



**REPUBLIC OF NAMIBIA**



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

# **TOWN COUNCIL OF OKAHAO**

**FOR THE FINANCIAL YEARS ENDED 30 JUNE 2021 AND 2022**



**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 Okahao for the financial years ended 30 June 2021 and 2022 in terms of Article 127(2) of the Namibian Constitution. The report is transmitted to the Honourable Minister of Finance in terms of Section 27(1) of the State Finance Act, 1991 (Act 31 of 1991) to be laid upon the Table of the National Assembly in terms of Section 27(4) of the Act.

**WINDHOEK, December 2023**

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  
TOWN COUNCIL OF OKAHAO  
FOR THE FINANCIAL YEARS ENDED 30 JUNE 2021 AND 2022**

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**1. ADVERSE AUDIT OPINION**

I have audited the financial statements of the Town Council of Okahao for the financial years ended 30 June 2021 and 2022. These financial statements comprise the statement of financial position, statement of financial performance, statement of changes in net assets, statement of cash flows and a summary of significant accounting policies.

Because of the significance of the matters described in the Basis for Adverse Audit Opinion paragraph, the financial statements do not present fairly the financial position of the Town Council of Okahao for the financial years ended 30 June 2021 and 2022 and its financial performance and cash flows for the years then ended in accordance with International Public Sector Accounting Standards (IPSASs).

**2. BASIS FOR ADVERSE AUDIT OPINION**

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

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

**2.1 ACCOUNTING FRAMEWORK**

The 2022 financial statements did not comply with IPSAS 33, paragraph 5 and interpretation guidance (IG) 14, which states that at the end of the transitional period a first-time adopter must comply with the recognition, measurement, presentation and disclosure requirements in the other accrual basis IPSAS in order to assert compliance with accrual basis IPSAS as required in IPSAS 1: Presentation of Financial Statements.

It is recommended that the Council should fully comply with IPSAS 33 paragraph 5 which states that at the end of the transitional period a first-time adopter must comply with the recognition, measurement, presentation and disclosure requirements in the other accrual basis IPSAS in order to assert compliance with accrual basis IPSASs as required in IPSAS 1, Presentation of Financial Statements.

**2.2 RESTATEMENT 2020 FINANCIAL STATEMENTS**

The Council did not disclose the reasons and effect of restatements and re-classifications of the previously audited financial statements for 2020, as a result, the accuracy and presentation and disclosure of the 2020 financial statements as well as their impact on the subsequent periods could not be ascertained. All the figures were either restated or reclassified except for intangibles, investments, property rates & taxes, pledges & penalties income and sale of erven revenue.

It is recommended that the impact of prior period restatements should be disclosed in the financial statements in accordance with IPSAS 3, paragraph 54. which requires the disclosure of the nature of prior period error, the amount of the correction for each financial statement line item affected, amount of the correction at the beginning of the earliest prior period presented and where retrospective restatement is impracticable for a particular prior period, the circumstances that led to the existence of that condition and a description of how and from when the error has been corrected.

### **2.3 PROPERTY, PLANT AND EQUIPMENT**

- There is an unexplained difference on the carrying amount of property plant and equipment between the financial statements and the fixed assets register of N\$ 40 920 265 and N\$ 4 527 163 for 2022 and 2021 respectively.
- There is an unexplained difference on the depreciation charge between the financial statements and the fixed assets register of N\$ 5 878 187 for 2021.
- Supporting documents for additions amounting to N\$ 9 330 092 and N\$ 3 509 435 for 2022 and 2021 respectively were not provided.

Consequently, the existence, completeness, accuracy and valuation of reported balances could not be verified.

It is recommended that the fixed asset register be reconciled to the financial statements on a regular basis. Furthermore, the Council should ensure that all supporting documents are provided for audit purposes in terms of the State Finance Act 1991 (Act 31 of 1991) Section 26 (1) (b) (i) and (ii) which states that the Auditor-General or any competent person employed in the Office of the Auditor-General:

- i. Shall have access to all books, vouchers, other documents, money, stamps, securities, forms. Having a face or potential value, equipment stores and other movable goods owned or leased by the State or the statutory institution concerned, in the possession or under the control of any person and which the Auditor-General deems necessary for an investigation, examination and audit in terms of this Act;
- ii. May request such particulars, accounts and statements as he or she deems necessary for such an investigation, examination and audit.

### **2.4 VAT RECEIVABLE**

There are unexplained differences of N\$ 1 409 497 and N\$ 284 024 on the re-performed VAT reconciliation for 2022 and 2021 respectively as. The accuracy and valuation of the reported balance could not be ascertained.

It is recommended that the balance of the VAT control account should be reconciled on a regular basis.

## **2.5 INVENTORY**

- The verification of inventory could not be performed as at year end due to inadequate record keeping of inventory count sheets and relevant reports;
- The Council have not reported inventory of water and un-serviced land (in the process of sale);
- The examination of the inventory in comparison to the gazetted tariffs exposed an overstatement amounting to N\$ 4 635 522 and N\$ 4 561 078 for the years 2022 and 2021, respectively. Additionally, it was observed that the Council failed to furnish the necessary workings for the valuation of inventories related to erven.

The existence, completeness, accuracy and valuation of the reported balance could not be ascertained, as inventory is not in compliance with IPSAS 12, paragraph 9 and paragraph 15.

It is recommended that all categories of inventory (consumables, water and erven or land for sale) should be recorded in accordance with IPSAS 12.

## **2.6 BUILD TOGETHER LOANS**

The auditors could not satisfy themselves with the classification as well as presentation and disclosure of the Build Together Loans. Build Together Loans receivable of N\$ 5 757 391 and N\$ 5 589 195 (for 2022 and 2021 respectively) are included in receivables from exchange transactions, contrary to the requirements of IPSAS 1 paragraph 89. Secondly, the entire Build Together loan balances are presented as current assets contrary to IPSAS 41, paragraph 79.

It is recommended that Build Together Loans receivable should be presented separately on the face of the Statement of Financial Position in accordance with IPSAS 1 paragraph 89. Furthermore, Build Together Loans receivable should be allocated between current and non-current as required by IPSAS 41, paragraph 79 which state that current assets should include the current portion of non-current (long term) assets.

## **2.7 RETAINED INCOME**

The accumulated surplus of N\$ 193 334 273 for 2022 incorporates adjustments to the value of N\$ 18 791 105 without the appropriate disclosure. Additionally, the accumulated surplus for 2021 does not align with the figures presented in the Statement of Changes in Equity. As a result, the presentation and disclosure of the reported balances could not be verified.

It is recommended that the impact of prior period restatements should be disclosed in the financial statements in accordance with IPSAS 3, paragraph 54 which requires the disclosure of nature of the prior period error, the amount of the correction for each financial statement line item affected, amount of the correction at the beginning of the earliest prior period presented and where retrospective restatement is impracticable for a particular prior period, the circumstances that led to the existence of that condition and a description of how and from when the error has been corrected.



