



**REPUBLIC OF NAMIBIA**



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

**TOWN COUNCIL OF REHOBOTH**

**FOR THE FINANCIAL YEARS ENDED 30 JUNE 2020 AND 2021**

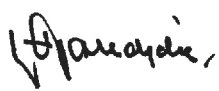
## REPUBLIC OF NAMIBIA



### 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 Rehoboth for the financial years ended 30 June 2020 and 2021 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 2024**

  
**JUNIAS ETUNA KANDJEKE**  
**AUDITOR-GENERAL**



**REPORT OF THE AUDITOR-GENERAL  
ON THE ACCOUNTS OF REHOBOTH TOWN COUNCIL  
FOR THE FINANCIAL YEARS ENDED 30 JUNE 2020 AND 2021**

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**1. DISCLAIMER OF AUDIT OPINION**

I have audited the financial statements of the Town Council of Rehoboth for the financial years ended 30 June 2020 and 2021. These financial statements comprise the statement of financial position, the statement of financial performance, the statement of changes in net assets, the statement of cash flows, notes to the financial statements and a summary of significant accounting policies.

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

**2. BASIS FOR DISCLAIMER OF 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 not sufficient and appropriate to provide a basis for the audit opinion.

A disclaimer audit opinion is being expressed due to the following:

**2.1 Non-submission of the following crucial financial information:**

- No Trial Balance corresponding to the submitted financial statements; and
- No comprehensive General Ledger.

**2.2 The Council is under serious going concern issues. The uncertainty regarding going concern in the annual financial statements for all years under review as per IPSAS 1 were not fully disclosed. The 2020 and 2021 financial years portrays that current liabilities exceeds current assets with N\$ 37 551 674 (2021) and N\$ 26 813 085 (2020). Auditors also observed that the Town Council had a net deficit of N\$ 9 355 757 (2021).**

**2.3 The reported cash and bank balances of N\$ 79 385 919 (2021) and N\$ 77 890 408 (2020) primarily consist of non-cash balances disclosed as payable bank related suspense accounts amounting to (N\$ 72 907 852) (2021) and (N\$ 81 807 777) (2020). The actual cash and bank balances available for immediate use are considerably less than these figures.**

**2.4 The Council has an acting Chief Executive Officer. The reliance on acting staff in key management positions within the Town Council presents significant risks to the organization's operational effectiveness and financial health. The Town Council is strongly advised to expedite the recruitment and appointment of qualified personnel to critical roles in order to ensure robust financial management, mitigate potential risks, and optimize the Town Council's overall performance.**

- 2.5 The auditors were unable to determine if the audit findings for 2017, 2018 and 2019 were rectified. These audit reports raised significant audit findings which required the urgent and immediate attention of the Council.
- 2.6 The governance events at the Town Council underscore the need for a comprehensive review of its operational capacity and the structure. The Line Ministry should assess whether the Council's current status of a Town Council is justified, or a reclassification of status or other appropriate measures are warranted.

### **3. OTHER MATTERS**

Attention is drawn to the management on the following matter that relate to my responsibility in the audit of the financial statements, and excluding matters disclosed by the Rehoboth Town Council in the financial statements. My opinion is not modified in respect of this matter.

### **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 my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information; I am required to report that fact. I have nothing to report in this regard.

### **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 acceptable standards and legislation, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

From the matters communicated with those charged with governance, I determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. I describe these matters in my 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**

The financial statements for the financial years ended 30 June 2020 and 2021 were not submitted by the Accounting Officer to the Auditor-General in compliance with Section 87(1) of the Local Authorities Act 23 of 1992, and were instead received on 21 May 2024.

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

No audit was conducted on the performance information of the Town Council of Rehoboth for the financial years ended 30 June 2020 and 2021. Consequently I have nothing to report.

**WINDHOEK, December 2024**



**JUNIAS ETUNA KANDJEKE  
AUDITOR-GENERAL**

**TOWN COUNCIL OF REHOBOTH**  
**ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED 30 JUNE 2020**  
**AND 2021**

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**GENERAL INFORMATION**

Country of incorporation and domicile	Namibia
Legal form of entity	Town Council as per Section 2(b) of Local Authority Act 23 of 1992
Nature of business and principal activities	Principal activities of Town Council of Rehoboth 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</b> Mayor	Cllr R E Van Wyk Mayor Cllr L L Uiras Deputy Mayor
Councillors	Cllr W H Uirab- MC Chairperson Cllr A L Groenewaldt (MC Member) Cllr J J Coetzee Cllr A J Hammerslacht Cllr M A Beukes Cllr J J Khariseb
Grading of local authority	Town Council as per Section 2(b) of Local Authority Act 23 of 1992
Chief Executive Officer Key Management Personnel	Simeon Kanime Zeino R. Theron (Manager: Finance & ICT) R L Muhembo (Manager: Infrastructure, Town Planning and Technical services) (Since January 2021) T T Haukena ( HR & CA Manager)-till August 2020.
Postal address	Private Bag 2500 Rehoboth Namibia
Auditors	Auditor-General of Namibia

