



REPUBLIC OF NAMIBIA



REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE
VILLAGE COUNCIL OF GOCHAS
FOR THE FINANCIAL YEARS ENDED 30 JUNE 2019 AND 2020

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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 Gochas Village Council for the financial year ended 30 June 2019 and 2020, in terms of Article 127(2) of the Namibian Constitution. The report is transmitted to the Honourable Minister in terms of Section 27(1) of the State Finance Act, 1991, (Act 31 of 1991) to be laid upon the Table of the National Assembly in terms of Section 27(4) of the Act.

WINDHOEK, April 2022

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 THE
GOCHAS VILLAGE COUNCIL
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 AND 2020**

1. QUALIFIED AUDIT OPINION

I have audited the financial statements of the Gochas Village Council for the financial year ended 30 June 2019 and 2020. These financial statements comprise the statement of financial position, statement of surplus or deficit, statement of changes in net assets or equity, statement of cash flows and notes to the annual financial statements for the years then ended, and a summary of significant accounting policies.

In my opinion, except for the effects of the matter described in the basis for qualified audit opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Gochas Village Council as at 30 June 2019 and 2020 and its financial performance and their cash flow for the years then ended.

2. BASIS FOR QUALIFIED AUDIT OPINION

I conducted my audit in accordance with International Standards for Supreme Audit Institutions (ISSAI's). 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.

2.1 FIXED ASSET REGISTER

A backhoe loader was registered twice in the fixed asset register at the value of N\$ 515 000 and N\$ 542 250.

2.2 CASH AND CASH EQUIVALENTS

The audit noted a difference of N\$ 106 917 between the operational account in the general ledger of N\$ 182 860 and the financial statements N\$ 289 777 for 2020 financial year.

There were differences of N\$ 375 190 (2019: N\$ 803 547) between the cash and cash equivalents in the statement of cash flows and the amount in the statement of financial position.

2.3 GOVERNMENT GRANTS AND OTHER DEPARTMENTAL TRANSFER

The auditors observed the following differences between general ledger, bank statements and the financial statements for Government Grants:

- A difference of N\$ 3 516 832 (2019: N\$ 2 559 216) between the general ledger and bank statement.

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 do not have anything to report on this matter.

4. OTHER INFORMATION

The directors are responsible for the other information. The other information does not include the financial statements and the audit report thereon. My opinion on the financial statements does not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon. In connection with the audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or 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 Section 86 of the Local Authorities Act, 1992 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 and 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 (ISSAIs), will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

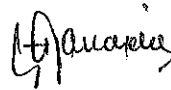
As part of an audit in accordance with the International Standards for Supreme Audit Institutions, I exercise professional scepticism throughout the audit, I also;

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for 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 auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
- I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

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

7. REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

The financial statements were submitted later than the required by the Accounting Officer to the Auditor-General on 06 June 2021 (2020) and 29 November 2021 (2019) in terms of section 87(1) of the Local Authority Act, 1992, instead of three months after year end.



WINDHOEK, April 2022

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

GOCHAS VILLAGE COUNCIL

ANNEXURE A

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019 AND 2020

	Note	2020 N\$	2019 N\$
ASSETS			
Current assets			
		5 109 004	2 711 147
Inventories	5	2 782 366	1 593 588
Accounts receivables	6	1 299 540	717 605
Cash and cash equivalents	7	1 009 106	384 308
Prepayments	8	17 992	15 646
Non-current assets			
		475 787 569	46 154 260
Property, plant and equipment	2	473 885 782	44 238 331
Intangible assets	3	139 203	-
Long term receivables	4	1 762 584	1 915 929
Total assets		480 896 572	48 865 407
LIABILITIES			
Current liabilities			
		3 942 545	2 807 810
Accounts payables: Exchange transactions	9	1 367 198	456 119
Accounts payables: Non-exchange transactions	9	32 520	29 219
External loans	10	1 661 335	1 621 118
Employee provisions	11	396 264	360 473
Other creditors	12	485 229	340 882
Total Liabilities		3 942 545	2 807 810
Net assets		476 954 027	46 057 597
NET ASSES/EQUITY			
Funds and accounts	24	4 138 536	4 138 536
Accumulated surplus		472 815 491	41 919 061
Total net assets/equity		476 954 027	46 057 597

ANNEXURE B

**GOCHAS VILLAGE COUNCIL
STATEMENT OF SURPLUS OR DEFICIT FOR THE YEARS ENDED
30 JUNE AND 2020**

		2020	2019
	Note	N\$	N\$
Revenue from exchange transactions		5 353 049	4 365 918
Service charges	14	4 003 684	3 592 598
Rental income	15	236 997	163 208
Licenses and certificates		183	374
Other revenue	16	768 337	310 632
Interest income	17	343 848	299 105
		12 657 098	8 434 036
Revenue from non-exchange transactions			
Property rates and taxes	18	650 144	638 592
Government & other departments transfers	19	12 006 955	7 795 444
Total revenue		18 010 147	12 799 953
		10 431 159	12 756 164
Expenses			
Employee costs	20	2 980 321	2 755 002
Councillors' remuneration	20	191 056	188 813
Depreciation	2	1 053 218	1 078 720
Regional Council 5% Levy		32 520	29 219
Repairs and maintenance	21	1 005 465	774 613
Electricity		1 995 964	1 810 922
General and administrative expenses	22	1 139 299	937 452
Leave contribution expense	11	9 082	94 413
Bonus contribution	11	57 324	-
Bulk water purchases		1 142 863	1 179 199
Bad debts		824 048	-
Allowance for doubtful debts		-	3 907 812
Surplus/(deficit) for the year		7 578 988	43 790

ANNEXURE C

**GOCHAS VILLAGE COUNCIL
STATEMENT OF CHANGES IN NET ASSETS OR EQUITY FOR THE YEARS ENDED 30 JUNE 2019 AND 2020**

	Note	Accumulated surplus/(deficit) N\$	Funds and accounts N\$	Total net assets/equity N\$
Closing balance 30 June 2018		13 247 068	16 042 287	29 289 355
Adjustments:				
Prior year adjustments	25	5 698 923	-	5 698 923
Loan redemption		1 078 132	-	1 078 132
Bad debts		4 484 011	-	4 484 011
Other adjustments		5 463 387	-	5 463 387
Transfers		11 903 752	-	-
Total movements / adjustments to equity		(11 903 752)	(11 903 752)	-
Restated balance as at 01 July 2018		28 628 204	(11 903 752)	16 724 453
Surplus for the year		41 875 272	4 138 535	46 013 807
		43 790	-	43 790
Balance as at 30 June 2019		41 919 062	4 138 535	46 057 597
Adjustments:				
Depreciation on intangible asset		104 638	-	104 638
Unallocated land	26	422 193 120	-	422 193 120
Intangible: meter management software		15 000	-	15 000
Intangible: Netvend system integration software		19 564	-	19 564
Intangibles: Finstel		104 638	-	104 638
Other movements		880 482	-	880 482
Total movements / adjustments		423 317 442	-	423 317 442
Surplus or (deficit) for the year		7 578 988	-	7 578 988
Balance as at 30 June 2020		472 815 491	4 138 535	476 954 027

ANNEXURE D

GOCHAS VILLAGE COUNCIL
STATEMENT OF CASH FLOW FOR THE YEARS ENDED 30 JUNE 2019 AND 2020

	Note	2020 N\$	2019 N\$
Cash flows from operating activities		16 827 769	15 337 230
Receipts			
Sale of goods and services	27.1	4 606 967	4 082 975
Government and other departments transfers	27.2	11 876 955	7 795 444
Interest received		343 848	202 603
Other receipts		-	3 256 207
		(7 320 233)	(8 616 952)
Payments			
Employee costs and councillor remuneration		(3 171 377)	(2 755 002)
Cash paid to suppliers	27.3	(4 148 856)	(5 861 950)
Net cash flows from operating activities		9 507 537	6 720 277
Cash flow from investing activities		(8 507 549)	(5 789 019)
Construction of property, plant and equipment		(8 507 549)	(5 789 019)
Net increase/(decrease) in cash and cash equivalents		999 988	931 259
Cash and cash equivalents at the beginning of the period		384 308	256 597
Cash and cash equivalents at the end of the year of the period		1 384 296	1 187 856

Cash and cash equivalents consist of balances with banks and short-term investments on call accounts. Cash and cash equivalents included in these financial statements differ from the cash and cash equivalents as per the statement of financial position as per note 7.

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNT
STATEMENT OF SURPLUS OR DEFICIT 2020

	Original Budget	Budget adjustments	Final adjusted budget	Actual outcome	Unauthorised expenses	Variance	Variance %
	N\$	N\$	N\$	N\$	N\$	N\$	%
Revenue: exchange transactions							
Service charges	4 240 652	-	4 240 652	4 003 684	-	236 968	6%
Rental income	203 173	-	203 173	236 997	-	(33 824)	-17%
Licences and certificates	2 500	-	2 500	183	-	2 317	93%
Other revenue	702 477	-	702 477	768 337	-	(65 860)	-9%
Interest income	225 000	-	225 000	343 848	-	(118 848)	-53%
Sub-total	5 373 802	-	5 373 802	5 353 049	-	20 753	0%
Revenue: non-exchange transactions							
Property rates and taxes	850 000	-	850 000	650 144	-	199 856	24%
Government & other departments transfers	7 575 056	-	7 575 056	12 006 955	-	(4 431 899)	-59%
Sub-total	8 425 056	-	8 425 056	12 657 098	-	(4 232 042)	-50%
Total revenue	13 798 858	-	13 798 858	18 010 147	-	(4 252 796)	-31%
Expenses							
Employee costs	3 342 566	-	3 342 566	2 980 321	-	362 245	11%
Councillors' remuneration	204 231	-	204 231	191 056	-	13 175	6%
Depreciation	-	-	-	1 053 218	-	(1 053 218)	100%
Regional Council 5% Levy	42 500	-	42 500	32 520	-	9 980	23%
Repairs and maintenance	1 166 776	-	1 166 776	1 005 465	-	161 311	14%
Electricity	2 386 738	-	2 386 738	1 995 964	-	390 774	16%
General expenses	1 501 995	-	1 501 995	1 139 299	-	362 696	24%
Leave contribution expense	-	-	-	9 082	-	(9 082)	100%
Bonus contribution	-	-	-	57 324	-	(57 324)	100%
Bulk water purchases	1 015 692	-	1 015 692	1 142 863	-	(127 171)	-13%
Bad debts	45 000	-	45 000	824 048	-	(779 048)	100%
Sub-total	9 705 498	-	9 705 498	10 431 159	-	(725 661)	-7%
Total expenses	4 093 360	-	4 093 360	7 578 988	-	(3 527 135)	-86%

