



REPUBLIC OF NAMIBIA



REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE
VILLAGE COUNCIL OF BERSEBA
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

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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 Village Council of Berseba for the financial year ended 30 June 2013, in terms of Article 127(2) of the Namibian Constitution. The report is transmitted to the Honourable Minister of Finance in terms of Section 27(1) of the State Finance Act, 1991, (Act 31 of 1991) to be laid upon the Table of the National Assembly in terms of Section 27(4) of the Act.

WINDHOEK, December 2014

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE
VILLAGE COUNCIL OF BERSEBA
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013**

1. INTRODUCTION

The accounts of the Village Council of Berseba for the year ended 30 June 2013 are being reported on in accordance with the provisions set out in the State Finance Act, 1991 (Act 31 of 1991) and the Local Authorities Act, 1992 (Act 23 of 1992).

The firm BDO has been appointed in terms of Section 26(2) of the State Finance Act, 1991, to audit the accounts of the Village Council on behalf of the Auditor-General and under his supervision.

Figures in the report are rounded off to the nearest Namibia Dollar. Deficits are indicated in brackets.

2. FINANCIAL STATEMENTS

The Village Council's financial statements were submitted to the Auditor-General by the Accounting Officer in compliance with Section 87(1) of the Local Authorities Act, 1992, except that the statements were not submitted within the three month period allowed by the Act. **The financial statements were only signed on 06 February 2014.** The audited financial statements are in agreement with the general ledger and are filed in the Office of the Auditor-General. The abridged balance sheet at Annexure A is a true reflection of the original signed by the Accounting Officer.

The financial statements also include:

Annexure B: Abridged income statement

Annexure C: Cash flow statement

Annexure D: Notes to the financial statements

3. SCOPE OF THE AUDIT

Management's responsibility for the financial statements

The Accounting Officer of the Village Council is responsible for the preparation and fair presentation of the financial statements and for ensuring the regularity of the financial transactions. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

It is the responsibility of the Auditor-General to form an independent opinion, based on the audit, on those statements and on the regularity of the financial transactions included in them and to report his opinion to the National Assembly. The said firm conducted the audit in accordance with International Standards on Auditing. Those standards require that the firm complies with ethical requirements and plans and performs the audit to obtain reasonable assurance whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatements in the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

4. AUDIT OBSERVATIONS AND COMMENTS

Paragraphs marked with an asterisk (*) refers to matters/concerns reported in previous reports.

4.1 Value Added tax (*)

Not all the VAT returns for the year under review were made available to the auditors to verify the fair presentation of the VAT balance as per the annual financial statements. Furthermore, a material difference of N\$ 176 308 was found between the VAT reconciliation done on the VAT returns and general ledger. The Council did not account for penalties and interest on late returns submitted and these could be part of the difference found. Furthermore, it appears as if the Council has under declared its VAT inputs and outputs by N\$ 311 009 and N\$ 151 422 respectively.

4.2 Provision for bad debts (*)

The Council's provision for bad debts was N\$ 1 364 092. However, the debtors in the 120 days or more amounted to N\$ 1 527 060. According to the auditors calculations, the Council has under provided for bad debts by N\$ 285 262 in the current year.

No detailed age analysis was printed as part of the year-end report, hence, the recalculation of the provision was cumbersome due to the fact that using the general debtors listing does not indicate the aging or the debtor.

The auditors own review indicate provisions to be made as follows:

| Description | 2013 | 2012 |
|---------------------------------|------------------|------------------|
| | N\$ | N\$ |
| Auditors recalculated provision | 1 649 355 | 1 648 308 |
| | 1 649 355 | 1 648 308 |

Also outstanding debt at 120 days and plus for the respective financial years were as follows:

| Description | 2013 | 2012 |
|-------------------|-----------|-----------|
| | % | % |
| 120 days and more | 90 | 88 |
| | 90 | 88 |

The magnitude of these provisions, highlight serious concerns on the debt collection control and measurements. As a result of the above the current valuation of accounts receivables are materially misstated in the annual financial statements.