## **2.8 INVESTMENT IN THE ASSOCIATE**

The investment in electricity infrastructure for N\$ 20 990 854 was presented as an investment in associate (NORED) in the 2021 year but was reclassified to property, plant and equipment in the 2022 year without restating prior period as required by IPSAS 3, paragraphs 47 and 48.

It is recommended that prior period errors should be corrected in accordance with IPSAS 3, paragraph 47 and 48 which states that an entity shall correct material prior period errors retrospectively in the first set of financial statements authorized for issue after their discovery by: (a) restating the comparative amounts for prior period(s) presented in which the error occurred; or (b) if the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and net assets/equity for the earliest prior period presented. Paragraph 48 states that prior period error shall be corrected by retrospective restatement, except to the extent that it is impracticable to determine either the period specific effects or the cumulative effect of the error.

## **2.9 UNAUTHORISED PROPERTY VALUES**

Property values on the billing master file were not in line with the valuation roll as a result customers were incorrectly billed.

It is recommended that the billing master-file should be reviewed for accuracy each time the valuation roll is updated.

## **2.10 INTEREST ON ARREARS**

There was an overstatement of N\$ 11 767 303 and N\$ 7 268 950 for 2022 and 2021 respectively noted on interest on arrears as interest was charged at 2.5% per month despite the fact that it is not provided for in the government gazette.

It is recommended that in future, the interest rate should be included in the government gazette.

## **2.11 SALE OF ERVEN REVENUE**

The reported sale of erven revenue of N\$ 3 669 280 and N\$ 2 704 437 for 2022 and 2021 respectively were recognised based on cash basis rather than recording the full transaction value upon satisfying all conditions for revenue recognition. Consequently, the occurrence, completeness, accuracy and valuation of the recorded revenue could not be ascertained.

It is recommended that revenue in respect of sale of erven should be recognised in full in accordance with IPSAS 9, paragraph 28 which states that revenue from the sale of goods shall be recognized when all the following conditions have been satisfied. a) The entity has transferred to the purchaser the significant risks and rewards of ownership of the goods; (b) The entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold; (c) The amount of revenue can be measured reliably; (d) It is probable that the economic benefits or service potential associated with the transaction will flow to the entity; and (e) The costs incurred or to be incurred in respect of the transaction can be measured reliably.



## **2.12 COST OF SALES FOR ERVEN SOLD**

No cost of sales was recognised in the financial statements in respect of sale of erven of N\$ 3 669 280 and N\$ 2 704 437 for 2022 and 2021 respectively, resulting in the understatement of the reported expenditure and overstatement of inventory.

It is recommended that the sale of erven should be recorded in accordance with IPSAS 12.

## **2.13 WATER SALES**

The Council did not provide any information on meter readings relating to water sales amounting to N\$ 9 147 619 and N\$ 9 775 942 for each of 2022 and 2021 financial years. The occurrence, completeness, accuracy and valuation of the recorded revenue could not be verified.

It is recommended that the Council should ensure that all supporting documents are provided for audit purposes in terms of the State Finance Act 1991 (Act 31 of 1991) Section 26 (1) (b) (i) and (ii) which states that the Auditor-General or any competent person employed in the Office of the Auditor-General:

- i. Shall have access to all books, vouchers, other documents, money, stamps, securities, forms. Having a face or potential value, equipment stores and other movable goods owned or leased by the State or the statutory institution concerned, in the possession or under the control of any person and which the Auditor-General deems necessary for an investigation, examination and audit in terms of this Act;
- ii. May request such particulars, accounts and statements as he or she deems necessary for such an investigation, examination and audit.

## **2.14 SUBDIVISION AND REZONING OF ERVEN**

Expenditure is overstated by N\$ 897 578 and N\$ 834 029 for 2022 and 2021 respectively due to an asset account titled subdivision and rezoning of erven being recorded as expenditure.

It is recommended that the transactions are correctly classified in the financial statements.

## **2.15 INTEREST INCOME**

The bank interest reported for the year 2021 amounting to N\$ 937 851 is overstated by N\$ 674 425 due to the inclusion of other income accounts.

It is recommended that the transactions are correctly classified in the financial statements.

## **2.16 PERMISSION TO OCCUPY (PTO) REVENUE**

No listing and related lease agreements were provided to support the permission to occupy (PTO) revenue amounting to N\$ 424 774 and N\$ 408 045 for 2022 and 2021 respectively.

It is recommended that the Council should ensure that all supporting documents are provided for audit purposes in terms of the State Finance Act 1991 (Act 31 of 1991) Section 26 (1) (b) (i) and

(ii) which states that the Auditor-General or any competent person employed in the Office of the Auditor-General:

i. Shall have access to all books, vouchers, other documents, money, stamps, securities, forms. Having a face or potential value, equipment stores and other movable goods owned or leased by the State or the statutory institution concerned, in the possession or under the control of any person and which the Auditor-General deems necessary for an investigation, examination and audit in terms of this Act;

ii. May request such particulars, accounts and statements as he or she deems necessary for such an investigation, examination and audit.

## **2.17 EMPLOYEE BENEFIT OBLIGATIONS**

Post-Retirement Health Care Benefits scheme and its related liability to the value of N\$ 49 790 639 is presented in note 20 while the Town Council is not a member of such a scheme.

It is recommended the Town Council investigate the observation and correct it accordingly.

## **2.18 BANK RECONCILIATION**

At 30 June 2021, the Capital Projects call account had an unexplained difference of N\$ 352 470 between the bank statement and the financial statements. The reported bank balance is overstated by the said amount.

It is recommended that the bank reconciliation should be performed monthly for all bank accounts.

## **2.19 STATEMENT OF CASH FLOWS**

The adjustments reflected on the statement of cash flows of N\$ 2 488 502 and N\$ 556 982 for 2022 and 2021 respectively were unexplained, therefore, the accuracy of these adjustments could not be confirmed.

It is recommended that supporting evidence to all adjustment entries be maintained and provided for audit purposes in terms of the State Finance Act 1991 (Act 31 of 1991) Section 26 (1) (b) (i) and (ii) which states that the Auditor-General or any competent person employed in the Office of the Auditor-General:

i. Shall have access to all books, vouchers, other documents, money, stamps, securities, forms. Having a face or potential value, equipment stores and other movable goods owned or leased by the State or the statutory institution concerned, in the possession or under the control of any person and which the Auditor-General deems necessary for an investigation, examination and audit in terms of this Act;

ii. May request such particulars, accounts and statements as he or she deems necessary for such an investigation, examination and audit..

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

Key audit matters are those matters that, in my professional judgment, were of most significance in my audit of the financial statements of the current period. These matters were addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters. I have determined that there are no key audit matters identified in respect of the financial statement for the Town Council of Okahao.

### **4. OTHER INFORMATION**

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information and in doing so, consider whether the other information is materially inconsistent with the financial statements or knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information; I am required to report that fact. I have nothing to report in this regard.

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

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

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

### **6. AUDITOR'S RESPONSIBILITY FOR THE AUDIT OF THE FINANCIAL STATEMENTS**

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the International Standards for Supreme Audit Institutions, 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.

- 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 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.

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.

