



**REPUBLIC OF NAMIBIA**



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

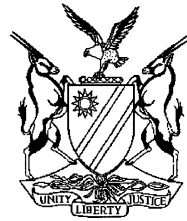
# **VILLAGE COUNCIL OF ARANOS**

**FOR THE FINANCIAL YEARS ENDED 30 JUNE 2005 & 2006**

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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 Aranos for the financial years ended 30 June 2005 and 2006, 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, October 2008**

**JUNIAS ETUNA KANDJEKE  
AUDITOR-GENERAL**

**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE  
VILLAGE COUNCIL OF ARANOS  
FOR THE FINANCIAL YEARS ENDED 30 JUNE 2005 AND 2006**

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**1. INTRODUCTION**

The accounts of the Village Council of Aranos for the years ended 30 June 2005 and 2006 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 PKF, previously known as NC Tromp & Co., 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 Namibian 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 signed on 21 February 2008 instead of three months after the 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 sheets at Annexure A are a true reflection of the original signed by the Accounting Officer.

The financial statements also include:

- Annexure B: Abridged income statements
- Annexure C: Cash flow statements
- 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 controls 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 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 judgement, 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 controls 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 controls. 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 Internal controls and accounting records**

There were no sufficient systems of internal controls and proper accounting records at the Village Council on which the auditors could rely upon for audit purposes.

##### **4.2 Property, plant and equipment**

###### **2006**

There was no updated asset register available at the Village Council, consequently no tests could be performed by the auditors to verify existence, completeness, accuracy and valuation of fixed assets.

###### **2005**

The income assets register balance of N\$ 676 998 is different from the ledger balance of N\$ 614 514 by N\$ 62 482 for the 2004/05 financial year. No audit work could be done because the assets in the asset register have no asset reference numbers.

##### **4.3 Inventories**

No inventories are reflected in the financial statements of the Village Council for the years under review. The auditors were unable to calculate the estimated value due to the poor record keeping at the Village Council.

##### **4.4 Investments**

The investments held by commercial banks amounting to N\$ 670 259 on 30 June 2006 do not agree with the ledger balance of N\$ 825 570. The Village Council could not avail supporting documentation to the auditors for the difference. The difference should be investigated and corrected.

##### **4.5 Trade receivables – Provision for bad debts**

Provision for bad debts has remained the same at N\$ 220 880 since 2001 despite the increase in trade receivables above 120 days. 69% of the trade receivables are above 120 days and owe the Council a total of N\$ 1 057 281 on 30 June 2006 and N\$ 741 705 on 30 June 2005 (2004: N\$ 55 786).

The auditors estimated the underprovision of bad debts as N\$ 836 401: 2006 and N\$ 520 826: 2005.

##### **4.6 Consumer deposits**

###### **2006**

The consumer deposits held by the Village Council do not cover one month's consumption of the consumers.

**2005**

No list for consumer deposits was available at the Village Council. The ledger balance of consumer deposits of N\$ 15 262 differs from the financial statement balance of N\$ 11 320. The difference must be investigated and corrected.

**4.7 Trade and other payables**

Reconciliations of trade and other payables were not available for audit purposes. The auditors were thus unable to verify the accuracy and completeness of trade and other payables.

Included in provisions is leave pay amounting to N\$ 37 158 on 30 June 2006. The Council does not maintain a leave pay schedule. The leave pay provision is understated by N\$ 49 666.

Provision for audit fees in the financial statements is not sufficient.

**4.8 External loans**

External loans are, as in previous years, not repaid. In addition, no provision was made in the 2005/06 financial statements for interest charges amounting to N\$ 135 000.

**4.9 VAT**

The VAT ledger balances of N\$ 10 921 (2006) and N\$ 43 934 (2005) do not agree with the balance submitted by the Receiver of Revenue. The statements from the Receiver of Revenue include interest and penalties that were levied for late payments of VAT. These were not recorded in the ledger.

**4.10 Build Together Fund receivables**

The ledger balance of N\$ 285 331 differs from the listing balance of N\$ 704 000 by N\$ 418 669 for the 2004/05 financial year. The ledger amount and listing amount must be reconciled.

