



**REPUBLIC OF NAMIBIA**



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

# **MUNICIPALITY OF OMARURU**

**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 Omaruru 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, June 2022**

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 OMARURU  
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 Omaruru for the financial year ended 30 June 2019. These financial statements comprise the statement of financial position, statement of comprehensive income, cash flow statement, notes of the financial statements for the year then ended, and a summary of significant accounting policies.

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

**2. BASIS FOR DISCLAIMER OF OPINION**

I conducted my audit in accordance with International Standards for Supreme Audit Institutions; my responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of 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 not sufficient and appropriate to provide a basis for the audit opinion. A disclaimer audit opinion is being expressed due to the following:

**2.1 Bank Reconciliation**

It was observed that bank reconciliations were not performed and properly maintained, which resulted in audit scope limitation on carrying out required audit procedure for cash and cash equivalent as at year end.

**2.2 Sale of Erven**

For sale of erven's sold during the financial year under review, documentations and listing of such beneficiaries from the erven sales could not be provided for audit purpose resulting in audit scope limitation on carrying out required audit procedure to ascertain the completeness of sales of erven's.

**2.3 Investment in Erongo Red**

For investment disclosed amounting to N\$ 6 225 100, certificates of shareholding and relevant supporting documents for such investment could not be provided to ascertain the existence and accurate valuation of such investments.

#### **2.4 Fixed Asset Register**

The fixed assets register was found to be inadequate to ascertain the existence and valuation of the Municipality's property, plant and equipment as at year end.

#### **2.5 Incomplete Set of Financial Statements (IAS 1)**

The Municipality did not present a Statement of Changes in Equity as required by IAS 1 Par 10 which states that a complete set of financial statements includes: [IAS 1.10] a statement of financial position, a statement comprehensive income, a statement of changes in equity, statement of cash flows and, notes comprising a summary of significant accounting policies and other explanatory notes comparative information prescribed by the standard.

#### **2.6 Unreconciled Cash Flow Statement**

The Municipality did not prepare and presents its cash flow statement in accordance with IAS 7 as an integral part of its financial statements. The standard requires and entity to reconcile its surplus/deficit from ordinary activities and non-cash items in accordance to IAS 7 [19 a-b]

### **3. 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 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 to be materially misstated.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards 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 for overseeing the entity's financial reporting process.

## **5. 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 a 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 International Standards for Supreme Audit Institutions (ISSAI's), will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in 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 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 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.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
- Provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

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

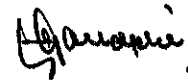
#### **6. REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

The financial statements were submitted by the Accounting Officer to the Auditor-General in compliance with Section 87 of the Local Authority Act, 1992 (Act No. 23 of 1992).

