



REPUBLIC OF NAMIBIA



REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE  
**VILLAGE COUNCIL OF BETHANIE**

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

Published by authority

Price (Vat excluded) N\$ 31.97  
Report no 2010

**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 Bethanie for the financial year ended 30 June 2011, 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, September 2012**

**JUNIAS ETUNA KANDJEKE  
AUDITOR-GENERAL**

**REPORT OF THE AUDITOR-GENERAL  
ON THE ACCOUNT OF THE BETHANIE VILLAGE COUNCIL  
FOR THE FINANCIAL YEAR ENDED  
30 JUNE 2011**

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**1. INTRODUCTION**

The accounts of the Village Council of Bethanie for the year ended 30 June 2011 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, (Act 23 of 1992).

The firm EDB & Associates of Windhoek 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.

**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 they were only submitted on 27 October 2011 instead of within three months after year-end as required by the Act.** 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, Annexure A, is a true reflection of the originals.

The following Annexures are also attached to this report:

Annexure B: 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 these 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 the opinion of the Auditor-General to the National Assembly. The said firm conducted the audit in accordance with International Standards on Auditing. Those standards require that the firm comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

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 judgment, including the assessment of the risks of material misstatement of 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

##### 4.1 Recoverability of debtors - 2011

A provision for bad debts of N\$ 553 076 was made by the Village Council as per the financial statements for the year ended 30 June 2011. The auditors' own review, which included the consideration of the slow repayment by consumers, indicate an under provision for 2011: N\$ 3 679 875.

	2011	2010
	N\$	N\$
Under provision	3 679 875	2 761 048
	<b>3 679 875</b>	<b>2 761 048</b>

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

Description	2011	2010
	%	%
120 days and plus	88%	86%

The magnitude of these under-provisions, highlight serious concerns on the debt collection controls and measures over these assets of the Council. As a result of the above the current valuation of accounts receivables are materially misstated in the annual financial statements.

Due to the significance of this matter, the Auditor-General cannot express an opinion on bad and doubtful debts.

##### 4.2 Build Together Fund

Special Funds such as the Build Together Programme are administered by the Village Council on behalf of the Ministry of Regional and Local Government, Housing and Rural Development (MRLGH) and it should be considered significant as weaknesses were identified with regards to administration.

This Fund has its own peculiar specifications with respect to the way in which the Fund are to be managed and utilized as stipulated by the Ministry. The following weaknesses were detected by the auditors:

- \* No proper controls were exercised related to the Build Together Fund.
- \* No monthly reconciliations were computed by the Village Council.
- \* Neither the client records nor those processed on Finstel could be relied on as an accurate source of the outstanding balances.
- \* Numerous supporting documents for example, Build Together inspection sheets for funds disbursed could not be found at the time of the audit.
- \* Build Together Loan advances are recorded on Finstel system, but was explained by the accountant that the balances reflected on the system does not reflect the correct balance of loan debtors. The reason for the difference of N\$ 683 906 detected during the auditors' reconciliation between the balance and per

annual financial statements and the loan debtors trial balance as per Finstel system could not be explained at the time of the audit.

\* The recoverability of the Build Together Loan advances balance is a great concern as the clients did not start to repay the loans back to the Council and no contracts was signed by the Village Secretary.

#### 4.3 General Capital Account

During the audit a material difference of N\$ 4 438 000 were detected, which is the Build Together loans during the year that was disclosed under the General Capital Account instead of the Build Together Fund account which amount to N\$ 783 001 and Government subsidies of N\$ 3 654 999 which were not posted to the income account, but disclosed under the General Capital account.

#### 4.4 Submission of annual financial statements - 2011

The Accounting Officer of the Village Council failed to submit the annual financial statements in time for the financial year under review to the Office of the Auditor-General for audit purposes. According to the Local Authorities Act, 1992 (Act no. 23 of 1992), annual financial statements needs to be submitted within three months after the financial year as per requirement by Section 87 of the Local Authorities Act.