**TOWN COUNCIL OF REHOBOTH**  
**ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED 30 JUNE 2020**  
**AND 2021**

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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:

IPSAS      International Public Sector Accounting Standards

## **TOWN COUNCIL OF REHOBOTH**

### **ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED 30 JUNE**

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#### **ACCOUNTING OFFICER'S RESPONSIBILITIES AND APPROVAL**

The accounting officer is required in terms of 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 council 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 council 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 council and all employees are required to maintain the highest ethical standards in ensuring the council's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the council is on identifying, assessing, managing and monitoring all known forms of risk across the council. While operating risk cannot be fully eliminated, the council endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the council's cash flow forecast for the year to June 30, 2022 and, in the light of this review and the current financial position, he is satisfied that the council has or has access to adequate resources to continue in operational existence for the foreseeable future.

The annual financial statements set out on pages 4 to 30, which have been prepared on the going concern basis, were approved on 26 January 2023 and were signed by:

*Approval of financial statements*

**SIMEON KANIME**  
**Chief Executive Officer**

**Zeino Theron**  
**Finance Manager**

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

		<b>2021</b>	<b>2020</b>	<b>2019</b>
	Note	N\$	N\$	N\$
<b>ASSETS</b>				
<b>Current Assets</b>		<b>98 611 163</b>	<b>112 710 297</b>	<b>106 216 556</b>
Cash and cash equivalents	11	79 645 324	77 893 195	72 717 444
Consumer debtors	12	15 790 377	20 450 466	14 831 457
VAT receivable	13	-	11 192 517	15 492 061
Receivables from exchange transactions	14	1 322 914	1 321 571	1 323 046
Recoverable from non-exchange transaction (taxes and transfers)	15	1 259 400	1 259 400	1 259 400
Inventories	17	593 148	593 148	593 148
<b>Non-Current Assets</b>		<b>144 841 130</b>	<b>149 609 086</b>	<b>147 434 783</b>
Property, plant and equipment	18	114 387 402	119 155 358	116 956 968
Housing loan	16	30 453 728	30 453 728	30 453 728
Non-current assets held for sale				24 087
<b>TOTAL ASSETS</b>		<b>243 452 293</b>	<b>262 319 383</b>	<b>253 651 339</b>
<b>Liabilities</b>				
<b>Current Liabilities</b>		<b>136 162 837</b>	<b>139 523 382</b>	<b>140 972 536</b>
Payables under exchange transactions	19	45 936 763	43 482 270	455 27 732
Payables from Non-exchange Transactions	21	73 399 792	82 216 595	81 403 824
VAT payable	22	2 993 327		
Other financial liabilities	20	13 832 955	13 824 517	14 040 980
<b>Total Liabilities</b>		<b>136 162 837</b>	<b>139 523 382</b>	<b>140 972 536</b>
<b>Reserves</b>		<b>107 289 456</b>	<b>122 796 001</b>	<b>112 678 803</b>
Housing Fund		58 220 098	58 005 433	57 735 180
Accumulated surplus		49 069 358	64 790 568	54 943 623
<b>Total Net Assets/Equity</b>		<b>243 452 293</b>	<b>262 319 383</b>	<b>253 651 339</b>

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

	Note	2021 N\$	2020 N\$	2019 N\$
<b>Revenue</b>				
<b>Revenue from non-exchange transaction</b>		<b>13 587 434</b>	<b>19 225 421</b>	<b>11 704 636</b>
<b>Taxation revenue</b>				
Property rates	2	11 222 223	11 015 341	9 390 307
<b>Transfer revenue</b>				
Transfers from government and related entities	3	2 365 124	8 209 628	2 314 094
Licences and permits		87	452	235
<b>Revenue from exchange transactions</b>		<b>134 009 128</b>	<b>153 558 098</b>	<b>132 189 376</b>
Service charges	4	111 538 335	135 160 763	114 398 078
Rendering of services			-	(4 164)
Construction contracts		2 050 131	516 201	471 230
Rental of facilities and equipment's usage	5	1 411 491	1 409 200	1 559 885
Other Revenue	6	2 668 679	2 069 609	3 115 712
Interest Earned on investments		20 024	6 519	94 636
Interest earned on outstanding debtors		16 320 468	14 395 806	12 553 999
<b>Total revenue</b>		<b>147 596 562</b>	<b>172 783 519</b>	<b>143 894 012</b>
<b>Expenses</b>		<b>156 952 319</b>	<b>158 691 225</b>	<b>140 268 332</b>
Bulk purchases	7	78 979 645	73 506 804	83 734 651
Employee costs	8	34 587 408	33 205 520	29 595 392
Repairs and maintenance		4 863 244	2 403 710	1 172 774
Contracted services		1 451 194	-	-
Debt impairment		23 032 454	33 953 248	9 663 687
General Expenses	9	14 038 657	15 621 809	16 068 492
Interest paid	10	(283)	134	33 336
<b>(Deficit)/Surplus for the year</b>		<b>(9 355 757)</b>	<b>14 092 294</b>	<b>3 625 680</b>

