



REPUBLIC OF NAMIBIA



REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE

TOWN COUNCIL OF EENHANA

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023

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 Eenhana for the financial year ended 30 June 2023 in terms of Article 127(2) of the Namibian Constitution. The report is transmitted to the Honourable Minister 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.

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

JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL

WINDHOEK, July 2025

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**REPORT OF THE AUDITOR - GENERAL
ON THE ACCOUNTS OF THE EENHANA TOWN COUNCIL
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023**

1. DISCLAIMER OPINION

I have audited the financial statements of the Eenhana Town Council for the financial year ended 30 June 2023. These financial statements comprise the statement of financial position, statement of financial performance, statements of changes in equity, statement of cash flow and notes to the annual financial statements for the year then ended, and a summary of significant accounting policies.

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

2. BASIS FOR DISCLAIMER OPINION

I conducted my audit in accordance with International Standards for Supreme Audit Institutions (ISSAIs). My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my report. I am independent of the entity in accordance with the Code of Ethics for Supreme Audit Institutions together with the ethical requirements that are relevant to my audit of the financial statements, and I have fulfilled my other ethical responsibilities in accordance with these requirements and the code of ethics.

I believe that the audit evidence I have obtained is not sufficient and appropriate to provide a basis for the audit opinion. A disclaimer audit opinion is being expressed due to the following:

2.1 JOURNALS AND ADJUSTMENT TO THE FINANCIAL STATEMENT

The auditors observed that Council did not submit the approved journals of the adjustments to the appropriation accounts as disclosed in the Statement of changes in net assets/ equity amounting to N\$ 13 836 565.

2.2 DUMPSITE

The auditors observed that the Council is operating a dumping site without a valid environmental clearance certificate. The environmental clearance certificate provided to the auditors during the audit expired on 29 March 2019. Furthermore auditors inspected the dumpsite and observed the following;

- The dumpsite is full to its capacity, its fence is in a dilapidated condition, the gate is destroyed and garbage is out of the dumpsite site.

- The dumpsite is located within the town closer to the resident's area and the airstrip that can cause a health threat.
- Too many flies around the town due to the condition of the dumpsite.

2.3 PROVISION FOR THE DUMPSITE

The auditors observed that the Council did not recognise the provision for the rehabilitation and restoration of the dumpsite in the year under review.

Paragraph 30 (c) of IPSAS 17 states *that the cost of an item of property, plant and equipment shall comprise the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired, or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.*

This is evident that there is a present obligation for the Council to rehabilitate the environment affected by the dumping site activities, thus the Council should recognised the provision for the rehabilitation of the site. Furthermore the rehabilitation is required by Environmental Management Act, 2012(Act No 7. of 2012)

2.4 BURROW PITS FOR SAND AND GRAVEL MINING

The auditors observed that the Council is operating a burrow pit site without a valid environmental clearance certificate. It is further observed that the burrow pit for mining gravel sand is not fenced.

2.5 OPEN LAND (Un-serviced land)

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

2.6 INTEREST ON THE OUTSTANDING ACCOUNTS

The auditors noted differences on the interest charged on outstanding accounts amounting to N\$ 2 835 246. The interest on outstanding amount disclosed in the financial statement is amounting to N\$ 3 329 241 and the expected interest on outstanding accounts is amounting to N\$ 493 995.

2.7 GOING CONCERN

ISSAI 2570 requires management to make an assessment of an entity's ability to continue as a going concern. If management has significant concerns about the entity's ability to continue as a going concern, the uncertainties must be disclosed.

The auditors observed that there could be substantial doubt about the entity's ability to continue as a going concern for a reasonable period of time. The following going concern indicators were noted.

- The Council incurred a net loss for the past three years of N\$ 2 098 488, (2022: N\$ 4 099 750, 2021: N\$ 8 469 159).
- Working capital insufficiencies due to current liabilities exceeds current assets. Current assets of N\$ 23 381 682 and current liabilities of N\$ 24 173 533.
- Increasing costs Namwater outstanding amount accumulated to N\$ 10 538 844 in 2023 financial year.

3 OTHER INFORMATION

Management is responsible for the other information. The auditor's opinion on the financial statements does not cover the other information and, accordingly, the auditor does not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work, I have performed, I conclude that there is a material misstatement of this other information; I am required to report that fact. I have nothing to report in this regard.

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

As part of an audit in accordance with the ISSAIs, I exercise professional scepticism throughout the audit, I also;

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence, obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
- I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

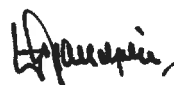
From the matters communicated with those charged with governance, I determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. I describe these matters in my report unless law or regulation precludes public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

6 REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

The financial statements were submitted later than the required by the Accounting Officer to the Auditor-General on 08 April 2024 in terms of section 87 (1) of the Local Authority Act, 1992, instead of three months after year end.