#### 4.5 Inventory

No proper stock control system is in place, which has a negative effect on the long-term operation of the Village Council for the year ended 30 June 2011.

The auditors did not observe the counting of livestock and inventories on 30 June 2011, as they were not appointed by that time.

The auditors' audit procedures regarding valuation and completeness of livestock reveals that livestock was not valued at market price as cows and calves were valued the same as well as the ewes and rams. Their audit procedures regarding completeness of livestock, detected that 6 calves were not included in the annual financial statements as per Council report at June 2011.

#### 4.6 Consumer deposits

Consumer deposits were included with the water basic payments and no splitting system between the water deposit and payments were processed on Finstel system for the year under review. The auditors could not find sufficient evidence to indicate which consumer paid their deposits.

	2011	2010
	N\$	N\$
Debt outstanding	4 948 177	3 846 676
<b>Consumer deposits</b>	12 679	13 999
Percentage of deposits against outstanding debts	0.26%	0.36%

It is advised that the Village Council should determine the level of consumer deposits to be made and implement necessary steps for collection of such and to be split on Finstel system.

#### 4.7 Source documents

Numerous supporting source documents for expenditures incurred by the Village Council could not be found, at the time of the audit. This was mainly attributable to an unorganised filing system and poor record keeping.

This lack of proper record keeping is in contravention of Section 86 of the Local Authorities Act, 1992.

#### **4.8 Fixed assets**

The fixed assets register was maintained during the year ended 30 June 2011, but was incomplete as there were assets not included as well as assets that must have been excluded from the asset register. Due to the lack of invoices or any supporting document, the auditors were unable to satisfy themselves with the journal entries processed, by the external consultants, are accurate for the year ended 30 June 2011. No depreciation was calculated on fixed assets.

The above concerns resulted in a distorted view of fixed asset valuation in the annual financial statements.

Due to the significance of this matter, the Auditor-General cannot express an opinion on fixed assets.

#### **4.9 Value - Added - Tax**

The Village Council portray a VAT receivable balance from Inland Revenue. The auditors reconciliation of the VAT control account against the VAT returns submitted revealed a difference of N\$ 149 864. This could be due to the VAT return of August 2010 which could not be obtained during the time of the audit and due to VAT not correctly extracted on the Finstel system while inputs on VAT returns are calculated separately on Excel sheets and the disallowed input VAT and penalties and interest in the current year and prior years, which still has not been accounted for in the Council's books.

Inspection of prior year working papers shows that the prior year VAT balance was qualified. As such the opening balance is misstated in the current year.

Due to the significance of this matter, the Auditor-General cannot express an opinion on VAT.

#### **4.10 Trade and other payables**

The auditors' review of trade creditors balances could not find numerous suppliers statements eg. Namwater in order to substantiate the balances as annual financial statements.

The auditors' recalculated provision for audit fees were understated with N\$ 10 386 for the year under review.

The auditors' recalculated provision for leave days were overstated with N\$ 17 020 for the year under review.

#### **4.11 Payroll**

An unexplained difference of N\$ 185 372 was found on the auditors' payroll reconciliation for 2011 calculated from the manual and earnings reports and compared to the payroll costs stated in the annual financial statements. A difference of N\$ 1 507 was found on the PAYE reconciliation, which is due to the Finstel system not updated to the current tax tables.

#### **4.12 Staff Accounts**

Numerous Village Council staff members' accounts are in arrears. A debt of N\$ 11 656 of a Councillor, was found. There is no evidence that this amount was recorded in the annual financial statements.

#### **4.13 Assessment rates**

During the audit it was detected that wrong tariffs were used by the Village Council, which did not correspond to the GRN Gazette for the year under review. The tariffs for the land were wrongly entered into the Finstel system. It has been recorded for residential as 0.12 and for business as 0.126 instead of 0.0119 for residential and 0.0122 for business, thus consumers are being overcharged by the Council on rates and taxes.