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

The financial statements for the financial years ended 30 June 2021 and 2022 were not submitted in compliance with Section 85 of the Local Authorities Act, 1992 (Act No. 23 of 1992) that requires the Council to submit its financial statements three months after financial year end.

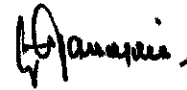
## **SECTION B: AUDIT OF PERFORMANCE INFORMATION**

### **8. AUDIT OF KEY PERFORMANCE INFORMATION**

No audit was conducted on compliance and performance information of the Town Council of Okahao for the financial years ended 30 June 2021 and 2022. The audit of the Town Council was outsourced to Umoja Assurance Services and this audit did not form part of their terms of reference. As a result, I have nothing to report.

### **9. ACKNOWLEDGEMENT**

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



**WINDHOEK, December 2023**

**JUNIAS ETUNA KANDJEKE  
AUDITOR-GENERAL**

**TOWN COUNCIL OF OKAHAO  
ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED 30 JUNE 2021 AND  
30 JUNE 2022  
GENERAL INFORMATION**

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<b>Country of incorporation and domicile</b>	Namibia
<b>Legal form of entity</b>	Town Council as per Section 2(b) of Local Authority Act 23 of 1992
<b>Nature of business and principal activities</b>	Principal activities of Town Council of Okahao are: <ul style="list-style-type: none"> <li>• providing its residents with equitable municipal services;</li> <li>• ensuring sustainable service delivery to all its inhabitants; and</li> <li>• promoting social and economic development within the municipal area.</li> </ul>
<b>Council Mayor</b>	Cornelia N Iiyambula
<b>Councillors</b>	Julia M Katoole - Dep. Mayor Johannes K Uushini – Chairperson of MC Andreas E Nekwaya Aina K Amalovu Johannes Aluvilu
<b>Grading of local authority</b>	Town Council as per Section 2(b) of Local Authority Act 23 of 1992
<b>Chief Executive Officer</b>	Junias Shawapala Jakob
<b>Management team</b>	Efraim Tshivute Shikesho Simon Shinguto
<b>Registered office</b>	Okahao
<b>Postal address</b>	PO Box 699 Okahao Namibia
<b>Auditors</b>	Auditor General of Namibia

**TOWN COUNCIL OF OKAHAO  
ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED 30 JUNE 2021 AND  
30 JUNE 2022**

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The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

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The following supplementary information does not form part of the annual financial statements and is unaudited:



**TOWN COUNCIL OF OKAHAO**  
**ACCOUNTING OFFICER'S RESPONSIBILITIES AND APPROVAL FOR THE YEARS**  
**ENDED 30 JUNE 2021 AND 30 JUNE 2022**

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The Accounting Officer is required by the Local Authorities Act 23 of 1992, to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the Accounting Officer to ensure that the annual financial statements fairly present the state of affairs of the entity as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The Accounting Officer acknowledges that he is ultimately responsible for the system of internal financial control established by the entity and place considerable importance on maintaining a strong control environment.

To enable the Accounting Officer to meet these responsibilities, sets standards for internal control aimed at reducing the risk of error in a cost-effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the entity and all employees are required to maintain the highest ethical standards in ensuring the entity's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the entity is on identifying, assessing, managing, and monitoring all known forms of risk across the entity. While operating risk cannot be fully eliminated, the entity endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems, and ethical behaviour are applied and managed within predetermined procedures and constraints.

The annual financial statements set out on pages 10 to 36, which have been prepared on the going concern basis, were approved on 30 November 2022, and were signed by:

*Approval of financial statements*

Junias Shawapala Jakob  
**Acting Chief Executive Officer**

Efraim Tshivute Shikesho  
**Manager Finance and ICT**

## ANNEXURE A

**TOWN COUNCIL OF OKAHAO  
STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE**

ASSETS	Note	2022 N\$	2021 N\$	2020 N\$
<b>Current assets</b>		<b>54 546 152</b>	<b>51 955 231</b>	<b>44 002 046</b>
Cash and cash equivalents	19	19 649 164	16 054 398	10 240 762
Prepayments		-	80 178	77 401
VAT receivable	21	122 789	871 680	1 227 177
Receivables from exchange transactions	22	15 459 859	15 383 261	12 963 199
Inventories	23	19 314 340	19 565 714	19 493 507
<b>Non-current assets</b>		<b>152 203 371</b>	<b>125 187 865</b>	<b>123 627 187</b>
Property, plant and equipment	24	152 183 121	104 176 761	102 616 083
Intangible assets	25	20 250	20 250	20 250
Investments in associates	30	-	20 990 854	20 990 854
<b>Total Assets</b>		<b>206 749 523</b>	<b>177 143 096</b>	<b>167 629 233</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Current liabilities</b>		<b>13 415 250</b>	<b>11 401 260</b>	<b>12 308 548</b>
Payables under exchange transactions	26	12 517 053	10 464 132	11 311 110
Provisions	27	898 197	883 923	944 883
Payables from Non-exchange Transactions	28	-	53 205	52 555
<b>Total liabilities</b>		<b>13 415 250</b>	<b>11 401 260</b>	<b>12 308 548</b>
<b>Reserves</b>		<b>193 334 273</b>	<b>165 741 836</b>	<b>155 320 685</b>
Accumulated surplus	27	193 334 273	165 741 836	155 320 685
<b>Total Equity and Liabilities</b>		<b>206 749 523</b>	<b>177 143 096</b>	<b>167 629 233</b>

## ANNEXURE B

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

	Note	2022	2021	2020
		N\$	N\$	N\$
<b>Revenue</b>				
<b>Revenue from non-exchange transactions</b>				
		<b>18 056 478</b>	<b>20 060 781</b>	<b>15 567 187</b>
<b>Taxation revenue</b>				
Property rates and taxes	2	10 677 342	10 534 136	6 402 950
<b>Transfer revenue</b>				
Transfers from government and related entities	3	7 296 797	9 330 168	9 101 717
Public contributions and donations	4	27 000	137 770	33 700
Fines, penalties and levies		55 339	58 707	28 820
<b>Revenue from exchange transactions</b>				
Sale of Erven		3 669 280	2 704 437	5 711 925
Service charges	5	12 971 628	13 289 814	11 506 550
Surcharges and interest		520 018	553 826	448 788
Rental of facilities and equipment usage	6	1 179 268	1 448 625	1 178 418
Licences and permits		-	-	814
Other Revenue	7	1 482 946	1 430 952	1 577 266
Interest Earned on Investments	8	940 222	1 357 407	687 327
Interest earned on outstanding debtors	17	12 499 189	9 577 261	7 959 798
<b>Total revenue</b>		<b>51 319 029</b>	<b>50 423 103</b>	<b>44 638 073</b>
<b>Expenses</b>				
Bulk purchases	9	(4 548 227)	(5 221 911)	(5 164 627)
Employee costs	10	(13 355 643)	(13 773 807)	(14 730 572)
Depreciation and amortisation expense	12	(2 435 586)	(2 521 380)	(2 726 839)
Repairs and maintenance	13	(2 583 193)	(785 777)	(1 600 754)
Debt impairment	14	(12 240 150)	(9 126 808)	(8 748 751)
General Expenses	15	(7 354 905)	(7 193 293)	(5 338 826)
<b>Surplus for the year</b>		<b>8 801 325</b>	<b>11 800 127</b>	<b>6 327 704</b>