#### **7. ACKNOWLEDGEMENT**

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

**WINDOEK, June 2022**



**JUNIAS ETUNA KANDJEKE  
AUDITOR-GENERAL**



**THE MUNICIPALITY OF OMARURU  
STATEMENT OF FINANCIAL POSITION FOR THE FINANCIAL YEAR ENDED 30  
JUNE**

|                                    | Note | 2019<br>N\$       | 2018<br>N\$        |
|------------------------------------|------|-------------------|--------------------|
| <b>ASSETS</b>                      |      |                   |                    |
| <b>NON CURRENT ASSETS</b>          |      |                   |                    |
| Property, plant and equipment      | 2    | 70 264 708        | 65 457 356         |
| Investments                        | 3    | 13 639 336        | 14 795 596         |
| Long-term loans receivable         | 4    | 3 972 557         | 4 145 500          |
|                                    |      | <b>87 876 601</b> | <b>84 398 452</b>  |
| <b>CURRENT ASSETS</b>              |      |                   |                    |
| Trade and other receivables        | 5    | 7 248 449         | 21 499 392         |
| Inventories                        | 6    | 191 719           | 222 223            |
| Cash and cash equivalents          | 7    | 789 473           | 1 119 824          |
|                                    |      | <b>8 229 641</b>  | <b>22 841 439</b>  |
| <b>TOTAL ASSETS</b>                |      | <b>96 106 242</b> | <b>107 239 891</b> |
| <b>FUNDS AND LIABILITIES</b>       |      |                   |                    |
| <b>FUNDS AND RESERVES</b>          |      |                   |                    |
| Capital outlay                     | 8    | 70 264 708        | 65 457 355         |
| Funds and accounts                 | 9    | 14 048 785        | 29 271 477         |
|                                    |      | <b>84 313 493</b> | <b>94 728 832</b>  |
| <b>NON-CURRENT LIABILITIES</b>     |      |                   |                    |
| Long-term loans                    | 10   | 3 586 271         | 2 285 509          |
| <b>CURRENT LIABILITIES</b>         |      |                   |                    |
| Trade and other payables           | 11   | 7 889 715         | 8 924 788          |
| Current portion of long-term loans | 10   | 316 763           | 1 300 762          |
|                                    |      | <b>8 206 478</b>  | <b>10 225 550</b>  |
| <b>TOTAL FUNDS AND LIABILITIES</b> |      | <b>96 106 242</b> | <b>107 239 891</b> |

## ANNEXURE B

**THE MUNICIPALITY OF OMARURU**  
**STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE**

|  | Note | <u>2019</u>         | <u>2018</u>         |
|--|------|---------------------|---------------------|
|  |      | N\$                 | N\$                 |
| INCOME                                     |      | 51 618 351          | 44 059 715          |
| EXPENDITURE                                |      | <u>(41 539 305)</u> | <u>(24 791 805)</u> |
| NET OPERATING DEFICIT                      |      | <b>10 079 046</b>   | <b>19 267 910</b>   |
| INTEREST ON INVESTMENTS                    |      | <u>86 043</u>       | <u>5 334</u>        |
| NET DEFICIT AFTER INTEREST                 |      | <b>10 165 089</b>   | <b>19 273 244</b>   |
| APPROPRIATION ACCOUNT                      | 12   | <u>(19 392 309)</u> | <u>(71 748 777)</u> |
|  |      | <b>(9 227 220)</b>  | <b>(52 475 533)</b> |
| <b>REVENUE ACCOUNT - Beginning of year</b> |      | <u>9 489 202</u>    | <u>61 964 735</u>   |
| <b>REVENUE ACCOUNT - End of year</b>       |      | <b>261 982</b>      | <b>9 489 202</b>    |

**THE MUNICIPALITY OF OMARURU**  
**CASH FLOW STATEMENT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019**

|  | Note      | <u>2019</u>               | <u>2018</u>               |
|--|-----------|---------------------------|---------------------------|
|  |           | N\$                       | N\$                       |
| <b>CASH FLOW FROM OPERATING ACTIVITIES</b>           |           |                           |                           |
| Cash receipts from customers                         |           | 51 618 351                | 44 059 715                |
| Cash paid to suppliers                               |           | (47 685 240)              | (32 016 940)              |
| <b>Cash generated by operations</b>                  | <b>13</b> | <u><b>3 933 111</b></u>   | <u><b>12 042 775</b></u>  |
| Interest received                                    |           | 86 043                    | 5 334                     |
| Change in Fund accounts                              |           | (5 995 472)               | (71 780 738)              |
| Change in Capital outlay                             |           | 4 807 353                 | 65 457 355                |
| <b>Net cash flow from operating activities</b>       |           | <u><b>2 831 035</b></u>   | <u><b>5 724 726</b></u>   |
| <b>CASH FLOW FROM INVESTING ACTIVITIES</b>           |           |                           |                           |
| Net capital expenditure                              |           | (4 807 352)               | 581 625                   |
| Change in long-term loans granted                    |           | 172 943                   | (230 814)                 |
| Change in investments                                |           | 1 156 260                 | (3 453 531)               |
|  |           | <u><b>(3 478 149)</b></u> | <u><b>(3 102 720)</b></u> |
| <b>CASH FLOW FROM FINANCING ACTIVITIES</b>           |           |                           |                           |
| Change in long-term loans                            |           | 316 763                   | 1 030 447                 |
|  |           | <u><b>316 763</b></u>     | <u><b>1 030 447</b></u>   |
| <b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>       |           | <b>(330 351)</b>          | <b>3 652 453</b>          |
| <b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b> |           | <u><b>(1 119 824)</b></u> | <u><b>(2 532 629)</b></u> |
| <b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>       | <b>7</b>  | <u><b>789 473</b></u>     | <u><b>1 119 824</b></u>   |