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS - (Continued)

CAPITAL BUDGET STATEMENT OF COMPARISON 2020

	Original Budget	Budget adjustments	Final Adjusted budget	Actual outcome	Unauthorised expenses	Variance	Variance %
	N\$	N\$	N\$	N\$	N\$	N\$	
Transfers recognised - capital	8 563 315	-	8 563 315	8 507 549	-	55 766	1%
Capital expenditure and funds sources							
Total capital expenditure	8 507 549	-	8 507 549	8 507 549	-	-	
Sources of capital funds							
Transfers recognised - capital	8 507 549	-	8 507 549	8 507 549	-	-	0%
Public contributions and donations	-	-	-	-	-	-	
Internally generated funds	-	-	-	-	-	-	
Total: Sources of capital funds	8 507 549	-	8 507 549	8 507 549	-	55 766	0%

PROGRAMME NAME

PROGRAMME NAME	PROJECT NAME	YEAR STARTED	PROJECT COST TO DATE
			N\$
Gomxab sewer infrastructure construction	Infrastructure	2013	28 416 899
Gomxab erven establishment	Infrastructure	2019	460 561
Total			28 877 460

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS - (Continued)

UNSPENT AMOUNTS 2020

	Original Budget N\$	Budget adjustments N\$	Final adjusted budget N\$	Actual outcome N\$	Unauthorised expenditure N\$	Variance N\$	Actual outcome as a % of final budget
General expenses							
HIV / AIDS	2 000	-	2 000	-	-	2 000	100%
Cleaning materials	5 000	-	5 000	-	-	5 000	100%
Legal costs	1 000	-	1 000	-	-	1 000	100%
Grants and donations	3 000	-	3 000	-	-	3 000	100%
Unforeseen expenses	5 000	-	5 000	-	-	5 000	100%
Social upliftment	3 000	-	3 000	-	-	3 000	100%
Fire protection	7 500	-	7 500	-	-	7 500	100%
National holiday commemoration	5 000	-	5 000	-	-	5 000	100%
First aid equipment	1 402	-	1 402	-	-	1 402	100%
Community development meetings	2 500	-	2 500	-	-	2 500	100%
Computers	40 000	-	40 000	-	-	40 000	100%
Disaster	30 000	-	30 000	-	-	30 000	100%
Protective clothing	15 549	-	15 549	-	-	15 549	100%
Buildings	5 000	-	5 000	-	-	5 000	100%
Plant and machinery and equipment	71 656	-	71 656	-	-	71 656	100%
Furniture and office equipment	161 000	-	161 000	-	-	161 000	100%
Fences	5 000	-	5 000	-	-	5 000	100%
Fire protection equipment	10 000	-	10 000	-	-	10 000	100%
Dumpsite	10 000	-	10 000	-	-	10 000	100%
Sewerage network	10 000	-	10 000	-	-	10 000	100%
Cleaning of town	5 000	-	5 000	-	-	5 000	100%
Total unspent amounts	398 607	-	398 607	-	-	398 607	100%

COMMENTS ON VARIANCES FOR THE FINANCIAL YEAR 2020

Budget comments on variances

Rental income

The 17% favourable variance was due to payments on arrear rentals.

Interest income

The 53% favourable variance is due to interest on Build Together previously not reported as part of interest.

Property rates

The 24% unfavourable variance is due to property rates revenue being over budgeted.

Government and other department transfers

The Council requested funds that were outstanding on capital projects (sewer reticulation).

Employee costs

The variance is due to unfilled vacancies in the Village Council.

Depreciation

The Village Council did not budget for depreciation. Accrual basis budgeting shall be adopted in line with IPSAS 24.

Repairs and maintenance

The 14% favourable variance is due to less breakdowns for the Village Council's plant and machinery.

Electricity

Consumption was less than anticipated.

Bonus Contribution

The Village Council introduced bonus in line with accrual basis of accounting after the budget was prepared.

Bulk water

The unfavourable variance of 13% was due to water supply to everyone as a result of Covid19

Bad debts

The Village Council wrote-off bad debts after adopting IPSAS. Writing-off debts was not previously authorised.

Unspent amounts

The Village Council is working on improving its budgeting system to comply with the IPSAS framework.

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS 2019

	Original Budget	Budget adjustments	Final adjusted budget	Actual outcome	Unauthorised expenses	Variance	Variance %
	N\$	N\$	N\$	N\$	N\$	N\$	
Statement of surplus or deficit							
Revenue: exchange transactions							
Service charges	4 198 294	-	4 198 294	3 592 598	-	605 696	14%
Rent received	353 500	-	353 500	163 208	-	190 292	54%
Other income	521 450	-	521 450	310 632	-	210 818	40%
Interest received	385 000	-	385 000	299 105	-	85 895	22%
Licenses and certificates	4 282	-	4 282	374	-	3 908	91%
Sub-total	5 462 526	-	5 462 526	4 365 917	-	1 096 609	20%
Revenue: non-exchange transactions							
Property taxes	600 000	-	600 000	638 592	-	(38 592)	-6%
Government & department transfers	1 150 457	-	1 150 457	7 795 444	-	(6 644 987)	-578%
Sub-total	1 750 457	-	1 750 457	8 434 036	-	(6 683 579)	-382%
Total Expenses	7 212 983	-	7 212 983	12 799 953	-	(5 586 970)	-77%
Employee costs	2 952 807	-	2 952 807	2 755 002	-	197 805	7%
General and administrative expenses	1 223 072	-	1 223 072	903 040	-	320 032	35%
Councillors' remuneration	191 050	-	191 050	188 813	-	2 237	1%
Regional council levy	30 000	-	30 000	29 219	-	781	3%
Repairs and maintenance	214 500	-	214 500	809 025	-	(594 525)	-73%
Depreciation	-	-	-	1 078 720	-	(1 078 720)	-100%
Bulk purchase electricity	2 815 622	-	2 815 622	1 810 922	-	1 004 700	55%
Bulk purchase water	1 034 803	-	1 034 803	1 179 199	-	(144 396)	-12%
Allowance for doubtful debts movement	-	-	-	3 907 812	-	(3 907 812)	100%
Leave contribution	-	-	-	94 413	-	(94 413)	100%
Total Expenses	8 461 854	-	8 461 854	12 756 164	-	(4 294 310)	-51%
Surplus or (deficit)	(1 248 871)	-	(1 248 871)	43 790	-	(1 292 661)	104%

CAPITAL BUDGET STATEMENT OF COMPARISON 2019

	Original budget N\$	Budget adjustment N\$	Final adjusted budget N\$	Actual outcome N\$	Unauthorised expenses N\$	Variance N\$	Variance %
Transfers recognised - capital	4 620 655	-	4 620 655	4 620 655	-	-	0%
Capital expenditure and funds sources							
Total capital expenditure	5 010 831	-	5 010 831	4 962 439	-	48 392	1%
Sources of capital funds							
Transfers recognised - capital	5 010 831	-	5 010 831	4 962 439	-	48 392	1%
Public contributions and donations	-	-	-	-	-	-	-
Internally generated funds	-	-	-	-	-	-	-
Total: Sources of capital funds	5 010 831	-	5 010 831	4 962 439	-	48 392	1%

The Village Council used N\$ 40 708 of the capital grant to meet a retention fee obligation which was due to Jora Trading, a contractor who worked on the electrical project, of the N\$ 48 392 variance; the commitment to Jora Trading of N\$ 40 708 result in an unspent balance of N\$ 7 684.

All payments on capital projects amounted to N\$ 5 010 831 during the financial year. Payments were for the sewerage project which is in progress and delays were encountered due to hard rock.

At the end of the financial year, Gochas village council had an undrawn balance for capital projects amounting to N\$ 7 684.

There were no signed contracts for capital projects except for the ongoing sewer project reported in these financial statements.

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

Unspent amounts 2019

	Original budget	Budget adjustment	Final adjusted budget	Actual outcome	Unauthorised expenses	Variance	Variance %
	N\$	N\$	N\$	N\$	N\$	N\$	%
Revenue							
Car allowance	89 316	-	89 316	-	-	89 316	100%
Grants and donations	3 000	-	3 000	-	-	3 000	100%
Cleansing charges	8 500	-	8 500	-	-	8 500	100%
Social upliftment	5 000	-	5 000	-	-	5 000	100%
Fire protection	7 500	-	7 500	-	-	7 500	100%
NAT holiday commemoration	5 000	-	5 000	-	-	5 000	100%
Tender board fees	3 400	-	3 400	-	-	3 400	100%
First aid equipment	2 249	-	2 249	-	-	2 249	100%
Disaster	30 000	-	30 000	-	-	30 000	100%
Total budgeted revenue not earned	153 965	-	153 965	-	-	153 965	100%
Expenses							
HIV/AIDS							
Cultural	2 000	-	2 000	-	-	2 000	100%
Dumping site	1 000	-	1 000	-	-	1 000	100%
Cleaning of town	10 000	-	10 000	-	-	10 000	100%
Fences	5 000	-	5 000	-	-	5 000	100%
ECB levy	5 000	-	5 000	-	-	5 000	100%
NEF levy	5 000	-	5 000	-	-	5 000	100%
Auction vehicles	5 000	-	5 000	-	-	5 000	100%
Building plan fees	160 000	-	160 000	-	-	160 000	100%
Transfers-cots	10 000	-	10 000	-	-	10 000	100%
Sales of erwen	4 200	-	4 200	-	-	4 200	100%
Prepaid tokens	6 000	-	6 000	-	-	6 000	100%
Illegal dumping	2 500	-	2 500	-	-	2 500	100%
	4 500	-	4 500	-	-	4 500	100%
Total budgeted and not spent	220 200	-	220 200	-	-	220 200	100%

COMMENTS ON VARIANCES FOR THE FINANCIAL YEAR 2019

Comments on variances from budget

Service charges

The major source of the variance is due to the electricity component in service charges which was N\$544 164 below the budgeted amount. Demand for electricity was not as high as anticipated resulting in an overall 14% decline in performance.

Rent received

Major contributors to the variance are rental of town lands and rental of machinery. Rental of town lands was duplicated with grazing fees where the 2 should have been under one budget vote. The hiring of equipment was over-budgeted as the village council did not manage to anticipate the possible decline in the demand for equipment hire. The duplication of rental of town lands and the rental of machinery are the major contributors to the 54% variance.

Other income

The 40% variance is due to the determination of items that should be classified under other income. The village council is working on a consistent categorisation of other income items.