**5. ACKNOWLEDGEMENT**

The assistance and co-operation by the staff of the Village Council 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:

	<b>Revenue</b>	<b>Expenditure</b>	<b>Surplus/ (deficit)</b>	<b>Balance</b>
	N\$	N\$	N\$	N\$
Accumulated deficit 01/07/2005				(364 590)
General accounts				
- Non-profitable	1 465 960	2 614 231	(1 148 271)	
- Self-supporting	608 231	229 199	379 032	
Trade accounts				
- Water	1 213 346	856 086	357 260	
- Electricity	1 262 539	685 466	577 073	
Surplus for the year	4 550 076	4 384 982	165 094	165 094
Adjustments and utilizations (See note 10)				(199 496)
				(21 778)
Accumulated deficit 30/06/2006				<b>(221 274)</b>

	<b>Revenue</b>	<b>Expenditure</b>	<b>Surplus/ (deficit)</b>	<b>Balance</b>
	N\$	N\$	N\$	N\$
Accumulated deficit 01/07/2004				(507 448)
General accounts				
- Non-profitable	1 244 873	1 922 811	(677 938)	
- Self-supporting	560 251	360 839	199 412	
Trade accounts				
- Water	1 244 071	973 601	270 470	
- Electricity	885 932	602 702	283 230	
Surplus for the year	3 935 127	3 859 953	75 174	75 174
Adjustments and utilizations (See note 10)				(432 274)
				67 684
Accumulated deficit 30/06/2005				<b>(364 590)</b>

**7. CURRENT BANK ACCOUNT**

	<b>2006</b>	<b>2005</b>	<b>2004</b>
	N\$	N\$	N\$
Favourable cash-book balance at 30 June	251 639	521 301	401 985
Outstanding cheques	74 005	83 233	8 821
Adjustments	15 113	-	2 626
<b>Balance as per bank statement</b>	<b>340 757</b>	<b>604 534</b>	<b>413 431</b>

**8. INVESTMENTS**

The investments as at 30 June were as follows:

<b>Institution</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>
	N\$	N\$	N\$
Commercial Banks and Building Societies	825 570	574 852	379 335
<b>Totals</b>	<b>825 570</b>	<b>574 852</b>	<b>379 335</b>

The investments were allocated as follows:

<b>Allocation</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>
	N\$	N\$	N\$
Housing Fund	75 797	73 797	71 981
Build Together Fund	318 842	281 356	127 032
Revenue	321 148	109 916	70 539
Capital	109 783	109 783	109 783
	<b>825 570</b>	<b>574 852</b>	<b>379 335</b>

**9. FUND ACCOUNTS**

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

## 10. TRADE ACCOUNTS

### 10.1 The results of electricity and water operations were as follows:

	Electricity		Water	
	2006	2005	2006	2005
	N\$	N\$	N\$	N\$
Sales	987 949	657 533	1 202 611	1 232 871
Royalties received	269 562	226 159	-	-
Cost of sales – Bulk purchases	(554 066)	(378 363)	(773 808)	(868 361)
Gross profit	703 445	505 329	428 803	364 510
Net expenditure	(126 372)	(222 099)	(71 543)	(94 040)
<b>Net surplus</b>	<b>577 073</b>	<b>283 230</b>	<b>357 260</b>	<b>270 470</b>
Gross profit percentages on bulk purchases	127.0%	133.6%	55.4%	42.0%
Net profit percentage on bulk purchases	104.2%	74.9%	46.2%	31.1%

	Electricity		Water	
	2005	2004	2005	2004
	N\$	N\$	N\$	N\$
Sales	657 533	-	1 232 871	1 380 686
Royalties received	226 159	214 475	-	-
Cost of sales – Bulk purchases	(378 363)	-	(868 361)	(823 413)
Gross profit	505 329	214 475	364 510	557 273
Net expenditure	(222 099)	(139 670)	(94 040)	(97 842)
<b>Net surplus</b>	<b>283 230</b>	<b>74 805</b>	<b>270 470</b>	<b>459 431</b>
Gross profit percentages on bulk purchases	133.6%	-	42.0%	67.7%
Net profit percentage on bulk purchases	74.9%	-	31.1%	55.8%

### 10.2 Water distribution results, in cubic meters

No statistics were kept by the Village Council to calculate the distribution losses. Council should implement such control measures to detect unusual losses timeously for immediate action.