## ANNEXURE C

**TOWN COUNCIL OF OKAHAO**  
**STATEMENT OF CHANGES IN NET ASSETS/EQUITY FOR THE YEAR ENDED**  
**30 JUNE**

	<b>Accumulated surplus</b>	<b>Total net assets/equity</b>
	N\$	N\$
<b>Balance at 1 July 2019</b>	<b>148 992 981</b>	<b>148 992 981</b>
Changes in net assets/equity		
Surplus for the year	6 327 704	6 327 704
<b>Opening balance previously reported</b>	<b>155 320 685</b>	<b>155 320 685</b>
Adjustments:		
Prior years adjustments	(1 347 236)	(1 347 236)
<b>Balance at 01 July 2020 restated</b>	<b>153 973 449</b>	<b>153 973 449</b>
Changes in net assets/equity		
Other	18 759 372	18 759 372
Surplus for the year	11 800 127	11 800 127
<b>Balance at 01 July 2021</b>	<b>184 532 948</b>	<b>184 532 948</b>
Changes in net assets/equity		
Surplus for the year	8 801 325	8 801 325
<b>Balance at 30 June 2022</b>	<b>193 334 273</b>	<b>193 334 273</b>

**TOWN COUNCIL OF OKAHAO  
STATEMENT OF CASH FLOW FOR THE YEAR ENDED 30 JUNE**

		<b>2022</b>	<b>2021</b>	<b>2020</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	Note	N\$	N\$	N\$
Surplus		8 801 325	11 800 127	6 327 704
<b>Adjustments for:</b>				
Depreciation and amortisation expense		2 435 586	2 521 380	2 726 839
Debt impairment		12 240 150	9 126 808	8 748 751
Movements in provisions		14 274	(60 960)	944 883
Direct adjustments to net assets (cash)		2 488 502	556 982	2 106 084
<b>Changes in working capital:</b>				
Inventories		251 374	(72 207)	(19 276 717)
Receivables from exchange transactions		(76 598)	(2 451 801)	9 518 555
Debt impairment		(12 240 150)	(9 126 808)	(8 748 751)
Prepayments		80 178	(2 777)	(77 401)
Payables under exchange transactions		2 052 924	(846 980)	5 089 050
Value added tax		748 891	355 497	436 999
Taxes and transfers payable (non-exchange)		(53 205)	650	52 555
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	28	<b>16 743 251</b>	<b>11 799 911</b>	<b>7 848 551</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Purchase of property, plant and equipment	24	(13 148 485)	(5 986 275)	(7 965 272)
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>3 594 766</b>	<b>5 813 636</b>	<b>(116 721)</b>
<b>CASH AT THE BEGINNING OF THE YEAR</b>		<b>16 054 398</b>	<b>10 240 762</b>	<b>10 357 483</b>
<b>TOTAL CASH AT THE END OF YEAR</b>	19	<b>19 649 164</b>	<b>16 054 398</b>	<b>10 240 762</b>

## ANNEXURE E

**TOWN COUNCIL OF OKAHAO  
ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED 30 JUNE 2021 AND 30 JUNE 2022  
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR JUNE 2022**

Budget on Cash Basis	Approved budget	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
<b>Figures in Namibia Dollar</b>					
<b>Revenue from non-exchange transactions</b>					
Property rates	8 900 000	8 900 000	10 677 342	1 777 342	
<b>Other revenue</b>					
Transfers from other government entities	7 770 200	7 770 200	7 296 797	(473 403)	R3
Public contributions and donations	-	-	27 000	27 000	R4
Fines, penalties and levies	10 000	10 000	55 339	45 339	R1
<b>Total revenue from non-exchange transactions</b>	<b>16 680 200</b>	<b>16 680 200</b>	<b>18 056 478</b>	<b>1 376 278</b>	
<b>Revenue from exchange transactions</b>					
Sale of goods	3 850 000	3 850 000	3 669 280	(180 720)	
Service charges	13 550 000	13 550 000	12 971 628	(578 372)	R4A
Royalty income	600 000	600 000	520 018	(79 982)	
Rental of facilities and equipment	1 430 000	1 430 000	1 179 268	(250 732)	R5
Other revenue	1 141 000	1 141 000	1 482 946	341 946	R8
Interest Earned - External Investments	370 000	370 000	940 222	570 222	R9
Interest Earned - Outstanding Debtors	350 000	350 000	12 499 189	12 149 189	R10
<b>Total revenue from exchange transactions</b>	<b>21 291 000</b>	<b>21 291 000</b>	<b>33 262 551</b>	<b>11 971 551</b>	
Total revenue from exchange transactions	21 291 000	21 291 000	33 262 551	11 971 551	
Total revenue from non-exchange transactions	16 680 200	16 680 200	18 056 478	1 376 278	
<b>Total revenue</b>	<b>37 971 200</b>	<b>37 971 200</b>	<b>51 319 029</b>	<b>13 347 829</b>	

## ANNEXURE E

**TOWN COUNCIL OF OKAHAO  
ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED 30 JUNE 2021 AND 30 JUNE 2022  
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR JUNE 2022**

<b>Expenditure</b>					
Bulk purchases	(7 550 000)	(7 550 000)	(4 548 227)	3 001 773	R11
Employee costs	(13 512 729)	(13 512 729)	(13 355 643)	157 086	R11A
Depreciation and amortisation expense	-	-	(2 435 586)	(2 435 586)	R13
Repairs and maintenance	(1 820 000)	(1 820 000)	(2 583 193)	(763 193)	R14
Debt impairment	(20 000)	(20 000)	(12 240 150)	(12 220 150)	R16
General Expenses	(5 327 685)	(5 327 685)	(7 354 905)	(2 027 220)	R18
<b>Total expenditure</b>	<b>(28 230 414)</b>	<b>(28 230 414)</b>	<b>(42 517 704)</b>	<b>(14 287 290)</b>	
<b>SURPLUS/(DEFICIT)</b>	<b>9 740 786</b>	<b>9 740 786</b>	<b>8 801 325</b>	<b>(939 461)</b>	



**TOWN COUNCIL OF OKAHAO  
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED  
30 JUNE 2021 AND 30 JUNE 2022**

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**EXPLANATION TO REFERENCE NOTES ON STATEMENT OF COMPARISON OF  
BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2022**