4.3 Housing Fund debtors (*)

The Council housing loan debtors balance of N\$ 2 578 555 could not be supported by any supporting documents. No reconciliations, no explanation or supporting documentation could be provided. The Council acknowledged that no proper records have been kept, hence the auditors qualified the existence, accuracy, completeness and valuation of housing fund debtors.

4.4 Property, plant and equipment (*)

A material difference of N\$ 63 367 was found between the calculated/expected fixed asset register balances based on the prior year register and the capital statement of the annual financial statements. Furthermore, a material difference of N\$ 218 007 was found between the revenue assets additions per the capital statement and the additions listing/votes. It could not be ascertained whether, VAT on these additions was claimed correctly. Depreciation was not provided for in the current year. As a result of the above, the auditors were unable to express an opinion on the completeness, valuation and accuracy of the property, plant and equipment.

The current year fixed asset register has not been updated, contains casting errors, opening balance does not agree to prior year and other various errors.

4.5 Consumer deposits (*)

No consumer deposits were disclosed in the Council's financial statements. The Council should ensure that deposits are collected from the consumers and be reviewed and evaluated on an annual basis to ensure the accuracy thereof. This practice poses a further credit risk to the Council in the case of non-collection of the debts.

4.6 Trade and other payables (*)

A material difference to the amount of N\$ 812 755 was found between the Namwater balance in the ledger and the statement from Namwater at 30/06/2013. After closer inspection, it appears that the Council still recognized in their books a balance of Namwater creditors which was waived in prior year. Namwater creditors are thus overstated in the financial statements.

Provision for leave pay is overstated by N\$ 156 648.

No provision for bonus was made.

4.7 Inventories (*)

The Council has expensed the stock of materials. The only stock held is that of livestock.

Auditors did not attend the stock count and due to the Council's poor record keeping no alternative procedures could be performed to verify the existence and completeness. The Council could not substantiate the value used in valuing stock and as a result the auditors could not verify that stock is valued at the lower of cost and net realizable value (accuracy and valuation of livestock).

4.8 Appropriations (*)

Adjustments in the appropriation account could not be verified with supporting journals, explanations or relevant approval, the auditors therefore qualified the movement in the appropriation account.

4.9 Lack of supporting documents for expenditure accounts (*)

A material difference of N\$ 306 324 was found on the bulk water expenditure account and for training expenses to the amount of N\$ 161 027. No explanations or supporting documentation was provided for this difference hence the auditors were unable to express an opinion on the fair presentation of these accounts.

4.10 Investments (*)

A Build Together Fund account to the amount of N\$ 26 602 was confirmed by the bank but not recorded in the Council's records. The auditors could thus not satisfy themselves regarding the completeness of the investments.

4.11 Bank reconciliation

The Council does not prepare bank reconciliations monthly. There was an unreconciled difference of N\$ 104 700 found between the general ledger and the bank statement.

5. ACKNOWLEDGEMENT

The assistance and co-operation of the staff of the Village Council of Berseba during the audit is appreciated.

6. FINANCIAL RESULTS

The results of the operations of, and transactions on the Revenue account for the year were as follows:

| | Revenue | Expenditure | Surplus/ (deficit) | Balance |
|---|-----------|-------------|-----------------------|----------------|
| | N\$ | N\$ | N\$ | N\$ |
| Accumulated surplus 01/07/2012 | | | | 223 727 |
| General accounts | | | | |
| Non-profitable services | 4 690 031 | 4 122 157 | 567 874 | |
| Self-supporting services | 94 146 | 182 693 | (88 547) | |
| Trade accounts | | | | |
| Water | 709 596 | 791 990 | (82 394) | |
| Electricity | 715 158 | 542 943 | 172 215 | |
| Deficit for the year | 6 208 931 | 5 639 783 | 569 148 | 569 148 |
| Adjustments and appropriations (Note 10, of Annexure D) | | | | (561 549) |
| Accumulated surplus 30/06/2013 | | | | 231 326 |

7. CURRENT BANK ACCOUNT

The favourable bank statement balance on the current bank account amounted to N\$ 278 580 (2012: N\$ 5 285). Outstanding cheques presumably totaled to N\$ 104 700, resulting in a reconciled favourable cash-book balance of N\$ 173 880. The Council could not provide the auditors with a bank reconciliation.