7 ACKNOWLEDGEMENT

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



WINDHOEK, July 2025

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

ANNEXURE A

THE TOWN COUNCIL OF EENHANAN
STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE

	Note	2023 N\$	2022 N\$
Assets			
Current Assets		23 381 682	25 426 725
Cash and cash equivalents	10	15 735 487	11 875 153
Consumer debtors	11	5 883 446	5 422 821
VAT receivable	12	851 106	6 651 310
Receivables from exchange transactions	13	10 819	66 773
Receivable from non-exchange transaction	14	130 516	186 372
Inventories	16	770 308	1 224 296
Non-Current Assets		127 718 223	116 223 949
Property, plant and equipment	17	121 942 197	109 576 828
Loan Receivables	15	5 776 026	6 647 121
Total Assets		151 099 905	141 650 674
Liabilities			
Current Liabilities		24 173 533	24 989 856
Payables under exchange transactions	18	20 761 270	19 747 665
Payables from Non-exchange Transactions	19	3 412 263	5 242 191
Total Liabilities		24 173 533	24 989 856
Net Assets		126 926 372	116 660
Statutory funds	20	29 658 267	31 066 020
Accumulated surplus		97 268 105	85 528 025
Total Net assets/equity		126 926 372	116 594 045

ANNEXURE B

THE TOWN COUNCIL OF EENHANA

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE

	Note	2023 N\$	2022 N\$
Revenue			
Revenue from non-exchange transactions		16 211 229	14 326 196
Taxation revenue			
Property rates		13 196 144	11 542 489
Transfer revenue			
Transfers from other government entities	2	3 015 085	2 783 707
Revenue from exchange transactions		31 264 910	30 068 350
Sale of erven		850 756	3 787 373
Service charges	3	20 195 274	20 056 379
Rendering of services		2 602 348	1 992 992
Licenses and permits		216 667	227 331
Nored surcharges		708 315	680 001
Rental income		3 517	3 894
Interest income	4	3 620 926	2 988 291
Other Income		3 067 107	332 089
Total revenue		47 476 139	44 394 546
Expenses		49 574 627	48 494 296
Bulk purchases	5	10 490 692	9 702 399
Employee costs	6	16 431 015	16 239 369
Depreciation and amortization expense		7 383 434	8 069 593
Repairs and maintenance		1 354 082	1 046 638
Contracted services		1 855 056	1 669 513
Debt impairment	7	2 998 475	5 335 429
General Expenses	8	9 002 214	6 431 355
Loss on disposal of assets and liabilities		59 659	-
Surplus/(deficit) for the year		(2 098 488)	(4 099 750)

ANNEXURE C

THE COUNCIL OF EENHANA

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

	Statutory Funds	Accumulated Surplus	Total net assets/equity
	N\$	N\$	N\$
Balance at 1 July 2021	30 517 754	89 689 031	120 206 785
Surplus for the year	-	(4 099 750)	(4 099 750)
Direct adjustments to net assets	548 266	-	548 266
Total changes	548 266	(4 099 750)	(3 551 484)
Opening balance as previously reported	31 066 020	85 528 029	116 594 049
Adjustment			
Correction of errors	-	13 838 564	13 838 564
Balance at 1 July 2022 as restated	31 066 020	99 366 593	130 432 613
Deficit for the year	-	(2 098 488)	(2 098 488)
Movement in funds	(1 407 753)	-	(1 407 753)
Total changes	(1 407 753)	(2 098 488)	(3 506 241)
Balance at 30 June 2023	29 658 267	97 268 105	126 926 372

ANNEXURE D

THE COUNCIL OF EENHANA

STATEMENT OF CASHFLOW FOR THE YEARS ENDED 30 JUNE

	Note	2023 N\$	2022 N\$
Cash flows from operating activities		4 867 750	3 135 237
Deficit		(2 098 488)	(4 099 750)
Adjustments for:			
Depreciation and amortization expense		7 383 434	8 069 593
Gain on sale of assets and liabilities		59 659	-
Debt impairment		2 998 475	5 335 429
Direct adjustments to net assets		(5 499 146)	487 012
Changes in working capital:			
Inventories		453 988	-
Receivables from exchange transactions		55 954	(66 773)
Debt impairment		(2 297 384)	(6 271 958)
Other receivables from non-exchange transactions		55 856	2 674
Payables under exchange transactions		1 013 615	(1 509 735)
VAT		4 571 715	1 048 175
Payables under non-exchange transactions		(1 829 928)	140 570
Cash flows from investing activities		(1 007 411)	(1 332 652)
Purchase of property, plant and equipment	17	(1 878 506)	(2 059 325)
Decrease / (Increase) in loan receivables		871 095	726 673
Cash flows from financing activities			
Net increase/(decrease) in cash and cash equivalents		3 860 339	1 802 585
Cash and cash equivalents at the beginning of the year		11 875 153	10 072 568
Cash and cash equivalents at the end of the year	10	15 735 492	11 875 153

THE TOWN COUNCIL OF EENHANA

STATEMENTS OF COMPARISON OF BUDGETS AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2023

