



**REPUBLIC OF NAMIBIA**



**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE  
TOWN COUNCIL OF ARANDIS  
FOR THE FINANCIAL YEARS ENDED 30 JUNE 2022 AND 2023**

Published by authority

Price (Vat excluded) N\$ 68.00

Report no: 94/2025

**REPUBLIC OF NAMIBIA**



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

I have the honor to submit herewith my report on the accounts of the Town Council of Arandis for the financial years ended 30 June 2022 and 2023, in terms of Article 127(2) of the Namibian Constitution. The report is transmitted to the Honorable Minister of Finance in terms of Section 27(1) of the State Finance Act, 1991, (Act No. 31 of 1991) to be laid upon the Table of the National Assembly in terms of Section 27(4) of the Act.

**WINDHOEK, December 2025**

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  
ARANDIS TOWN COUNCIL  
FOR THE FINANCIAL YEARS ENDED 30 JUNE 2022 AND 2023**

---

**1. DISCLAIMER AUDIT OPINION**

I have audited the financial statements of the Town Council of Arandis for the financial years ended 30 June 2022 and 2023. These financial statements comprise the statement of financial position, statement of financial performance, statement of changes in net assets, statement of cash flow and notes to the financial statements for the years then ended, and a summary of significant accounting policies.

Because of the significance of the matters described in the Basis for Disclaimer 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 the 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 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 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 IPSAS 23-Donations in good kind**

The Office of the Auditor-General has given Local Authorities an exemption from paying audit fees from 2019/2020 to the 2023/2024 financial years (5 years).

The auditors noted for the past three years (2021, 2022 and 2023) that the Council did not disclose revenue from non-exchange transaction donations in kind for exemptions on audit fees.

**2.2 Open lands (Un-serviced land)**

The auditors observed that the Council did not recognize its open land in the financial statements during the years under review.

**2.3 Environmental clearance certificate for dumpsite and sewer pond**

The auditors observed that the Council has a dumpsite and sewer pond, however no environmental clearance certificate could be provided, neither has the Council disclosed a provision for a waste fine which amounts to N\$ 500 000 as noted in the Environmental Management Act 2007 (Act No. 7 of 2007) Section 5 paragraph 4 to 5, which states that:

*“A person may not discard or cause to be discarded waste or dispose of it in any other manner, except - (a) at a disposal site declared or approved by the Minister in terms of this section; or (b) in a manner or by means of a facility or method and subject to such conditions as the Minister may prescribe. Any person who contravenes subsection (4) commits an offence and is on conviction liable to a fine not exceeding N\$500 000 or to imprisonment for a period not exceeding 25 years or to both such fine and such imprisonment.”*

#### **2.4 Depreciation**

Auditors could not confirm the accuracy of depreciation amounting to N\$ 5 066 765 (2022: N\$ 2 431 452) as disclosed in the financial statement, as the fixed asset register does not reflect the purchase dates of assets.

#### **2.5 Bank Overdraft**

The Council reported an overdraft balance of N\$ 6 328 643 during 2022, however all accounts confirmed by the bank show favorable balances.

#### **2.6 Difference between the financial statements and the bank confirmation**

A difference amounting to N\$ 841 819 (2022: N\$ 174 397) was noted between the bank balance in the statement of financial position and the amount confirmed by the bank.

#### **2.7 Difference between age analysis and financial statements**

The auditors noted a difference of N\$ 13 509 766 (2022: N\$ 25 974 685) between the debtors age analysis and trade receivables disclosed in the statement of financial position.

#### **2.8 Difference between provision for doubtful debts**

The auditors noted a differences of N\$ 408 703 (2022: N\$ 5 322 106) between the provision for doubtful debts disclosed in the annual financial statement and the auditor’s recalculation in line with the debtor’s policy.

#### **2.9 Value Added Tax receivable (VAT)**

The auditors noted a differences of N\$ 3 443 176 (2023) between the value added tax receivable disclosed in the annual financial statement and the VAT re-performed by the auditors.

#### **2.10 Property rates**

There are differences between the property rates charged by the Council and the approved gazzetted property rates for the years under review.

#### **2.11 Inventory**

The inventory balance N\$ 95 130 (2022: N\$ 47 565) could not be confirmed because the auditors were not invited for stock take. Furthermore, the serviced ervens valued at N\$ 500 244 528 (2022: N\$ 393 506 900) was not included in the inventory balance.

## **2.12 Insurance expense**

The auditors noted that the Council is paying insurance on behalf of beneficiaries for build together and the Council is not recovering this money.

## **2.13 Unexplained balances in the annual financial statements**

The auditors observed an unexplained negative amount of N\$ 3 927 111 disclosed under Property, Plant and Equipment note 18 and undefined difference N\$ 33 374 279 (2022: N\$ 33 023 320), disclosed as statutory fund under note 21.

## **2.14 Non-submission of supporting documents**

The supporting documents for property, plant and equipment additions amounting to N\$ 2 577 951 (2022: N\$ 2 800 960) as per the financial statements and work in progress amounting to N\$ 1 305 344 (2022) were not provided for audit purpose.

The following month's third party payments for Pay as you earn (PAYE) to the Receiver of Revenue for October, December, January, February and March (2022: October, January, February and March) were not submitted to the auditors.

## **2.15 Unexplained debt impairment**

The auditors observed an unexplained positive debt impairment amounting to N\$ 2 721 407 for 2022 disclosed in the statement of financial performance under expenses.

### **3. OTHER INFORMATION**

Management is responsible for the other information. My opinion on the financial statements does not cover the other information and accordingly 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. I have nothing to report in this regard.

### **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 Public Sector Accounting Standards (IPSAS), and for such internal control as management determines it necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible of 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 the auditor 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 (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 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 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 audit 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 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;
- 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 the 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; and

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.

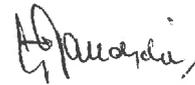
**6. REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS  
(COMPLIANCE)**

- The financial statements for the financial year ended 30 June 2022 and 2023 were submitted by the Accounting Officer to the Auditor-General in compliance with Section 85 of the Local Authorities Act, 1992 (Act No. 23 of 1992), except that they were only submitted on the 05 July 2024 and 18 May 2025 instead of three months after year end.