#### **4.14 Government contributions**

During the audit procedure it was detected that a material difference of N\$ 2 940 965 when comparing to the balance of Government subsidies disclosed in the annual financial statements and deposited monies from the Ministry of Regional and Local Government, Housing and Rural Development and the approved budgeted monies. The reason for the difference is due to the contribution of N\$ 3 654 999 made by the MRLGH which was not posted to the income account, but disclosed under General Capital Account and a journal entry of N\$ 714 034 was posted to Government subsidies which could not be substantiated during the time of the audit.

#### **4.15 Street and road works**

No supporting documentation could be obtained to substantiated sundry income of N\$ 319 060 during the time of the audit.

#### **4.16 Annual financial statements and records**

The auditors noted that balances and transactions processed on the Finstel system did not agree with those stated in the annual financial statements.

#### **4.17 Sale of erven**

No erven register was kept by the Village Council.

### **5. ACKNOWLEDGEMENT**

The assistance and co-operation given by the management and staff of the Village Council during the audit are appreciated. The efforts made by management to implement the previous year's recommendations are also appreciated.

**6. FINANCIAL RESULTS**

<b>2011</b>	<b>Revenue</b>	<b>Expenditure</b>	<b>Surplus/ (deficit)</b>	<b>Balance</b>
	N\$	N\$	N\$	N\$
Accumulated deficit as at 01/07/2010				(245 072)
<b>General accounts</b>				
Non-profitable	1 047 127	2 588 141	(1 541 014)	
Self-supporting (note 11)	1 287 682	1 065 139	222 543	
<b>Trade accounts</b>				
Water supply	1 638 063	1 028 911	609 152	
Electricity supply	3 115 693	1 214 226	1 901 467	
	7 088 565	5 896 418	1 192 147	
Surplus for the year				1 192 147
Adjustments and utilizations (See Note 7, Annexure D)				(1 015 175)
Accumulated deficit 30/06/2011				<b>(68 100)</b>

**7. CURRENT BANK ACCOUNT**

The balance sheet reflected an unfavourable cash-book balance for 2011: N\$ 112 376 (2010: N\$ 141 438, which is also the reconciled balance. The bank statements reflected a favourable balance for 2011: N\$ 264 522 (2010: N\$ 134 199 – unfavourable), mainly due to outstanding cheques at year-end.

	<b>2011</b>	<b>2010</b>
	N\$	N\$
Cash-book balance at 30 June - Balance sheet	(112 376)	(141 438)
Outstanding cheques	376 943	275 637
Balance as per bank statements	<b>264 567</b>	<b>134 199</b>
Petty cash	-	<b>1 500</b>

**8. INVESTMENTS AND INTEREST PROCEEDS**

On 30 June 2011 was N\$ 587 693 respectively (2010: N\$ 1 029 588) invested at financial institutions, as follows:

	<b>2011</b>	<b>2010</b>
	N\$	N\$
Investments were allocated to the following Funds:		
Capital Reserve Fund	325 112	501 850
Build-Together Fund	262 581	527 739
	<b>587 693</b>	<b>1 029 589</b>



## 9. FUND ACCOUNTS

The position of the Fund accounts at the end of the year is shown in Note 2 of Annexure D.

## 10. TRADE ACCOUNTS

10.1 The results of operations of electricity were as follows:

	2011	2010
	N\$	N\$
Sales	3 043 758	2 098 281
Cost of bulk purchases	(975 976)	(1 014 821)
<b>Gross profit</b>	2 067 782	1 083 460
Expenses (net)	(166 315)	(204 447)
<b>Net surplus</b>	<b>1 901 467</b>	<b>879 013</b>
Gross loss % on cost of bulk purchases	211.9%	106.8%
Net loss % on cost of bulk purchases	194.8%	86.6%

10.2 The distribution losses for electricity could not be determined due to inadequate record keeping.

10.3 The results of operations of water were as follows:

	2011	2010
	N\$	N\$
Sales	1 618 772	1 877 746
Cost of bulk purchases	(743 837)	(577 718)
<b>Gross profit</b>	874 935	1 300 028
Expenses (net)	(265 783)	(221 301)
<b>Net surplus</b>	<b>609 152</b>	<b>1 078 727</b>
Gross profit % on cost of bulk purchases	117.6%	225%
Net profit % on cost of bulk purchases	81.9%	186.7%