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	N\$	N\$	N\$	N\$	N\$	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	14 187 025		14 187 025	13 196 144	(990 881)	
Transfers from other government entities	3 115 600	-	3 115 600	3 015 085	(100 515)	
Total revenue from non-exchange transactions	17 302 625	-	17 302 625	16 211 229	(1 091 396)	
Revenue from exchange transactions						
Sales of erven	27 736 610	-	27 736 610	580 756	(27 155 854)	R1
Service charges	22 450 341	-	22 450 341	20 195 274	(2 255 067)	R2
Rendering of services	5 403 440	-	5 403 440	2 602 348	(2 801 092)	R3
Licences and permits	259 814	-	259 814	216 667	(43 147)	R4
Nored Surcharges	750 000	-	750 000	708 315	(41 685)	
Rental income	303 240	-	303 240	3 517	(299 723)	R5
Interest Income	3 048 116	-	3 048 116	3 620 926	572 810	R6
Other Income	10 776 672	-	10 776 672	3 067 107	(7 709 565)	R7
Total revenue from exchange transactions	70 728 233	-	70 728 233	30 994 910	(39 733 322)	
Total revenue	88 030 858	-	88 030 858	47 206 139	(40 824 719)	
Expenditure						
Bulk purchases	(17 236 395)	-	(17 236 395)	(10 490 692)	6 745 703	R8
Employee costs	(23 388 811)	-	(23 388 811)	(16 431 015)	6 957 796	R9

THE TOWN COUNCIL OF EENHANA

STATEMENTS OF COMPARISON OF BUDGETS AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2023 (continued)

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	N\$	N\$	N\$	N\$	N\$	
Expenditure (continued)						
Depreciation and amortisation	-	-	-	(7 383 434)	(7 383 434)	R10
Repairs and maintenance	(5 455 000)	-	(5 455 000)	(1 354 082)	4 100 918	R11
Contracted Services	(2 670 000)	-	(2 670 000)	(1 855 056)	814 944	
Debt impairment	-	-	-	(2 998 475)	(2 998 475)	
General Expenses	(14 621 020)	-	(14 621 020)	(9 002 214)	5 618 806	R12
Total expenditure	(63 371 226)	-	(63 371 226)	(49 514 968)	13 856 258	
Surplus/(deficit)	24 659 632	-	24 659 632	(2 038 829)	(26 698 461)	
Loss on disposal of assets and liabilities	-	-	-	(59 659)	(59 659)	
Actual amount on comparable basis	24 659 632	-	24 659 632	(2 098 488)	(26 758 120)	

THE TOWN COUNCIL OF EENHANA
STATEMENTS OF COMPARISON OF BUDGETS AND ACTUAL AMOUNTS FOR THE
YEAR ENED 30 JUNE 2023 (continued)

Note: Council is not required to prepare and publish Budgets for Financial Position and Cash flow, thus exempted in terms of IPSAS 24.5, from preparing the Statement of Comparison of the Budget and Actual Amounts for those statement in.

R1: The sale of erven for Ekolola location still not finalised after it was put on hold as per the PPP agreement with DBN

R2 R7 Some budget line items did not perform well as anticipated.

R8: Less bulk water purchase due to less or decrease on resident's consumption.

R10: Employee costs turned out to be less because there were positions to be filled and there are still vacant.

R10 R12: Spending was cut due to less or decrease in revenue collection

THE TOWN COUNCIL OF EENHANA
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
30 JUNE 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 audit 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.

In the absence of an issued and effective Standard of IPSAS, accounting policies for material transactions, events or conditions were developed in accordance with paragraph 12 of IPSAS 3.

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 judgments and estimates.

1.1 Presentation currency

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

1.2 Significant judgments 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 judgment 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 recognized 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 judgments and estimations that management have made in the process of applying the Town Council's accounting policies and that have the most significant effect on the amounts recognized in annual financial statements:

THE TOWN COUNCIL OF EENHANA
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
30 JUNE 2023 (continued)

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 Town Council.

In making their judgment, the management considered the detailed criteria for the recognition of revenue asset out in 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 Town 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 council is satisfied that recognition of the revenue in the current year is appropriate.

Estimation of meter readings:

Provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. 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 meters 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.

Impairment of financial assets

Accounting Policy 1.10 on financial instruments sub paragraph impairment of financial assets describes the process followed to determine the value at which financial assets should be impaired. In making the estimation of the impairment, the management of the Town Council considered the detailed criteria of impairment and used its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of the reporting period. The management of the Council is satisfied that impairment of Financial Assets recorded during the year is appropriate.

THE TOWN COUNCIL OF EENHANA
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
30 JUNE 2023(continued)

Impairment of trade receivables

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their credit worthiness. This is performed per service identifiable categories across all classes of debtors.

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

As described in Accounting Policies 1.5, and 1.6, the Town 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 estimation of residual values of assets is based on management's judgment 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 1.6 on intangible assets – subsequent measurement, amortisation and impairment and accounting policy 1.11 on Inventory – Subsequent Measurement describe the conditions under which non-financial assets are tested for potential impairment losses by the management of the Town 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 20, 21, and to the annual financial statements, if applicable.

THE TOWN COUNCIL OF EENHANA
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
30 JUNE (continued)

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

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.

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 Town 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 Town council 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 Town Council's interest, it is recognised as interest earned in surplus or deficit.

THE TOWN COUNCIL OF EENHANA
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
30 JUNE 2023(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

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

An exchange transaction is one in which the Town Council receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

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

Measurement

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

Sale of goods (including Houses & sale of erven)

Revenue from the sale of land and building is recognised on date of sale (date when the seller signs) when all the following conditions have been satisfied:

- the Council has transferred to the purchaser the significant risks and rewards of ownership of the property (land or building through fully signed deed of sale contract and the selling price is clearly defined in the contract;
- the council retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the land or sold;

THE TOWN COUNCIL OF EENHANA
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
30 JUNE 2023 (continued)

Service Charges

Service charges are levied in terms of the approved tariffs.