**THE MUNICIPALITY OF OMARURU**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

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**1. ACCOUNTING POLICIES**

**1.1 Introduction**

The annual financial statements have been prepared in accordance with International Financial Reporting Standards. The annual financial statements were prepared on the historical cost basis and incorporate the following principal accounting policies, which are consistent in all material aspects with those applied in the previous year.

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

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Significant judgement includes:

**Asset lives**

Property, plant and equipment is depreciated over its useful life taking into account residual values where appropriate. In assessing useful lives, factors such as technological innovation, product life cycles as well as maintenance programmes are taken into account.

**Fair value estimation**

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values.

**Provisions**

Provisions were raised and management determined an estimate based on the information available.

**1.3 Property, plant and equipment**

All property, plant and equipment are initially recorded at cost and adjusted for any impairment in value.

Impairment losses and reversal of impairment losses are recognised in the income statement.

**THE MUNICIPALITY OF OMARURU  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019  
(continued)**

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

Depreciation is calculated on the straight-line method to write off the cost of each asset, or the revalued amounts, to their residual values over their estimated useful lives. The depreciation rates applicable to each category of property, plant and equipment are as follows:

|                        |         |
|------------------------|---------|
| Land                   | 0%      |
| Building               | 2% - 5% |
| Motor vehicles         | 20%     |
| Furniture and fittings | 20%     |
| Office equipment       | 20%     |
| Computer equipment     | 33,3%   |
| Farm equipment         | 10%     |

**1.4 Financial instruments**

Financial instruments carried on the statement of financial position include trade and other receivables, cash and cash equivalents and trade and other payables.

**Initial recognition and measurement**

Financial instruments are recognised initially when the Service becomes a party to the contractual provisions of the instruments.

The Service classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets.

**Subsequent measurement**

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

**THE MUNICIPALITY OF OMARURU  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019  
(continued)**

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**1.4 Financial instruments (continued)**

**Subsequent measurement**

Available-for-sale financial assets are subsequently measured at fair value. This excludes equity investments for which a fair value is not determinable, which are measured at cost less accumulated impairment losses.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

**Trade and other receivables**

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss within operating expenses. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in profit or loss. Trade and other receivables are classified as loans and receivables.

**Trade and other payables**

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

**Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and are subsequently measured at amortised cost.

**THE MUNICIPALITY OF OMARURU  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019  
(continued)**

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### **1.5 Provisions**

Provisions are recognised when the Municipality has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

### **1.6 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 paid vacation leave 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.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

#### **Defined contribution plans**

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

### **1.7 Inventories**

Inventory include those assets that are held for consumption and for provision of goods and services.

Inventories are measured at the lower of cost and estimated selling price less costs to complete and sell, on the first-in, first-out (FIFO) basis.

### **1.8 Internal reserves and funds**

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

#### **Fixed property reserve**

Established by municipality as a revolving fund to fund infrastructure development including development of new municipal areas.

**THE MUNICIPALITY OF OMARURU**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**  
**(continued)**

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**1.8 Internal reserves and funds**

**Fixed property reserve**

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

**Other reserves**

Municipality established other reserves e.g. sanitation reserves, to fund other municipality projects. Contributions to and from the reserve are transferred via the Statement of Changes in Net Assets to the reserve in line with the amount provided for in the operating budget. All reserves are supported by investments held with financial institutions and to a certain extent with accounts receivable.