10.4 The distribution losses for water could not be determined due to inadequate record keeping.

## 11. SELF-SUPPORTING SERVICES

The net results of self-supporting services were as follows:

	Income	Expenses	Surplus/(Loss)	Surplus/(Loss)
	2011	2011	2011	2010
	N\$	N\$	N\$	N\$
Natis	250 484	265 738	(15 255)	104 466
Street and roads	319 060	188 730	130 330	-
Townlands	240 245	183 550	56 695	(93 996)
Cleansing services	477 894	427 120	50 773	151 782
	<b>1 287 682</b>	<b>1 065 139</b>	<b>222 543</b>	<b>162 251</b>

**12. FRUITLESS, UNAUTHORIZED OR AVOIDABLE EXPENDITURE**

No fruitless, unauthorized and avoidable expenditure was revealed during the audit.

**13. SUSPENSE ACCOUNTS**

No money was accounted for in suspense accounts during the year under review.

**14. IRREGULARITIES AND LOSSES**

No irregularities and losses were revealed by the audit for the year under review.

**15. CAPITAL PROJECTS**

The following expenditure was incurred during the year for capital projects or acquisitions.

<b>Nature of projects /acquisitions</b>	<b>2011 Expenditure</b>	<b>2010 Expenditure</b>
	N\$	N\$
General administration	3 256 987	959 604
Cleansing services	142 830	19 600
Electricity supply	183 000	42 517
Townlands	499 618	-
<b>Total</b>	<b>4 082 435</b>	<b>1 021 721</b>

**16. BURSARIES**

No bursaries were granted during the year under review.

**17. CONTRIBUTIONS, GRANTS AND FINANCIAL AID**

	<b>2011</b>	<b>2010</b>
	N\$	N\$
Contribution from Government	714 034	1 617 275
	<b>714 034</b>	<b>1 617 275</b>

No contributions or grants were made and financial aid was given during the year under review.

**18. COMPENSATION PAYMENTS**

No compensation payments were made during the year under review.

**19. VISITS TO FOREIGN COUNTRIES**

No such visits were identified during the year under review.

**20. CLAIMS AGAINST THE LOCAL AUTHORITY**

No claims against the Local Authority payments were made during the year under review.

## 21. GIFTS / DONATIONS BY / TO THE LOCAL AUTHORITY

Grants and donations of N\$ 28 752 by the Local Authority were made during the year under review.

## 22. TRANSFER OF PROPERTY TO / FROM GOVERNMENT

No properties were transferred from the Ministry of Regional and Local Government, Housing and Rural Development for the year under review.

## 23 DEBTORS AND CREDITORS

### 23.1 Debtors at 30 June were:

	2011	2010
	N\$	N\$
Services	4 948 177	3 846 676
Consumer deposits	(12 679)	(13 999)
Build Together advances	2 526 755	2 480 553
Other	381 035	-
Less: Provision for bad debts	(553 076)	(553 076)
	<b>7 290 212</b>	<b>5 760 154</b>

### 23.2 Creditors at 30 June were:

	2011	2010
	N\$	N\$
Trade payables	2 052 274	1 464 947
Provisions	101 314	101 314
Arrear instalments on Government loans	1 240 132	1 198 259
Outstanding cheques	376 943	275 637
	<b>3 770 663</b>	<b>3 040 157</b>

## 24. ASSESSMENT RATES

	2011	2010
	N\$	N\$
Net proceeds from assessment rates were	229 880	216 029
Tariffs per N\$ 1 valuation per annum - Business		
Valuation per annum		
- Land	0.0122	0.0113
- Improvements	0.0170	0.0157
Tariffs per N\$ 1 valuation per annum - Residential		
Valuation per annum		
- Land	0.0119	0.0110
- Improvements	0.0170	0.0157

## **25. LOANS**

### **25.1 External loans**

External loans due to the Government of Namibia to the amount of N\$ 302 209 (2010: N\$ 323 484) were outstanding at year-end.