Service charges relating to water is 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 shave 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.

Rentals received

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

Finance income

Interest earned on investments is recognised in Surplus or Deficit on the time proportionate basis that takes into account the effective yield on the investment.

1.5 Property, plant and equipment

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

THE TOWN COUNCIL OF EENHANA
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
30 JUNE 2023 (continued)

1.5 Property, plant and equipment (continued)

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the entity; and
- the cost or fair value of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

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

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

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation on assets other than land is calculated on cost, using the reducing balance 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 TOWN COUNCIL OF EENHANA
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
30 JUNE 2023 (continued)

1.5 Property, plant and equipment (continued)

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

Item	Average useful life
Land	Infinite
Buildings	
• Improvements	50
Infrastructure	10 - 20
Other	
• Computer equipment	5
• Furniture and fittings	5 - 8
• Motor vehicles	5
• Office equipment	5
• Plant & equipment	4 - 30
IT equipment	
• Cellphone	2.5
Other Assets	3 - 20

Land

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

Incomplete Construction Work

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

Leased Assets

Assets capitalised under finance leases are depreciated over their expected useful lives on the same basis as Property, Plant and Equipment controlled by the Town council or, where shorter, the term of the relevant lease if there is no reasonable certainty that the Town Council will obtain ownership by the end of the lease term.

Derecognition

The gain or loss arising from 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.

THE TOWN COUNCIL OF EENHANA
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
30 JUNE 2023 (continued)

1.5 Property, plant and equipment (continued)

Transitional provision

The council elected to adopt the Accrual Based IPSAS framework with effect from 01 July 2018. Furthermore, it chose the same date as the beginning of the transitional period with a view to take advantage of the exemptions provided by IPSAS 33 paragraph 36 and 38 (2023).

Therefore the initial measurement of an item of property, plant and equipment acquired in an exchange of assets transaction shall be applied prospectively only to future transactions.

The council used the transitional provision in IPSAS 17 (2023) which provide entities with a period of up to three years to recognise all property, plant and equipment and make the associated measurement and disclosure from the date of its first application.

1.6 Intangible assets

Initial recognition.

Identifiable non-monetary assets without physical substance are classified and recognised as Intangible Assets.

For internally generated Intangible Assets, all research expenditure is recognised as an expense as it is incurred and costs incurred on development projects are recognised as Intangible Assets in accordance with IPSAS 31 (Intangible Assets). Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Capitalised development costs are recorded as Intangible Assets and amortised from the point at which the asset is available for use. Development assets are tested for impairment annually.

Intangible assets are initially recognised at cost.

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

THE TOWN COUNCIL OF EENHANA
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED
30 JUNE 2023 (continued)

1.6 Intangible assets (continued)

The cost of an intangible asset acquired in exchange for non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets, is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up. If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

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, Amortisation and Impairment

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software, other	5 years

Derecognition

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset 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.

Finance leases lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

THE TOWN COUNCIL OF EENHANA
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
30 JUNE 2023(continued)

1.7 Leases (continued)

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.

1.7.1 The Council as a Lessor

Amounts due from lessees under Finance Leases or instalment sale agreements are recorded as receivables at the amount of the Town Council'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 Council'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.

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.

THE TOWN COUNCIL OF EENHANA
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
30 JUNE 2023 (continued)

1.8 Impairment of cash generating assets (continued)

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 amortization 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 prorata on the basis of the carrying amount of each asset in the unit.

The town 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

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

THE TOWN COUNCIL OF EENHANA
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
30 JUNE 2023(continued)

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.

The Town 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 Financial instruments

The council has various types of financial instruments and these can be broadly categorised as financial assets, financial liabilities or residual interests in accordance with the substance of the contractual agreement.

Initial Recognition

Financial assets and financial liabilities are recognised when it becomes party to the contractual provisions of the instrument

The Council does not offset a financial asset and a financial liability unless a legally enforceable right to set off the recognised amounts currently exist and the Council intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Fair Value Methods and Assumptions

The fair value of financial instruments are determined as follows:

- The fair values of quoted investments are based on current bid prices;
- The market for a Financial Asset is not active (and for unlisted securities), the Council establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity specific inputs;

THE TOWN COUNCIL OF EENHANA
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
30 JUNE 2023 (continued)

1.10 Financial instruments (continued)

Classification

The Council has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost
Loans receivable	Financial asset measured at amortised cost
Cash and cash equivalent deposits	Financial asset measured at amortised cost
Cash and cash equivalent bank	Financial asset measured at fair value

Trade and other receivables (excluding Value Added Taxation, prepayments and operating lease receivables), loans to Town Council entities and loans that have fixed and determinable payments that are not quoted in an active market are classified as financial assets at amortised cost.

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand and deposits held on call with banks, net of bank overdrafts.

The council has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Payable from exchange transactions	Financial liability measured at amortised cost
Payable from non-exchange transactions	Financial liability measured at amortised cost

THE TOWN COUNCIL OF EENHANA
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
30 JUNE 2023 (continued)

1.10 Financial instruments (continued)

Initial and subsequent measurement of financial assets and financial liabilities

Financial Assets:

At Fair value through surplus or deficit

Financial assets at fair value through surplus and deficit are initially and subsequently, at the end of each financial year, measured at fair value with the profit or loss being recognised in surplus or deficit.