**7. ACKNOWLEDGEMENT**

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

**WINDHOEK, December 2025**



**JUNIAS ETUNA KANDJEKE  
AUDITOR-GENERAL**

**THE TOWN COUNCIL OF ARANDIS**  
**STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE**

		<b>2023</b>	<b>2022</b>	<b>2021</b>
	Note	N\$	N\$	N\$
<b>ASSETS</b>				
<b>Current Assets</b>		<b>51 167 713</b>	<b>42 047 919</b>	<b>26 478 766</b>
Cash and cash equivalents	10	4 234 200	2 601 391	8 949 625
Consumer debtors	11	39 506 833	36 832 837	-
Value added tax receivable	12	6 724 399	2 470 586	475 585
Receivables from exchange transactions	13	547 877	41 522	16 978 473
Receivables from non-exchange transactions	14	59 274	54 018	27 518
Inventories	16	95 130	47 565	47 565
<b>Non-Current Assets</b>		<b>239 211 597</b>	<b>239 331 734</b>	<b>74 224 945</b>
Investment property	17	182 030 800	182 030 800	20 118 430
Property, plant and equipment	18	47 468 118	50 099 352	46 750 658
Other financial assets		4 529 997	4 529 997	4 529 997
Housing loan	15	5 182 682	2 671 585	2 825 860
<b>Total Assets</b>		<b>290 379 310</b>	<b>281 379 653</b>	<b>100 703 711</b>
<b>LIABILITIES</b>				
<b>Current Liability</b>		<b>28 534 722</b>	<b>24 847 875</b>	<b>12 871 741</b>
Payables from exchange transactions	19	18 584 839	12 969 417	11 562 067
Payables from non-exchange transactions	20	9 949 883	5 549 815	1 309 674
Bank overdraft	10	-	6 328 643	-
<b>NET ASSETS</b>		<b>261 844 588</b>	<b>256 531 778</b>	<b>87 831 970</b>
Statutory funds	21	33 374 279	33 023 320	33 535 392
Accumulated surplus		228 470 309	223 508 458	54 296 578
<b>TOTAL NET ASSETS/EQUITY</b>		<b>261 844 588</b>	<b>256 531 778</b>	<b>87 831 970</b>

**THE TOWN COUNCIL OF ARANDIS**  
**STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEARS ENDED 30 JUNE**

	Note	2023 N\$	2022 N\$	2021 N\$
<b>Revenue</b>				
<b>Revenue from non-exchange transactions</b>		<b>8 268 584</b>	<b>10 485 282</b>	<b>11 150 856</b>
Property rates		6 026 759	5 872 843	7 201 553
Transfers from government and related entities	2	2 241 825	4 612 439	3 949 303
<b>Revenue from exchange transactions</b>		<b>42 436 519</b>	<b>22 614 345</b>	<b>35 894 778</b>
Sale of erven		8 058 074	1 520 737	17 953 114
Service charges	3	30 596 539	15 146 542	7 994 814
Rental of facilities and equipment usage	4	784 766	785 496	701 373
Sale of houses		(23 322)	180 000	308 400
Local authority surcharge		551 983	803 306	-
Rental income		722 493	942 598	1 091 523
Other revenue		360 542	422 109	5 280 925
Interest earned on investments	5	1 385 444	2 813 557	2 564 629
<b>Total revenue</b>		<b>50 705 103</b>	<b>33 099 627</b>	<b>47 045 634</b>
<b>Expenses</b>				
		<b>(45 743 251)</b>	<b>(25 660 115)</b>	<b>(22 743 879)</b>
Bulk purchases	6	(8 026 095)	(7 796 918)	(7 221 487)
Employee costs	7	(11 645 666)	(10 949 405)	(9 776 711)
Remuneration of Councillors		(483 092)	(483 092)	(490 904)
Depreciation		(5 066 765)	(2 431 452)	(1 407 736)
Repairs and maintenance		(1 267 157)	(184 709)	(269 615)
Debt impairment	8	(11 464 287)	2 721 407	1 131 460
General expenses	9	(7 790 189)	(6 535 946)	(4 708 886)
<b>Surplus for the year</b>		<b>4 961 852</b>	<b>7 439 512</b>	<b>24 301 755</b>

**THE TOWN COUNCIL OF ARANDIS**  
**STATEMENT OF CHANGES IN NET ASSETS FOR THE YEARS ENDED 30 JUNE**

	<b>Statutory funds</b>	<b>Accumulated surplus</b>	<b>Total net assets/equity</b>
	N\$	N\$	N\$
<b>Balance at July 1, 2021</b>	<b>33 535 392</b>	<b>54 296 576</b>	<b>87 831 968</b>
<b>Changes in net assets/equity for 2022</b>			
Adjustment to investment property	-	161 772 370	161 772 370
Other adjustments	(512 072)	-	(512 072)
Net revenue recognised directly in net assets	(512 072)	161 772 370	161 260 298
Total recognized revenue and expenses for the period	(512 072)	169 211 882	168 699 810
Surplus for the year	-	7 439 512	7 439 512
<b>Balance at July 1, 2022</b>	<b>33 023 320</b>	<b>223 508 457</b>	<b>256 531 777</b>
<b>Changes in net assets/equity for 2023</b>			
Surplus for the year	-	4 961 852	4 961 852
Other Adjustments	350 959	-	350 959
Total recognized revenue and expenses for the period	350 959	4 961 852	5 312 811
<b>Balance at June 30, 2023</b>	<b>33 374 279</b>	<b>228 470 309</b>	<b>261 844 588</b>