**TOWN COUNCIL OF REHOBOTH**  
**STATEMENT OF CHANGES IN NET ASSETS AS AT 30 JUNE**

	<b>Housing and related Funds</b>	<b>Accumulated surplus</b>	<b>Total net assets/equity</b>
	N\$	N\$	N\$
<b>Balance at July 1 2018</b>	<b>57 459 824</b>	<b>51 293 856</b>	<b>108 753 680</b>
Surplus for the year	-	3 625 680	3 625 680
Direct adjustments to net assets	275 356	-	275 356
<b>Total changes</b>	<b>275 356</b>	<b>3 625 680</b>	<b>3 901 036</b>
<b>Balance at 1 July 2019 as restated*</b>	<b>57 735 180</b>	<b>54 919 538</b>	<b>112 654 718</b>
Surplus for the year	-	14 092 295	14 092 295
Direct adjustments to net assets	270 253	(4 221 264)	(3 951 011)
<b>Total changes</b>	<b>270 253</b>	<b>9 871 031</b>	<b>10 141 284</b>
<b>Balance at June 30 2020</b>	<b>58 005 433</b>	<b>64 790 569</b>	<b>122 796 002</b>
<b>Opening balance as previously reported</b>	<b>58 005 433</b>	<b>64 790 569</b>	<b>122 796 002</b>
Prior year adjustments	-	(6 365 454)	(6 365 454)
<b>Balance at 1 July 2020 as restated*</b>	<b>58 005 433</b>	<b>58 425 115</b>	<b>116 430 548</b>
Surplus for the year	-	(9 355 757)	(9 355 757)
Direct adjustments to net assets	214 665	-	214 665
<b>Total changes</b>	<b>214 665</b>	<b>(9 355 757)</b>	<b>(9 141 092)</b>
<b>Balance at June 30, 2021</b>	<b>58 220 098</b>	<b>49 069 358</b>	<b>107 289 456</b>

**TOWN COUNCIL OF REHOBOTH**  
**STATEMENT OF CASH FLOWS FOR YEARS ENDED 30 JUNE**

	Note	2021 N\$	2020 N\$	2019 N\$
<b>Cash flows from operating activities</b>				
(Deficit) surplus		(9 355 757)	14 092 294	3 625 680
<b>Adjustments for:</b>				
Debt Impairment		23 032 454	33 953 248	9 663 687
Direct adjustments to net assets (cash)		479 528	480 922	79 147 870
<b>Changes in working capital:</b>				
Receivables from exchange transactions		(1 343)	1 475	(148 826)
Debt impairment		(18 372 365)	(39 572 257)	(8 760 711)
Payables under exchange transactions		2 454 496	(2 045 465)	3 270 352
VAT		14 185 844	4 299 544	2 889 795
Payables from non-exchange transactions		(8 816 803)	812 771	(27 766 069)
<b>Net cash flows from operating activities</b>		<b>3 606 054</b>	<b>12 022 532</b>	<b>61 921 778</b>
<b>Cash flows from investing activities</b>				
Purchase of property, plant and equipment	18	(1 862 362)	(6 630 318)	(4 431 928)
<b>Cash flows from financing activities</b>				
Repayment of loans		8 438	(216 463)	207 902
<b>Net cash flows from financing activities</b>		<b>8 438</b>	<b>(216 463)</b>	<b>207 902</b>
Net increase/(decrease) in cash and cash equivalents		1 752 130	5 175 751	57 697 752
Cash at the beginning of the year		77 893 195	72 717 444	15 019 692
<b>Total Cash at the end of year</b>		<b>79 645 325</b>	<b>77 893 195</b>	<b>72 717 444</b>

**TOWN COUNCIL OF REHOBOTH**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**  
**AND 2021**

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**ACCOUNTING POLICIES**

**1. Presentation of annual financial statements**

The annual financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS), as approved by the line minister in consultation with audit Auditor-General in accordance with Section 87 (1) of the Local Authorities Act 23 of 1992 as amended. Rehoboth Town Council adopted accrual basis International Public Sector Accounting Standards (IPSAS) on 1 July 2016, having previously prepared its financial statements in accordance with D3 format directed by the Auditor-General. In the adoption of accrual basis IPSAS's, it has elected to utilise some of the transitional exemptions allowed by IPSAS 33 "First Time Adoption of Accrual Basis IPSAS".