Held to maturity investments

Held to maturity investments are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. Subsequently, these assets are measured at amortised cost using the effective interest method less any impairment, with revenue recognised on an effective yield basis.

Loans and receivables

Loans and receivables are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. After initial recognition loans and receivables are measured at amortised cost, using the effective interest rate method less a provision for impairment.

Available for Sale Investments

Available for sale investments are initially measured at fair value plus directly attributable transaction costs. They are subsequently measured at fair value with unrealised gains or losses recognised directly in equity until the investment is derecognised, at which time the cumulative gain or loss recorded in equity is recognised in surplus or deficit, or determined to be impaired, at which time the cumulative loss recorded in equity is recognised in surplus or deficit.

Financial Liabilities:

At Fair value through surplus or deficit

Financial liabilities that are measured at fair value through surplus or deficit are stated at fair value, with any resulted gain or loss recognised in surplus or deficit.

THE TOWN COUNCIL OF EENHANA
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
30 JUNE 2023 (continued)

1.10 Financial instruments (continued)

At Amortised Cost

Any other financial liabilities are classified as other financial liabilities (All payables, loans and borrowings are classified as other liabilities) and are initially measured at fair value, net of transaction costs. Trade and other payables, Interest bearing debt including finance lease liabilities, non-interest bearing debt and bank borrowings are subsequently measured at amortised cost using the effective interest rate method. Interest expense is recognised in Surplus or deficit by applying the effective interest rate.

Bank borrowings, consisting of interest bearing short term bank loans, repayable on demand and over drafts are recorded at the proceeds received. Finance costs are accounted for using the accrual basis and are added to the carrying amount of the bank borrowing to the extent that they are not settled in the period that they arise.

Prepayments are carried at cost less any accumulated impairment losses.

Impairment of financial assets:

Financial assets, other than those at fair value, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence of impairment of financial assets (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised through the use of an allowance account.

Financial Assets at Amortised Cost

A provision for impairment of Accounts Receivables is established when there is objective evidence that the Council will not be able to collect all amounts due according to the original terms of receivables. The provision is made where by the recoverability of accounts receivable is assessed individually and then collectively after grouping the assets in financial assets with similar credit risk characteristics.

THE TOWN COUNCIL OF EENHANA
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
30 JUNE 2023 (continued)

1.10 Financial instruments (continued)

The amount of the provision is the difference between the financial asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Cash flows relating to short term receivables are not discounted where the effect of discounting is immaterial.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets carried at amortised cost with the exception of consumer debtors, where the carrying amount is reduced through the use of an allowance account. When a consumer debtor is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against revenue. Changes in the carrying amount of the allowance account are recognised in surplus or deficit.

Financial assets available for sale

When a decline in the fair value of an available for sale financial asset has been recognised directly in net assets and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in net assets shall be removed and recognised in surplus or deficit even though the financial asset has not been derecognised.

The amount of the cumulative loss that is removed from net assets and recognised in surplus or deficit is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that financial asset previously recognised in surplus or deficit.

Impairment losses recognised in surplus or deficit for an investment in an equity instrument classified as available for sale are not reversed through surplus or deficit.

If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss is recognised in surplus or deficit, the impairment loss must be reversed, with the amount of the reversal recognised in surplus or deficit.

THE TOWN COUNCIL OF EENHANA
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
30 JUNE 2023 (continued)

1.10 Financial instruments (continued)

The entity measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value].

The entity first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the entity analyses a concessionary loan into its component parts and accounts for each component separately. The entity accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- Non-exchange revenue, in accordance with the Standard of IPSAS on Revenue from non-exchange transactions (taxes and transfers), where it is the recipient of the loan.

Derecognition

Financial assets

The Council derecognises financial assets only when the contractual rights to the cash flows from the asset expires or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity, except when Council approves the write off of financial assets due to non-recoverability.

If the Council neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Council recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the council retains substantially all the risks and rewards of ownership of a transferred financial asset, the Council continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities

The Council derecognises financial liabilities when, and only when, Council's obligations are discharged, cancelled or they expire. The Council recognises the difference between the carrying amount of the financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, in surplus or deficit.

THE TOWN COUNCIL OF EENHANA
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
30 JUNE 2023 (continued)

1.11 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 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 FIFO method.

Water inventory

Water is regarded as Inventory when the Town Council purchases water in bulk with the intention to resell it to the consumers or to use it internally, or where the town council 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 Town 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 TOWN COUNCIL OF EENHANA
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED
30 JUNE 2023 (continued)

1.11 Inventories (continued)

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 realisable 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 are 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.

1.12 Provisions and contingencies

The best estimate of the expenditure required to settle the present obligation is the amount that the 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 TOWN COUNCIL OF EENHANA
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
30 JUNE 2023 (continued)

1.12 Provisions and contingencies (continued)

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.

Decommissioning, restoration and similar liability

Estimated long term environmental provisions, comprising rehabilitation and land fill site closure, are based on the Council's policy, taking into account current technological, environmental and regulatory requirements. The provision for rehabilitation is recognised as and when the environmental liability arises. To the extent that the obligations relate to the asset, they are Capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are charged to surplus or deficit.