8. INVESTMENTS AND INTEREST PROCEEDS

| | 2013 | 2012 |
|---------------------|------------------|----------------|
| | N\$ | N\$ |
| Invested at: | | |
| Commercial banks | 1 057 282 | 440 766 |
| | 1 057 282 | 440 776 |
| Allocation: | | |
| Housing Fund | 39 677 | 97 513 |
| Capital Projects | 652 702 | 343 253 |
| Revenue | 364 903 | - |
| | 1 057 282 | 440 766 |

The above allocation does not agree to the allocation as per the physical bank accounts. The bank accounts in the name of Build Together total to N\$ 20 221, Capital project N\$ 1 014 057 and Revenue accounts N\$ 23 005.

9. FUND ACCOUNTS

The position of the funds and accounts at year-end is reflected in note 7 in Annexure D.

10. TRADE ACCOUNTS

10.1 Operating results

The results for the financial year under review and the previous year were as follows:

| | Electricity | | Water | |
|---------------------------------------|----------------|----------------|-----------------|----------------|
| | 2013 | 2012 | 2013 | 2012 |
| | N\$ | N\$ | N\$ | N\$ |
| Sales | 460 363 | 450 734 | 455 165 | 444 028 |
| Cost of sales | (455 820) | (244 197) | (644 877) | (461 393) |
| Gross profit | 4 543 | 206 537 | (189 712) | (17 365) |
| Other income/ (expenses) | 167 672 | 30 742 | 107 317 | 10 392 |
| Gross profit/(loss) on cost of sales | 172 215 | 237 279 | (82 395) | (6 973) |
| Gross profit/(loss) on cost of sales | 1% | 84.6% | (29%) | (3.8%) |
| Net profit percentage on cost of sale | 38% | 97.17% | (0.13%) | (0.15%) |

10.2 Water and electricity distribution results

| | Electricity | | Water | |
|--------------------|------------------|------------------|-----------------|-----------------|
| | 2013 | 2012 | 2013 | 2012 |
| | Kw | Kw | m ² | m ² |
| Units sold | 317 492 | 310 513 | 38 217 | 37 294 |
| Units bought | (770 336) | (413 600) | (77 385) | (54 084) |
| Net deficit | (452 844) | (103 087) | (39 168) | (16 790) |
| Percentage | (59%) | (25%) | (51%) | (31%) |

The Council continues to operate on losses and it is advisable for the Council to investigate and improve on these distribution losses.

11. SELF-SUPPORTING SERVICES

| | Revenue | Expenditure | Surplus / | Surplus / |
|---------------------------------|---------------|----------------|-----------------|----------------|
| | 2013 | 2013 | (Deficit) | (Deficit) |
| | 2013 | 2013 | 2013 | 2012 |
| | N\$ | N\$ | N\$ | N\$ |
| Cleansing services and sewerage | 94 146 | 182 693 | (88 547) | (2 239) |
| Total | 94 146 | 182 693 | (88 547) | (2 239) |

The above table shows that the self-supporting services indicate an overall net loss for the year under review. Corrective measures should be implemented to run those services on a profitable basis.

12. FRUITLESS, UNAUTHORIZED OR AVOIDABLE EXPENDITURE

No such expenditure was identified during the year under review.

13. SUSPENSE ACCOUNTS

No suspense accounts were disclosed in the annual financial statements for the year under review.

14. IRREGULARITIES AND LOSSES

No irregularities and losses were identified during the year under review.