## 11. SELF SUPPORTING SERVICES

### 11.1 The results for the years under review are as follows:

	<b>Income 2006</b>	<b>Expenses 2006</b>	<b>Surplus 2006</b>	<b>Surplus 2005</b>
	N\$	N\$	N\$	N\$
Townlands and pound	18 875	1 250	17 625	15 401
Housing	40 773	10 848	29 925	41 072
Decentralised NaTIS	26 767	68 549	(41 782)	19 325
Cleansing services	295 063	31 025	264 038	54 995
Sewerage	226 753	117 527	109 226	68 619
	<b>608 231</b>	<b>229 199</b>	<b>379 032</b>	<b>199 412</b>

	<b>Income 2005</b>	<b>Expenses 2005</b>	<b>Surplus 2005</b>	<b>Surplus 2004</b>
	N\$	N\$	N\$	N\$
Townlands and pound	15 401	-	15 401	62 768
Housing	53 567	12 495	41 072	33 349
Single quarters	-	-	-	-
Decentralised NaTIS	96 379	77 054	19 325	33 701
Cleansing services	191 384	136 389	54 995	190 650
Sewerage	203 520	134 901	68 619	200 733
	<b>560 251</b>	<b>360 839</b>	<b>199 412</b>	<b>521 201</b>

## 12. FRUITLESS, UNAUTHORIZED OR AVOIDABLE EXPENDITURE

No fruitless, unauthorised or avoidable expenditure was revealed during the audit.

## 13. SUSPENSE ACCOUNTS

No documentation or explanations could be provided for a suspense account with a balance of N\$ 8 401 (2004: N\$ 8 401) for the years under review.

## 14. IRREGULARITIES

No irregularities or losses were identified.

## 15. CAPITAL PROJECTS

<b>Nature of projects/ acquisitions</b>	<b>Financed by</b>		<b>Total expenditure 2006</b>	<b>Total expenditure 2005</b>
	<b>Revenue account</b>	<b>Loans</b>		
	N\$	N\$	N\$	N\$
Sewerage	-	-	-	112 500
General administration	125 346	144 886	270 232	-
Electricity	30 408	-	30 408	142 730
	<b>155 754</b>	<b>144 886</b>	<b>300 640</b>	<b>255 230</b>

Nature of projects/ acquisitions	Financed by	Total expenditure 2005	Total expenditure 2004
	Revenue account		
	N\$	N\$	N\$
Sewerage	112 500	112 500	-
Electricity	142 730	142 730	53 043
	<b>255 230</b>	<b>255 230</b>	<b>53 043</b>

**16. BURSARIES**

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

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

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

**18. COMPENSATION PAYMENTS**

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

**19. VISITS TO FOREIGN COUNTRIES**

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

**20. CLAIMS AGAINST THE LOCAL AUTHORITY**

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

**21. GIFTS/DONATIONS BY THE LOCAL AUTHORITY**

Donations amounting to N\$ 6 503: 2006 and N\$ 15 668: 2005 (N\$ 4 220: 2004) were made by the Council during the year.

**22. TRANSFER OF PROPERTY**

No properties were sold and transferred during the year.

**23. TRADE AND OTHER RECEIVABLES/ PAYABLES**

**23.1 Trade and other receivables at 30 June were:**

	2006	2005	2004
	N\$	N\$	N\$
Services, rates and taxes	1 531 757	1 172 547	1 010 737
Build Together Fund receivables	1 235 000	285 331	285 331
Provision for bad debts	(220 880)	(220 880)	(220 880)
<b>Total</b>	<b>2 545 877</b>	<b>1 236 998</b>	<b>1 075 188</b>

Provision for bad debts has remained the same at N\$ 220 880 since 2001 despite the increase in trade receivables. 69% (2006) and 63% (2005) (55%: 2004) of the trade receivables above 120 days owe the Council N\$ 1 057 281 and N\$ 741 705 respectively for the two years under review (2004: N\$ 555 786). The

recoverability of these debtors is doubtful, therefore the auditors are of the opinion that the provision for bad debts in the financial statements is understated.