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: It was under-budgeted for fines as it was not anticipated that more fines will be issued.
- R2: It was under budgeted for business registration fees.
- R3: There was less funds transferred from government for services rendered by the suppliers due to cashflow problem.
- R4: There was no budget for public contributions and donations as it is difficult to predict total receipt without commitment from donors.
- R4A: It was under Budgeted for water sales in anticipation that houses under NHE would have been completed.
- R5: Royalties from NORED is still based on estimates thus no significant increase in revenues as compared to the number of customers connected during the year.
- R6: It was not budgeted for gains on defined benefits resulting in a favourable variance. Note no cash items are not included in the budget submitted to the Minister for approval. The Actual payments, current service costs and related are included as part remuneration.
- R8: There was under budget for all items.
- R9: It was under budgeted because invested funds were supposed to be used up for construction of NaTIS and Admin section.
- R10: It was under budgeted because it was anticipated that most debtors will settle theirs accounts through the Councils De Debt incentive programme.
- R11: Over Budgeted on water bulk purchases due to the assumption that bulk users will consume more water during the period under review.
- R11A: Savings are derived as a result of staff turn-over and budgeted positions not filled as planned during the year and there was no salary increase as agreed.
- R12: Savings realized from a reduction in the number of council meetings as cost cutting measures.
- R13: Depreciation and impairment of assets are non-cash items thus not budgeted for Ministerial approval however Capital expenditure is.
- R14: Maintenance of roads was under budgeted as it was only budgeted as per the RFA allocation which is low in comparison to the value of the work needed to be carried out.
- R15: The favourable variance is largely due to ward contractor fees. A decision was taken by Council to recruit the contractors as temporary employees hence the savings on contractor fees.
- R16: It was under-budgeted for debt impairment.
- R17: It was under-budgeted for debt impairment.
- R18: It was under-budgeted.
- R19: The favourable variance is mainly due to savings realised from cost-cutting measures which eased cash flow. At the same time, improved cash management resulted in reduced bank overdraft, in addition to signed payment arrangement with Nampower which resulted in suspension of interest on overdue account.

**ANNEXURE F  
TOWN COUNCIL OF OKAHAO  
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED  
30 JUNE 2021 AND 30 JUNE 2022**

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**1. ACCOUNTING POLICIES**

**1.1 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.

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.

**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 Council's Accounting Policies and that have the most significant effect on the amounts recognised in Annual Financial Statements:

**Revenue recognition**

Accounting Policy 1.3 on Revenue from Exchange Transactions and Accounting Policy 1.2 on Revenue from Non-exchange Transactions describes the conditions under which revenue will be recorded by the management of the Council.

**TOWN COUNCIL OF OKAHAO  
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED  
30 JUNE 2021 AND 30 JUNE 2022**

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

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 Council is satisfied that recognition of the revenue in the current year is appropriate.

**Impairment of Financial Assets**

Accounting policy 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 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.

**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 1.4, and 1.5, the Council depreciates its Property, plant and 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 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.

**TOWN COUNCIL OF OKAHAO  
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED  
30 JUNE 2021 AND 30 JUNE 2022**

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

**Impairment: Write-down of Property, Plant & Equipment, Intangible Assets, Investment Property, and Inventories**

Accounting Policy 1.6 on Impairment of Assets, Accounting Policy 1.5 on Intangible Assets – Subsequent Measurement, Amortisation and Impairment and Accounting Policy 1.8 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 PPE 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 23, 24, 25 and 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.

**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.

**TOWN COUNCIL OF OKAHAO  
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED  
30 JUNE 2021 AND 30 JUNE 2022**

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

**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 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 Council's interest, it is recognised as interest earned in Surplus or Deficit.

**Debt forgiveness and assumption of liabilities**

The entity recognise revenue in respect of debt forgiveness when the former debt no longer meets the definition of a liability or satisfies the criteria for recognition as a liability, provided that the debt forgiveness does not satisfy the definition of a contribution from owners.

Revenue arising from debt forgiveness is measured at the carrying amount of debt forgiven.

**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.

**Bequests**

Bequests that satisfy the definition of an asset are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the entity, and the fair value of the assets can be measured reliably.

**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.

**TOWN COUNCIL OF OKAHAO  
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED  
30 JUNE 2021 AND 30 JUNE 2022**

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

**Services in-kind**

Services in-kind are recognised as revenue and as assets.

**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 entity; 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 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 properties are levied based on the number of toilets as per the approved building plan, using the tariffs approved by Council, and are levied monthly.

**TOWN COUNCIL OF OKAHAO  
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED  
30 JUNE 2021 AND 30 JUNE 2022**

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

**Prepaid Electricity**

Revenue from the prepaid sales is recognised at the point of sale.

**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.



**TOWN COUNCIL OF OKAHAO  
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED  
30 JUNE 2021 AND 30 JUNE 2022**

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

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

<b>Item</b>	<b>Average useful life</b>
<b>Buildings</b>	
• Improvements	8 -80
<b>Infrastructure</b>	
• Roads and storm water	8 -80
• Sanitation	10 – 90
• Solid waste	5 -80
• Water	10 – 90
<b>Community</b>	
• Facilities	8 -80
<b>Other</b>	
• Computer equipment	5 - 15
• Emergency equipment	5 - 15
• Furniture and fittings	5 - 25
• Motor vehicles	5 - 15
• Office equipment	5 - 25
• Plant & equipment	5 - 50
• Specialised vehicles	5 - 15

**Land**

Land is stated at valuation 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.

**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.

**TOWN COUNCIL OF OKAHAO  
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED  
30 JUNE 2021 AND 30 JUNE 2022**

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

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:

### **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.

**TOWN COUNCIL OF OKAHAO  
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED  
30 JUNE 2021 AND 30 JUNE 2022**

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**1.7 Impairment of cash-generating assets**

The 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 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.

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.

The 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.

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

**TOWN COUNCIL OF OKAHAO  
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED  
30 JUNE 2021 AND 30 JUNE 2022**

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**1.7 Impairment of non-cash-generating assets (continued)**

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.

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.

**1.8 Inventory**

**Initial Recognition**

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

Where inventory are 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.

**TOWN COUNCIL OF OKAHAO  
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED  
30 JUNE 2021 AND 30 JUNE 2022**

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**1.8 Inventory (continued)**

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.

Inventory 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 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 inventory identified are written down from cost to current replacement cost, if applicable.

Inventory 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.

**TOWN COUNCIL OF OKAHAO  
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED  
30 JUNE 2021 AND 30 JUNE 2022**

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**1.8 Inventory (continued)**

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 inventory 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 inventory 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.

**1.9 Provisions and contingencies**

The best estimate of the expenditure required to settle the present obligation is the amount that the town 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 town 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 – 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.

**TOWN COUNCIL OF OKAHAO  
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED  
30 JUNE 2021 AND 30 JUNE 2022**

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**1.9 Provisions and contingencies (continued)**

**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.

**Contingent assets and contingent liabilities**

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

**1.10 Employee benefits**

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

**Short-term employee benefit**

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 town council has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

**Post-employment benefits**

The town council provides retirement benefits for its employees. They are all defined contribution post-employment plans.

**Post-employment benefits: Defined contribution plans**

Defined contribution plans are post-employment benefit plans under which an 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.



**TOWN COUNCIL OF OKAHAO  
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED  
30 JUNE 2021 AND 30 JUNE 2022**

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**1.11 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.

**1.12 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 online items. The annual budget figures included in the annual financial statements are for the town 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 2021 to 30 June 2022.