15. CAPITAL PROJECTS

| Nature of projects/ Acquisitions | Financed by | Total Expenditure 2013 | Total expenditure 2012 |
|-------------------------------------|--------------------|------------------------------|------------------------------|
| | General Capital | | |
| | N\$ | N\$ | N\$ |
| General administration | 2 059 860 | 2 059 860 | 500 000 |
| Water | 20 900 | 20 900 | 1 714 325 |
| Streets and roads | 223 440 | 223 440 | |
| | 2 304 200 | 2 304 200 | 2 214 325 |

A difference of N\$ 218 007 was found between the above additions per the capital statement and the additions as per the votes/listing.

16. BURSARIES

No bursaries were granted during the year under review.

17. CONTRIBUTIONS, GRANTS AND FINANCIAL AID.

Contributions from Government (including RFA contribution of N\$ 258 800) for 2013: N\$ 4 914 822 (2012: N\$ 787 786) were disclosed in the income and expenditure statements.

18. COMPENSATION PAYMENTS

No compensation payments were made by the Village Council during the year under review.

19. VISITS TO FOREIGN COUNTRIES

There were no visits to foreign countries during the year.

20. CLAIMS AGAINST THE LOCAL AUTHORITY

There were no claims against the Council.

21. GIFTS/DONATIONS BY THE LOCAL AUTHORITY

There were no gifts or donations by or to the Local Authority

22. TRANSFER OF PROPERTY

No properties were sold or transferred by the Village Council for the year under review.

23. TRADE AND OTHER RECEIVABLES/ PAYABLES

23.1 Trade and other receivables at 30 June were:

| | 2013 | 2012 |
|--|------------------|------------------|
| | N\$ | N\$ |
| Services, rates and taxes | 2 078 602 | 1 619 018 |
| Housing Fund receivables (Includes incomplete projects of N\$ 2 226 849) | 2 578 555 | 2 740 254 |
| Value Added Tax | 227 049 | |
| Less: Provision for bad debts | (1 364 092) | - |
| Total | 3 520 114 | 4 359 272 |

As per the debtors age analysis 90% for 2013 (2012: 88%) of total debts are outstanding for more than 120 days. The recoverability of these debtors is doubtful, therefore the auditors are of the opinion that the Council have adequately provided for bad debts in the financial statements. Refer to audit concerns in paragraph 4.2.

23.2 Trade and other payables at 30 June were:

| | 2013 | 2012 |
|----------------|------------------|------------------|
| | N\$ | N\$ |
| Trade payables | 35 528 | 983 666 |
| VAT payable | - | 240 020 |
| Provisions | 1 419 989 | 101 366 |
| Totals | 1 455 517 | 1 325 052 |

24. ASSESSMENT RATES

Assessment rates charged by the Village Council for the year under review amounted to N\$ 68 355.

25. LOANS

25.1 External loans

No external loans were entered into during the year under review.

25.2 Internal loans

No internal loans were advanced or received during the year under review.

25.3 Housing loans

The amount advanced in favour of housing loans under the Build Together programme is reflected at N\$ 2 578 555 (2012: 2 740 254) in the annual financial statements.

26. SALE OF ERVEN

There was no sale of erven register at the Village Council for the financial year under review.

27. LOCAL AUTHORITY PROPERTY SOLD ON AN INSTALMENT BASIS

No property was sold on instalment basis for the year under review.

28. TARIFF ADJUSTMENTS

Tariffs adjustments were done in accordance with the Official Government gazette.

29. APPROVALS

29.1 Excess on approved budget

No overspending.

29.2 Revenue written off

No revenue was written off.