THE TOWN COUNCIL OF EENHANA
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
30 JUNE 2023 (continued)

1.12 Provisions and contingencies (continued)

Contingent assets and contingent liabilities

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

1.13 Employee benefits

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

Short term employee benefits

Short term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short term employee benefits include items such as:

- Wages, salaries and social security contributions;
- Short term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- Bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service.

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 Council recognises the expected cost of performance bonuses only when the Council has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

Post-employment benefits

The Council provides retirement benefits for its employees.

THE TOWN COUNCIL OF EENHANA
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
30 JUNE 2023 (continued)

1.13 Employee benefits (continued)

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

The Council's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in surplus or deficit in the period in which the service is rendered by the relevant employees. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

1.14 Borrowing costs

The council uses the benchmark treatment of borrowing costs as such borrowing costs are recognised as an expense in the period in which they are incurred regardless of how the borrowing costs were applied.

1.15 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 strategic executive officers reporting directly to the Chief Executive Officer or as designated by the Chief Executive Officer.

1.16 Going concern assumption

At 30 June 2023 the council have prepared the annual financial statements under the going concern assumption, based on management assumptions as set out in Note 28 to the Annual financial statements.

THE TOWN COUNCIL OF EENHANA
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
30 JUNE 2023 (continued)

1.17 Net assets

Statutory fund

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, and sale of houses, interest from investments and other moneys accruing to the fund. Unexpended moneys 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.

Monies 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.

Council's sale of erven fund contains all proceeds from sale of erven on credit. Monies standing to the credit of the sale of erven fund are used only for capital projects and capital expenditures.

Accumulated Surplus

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

1.18 Grants in aid

The Council transfer's money to individuals, organizations and other sectors of government from time to time. When making these transfers, the 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.

THE TOWN COUNCIL OF EENHANA
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
30 JUNE 2023 (continued)

1.19 Value added tax

The council accounts for Value Added Tax in accordance with section 18 of the Value Added Tax Act (Act No 10 of 2000).

1.20 Commitments

Commitments are future expenditure to which the council committed and that will result in the out flow of resources. Commitments are not recognised in the Statement of Financial Position as a liability or as expenditure in Surplus or Deficit, but are included in the disclosure Notes. A distinction is made between capital and current commitments.

1.21 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 EENHANA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE
(continued)

	2023	2022
	N\$	N\$
2. Transfers from other government entities	3 015 085	2 783 707
Government grant (capital)	2 000 000	2 000 000
Government grant-RFA subsidy	1 015 085	783 707
3. Service charges	20 195 274	20 056 379
Sale of water	10 715 707	11 088 192
Sewerage and sanitation charges	2 906 702	2 810 251
Refuse removal	3 125 901	2 913 478
other service charges	3 446 964	3 244 458

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.

4. Interest received - investment	3 620 926	2 988 291
Interest charged on trade and other receivables	3 329 241	2 881 930
Interest received - short term deposits	291 685	106 361
5. Bulk purchases		
Water	10 490 692	9 702 399

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

THE TOWN COUNCIL OF EENHANA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE
(continued)

	2023	2022
	N\$	N\$
6. Employee related costs	16 431 015	16 239 369
Basic	10 380 108	8 924 967
Bonus	616 461	647 234
Social Security	45 240	44 213
Leave pay provision charge	250 396	125 025
Short term benefit: Medical Aid	1 486 561	1 388 432
Defined contribution plans	1 626 653	1 637 868
Travel, motor car, accommodation, subsistence and other allowances	1 333 460	2 819 591
Overtime payments	485 007	461 792
Airtime allowances	81 048	91 338
Employee compensation Fund	126 081	98 909
Chief Executive Officer	869 424	803 674
Annual Remuneration	452 784	449 043
Car Allowance	79 689	25 752
13th Cheque	38 168	37 420
Contributions to UIF, Medical and Pension Funds	103 270	97 442
Cellphone allowance	14 400	14 400
Housing Subsidy	181 113	179 617
Strategic Executives (3)	1 024 849	1 757 437
Annual Remuneration	262 605	859 759
Car Allowance	81 157	200 961
13th Cheque	401 338	62 636
Contributions to UIF, Medical and Pension Funds	28 800	292 919
Cellphone allowance	250 949	21 600
Housing Subsidy	-	319 562

The remuneration for other Executives is higher than that of previous financial year because the Senior Manager for Finance, HR and Administration was employed in April 2022.

THE TOWN COUNCIL OF EENHANA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE
(continued)

	2023	2022
	N\$	N\$
7. Debt impairment		
Debt impairment	2 998 475	5 335 429

The impairment of debt is based on the days past due date. All debts that are 90 days or more constitute an impairment provision for the financial year.