**THE TOWN COUNCIL OF ARANDIS**  
**CASH FLOW STATEMENT FOR THE YEARS ENDED 30 JUNE**

	Note	2023 N\$	2022 N\$	2021 N\$
<b>Cash flows from operating activities</b>				
Surplus		4 961 852	7 439 512	24 301 755
<b>Non-cash movements</b>				
Depreciation		5 066 765	2 431 452	1 407 736
Debt impairment		11 464 287	(2 721 407)	(1 131 460)
Direct adjustments to net assets (cash)		-	(512 071)	(21 179 987)
Direct adjustment to appropriation		-	(140 000)	-
<b>Changes in working capital:</b>				
Inventories		(47 565)	-	-
Receivables from exchange transactions		(506 355)	(34 698)	(1 248 416)
Consumer debtors		(13 500 831)	(17 139 781)	-
Other receivables from non-exchange transactions		(5 256)	(26 500)	662
Payables under exchange transactions		5 615 423	1 407 348	2 758 050
Value added tax receivables		(4 253 813)	(1 995 001)	297 084
Taxes and transfers payable (non-exchange)		4 400 068	4 240 141	314 270
Debt impairment		-	-	3 173 166
<b>Net cash flows from operating activities</b>		<b>13 194 575</b>	<b>(7 051 005)</b>	<b>8 692 860</b>
<b>Cash flow from investing activities</b>				
Purchase of property, plant and equipment	18	(2 722 026)	(5 780 146)	(4 624 764)
Decrease / (increase) in long-term receivables		(2 511 097)	-	(64 591)
Proceeds from sale of houses		-	154 275	-
<b>Net cash flows from investing activities</b>		<b>(5 233 123)</b>	<b>(5 625 871)</b>	<b>(4 689 355)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>7 961 452</b>	<b>(12 676 876)</b>	<b>4 003 505</b>
Cash and cash equivalents at the beginning of the year		(3 727 252)	8 949 625	4 946 120
<b>Cash and cash equivalents at the end of the year</b>	10	<b>4 234 200</b>	<b>(3 727 251)</b>	<b>8 949 625</b>

**THE TOWN COUNCIL OF ARANDIS  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 30 JUNE 2022  
AND 2023**

---

**ACCOUNTING POLICIES**

**1. Presentation of Annual Financial Statements**

The annual financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS), as approved by the line minister in consultation with Auditor-General in accordance with Section 87 (1) of the Local Authorities Act 23 of 1992 as amended.

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in Namibia Dollar.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a standard of IPSAS.

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

**Transitions statement**

In its transition to accrual basis IPSAS, The Town Council took advantage of exemptions that affect fair presentation for reporting financial information as specified under IPSAS 33, paragraph 36. As a result, The Town Council is not able to make an explicit and unreserved statement of compliance with accrual basis IPSAS in preparing its Transitional IPSAS Financial Statements for the reporting period ended 30 June 2020. The Town Council intends to recognise and/or measure its assets, and liabilities as specified in IPSAS 33 paragraphs 39, and 40 by 2022 or an earlier period where the relevant items are recognised and/or measured in the financial statements in accordance with applicable or relevant IPSAS. Assets and liabilities have been reported in these transitional financial statements in accordance with the entity's newly adopted accrual basis IPSAS and the accounting policies applicable thereto. IPSAS 33, paragraph 137 (a) requires that Arandis Town Council discloses progress made towards recognising, measuring, presenting and/or disclosing assets, liabilities, revenue, and/or expenses in accordance with adopted and applicable IPSAS. The council has made minimum progress towards such compliance; however, management shall relevant IPSASs in future transactions as when they become necessary while putting in place measures to ensure full compliance.

**THE TOWN COUNCIL OF ARANDIS**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 30 JUNE 2022**  
**AND 2023 (Continued)**

---

**1. Presentation of Annual Financial Statements (Continued)**

**Council choose to utilise the following transitional exemptions that do affect the fair presentation of the financial statements:**

IPSAS 5 Borrowing Costs  
IPSAS 12 Inventories  
IPSAS 16 Investment Property  
IPSAS 17 Property, Plant and Equipment  
IPSAS 19 Provision, Contingent liabilities and Contingent Assets  
IPSAS 20 Related Party Disclosure  
IPSAS 30 Financial Instruments  
IPSAS 31 Intangible Assets  
IPSAS 32 Services Concession Arrangements: Grantor  
IPSAS 35 Consolidated Financial Statements  
IPSAS 36 Investments in Associates and Joint Ventures  
IPSAS 39 Employee Benefits

**Transitional exemptions utilised that do not affect fair presentation of financial statements:**

IPSAS 4 The Effects of Changes in Foreign Exchange Rates  
IPSAS 10 Financial Reporting in Hyperinflationary Economies  
IPSAS 13 Leases  
IPSAS 21 Impairment for Non-cash Generating Assets  
IPSAS 26 Impairment of Cash Generating Assets  
IPSAS 28 Financial Instruments: Disclosure  
IPSAS 29 Financial Instruments: Recognition and Measurement  
IPSAS 37 Joint Arrangements

**IPSAS's to be adopted in full during 2021/2022 financial period:**

IPSAS 1 Presentation of Financial Statements  
IPSAS 2 Cash Flow Statements  
IPSAS 3 Accounting Policies, Changes in Accounting Estimates and Errors  
IPSAS 9 Revenue from Exchange Transaction  
IPSAS 14 Events after Reporting Date  
IPSAS 22 Disclosure of information about the General Government Sectors  
IPSAS 24 Presentation of Budget Information in the Financial Statements

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below. Certain accounting policies are supported by reasonable and prudent judgements and estimates.

**THE TOWN COUNCIL OF ARANDIS  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 30 JUNE 2022  
AND 2023 (Continued)**

---

**1.1 Presentation currency**

These annual financial statements are presented in Namibia Dollar, which is the functional currency of the entity and the amount have been rounded to the nearest Dollar.

**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. Actual results in the future could differ from these estimates which may be material to the annual financial statements.

These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods

The following are the critical judgements and estimations that management have made in the process of applying the municipality's Accounting Policies and that have the most significant effect on the amounts recognised in Annual Financial Statements:

**Revenue recognition**

Accounting Policy 1.4 on revenue from exchange transactions and accounting Policy 1.3 on revenue from non-exchange transactions describes the conditions under which revenue will be recorded by the management of the council.