Interest received

The 22% variance is as a result of Build Together interest which was allocated to the fund directly in the previous basis of accounting, whereas at adoption of IPSAS, interest on the fund was taken through the statement of surplus of deficit. Interest on arrear rates was also over-budgeted and the collection was not as anticipated.

Government and other departments transfers

The variance is due government funding which increased at the discretion of the government.

General and administrative expenses

The 35% below budget variance is due to the determination of items that should be classified under general and administrative expenses as there is an overlap with repairs and maintenance items.

Repairs and maintenance

The 73% above budget is traceable to the comment under general and administrative expenses above. The village council is working on a consistent categorisation of expenses.

Depreciation

The village council did not budget for depreciation due to past practices where items not involving cash movements were not budgeted for.

COMMENTS ON VARIANCES FOR THE FINANCIAL YEAR 2019 (continued)

Comments on variances from budget

Bulk electricity purchase

The 55% below budgeted is as a result of inaccurate projections on the level of electricity consumption and demand.

Bulk water purchase

The 12% variance over the budgeted amount is due to inaccurate projections on consumption.

Allowance for doubtful debts

The 100% variance is due to the adoption of a new financial reporting framework. The budget was prepared before the adoption of the new framework and factors considered in the budgeting process focused on prior accounting basis principles.

Leave contribution

The vote was not budgeted resulting in a 100% variance.

Unearned revenues and unspent expenses

Gochas village council's budget model was in line with the previous basis of accounting. At adoption of IPSAS, assessment of performance changes resulted in the need to reskill finance staff to ensure the budgeting process reflects the changes necessitated by the adoption of a new financial reporting framework.

**GOCHAS VILLAGE COUNCIL
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED
30 JUNE 2019 AND 2020**

STATEMENT OF ACCOUNTING POLICIES

1. Basis of preparation and significant accounting policies

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 allows a first-time adopter a period of up to 3 years to recognise and/or measure certain assets and liabilities.

In its second year of transition to accrual basis IPSAS, Gochas Village Council took advantage of exemptions that affect fair presentation for reporting financial information relating to International Public Sector Accounting Standards specified under IPSAS 33, First Time Adoption of Accrual Basis International Public Sector Accounting Standards. As a result, The Village Council is not able to make an explicit and unreserved statement of compliance with accrual basis IPSAS in preparing its First Transitional IPSAS Financial Statements for the reporting period ended 30 June 2020.

The Village Council intends to recognise and/or measure its assets, and liabilities as specified in IPSAS 33 paragraphs 39, and 40 by 2021 or an earlier period where the relevant items are recognised and/or measured in the financial statements in accordance with applicable or relevant IPSAS.

With respect to unavailability of accounting policies in the previous financial reporting framework used by the Village Council, assets and liabilities, revenue and expenses shall be measured using accounting policies consistent with IPSAS to the extent of the availability of information relating to those assets and/or liabilities, revenues and expenses in accordance with IPSAS 33, paragraph 137 (a) which requires that Gochas Village Council discloses progress made towards recognising, measuring, presenting and/or disclosing assets, liabilities, revenue, and/or expenses.

Presentation currency and rounding

The financial statements are presented in Namibia dollar which is the Village Council's presentation and functional currency, and all values, including Councillors' remuneration disclosures in note 20 are rounded off to the nearest dollar.

1.1 Changes in accounting policy

Accounting policies applied to all IPSASs that Gochas Village Council has adopted may not be consistent in some instances with how financial information was being reported in before adoption of IPSAS in periods and beyond. IPSAS 3, allows a change in accounting policy where such a change:

- a) Is required by an IPSAS; and,
- b) Results in the financial statements providing faithfully representative and more relevant information about effects of transactions, other events, and conditions on the entity's financial position, financial performance, and cash flows.

**GOCHAS VILLAGE COUNCIL
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED
30 JUNE 2019 AND 2020 (Continued)**

STATEMENT OF ACCOUNTING POLICIES

1.2 Transitional exemptions that do not affect fair presentation

In its transitional financial statements, the Village Council adopted the following IPSAS which do not affect fair presentation and applied their provisions in full unless stated otherwise;

IPSAS 1, Presentation of financial statements

This standard sets out considerations for the presentation of financial statements and offers guidance for the structure of these statements and minimum requirements for their content under the accruals, basis of accounting.

Gochas Village Council disclosures

Disclosures follow the prescribed IPSAS 1, presentation of financial statements model. Additional line items, sub-headings are added where necessary. Other disclosures required should include the judgements that management made in the process of applying accounting policies.

IPSAS 2, Statement of cash flows

This standard requires the provision of information about the changes in cash and cash-equivalents during the financial period from operating, investing and financing activities.

Gochas Village Council disclosures

The statement of cash flow shall report cash flows from three categories namely operating activities, investing activities, and financing activities. The statement of cash flow shall be prepared using the indirect method. The net surplus or deficit of the Village Council shall be adjusted for the effects of non-cash transactions.

IPSAS 3, accounting policies, changes in accounting estimates and errors

This standard prescribes the criteria for selecting and changing accounting policies, together with the accounting treatment and disclosures of changes in accounting policies, changes in accounting estimates and errors.

Gochas Village Council disclosures

Changes to accounting policies shall be applied retrospectively by restating prior financial statements unless impracticable. Changes in accounting estimate shall be applied in the financial period of change and prospectively. All changes relating to IPSAS adoption shall be applied in the year of adoption and prospectively except for opening balances which will be restated for initial transition to IPSAS. Correction of material errors in the preparation of financial statements of one or more periods are corrected retrospectively by restating comparative period amounts. Where IPSAS does not provide guidance as to whether a change is a change in accounting policy or a change in accounting estimate, the change shall be considered to be a change in accounting estimate.

**GOCHAS VILLAGE COUNCIL
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED
30 JUNE 2019 AND 2020 (Continued)**

STATEMENT OF ACCOUNTING POLICIES

IPSAS 14, Events after the reporting date

This standard prescribes when the entity should adjust its financial statements for events after the reporting date and the disclosures that the entity should give about the date when the financial statements were authorised for issue, and about events after the reporting period. The standard also requires that an entity should not prepare its financial statements on a going concern basis if events after the reporting period indicate that the going concern assumption is not appropriate (if those responsible for the preparation of financial statements or the governing body determine after the reporting date that there is no realistic alternative but to do so).

Gochas Village Council disclosures

The Village Council shall disclose the date when financial statements were authorised for issue, and the name and identity of the person giving that authorisation. No other body shall have the power to amend or direct the amendment of financial statements except the Auditor General directing such amendment in terms of statutory audit for the purposes of adding value to the Village Council's financial reporting.

Gochas Village Council disclosures

IPSAS 19, Provisions, contingent liabilities, and contingent assets

The objective of this standard is to identify the circumstances in which provisions, contingent liabilities, and contingent assets should be recognised, how they should be measured and the required disclosures in the financial statements.

The Village Council is guided by the definition of an obligation as per the standard. The Village Council shall record an obligation that derives from a contract (through its implicit and/or explicit terms), legislation or operation of the law (legal obligation), and an obligation that derives from the Village Council's actions whereby an established pattern of past practice, published policies, or sufficiently specific current statement, the Village Council has indicated to other parties that it will accept certain responsibilities; and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge the obligation.

IPSAS 20, Related party disclosures

The objective of this standard is to set the disclosure requirements for transactions between Gochas Village Council and its related parties in certain circumstances. Related party relationships are disclosed in the notes to the financial statements. Transactions where they occur within a normal relationship of supplier and recipient and on arms-length terms are also disclosed.

**GOCHAS VILLAGE COUNCIL
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED
30 JUNE 2019 AND 2020 (Continued)**

STATEMENT OF ACCOUNTING POLICIES

Gochas Village Council disclosures

The Village Council shall disclose related party transactions and management remuneration (including an analysis by type of remuneration). With respect to related parties, the Village Council shall disclose the nature of the related party relationship, and type of transactions that have occurred.

IPSAS 21, Impairment of non-cash generating assets

This standard prescribes the procedures that the Village Council applies to determine whether a non-cash generating asset is impaired, and to ensure that impairment losses are recognised. This standard further specifies when an impairment loss can be reversed and prescribes disclosures.

Gochas Village Council disclosures

The Village Council shall disclose the amount of impairment loss recognised in surplus or deficit during the period, the amount of reversal of impairment loss recognised in surplus or deficit.

IPSAS 24, Presentation of budget information in financial statements

Requires a comparison of budget amounts and actual amounts arising from execution of the budget to be included in the financial statements of the Village Council since it is required to make publicly available its approved budget and for which the Village Council is therefore held accountable.

Gochas Village Council disclosures

The Village Council shall disclose reconciliation between actual amounts on a comparable basis in the Statement of Comparison of Budget and Actual Amounts. The Village Council shall the budgetary basis and classification basis adopted in the approved budget and the financial period of the approved budget. Explanation of variances between the final budget and actual as presented in the comparison shall be disclosed to in the notes to the financial statements

IPSAS 31, Intangible assets

This standard prescribes the accounting treatment for intangible assets that are not dealt with specifically in another standard. This standard requires an entity to recognise an intangible asset if, and only if, specified criteria are met. This standard further specifies how to measure the carrying amount of intangible assets and requires specific disclosures about intangible assets. The standard IPSAS 31 forms part of the regime of standards whose adoption affect fair presentation as per IPSAS 33, paragraph 33. The Village Council judges it can comply with this standard in full on its initial adoption of accrual basis IPSAS.

Gochas Village Council disclosures

The Village Council shall disclose useful lives, amortisation methods, gross carrying amount, and any accumulated amortisation at the beginning and end of the period, line items of the statement of surplus or deficit in which amortisation of intangible assets is included, and a reconciliation of the carrying amount at the beginning and end of the period. The Village Council shall further.

**GOCHAS VILLAGE COUNCIL
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED
30 JUNE 2019 AND 2020 (Continued)**

disclose a movement table showing changes in carrying amount and accumulated amortisation and details about impairment of intangible assets if any in the notes to the financial statements

STATEMENT OF ACCOUNTING POLICIES

IPSAS 41, Agriculture

This standard prescribes the accounting treatment and disclosures related to agricultural activity from initial recognition of biological asset to harvest of agricultural produce. Agricultural activity accounted for in this standard is not covered in any other standard. Agricultural activity is the management by Gochas Village Council of biological transformation of living animals for sale, or for distribution at no charge or for nominal charge or for reproducing into additional biological assets.

IPSAS 41, Agriculture applies the fair value model for biological assets (in the case of Gochas Village Council), animals. Under the fair value model, a market for animals exists. Where the market for animals does not exist, a presumption of the existence of the market shall be considered an option.