Interest earned on the investments backing up this fund must be recorded as part of interest earned in surplus or deficit for the year and can be transferred via the Statement of Changes in Net Assets to the Fund.

**1.9 Housing loan funds**

The municipality has two housing development funds established under Section 58(1) of Local Authority, 1992 (Act no 23 of 1992) which is read with Section 30 of the same Act. These funds were established to provide funding to low income earners, within the municipal area, for the purpose of housing development. The terms require separate operating accounts to be maintained by the municipality i.e. each fund to have separate bank account or investments and must be backed by cash and receivable. Interest earned (and impairment on loan receivables) on the investments and loan receivable backing up these funds must be recorded as part of interest earned and impairment in surplus or deficit for the year. And interest earned (net of impairment of receivables) is transferred via the Statement of Changes in Net Assets to the two housing development fund.



**THE MUNICIPALITY OF OMARURU**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**  
**(continued)**

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**1.10 Government grants**

Grant 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 recognised as a liability.

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

**1.11 Revenue**

Revenue is recognised to the extent that the municipality has transferred 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 municipality. Revenue is measured at the fair value of the consideration received or receivable, excluding sales taxes and discounts. Interest is recognised, in surplus or deficit, using the effective interest rate method.

**1.12 Borrowing costs**

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

**1.13 Site preparation and restoration cost**

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

As the related asset is measured using the cost model:

New carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.C228.

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

**2. PROPERTY, PLANT AND EQUIPMENT**

|                     | 2019              |                          |                   | 2018              |                          |                   |
|---------------------|-------------------|--------------------------|-------------------|-------------------|--------------------------|-------------------|
|                     | Cost              | Accumulated depreciation | Carrying value    | Cost              | Accumulated depreciation | Carrying value    |
|                     | N\$               | N\$                      | N\$               | N\$               | N\$                      | N\$               |
| Infrastructure      |                   |                          |                   |                   |                          |                   |
| Town planning       | 73 323 798        | 15 982 912               | 57 340 886        | 65 164 406        | 11 576 632               | 53 587 774        |
| Buildings           | 9 555 172         | 2 605 345                | 6 949 827         | 9 555 172         | 2 284 329                | 7 270 843         |
| Office furniture    | 3 548 040         | 666 067                  | 2 881 973         | 1 655 063         | 390 432                  | 1 264 631         |
| Vehicles            | 3 344 420         | 1 662 912                | 1 681 508         | 3 344 420         | 1 431 203                | 1 913 217         |
| Plant               | 688 473           | 86 547                   | 601 926           | 688 473           | 81 861                   | 606 612           |
| Tools and equipment | 82 201            | 24 111                   | 58 090            | 82 201            | 19 556                   | 62 645            |
| Siding and erven    | 752 830           | 2 332                    | 750 498           | 752 830           | 1 196                    | 751 634           |
|                     | <b>91 294 934</b> | <b>21 030 226</b>        | <b>70 264 708</b> | <b>81 242 565</b> | <b>15 785 209</b>        | <b>65 457 356</b> |

**PROPERTY, PLANT AND EQUIPMENT CAN BE RECONCILED AS FOLLOWS**

|                     | Carrying value beginning of year | Transfers | Additions         | Depreciation       | Carrying value end of year |
|---------------------|----------------------------------|-----------|-------------------|--------------------|----------------------------|
| 2019                | N\$                              | N\$       | N\$               | N\$                | N\$                        |
| Infrastructure      |                                  |           |                   |                    |                            |
| Town planning       | 53 587 774                       | -         | 8 159 392         | (4 406 280)        | 57 340 886                 |
| Buildings           | 7 270 843                        | -         | -                 | (321 016)          | 6 949 827                  |
| Office furniture    | 1 264 631                        | -         | 1 892 977         | (275 635)          | 2 881 973                  |
| Vehicles            | 1 913 217                        | -         | -                 | (231 709)          | 1 681 508                  |
| Plant               | 606 612                          | -         | -                 | (4 686)            | 601 926                    |
| Tools and equipment | 62 645                           | -         | -                 | (4 555)            | 58 090                     |
| Siding and erven    | 751 634                          | -         | -                 | (1 136)            | 750 498                    |
|                     | <b>65 457 356</b>                | <b>-</b>  | <b>10 052 369</b> | <b>(5 245 017)</b> | <b>70 264 708</b>          |