In making their judgement, the management considered the detailed criteria for the recognition of revenue asset outing IPSAS9 (revenue from exchange transactions) and IPSAS23 (revenue from non-exchange transactions). As far as revenue from non-exchange transactions is concerned (see Basis of Preparation above), and, in particular, whether the council, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services is rendered, whether the service has been rendered. Also of importance is the estimation process involved in initially measuring revenue at the fair value thereof. Management of the town council is satisfied that recognition of the revenue in the current year is appropriate.

**Useful lives of property, plant and equipment, intangible assets and investment property**

As described in Accounting Policies 1.5, 1.6 and, council depreciates its property, plant & equipment and investment property, and amortises its intangible assets, over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use.

**THE TOWN COUNCIL OF ARANDIS  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 30 JUNE 2022  
AND 2023 (Continued)**

---

### **1.2 Significant judgements and sources of estimation uncertainty (continued)**

The estimation of residual values of assets is based on management's judgement as to whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

#### **Impairment: Write-down of property, plant & equipment, intangible assets, investment property and inventories**

Accounting policy 1.8 on impairment of assets, accounting policy on intangible assets – subsequent measurement, amortisation and impairment and accounting policy 1.10 on inventory – subsequent measurement describe the conditions under which non-financial assets are tested for potential impairment losses by the management of the Council. significant estimates and judgements are made relating to impairment testing of property, plant and equipment, impairment testing of intangible assets and write-down of inventories to the lowest of cost and net realisable value

In making the above-mentioned estimates and judgement, management considered the subsequent measurement criteria and indicators of potential impairment losses. In particular, the calculation of the recoverable service amount for property, plant and equipment and intangible assets and the net realisable value for inventories involves significant judgment by management.

Estimated impairments during the year to inventory, property, plant and equipment, intangible assets and investment property are disclosed in notes 16, 18, and 17 to the annual financial statements, if applicable.

### **1.3 Revenue from non-exchange transactions**

Revenue comprises gross inflows of economic benefits or service potential received and receivable by the entity, which represents an increase in net assets, other than increases relating to contributions from owners.

#### **Recognition**

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the entity satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

**THE TOWN COUNCIL OF ARANDIS  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 30 JUNE 2022  
AND 2023 (Continued)**

---

### **1.3 Revenue from non-exchange transactions (continued)**

#### **Measurement**

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the entity.

When, as a result of a non-exchange transaction, the entity recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

#### **Rates and Taxes**

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time-proportionate basis with reference to the principal amount receivable and effective interest rate applicable. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

#### **Government Grants and Receipts**

Conditional grants, donations and funding are recognised as revenue to the extent that the council has complied with any of the criteria, conditions or obligations embodied in the agreement

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs, are recognised in surplus or deficit in the period in which they become receivable.

Interest earned on investments is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor and if it is the council's interest, it is recognised as interest earned in surplus or deficit.

#### **Fines**

Fines constitute both spot fines and summonses. Revenue for fines is recognised when the fine is issued at the full amount of the receivable. The Council uses estimates to determine the amount of revenue that the Council is entitled to collect that is subject to further legal proceedings.

**THE TOWN COUNCIL OF ARANDIS  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 30 JUNE 2022  
AND 2023 (Continued)**

---

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

**Public Contributions**

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use.

**1.4 Revenue from exchange transactions**

**Sale of goods (including Houses)**

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

- the entity has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the council; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

**Service Charges**

Service charges are levied in terms of the approved tariffs.

Service charges relating to water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been taken. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without it being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meter have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to all properties that have improvements. Tariffs are determined per category of property usage, and are levied based on the number of bins on each property.

Service charges relating to sewerage for residential properties are recognised on a monthly basis in arrears by applying the approved tariff to all properties. Tariffs are levied based on the extent and / or zoning of each property. All other properties are levied based on the water consumption, using the tariffs approved by Council, and are levied monthly.

**THE TOWN COUNCIL OF ARANDIS  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 30 JUNE 2022  
AND 2023 (Continued)**

---

**1.4 Revenue from exchange transactions (continued)**

**Rentals received**

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

**1.5 Property, plant and equipment**

**Initial Recognition**

Property, plant and equipment are initially recognised at cost.

Where an asset is acquired by the Council for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

**Subsequent Measurement**

Subsequently all property plant and equipment are measured at cost, less accumulated depreciation and accumulated impairment losses.

**Depreciation**

Depreciation on assets other than land is calculated on cost, using the straight-line method, to allocate their cost or revalued amounts to their residual values over the estimated useful lives of the assets. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

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

<b>Item</b>	<b>Average useful life</b>
Buildings	
<input type="checkbox"/> Improvements	50 years
Other	
<input type="checkbox"/> Computer equipment	4 years
<input type="checkbox"/> Furniture and fittings	4 years
<input type="checkbox"/> Motor vehicles	5 years
<input type="checkbox"/> Office equipment	5 years
<input type="checkbox"/> Plant & equipment	4-50 years

**Land**

Land is stated at historical cost and is not depreciated as it is deemed to have an indefinite useful life.

**Incomplete Construction Work**

**THE TOWN COUNCIL OF ARANDIS  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 30 JUNE 2022  
AND 2023 (Continued)**

---

### **1.5 Property, plant and equipment (continued)**

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

#### Derecognition

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. Gains are not classified as revenue.

### **1.6 Investment property**

#### **Initial recognition**

At initial recognition, the municipality measures investment property at cost. However, where an Investment Property was acquired through a non-exchange transaction (i.e. where it acquired the Investment Property for no or a nominal value), its cost is its fair value as at the date of acquisition.

Repairs and maintenance are expenses incurred through servicing equipment or repairing of existing assets. These expenses are not recognised in the carrying value of the asset, but directly recognised in surplus or deficit and measured at cost.

#### Subsequent Measurement

Investment property is measured using the cost model and is stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated on cost, using the Straight-line Method over the useful life of the property, which is estimated at 10-80 years. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately.