30. INVENTORY AND EQUIPMENT

30.1 Motor vehicles and values thereof:

| | Sedan | | LDV's, 4x4's and Combi's | | Heavy vehicles | |
|--------------------|----------|---------------|--------------------------|------------------|----------------|----------------|
| | Number | Value | Number | Value | Number | Value |
| | | N\$ | | N\$ | | N\$ |
| Balance - 01/07/12 | 1 | 57 824 | 2 | 1 223 775 | 2 | 238 024 |
| Sub-total | 1 | 57 824 | 2 | 1 223 775 | 2 | 238 024 |
| Depreciation | - | (19 274) | - | (21 143) | - | (79 342) |
| Balance - 30/06/13 | 1 | 38 550 | 2 | 1 202 632 | 2 | 158 682 |

The above motor vehicles and values are as per the current year fixed asset register and do not agree to the prior year register and report.

The statistics, based on logbooks, regarding all vehicles could not be provided.

30.2 Inventory

An amount of N\$ 205 280 (2012: N\$ 169 390) for livestock were disclosed in the financial statements.

31. GENERAL

There is an insufficient system of internal control at the Village Council for the years under review. Proper segregation of duties is not possible due to the small number of staff employed. While increased management involvement does reduce risks, it causes the risk that management and Council override existing controls, a potentially dangerous practice, which the Council should vigilantly guard against.

32. SPECIAL INVESTIGATIONS

No special investigations were under taken during the current year.

33. FORMAL AND INFORMAL QUERIES

33.1 Formal queries are embodied in this report.

33.2 The following matters were brought to the attention of the Chief Executive Officer by way of a report to management:

- Appropriation adjustments not be supported by valid supporting documentations;
- Trade payables;
- Value added taxation;
- Property, plant and equipment;
- Investments;
- Long overdue debts and Provision for doubtful debts is materially misstated;
- Lack of stock control;
- Lack of supporting documentation for expenditure accounts ;
- Lack of internal controls;
- No consumer deposit account;
- Lack of supporting documents for housing fund debtors;
- Bank reconciliation not maintained.

34. DISCLAIMED AUDIT OPINION

The accounts of the Village Council of Berseba for the financial year ended 30 June 2013, summarized in Annexures A to D, were audited by me in terms of Section 85 of the Local Authorities Act, 1992, read with Section 25(1)(b) of the State Finance Act, 1991.

I am unable to express an opinion due to the following reasons:

- Adjustments to appropriation account could not be substantiated.
- Namwater creditors was materially overstated by N\$ 812 755. The Council still recognized a Namwater balance of N\$ 855 278 in their books which was waived by Namwater in prior year. Furthermore, provision for leave was overstated by N\$ 156 648.
- Vat difference of N\$ 176 308 between reconciliation of returns and general ledger. The Council has under declared VAT inputs by N\$ 311 009 and VAT output by N\$ 151 422.
- Fixed assets as per the financial statements differs materially by N\$63 367 from the capital statement. Revenue assets as per the listing/votes and revenue assets additions as per the financial statements differ materially by N\$ 218 007. Fixed asset register was not updated and depreciation for the year was not taken into account.
- The Council could not provide the auditors with the supporting documents for the Build Together Housing Loans to the amount of N\$ 2 578 555.
- Debtors long overdue, 120 or more days totaled N\$ 1 527 060 but the Council only provided N\$ 1 364 092. The Council has thus under provided by N\$ 162 968 in this regard.
- Lack of stock control (i.e. stock of materials is expensed and livestock is not regularly reconciled to the books of account).
- No supporting documentation was provided for training expenses and Bulk water purchases amounting to N\$ 161 027 and N\$ 306 324 respectively.
- Bank reconciliations were not performed and there was an unreconciled difference found between the bank balance and the general ledger balance to the amount of N\$ 104 700.
- There were no sufficient systems of internal control nor proper accounting records at the Village Council.
- No consumer deposit balance reflected in the annual financial statements.