8. General expenses	9 002 214	6 431 804
Advertising	66 881	32 837
Bank charges	331 911	295 718
Catering & Entertainment Cost	56 336	68 802
Consulting and professional fees	245 196	-
Donations	11 799	11 796
Electricity departmental	1 753 910	1 495 627
Fleet	1 197 707	694 558
IT expenses	177 294	221 805
Insurance	209 583	240 664
Internship expenditure	11 981	20 400
5% Levies: Regional Council	659 807	577 124
Marketing	20 051	-
Other general expenses	1 810 254	590 471
Materials and store	299 822	351 808
Postage and courier	349 582	223 760
Printing and stationary	85 694	44 063
Protective Clothing	782	84 720
Security	1 205 624	1 048 757
Software expenses	106 175	96 005
Subscriptions and membership fees	30 000	65 900
Training	22 528	30 000
Travel local	349 298	236 989

THE TOWN COUNCIL OF EENHANA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE
(continued)

	2023	2022
	N\$	N\$
9. Investment revenue	3 620 926	2 988 291
Interest charged on trade and other receivables	3 329 241	2 881 930
Interest received - short terms deposit	291 685	106 361
10. Cash and cash equivalents	15 735 487	11 875 153
Cash on hand	1669	-
Bank balances	733 169	524 726
Short-term deposits	15 000 649	11 350 427

For the purpose 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. Short term deposits were previously reported as investments under non-current assets.

No other restrictions have been imposed on the 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.

Call deposits are investments with a maturity period of less than 3 months and earn interest rates per annum.

Fixed deposits

Fixed deposits are fixed term investments with a maturity period of less than 12 months and earn interest rates per annum.

Short term deposits were previous classified as non-current investments. These balances have since been reclassified as cash and cash equivalents.

THE TOWN COUNCIL OF EENHANA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023 (continued)

	2023	2022
	N\$	N\$
11. Consumer debtor		
Gross balances		
All billing debtors	41 836 966	39 539 581
Less Allowance for impairment		
All billed debtors impairment	(35 953 520)	(32 955 044)
Net balance		
All billed debtors	5 883 446	6 584 537
Reconciliation of allowance for impairment		
Balance at beginning of the year	(32 955 044)	(27 619 616)
Contribution to allowance	(2 998 476)	(5 335 428)
	(35 953 520)	(32 955 044)

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 Council strictly enforces its approved credit control policy to ensure the recovery of receivables.

The Council did not pledge any of its receivables as security for borrowing purposes. In determining the recoverability of Receivables, the council has placed strong emphasis on verifying the payment history of consumers. Allowance for impairment of receivables has been made for all consumer balances outstanding based on the payment ratio over 90 days per service type. No further credit allowance is required in excess of the Allowance for Impairment.

	2023	2022
	N\$	N\$
12. VAT receivable		
VAT receivables	851 106	5 422 821

VAT is payable in terms of section 7 of the Value-Added Tax Act no 10 of 2000. 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.

THE TOWN COUNCIL OF EENHANA
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 30 JUNE
(continued)

	2023	2022
	N\$	N\$
13. Receivables from exchange transactions		
Sundry debtors	10 819	66 773
The Council did not pledge any of its Receivables as security for borrowing purposes.		
14. Receivable from non-exchange transaction		
Nored Surcharges	130 516	186 372
Council does not hold deposits or other security for its Receivables.		
15. Loan receivables		
Total receivables from exchange transactions		
Long term receivables	5 776 026	6 647 121

The long term receivables are composed of the following:

Sale of erven and housing funds

Housing Loans in terms of the Build Together Housing Scheme are granted to qualifying individuals at an interest rate of 4,00% per annum, repayable over a maximum period of 20 years. Sale of erven loan are granted to residents already occupying plots at the low income settlements at a current commercial lending interest rate per annum, repayable over a maximum of 7 years.

16. Inventories

Inventories	770 308	1 224 296
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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 EENHANA
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 30 JUNE (continued)**

17. Property, plant and equipment

	2023		2022	
	Cost/Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost/Valuation
	N\$	N\$	N\$	N\$
Land	15 242 975	-	15 242 975	1 187 529
Buildings	24 618 789	(4 691 121)	20 927 668	21 744 278
Furniture and fixtures	650 300	(497 077)	153 223	598 650
Motor vehicles	8 551 540	(7 760 584)	790 956	8 436 613
Office equipment	484 701	(402 735)	81 966	433 668
IT equipment	634 912	(513 719)	121 193	553 015
Infrastructure	139 374 618	(71 938 423)	67 436 195	138 718 415
Other property, plant and equipment	4 810 084	(3 031 137)	1 778 947	4 490 956
Assets Under Construction	15 409 074	-	15 409 074	13 581 637
Total	210 776 993	(88 834 796)	121 942 197	191 804 086
				(82 227 258)
				109 576 828

THE TOWN COUNCIL OF EENHANA
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 30 JUNE (continued)

Reconciliation of property, plant, and equipment - 2023

	Opening balance	Addition	Disposal	Other changes, movement	Depreciation	Total
	N\$	N\$	N\$		N\$	N\$
Land	1 187 529	-	-	14 055 446	-	15 242 975
Buildings	17 576 082	-	-	3 874 511	(522 925)	20 927 668
Furniture and fixtures	185 988	-	(17)	-	(32 748)	153 223
Motor vehicles	351 915	707 590	(7)	-	(268 542)	790 956
Office equipment	71 961	27 382	-	-	(17 377)	81 966
IT equipment	47 087	109 380	(7)	-	(35 267)	121 193
Infrastructure	72 964 437	656 202	-	-	(6 184 444)	67 436 195
Other property, plant and equipment	2 061 582	99 125	(59 628)	-	(322 132)	1 778 947
Assets under construction	15 130 247	278 827	-	-	-	15 409 074
	109 576 828	1 878 506	(59 659)	17 929 957	(7 383 435)	121 942 197

