



REPUBLIC OF NAMIBIA



**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE  
TOWN COUNCIL OF KATIMA MULILO  
FOR THE FINANCIAL YEARS ENDED 30 JUNE 2016, 2017 AND 2018**



**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 Town Council of Katima Mulilo for the financial years ended 30 June 2016, 2017 and 2018, in terms of Article 127(2) of the Namibian Constitution. The report is transmitted to the Honourable Minister of Finance in terms of Section 27(1) of the State Finance Act, 1991 (Act 31 of 1991) to be laid upon the Table of the National Assembly in terms of Section 27(4) of the Act.

**WINDHOEK, August 2022**

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

**JUNIAS ETUNA KANDJEKE  
AUDITOR-GENERAL**

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**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE  
KATIMA MULILO TOWN COUNCIL  
FOR THE FINANCIAL YEARS ENDED 30 JUNE 2016, 2017 AND 2018**

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**1. ADVERSE AUDIT OPINION**

I have audited the financial statements of the Katima Mulilo Town Council for the financial years ended 30 June 2016, 2017 and 2018. These financial statements comprise the statement of financial position, the statement of financial performance, the statement of changes in net assets, the statement of cash flows for the years then ended, and a summary of significant accounting policies.

In my opinion, because of the significance of matters discussed in the Basis of Adverse audit Opinion paragraph, the financial statements do not present fairly the financial position of the Katima Mulilo Town Council for the financial years ended 30 June 2016, 2017 and 2018 and its financial performance for the years then ended in accordance with accrual accounting.

**2. BASIS FOR ADVERSE AUDIT OPINION**

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

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

**2.1 UNACCEPTABLE ACCOUNTING FRAMEWORK**

The Council prepared its financial statements in accordance with accrual accounting; the audit found and deemed the framework unacceptable.

The absence of an accepted Financial Reporting Framework may result in financial information not being recognized, measured and disclosed as per recognized standards and financial statements not presenting a fair picture of the Councils financial performance and position.

It is recommended that the Council adopts and complies with a framework that is applicable to Public Interest Entities.

**2.2 FIXED ASSET REGISTER**

The auditors were unable to establish the accuracy, validity, physical existence, and the condition of the Property, plant and equipment, which had a net book value of N\$ 72 561 447 (2016), N\$ 69 128 635 (2017) and N\$ 67 626 579 (2018). This was due to Council's repeated failure to update and maintain the asset register. It is recommended that the Council updates and maintains its fixed asset register on an annual basis.

### **2.3 BAD DEBTS AND TRADE RECEIVABLES**

The age analysis for trade receivables reflected amounts of N\$ 56 105 532 (2016), N\$ 54 415 351 (2017) and N\$ 63 695 103 (2018), as the financial statements reflected amounts of N\$ 10 348 463 (2016), N\$ 4 596 362 (2017) and N\$ 7 185 966 (2018). There are differences of N\$ 45 757 069 (2016), N\$ 49 818 989 (2017) and N\$ 56 509 137 (2018) which could not be explained by the Council.

It is recommended that the Council reconciles its trade receivables balances so that its balance as per the age analysis agrees to that of the financial statements. It is further recommended that the Council should explain any differences between the age analysis and the financial statements.

### **2.4 BUILD TOGETHER**

The auditors could not obtain any audit evidence to verify the Build Together loans amounting to N\$ 3 308 807 (2016), N\$ 3 096 002 (2017) and N\$ 3 022 685 (2018). It is recommended that the Council ensures that all supporting documents are provided for audit purposes.

### **2.5 VALUE ADDED TAX (VAT) CONTROL**

There are differences of N\$ 3 257 222 (2016), N\$ 3 180 739 (2017) and N\$ 1 253 500 (2018) between the VAT control and the submitted returns that could not be verified. It is recommended that the Council reconciles its VAT control account to the submitted VAT returns.

### **2.6 SALE OF ERVEN**

Supporting documents could not be provided for the Sale of Erven, however, the financial statements reflect amounts of N\$ 7 320 254 (2016), N\$ 8 144 076 (2017) and N\$ 4 817 784 (2018). It is recommended that the Council ensures that all supporting documents are provided for audit purposes.