**1.13 Going concern assumption**

Though the Town Council was not spared from the impact of Covid-19 and related effects, the town council have prepared the annual financial statements under the going concern assumption, based on management assumptions that it has adequate resources and cash flow projection for the coming year present a positive outlook. In addition, Council receives adequate support from central government.

**1.14 Heritage assets**

Assets are resources controlled by an entity as a result of past events and from which future economic benefits or service potential are expected to flow to the entity.

**1.15 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.

**TOWN COUNCIL OF OKAHAO  
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED  
30 JUNE 2021 AND 30 JUNE 2022**

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**1.16 Fruitless and wasteful expenditure**

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

**1.17 Net assets**

**Accumulated surplus**

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

**1.18 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.

**1.19 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).

**1.20 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.

**TOWN COUNCIL OF OKAHAO**  
**ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED 30 JUNE**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

	<b>2022</b>	<b>2021</b>	<b>2020</b>
	N\$	N\$	N\$
<b>Rates received</b>			
Property rates and Taxes	10 677 342	10 534 136	6 402 950
<b>3. Transfers from government and related entities</b>			
<b>Operating grants</b>			
Road Fund Administration	-	855 666	950 850
<b>Capital grants</b>	<b>7 296 797</b>	<b>8 474 502</b>	<b>8 150 867</b>
GRN - Development capital	7 296 797	4 474 502	8 150 867
GRN - Homestead Compensation (Land Acquisition)	-	4 000 000	-
<b>4. Public contributions and donations</b>			
Public contributions and donations	27 000	137 770	33 700
<b>5. Service charges</b>	<b>12 971 628</b>	<b>13 289 814</b>	<b>11 506 550</b>
Sale of electricity	81 640	56 843	59 280
Sale of water	9 147 619	9 775 942	8 089 413
Sewerage and sanitation charges	1 868 093	1 743 525	1 696 385
Refuse removal	1 874 276	1 713 504	1 661 472
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>6. Rental of facilities and equipment</b>			
Rental income - amenities	1 179 268	1 448 625	1 178 418
Rental revenue earned on Facilities and Equipment is in respect of Non-financial Assets rented out.			
<b>7. Other income</b>	<b>1 482 946</b>	<b>1 430 952</b>	<b>1 577 266</b>
Building plan fees	93 832	139 359	83 783
Business fitness certificate fees	173 243	161 332	126 327
Meat inspection	7 612	13 138	6 338
Billboard advertising	109 530	97 881	100 485
Valuation and related fees	61 535	58 450	54 990
Sundries	161 003	313 888	212 544
Sewer and water connection fees	161 616	168 623	153 437
Fire brigade fees	167 674	147 282	139 530
Administration fees	149 600	56 200	371 990
Disconnection and reconnection fees	147 680	85 560	145 795
Road infrastructure fees	143 854	96 524	88 911
Business registration fees	105 767	92 715	93 136

**TOWN COUNCIL OF OKAHAO**  
**ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED 30 JUNE**  
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	2022	2021	2020
	N\$	N\$	N\$
<b>8. Interest received - investment</b>			
Bank institutions	940 222	1 357 407	687 327
<b>9. Bulk purchases</b>	<b>4 548 227</b>	<b>5 221 911</b>	<b>5 164 627</b>
Electricity	1 163 076	1 170 819	1 142 271
Water	3 112 777	3 884 552	3 950 320
Sewer purification	272 374	166 540	72 036
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. Electricity is purchased from NORED whilst Water is purchased from NamWater.			
<b>10. Employee related costs</b>	<b>13 355 643</b>	<b>13 773 807</b>	<b>14 730 572</b>
Basic	10 014 301	10 407 435	10 366 737
Employer Contribution to Medical Aid	1 382 752	1 355 444	1 277 651
Employer Contribution to Pension	1 338 129	1 409 082	1 398 793
Employer Contribution to SSC	32 111	33 390	33 683
Leave pay provision charge	59 062	3 645	1 092 856
13th Cheques	529 288	564 811	560 852
<b>Chief Executive Officer</b>	<b>1 023 610</b>	<b>1 009 823</b>	<b>1 009 823</b>
Annual Remuneration	477 537	477 537	477 537
Car Allowance	108 770	108 770	108 770
Performance Bonuses	39 795	39 795	39 795
Contributions to UIF, Medical and Pension funds	206 493	192 706	192 706
Housing Allowance	191 015	191 015	191 015
<b>Other Executives</b>	<b>1 646 036</b>	<b>1 635 628</b>	<b>1 635 628</b>
Annual Remuneration	768 960	768 960	768 960
Car Allowance	195 334	195 334	195 334
Performance Bonuses	64 080	64 080	64 080
Contributions to UIF, Medical and Pension funds	310 078	299 670	299 670
Housing Allowance	307 584	307 584	307 584
<b>11. Remuneration of councillors</b>	<b>510 686</b>	<b>510 686</b>	<b>510 686</b>
Mayor	89 500	89 500	89 500
Deputy Mayor	76 951	76 951	76 951
MC Chairperson	80 733	80 733	80 733
Management Committee Members	134 334	134 334	134 334
Ordinary Councillors	129 168	129 168	129 168
<b>In-kind benefits</b>			
Councillors may utilise official Council transportation when engaged in official duties.			

**TOWN COUNCIL OF OKAHAO  
ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED 30 JUNE  
NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

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	<b>2022</b>	<b>2021</b>	<b>2020</b>
	N\$	N\$	N\$
<b>12. Depreciation and amortisation expense</b>			
Property, plant and equipment	2 435 586	2 521 380	2 726 839
<b>13. Repairs and maintenance</b>			
Repairs and maintenance (all assets)	2 583 193	785 777	1 600 754
<b>14. Debt impairment</b>			
Debts impaired	12 240 150	9 126 808	8 748 751

**TOWN COUNCIL OF OKAHAO**  
**ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED 30 JUNE**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

	<b>2022</b>	<b>2021</b>	<b>2020</b>
	N\$	N\$	N\$
<b>15. General expenses</b>			
Other expenses	548 308	119 487	644 757
Advertising	211 902	58 518	103 034
Bank charges	417 897	402 896	262 561
Catering & Entertainment Cost	133 656	44 207	19 405
Refuse bins	-	28 367	41 761
Cleaning	59 410	59 407	46 339
Consulting and professional fees	1 068 104	258 894	127 049
Donations	6 498	2 000	3 500
Fuel and oil	314 701	390 229	307 262
IT expenses	180 333	114 009	90 321
Insurance	266 726	317 936	232 203
Emergency and Disaster Expenses	34 761	938	-
Levies - 5% Regional Council	533 867	526 707	320 147
Motor vehicle expenses - Licenses	53 543	81 947	52 701
Postage, courier and telephone	126 350	101 409	91 814
Printing and stationery	78 476	70 252	100 508
Promotions and sponsorships	1 260	-	444 260
Protective clothing	25 254	6 992	34 932
Refuse removal	851 985	592 800	592 800
Rezoning and Subdivision	897 578	834 029	802 080
Security (Guarding of municipal property)	795 146	656 058	562 746
Sport and Recreation	-	143 425	-
Subscriptions and membership fees	60 096	67 500	53 400
Telephone and fax	200 848	461 442	178 098
Training	77 013	36 887	43 991
Travel - Local	411 193	111 953	180 310
Travel – Overseas	-	-	2 847
Homestead Compensation	-	1 705 004	-
	<b>7 354 905</b>	<b>7 193 293</b>	<b>5 338 826</b>