Gochas Village Council disclosures

The Village Council shall disclose biological assets separately on the face of statement of financial position. The village Council shall further show a reconciliation of changes in the carrying amount of biological assets between the beginning and the end of the current period, which includes:

- ✚ Nature of activities relating to a group of biological assets;
- ✚ Fair value changes due to physical increases
- ✚ Fair value changes due to market changes
- ✚ Increases due to purchases;
- ✚ Decreases due to sale;
- ✚ Decreases due to mortality; and,
- ✚ Other changes

The Village Council is unable to meet fair value changes due to physical increases or decreases and fair value changes due to market changes (increases or decreases) for the financial year ended 30 June 2020 being the second year of the transitional period due to the cost associated with statistical data required to measure the changes.

Expenses recognition

Under IPSAS, there is no specific standard that prescribes the accounting treatment of expenses and expense recognition. The accounting for this area arises from the fundamental principle of accrual basis accounting. As per IPSAS 1, presentation of financial statements, under the accrual basis, expenses are recognised when the transaction or event that causes the expense occurs. Expenses shall be analysed by nature in the statement of surplus or deficit.

**GOCHAS VILLAGE COUNCIL
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED
30 JUNE 2019 AND 2020 (Continued)**

The accounting policies which relate to the IPSASs set out above have been developed and adopted by the Village Council and were applied in presenting its financial information for the year beginning 01 July 2019. The accounting policies form part of these financial statements and are subject to continuous review and improvement during the transitional period.

STATEMENT OF ACCOUNTING POLICIES

1.3 Transitional exemptions that affect fair presentation

As a first-time adopter of International Public Sector Accounting Standards (IPSASs), the Village Council has taken advantage of transitional exemptions that provide a 3-year relief for the following IPSASs:

IPSAS 12, Inventories

IPSAS 16, Investment property

IPSAS 17, Property, plant and, equipment

IPSAS 29, Financial instruments: Recognition and measurement

A summary of significant accounting policies which have been applied in the preparation of these annual financial statements are disclosed below.

1.4 IPSASs not adopted by Gochas Village Council

The International Public Sector Accounting Standards listed below have not yet been adopted for the purposes of reporting financial information for the year ended 30 June 2020. Management shall apply any of the IPSAS where the Village Council's future transactions render it necessary to apply the provisions of the respective IPSAS

IPSAS 4, The effects of changes in foreign exchange rates

IPSAS 5, Borrowing costs

IPSAS 10, Financial reporting in hyperinflationary times

IPSAS 11, Construction contracts

IPSAS 13, Leases

IPSAS 16, Investment property

IPSAS 26, Impairment of cash-generating assets

IPSAS 27, Agriculture

IPSAS 32, Service concession arrangements: Grantor

IPSAS 34, Separate financial statements

IPSAS 36, Investment in associates and joint ventures

**GOCHAS VILLAGE COUNCIL
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED
30 JUNE 2019 AND 2020 (Continued)**

IPSAS 37, Joint arrangements

IPSAS 38, Disclosure of interest in other entities

IPSAS 40, Public sector combinations

STATEMENT OF ACCOUNTING POLICIES

1.5 Significant judgements and sources of estimation uncertainty

In the preparation of these annual financial statements, management is required to make estimates, and assumptions that affect the amounts presented in these annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the making of estimates. Actual results in the future could differ from these estimates which could be material to the annual financial statements.

The Village Council may receive information after the date of adoption of IPSAS about estimates that it had made under the previous basis of accounting. The Village Council shall account for such information in the same way as non-adjusting events in accordance with IPSAS 14, Events after the reporting period. This, however, shall not apply where estimates were in error or the adjustment is due to differences in accounting policies.

Management has exercised the following significant judgements in applying accounting policies. The judgements exercised by management incorporate recent developments regarding the impact of the corona virus and its implications on the Village Council's financial reporting

Provisions, contingent liabilities, and contingent assets

Management shall establish the requirements for the recognition of provisions and disclosure of contingent liabilities and contingent assets. In light of the corona virus (an event that existed as at the reporting date), management's actions are only accounted for as a provision to the extent that there is a present obligation for which the outflow of economic benefits is probable and can be reliably measured.

Accounts receivables, loans, and other receivables

The Village Council assesses its accounts receivables, loans, and other receivables at the end of each reporting date. In determining whether an impairment loss should be recorded in surplus or deficit, management makes judgement based on past practices or observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

As a prudent precaution on accounts receivables, management shall make an allowance for credit losses where an allowance for credit losses shall be shown as an expense in the statement of surplus or deficit. Accounts receivables shall be presented on the face of the statement net of allowance for receivables. Management judges that the directive from the government requiring that all local authorities reconnect water services (where disconnected due to outstanding customer payments) will increase uncollectable receivables as those customers were already defaulting on payments before the corona virus pandemic.

**GOCHAS VILLAGE COUNCIL
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED
30 JUNE 2019 AND 2020 (Continued)**

Allowance for slow moving, obsolete or damaged inventory items

Inventory items shall be written down to the lower of cost and net realisable value.

STATEMENT OF ACCOUNTING POLICIES

Useful lives of items of property, plant, and equipment

Management determines the useful lives of all items of property, plant, and equipment and the related depreciation charges. Management shall assess the useful lives of items of property, plant, and equipment every year and, where useful lives are less than previously estimated, a review shall be performed to increase the useful lives of the respective items.

1.6 Offsetting

Assets and liabilities, and revenue and expenses are reported in these financial statements separately and shall not be offset unless required or permitted by an IPSAS.

1.7 Value added tax (VAT) on goods and services

Items in the financial statements are stated exclusive of value added tax, except for accounts receivables and accounts payables which are presented on a value added tax inclusive basis. Where value added tax is not recoverable, it forms part of the stated asset or expense.

Commitments or contingencies are disclosed exclusive of value added tax.

1.8 Budget information

The budget figures for the Village Council are those approved by the Ministry of Urban and Rural Development. General purpose financial reporting by the Village Council shall provide information on whether resources were deployed in accordance with the set limit and provisions of the respective legislative oversight.

The approved budget is prepared on cash basis and covers the financial period beginning 01 July 2019 and ending 30 June 2020.

Comparative information shall not be required for the budget

Differences between actual figures and budget figures shall be considered to be material where such a difference is above 10%. Significant variances shall be explained in the statement of comparison of budget and actual amounts to the annual financial statements.

The budget has been prepared on cash basis and the financial statements have been prepared on the full accrual basis. A separate statement of comparison of actual and budget has henceforth been presented and forms part of these financial statements.

**GOCHAS VILLAGE COUNCIL
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED
30 JUNE 2019 AND 2020 (Continued)**

STATEMENT OF ACCOUNTING POLICIES

1.9 Going concern

These financial statements have been prepared using accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and the settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of the Village Council's operations.

Management judges that considerations for the potential implications of corona virus and the measures taken to control it when assessing the entity's ability to continue as a going concern are critical. Further, management judges that the government lockdown programme which initially was focused on Erongo Region is a material development which could have reasonably been expected to affect other parts of the country post reporting date.

1.10 Revenue

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

1.10.1 Revenue from exchange transactions

An exchange transaction is one in which the Village Council receives assets or services or has liabilities extinguished, and directly gives approximately equal value to the other part in exchange.

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

Recognition

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, the Village Council shall recognise revenue by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- The amount of revenue can be measured reliably
- It is probable that future economic benefits or service potential associated with the transaction will flow to the entity.
- The stage of completion of the transaction at the reporting date can be measured reliably; and
- The costs incurred for the transaction and the costs to complete the transaction can be estimated reliably.

**GOCHAS VILLAGE COUNCIL
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED
30 JUNE 2019 AND 2020 (Continued)**

STATEMENT OF ACCOUNTING POLICIES

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight-line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant, than any other acts, the recognition of revenue is postponed until after the execution of that significant act.

When the outcome of a transaction involving the rendering of services cannot be estimated reliably, revenue is only recognised to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by surveys of work performed.

Sale of goods

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

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

Measurement

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

Service charges relating to solid waste, sanitation and sewerage are levied in terms of approved tariffs.

Service charges relating to water are based on consumption. Meters are read on a monthly basis and revenue is recognised in the period when the consumption took place. Provisional estimates of consumption are made monthly when meter readings are not performed. Adjustments to provisional estimates of consumption are made in the invoicing period when meters have been read. These adjustments are recognised as revenue in the invoicing period.

Services provided on a prepayment basis are recognised at a point of sale. An adjustment to an unutilised portion is made at year end, based on the average consumption history.

**GOCHAS VILLAGE COUNCIL
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED
30 JUNE 2019 AND 2020 (Continued)**

STATEMENT OF ACCOUNTING POLICIES

1.10.2 Revenue from non-exchange transactions

Village Council is not required to change its accounting policies in respect of the recognition and measurement of revenue from non-exchange transactions, for reporting periods beginning on a date within 3 years of first-time adoption of this standard. However, the Village Council's IPSAS task force recommended the application of transitional provisions to the extent necessary to achieve compliance with this IPSAS.

Amounts collected by the Council as agent of the government or other third parties do not meet the definition of revenue.

Control of an asset arises when the Village Council can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or regulate the access of others to that benefit.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, the Village Council receives value from another party without directly giving approximately equal value in exchange.

Conditions on transferred assets are stipulations that specify that future economic benefits or service potential embodied in the asset is required to be consumed by the Village Council as specified or service potential must be returned to the transferor.

Restrictions on transferred assets are stipulations that limit or direct the purpose for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Taxes such as property rates are economic benefits or service potential compulsorily paid to the Village Council in accordance with laws and/or regulations. Taxes do not include fines or penalties imposed as a result of breaches of the law. Transfers are future economic benefits or service potential from non-exchange transactions other than taxes.

Recognition

The Village Council recognises revenue from fees, and fines when the event occurs, and the asset recognition criteria is met. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, deferred income is recognised instead of revenue.

Other non-exchange revenue is recognised when it is probable that future economic benefits or service potential associated with the asset will flow to the entity and the fair value of the asset can be reliably measured.