### **2.7 TRADE PAYABLES**

There was no supporting documents to verify the Trade Payables amounting to N\$ 3 842 036 (2016) and N\$ 3 316 439 (2017) and N\$ 6 283 088(2018). It is recommended that the Council ensures that all supporting documents are provided for audit purposes.

### **2.8 BANK RECONCILIATIONS**

No proper bank reconciliations were available for audit purposes; therefore, the auditors could not carry out audit procedures. It is recommended that the Council ensures that all supporting documents are provided for audit purposes.

## **3. KEY AUDIT MATTERS**

Key audit matters are those matters that, in my professional judgment, were of most significance in the audit of the financial statements of the current period. These matters were addressed in the context of the audit of the financial statements as a whole, and in forming the audit opinion thereon, and I do not provide a separate opinion on these matters. I have determined that there are

no key audit matters identified in respect of the financial statements for the Katima Mulilo Town Council for the financial years ended 30 June 2016, 2017 and 2018.

#### **4. OTHER INFORMATION**

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

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

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

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

#### **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 audit report that includes the audit opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the International Standards for Supreme Audit Institutions (ISSAIs), will always detect a material misstatement when it exists. Misstatement can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions for users taken on the basis of these financial statements.

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

- 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 the audit report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the audit opinion. My conclusions are based on the audit evidence obtained up to the date of the audit report. However, future events or conditions may cause the 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 the 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 the audit report unless law or regulation precludes public disclosure about the matter or, when, in extremely rare circumstances, I determine that a matter should not be communicated in the audit report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



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

The financial statements for the financial years ended 30 June 2016, 2017 and 2018 were submitted later than required by the Accounting Officer to the Auditor-General on 12 December 2019, 25 September 2020, respectively, in terms of Section 85 of the Local Authorities Act, 1992 (Act No. 23 of 1992).

## **8. ACKNOWLEDGEMENT**

The co-operation and assistance by the management and staff of the Katima Mulilo Town Council during the audit is appreciated.

**WINDHOEK, August 2022**



**JUNIAS ETUNA KÄNDJEKE  
AUDITOR-GENERAL**

**KATIMA MULILO TOWN COUNCIL**  
**STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE**

		<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
	Note	N\$	N\$	N\$	N\$
<b>ASSETS</b>					
<b>NON-CURRENT ASSETS</b>					
		<b>74 133 429</b>	<b>74 927 962</b>	<b>75 870 254</b>	<b>62 417 860</b>
Property, plant and equipment	2	67 626 579	69 047 795	72 501 479	62 417 860
Build together advances		3 022 685	3 096 002	3 308 807	-
Other financial assets	3	3 484 165	2 784 165	59 968	-
<b>CURRENT ASSETS</b>					
		<b>19 438 871</b>	<b>14 446 540</b>	<b>18 401 520</b>	<b>23 167 841</b>
Trade and other receivables	4	14 199 016	8 036 376	16 312 415	16 473 850
Inventories		3 182 911	4 689 678	509 978	-
Cash and cash equivalents	6	2 056 944	1 720 486	1 579 127	6 693 991
<b>TOTAL ASSETS</b>					
		<b>93 572 300</b>	<b>89 374 502</b>	<b>94 271 774</b>	<b>85 585 701</b>
<b>FUNDS AND LIABILITIES</b>					
<b>FUNDS AND RESERVES</b>					
		<b>26 570 300</b>	<b>28 038 230</b>	<b>25 414 632</b>	<b>27 495 883</b>
Funds	7	8 014 182	7 959 906	8 021 979	7 951 728
Accumulated Surplus		18 556 118	20 078 324	17 392 653	19 544 155
<b>CURRENT LIABILITIES</b>					
		<b>67 002 000</b>	<b>61 336 272</b>	<b>68 857 142</b>	<b>58 089 818</b>
Trade and other Payables	8	54 786 406	47 570 751	64 606 211	48 479 798
Bank Overdraft	6	12 215 594	13 765 521	4 250 931	9 610 020
<b>TOTAL FUNDS AND LIABILITIES</b>					
		<b>93 572 300</b>	<b>89 374 502</b>	<b>94 271 774</b>	<b>85 585 701</b>