**23.2 Trade and other payables at 30 June were:**

	<b>2006</b>	<b>2005</b>	<b>2004</b>
	N\$	N\$	N\$
Trade payables	210 456	185 976	126 533
Suspense account	8 401	8 401	8 401
Consumer deposits	16 250	3 942	3 677
Provisions	1 280 848	1 240 984	1 102 403
VAT	10 921	43 934	98 925
<b>Totals</b>	<b>1 526 786</b>	<b>1 483 237</b>	<b>1 339 939</b>

No reconciliations of trade and other payables were available for audit purposes, and the auditors were thus unable to verify the correctness and completeness of trade and other payables.

The provision for VAT payable is overstated on the VAT suspense account.

Included in provisions are Government loans – N\$ 1 193 690: 2006 and N\$ 1 169 807: 2005, Audit fees of N\$ 50 000: 2006 and N\$ 34 500: 2005 and leave pay of N\$ 37 158: 2006 and N\$ 36 677: 2005. The Government loan balance of the 2004-05 financial year does not agree with the listing balance of N\$ 1 310 287. The leave pay provisions and audit fees provision have not moved since 2001. The leave pay provision is understated by N\$ 49 666: 2006 and N\$ 32 059: 2005.

**24. ASSESSMENT RATES**

	<b>2006</b>	<b>2005</b>	<b>2004</b>
	N\$	N\$	N\$
The net proceeds from assessment rates were	229 913	181 740	162 427
Tariffs per N\$1 valuation per annum			
- Land	0.014625	0.1125	0.1125
- Improvements	0.00035919	0.002763	0.002763

**25. LOANS**

**25.1 External loans**

	<b>2006</b>	<b>2005</b>	<b>2004</b>
	N\$	N\$	N\$
The Government of Namibia - Capital section	1 278 985	1 307 094	1 334 152
The Government of Namibia - Housing Fund	2 940	3 194	3 441
Namibia Housing Enterprises	80 829	53 356	79 838
	<b>1 362 754</b>	<b>1 363 644</b>	<b>1 417 431</b>

No repayment schedules of loans were available for audit purposes, and no repayments were done on the loans.

**25.2 Due to the Village Council**

None

**25.3 Loans written off**

None

**26. SALE OF ERVEN**

The Village Council did not maintain a sale of erven register for the years under review.

**27. LOCAL AUTHORITY PROPERTY SOLD ON AN INSTALMENT BASIS**

None

**28. TARIFF ADJUSTMENTS**

There were no tariff adjustments except as reflected by the Government gazette for the years under review.

**29. APPROVALS**

**29.1 Excess on approved budget**

No budget was presented to the auditors for the years under review.

**29.2 Internal loans**

There were no internal loans granted during the years under review.

**29.3 Revenue written off**

No revenue was written off during the years under review.

**30. INVENTORY AND EQUIPMENT**

**30.1 Motor vehicles and values thereof:**

Due to absence of an asset register, this information is not available.

**30.2 Inventory**

No inventory records were available.

**31. SPECIAL INVESTIGATIONS**

No special investigations were performed during the years under review.

**32. GENERAL**

There is not a sufficient system of internal control at the Village Council. 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 Council should vigilantly guard against.

### **33. FORMAL AND INFORMAL QUERIES**

**33.1** Formal queries are embodied in this report.

**33.2** Informal queries presented to the management are as follows:

- **Supporting documentation**  
Some of the supporting documentation to verify the expenses could not be obtained.
- **Pay As You Earn (P.A.Y.E)**  
P.A.Y.E during the 2004/05 financial year was wrongly calculated with some employees earning more than N\$ 24 000 per month not being taxed and others earning less than N\$ 24 000 per month being taxed.
- **Investments**  
No investment register was submitted.

### **34. DISCLAIMED AUDIT OPINION**

The accounts of the Village Council of Aranos for the financial years ended 30 June 2006 and 2005, summarised 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 on the financial statements, results of operations and the cash flows of the Council for the years ended 30 June 2006 and 2005 due to the following reasons:

- Lack of internal control and accounting records.
- The value of property, plant and equipment could not be tested due to the fact that no asset register exists.
- Although inventories exist, these are not disclosed in the balance sheet.
- The amount disclosed as investments could not be verified due to poor recordkeeping.
- The provision for bad debts remained the same but the trade debts increased. The provision is as such materially understated.
- Trade and other payables are not reconciled.
- VAT returns are not reconciled.
- The payroll could not be audited because there is no payroll register.