**Note: Though the Ministry of Urban and Rural Development directed the adoption from 1 July 2018, the Town Council has decided to adopt from the last audited annual financial statements i.e. 2015/16 to ensure earlier alignment of balances.**

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

Town council adopted accrual basis IPSAS's for the first time at 1 July 2016 and is making use of some of the transitional provisions for the 2020/21 financial year. Details of the exemptions in adopting accrual basis IPSAS's are provided below.

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

IPSAS 5 - Borrowing Costs

IPSAS 12 - Inventories

IPSAS 16 - Investment Property

IPSAS 17 - Property, Plant and Equipment

IPSAS 19 - Provision, Contingent liabilities and Contingent Assets

IPSAS 20 - Related Party Disclosure

IPSAS 30 - Financial Instruments

**TOWN COUNCIL OF REHOBOTH**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**  
**AND 2021 (continued)**

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**1. Presentation of annual financial statements (continued)**

IPSAS 31 - Intangible Assets  
IPSAS 32 - Services Concession Arrangements: Grantor  
IPSAS 35 - Consolidated Financial Statements  
IPSAS 36 - Investments in Associates and Joint Ventures  
IPSAS 39 - Employee Benefits

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

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

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

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

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.

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

**1.1 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.

## **TOWN COUNCIL OF REHOBOTH**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020 AND 2021 (continued)**

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

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 Town 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 Town Council.

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

##### **Impairment of Financial Assets**

Accounting Policy 1.9 on Financial Instruments sub paragraph Impairment of Financial Assets describes the process followed to determine the value at which Financial Assets should be impaired. In making the estimation of the impairment, the management of the Town Council considered the detailed criteria of impairment and used its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of the reporting period. The management of the Town 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.

**TOWN COUNCIL OF REHOBOTH**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**  
**AND 2021 (continued)**

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

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

As described in Accounting Policies 1.4, and 1.5, the Town Council depreciates its Property, Plant & Equipment and Investment Property, and amortises its Intangible Assets, over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use.

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

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

Accounting policy 1.7 on Impairment of Assets, accounting policy 1.6 on Intangible Assets – Subsequent Measurement, Amortisation and Impairment and accounting policy 1.11 on Inventory – Subsequent Measurement describe the conditions under which non-financial assets are tested for potential impairment losses by the management of the Town Council. Significant estimates and judgements are made relating to impairment testing of Property, Plant and Equipment, impairment testing of Intangible Assets and write-down of Inventories to the lowest of Cost and Net Realisable Value.

In making the above-mentioned estimates and judgement, management considered the subsequent measurement criteria and indicators of potential impairment losses. In particular, the calculation of the recoverable service amount for Property, Plant and Equipment and Intangible Assets and the Net Realisable Value for Inventories involves significant judgment by management.

Estimated impairments during the year to Inventory, Property, Plant and Equipment, Intangible Assets and Investment Property are disclosed in Notes 22, and 23, and to the Annual Financial Statements, if applicable.

**1.2 Revenue from non-exchange transactions**

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

## **TOWN COUNCIL OF REHOBOTH**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020 AND 2021 (continued)**

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

##### **Rates and Taxes**

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

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

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

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

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

##### **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 Town Council uses estimates to determine the amount of revenue that the Town 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 council, 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 REHOBOTH**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**  
**AND 2021 (continued)**

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

**Services in-kind**

Services in kind are not recognised.

Services in kind are recognised as revenue and as assets.

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

**Service Charges**

Service Charges are levied in terms of the approved tariffs.

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

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

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

**TOWN COUNCIL OF REHOBOTH**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**  
**AND 2021 (continued)**

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

**Prepaid Electricity**

Revenue from the sale of prepaid metered electricity are recognised at the point of sale.

**Rentals received**

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

**Finance income**

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

Interest earned on the following investments is not recognised in surplus or deficit

- Interest earned on Councillors' Gratuity Fund is allocated directly to the Creditor: Councillors' Gratuity Fund. Additional text;
- Interest earned on unutilised conditional donations is allocated directly to the creditor: Unutilised public donations, if the unutilised donations are kept in a dedicated separate bank account.