## ANNEXURE B

**KATIMA MULILO TOWN COUNCIL  
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE**

	Note	2018 N\$	2017 N\$	2016 N\$	2015 N\$
<b>REVENUE</b>	9	<b>91 056 303</b>	<b>76 308 091</b>	<b>88 718 337</b>	<b>95 303 018</b>
Total revenue		-	-	-	95 303 018
Sale of water		26 563 385	24 347 804	25 021 133	-
Sale of erven		4 817 784	8 144 076	7 320 254	-
Business registration fees		522 988	572 487	700 141	-
Royalty income		2 187 152	2 451 049	2 318 069	-
Miscellaneous other revenue		5 171 091	4 003 935	3 846 528	-
Dividends received		4 784	-	-	-
Sewerage fees		5 399 290	4 753 337	4 446 342	-
Government grants		9 257 813	2 122 992	17 329 199	-
Refuse removal fees		8 717 965	7 692 124	7 077 809	-
Fines		38 469	41 054	58 805	-
Rates and Taxes		28 375 582	22 179 233	20 600 057	-
<b>Other Income</b>					
Interest received	11	27 059	109 142	60 200	621 542
<b>Total Income</b>		<b>91 083 362</b>	<b>76 417 233</b>	<b>88 778 537</b>	<b>95 924 560</b>
<b>OPERATING EXPENSES</b>		<b>88 438 489</b>	<b>86 353 463</b>	<b>88 556 935</b>	<b>96 643 424</b>
Admin and operational expenses		-	-	-	96 643 424
Bad Debts		6 696 727	2 707 225	5 041 532	-
Bulk Purchases - Water		20 564 856	15 440 870	16 097 424	-
Consulting and professional fees		-	8 717	337 391	-
Depreciation		6 679 872	7 457 011	7 897 204	-
Donations		32 500	41 500	54 967	-
Employee and councilor costs	10	31 985 874	32 654 584	32 876 459	-
Entertainment		177 889	70 109	192 581	-
General Expenses		2 724 512	8 444 282	8 039 087	-
Refuse Removal		4 931 373	4 337 028	3 623 807	-
Regional Council Levy		1 418 779	1 134 373	1 054 592	-
Electricity		4 565 065	3 857 918	2 582 566	-
Legal Expenses		986 571	1 214 924	742 417	-
Motor Vehicle Expenses		528 448	913 739	672 408	-
Repairs and Maintenance		2 656 493	3 593 030	4 712 758	-
Security		2 716 976	2 618 051	2 563 164	-
Telephone and Fax		574 253	660 315	820 661	-
Travel and Accommodation		1 198 301	1 199 787	1 247 917	-
Operating surplus/(deficit)		<b>2 644 873</b>	<b>(9 936 230)</b>	<b>221 602</b>	<b>(718 864)</b>
Finance charges	12	(1 457 301)	(1 982 047)	(2 373 104)	-
<b>DEFICIT FOR THE YEAR</b>		<b>1 187 572</b>	<b>(11 918 277)</b>	<b>(2 151 502)</b>	<b>(718 864)</b>