### **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 are reflected at N\$ 2 526 755 for 2011 and N\$ 2 480 553 for 2010 in the annual statements.

## **26. SALE OF ERVEN**

No sale or erven register was kept at the Village Council, therefore the auditors could not determine if any erven was sold during the year under review.

## **27. PROPERTY SOLD ON INSTALLMENT BASIS**

No details of houses that were sold on an instalment basis during the year under review could be provided.

## **28. TARIFF ADJUSTMENTS**

Tariff adjustments were not in accordance with the relevant Official Government Gazette.

## **29. SPECIAL INVESTIGATIONS**

Due to the lack of internal control, no comment regarding expenses is presented.

## **30. GENERAL**

### **30.1 Internal controls**

The accounting and internal controls were found to be inadequate. Proper segregation of duties is not feasible due to the small number of staff employed. While increased management involvement reduces risks, the risk arises that management and Council override existing controls, a potentially dangerous practice, which Council should vigilantly guard against.

## **31. FORMAL AND INFORMAL QUERIES**

Formal queries are embodied in this report.

Informal queries addressed to the Town Clerk consist of:

- \* Statutory matters - Annual financial statements
- \* Special funds and capital outlay
- \* Liabilities
- \* Fixed assets

- \* Inventories
- \* Accounts receivable
- \* Payroll
- \* Cash and bank
- \* Revenue / income services
- \* General - Segregation of duties
  - Financial statements composed to computerized system
  - Reconciliations

## 32. DISCLAIMED AUDIT OPINION

The accounts of the Bethanie Village Council for the financial year ended 30 June 2011, summarized in Annexure A to D, were audited by me in terms of provisions of Section 85 of the Local Authorities Act, 1992 read with Section 25(1) of the State Finance Act, 1991.

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

- \* The auditors noted that figures of balances and transactions on the Finstel trial balance did not agree with those stated in the annual financial statements.
- \* Provision for bad debts is understated by N\$ 3 679 875.
- \* Proper control measures lacked within the administration of the Build Together project.
- \* Consumer deposits are inadequate.
- \* The audit revealed that expenses of N\$ 222 664 could not be substantiated by supporting documentation.
- \* Insufficient systems of internal controls were employed as well as no proper accounting records were kept at the Village Council.
- \* A fixed assets register was maintained during the year ended 30 June 2011. Due to the lack of invoices or any supporting documents, the auditors were unable to satisfy themselves with the journal entries processed by the external consultants for the year ended 30 June 2011. No depreciation was calculated on fixed assets.
- \* Trade creditors with balances totalling to N\$ 1 604 244 could not be confirmed due to a lack of suppliers statements.
- \* A difference of N\$ 185 372 were detected when reconciling the payroll for 2011 and a difference of N\$ 1 507 was found on the PAYE reconciliation, which is due to the Finstel system not updated to the current tax tables.
- \* The Village Council portray a VAT receivable balance of N\$ 381 035 from Inland Revenue. The auditors reconciliation of the VAT control account against the VAT returns submitted revealed a difference of N\$ 149 864.
- \* The audit revealed a material difference of N\$ 2 940 965 relating to an amount received from the line Ministry and the amount disclosed in the financial statements.
- \* Numerous Village Council staff members and councillors' current accounts were in arrears by N\$ 12 065 at year-end. A debt of N\$ 11 656 of a Councillor was found but was not recorded in the annual financial statements.

- \* There was no proper valuation of livestock with a book value of N\$ 326 500 for the year under review.
- \* The General Capital Account reveals a material audit difference of N\$ 4 438 000, which is the Build Together loans during the year that was disclosed under the General Capital Account instead of the Build Together Fund account which amount to N\$ 783 001 and Government subsidies of N\$ 3 654 999 which were not posted to the income account, but disclosed under general capital account.
- \* There was no register kept for the sale of erven.