**Tariff charges**

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant authorised tariff. This includes the issuing of licences and permits.

**Revenue from Agency services**

Revenue for agency services is recognised on a monthly basis once there venue collected on behalf of agents has been quantified. The revenue recognised is in terms of the agency agreement.

**1.4 Property, plant and equipment**

**Initial Recognition**

Property, Plant and Equipment are initially recognised at cost.

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

**TOWN COUNCIL OF REHOBOTH**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**  
**AND 2021 (continued)**

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

**Subsequent Measurement**

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

Depreciation on assets other than land is calculated on cost, using the Straight line Method, to allocate their cost or revalued amounts to their residual values over the estimated useful lives of the assets. Each part of an item of Property, Plant and Equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

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

**Land**

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

**Incomplete Construction Work**

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

**De-recognition**

The gain or loss arising from the de- recognition of an item of Property, Plant and Equipment is included in surplus or deficit when the item is derecognised. Gains are not classified as revenue.

**1.5 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.

**TOWN COUNCIL OF REHOBOTH**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**  
**AND 2021 (continued)**

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**1.5 Intangible assets (continued)**

Intangible Assets are initially recognised at cost.

Where an Intangible Asset is acquired by the Town Council for no or nominal consideration (i.e. an 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:

**De-recognition**

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised. Gains are not classified as revenue.

**1.6 Leases**

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

**The Town Council as Lessee**

**Finance leases**

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

**TOWN COUNCIL OF REHOBOTH**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**  
**AND 2021 (continued)**

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**1.6 Leases (continued)**

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

**Operating Leases**

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

**The Town Council as a Lessor**

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

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

**1.7 Impairment of cash generating assets**

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

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

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

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

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.

**TOWN COUNCIL OF REHOBOTH**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**  
**AND 2021 (continued)**

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

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

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

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

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

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

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

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

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

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

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.

**TOWN COUNCIL OF REHOBOTH**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**  
**AND 2021 (continued)**

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

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.

**1.9 Financial instruments**

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

**Initial Recognition**

Financial assets and financial liabilities are recognised when it becomes party to the contractual provisions of the instrument. The Town Council does not offset a financial asset and a financial liability unless a legally enforceable right to set off the recognised amounts currently exist and the Town Council intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

**Fair Value Methods and Assumptions**

The fair value of financial instruments is determined as follows:

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

**TOWN COUNCIL OF REHOBOTH**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**  
**AND 2021 (continued)**

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**1.9 Financial instruments (continued)**

**Initial and subsequent measurement of financial assets and financial liabilities**

**Financial Assets:**

**At Fair Value through Surplus and Deficit**

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

**Financial assets measured at amortised cost**

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

**Financial Liabilities:**

**At Amortised Cost**

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

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

Prepayments are carried at cost less any accumulated impairment losses.

**TOWN COUNCIL OF REHOBOTH**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**  
**AND 2021 (continued)**

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**1.9 Financial instruments (continued)**

**Impairment of financial assets:**

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

**Financial assets at amortised cost**

A provision for impairment of accounts receivables is established when there is objective evidence that the Town Council will not be able to collect all amounts due according to the original terms of receivables. The provision is made where by the recoverability of accounts receivable is assessed individually and then collectively after grouping the assets in financial assets with similar credit risk characteristics. The amount of the provision is the difference between the financial asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Cash flows relating to short term receivables are not discounted where the effect of discounting is immaterial.

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

**De-recognition**

**Financial assets**

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

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

**TOWN COUNCIL OF REHOBOTH**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**  
**AND 2021 (continued)**

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**1.10 Financial liabilities**

The Town Council derecognises financial liabilities when, and only when, the Town Councils' obligations are discharged, cancelled or they expire.

The Town Council recognises the difference between the carrying amount of the financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, in surplus or deficit.

**1.11 Inventories**

**Initial Recognition**

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

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

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

**Subsequent Measurement**

**Consumable Stores, Raw Materials, Work in Progress and Finished Goods.**

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

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

**Water Inventory**

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

## **TOWN COUNCIL OF REHOBOTH**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020 AND 2021 (continued)**

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#### **1.11 Inventories (continued)**

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

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

#### **Other arrangements**

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

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

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

The carrying amount of inventories 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.

#### **1.12 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.

**TOWN COUNCIL OF REHOBOTH**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**  
**AND 2021 (continued)**

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**1.12 Provisions and contingencies (continue)**

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

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

**Decommissioning, restoration and similar liability**

Estimated long term environmental provisions, comprising rehabilitation and land fill site closure, are based on the Town 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.