The gain or loss arising on the disposal of an investment property is recognised in surplus or deficit.

#### Derecognition

The gain or loss arising from the derecognition of an item of investment property is included in surplus or deficit when the item is derecognised. Gains are not classified as revenue.

### **1.7 Leases**

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

**THE TOWN COUNCIL OF ARANDIS  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 30 JUNE 2022  
AND 2023 (Continued)**

---

**1.7 Leases (continued)**

**1.7.1 Town Council as Lessee**

Finance leases

Property, plant and equipment or intangible assets subject to finance lease agreements are capitalised at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. Corresponding liabilities are recognised at equal amounts. In discounting the lease payments, council uses the interest rate that exactly discounts the lease payments to the fair value of the asset, plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment or intangible assets. The lease liability is reduced by the lease payments, which are allocated between the finance cost and the capital repayment using the Effective Interest Rate Method. Finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Operating Leases

Council recognises operating lease rentals as an expense in surplus or deficit on a straight-line basis over the term of the relevant lease. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability. Any lease incentives are included as part of the net consideration agreed.

**1.7.2 Town Council as a Lessor**

Amounts due from lessees under finance leases or instalment sale agreements are recorded as receivables at the amount of the municipality's net investment in the leases. Finance lease or instalment sale revenue is allocated to accounting periods so as to reflect a constant periodic rate of return on the municipality's net investment outstanding in respect of the leases or instalment sale agreements.

Rental revenue from operating leases is recognised on a straight-line basis over the term of the relevant lease.

**1.8 Impairment of cash-generating assets**

The Town Council classifies all assets held with the primary objective of generating a commercial return as cash generating assets. All other assets are classified as non-cash generating assets.

The Town Council assesses at each reporting date whether there is any indication that an asset may be impaired.

**THE TOWN COUNCIL OF ARANDIS****NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 30 JUNE 2022  
AND 2023 (Continued)**

---

**1.8 Impairment of cash-generating assets (continued)**

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

An impairment loss is recognised for cash generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit.

Council assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

**1.9 Impairment of non-cash-generating assets**

Council assesses at each reporting date whether there is any indication that an asset may be impaired.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the non-cash generating unit to which the asset belongs is determined.

The recoverable service amount of a non-cash generating asset is the higher of its fair value less costs to sell and its value in use.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

**THE TOWN COUNCIL OF ARANDIS  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 30 JUNE 2022  
AND 2023 (Continued)**

---

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

### **1.9 Impairment of non-cash-generating assets (continued)**

An impairment loss is recognised for non-cash generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit.

Council assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

### **1.10 Inventories**

#### **Initial Recognition**

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition. The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Where Inventory is acquired by the town council for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

Direct costs relating to properties that will be sold as Inventory are accumulated for each separately identifiable development. Costs also include a proportion of overhead costs.

#### **Subsequent Measurement**

Consumable stores, raw materials, work-in-progress and finished goods

Inventories sold are valued at the lower of cost and net realisable value. The cost is determined using the First in First out (FIFO) method.

Consumable stores, raw materials, work-in-progress, inventories distributed at no charge or for a nominal charge and finished goods are valued at the lower of cost and current replacement cost. The cost is determined using the First in First out (FIFO) method.

**THE TOWN COUNCIL OF ARANDIS**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 30 JUNE 2022**  
**AND 2023 (Continued)**

---

**1.10 Inventories (continued)**

Water inventory

Water is regarded as inventory when Council purchases water in bulk with the intention to resell it to the consumers or to use it internally, or where the municipality has incurred purification costs on water obtained from natural resources (rain, rivers, springs, boreholes, etc). However, water in dams, that are filled by natural resources and that has not yet been treated, that is under the control of the council but cannot be measured reliably as there is no cost attached to the water, is therefore not recognised in the statement of financial position.

The basis of determining the cost of water purchased and not yet sold at reporting date comprises all costs of purchase, cost of conversion and other costs incurred in bringing the Inventory to its present location and condition, net of trade discounts and rebates.

Water and purified effluent are valued by using the weighted average method, at the lowest of purified cost and net realisable value, insofar as it is stored and controlled in the distribution network at year-end.

Other arrangements

Redundant and slow-moving inventories identified are written down from cost to current replacement cost, if applicable.

Inventories identified to be sold by public auction are written down from cost to net realisable value with regard to their estimated economic or reliable values. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Differences arising on the measurement of such inventory at the lower of cost and current replacement cost or net realisable value, are recognised in surplus or deficit in the year in which they arise. The amount of any reversal of any write-down of inventories arising from an increase in current replacement cost or net realisable value is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

**THE TOWN COUNCIL OF ARANDIS  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 30 JUNE 2022  
AND 2023 (Continued)**

---

**1.11 Provisions and contingencies**

The best estimate of the expenditure required to settle the present obligation is the amount that council would rationally pay to settle the obligation at the reporting date or to transfer it to a third party at that time and are determined by the judgment of the management of the council, supplemented by experience of similar transactions and, in some cases, reports from independent experts. The evidence considered includes any additional evidence provided by events after the reporting date. Uncertainties surrounding the amount to be recognised as a provision are dealt with by various means according to the circumstances. Where the provision being measured involves a large population of items, the obligation is estimated by weighting all possible outcomes by their associated probabilities.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it – this unavoidable cost resulting from the contract is the amount of the provision to be recognised.

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

**Contingent assets and contingent liabilities**

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in notes.

**THE TOWN COUNCIL OF ARANDIS  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 30 JUNE 2022  
AND 2023 (Continued)**

---

**1.12 Employee benefits**

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

**Short-term employee benefits**

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service. The liability for leave pay is based on the total accrued leave days at year end and is shown as a creditor in the statement of financial position. The town council recognises the expected cost of performance bonuses only when the town council has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

**1.13 Related parties**

Individuals as well as their close family members, and / or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and / or operating decisions. Management is regarded as a related party and comprises the Mayor, Management Committee Members, Council Members, Chief Executive Officer and all other Executive Officers reporting directly to the Chief Executive Officer or as designated by the Chief Executive Officer.