**16. Operating surplus**

Operating surplus for the year is stated after accounting for the following:

Depreciation on PPE	2 435 586	2 521 380	2 521 380
Employee cost	13 355 643	13 773 807	14 730 572

**17. Other revenue**

Interest earned on outstanding debtors	12 499 189	9 577 261	7 959 798
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**TOWN COUNCIL OF OKAHAO  
ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED 30 JUNE  
NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

	<b>2022</b>	<b>2021</b>	<b>2020</b>
	N\$	N\$	N\$
<b>18. Investment revenue</b>			
<b>Interest revenue</b>			
Banking institutions	940 222	1 357 407	687 327

**19. Cash and cash equivalents**

Cash and cash equivalents consist of:

	<b>19 649 164</b>	<b>16 054 398</b>	<b>10 240 762</b>
Cash on hand	969	2 067	2 624
Bank balances	19 648 195	16 052 331	10 238 138

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 Council in terms of the utilisation of its Cash and Cash Equivalents. Short term deposits consist of Call Deposits and Fixed deposits.

**20. Employee benefit obligations'**

The amounts recognised in the statement of financial position are as follows:

**The amounts recognised in the Statement of Financial Performance are as follows:**

**Liability - Post-retirement Health Care Benefits**

	<b>49 790 639</b>	<b>49 790 639</b>	-
Opening balance	49 790 639	139 774 362	-
Net expense recognised in the statement of financial performance	-	(89 983 723)	-

The Town Council offers employees and continuation members the opportunity of belonging to one of several medical schemes, most of which offer a range of options pertaining to levels of cover. Upon retirement, an employee may continue membership of the medical scheme. Upon a member's death-in-service or death-in-retirement, the surviving dependants may continue membership of the medical scheme.

Members contribute according to tables of contribution rates which differentiate between them on the type and number of dependants. Some options also differentiate on the basis of income.

**TOWN COUNCIL OF OKAHAO  
ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED 30 JUNE  
NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

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**20. Employee benefit obligations' (continued)**

All continuation members and their eligible dependants receive a subsidy of 50% of a benchmark option, depending on which medical aid scheme they participate in, and irrespective of the actual option they are on. However, the subsidy will not exceed 100% of the total contribution due in respect of a continuation member (and their eligible dependants).

Eligible employees will receive a post-employment subsidy in line with the above should they be a member of a medical scheme at retirement. Upon a member's death-in-service or death-in-retirement the surviving dependants will receive the same subsidy.

**The members of the Post-employment Health Care Benefit Plan are made up as follows:**

	<b>2022</b>	<b>2021</b>	<b>2020</b>
	N\$	N\$	N\$
Opening balance	293 815 000	293 815 000	-

The Council makes monthly contributions for health care arrangements to the following Medical Aid Schemes:

**Renaissance**

**Key assumptions used**

Assumptions used at the reporting date:

While the expected retirement age of male and female was 60 years (2021: 60 years).

**General:**

It is assumed that the employer's health care arrangements and subsidy policy would remain as outlined in the accounting policy, and that the level of benefits receivable and the contributions payable would remain unchanged, with the exception of allowing for inflationary adjustments. Implicit in this approach is the assumption that current levels of cross-subsidy from in-service members to continuation members within the medical scheme are sustainable and will continue.



**TOWN COUNCIL OF OKAHAO  
ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED 30 JUNE  
NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

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**20. Employee benefit obligations' (continued)**

**Continuation of Membership: Family profile**

It is assumed that female spouses will be five years younger than their male counter parts. Further, it is assumed that 65% of eligible employees on a health care arrangement at retirement will have a spouse dependant on their medical aid. For current retiree members, actual medical aid dependants were used and the potential for remarriage was ignored.

**Discount rate**

IPSAS 25 stipulates that the choice of this rate should be derived from government bond yields consistent with the estimated term of the post-employment liabilities. However, where there is no deep market in government bonds with a sufficiently long maturity to match the estimated term of all the benefit payments, current market rates of the appropriate term should be used to discount shorter term payments, and the discount rate for longer maturities should be estimated by extrapolating current market rates along the yield curve.

**Analyses of Actuarial Gains and Losses:**

The unexpected movements (otherwise termed Actuarial Gains and Losses) are separated into four main components: The effect of the change in the basis (assumptions), unexpected increases in the subsidies, un predicted movements in the membership profile, and the effect of actual benefits vested being different from what was expected.

**Other assumptions**

Assumed healthcare cost trends rates have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed healthcare cost trends rates would have the following effects:

**Effect on the aggregate of the service cost and interest**

The Council expects to make a contribution of N\$2 752 992 (2021: N\$2 797 916) to the Defined Benefit Plans during the next financial year.

The history of experienced adjustments is as follows:

In accordance with the transitional provisions for the amendments to IPSAS 25 Employee Benefits, the disclosures above are determined prospectively from the 2020 reporting period.

**TOWN COUNCIL OF OKAHAO**  
**ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED 30**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

	<u>2022</u>	<u>2021</u>	<u>2020</u>
	N\$	N\$	N\$
<b>21. VAT receivable</b>			
VAT	122 789	871 680	1 227 177

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. The Council has financial risk policies in place to ensure that payments are affected before the due date.

**22. Receivables from exchange transactions**

Trade debtors	14 691 018	14 718 678	12 279 544
Prepayments (if immaterial)	104 257	2 148	21 220
Deposits	46 253	44 104	44 104
Accruals	618 331	618 331	618 331
	<u>15 459 859</u>	<u>15 383 261</u>	<u>12 963 199</u>

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.

**Allowance for Impairment:**

At 30 June 2022 receivables from Exchange Transactions of N\$ 12 240 150 (30 June 2021: N\$ 9 126 808) (30 June 2020: N\$ 21,430,816) were impaired and fully provided for.

	<u>2022</u>	<u>2021</u>	<u>2020</u>
	N\$	N\$	N\$
<b>23. Inventory</b>			
Finished goods	193 837	232 733	160 526
Erven	19 120 503	19 332 981	19 332 981
	<u>19 314 340</u>	<u>19 565 714</u>	<u>19 493 507</u>

Inventory 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 inventory have been pledged as collateral for liabilities of the Town Council.