**1.13 Employee benefits**

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

**Short-term employee benefits**

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

**TOWN COUNCIL OF REHOBOTH**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**  
**AND 2021 (continued)**

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**1.13 Employee benefits (continued)**

**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.

**1.14 Borrowing costs**

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

**1.15 Related parties**

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

**1.16 Going concern assumption**

At 30 June 2020 the Town Council's current liabilities exceeded its current assets. In addition the Town Council was not spared from the impact of Covid 19 and related effects. However, the Town Council have prepared the annual financial statements under the going concern assumption, based on management assumptions as set out in note 29 to the annual financial statements.

**1.17 Unauthorised expenditure**

Unauthorised expenditure means:

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

**1.18 Net assets**

**Accumulated Surplus**

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

**TOWN COUNCIL OF REHOBOTH**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**  
**AND 2021 (continued)**

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**1.19 Grants-In-Aid**

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

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

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

**1.20 Value Added Tax**

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

**1.21 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 REHOBOTH****NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE**

	<b>2021</b>	<b>2020</b>	<b>2019</b>
	<b>N\$</b>	<b>N\$</b>	<b>N\$</b>
<b>2 Property rates</b>			
Rates received	-	-	-
Property rates and taxes	11 222 223	11 015 341	9 390 307
<b>3 Transfers from government and related entities</b>			
<b>Operating grants</b>	<b>2 365 124</b>	<b>8 209 628</b>	<b>2 314 094</b>
Road Fund Administration	-	1 501 840	-
Government grant – water subsidies	3	-	-
GRN – Grants	2 365 121	6 707 788	2 314 094
<b>4 Service charges</b>	<b>111 538 335</b>	<b>135 160 763</b>	<b>114 398 078</b>
Sale of electricity	69 835 135	76 120 622	71 769 807
Sale of water	29 665 305	47 019 206	30 970 492
Sewerage and sanitation charges	6 180 811	6 268 993	6 233 915
Refuse removal	5 857 084	5 751 942	5 423 864

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

**5 Rental of facilities and equipment**

	<b>1 411 491</b>	<b>1 409 200</b>	<b>1 559 885</b>
Premises	1 293 577	1 289 155	1 379 717
Rental of other facilities	76 355	75 864	169 788
Rental of equipment	41 559	44 181	10 380

Rental revenue earned on facilities and equipment is in respect of non-financial assets rented out.

# TOWN COUNCIL OF REHOBOTH

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE

	2021	2020	2019
	N\$	N\$	N\$
<b>6 Other income</b>	<b>2 668 679</b>	<b>2 069 609</b>	<b>3 115 712</b>
Building plan fees	288 948	164 155	183 809
Business fitness certificate fees	317 309	261 632	224 933
Meat inspection	92 015	88 605	48 660
Billboard advertising	51 240	27 906	11 245
Sundries	141 895	(332 359)	329 666
Prepaid water tokens	79 230	125 916	107 530
Disconnection and reconnection fees	68 760	376 052	429 980
Connection fees	489 799	462 892	618 856
Sand mining fees	88 122	99 191	122 939
Fire brigade fees	282 422	276 919	282 252
Endowment fees	44 363	52 107	29 084
Burial fees	372 819	177 496	206 095
Commission - Agra Auction	287 307	258 821	479 163
New consumer deposits	64 450	30 276	33 317
Contribution build together	-	-	8 183
<b>7 Bulk purchases</b>	<b>78 979 645</b>	<b>73 506 804</b>	<b>83 734 651</b>
Electricity	62 238 160	48 971 739	52 300 040
Water	16 741 485	24 535 065	31 434 611

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 Nampower whilst water is purchased from NamWater.

### 8 Employee related costs and remuneration of Councillors

	*-	33 205 520	29 595 392
Basic salary	-	17 342 844	14 779 096
Medical aid - company contributions	-	3 696 130	2 200 267
Social Security	-	98 626	88 508
WCA	-	-	927
Leave pay provision charge	-	(391 378)	1 167 457
Defined contribution plans	-	3 644 733	3 190 350
Travel, motor car, accommodation, subsistence and other allowances	-	275 393	300 248
Overtime payments	-	985 021	1 227 941
13th Cheques	-	1 213 673	1 267 661
Acting allowances	-	23 180	55 582
Transport allowance	-	1 477 812	1 178 136
Housing benefits and allowances	-	4 832 231	4 042 440
Other allowances	-	7 255	96 779

**TOWN COUNCIL OF REHOBOTH**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE**

	<b>2021</b>	<b>2020</b>	<b>2019</b>
	N\$	N\$	N\$
<b>Chief Executive Officer</b>	-	<b>594 838</b>	-
Annual Remuneration	-	343 410	-
Car Allowance	-	93 480	-
Other	-	157 948	-

The CEO position was vacant during the financial year 2019

<b>Other Executives</b>	-	<b>1 772 450-</b>	<b>1 339 003</b>
Annual Remuneration	-	1 028 382	772 377
Car Allowance	-	267 948	208 403
13th Cheque	-	86 803	49 270
Other	-	389 317	308 953

The positions of manager finance was vacant from January to April 2019 and manager human resources and corporate affairs was vacant from July to October 2018.