**1.14 Budget information**

The annual budget figures have been prepared in accordance with the IPSAS's and are consistent with the accounting policies adopted by the Council for the preparation of these annual financial statements. The amounts are scheduled as a separate additional financial statement, called the statement of comparison of budget and actual amounts. Explanatory comment is provided in the statement giving reasons for overall growth or decline in the budget and motivations for over-or under spending on line items. The annual budget figures included in the annual financial statements are for the Council and do not include budget information relating to subsidiaries or associates. These figures are those approved by the Council at the beginning and during the year following a period of consultation.

The approved budget covers the period from 1 July 2022 to 30 June 2023.

**1.15 Going concern assumption**

The Town Council was not spared from the impact of Covid-19 and related effects. However, the Town Council have prepared the annual financial statements under the going concern assumption, based on management assumptions as set out in note 33 to the annual financial statements.

**THE TOWN COUNCIL OF ARANDIS**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 30 JUNE 2022**  
**AND 2023 (Continued)**

---

**1.16 Investments in associates**

An investment in an associate is carried at cost less any accumulated impairment.

**1.17 Unauthorised expenditure**

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

**1.18 Net assets**

**Accumulated surplus**

The accumulated surplus contains accumulated surpluses, after appropriations to and from statutory funds.

**1.19 Grants-in-aid**

The Town Council transfers money to individuals, organisations and other sectors of Government from time to time. When making these transfers, the Town Council does not:

- (a) Receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- (b) Expect to be repaid in future; or
- (c) Expect a financial return, as would be expected from an investment.

These transfers are recognised in surplus or deficit as expenses in the period that the events giving rise to the transfer occurred.

**1.20 Value added tax**

The Town Council accounts for value added tax in accordance with section 18 of the value-added tax Act (Act No 10 of 2000).

**1.21 Material losses**

Due to their significance, the complete calculation of water and electricity losses is provided, including the opening balance, purchases, sales and closing balance where applicable. For electricity the unit rate is the rate per the last purchase for the financial year. For water the unit rate is measured based on the weighted average method as defined by IPSAS 12 (Inventories).

**THE TOWN COUNCIL OF ARANDIS  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 30 JUNE 2022  
AND 2023 (Continued)**

---

**1.22 Events after reporting date**

Events after the reporting date that are classified as adjusting events have been accounted for in the annual financial statements. The events after the reporting date that are classified as non-adjusting events after the reporting date have been disclosed in notes to the annual financial statements

**THE TOWN COUNCIL OF ARANDIS**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED 30**  
**JUNE 2022 AND 2023 (Continued)**

	<b>2023</b>	<b>2022</b>	<b>2021</b>
	N\$	N\$	N\$
<b>2. Transfers from government and related entities</b>	<b>2 241 825</b>	<b>4 612 439</b>	<b>3 949 303</b>
Road fund administration	780 467	696 394	861 186
Government - Development capital	1 461 358	3 916 045	3 088 117
<b>3. Service charges</b>	<b>30 596 539</b>	<b>15 146 542</b>	<b>7 994 814</b>
Sale of water	21 785 531	6 728 477	669 682
Sewerage and sanitation charges	4 162 051	3 993 482	3 459 001
Refuse removal	4 430 694	4 339 536	3 453 544
Departmental levies	218 263	85 047	412 587
The amounts disclosed above for revenue from service charges are in respect of services rendered which are billed to the consumers on a monthly basis according to approved tariffs.			
<b>4. Rental of facilities and equipment</b>	<b>784 766</b>	<b>785 496</b>	<b>701 373</b>
Rental income - related party	764 924	771 842	681 740
Departmental levies	19 842	13 654	19 633
Rental revenue earned on facilities and equipment is in respect of non-financial assets rented out.			
<b>5. Interest received-investment</b>	<b>1 385 444</b>	<b>2 813 557</b>	<b>2 564 629</b>
Interest charged on trade and other receivables	1 197 421	2 741 436	2 476 944
Interest received - other	188 023	72 121	87 685
<b>6. Bulk purchases Water</b>	<b>8 026 095</b>	<b>7 796 918</b>	<b>7 221 487</b>

Bulk purchases are the cost of commodities not generated by the Town Council, which the Council distributes in the municipal area for resale to the consumers. Water is purchased from NamWater

**THE TOWN COUNCIL OF ARANDIS**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED 30**  
**JUNE 2022 AND 2023 (Continued)**

	<b>2023</b>	<b>2022</b>	<b>2021</b>
	N\$	N\$	N\$
<b>7. Employee related costs</b>	<b>11 645 666</b>	<b>10 949 405</b>	<b>9 776 711</b>
Basic	5 512 063	5 071 752	4 637 449
Bonus	438 221	396 085	330 652
Medical aid - company contributions	1 431 184	1 348 131	1 226 072
Social security-Workmen's compensation fund	5 731	38 264	79 205
Social security-Maternity, sick and death benefit fund	34 309	33 433	30 169
Leave pay provision charge	409 801	455 931	209 826
Overtime payments	441 325	368 117	322 087
Transport allowance	192 600	205 582	196 256
Car allowance	370 648	370 649	325 991
Housing benefits and allowances	1 620 313	1 539 613	1 385 050
Other allowances	29 308	19 770	15 890
Cell phone allowance	70 800	70 800	73 050
Defined benefit plan expense: current service cost	1 089 363	1 031 278	945 014
<b>8. Debt impairment</b>	<b>11 464 287</b>	<b>(2 721 407)</b>	<b>1 131 460</b>
Debt impairment	11 464 287	(3 758 215)	1 131 460
Debts impaired	-	1 036 808	-

**THE TOWN COUNCIL OF ARANDIS**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED 30**  
**JUNE 2022 AND 2023 (Continued)**