**WINDHOEK, September 2012**

**JUNIAS ETUNA KANDJEKE  
AUDITOR-GENERAL**

## VILLAGE COUNCIL OF BETHANIE

## BALANCE SHEET ON 30 JUNE

	<b>Notes</b>	<b>2011</b>	<b>2010</b>
		N\$	N\$
<b>ASSETS</b>			
<b>Non-current assets</b>		15 049 402	11 408 863
Property, plant and equipment	3	14 461 709	10 379 274
Investments	4	587 693	1 029 589
<b>Current assets</b>		7 881 279	6 101 053
Accounts receivable	5	7 290 212	5 760 154
Inventories - livestock	8	326 500	205 200
Cash and cash equivalents	9	264 567	135 699
<b>TOTAL ASSETS</b>		<b>22 930 681</b>	<b>17 509 916</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Funds</b>		18 847 172	14 146 276
Capital outlay	2.1	14 504 428	10 055 791
Funds and accounts	2	4 342 744	4 090 485
<b>Non-current liabilities</b>			
Long-term liabilities	7	312 846	323 483
<b>Current liabilities</b>			
Accounts payable	6	3 770 663	3 040 157
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>22 930 681</b>	<b>17 509 916</b>

## VILLAGE COUNCIL OF BETHANIE

## INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE

	<u>Notes</u>	<u>2011</u>	<u>2010</u>
		N\$	N\$
INCOME		7 075 603	6 671 199
EXPENDITURE		<u>(5 896 418)</u>	<u>(6 324 052)</u>
NET OPERATING PROFIT / (LOSS)		1 179 185	347 147
INVESTMENT INTEREST EARNED		<u>12 962</u>	<u>3 924</u>
NET PROFIT	2	1 192 147	351 071
ADJUSTMENTS	10	(1 015 175)	153 411
NET PROFIT for the year		<u>176 972</u>	<u>504 482</u>
APPROPRIATION ACCOUNT AT THE BEGINNING OF THE YEAR		<u>(245 072)</u>	<u>(749 554)</u>
APPROPRIATION ACCOUNT AT THE END OF THE YEAR		<u><b>(68 100)</b></u>	<u><b>(245 072)</b></u>



## VILLAGE COUNCIL OF BETHANIE

## CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE

	Notes	2011	2010
		N\$	N\$
Cash receipts from customers	A	164 010	6 671 199
Cash paid to suppliers	B	(920 852)	(8 141 226)
<i>Cash (utilised)/generated by operations</i>	11	(756 842)	(1 470 027)
Investment income		12 962	3 924
		4 523 926	1 150 139
Increase in funds accounts		75 289	119 594
Increase in capital outlay		4 448 637	1 030 545
<i>Net cash flow from operating activities</i>		3 780 045	(315 964)
<i>CASH FLOW FROM INVESTING ACTIVITIES</i>		(3 640 539)	338 814
Net capital expenditure		(4 082 435)	(1 021 721)
Decrease / (increase) in investments		441 896	1 360 535
<i>CASH FLOW FROM FINANCING ACTIVITIES</i>		(10 637)	(8 824)
Decrease in long-term loans		(10 637)	(8 824)
<i>NET INCREASE IN CASH AND CASH EQUIVALENTS</i>		128 870	14 026
Cash and cash equivalents at the beginning of the year		135 699	121 673
Cash and cash equivalents at the end of the year		<b>264 567</b>	<b>135 699</b>

## VILLAGE COUNCIL OF BETHANIE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS AT 30 JUNE

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**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 calculated 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 estimation recoverable amount, the assets or cash generating units are written down to their recoverable.

**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 Fixed Property Fund**

Proceeds from the sale of land that has been developed by the Town Council accumulates in this Fund. Cost incurred on the development of land is charged to this Fund.

No sale of erven was recorded in the annual financial statements.