**GOCHAS VILLAGE COUNCIL
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED
30 JUNE 2019 AND 2020 (Continued)**

STATEMENT OF ACCOUNTING POLICIES

1.11 Investments

The Village Council holds an equity instrument in NORED in accordance with IPSAS 28, Financial Instruments: Presentation. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all its liabilities. IPSAS 33 provides that a first-time adopter applies the criteria in IPSAS 28 financial instruments classified as equity instruments in accordance with the substance of the contractual arrangement when the instrument first satisfied the recognition criteria in IPSAS 28 (Paragraphs 13)

1.12 Property plant and equipment

The Village Council has adopted IPSAS as set out in the basis for preparation paragraph above. Amongst the IPSASs adopted is IPSAS 17 Property, Plant, and Equipment (PPE). In its previous basis of accounting, the Village Council did not have an accounting policy for the recognition, and measurement of items of PPE that is consistent with IPSAS 17, Property, Plant, and Equipment.

The Village Council is in the process of recognising and/or measuring its items of property, plant, and equipment for inclusion in the financial statements during the transitional period beginning 01 July 208.

The process of recognising and measuring items of property, plant, and equipment necessitates a continuous development of accounting policies relating to those items of PPE subsequently brought to the statement of financial position.

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

Recognition

The cost of an item of Property, plant and, equipment is recognised as an asset when the following criteria are met:

- It is probable that future economic benefits, or service potential associated with the item of PPE flow to the Village Council
- The cost of the item can be measured reliably

Initial measurement

An item of property, plant, and equipment is initially measured at cost.

The cost of an item of property, plant and, equipment is the purchase price and the other cost attributable to bringing the asset to its present location and condition necessary for it to be capable

**GOCHAS VILLAGE COUNCIL
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED
30 JUNE 2019 AND 2020 (Continued)**

of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at cost.

STATEMENT OF ACCOUNTING POLICIES

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

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

When significant components of an item of PPE have different useful lives, they are accounted for as separate items (major components) of PPE.

The cost of an item of PPE includes costs incurred initially to acquire or construct an item of PPE and costs subsequently incurred to add to, and/or to replace part of the item of PPE. If a replacement cost is recognised in the carrying amount of an item of PPE, the carrying amount of the replaced item of PPE is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site in which it is located is also included in the cost of PPE where the Village Council has an obligation to incur such an expenditure, and the obligation arises as a result of acquiring the asset or using it for the purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of PPE ceases when the item is in the location, and condition, necessary for it to be operated in the manner intended by management.

Major spare parts and standby equipment which are expected to be used for more than one period are included in PPE.

Major inspection costs which are a condition of continuing use of an item of PPE and which meet the recognition criteria above are included as a replacement in the cost of item of PPE. Any remaining inspection costs from the previous inspection are derecognised.

PPE is carried at cost less accumulated depreciation and any impairment losses except for land which is not depreciated.

PPE items are depreciated using the straight-line depreciation method over the item's useful life. Items of PPE shall not have any residual value as they shall be fully employed in the provision of goods and/or services. For plant and equipment, useful lives and depreciation method shall be reviewed annually, and changes shall be recognised prospectively as a change in accounting estimate in the statements of surplus or deficit. Minor assets below N\$1 000 are not depreciated. They are expensed in the year of acquisition.

Assets that are fully depreciated and are no longer used in the production of goods and/or services are held at a dollar value in the fixed asset register for the purposes of completeness and monitoring pending disposal.

**GOCHAS VILLAGE COUNCIL
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED
30 JUNE 2019 AND 2020 (Continued)**

STATEMENT OF ACCOUNTING POLICIES

Items of PPE are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

Gains or losses arising from the derecognition of an item of PPE are recognised in the statement of surplus or deficit as other income. The gain or loss arising from the derecognition of an item of PPE is determined as the difference between the net disposal proceeds (if any) and the carrying amount of the item.

Assets which the Village Council holds for rental to others and subsequently routinely sells as part of the ordinary course of activities are transferred to inventories when the rentals end and

they are available-for-sale. These assets are not accounted for as non-current assets held for sale. Proceeds from sale of these assets are recognised as revenue. Profit or loss from the disposal of these assets are included in the cash flow statement under operating activities.

Each part of any item of PPE with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in the statement of surplus or deficit unless if it is included in the cost of another asset. Items of property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. The useful lives of items of property, plant and equipment have been assessed as follows:

TYPE OF ASSET	DEPRECIATION METHOD	(AVERAGE) USEFUL LIFE
Land and Buildings	Straight line	(10 - 20)
Furniture and Fittings	Straight line	(5 - 10)
Computer & Office Equipment	Straight line	(3 - 10)
Plant and Machinery	Straight line	(5 - 15)
Motor Vehicles	Straight line	(5 - 15)
Infrastructure	Straight line	(10 - 20)

The useful life of each item of property, plant and equipment is reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

1.12.1 Site restoration and dismantling costs

The Village Council has an obligation to dismantle, remove and/or restore items of property, plant, and equipment in circumstances where dismantlement, removal or restoration is necessitated. At recognition of an item of PPE, the cost shall include the initial estimates of costs of dismantling and removing the item and restoring the site on which it is located as a consequence of having used the item during a particular period for the purposes other than to produce inventories during the period. This accounting policy is attributable to the dumpsite under ownership and control of the Village Council.

**GOCHAS VILLAGE COUNCIL
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED
30 JUNE 2019 AND 2020 (Continued)**

STATEMENT OF ACCOUNTING POLICIES

Measurement using the cost model:

- a) Subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- b) If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in the statement of surplus or deficit;
- c) If the adjustment results in an addition to the cost of the asset, the Village Council considers whether this is an indication that the carrying amount of the asset is not fully recoverable. If it is such an indication, the asset is tested for impairment by testing its recoverable amount and any impairment loss is recognised the statement of accumulated surplus or deficit on the date of the adoption of IPSAS and/or

in subsequent accounting periods within the transitional period. The Village Council may rely on further guidance in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash generating assets.

1.13 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their cost is the fair value at the date of acquisition.

Subsequently, inventories are measured at the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion, and the estimated costs necessary to make the sell, exchange or distribution.

The cost of inventories comprises all costs of purchase, costs of conversion, and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories shall be determined using the first in first out formula (FIFO). The same formula is used for all inventories having a similar nature and use to the Village Council.

When inventories are sold and/or used, the carrying amounts of those inventories are recognised as expenses in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or services are rendered.

The amount of any write-down of inventories to net realisable value and all losses on inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value are recognised as a reduction in the amount, of inventories recognised as an expense in the period in which the reversal occurs.

**GOCHAS VILLAGE COUNCIL
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED
30 JUNE 2019 AND 2020 (Continued)**

STATEMENT OF ACCOUNTING POLICIES

1.14 Provisions and contingencies

Provisions are recognised when:

- The Village Council has a present obligation as a result of past events
- It is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation
- A reliable estimate can be made of the obligation

The amount of the provision is the best estimate of the expenditure expected to be required to settle the obligation at the reporting date.

Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

Where some or all of the expenditure required to settle the provision is reimbursed by another part, the reimbursement is recognised when, and only when, it is virtually certain that the reimbursement will be received. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an out flow of resources embodying economic benefits or service potential will be required to settle the obligation.

A provision is used only for the expenditures for which the provision was initially recognised.

Provisions are not recognised for future operating deficits.

If the Village Council has an onerous contract, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

1.15 Employee benefits

Employee benefits are all forms of consideration given by Gochas Village Council in exchange for services rendered by employees. There are four categories of employee benefits:

- Short term employee benefits
- Post-employment benefits
- Other long-term employee benefits
- Termination benefits

The categories are explained below together with the Village Council's employee benefits included in these categories.

**GOCHAS VILLAGE COUNCIL
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED
30 JUNE 2019 AND 2020 (Continued)**

STATEMENT OF ACCOUNTING POLICIES

Short term employee benefits

Short term employee benefits are benefits payable within a year of the end of the year in which an employee rendered services. Within Gochas Village Council, this category includes wages and salaries, fixed and variable allowances, social security contributions, paid sick leave, and variable short-term remuneration. The costs of these employee benefits are recognised in the statement of surplus or deficit when the service is rendered, or the rights to benefits are accrued.

Post-employment benefits

These are employee benefits that fall due after the completion of employment. They include pension and job-related early retirement. Gochas Village Council's pension plan is administered by Retirement Fund for Local Authorities and Utilities Services in Namibia (RFLAUN). The retirement fund was established in March 1992 and is registered in terms of both the pension Fund Act, No. 24 of 1956 and Income Tax Act. The pension plan is regarded as a group scheme involving more than one employer qualifying it as a defined contribution plan because:

- The affiliated employers have no supplementary obligation to make additional contributions in the event of a deficit at RFLAUN nor are they entitled to any surpluses in addition to paying the premium set by RFLAUN;
- The members bear the actuarial and investment risk in full;
- Each year, the premium is set by RFLAUN board on the basis of its own file data, with due regard for prescribed parameters or requirements.

Accordingly, in measuring the obligation arising from the pension plan, the Village Council recognises pension contributions payable as an expense in the statement of surplus or deficit.

Other long-term employee benefits

These are employee benefits which do not wholly fall due within a year of the end of the period in which the employee renders the service.

Termination benefits

These are benefits paid as a result of the Village Council's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept voluntary redundancy in exchange for such benefits. The costs are recognised in full in the statement of surplus or deficit as soon as a decision is made. Termination benefits are recognised at the present value of the obligation.

**GOCHAS VILLAGE COUNCIL
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED
30 JUNE 2019 AND 2020 (Continued)**

STATEMENT OF ACCOUNTING POLICIES

1.16 Unauthorised expenditure

Unauthorised expenditure means:

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

1.17 Fruitless and wasteful expenditure

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

All fruitless and unauthorised expenditure are recognised in the statement of surplus or deficit in the year in which they are incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered it is subsequently recognised as revenue in the statement of surplus or deficit.

1.18 Conditional grants and receipts

Revenue received from conditional grants, donations is recognised as revenue to the extent that the Village Council has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions, or obligations have not been met a liability is recognised.

1.19 Debt forgiveness

The Village Council recognises revenue in respect to debt forgiveness when the former debt no longer meets the definition of a liability.

1.20 Bequests

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

1.21 Gifts and donations

Gifts and donations including goods in kind that satisfy the definition of an asset are recognised as assets and revenue when it is probable that future economic benefits or service potential will flow to the Village Council, and the fair value of the assets can be measured reliably.

Measurement

An asset acquired through a non-exchange transaction shall initially be measured at its fair value at the date of acquisition.

**GOCHAS VILLAGE COUNCIL
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED
30 JUNE 2019 AND 2020 (Continued)**

Revenue from non-exchange transactions shall be measured at the amount of the increase in net assets recognised by the entity.

STATEMENT OF ACCOUNTING POLICIES

1.22 Fines

Assets arising from fines are measured at the best estimate of the inflow of resources to the Village Council.