	<b>2023</b>	<b>2022</b>	<b>2021</b>
	N\$	N\$	N\$
<b>9. General expenses</b>	<b>7 790 189</b>	<b>6 535 946</b>	<b>4 708 886</b>
Advertising	39 851	35 657	30 683
Bank charges	307 187	282 132	203 929
Catering and entertainment cost	383 284	180 885	196 281
Cleaning	2 502 442	1 673 636	1 470 199
Computer expenses	248 717	112 825	108 155
Consulting and professional fees	575 862	485 769	(17 182)
Donations	26 403	20 969	44 436
Hiring of facilities and equipment	12 211	60 367	110 050
Insurance	278 440	345 529	250 873
Levies - 5% Regional Council	222 192	132 271	142 486
Motor vehicle expenses	252 241	256 188	165 647
Other expenses	239 744	313 027	349 329
Postage, courier and telephone	24 548	19 155	47 566
Printing and stationery	370 952	294 668	203 079
Protective clothing	34 658	236 515	14 737
Security	637 863	776 065	514 604
Subscriptions and membership fees	11 900	70 500	30 000
Telephone and fax	416 826	440 765	394 866
Training	113 538	51 037	55 889
Travel - local	1 074 949	636 872	372 074
Uniforms	16 381	111 114	21 185

**THE TOWN COUNCIL OF ARANDIS**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED 30**  
**JUNE 2022 AND 2023 (Continued)**

	<b>2023</b>	<b>2022</b>	<b>2021</b>
	N\$	N\$	N\$
<b>10. Cash and cash equivalents</b>	<b>4 234 200</b>	<b>(3 727 252)</b>	<b>8 949 625</b>
Bank balances	932 185	-	6 024 173
Short-term deposits	3 302 015	2 601 391	2 925 452
Bank overdraft	-	(6 328 643)	-

For the purposes of the statement of financial position and the cash flow statement, cash and cash equivalents include cash-on-hand, cash in banks and investments in money market instruments, net of outstanding bank overdrafts.

No other restrictions have been imposed on the town council in terms of the utilisation of its cash and cash equivalents.

short term deposits consist of call deposits and fixed deposits:

Call and notice deposits

<b>11. Consumer debtors</b>	<b>39 506 833</b>	<b>36 832 837</b>	<b>-</b>
Consumer debtors	87 461 517	74 011 326	-
Allowance for impairment	(47 954 684)	(37 178 489)	-
<b>Reconciliation of allowance for impairment</b>	<b>(47 954 684)</b>	<b>(37 178 489)</b>	<b>-</b>
Balance at beginning of the year	(37 178 489)	(40 936 703)	-
Contributions to allowance	-	3 758 214	-
Debt impairment written off against allowance	(10 776 195)	-	-

**THE TOWN COUNCIL OF ARANDIS**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED 30**  
**JUNE 2022 AND 2023 (Continued)**

	2023	2022	2021
	N\$	N\$	
<b>12. Value Added Tax (VAT) receivables</b>	<b>6 724 399</b>	<b>2 470 586</b>	<b>475 585</b>

VAT is payable in terms of section 7 of the Value-Added Tax Act. VAT is payable/receivable on receipt of an invoice or payment, whichever is the earlier.

No interest is payable to the Commissioner of Inland Revenue if the VAT is paid over timeously, but interest for late payments is charged in accordance with the Value-Added Tax Act. Council has financial risk policies in place to ensure that payments are affected before the due date.

<b>13. Receivables from exchange transactions</b>	<b>547 877</b>	<b>41 522</b>	<b>16 978 473</b>
Trade debtors	-	-	16 971 649
Employee costs in advance	517 855	11 500	6 824
Other receivables	30 022	30 022	-

Receivables from exchange transactions are billed monthly, latest end of month. No interest is charged on receivables until the end of the following month. There after interest is charged at a rate determined by council on the outstanding balance. The Town Council strictly enforces its approved credit control policy to ensure the recovery of receivables.

Council did not pledge any of its receivables as security for borrowing purposes.

Allowance for Impairment:

Receivables from exchange transactions of N\$ 47,545 981 (2022: N\$ 42 510 595) were impaired and fully provided for.

<b>14. Receivables from non-exchange transactions</b>	<b>59 274</b>	<b>54 018</b>	<b>27 518</b>
---	---------------	---------------	---------------

Suspense accounts are in respect of temporary advances made in the normal month-to-month operations of the Council, not recovered at year-end.

Council does not hold deposits or other security for its receivables.

None of the receivables have been pledged as security for the Council's financial liabilities.

Allowance for Impairment

The allowance for impairment on receivables exists predominantly due to the possibility that these debts will not be recovered. The allowance for impairment was calculated after grouping all the financial assets of similar nature and risk ratings and assessing the recoverability.

**THE TOWN COUNCIL OF ARANDIS**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED 30**  
**JUNE 2022 AND 2023 (Continued)**

	<b>2023</b>	<b>2022</b>	<b>2021</b>
	N\$	N\$	
<b>15. Housing loan</b>	<b>5 182 682</b>	<b>2 671 585</b>	<b>2 825 860</b>

The long term receivables are composed of the following:

Development and housing

Housing loans in terms of the Build Together housing scheme are granted to qualifying individuals at an interest rate of 4% per annum, repayable over a maximum period of 20 years.

Town Council does not hold deposits or any other security for its long-term receivables.

<b>16. Inventories</b>	<b>95 130</b>	<b>47 565</b>	<b>47 565</b>
------------------------	---------------	---------------	---------------

Inventories are held for own use and measured at the lower of cost and current replacement cost. No write downs of inventory to net realisable value were required.

No inventories have been pledged as collateral for liabilities of the Town Council.