## ANNEXURE C

**KATIMA MULILO TOWN COUNCIL**  
**STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE**

	<b>Build Together and Capital Funds</b>	<b>Accumulated Surplus</b>	<b>Total Net Assets/Equity</b>
	N\$	N\$	N\$
Restated Balance 1 July 2014	<b>7 638 583</b>	<b>25 223 563</b>	<b>32 862 146</b>
Loss for the Year	-	(718 864)	(718 864)
Transfer between Reserves	313 145	(4 960 544)	(4 647 399)
Restated Balance 1 July 2015	<b>7 951 728</b>	<b>19 544 155</b>	<b>27 495 883</b>
Loss for the Year	-	(2 151 502)	(2 151 502)
Interest earned on Build Together Fund	70 251	-	70 251
NamWater Debt Written Off in previous years	-	17 283 252	17 283 252
Balance at 30 June 2016	<b>8 021 979</b>	<b>34 675 905</b>	<b>42 697 884</b>
Loss for the year	-	(11 918 277)	(11 918 277)
Net Movements in the Fund	(62 073)	-	(62 073)
Poor Debtors Correction	-	(2 679 304)	(2 679 304)
Balance at 30 June 2017	<b>7 959 906</b>	<b>20 078 324</b>	<b>28 038 230</b>
Loss for the year	-	1 187 572	1 187 572
Net Movements in the Fund	54 276	-	54 276
Poor Debtors Correction	-	(2 709 778)	(2 709 778)
Balance at 30 June 2018	<b>8 014 182</b>	<b>18 556 118</b>	<b>26 570 300</b>

**ANNEXURE D**

**KATIMA MULILO TOWN COUNCIL  
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE**

	2018	2017	2016	2015
Note	N\$	N\$	N\$	*Restated N\$
<b>Cash flow from operating activities</b>				
Cash utilized by Operations	11 857 468	1 755 770	23 836 476	(8 817 185)
Interest income	27 059	109 142	60 200	621 542
Finance cost	(1 457 301)	(1 982 047)	(2 373 104)	-
<b>Net Cash Flow from Operating Activities</b>	<b>10 427 226</b>	<b>(117 135)</b>	<b>21 523 572</b>	<b>(8 195 643)</b>
<b>Cash flow from investing activities</b>				
Purchase of property, plant and equipment	(5 258 656)	(4 003 327)	(18 040 791)	(25 542 855)
Sale of financial assets	(700 000)	(2 724 197)	-	-
Build together advances	73 317	212 805	(3 308 807)	-
	<b>(5 885 339)</b>	<b>(6 514 719)</b>	<b>(21 349 598)</b>	<b>(25 542 855)</b>
<b>Cash flow from financing activities</b>				
Change in capital outlay	-	-	-	25 893 954
Direct adjustment to accumulated surplus	(2 709 304)	(2 679 304)	-	(4 960 544)
Net cash flows from movement in funds	53 802	(62 073)	70 251	313 145
<b>Net cash flows from financing activities</b>	<b>(2 655 502)</b>	<b>(2 741 377)</b>	<b>70 251</b>	<b>21 246 555</b>
<b>Net movement in cash and cash equivalents</b>	<b>1 886 385</b>	<b>(9 373 231)</b>	<b>244 225</b>	<b>(12 491 943)</b>
Cash and cash equivalents - beginning of year	(12 045 035)	(2 671 804)	(2 916 029)	9 575 914
<b>Cash and cash equivalents - end of year</b>	<b>(10 158 650)</b>	<b>(12 045 035)</b>	<b>(2 671 804)</b>	<b>(2 916 029)</b>

**KATIMA MULILO TOWN COUNCIL  
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED  
30 JUNE**

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**Accounting Policies**

**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 Accrual Accounting, 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.

These accounting policies are consistent with the previous period, except for the changes set out in note First-time adoption of accrual accounting.

**1.1 Property, Plant and Equipment**

Property, Plant and Equipment are tangible assets, which the Town 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 recognized 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 is 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 Council.

The useful lives of items of Property, Plant and Equipment have been assessed as follows:

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.

**KATIMA MULILO TOWN COUNCIL  
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED  
30 JUNE**

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**1.1 Property, Plant and Equipment (Continued)**

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 recognized immediately in profit or loss to bring the carrying amount in line with the recoverable amount.

An item of Property, Plant and Equipment is derecognized 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 derecognized.

**1.2 Financial Instruments**

**Initial Measurement**

Financial instruments are initially measured at the transaction price (including transaction costs except in the initial measurement of financial assets and liabilities that are measured at fair value through 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.

