 31 367 272  |
| <b>Total Equity</b>                               |   |            | -   | -                                  | 107 951 256                                     | 107 951 256 |



**MUNICIPALITY OF HENTRIES BAY  
NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE (continued)**

**11. Categories of financial instruments (continued)**

|                             | Note | Financial assets at<br>fair value through<br>profit or loss | Debt<br>Instruments at<br>amortised cost | Financial<br>liabilities at<br>amortised cost | Equity and non-<br>financial assets<br>and liabilities | Total              |
|-----------------------------|------|---|--|---|--|--------------------|
| <b>Current Assets</b>       |      |   |  |   |  |                    |
| Inventories                 |      | -   | -  | -   | 222 956  | 222 956            |
| Trade and other receivables | 3    | -   | 5 982 739                                | -   | 790 715  | 6 773 454          |
| Cash and cash equivalents   | 4    | -   | 3 027 113                                | -   | -  | 3 027 113          |
|                             |      | -   | <b>9 009 852</b>                         | -   | <b>1 013 671</b>                                       | <b>10 023 523</b>  |
| <b>Total Assets</b>         |      | <b>17 907 356</b>   | <b>9 009 852</b>                         | -   | <b>1 043 81 991</b>                                    | <b>131 299 199</b> |

**MUNICIPALITY OF HENTIES BAY**  
**NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE (continued)**

**11. Categories of financial instruments (continued)**

|                                     | Note | Financial liabilities at amortised cost | Equity and non-financial assets and liabilities | Total              |
|-------------------------------------|------|---|---|--------------------|
| <b>Equity</b>                       |      |   |   |                    |
| Equity Funds                        | 5    |   | 75 944 836                                      | 75 944 836         |
| Accumulated surplus                 |      |   | 38 972 875                                      | 38 972 875         |
| <b>Total Equity</b>                 |      |   | <b>114 917 711</b>                              | <b>114 917 711</b> |
| <b>Liabilities</b>                  |      |   |   |                    |
| <b>Non-Current Liabilities</b>      |      |   |   |                    |
| Loan                                |      | -                                       | 4 030 506                                       | 4 030 506          |
| <b>Current Liabilities</b>          |      |   |   |                    |
| Trade and other payables            | 6    | 10 428 911                              | -   | 10 428 911         |
| Bank overdraft                      | 4    | 1 922 071                               | -   | 1 922 071          |
| <b>Total Liabilities</b>            |      | <b>12 350 982</b>                       | <b>4 030 506</b>                                | <b>16 381 488</b>  |
| <b>Total Equity and Liabilities</b> |      | <b>12 350 982</b>                       | <b>118 948 217</b>                              | <b>131 299 199</b> |

**20. Events after the reporting period**

The annual financial statements were authorised for issue on 28 October 2019 by the Management.