1.23 Investments

Where the carrying amount of an investment is greater than the recoverable amount, the investment must be written down to its recoverable amount, and an impairment loss is charged to the statement of surplus or deficit in the year in which the impairment has occurred.

1.24 Transfers

The Village Council recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfies the recognition criteria as an asset.

1.25 Cash and cash equivalents

Cash and cash equivalents include all cash balances, deposits held at call at financial institutions, and short term highly liquid investments with an original maturity of three months or less that are readily convertible into known amounts of cash. Liquid investments with an original maturity exceeding three months are excluded from cash and cash equivalents and reported under accounts receivables. Bank overdrafts are included in the short-term payables.

1.26 Customer advance prepayments

Advance payments from customers are accounted for as a liability until an exchange of equal value is rendered. Customer advance payments commonly form part of accounts receivables at the end of the financial year. It is the Village council's policy to reclassify all advance payments from accounts receivables to current and / or (non) liabilities in line with the matching concept.

**GOCHAS VILLAGE COUNCIL
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED 30 JUNE 2019 AND 2020 (continued)**

	2020		2019	
	Cost N\$	Accumulated Depreciation N\$	Carrying amount N\$	Cost N\$
Land and buildings	427 582 014	(1 509 978)	426 072 036	5 388 893
Computer and office equipment	127 321	(55 675)	71 646	127 321
Furniture, fixtures & fittings	68 913	(64 342)	4 571	68 913
Plant and machinery	4 222 478	(2 990 330)	1 232 147	4 222 478
Infrastructure	20 705 109	(2 949 187)	17 755 923	20 705 109
Motor vehicles	1 182 417	(849 857)	332 560	1 182 417
Work in progress	28 416 899	-	28 416 899	19 909 350
Total	482 305 150	(8 419 369)	473 885 782	51 604 481
				(7 366 150)
				44 238 331

2. Property, plant, and equipment

Work in progress relates to the sewer reticulation system that is under construction in Gochas Gomxab locus.

The construction of the sewer reticulation asset commenced in 2013, though the project did not progress as anticipated by management due to financial (funding from government) and technical delays (hard rock and contractor departure).

As at the end of the reporting period, the Village Council had no capital expenditure contracted for but not yet incurred.

There were no assets held for disposal as at 30 June 2020.

No assets are held as security by creditors.

**GOCHAS VILLAGE COUNCIL
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED 30 JUNE 2019 AND 2020 (continued)**

2. Property, plant, and equipment (continued)

Property, plant, and equipment reconciliation – 2020

	Work in progress	Land and buildings	Computers & office equipment	Furniture, fixtures & fittings	Plant & Machinery	Motor vehicles	Infrastructure	Total
	N\$	N\$	N\$	N\$	N\$	N\$	N\$	N\$
Namibian dollar opening balance 01/07/2019	19 909 350	426 420 066	82 532	5 714	1 561 643	413 620	18 245 802	466 638 727
Additions	8 507 549	-	-	-	-	-	-	8 507 549
Disposals	-	(207 276)	-	-	-	-	-	(207 276)
Depreciation	-	(140 754)	(10 887)	(1 143)	(329 496)	(81 060)	(489 879)	(1 053 218)
Closing Balance 30/06/2020	28 416 899	426 072 036	71 646	4 571	1 232 147	332 560	17 755 923	473 885 782

GOCHAS VILLAGE COUNCIL

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED 30 JUNE 2019 AND 2020 (continued)

2. Property, plant, and equipment (continued)

Property, plant, and equipment reconciliation – 2019 (continued)

	Work in progress	Land and buildings	Computers & office equipment	Furniture, fixtures & fittings	Plant & Machinery	Motor vehicles	Infrastructure	Total
	N\$	N\$	N\$	N\$	N\$	N\$	N\$	N\$
Namibian dollar								
opening balance 01/07/2018	14 898 519	4 160 424	93 419	240 461	329 496	1 848 220	17 957 493	39 528 033
Additions	5 010 831	-	-	-	-	-	778 188	5 789 019
Disposals	-	-	-	-	-	-	-	-
Total	19 909 350	4 160 424	93 419	240 461	329 496	1 848 220	18 735 681	45 317 051
transfers to / from	-	-	-	(229 628)	1 561 643	(1 332 015)	-	-
Depreciation	-	(140 754)	(10 887)	(5 119)	(329 496)	(102 585)	(489 879)	(1 078 720)
Closing Balance 30 June 2019	19 909 350	4 019 670	82 532	5 714	1 561 643	413 620	18 245 801	44 238 331

ANNEXURE E

**GOCHAS VILLAGE COUNCIL
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED 30 JUNE 2019 AND 2020 (continued)**

3. Intangible assets

	Cost N\$	2020 Accumulated Amortisation N\$	Carrying amount N\$
Intangible: meter management software	15 000	-	15 000
Intangible: Netvend system integration software	19 565	-	19 565
Finstel system	104 638	-	104 638
	139 203	-	139 203

GOCHAS VILLAGE COUNCIL

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED 30 JUNE 2019 AND 2020 (continued)

Reconciliation of intangible assets - 2020

	Opening balance	Acquisitions	Disposals	Amortisation	Total
	N\$	N\$	N\$	N\$	N\$
Intangible: meter management software	15 000	-	-	-	15 000
Intangible: Netvend system integration software	19 565	-	-	-	19 565
Finstel system	104 638	-	-	-	104 638
	139 203	-	-	-	139 203

There has not been any accumulated amortisation on the Village Council's intangible assets due to its new policy which prescribes non-amortisation of intangibles and as a result, no movements (due to amortisation or impairment) during the financial year were recorded. In relation to impairment assessment of intangible assets; there has not been a decline in performance of the intangible assets though management is reviewing the operational effectiveness of its accounting system in consideration of the IPSAS framework requirements; and, there has not been a change in costs which would result in the Village Council reviewing the need to continue using the intangible assets.

GOCHAS VILLAGE COUNCIL
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED
30 JUNE 2019 AND 2020 (continued)

4. Long term receivables

	2020	2019
	N\$	N\$
Housing loans	35 557	-
Build Together loans	1 872 794	2 012 456
Build Together Pre-paid	33 060	96 502
Total loans	1 941 411	2 108 958
Redemption	(178 827)	(193 029)
Total long-term receivables	1 762 584	1 915 929

5. Inventories

Held in stores	441 620	355 911
Serviced erven	2 213 506	1 048 957
Livestock	127 240	188 720
Total inventory	2 782 366	1 593 588

2020

Total serviced land	468 118
Total allocations	(316 508)
Inventory in square metres	151 610
Price per square metre	14.60
Inventory value	2 213 506

Livestock 2020

Class	Number	Combined weight	Price per (KG)	Value (N\$)
Cow A	4	1120	22	24 640
Cow B	1	400	22	8 800
Heifer A	5	2100	22	46 200
Heifer B	1	400	20	8 000
Calf-Female A	4	740	30	22 200
Calf-Female B	1	33	100	3 300
Calf-Male A	2	360	30	10 800
Calf-Male B	1	100	33	3 300
Total	19	5253		127 240

During the financial year, the economic entity disposed of 20 livestock. The disposal was drought induced.

**GOCHAS VILLAGE COUNCIL
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED
30 JUNE 2019 AND 2020 (continued)**

Livestock reconciliation

Opening balance 01 July 2019

Promotions to / from

	Bulls	Oxen	Tollies	Calves	Cow	Heifer	Total
	-	1	6	15	21	7	50
Tollies to oxen	-	2	(2)	-	-	-	-
Calves to heifers	-	-	0	(8)	-	8	-
Heifers to cows	-	-	-	-	6	(6)	-
Sub-total	-	3	4	7	27	9	50
Purchases	-	-	-	-	-	-	-
Donations received	-	-	-	-	-	-	-
Births	-	-	-	2	-	-	2
Sub-total	-	-	-	2	-	-	2
Total	-	3	4	9	27	9	52
Sales	-	(2)	(2)	-	(13)	(3)	(20)
Deaths	-	(1)	(1)	(1)	(9)	-	(12)
Donations	-	-	(1)	-	-	-	(1)
Sub-total	-	(3)	(4)	(1)	(22)	(3)	(33)
Closing balance 30 June 2020	-	-	-	8	5	6	19

The Village Council is working on a model to be used for reporting losses, costs, and gains on the farming project within the transitional period. Due to absence of a model in the previous basis of accounting, losses due to mortality have not been reported.

GOCHAS VILLAGE COUNCIL
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED
30 JUNE 2019 AND 2020 (continued)

Livestock 2019

	Quantity	Market value per	Total Value
		head	
		N\$	N\$
Cows	21	4 200.00	88 200.00
Calves	15	2 000.00	30 000.00
Heifers	7	5 200.00	36 400.00
Tollies	5	5 500.00	27 500.00
Oxen	1	6 620.00	6 620.00
	49	23 520.00	188 720.00

The value of livestock was determined using the auction price obtained on 30 November 2019. Management's position is briefly that, the condition of livestock as at 30 June 2019 up to the date of the auction did not significantly change for better (resulting in regeneration) or for worse (resulting in degeneration).

The condition of the livestock as at disposal (30 November 2019) evidences a condition that existed at year end and livestock values were adjusted in accordance with IPSAS 14, Events after the reporting period, paragraph 11 (b) (ii) as further evidence of market prices was obtained on disposal of livestock.

6. Accounts receivables

	2020	2019
	N\$	N\$
Total accounts receivables	6 501 653	5 325 131
Bad debts written-off	(824 048)	-
Accounts receivables net of bad debts	5 677 605	5 325 131
Accounts receivables 120 days past due	(4 378 065)	(4 607 526)
Accounts receivables net of allowance	1 299 540	717 605

Bad debts written-off are on accounts of deceased residents.

Accounts receivables age analysis

Current	291 358	184 710
30 days	454 622	173 811
60 days	189 604	145 304
90 days	193 330	117 715
120 days	179 829	105 822
120 days+	5 202 113	4 607 526
	(9 203)	(9 758)
	6 501 653	5 325 131

GOCHAS VILLAGE COUNCIL
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED
30 JUNE 2019 AND 2020 (continued)

Allowance for doubtful debts

	2020	2019
	N\$	N\$
120 days+	5 202 113	4 607 526
Bad debts written-off	(824 048)	-
120 days past due not impaired	4 378 065	4 607 526

The Village Council makes a full provision on all accounts receivables that are 120 days and above.

Accounts receivables show the Village Council's maximum exposure to credit risk exclusive of consumer deposits held.