**Financial Instruments at Cost**

Equity instruments that are not publicly traded and whose fair value cannot otherwise be measured reliably without undue cost or effort are measured at cost less impairment.

**1.3 Inventories**

Inventories are measured at the lower of cost and estimated selling price less costs to complete and sell, on the weighted average cost basis.

**KATIMA MULILO TOWN COUNCIL  
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED  
30 JUNE**

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#### **1.4 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 recognized in the period in which the service is rendered and are not discounted.

##### **Termination Benefits**

Termination benefits are recognized 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.

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

#### **1.5 Provisions and Contingencies**

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

Provisions are measured at the present value of the amount expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognized as interest expense.

Provisions are not recognized for future operating losses.

#### **1.6 Government Grants**

Grants that do not impose specified future performance conditions are recognized in income when the grant proceeds are receivable.

Grants that impose specified future conditions are recognized only when the performance conditions are met.

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



**KATIMA MULILO TOWN COUNCIL  
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED  
30 JUNE**

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**1.7 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.

**1.8 Borrowing Costs**

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

## ANNEXURE E

KATIMA MULILO TOWN COUNCIL  
 NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE

## 2. PROPERTY, PLANT AND EQUIPMENT

	2018		2017			
	Cost or Revaluation N\$	Depreciation N\$	Carrying Value N\$	Cost or Revaluation N\$	Accumulated Depreciation N\$	Carrying Value N\$
Income Assets	85 105 755	21 773 589	63 332 166	80 152 162	15 173 277	64 978 885
General Capital Assets	261 556	260 498	1 058	261 556	180 938	80 618
Capital Work in Progress	4 293 355	-	4 293 355	3 988 292	-	3 988 292
	<b>89 660 666</b>	<b>22 034 087</b>	<b>67 626 579</b>	<b>84 402 010</b>	<b>15 354 215</b>	<b>69 047 795</b>
		<b>2016</b>			<b>2015</b>	
	Cost or Revaluation N\$	Depreciation N\$	Carrying Value N\$	Cost or Revaluation N\$	Accumulated Depreciation N\$	Carrying Value N\$
Income Assets	79 111 697	7 806 628	71 305 069	62 156 304	-	62 156 304
General Capital Assets	261 556	90 576	170 980	261 556	-	261 556
Capital Work in Progress	1 085 398	-	1 085 398	-	-	-
	<b>80 458 651</b>	<b>7 897 204</b>	<b>72 561 447</b>	<b>62 417 860</b>	<b>-</b>	<b>62 417 860</b>

**KATIMA MULILO TOWN COUNCIL**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30**  
**JUNE**

**2 PROPERTY, PLANT AND EQUIPMENT (Continued)**

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

	<b>Opening Balance</b>	<b>Additions</b>	<b>Depreciation</b>	<b>Closing Balance</b>
	N\$	N\$	N\$	N\$
Income Assets	64 978 885	4 953 593	(6 600 312)	63 332 166
General Capital assets	80 618	-	(79 560)	1 058
Capital work in progress	3 988 292	305 063	-	4 293 355
	<b>69 047 795</b>	<b>5 258 656</b>	<b>(6 679 872)</b>	<b>67 626 579</b>

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

	<b>Opening Balance</b>	<b>Additions</b>	<b>Depreciation</b>	<b>Closing Balance</b>
	N\$	N\$	N\$	N\$
Income Assets	71 245 101	1 100 433	(7 366 649)	64 978 885
General Capital Assets	170 980	-	(90 362)	80 618
Capital Work in Progress	1 085 398	2 902 894	-	3 988 292
	<b>72 501 479</b>	<b>4 003 327</b>	<b>(7 457 011)</b>	<b>69 047 795</b>

**RECONCILIATION OF PROPERTY, PLANT AND EQUIPMENT - 2016**

	<b>Opening Balance</b>	<b>Additions</b>	<b>Depreciation</b>	<b>Closing Balance</b>
	N\$	N\$	N\$	N\$
Income Assets	62 156 304	16 955 393	(7 806 628)	71 305 069
General Capital assets	261 556	-	(90 576)	170 980
Capital work in progress	-	1 085 398	-	1 085 398
	<b>62 417 860</b>	<b>18 040 791</b>	<b>(7 897 204)</b>	<b>72 561 447</b>