**1.5 Housing Fund**

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

**1.6 Capital Reserve Fund**

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

## VILLAGE COUNCIL OF BETHANIE

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS AT 30 JUNE (continued)

	<b>2011</b>	<b>2010</b>
	N\$	N\$
<b>2. OWN FUNDS</b>		
<b>2.1 Capital outlay:</b>		
Contribution from:	14 504 428	10 055 791
Loans redeemed	85 754	75 117
Revenue contributions	7 465 197	7 465 197
General capital contributions	6 953 477	2 515 477
<b>2.2 Funds</b>	4 342 744	4 090 485
Capital Reserve Fund	1 327 266	1 327 266
Built Together Fund	3 083 580	3 008 291
Accumulated (deficit)	(68 101)	(245 072)
<b>TOTAL FUNDS</b>	<b>18 847 172</b>	<b>14 146 276</b>
<b>3. FIXED ASSETS</b>		
Infrastructure, land and buildings, motor vehicles, office equipment, furniture and fittings and computer equipment.	<b>14 461 709</b>	<b>10 379 274</b>
Financed from:		
Revenue account	14 461 709	10 379 274
<b>4. INVESTMENTS</b>	<b>14 461 709</b>	<b>10 379 274</b>
Commercial banks	587 693	1 029 589
	<b>587 693</b>	<b>1 029 589</b>
Comprising of:		
Capital Reserve Fund	325 112	501 850
Build Together Fund	262 581	527 739
	<b>587 693</b>	<b>1 029 589</b>

## VILLAGE COUNCIL OF BETHANIE

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS AT 30 JUNE (continued)

	<b>2011</b>	<b>2010</b>
	N\$	N\$
<b>5. ACCOUNTS RECEIVABLE</b>		
Services	4 948 177	3 846 676
Consumer deposits	(12 679)	(13 999)
Built Together advances	2 526 755	2 480 553
Other	381 035	-
Less: Provision for bad debts	(553 076)	(553 076)
	<b>7 290 212</b>	<b>5 760 154</b>
<b>6. ACCOUNTS PAYABLES</b>		
Trade payables	2 052 274	1 464 947
Provisions	101 314	101 314
Arrear instalments on Government loans	1 240 132	1 198 259
Outstanding cheques	376 943	275 637
	<b>3 770 663</b>	<b>3 040 157</b>
<b>7. LONG-TERM LIABILITIES</b>		
External loans	312 846	323 483
	<b>312 846</b>	<b>323 483</b>
<b>8. INVENTORIES</b>		
Livestock	326 500	205 200
	<b>326 500</b>	<b>205 200</b>
<b>9. CASH AND BANK BALANCES</b>		
Current bank account	(112 376)	(141 438)
Outstanding cheques transferred to creditors	376 943	275 637
Petty cash	-	1 500
	<b>264 567</b>	<b>135 699</b>

## VILLAGE COUNCIL OF BETHANIE

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS AT 30 JUNE (continued)

	<u>2011</u>	<u>2010</u>
	N\$	N\$
<b>10. ADJUSTMENTS AND UTILIZATIONS</b>		
Prior year adjustments	(1 015 175)	153 411
VAT received	-	-
	<u>(1 015 175)</u>	<u>153 411</u>
<b>11. CASH UTILISED BY OPERATIONS</b>		
A. Cash generated / (absorbed) by operations		
Net profit / (loss) before investment interest and adjustments.	1 179 185	347 147
Adjustment on appropriation account	(1 015 175)	153 410
Investment income	-	-
	<u>164 010</u>	<u>500 556</u>
OPERATING INCOME BEFORE CHANGES IN WORKING CAPITAL	<u>164 010</u>	<u>500 556</u>
B. Utilized to increase working capital		
(Increase) in accounts receivable	(1 530 058)	(2 347 979)
(Increase) in inventories	(121 300)	(68 850)
Increase in accounts payable	730 506	446 244
	<u>(920 852)</u>	<u>(1 970 585)</u>
CASH (UTILISED) / GENERATED BY OPERATIONS	<u>(756 842)</u>	<u>(1 470 029)</u>