\*Employee related costs were not presented in the notes of the 2021 financial year.

<b>Remuneration of councillors</b>	<b>280 297</b>	<b>280 297</b>	-
Mayor	45 208	45 208	-
Deputy Mayor	40 692	40 692	-
MC Chairperson	42 194	42 194	-
Management Committee Members	39 181	39 181	-
Ordinary Councillors	113 022	113 022	-

**Explanation**

During the financial year 2019, councillors were on suspension without allowance. However there was a Minister representative, whose allowance is included in employee and related cost in note.

**TOWN COUNCIL OF REHOBOTH**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE**

	2021	2020	2019
	N\$	N\$	N\$
<b>9 General expenses</b>	<b>14 038 657</b>	<b>15 621 809</b>	<b>16 068 492</b>
Other expenses	1 020 986	592 944	2 020 029
Advertising	274 516	130 357	317 245
Bank charges	839 812	1 843 274	1 460 136
Catering & Entertainment Cost	157 581	151 680	198 763
Computer consumables	35 223	8 300	7 800
Cleaning	64 058	66 463	57 956
Commission paid	2 249 338	2 311 531	1 931 625
Consulting and professional fees	3 079 602	4 128 859	6 559 738
Donations	-	2 000	2 500
Fuel and oil	375 063	340 682	338 487
Hiring of Facilities & Equipment	280 803	112 485	136 712
Insurance	732 501	725 759	710 091
Motor vehicle expenses	774 964	371 331	539 508
Postage, courier and telephone	276 558	133 845	205 235
Printing and stationery	198 688	409 498	252 184
Refuse	6 736	-	123 183
Security Services	1 375 194	608 632	555 804
NATIS	(2 491 483)	(3 203 837)	(2 983 418)
Software and Other licenses expenses	2 390 537	2 420 052	1 652 156
Staff welfare	5 893	26 673	-
Subscriptions and membership fees	66 471	121 218	73 327
Telephone and fax	491 777	415 221	574 407
Training	44 640	42 048	-
Travel - local	4 034	-	-
Refuse Receptacles	1 785 165	3 862 794	1 335 024
<b>10 Interest paid</b>	<b>(283)</b>	<b>134</b>	<b>33 336</b>

Borrowing Cost to the amount of N\$0 (2020: N\$0) is capitalised during the financial year.

<b>11 Cash and cash equivalents</b>	<b>79 645 324</b>	<b>77 893 195</b>	<b>72 717 444</b>
Cash and cash equivalents consists of:			
Cash on hand	(1 526)	(1 526)	(1 526)
Bank balances	79 385 919	77 890 408	72 714 473
Short-term deposits	260 931	4 313	4 497

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 and net of outstanding bank overdrafts.

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

# TOWN COUNCIL OF REHOBOTH

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE

	2021	2020	2019
	N\$	N\$	N\$
<b>12 Consumer debtors</b>			
<b>Gross balances</b>	<b>237 044 856</b>	<b>218 980 891</b>	<b>179 100 234</b>
Rates	29 725 940	24 728 095	20 324 741
Electricity	26 577 755	28 829 554	21 779 412
Water	99 593 316	91 173 081	68 797 059
Sewerage	10 614 808	9 052 280	7 574 960
Refuse	15 020 873	12 891 474	11 343 453
Housing and Land debtors	9 904 075	10 148 307	10 756 073
Other	45 608 089	42 158 100	38 524 536
<b>Less: Allowance for impairment</b>	<b>(221 254 479)</b>	<b>(198 530 425)</b>	<b>(164 268 777)</b>
Rates	(27 913 184)	(23 429 862)	(18 785 391)
Electricity	(24 713 639)	(26 887 734)	(19 983 818)
Water	(93 655 892)	(80 415 692)	(62 584 622)
Sewerage	(9 674 162)	(8 095 712)	(7 141 041)
Refuse	(14 045 756)	(12 074 471)	(10 521 544)
Housing and Land debtors	(6 723 364)	(6 801 229)	(7 637 009)
Other	(44 528 482)	(40 825 725)	(37 615 352)
<b>Net balance</b>	<b>15 790 377</b>	<b>20 450 466</b>	<b>14 831 457</b>
Rates	1 812 756	1 298 233	1 539 350
Electricity	1 864 116	1 941 820	1 795 594
Water	5 937 424	10 757 389	6 212 437
Sewerage	940 646	956 568	433 919
Refuse	975 117	817 003	821 909
Housing and Land debtors	3 180 711	3 347 078	3 119 064
Other	1 079 607	1 332 375	909 184
<b>Reconciliation of allowance for impairment</b>	<b>(221 254 479)</b>	<b>(198 530 425)</b>	<b>(164 268 777)</b>
Balance at the beginning of the year	(198 530 425)	(164 268 777)	(154 605 090)
Contribution to allowance	(22 724 054)	(34 261 648)	(9 663 687)
<b>13 VAT receivable</b>	<b>-</b>	<b>11 192 517</b>	<b>15 492 061</b>