**RECONCILIATION OF PROPERTY, PLANT AND EQUIPMENT - 2015**

	<b>Opening Balance</b>	<b>Additions</b>	<b>Depreciation</b>	<b>Closing Balance</b>
	N\$	N\$	N\$	N\$
Income Assets	36 522 873	25 633 431	-	62 156 304
General Capital Assets	352 132	(90 576)	-	261 556
Capital Work in Progress	-	-	-	-
	<b>36 875 005</b>	<b>25 542 855</b>	<b>-</b>	<b>62 417 860</b>

## ANNEXURE E

**KATIMA MULILO TOWN COUNCIL**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED**  
**30 JUNE**

	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
	N\$	N\$	N\$	N\$
<b>3 OTHER FINANCIAL ASSETS</b>				
<b>Equity Instruments at cost</b>				
Unlisted shares – NORED	<b>3 484 165</b>	<b>2 784 165</b>	<b>59 968</b>	-
<b>Non-Current Assets</b>	<b>3 484 165</b>	<b>2 784 165</b>	<b>59 968</b>	-
<b>4 TRADE AND OTHER RECEIVABLES</b>	<b>14 199 016</b>	<b>8 036 376</b>	<b>16 312 415</b>	<b>16 473 850</b>
Trade Receivables	7 185 969	4 596 362	10 348 463	6 907 535
Prepayments	-	-	-	351 099
Value Added Tax	7 013 047	3 440 014	5 963 952	5 792 253
Build Together Advances	-	-	-	3 416 963
Sundry Debtors	-	-	-	6 000
<b>5 BUILD TOGETHER ADVANCES</b>				
Build Together Advances relates to loans extended to quality residents for the construction of dwellings. These loans are extended at 4% per annum over 20 years.				
<b>6 CASH AND CASH EQUIVALENTS</b>				
Cash and Cash Equivalents consist of:	<b>(10 158 650)</b>	<b>(12 045 035)</b>	<b>(2 671 804)</b>	<b>(2 916 029)</b>
Cash on Hand	8 050	8 050	6 050	50
Short-term Deposits	2 048 894	1 712 436	1 573 077	6 693 941
Bank Overdraft	(12 215 594)	(13 765 521)	(4 250 931)	(9 610 020)
Current Assets	2 056 944	1 720 486	1 579 127	6 693 991
Current Liabilities	12 215 594	13 765 521	4 250 931	9 610 020
<b>7 BUILD TOGETHER AND CAPITAL FUNDS</b>	<b>8 014 182</b>	<b>7 959 906</b>	<b>8 021 979</b>	<b>7 951 728</b>
Build Together Fund	7 624 874	7 570 598	7 632 671	7 562 420
Capital Fund	389 308	389 308	389 308	389 308