**THE TOWN COUNCIL OF ARANDIS  
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED 30 JUNE 2022 AND 2023(Continued)**

**17. Investment Property**

	2023		2022			
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
	N\$	N\$	N\$	N\$	N\$	N\$
Investment property	182 030 800	-	182 030 800	182 030 800	-	182 030 800
<b>Reconciliation of investment property-2023</b>				<b>Opening balance</b>	<b>Other changes, movements</b>	<b>Total</b>
Investment property				N\$	N\$	N\$
				182 030 800	-	182 030 800
<b>Reconciliation of investment property-2022</b>				<b>Opening balance</b>	<b>Other changes, movements</b>	<b>Total</b>
Investment property				N\$	N\$	N\$
				20 118 430	161 912 370	182 030 800

**THE TOWN COUNCIL OF ARANDIS  
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED 30 JUNE 2022 AND 2023 (Continued)**

**17. Investment Property (continued)**

All of the Council's investment property is held under freehold interests and no investment property had been pledged as security for any liabilities of the Council.

There are no restrictions on the reliability of investment property or the remittance of revenue and proceeds of disposal. There are no contractual obligations on investment property.

**Investment Property carried at Fair Value**

The Council's investment properties are accounted for according to the cost model and therefore no fair value has been determined. Impairment of investment property

No impairment losses have been recognised on investment property of the Town Council at the reporting date.

**18. Property, plant and equipment**

	2023		2022	
	N\$	N\$	N\$	N\$
	Cost / Valuation	Accumulated depreciation and impairment	Cost / Valuation	Accumulated depreciation and impairment
	N\$	N\$	N\$	N\$
Work in progress	11 809 447	-	11 809 447	-
Other assets	43 443 383	(7 784 712)	40 721 357	(2 431 452)
<b>Total</b>	<b>55 252 830</b>	<b>(7 784 712)</b>	<b>52 530 804</b>	<b>(2 431 452)</b>
			<b>50 099 352</b>	

**ANNEXURE E**

**THE TOWN COUNCIL OF ARANDIS  
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED 30 JUNE 2022 AND 2023(Continued)**

**18. Property, plant and equipment(continued)**

Reconciliation of property, plant and equipment-2023

	Opening balance	Difference	Additions	Depreciation	Total
	N\$	N\$	N\$	N\$	N\$
Work in progress	11 809 447	-	-	-	11 809 447
Other assets	38 289 905	(3 927 111)	2 722 026	(1 426 149)	35 658 671
	<b>50 099 352</b>	<b>(3 927 111)</b>	<b>2 722 026</b>	<b>(1 426 149)</b>	<b>47 468 118</b>

Reconciliation of property, plant and equipment-2022

	Opening balance	Additions	Depreciation	Total
	N\$	N\$	N\$	N\$
Work in progress	8 899 192	2 910 255	-	11 809 447
Other assets	37 851 466	2 869 891	(2 431 452)	38 289 905
	<b>46 750 658</b>	<b>5 780 146</b>	<b>(2 431 452)</b>	<b>50 099 352</b>

**THE TOWN COUNCIL OF ARANDIS**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED**  
**30 JUNE 2022 AND 2023 (Continued)**

	<b>2023</b>	<b>2022</b>	<b>2021</b>
	N\$	N\$	
<b>19. Payables under exchange transactions</b>	<b>18 584 839</b>	<b>12 969 417</b>	<b>11 562 067</b>
Trade payables	12 542 286	10 678 794	7 217 285
Leave provisions	2 072 419	1 407 295	1 242 146
Accrued expense	1 487 034	1 418 101	1 959 187
Deposits received	1 448 561	312 124	1 143 447
Overdue employee taxes	1 034 539	(846 897)	-
Overdue Government loans	-	-	2

Staff leave:

Leave accrues to the staff of the Town Council on an annual basis, subject to certain conditions. The provision is an estimate of the amount due at the reporting date.

<b>20. Payables from non-exchange transactions</b>	<b>9 949 883</b>	<b>5 549 815</b>	<b>1 309 674</b>
Unallocated receipts	(13 648)	137 066	353 263
Suspense accounts	3 510 641	3 654 299	956 411
Opening balance transfer water ledger	6 452 890	1 758 450	-

Suspense accounts are in respect of temporary advances received in the normal month-to-month operations of the Council, not settled at year-end.

<b>21. Statutory funds</b>	<b>33 374 279</b>	<b>33 023 320</b>	<b>33 535 392</b>
----------------------------	-------------------	-------------------	-------------------

The Housing Fund was established in terms of Section 58 of the Local Authorities Act, 1992 (Act 23 of 1992).

The Housing Fund contains all proceeds from housing developments, which include proceeds of loans raised, rental income, redemption of loans granted, sale of houses, interest from investments and other moneys accruing to the fund.

Unexpended money in the Housing Fund which are not required for immediate use may be invested with such financial institution as may be approved by the Minister.

Money standing to the credit of the Housing Fund are used only for purposes of the construction, acquisition or maintenance of dwellings, loans granted, repayment of loans raised, costs incurred in connection with the administration of housing schemes and any other purpose approved in writing by the Minister.

**THE TOWN COUNCIL OF ARANDIS  
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED  
30 JUNE 2022 AND 2023 (Continued)**

---

**22. Related Parties**

All Related Party Transactions are conducted at arm's length, unless stated otherwise.

During the year the Council rendered services to the following related parties that are related to the Council as indicated:

The services rendered to Related Parties are charged at approved tariffs that were advertised to the public. No bad debts were written off or recognised in respect of amounts owed by Related Parties. The amounts outstanding are unsecured and will be settled in cash. Consumer deposits were received from Councillors, the Chief Executive Officer and Strategic Executives. No expense has been recognised in the period for bad or doubtful debts in respect of the amounts owed by related parties.

**23. Going Concern**

Management considered the following matters relating to the going concern:

(i) Strict daily cash management processes are embedded in the Council's operations to manage and monitor all actual cash inflows and cash outflows in terms of the budget.

(ii) As the Town Council has the power to levy fees, tariffs and charges, this will result in an ongoing inflow of revenue to support the ongoing delivery of municipal services.

(iii) The Arandis Town Council is one of key Council in Erongo and it is in public interest that council remains solvent and continue as an ongoing concern.

Taking the aforementioned into account, management has prepared the annual financial statements on the going concern basis.

**24. Events after the reporting date**

No events having financial implications requiring disclosure occurred subsequent to the financial year end.