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

**2. PROPERTY, PLANT AND EQUIPMENT**

**PROPERTY, PLANT AND EQUIPMENT CAN BE RECONCILED AS FOLLOWS;**

|                                  | Carrying<br>value<br>beginning of<br>year | Transfers | Additions        | Depreciation       | Carrying<br>value end of<br>year |
|----------------------------------|---|-----------|------------------|--------------------|----------------------------------|
| 2018                             | N\$                                       | N\$       | N\$              | N\$                | N\$                              |
| Infrastructure/<br>town planning | 53 409 047                                | -         | 3 286 147        | (3 107 420)        | 53 587 774                       |
| Buildings                        | 7 560 647                                 | -         | 48 000           | (337 804)          | 7 270 843                        |
| Office furniture                 | 1 345 467                                 | -         | 15 022           | (95 858)           | 1 264 631                        |
| Vehicles                         | 2 202 853                                 | -         | -                | (289 636)          | 1 913 217                        |
| Plant                            | 611 819                                   | -         | -                | (5 207)            | 606 612                          |
| Tools and equipment              | 67 705                                    | -         | -                | (5 060)            | 62 645                           |
| Siding and erven                 | 752 830                                   | -         | -                | (1 196)            | 751 634                          |
|                                  | <b>65 950 368</b>                         | <b>-</b>  | <b>3 349 169</b> | <b>(3 842 181)</b> | <b>65 457 356</b>                |

|                       | 2019              | 2018              |
|-----------------------|-------------------|-------------------|
|                       | N\$               | N\$               |
| <b>3. INVESTMENTS</b> |                   |                   |
| Capital Fund          | 3 098 707         | 3 843 516         |
| Build Together Fund   | 4 315 529         | 4 726 980         |
| Equity - Erongo RED   | 6 225 100         | 6 225 100         |
|                       | <b>13 639 336</b> | <b>14 795 596</b> |

**4. LONG-TERM LOANS RECEIVABLE**

|                      |                  |                  |
|----------------------|------------------|------------------|
| Build together loans | 3 492 671        | 3 573 134        |
| Oasis loans          | 479 886          | 572 366          |
|                      | <b>3 972 557</b> | <b>4 145 500</b> |

**5. TRADE AND OTHER RECEIVABLES**

|                           |                  |                   |
|---------------------------|------------------|-------------------|
| Services, rates and taxes | 36 993 589       | 35 792 125        |
| Student loans             | 176 800          | 158 900           |
| VAT                       | 2 192 624        | 676 296           |
|                           | 39 363 013       | 36 627 321        |
| Provision for bad debts   | (32 114 564)     | (15 127 929)      |
|                           | <b>7 248 449</b> | <b>21 499 392</b> |