## ANNEXURE E

**KATIMA MULILO TOWN COUNCIL**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED**  
**30 JUNE**

	2018	2017	2016	2015
	N\$	N\$	N\$	N\$
<b>8 TRADE AND OTHER PAYABLES</b>	<b>54 786 406</b>	<b>47 570 751</b>	<b>64 606 211</b>	<b>48 479 798</b>
Trade Creditors	6 283 088	3 316 439	3 842 036	45 556 674
Zambezi Regional Council (Levies)	5 847 044	4 428 265	3 343 892	-
NamWater	20 885 308	22 654 209	41 307 587	-
Accrued Leave Pay	2 676 469	2 238 507	2 935 152	2 845 234
Suspense	-	-	1 354 695	-
Other Accrued Expenses	3 746 750	2 464 213	364 180	-
Deposits Received	14 830 050	12 164 601	11 329 149	-
Suspense	517 697	304 517	129 520	77 890
<b>9 REVENUE</b>	<b>91 056 303</b>	<b>76 308 091</b>	<b>88 718 337</b>	<b>95 303 018</b>
Total Revenue			-	95 303 018
Sale of Water	26 563 385	24 347 804	25 021 133	-
Sale of Erven	4 817 784	8 144 076	7 320 254	-
Business Registration Fees	522 988	572 487	700 141	-
Royalty Income	2 187 152	2 451 049	2 318 069	-
Dividends Received	4 784	-	-	-
Miscellaneous Other Revenue	5 171 091	4 003 935	3 846 528	-
Sewerage Fees	5 399 290	4 753 337	4 446 342	-
Government Grants	9 257 813	2 122 992	17 329 199	-
Refuse Removal Fees	8 717 965	7 692 124	7 077 809	-
Fines	38 469	41 054	58 805	-
Rates and Taxes	28 375 582	22 179 233	20 600 057	-
<b>10 EMPLOYEE COST</b>	<b>31 985 874</b>	<b>32 654 584</b>	<b>32 876 459</b>	
Councilors' Allowances	531 642	409 626	419 874	-
Basic	16 215 362	17 183 100	18 049 582	-
Overtime	691 727	1 255 582	1 121 620	-
Bonus	1 167 290	1 125 953	1 149 395	-
Medical Aid - Employer Contributions	2 832 365	2 737 760	2 491 841	-
Workmen's Compensation Allowance	323 470	(103 954)	313 954	-
Social Security	106 234	114 712	122 645	-
Other Payroll Levies (NTA)	294 863	308 366	196 255	-
Leave Pay Provision Charge	437 962	(696 645)	89 918	-
Other Allowances	5 559 293	5 404 361	5 550 452	-
Pension - Defined Contribution Plan	3 206 422	2 861 035	2 960 624	-
Long-term Benefits - Leave Gratuity	619 244	2 054 688	410 299	-
<b>11 INVESTMENT INCOME</b>				
<b>Interest Revenue</b>	<b>27 059</b>	<b>109 142</b>	<b>60 200</b>	<b>621 542</b>
Bank	19 765	109 142	60 200	621 542
Other Interest	7 294	-	-	-

## ANNEXURE E

**KATIMA MULILO TOWN COUNCIL**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED**  
**30 JUNE**

	2018	2017	2016	2015
	N\$	N\$	N\$	N\$
<b>12 FINANCE COSTS</b>	<b>1 457 301</b>	<b>1 982 047</b>	<b>2 373 104</b>	
Trade and Other Payables			6 346	-
Interest Paid	1 457 301	1 982 047	2 366 758	-

**13 CASH GENERATED/(UTILISED) BY OPERATIONS**

Profit (loss)	1 187 572	(11 918 277)	(2 151 502)	(718 864)
Adjustments for:				
- Interest Received	(27 059)	(109 142)	(60 200)	(621 542)
- Interest Paid	1 457 301	1 982 047	2 373 104	-
- Depreciation, amortization and Impairments	6 679 872	7 457 011	7 897 204	-
- Retained earnings	-	-	-	(7 476 779)
<b>Changes in working capital</b>				
Increase in trade and other receivables	(6 162 640)	8 276 039	(509 978)-	
Increase in Inventories	1 506 767	(4 179 700)	161 435	-
Increase in trade and other payables	7 215 655	247 792	16 126 413	-
<b>Cash generated/(utilized) by operations</b>	<b>11 857 468</b>	<b>1 755 770</b>	<b>23 836 476</b>	<b>(8 817 185)</b>

**7 RELATED PARTIES****Related Party Balances And Transactions with Key Management Personnel Of Council**

Compensation Paid to Councilors	531 642	409 626	419 874	-
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**8 GOING CONCERN**

The Annual Financial Statements have been prepared on the basis of Accounting Policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

**9 EVENTS AFTER THE REPORTING PERIOD**

The Annual Financial Statements for the financial years ended 30 June 2016, 2017 and 2018 were authorized for issue on 14 October 2019, 11 February 2020 and 15 September 2020, respectively, by the Councilors of the Council.