BALANCE SHEET AS AT 30 JUNE 2013

| | Notes | 2013 N\$ | 2012 N\$ |
|-------------------------------------|-------|-------------------|------------------|
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | 2 | 6 305 894 | 4 001 684 |
| Investments | 3 | 1 057 282 | 440 765 |
| Current assets | | | |
| Inventory | 5 | 205 280 | 169 390 |
| Accounts receivable | 6 | 3 520 114 | 4 359 272 |
| Cash and bank balances | 9 | 175 101 | 1 221 |
| TOTAL ASSETS | | 11 263 671 | 8 972 332 |
| EQUITY AND LIABILITIES | | | |
| Equity | | | |
| Funds & accounts | 7.1 | 2 849 558 | 2 917 169 |
| Capital outlay | 7.2 | 6 958 596 | 4 654 396 |
| Non-current liabilities | | | |
| Interest bearing borrowings | | - | - |
| Current liabilities | | | |
| Bank overdraft | 8 | - | 75 716 |
| Accounts payable | 9 | 1 455 517 | 1 325 052 |
| TOTAL EQUITY AND LIABILITIES | | 11 263 671 | 8 972 332 |

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2013

| | <u>Note</u> | <u>2013</u> | <u>2012</u> |
|---|-------------|-----------------------|-----------------------|
| | | N\$ | N\$ |
| INCOME | | 6 134 392 | 1 902 538 |
| EXPENDITURE | | <u>(5 639 784)</u> | <u>(2 951 667)</u> |
| OPERATING LOSS FOR THE YEAR | | 494 607 | (1 049 129) |
| INVESTMENT INTEREST EARNED FOR FUND ACCOUNTS | | <u>74 539</u> | <u>31 584</u> |
| NET PROFIT FOR THE YEAR | | 569 147 | (1 017 545) |
| Add : Appropriation and adjustments | 10 | <u>(561 548)</u> | <u>(76 739)</u> |
| RETAINED INCOME/(LOSS) FOR THE YEAR | | 7 599 | (1 094 284) |
| 30 June 2012 | | <u>223 727</u> | <u>1 318 011</u> |
| 30 June 2013 | | <u>231 326</u> | <u>223 727</u> |

VILLAGE COUNCIL OF BERSEBA

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2013

| | Notes | 2013 N\$ | 2012 N\$ |
|--|-------|----------------|-----------------|
| CASH FLOW FROM OPERATING ACTIVITIES | | | |
| Cash receipts from customers | | 6 134 392 | 1 902 538 |
| Cash paid to suppliers | | (5 267 597) | (3 007 983) |
| Cash (Utilised)/generated by operations | 11 | 866 795 | (1 105 445) |
| Investment income | | 74 539 | 31 584 |
| Movement in Fund accounts | | | |
| - Fund accounts - increase | | (75 210) | 15 895 |
| - Capital outlay - increase | | 2 304 200 | 2 745 500 |
| Cash generated by operating activities | | 3 170 324 | 1 687 534 |
| CASH GENERATED BY INVESTING ACTIVITIES | | | |
| Net capital expenditure | | (2 920 727) | (2 024 497) |
| Decrease in investments | | (616 518) | 189 827 |
| CASH UTILIZED BY FINANCING ACTIVITIES | | | |
| Increase/(Decrease) in long term liabilities | | - | - |
| Net decrease in cash and cash equivalents' | | 249 596 | (336 964) |
| Cash and cash equivalents at the beginning of the year | | (74 495) | 262 469 |
| Cash and cash equivalents' at the end of the year | 8 | 175 101 | (74 495) |

VILLAGE COUNCIL OF BERSEBA

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

1. ACCOUNTING POLICIES**1.1 Basis of presentation**

The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain property, plant and equipment, marketable securities and investment properties where appropriate.

1.2 Property, plant and equipment and depreciation

All plant and equipment are initially recorded at cost. Cost includes all costs directly attributable to bringing the assets to working condition for their intended use. All other plant and equipment are stated at historical cost or valuation where applicable.

No depreciation is provided on property, plant and equipment.

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash generating units are written down to their recoverable amount.

1.3 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of the cash flow statement, cash and cash equivalents comprise cash in hand, deposits held at call with banks and investments in money market instruments, net of bank overdrafts. In the balance sheet, bank overdrafts are included in current liabilities.