**WINDHOEK, October 2008**

**JUNIAS ETUNA KANDJEKE  
AUDITOR-GENERAL**

## VILLAGE COUNCIL OF ARANOS

## BALANCE SHEETS AT 30 JUNE

	Notes	2006 N\$	2005 N\$	2004 N\$
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	2	3 388 820	3 993 967	3 543 220
Investments	3	825 570	574 852	379 335
<b>Current assets</b>				
Trade and other receivables	4	2 821 943	1 785 017	1 504 254
Bank and cash	5	2 545 877	1 236 998	1 075 188
		276 066	548 019	429 066
<b>TOTAL ASSETS</b>				
		<b>7 210 763</b>	<b>5 778 984</b>	<b>5 047 474</b>
<b>FUNDS AND LIABILITIES</b>				
<b>Funds and reserves</b>				
Capital outlay	6	4 321 133	2 932 103	2 290 104
Funds and accounts	7	2 313 219	2 168 448	1 859 678
		2 007 914	763 655	430 426
<b>Non-current liabilities</b>				
Long-term liabilities	8	1 362 754	1 363 644	1 417 431
<b>Current liabilities</b>				
Trade and other payables	9	1 526 876	1 483 237	1 339 939
<b>TOTAL FUNDS AND LIABILITIES</b>				
		<b>7 210 763</b>	<b>5 778 984</b>	<b>5 047 474</b>

## VILLAGE COUNCIL OF ARANOS

## INCOME STATEMENTS FOR THE YEARS ENDED 30 JUNE

	Note	2006 N\$	2005 N\$	2004 N\$
INCOME		4 546 600	3 933 021	3 065 453
EXPENDITURE		(4 384 983)	(3 859 953)	(2 943 394)
NET OPERATING INCOME		161 617	73 068	122 059
INVESTMENT INCOME EARNED FOR REVENUE ACCOUNTS		3 477	2 106	14 101
NET SURPLUS FOR THE YEAR		165 094	75 174	136 160
APPROPRIATION ACCOUNT	10	(21 778)	67 684	39 261
		143 316	142 858	175 421
REVENUE ACCOUNT - Beginning of the year		(364 590)	(507 448)	(682 869)
REVENUE ACCOUNT - End of the year		<b>(221 274)</b>	<b>(364 590)</b>	<b>(507 448)</b>

## ANNEXURE C

## VILLAGE COUNCIL OF ARANOS

## CASH FLOW STATEMENTS FOR THE YEARS ENDED 30 JUNE

	Notes	2006 N\$	2005 N\$	2004 N\$
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>				
Cash receipts from customers		4 546 600	3 933 021	3 065 453
Cash paid to suppliers		(5 672 001)	(3 810 781)	(3 171 375)
Cash utilised by operations	11	(1 125 401)	122 240	(105 922)
Investment income		3 477	2 106	14 101
Movement in Fund accounts				
- Fund accounts – Increase/(Decrease)		1 100 943	190 371	(83 461)
- Capital outlay – Increase		144 771	308 770	106 211
Net cash flow from operating activities		123 790	623 487	(69 071)
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>				
Net capital expenditure		(144 135)	(255 230)	(53 044)
Change in investments		(250 718)	(195 517)	209 152
		(394 853)	(450 747)	156 108
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>				
Change in long-term loans		(890)	(53 787)	(53 166)
		(890)	(53 787)	(53 166)
<b>NET MOVEMENT IN CASH AND CASH EQUIVALENTS</b>				
		(271 953)	118 953	33 871
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF THE YEAR</b>				
		548 019	429 066	395 195
<b>CASH AND CASH EQUIVALENTS - END OF THE YEAR</b>				
	5	<b>276 066</b>	<b>548 019</b>	<b>429 066</b>



VILLAGE COUNCIL OF ARANOS

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED 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 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 marked 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 ARANOS