## ANNEXURE D

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

|   | <b>2019</b>       | <b>2018</b>       |
|---|-------------------|-------------------|
|   | N\$               | N\$               |
| <b>6. INVENTORIES</b>   |                   |                   |
| Materials   | 191 719           | 222 223           |
| <b>7. CASH AND BANK BALANCES</b>  |                   |                   |
| Current account   | 789 473           | 1 119 824         |
| <b>8. CAPITAL OUTLAY</b>  |                   |                   |
| Loans redeemed  | 17 179 679        | 17 179 679        |
| Revenue contributions   | 37 168 445        | 38 826 146        |
| General Capital contributions   | 15 916 584        | 9 451 530         |
|   | <b>70 264 708</b> | <b>65 457 355</b> |
| <b>9. FUNDS AND ACCOUNTS</b>  |                   |                   |
| Build Together Fund   | 9 636 433         | 9 986 399         |
| Capital Development Fund  | (574 918)         | 1 358 216         |
| Government Subsidy Fund   | 2 228 262         | 5 841 697         |
| Tigpee Fund   | 1 766 255         | 1 828 533         |
| Oasis Fund  | 550 458           | 587 117           |
| Housing Fund  | 180 313           | 180 313           |
| Revenue account kept in compliance with Section 86(1) of the Local Authority Act, 1992. | 261 982           | 9 489 202         |
|   | <b>14 048 785</b> | <b>29 271 477</b> |
| <b>10. LONG-TERM LIABILITIES</b>  |                   |                   |
| External loans  | 3 586 271         | 2 285 509         |
| Current portion of long-term loans  | 316 763           | 1 300 762         |
|   | <b>3 903 034</b>  | <b>3 586 271</b>  |

## ANNEXURE D

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

|   | <b>2019</b>         | <b>2018</b>         |
|---|---------------------|---------------------|
|   | N\$                 | N\$                 |
| <b>11. TRADE AND OTHER PAYABLES</b>             |                     |                     |
| Accrued creditors                               | 3 207 882           | 1 828 719           |
| Accounts receivables credit balances            | -                   | 2 991 118           |
| Deposits received                               | 1 057 137           | 1 042 924           |
| <b>Provisions</b>                               |                     |                     |
| - Severance pay                                 | 1 659 374           | 1 361 734           |
| - Leave pay                                     | 1 965 322           | 1 700 293           |
|   | <b>7 889 715</b>    | <b>8 924 788</b>    |
| <b>12. ADJUSTMENTS TO APPROPRIATION ACCOUNT</b> |                     |                     |
| Adjustments - relating to prior                 |                     | 63 098              |
| Build together fund adjustment                  | -                   | 1 047 018           |
| Oasis fund                                      | -                   | 77 559              |
| Students loans                                  | -                   | 85 260              |
| Provision for bad debts                         | -                   | (2 063 640)         |
| Correction prior year transaction               | -                   | (1 736 204)         |
| External loans                                  | -                   | (1 300 792)         |
| Suspense  | -                   | (1 723 831)         |
| Contribution loan assets                        | -                   | (17 179 677)        |
| Adjustment leave days                           | -                   | (182 695)           |
| Contribution income assets                      | -                   | (41 995 314)        |
| Contribution general capital assets             | -                   | (6 775 378)         |
| Prior year adjustments                          | -                   | (64 181)            |
| Expenditure adjustments                         | (19 665 399)        | -                   |
| Income adjustments                              | 273 090             | -                   |
|   | <b>(19 392 309)</b> | <b>(71 748 777)</b> |

**THE MUNICIPALITY OF OMARURU**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**  
**(continued)**

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**13. CASH GENERATED BY OPERATIONS**

|  |                    |                    |
|--|--------------------|--------------------|
| Net operating surplus  | 10 165 089         | 19 267 910         |
| Adjustments for:   |                    |                    |
| - Adjustments to appropriation account                               | (19 392 309)       | -                  |
| - Investment income  | (86 043)           | -                  |
| <b>OPERATING SURPLUS/(DEFICIT) BEFORE CHANGES IN WORKING CAPITAL</b> | <b>(9 313 263)</b> | <b>19 267 910</b>  |
| <b>CHANGES IN WORKING CAPITAL</b>                                    |                    |                    |
| Change in trade and other receivables                                | 14 250 943         | (17 259 566)       |
| Change in inventories  | 30 504             | 1 806 873          |
| Change in trade and other payables                                   | (1 035 073)        | 8 227 558          |
|  | <b>13 246 374</b>  | <b>(7 225 135)</b> |
| <b>CASH GENERATED BY OPERATIONS</b>                                  | <b>3 933 111</b>   | <b>12 042 775</b>  |