1.4 Internal Funds

The following Funds were created by the Village Council:

1.4.1 Fixed Property Fund

Proceeds from the sale of land that has been developed by the Village Council accumulate in this Fund. Costs incurred on the development of land are charged to this Fund.

1.4.2 Housing Fund

The purpose of this Fund is to provide for housing loans. Income to this Fund is transferred from the general income account, external loans from Government and interest on investments and loans.

1.4.3 Capital Reserve Fund

This Fund was created to make provision for unforeseen expenditures as approved by the Council.

VILLAGE COUNCIL OF BERSEBA

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

| | 2013 | 2012 |
|--|------------------|------------------|
| | N\$ | N\$ |
| 2. PROPERTY, PLANT AND EQUIPMENT | | |
| Consists of : | | |
| Property, plant and equipment | 6 305 894 | 4 001 684 |
| 3. INVESTMENTS | | |
| Commercial banks | 1 057 282 | 440 766 |
| <u>Allocated to:</u> | | |
| Build Together Fund | 39 677 | 97 512 |
| Capital Projects | 652 702 | 343 253 |
| Revenue | 364 903 | - |
| | 1 057 282 | 440 765 |
| 4. LOANS DEBTORS (refer to Acc receivable) | | |
| HOUSING FUNDS | | |
| - Housing loan debtors | 351 706 | 2 740 254 |
| - Incomplete Projects | 2 226 849 | |
| | 2 578 555 | 2 740 254 |
| 5. INVENTORY | | |
| Inventories consist of : | | |
| Livestock | 205 280 | 169 390 |
| Bricks and tools | - | - |
| | 205 280 | 169 390 |
| 6. ACCOUNTS RECEIVABLE | | |
| Services, rates and taxes | 2 078 602 | 1 619 018 |
| Value Added Tax | 227 049 | - |
| Less: Provision for bad debts | (1 364 092) | - |
| Build Together loan debtors | 2 578 555 | 2 740 254 |
| | 3 520 114 | 4 359 272 |

VILLAGE COUNCIL OF BERSEBA

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

| | 2013 | 2012 |
|--|------------------|------------------|
| | N\$ | N\$ |
| 7. FUNDS AND ACCOUNTS | | |
| 7.1 External funds | 2 849 558 | 2 917 169 |
| Housing Fund | 2 618 232 | 2 693 442 |
| Revenue account kept in compliance with section 86 (1) of the Local Authorities Act, 1992. | 231 326 | 223 727 |
| 7.2. Capital outlay | 6 958 596 | 4 654 396 |
| Revenue account | 1 723 993 | 1 723 993 |
| General capital | 5 234 602 | 2 930 403 |
| 8. CASH AND CASH EQUIVALENTS | | |
| | 175 101 | (75 716) |
| Bank | 173 880 | (75 716) |
| Petty cash | 1 221 | 1 221 |
| | 175 101 | (74 495) |
| 9. ACCOUNTS PAYABLE | | |
| Trade payables | 35 528 | 983 666 |
| Provisions | 1 419 989 | 101 366 |
| VAT | - | 240 020 |
| | 1 455 517 | 1 325 052 |
| 10. ADJUSTMENTS AND APPROPRIATIONS | | |
| Unknown adjustments | (561 548) | (76 739) |
| | (561 548) | (76 739) |
| 11. CASH UTILISED IN OPERATIONS | | |
| Net operating profit | 569 147 | (368 273) |
| Adjustments (appropriations) | (561 548) | (159 781) |
| Investment income | (74 539) | (41 042) |
| OPERATIONAL INCOME BEFORE CHANGE IN WORKING CAPITAL | (66 939) | (569 096) |
| GENERATION OF WORKING CAPITAL | | |
| Trade and other receivables | 839 158 | (256 169) |
| Inventory | (35 890) | 325 798 |
| Trade and other payables | 130 465 | 239 047 |
| | 866 795 | (260 420) |