THE TOWN COUNCIL OF EENHANA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 30 JUNE (continued)

17. Property, plant and equipment (continued)

Reconciliation of property, plant, and equipment - 2022

	Opening balance	Addition	Transfers	Depreciation	Total
	N\$	N\$	N\$	N\$	N\$
Land	1 187 529		-	-	1 187 529
Buildings	18 023 456	-	-	(447 374)	17 576 082
Furniture and fixtures	166 694	53 258	-	(33 964)	185 988
Motor vehicles	673 627	-	-	(321 712)	351 915
Office equipment	66 134	23 651	-	(17 824)	71 961
IT equipment	49 524	21 876	-	(24 313)	47 087
Infrastructure	79 895 604	-	-	(6 931 167)	72 964 437
Other property, plant and equipment	1 942 891	197 918	214 012	(293 239)	2 061 582
Assets under construction	13 581 637	1 762 622	(214 012)	-	15 130 247
	115 587 096	2 059 325	-	(8 069 593)	109 576 828

ANNEXURE F

THE TOWN COUNCIL OF EENHANA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 30 JUNE

(continued)

17. Property, plant and equipment (continued)

	2023	2022
	N\$	N\$
	20 717 165	510 715
Land	15 242 975	-
Building	3 874 511	-
Furniture and fixtures	707 590	-
Office equipment	27 382	53 258
IT equipment	109 380	23 651
Infrastructure	656 202	21 876
Other property, plant and equipment	99 125	411 930

Reconciliation of Work-in-Progress 2023

	Included within Infrastructure	Total
	N\$	N\$
Opening balance	15 130 247	15 130 247
Additions/capital expenditure	278 827	278 827
Total	15 409 074	15 409 074

THE TOWN COUNCIL OF EENHANA
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 30 JUNE
(continued)

17. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2022

	Included within Infrastructure	Total
	N\$	N\$
Opening balance	13 581 637	13 581 637
Additions/capital expenditure	1 762 622	1 762 622
Transferred and completed	(214 012)	(214 012)
Total	15 130 247	15 130 247

	2023	2022
	N\$	N\$
18. Payables under exchange transactions	20 761 270	19 747 665
Trade payables	14 673 672	14 046 396
Accrued leave and bonus pay	2 401 699	2 198 358
Bonus	304 383	277 120
Severance pay	1 890 321	1 787 914
Accrued audit fees	55 000	55 000
Deposits received	1 436 195	1 382 877

Staff Leave:

Leave accrues to the staff of the Council on an annual basis, subject to certain conditions. The provision is an estimate of the amount due at the reporting date. Maximum staff leave credit allowed as per the Eenhana Town council of 2009 is 60 days.

THE TOWN COUNCIL OF EENHANA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 30 JUNE
(Continued)

	2023	2022
	N\$	N\$
19. Payables from non-exchange transactions	3 412 263	5 242 191
Unallocated receipts	525 668	3 015 403
5% levies: Regional Council	2 886 595	2 226 788

Suspense Accounts are in respect of temporary advances received in the normal month-to-month operations of the town council, not settled at year-end. No credit period exists for Payables from non-exchange Transactions, neither has any credit period been arranged. No interest is charged on outstanding amounts. The Town Council did not default on any payment of its Creditors. No terms for payment have been re-negotiated by the town council. The Town Council's credit risk management processes are disclosed in note to the annual financial statements.

20. Funds	29 658 267	31 066 020
Build Together	22 517 447	22 229 405
Sale of ervens	6 815 297	8 527 757
Other Funds	325 523	308 858

21. Related parties

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

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 Councilors, 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.

Remuneration of management**Councilors/Mayoral committee members**

Refer to Note.7

THE TOWN COUNCIL OF EENHANA
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED
30 JUNE 2023 (continued)

22. Prior period errors

The following adjustment totalling to N\$ 13.8 million were effected against opening Accumulated surplus:

1. Nored Surcharges amounting to N\$ 63 375 previously recognised under Receivable from non-exchange transactions which was already allocated during the financial year 2018/2019.
2. Sale of erven of N\$ 577 417 for previous financial year recognised.
3. Refund of previous financial year sale of erven of N\$ 300,000 for erf 889, because erf was allocated to someone else.
4. Sale of erven fund correction made since there were no proper reconciliations done in the previous financial year amounting to N\$ 534 168.
5. VAT control vote was corrected with an amount of N\$ 5 118 047 in order to align it to the VAT summaries and NAMRA records because there were no reconciliations done in the previous financial year.
6. Build together advances/receivable corrected with an amount of N\$ 654 214 because there were no reconciliations done in the previous financial year.
7. Land amounting to N\$ 14 055 446 not capitalised in the previous financial year was recognised in the current year.
8. De-recognition of land from previous financial year amounting to N\$ 1 187 529 because of unclear description and it cannot be identified.

23. Going concern

Management considered the fact that the council continue to have the capacity and ability to collect rates and taxes from

- (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 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 council continue to receive financial support for capital projects from the central government through the Ministry of Urban and Rural Development.
- 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 30 June 2023.