120 days past due - 2020	4 378 065
120 days past due - 2019	(4 607 526)
Decrease in allowance for doubtful debts	<u>(229 460)</u>

The decrease in allowance is attributable to bad debts written off.

7. Cash and Cash equivalents

Operational account	289 777	201 311
Build Together	42 743	121 983
HIV / AIDS account	2 887	4 730
Sub total	335 408	328 024
Capricon Asset Management	673 698	56 284
Total cash and cash equivalents	<u>1 009 106</u>	<u>384 308</u>

Cash held with financial institutions (including call accounts) satisfy the definition of cash and cash equivalents. In consideration of Covid19, there have been no restrictions on redemption on both call and savings accounts.

8. Prepayments

Motor vehicle licences	9 397	15 646
Insurance	8 595	
Total prepayments	<u>17 992</u>	<u>15 646</u>

Prepayments consist of unexpired motor vehicle licences and Build Together insurance paid in February of every financial year.

**GOCHAS VILLAGE COUNCIL
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED
30 JUNE 2019 AND 2020 (continued)**

9. Accounts payables

Exchange transactions

	2020	2019
	N\$	N\$
Namwater	872 007	406 092
S. Akubia land surveyors	230 281	-
Sundry creditors	264 911	50 027
Total accounts payables	1 367 198	456 119

Non-exchange transactions

Regional Council levy	29 800	29 219
Hardap Regional Council	2 720	-
Total	32 520	29 219

The Village Council has a 5% levy commitment to the Regional Council on all rates and taxes collected during the financial year.

10. External loans

External loans - 2020

	Capital	Interest	Instalment
	N\$	N\$	N\$
Arrears	434 443	1 206 783	1 641 226
Current	15 776	4 333	20 109
Grand total	450 219	1 211 116	1 661 335

External loans - 2019

	Capital	Interest	Instalment
	N\$	N\$	N\$
Arrears	404 901	1 196 108	1 601 009
Current	14 446	5 662	20 109
Grand total	419 347	1 201 771	1 621 118

GOCHAS VILLAGE COUNCIL
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED
30 JUNE 2019 AND 2020 (continued)

The loans are pre-independence loans which the Village Council has not been servicing for both the principal and interest components.

Due to default on the part of the Village Council to service the loans, the loans (principal and interest) have been reclassified to current liabilities.

There were no renegotiations of the existing terms of the loan agreements between the borrower and the lender.

11. Employee provisions

	2020	2019
	N\$	N\$
Leave provision	338 940	360 473
Bonus provision	57 324	-
Total provisions	396 264	360 473

The bonus provision is a liability that unwinds on an annual basis.

12. Other creditors

Advance payments	103 558	-
Deposit heather Erven sales	174 268	161 815
Consumer deposits	19 096	18 642
Value added tax payable	188 307	160 425
Total other creditors	485 229	340 882

Advance payments

Comprise of customer accounts that were paid in advance as at the end of the financial year. The Village Council had not offered an exchange of equal value in return.

Consumer deposits

Opening balance	18 642	15 997
Consumer deposits	954	3 442
Repayments to customers	(499)	(797)
Closing balance	19 096	18 642

The Village Council holds deposits on customer water accounts as security for unpaid water bills.

GOCHAS VILLAGE COUNCIL
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED
30 JUNE 2019 AND 2020 (continued)

Value added tax

	2020	2019
	N\$	N\$
Balance receivable	-	984 051
Input VAT (creditors)	1 701 013	1 208 940
Output VAT (debtors)	(1 888 780)	(1 296 783)
Inland revenue	(540)	(1 056 634)
VAT payable	(188 307)	(160 425)

The Village Council acts as a collection agent for value added tax and remits in accordance with the Ministry of Finance Section 7 of the Value-Added Tax Act. Value added tax becomes an obligation to the Receiver of Revenue when the Village Council raises an invoice or receives payment (before issuing an invoice) and is declared to Receiver of Revenue whether cash has been received or not. The Village Council had a remittance commitment as at the reporting date.

13. Long term loans

No long-term liabilities, or any other liabilities were attached to assets as at the reporting date. With the adoption and implementation of IPSAS, there are responsibilities placed on management relating to the accurate measurement of assets and liabilities. Obligations qualifying as liabilities may therefore have been omitted and the Village Council aims to disclose them if any when new information demonstrating hidden commitments / obligations arises.

14. Service charges

Cleansing services	248 142	227 125
Electricity sales	2 341 530	2 271 458
Water sales	1 414 013	1 094 015
Total service charges	4 003 684	3 592 598

15. Rental income

Townlands	29 094	38 830
Site rent	39 912	34 147
House rentals	96 516	67 595
Community hall	1 191	3 209
Single quarter	17 082	17 904
Sport complex	-	297
Machinery hire	53 201	1 227
Total rental income	236 997	163 208

GOCHAS VILLAGE COUNCIL
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED
30 JUNE 2019 AND 2020 (continued)

16. Other revenue

	2020	2019
	N\$	N\$
Transfer costs	791	-
Mixed view development plan	1 740	-
Electricity connection fees	18 473	-
Building plan fees	47	-
Allowance for doubtful debts	229 460	-
Assets disposal	-	870
Electricity connections	-	26 580
NEF levy	9 998	1 517
Connection fees	10 806	21 807
Grazing fees	86 012	109 878
Burial fees	3 338	3 473
Public transport	37 198	27 156
Sundries	90 810	3 931
Duplicating services	1 207	1 753
Token sales	1 464	289
Wood and sand sales	19 842	20 750
Tender board fees	2 696	6 871
Camping site	5 634	955
Business registration	5 978	3 429
Sales of livestock	100 202	522
Fire brigade	16 413	15 095
ECB levy	74 069	14 376
Insurance - BT	52 160	51 378
Total other revenue	768 337	310 632

17. Interest income

Interest on arrear rates	224 268	184 472
Interest on investments	15 588	18 131
Interest levies – Build Together	103 992	96 502
Total interest	343 848	299 105

**GOCHAS VILLAGE COUNCIL
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED
30 JUNE 2019 AND 2020 (continued)**

18. Property rates, and taxes

	<u>2020</u>	<u>2019</u>
	N\$	N\$
Property rates	<u>650 144</u>	<u>638 592</u>

Property rates are assessed on improvements and property (land) owned by residents and businesses in Gochas Village Council area in terms of Section 73 of the Local Authorities Act (Act No. 23 of 1992)

19. Government & other departments transfers

	<u>2020</u>	<u>2019</u>
	N\$	N\$
Capital transfers	8 563 315	5 010 831
Road Fund Administration	717 168	395 000
Audit grant	130 000	130 000
Operational subsidy	1 826 086	1 540 459
Line Ministry - power supply	770 385	719 154
Total transfers	<u>12 006 955</u>	<u>7 795 444</u>

Capital transfers are for the sewer reticulation project in Gomxab Naus which under construction. The grant from Road Fund Administration is for the servicing of roads within Gochas urban. The audit grant from the OAG is a service in kind for annual financial and performance audits. The power supply grant is a portion of payment made by the Line Ministry to Nampower for electricity sold to the village Council.

20. Employee costs

Salaries	1 648 828	1 455 341
Transport allowances	201 142	193 598
Housing allowance	483 763	467 627
Service bonus	126 507	113 983
Overtime	22 041	19 208
Standby allowance	5 850	7 800
Pension fund contribution	210 700	250 706
Social security	11 092	10 113
Medical aid	252 798	211 318
Cell phone allowance	17 600	25 309
Total employee costs	<u>2 980 321</u>	<u>2 755 002</u>

GOCHAS VILLAGE COUNCIL
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED
30 JUNE 2019 AND 2020 (continued)

	<u>2020</u>	<u>2019</u>
	N\$	N\$
Councillors' remuneration	191 056	188 813

Employee costs relate to salaries which are payable after an employee renders service. Employee costs include pension falling due after completion of employment. Gochas Village Council's pension plan is administered by Retirement Fund for Local Authorities and Utilities Services in Namibia (RFLAUN).

ANNEXURE E

**GOCHAS VILLAGE COUNCIL
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED 30 JUNE 2019 AND 2020 (continued)**

20. Employee costs – continued**Remuneration for managers – 2020**

Post Description	Basic	Service	Car	Total	Social	Housing	Medical	Pension	Total with
	Salary	Bonus	Allowance	Remuneration	Security	Allowance	Fund	Fund	Benefits
	N\$	N\$	N\$	N\$	N\$	N\$	N\$	N\$	N\$
HR/Armin Officer	165 314	13 776	7 704	186 794	1 488	33 063	39 678	26 450	287 473
Accountant	165 314	13 776	7 704	186 794	1 488	66 126	-	26 450	280 858
Village Secretary	230 045	19 170	87 668	336 884	2 070	92 018	-	36 807	467 779

Remuneration for managers – 2019

Post Description	Basic	Service	Car	Total	Social	Housing	Medical	Pension	Total with
	Salary	Bonus	Allowance	Remuneration	Security	Allowance	Fund	Fund	Benefits
	N\$	N\$	N\$	N\$	N\$	N\$	N\$	N\$	N\$
HR/Armin Officer	162 073	13 506	7 704	183 283	1 459	32 415	43 745	25 932	286 833
Accountant	162 073	13 506	7 704	183 283	1 459	64 829	-	25 932	275 503
Village Secretary	225 534	18 795	87 668	331 997	2 030	90 214	-	36 085	460 326

Remuneration of key management personnel responsible for the strategic direction of Gochas Village Council has been set out above in line with the provisions of IPSAS 20, Related Parties paragraph 21. All remuneration was paid in accordance with gazetted salary scale. There were no loans made to management during the financial year and other years prior. There were no changes to key staff composition due to resignations or recruitment during the financial year.