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

	<b>2006</b>	<b>2005</b>	<b>2004</b>
	N\$	N\$	N\$
<b>2. PROPERTY, PLANT AND EQUIPMENT</b>			
Property development, vehicles, plant and equipment	3 563 250	3 419 115	3 163 885
Total	<b>3 563 250</b>	<b>3 419 115</b>	<b>3 163 885</b>
<b>3. INVESTMENTS</b>			
Commercial banks and building societies	825 570	574 852	379 335
Total	<b>825 570</b>	<b>574 852</b>	<b>379 335</b>
The investments were allocated as follows:			
Housing Fund	75 798	73 797	71 981
Build Together Fund	318 841	281 356	127 032
Revenue	321 148	109 916	70 539
Capital	109 783	109 783	109 783
Total	<b>825 570</b>	<b>574 852</b>	<b>379 335</b>
<b>4. TRADE AND OTHER RECEIVABLES</b>			
Services, rates and taxes	1 531 757	1 172 547	1 010 737
Build Together Fund receivables	1 235 000	285 331	285 331
Provision for bad debts	(220 880)	(220 880)	(220 880)
	<b>2 545 877</b>	<b>1 236 998</b>	<b>1 075 188</b>
<b>5. CASH AND BANK BALANCES</b>			
Current bank account	251 638	521 301	404 385
Build Together Fund current account	17 638	26 718	22 133
Petty cash	6 790	-	2 548
	<b>276 066</b>	<b>548 019</b>	<b>429 066</b>
<b>6. CAPITAL OUTLAY</b>			
Loans redeemed	239 478	211 369	211 256
Revenue contributions	731 176	614 514	305 857
General Capital contributions	1 342 565	1 342 565	1 342 565
	<b>2 313 219</b>	<b>2 168 448</b>	<b>1 859 678</b>

## VILLAGE COUNCIL OF ARANOS

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

	<b>2006</b>	<b>2005</b>	<b>2004</b>
	N\$	N\$	N\$
<b>7. FUNDS AND ACCOUNTS</b>			
Fixed Property Fund	419 957	344 777	240 569
Capital Reserve fund	95 969	93 027	90 330
Build Together Fund	1 640 404	619 838	538 435
Housing Fund	72 858	70 603	68 540
Revenue account kept in compliance with Section 86(1) of the Local Authorities Act, 1992.	(221 274)	(364 590)	(507 448)
	<b>2 007 914</b>	<b>763 655</b>	<b>430 426</b>
<b>8. LONG-TERM LIABILITIES</b>			
The Government of Namibia - Capital section	1 278 985	1 307 094	1 334 152
The Government of Namibia - Housing Fund	2 940	3 194	3 441
Namibia Housing Enterprises	80 829	53 356	79 838
	<b>1 362 754</b>	<b>1 363 644</b>	<b>1 417 431</b>
<b>9. TRADE AND OTHER PAYABLES</b>			
Trade payables	210 456	185 976	126 533
Suspense account	8 401	8 401	8 401
Consumer deposits	16 250	3 942	3 677
Provisions	1 280 848	1 240 984	1 102 403
VAT	10 921	43 934	98 925
	<b>1 526 876</b>	<b>1 483 237</b>	<b>1 339 939</b>
<b>10. ADJUSTMENTS TO APPROPRIATION ACCOUNT</b>			
Prior year adjustments	(21 778)	67 684	39 261
	<b>(21 778)</b>	<b>67 684</b>	<b>39 261</b>

## VILLAGE COUNCIL OF ARANOS

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

	<b>2006</b>	<b>2005</b>	<b>2004</b>
	N\$	N\$	N\$
<b>11. CASH UTILISED BY OPERATIONS</b>			
NET SURPLUS BEFORE TRANSFERS	165 094	75 174	136 160
ADJUSTMENTS FOR:			
- Adjustments to appropriation account	(21 778)	67 684	39 261
- Investment income	(3 477)	(2 106)	(14 101)
OPERATING INCOME BEFORE CHANGES IN WORKING CAPITAL	139 839	140 752	161 320
CHANGES IN WORKING CAPITAL			
Trade and other receivables	(1 308 879)	(161 810)	(325 826)
Trade and other payables	43 639	143 298	58 584
	(1 265 240)	(18 512)	(267 242)
<b>CASH UTILISED BY OPERATIONS</b>	<b>(1 125 401)</b>	<b>122 240</b>	<b>(105 922)</b>