## ANNEXURE F

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

24. Property, plant and equipment	2022		2021		2020			
	Cost / Valuation	Accumulated depreciation /accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation / accumulated impairment	Carrying value	Accumulated depreciation/ accumulated impairment	Carrying value
Land	15 688 625	-	15 688 625	-	-	-	-	-
Buildings	22 791 440	(3 009 756)	19 781 684	20 600 752	(2 440 091)	18 160 661	19 945 624	-
Plant and machinery	7 779 640	(2 570 381)	5 209 259	9 586 329	(4 060 730)	5 525 599	9 394 103	-
Furniture and fixtures	665 657	(307 014)	358 643	664 179	(622 800)	41 379	637 553	-
Motor vehicles	1 845 076	(1 075 123)	769 953	1 845 076	(1 826 065)	19 011	1 845 076	-
Office equipment	817 696	(271 602)	546 094	829 857	(763 543)	66 314	823 196	-
IT equipment	555 131	(286 914)	268 217	999 182	(964 631)	34 551	964 841	-
Infrastructure	112 470 884	(11 512 853)	100 958 031	71 837 555	(10 019 220)	61 818 335	71 313 515	-
Work In Progress	8 592 615	-	8 592 615	18 510 911	-	18 510 911	13 771 431	-
Heritage	10 000	-	10 000	-	-	-	-	-
<b>Total</b>	<b>171 216 764</b>	<b>(19 033 643)</b>	<b>152 183 121</b>	<b>124 873 841</b>	<b>(20 697 080)</b>	<b>104 176 761</b>	<b>118 695 339</b>	<b>102 616 083</b>

\*Refer to basis of adverse audit opinion 2.2

**TOWN COUNCIL OF OKAHAO  
ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED 30 JUNE 2021 AND 30 JUNE 2022  
NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

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

**Reconciliation of property, plant and equipment - 2022**

	Opening balance	Additions	Transfers	Other movements	Depreciation	Total
Land	-	-	-	15 688 625	-	15 688 625
Buildings	18 160 661	2 190 688	-	-	(569 665)	19 781 684
Plant and machinery	5 525 599	41 042	-	(74 761)	(282 621)	5 209 259
Furniture and fixtures	41 379	1 478	-	342 399	(26 613)	358 643
Motor vehicles	19 011	-	-	851 857	(100 915)	769 953
Office equipment	66 314	90 513	-	421 974	(32 707)	546 094
IT equipment	34 551	44 183	-	223 700	(34 217)	268 217
Infrastructure	61 818 335	-	40 633 329	9 921	(1 503 554)	100 958 031
Work In Progress	18 510 911	10 780 581	(20 698 877)	-	-	8 592 615
Heritage	-	-	10 000	-	-	10 000
	<b>104 176 761</b>	<b>13 148 485</b>	<b>19 944 452</b>	<b>17 463 715</b>	<b>(2 550 292)</b>	<b>152 183 121</b>

**TOWN COUNCIL OF OKAHAO  
ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED 30 JUNE  
NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

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

**Reconciliation of property, plant and equipment - 2021**

	Opening balance	Additions	Transfers	Depreciation	Total
Buildings	17 905 099	655 128	19 301	(418 867)	18 160 661
Plant and machinery	7 965 974	-	(1 923 518)	(516 857)	5 525 599
Furniture and fixtures	26 129	26 626	-	(11 376)	41 379
Motor vehicles	95 024	-	-	(76 013)	19 011
Office equipment	110 703	6 660	-	(51 049)	66 314
IT equipment	10 677	34 341	-	(10 467)	34 551
Infrastructure	62 731 046	524 040	-	(1 436 751)	61 818 335
Work In Progress	13 771 431	4 739 480	-	-	18 510 911
	<b>102 616 083</b>	<b>5 986 275</b>	<b>(1 904 217)</b>	<b>(2 521 380)</b>	<b>104 176 761</b>

**TOWN COUNCIL OF OKAIAHO  
ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED 30 JUNE  
NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

**ANNEXURE F**

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

**Reconciliation of property, plant and equipment - 2020**

	<b>Opening balance</b>	<b>Additions</b>	<b>Transfers</b>	<b>Other changes, movements</b>	<b>Depreciation</b>	<b>Total</b>
Buildings	18 476 572	-	788 881	(961 465)	(398 889)	17 905 099
Plant and machinery	4 973 962	1 807 918	1 712 567	-	(528 473)	7 965 974
Furniture and fixtures	39 291	14 980	-	-	(28 142)	26 129
Motor vehicles	314 165	-	-	-	(219 141)	95 024
Office equipment	70 077	93 506	-	12 797	(65 677)	110 703
IT equipment	23 475	-	-	(12 798)	-	10 677
Infrastructure	82 289 287	958 513	(19 100 603)	-	(1 416 151)	62 731 046
Work In Progress	11 022 082	5 090 355	(2 341 006)	-	-	13 771 431
	<b>117 208 911</b>	<b>7 965 272</b>	<b>(18 940 161)</b>	<b>(961 466)</b>	<b>(2 656 473)</b>	<b>102 616 083</b>

**25. Intangible assets**

	<b>2022 NS</b>	<b>2021 NS</b>	<b>2020 NS</b>
Licenses	20 250	20 250	20 250
	<b>20 250</b>	<b>20 250</b>	<b>20 250</b>

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**25. Intangible assets(continued)**

**Other information  
Impairment of Intangible Assets**

No impairment losses have been recognised on Intangible Assets of the town council at the reporting date.

	<u>2022</u>	<u>2022</u>	<u>2020</u>
	N\$	N\$	N\$
<b>26. Payables under exchange transactions</b>			
Trade payables	2 995 959	997 986	1 658 850
Provision - Homestead Compensation	6 299 554	4 299 554	6 299 554
Accrued leave pay	1 892 331	1 847 542	2 070 667
Accrued bonus	322 789	328 590	367 606
Accrued expense	448 877	461 807	420 147
Consumer deposits	557 543	524 653	494 286
	<u>12 517 053</u>	<u>9 464 132</u>	<u>11 311 110</u>

**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





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**27. Provisions****Reconciliation of provisions - 2022**

	<b>Opening Balance</b>	<b>Reversed during the year</b>	<b>Total</b>
	N\$	N\$	N\$
Severance pay	883 923	14 274	898 197

**Reconciliation of provisions - 2021**

	<b>Opening Balance</b>	<b>Reversed during the year</b>	<b>Total</b>
	N\$	N\$	N\$
Severance pay	944 883	(60 960)	883 923

**Reconciliation of provisions - 2020**

	<b>Opening Balance</b>	<b>Reversed during the year</b>	<b>Total</b>
	N\$	N\$	N\$
Severance pay	-	944 883	944 883

**Employee benefit cost provision**

Severance pay is payable under the Labour Act, Act 11 of 2007 and the provision is made for the probability of staff members who may be dismissed or die while in the employment of the town council; or resigns or retires on reaching the age of 65 years. The uncertainty exists due to the uncertainty around the events in which it is payable.

	<b>2022</b>	<b>2021</b>
	N\$	N\$
<b>28. Payables from Non-exchange Transactions</b>		
Unallocated receipts	52 555	52 555
Expo and trade fair	650	-
	<b>53 205</b>	<b>52 555</b>

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**29. Going concern**

Management considered the following matters relating to the going concern:

- (i) Strict daily cash management processes are embedded in the Town 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.

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

<b>2022</b>	<b>2021</b>	<b>2020</b>
N\$	N\$	N\$

**30. Investment in Associates**

Name of company	Carrying amount	Carrying amount	Carrying amount
Debts impaired	-	20 990 854	20 990 854

**31. Events after the reporting date**

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