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

No interest is payable to the 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 Town Council has financial risk policies in place to ensure that payments are affected before the due date.

**TOWN COUNCIL OF REHOBOTH**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE**

	2021	2020	2019
	N\$	N\$	N\$
<b>14 Receivables from exchange transactions</b>	<b>1 322 914</b>	<b>1 321 571</b>	<b>*721 859</b>
Employee costs in advance	721 727	720 384	721 859
Sundry debtors	601 187	601 187	-

\*The amount does not correspond to the figures on the financial statements.

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

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

**15 Recoverable from non-exchange transactions (taxes and transfers)**

Deposits paid	1 259 400	1 259 400	1 259 400
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None of the receivables have been pledged as security for the Town Council financial liabilities

**16 Housing loan**

**Receivables from exchange transactions**

Long term loans receivables	30 453 728	30 453 728	30 453 728
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The long term receivables are composed of the following:  
 Development and housing.

Housing loans in terms of the build together housing scheme are granted to qualifying individuals at an interest rate of 4,00% per annum, repayable over a maximum period of 20 years.

<b>17 Inventory – Consumables stores</b>	<b>593 148</b>	<b>593 148</b>	<b>593 148</b>
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Inventory is 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.

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

	2021		2020		2019	
	N\$	N\$	N\$	N\$	N\$	N\$
<b>18 Property, Plant and Equipment</b>	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Property, Plant and Equipment	118 739 838	(4 352 436)	114 387 402	123 507 794	(4 352 436)	119 155 358
				121 309 404	(4 352 436)	116 956 968

Opening balance	Additions	Other changes, movements	Total
N\$	N\$		N\$

Reconciliation of property, plant and equipment – 2021      119 155 358      1 862 362      (6 630 318)      114 387 402

Reconciliation of property, plant and equipment – 2020      116 956 968      6 630 318      (4 431 928)      119 155 358

Reconciliation of property, plant and equipment – 2019      112 525 040      4 431 928      -      116 956 968

**TOWN COUNCIL OF REHOBOTH**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE**

	<b>2021</b>	<b>2020</b>	<b>2019</b>
	<b>N\$</b>	<b>N\$</b>	<b>N\$</b>
<b>19 Payables under exchange transactions</b>	<b>45 936 763</b>	<b>43 482 270</b>	<b>45 527 732</b>
Trade payables	54 116 812	54 116 763	54 116 760
Employees related payables	(21 018 364)	(23 054 276)	(21 405 109)
Accrued leave pay	3 232 131	3 310 185	4 094 265
Accrued bonus	(193 555)	(112 734)	702 960
Accrued severance	178 382	138 082	2 471 916
Deposits received	9 621 357	9 084 250	5 546 940

**Staff Leave:**

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

**20 Long term loans**

At amortised cost			
Loans	<b>13 832 955</b>	<b>13 824 517</b>	<b>14 040 980</b>
Current liabilities			
At amortised cost	<b>13 832 955</b>	<b>13 824 517</b>	<b>14 040 980</b>

**21 Payables from non-exchange transactions**

	<b>73 399 792</b>	<b>82 216 595</b>	<b>81 403 824</b>
Bank related suspense accounts	72 907 852	81 807 777	80 995 006
Other suspense accounts	491 940	408 818	408 818

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

**22 VAT Payable**

Tax refund payables	<b>2 993 327</b>	-	-
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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 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 Town Council has financial risk policies in place to ensure that payments are affected before due date

### **23 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 has the power to levy fees, tariffs and charges, this will result in an ongoing inflow of revenue to support the ongoing delivery of municipal services.
- iii) The Rehoboth Town Council is second largest council in Hardap region and it is in public interest that the Town Council remains solvent and continue as an ongoing concern.

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

### **24 Events after the reporting date**

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