GOCHAS VILLAGE COUNCIL
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED
30 JUNE 2019 AND 2020 (continued)

21. Repairs and maintenance

	2020	2019
	N\$	N\$
Vehicles	55 860	149 696
Reticulation	8 991	7 262
Reticulation	31 895	44 024
Dust bin	43 332	-
Road maintenance	717 168	395 000
Fuel	148 220	167 334
Machinery & Equipment	-	11 298
Total repairs and maintenance	1 005 465	774 613

22. General and administrative expenses

Departmental refuse	1 914	1 815
Departmental sewerage	24 763	20 410
Finstel Licence fee	74 945	94 265
Vehicle licences	32 911	34 412
Bank charges	99 734	98 379
Sundries	82 662	-
Official entertainment	11 929	19 771
Consultancy fees	58 400	8 402
Subsistence	70 192	89 818
Netvend services fees	61 840	-
Telephone & postage	32 958	36 229
Printing and stationery	18 476	46 454
Training	59 366	38 553
Advertising	10 763	5 840
Insurance	142 550	192 736
Farming	44 338	10 416
Stores and materials	139 467	9 109
Tender board fees	2 430	-
Membership fees	25 000	31 343
E.C.B levy	1 859	-
Leave gratuity	3 003	-
Kilometre fees	67 027	79 818
S & T councillors	39 871	85 641
NEF levy	1 403	-
Prepaid services	31 500	-
Cleaning materials	-	2 838
Unforeseen expenses	-	2 845
Workmen's compensation	-	16 636
Protective clothing	-	11 722
Total general and administrative expenses	1 139 299	937 452

GOCHAS VILLAGE COUNCIL
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED
30 JUNE 2019 AND 2020 (continued)

23. Bad debts

	2020	2019
	N\$	N\$
Bad debts	824 048	-

The impairment to receivables is due to outstanding consumer accounts that have not been serviced for over 120 days where such accounts were for the deceased.

24. Funds and accounts

Opening fund balance 01 July	4 138 536	4 369 885
Interest levied on loans	-	96 502
Bond fire insurance	-	51 378
Instalment	-	(379 230)
Fund balance as at 30 June	4 138 536	4 138 536

Funds and accounts are solely made up of the Build Together housing initiative. No movements to the fund were recognised as the development of a reliable model for accounting for the fund is to follow IPSAS provisions.

25. Movements / adjustments to equity - 2019**Prior year adjustments**

Capitalised road maintenance	25.1	(615 325)
Depreciation on capitalised road maintenance	25.2	386 182
Depreciation: Sewer construction in progress	25.3	2 415 759
Depreciation: Consultancy fees		(11 728)
Depreciation: Electrical services		(13 835)
Depreciation on capitalised erven	25.4	2 681 842
Capital items recorded as expenses	25.5	2 320 928
Travelling allowance		(27 750)
Understatement of long-term loans	25.6	(1 437 150)
Total movements / adjustments		5 698 923

GOCHAS VILLAGE COUNCIL
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED
30 JUNE 2019 AND 2020 (continued)

25.1 Capitalised road maintenance 2019

Expense type	<u>Cost</u> N\$
Road maintenance 2010	26 093
Road maintenance 2011	353 458
Road maintenance 2013	235 774
Capitalised road maintenance	<u>615 325</u>

Reversal of capitalised road maintenance (in the previous basis of accounting) amounting to N\$ 615 325.

25.2 Depreciation on capitalised road maintenance 2019

Expense type	<u>Cost</u> N\$	<u>NBV</u> N\$	<u>Depreciation</u> N\$
Road maintenance 2010	26 093	5 219	20 874
Road maintenance 2011	353 458	106 037	247 421
Road maintenance 2013	235 774	117 887	117 887
Capitalised road maintenance	<u>615 325</u>	<u>229 143</u>	<u>386 182</u>

Reversal of depreciation on road maintenance amounting to N\$ 386 182 charged to equity.

25.3 Depreciation on work in progress 2019

Work in progress type	<u>Cost</u> N\$	<u>NBV</u> N\$	<u>Depreciation</u> N\$
Sewerage Network 2013	4 938 809	4 793 733	145 076
Submersible pump sewerage 2013	63 151	41 048	22 103
Sewerage Network 2012	2 112 666	1 373 233	739 434
Sewerage Network 2014	1 182 360	827 652	354 708
Sewerage line 2014	191 000	133 700	57 300
Water tank 2014	11 067	6 640	4 427
Sewerage upgrade 2015	1 557 310	1 090 117	467 193
Sewerage upgrade 2016	4 191 656	3 632 768	558 887
Sewerage upgrade 2017	348 961	302 433	46 528
Sewerage upgrade 2018	301 538	281 436	20 103
Total as per prior year	<u>14 898 519</u>	<u>12 482 761</u>	<u>2 415 759</u>

**GOCHAS VILLAGE COUNCIL
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED
30 JUNE 2019 AND 2020 (continued)**

Reversal of depreciation amounting to N\$ 2 415 759 charged on work in progress attributable to the sewer reticulation project.

25.4 Capitalised erven 2019

Reversal of depreciation amounting to N\$ 2 681 842 charged on capitalised erven.

25.5 Capital items recorded as expenses 2019

Capital expenditure relates to the construction of a powerline in Gomxab

25.6 Long term loans 2019

Long term loans

Loans as per loan statement	1 621 118
Reported in prior year	(69 214)
Reported in prior year	(114 753)
Adjustment to loans	<u>1 437 150</u>

Correction of an understatement on external loans where N\$ 183 967 (N\$ 69 214 + N\$ 114 753) was reported as the balance of outstanding.

GOCHAS VILLAGE COUNCIL
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED
30 JUNE 2019 AND 2020 (continued)

26. Movements / adjustments to equity - 2020

Unallocated land

Area	Hectares	Square metres
Gochas	33 845.00	33 845
Camp 1	460.00	4 600 000
Camp 2	336.00	3 360 000
Camp 3	264.00	2 640 000
Camp 4	367.00	3 670 000
Camp 5	440.00	4 400 000
Camp 6	266.00	2 660 000
Camp 7	333.00	3 330 000
Camp 8	300.00	3 000 000
Camp 9	154.00	1 540 000
Land size - Gochas area		29 233 845
Sold to buyers from proclamation to the reporting date	26.2	(266 574)
Allocated to Build Together scheme	26.1	(31 409)
Owned by the Village Council		(18 525)
Unsold portion as at 30 June 2020		28 917 337
Gazetted lowest price per square metre		14.60
Total value of unallocated land		422 193 120

26.1 Allocated to Build Together scheme 2020

Build Together	Number of beneficiaries	Size (sqm)
Auobplaat	20	10 271
Gomxab	53	19 907
Gochas Proper	1	1 231
Total land under BT scheme	74	31 409

**GOCHAS VILLAGE COUNCIL
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED
30 JUNE 2019 AND 2020 (continued)**

26.2 Sold to buyers from proclamation to the reporting date 2020

	Town	Auobpla	Gomxab	Total
	Sqm2	Sqm2	Sqm2	Sqm2
Business	42 954	639	5 567	49 160
Institutional	5 533	31 179	25 675	62 387
Government	8 092	-	-	8 092
Residential	79 399	32 404	20 935	132 738
Total allocations / sales - 2019	135 978	64 222	52 177	252 377
Allocations / sales - 2020				
Business	-	-	1 223	1 223
Institutional	-	-	-	-
Government	-	-	-	-
Residential	2 506	3,297	7 171	12 974
Sub-total	2 506	3 297	8 394	14 197
Total allocations / sales to date	138 484	67 519	60 571	266 574

27.1 Sale of goods and services

	2020	2019
	N\$	N\$
Opening accounts receivables	727 362	3 634 213
Revenue for the year	6 003 192	3 592 598
Closing accounts receivables	(2 123 588)	(717 605)
Sales of goods and services	4 606 967	6 509 206

27.2 Government and other department transfers

Capital transfers	8 563 315	5 010 831
Road Fund Administration	717 168	395 000
Operational subsidy	1 826 086	1 540 459
Line Ministry - power supply	770 385	719 154
Total cash transfers	11 876 955	7 795 444

GOCHAS VILLAGE COUNCIL
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED
30 JUNE 2019 AND 2020 (continued)

27.3 Cash paid to suppliers

	2020	2019
	N\$	N\$
Opening current liabilities	2 807 810	1 674 951
Repairs and maintenance	857 245	809 025
General expenses	1 287 519	903 040
Electricity	1 995 964	1 810 922
Water purchases	1 142 863	1 179 199
Less: Closing current liabilities	(3 942 545)	(2 807 810)
Total cash transfers	4 148 856	7 795 444

GOCHAS VILLAGE COUNCIL
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED
30 JUNE 2019 AND 2020 (continued)

Reconciliation of property, plant and equipment balances – 2019

	Work in progress N\$	Land and buildings N\$	Comps & office equipment N\$	Furniture, fixtures & fittings N\$	Plant, & Machinery N\$	Motor vehicles N\$	Infrastructure N\$	Total N\$
Closing balance reported - 30 June 2019	3 821 195	3 232 702	1 009 905	94 422	-	1 750 433	9 898 238	18 897 896
Correction or errors	16 088 155	786 968	(18 373)	(88 708)	-	-	8 347 563	25 115 604
Reclassifications	-	-	-	-	1 561 643	(1 336 812)	-	224 831
Restated balances - 01 July 2019	19 909 350	4 019 670	82 532	5 714	1 561 643	413 620	18 245 801	44 238 331

The reconciliation set out above shows the movement in opening balances that resulted in the restatement of property, plant, and equipment balances reported in the financial statements for the year ended 30 June 2019.

The reconciliation is supported by the schedules prepared below which outline the movement in opening balances. Reclassifications are not restatement to opening balances and were disclosed in the property, plant and equipment reconciliation in which the reclassification occurred.

GOCHAS VILLAGE COUNCIL
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED
30 JUNE 2019 AND 2020 (continued)

Work in progress

Sewerage Network 2013	2013	4 938 809
Submersible pump sewerage 2013	2013	63 151
Sewerage Network 2012	2012	2 112 666
Sewerage Network 2014	2014	1 182 360
Sewerage line 2014	2014	191 000
Water tank 2014	2014	11 067
Sewerage upgrade 2015	2015	1 557 310
Sewerage upgrade 2016	2016	4 191 656
Sewerage upgrade 2017	2017	348 961
Sewerage upgrade 2018	2018	301 538
Total WIP - prior years		14 898 519
Additions to work in progress	2019	5 010 831
Total opening WIP - 30 June 2019		19 909 350
Reported as at 30 June 2019		3 821 195
Prior period adjustment		16 088 155

Land and buildings*

An increase in the net book value of N\$ 786 968 is as a result of revision in the useful life of all assets in this class except land. The majority of the buildings in this class are Village Council houses which were constructed in the 60s and 70s. A revision in useful life resulted less depreciation charge and therefore a higher net book value.

Computer and office equipment*

The decrease in the net book value is as a result of items of computers and office equipment that were fully depreciated and no longer in use being removed from the list of items taken to the statement of financial position.

Furniture fixtures and fittings*

The balance of furniture fixtures and fittings was inclusive of items that were fully depreciated and no longer in use.

**GOCHAS VILLAGE COUNCIL
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED
30 JUNE 2019 AND 2020 (continued)**

Infrastructure*

The revision to infrastructure balance by N\$ 8 347 563 was as a result of omissions to items of infrastructure

*Adjustments supported by the asset register.