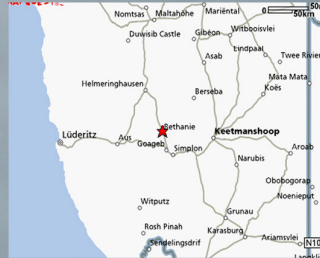




**REPUBLIC OF NAMIBIA**



**AUDIT REPORT ON THE ACCOUNTS OF THE**

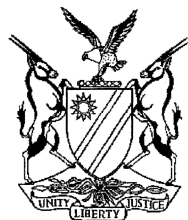
# **VILLAGE COUNCIL OF KOËS**

**FOR THE FINANCIAL YEARS ENDED 30 JUNE 2006, 2007 AND 2008**

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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 Koës for the financial years ended 30 June 2006, 2007 and 2008, 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, May 2010**

**JUNIAS ETUNA KANDJEKE  
AUDITOR-GENERAL**

**REPORT OF THE AUDITOR - GENERAL ON THE ACCOUNTS OF THE  
VILLAGE COUNCIL OF KOËS  
FOR THE FINANCIAL YEARS ENDED: 30 June 2006, 2007 and 2008**

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**1. INTRODUCTION**

The accounts of the Village Council of Koës for the years ended 30 June 2006, 30 June 2007 and 30 June 2008 are being reported on in accordance with the provisions set out in the State Financial Act, 1991 (Act 31 of 1991) and the Local Authorities Act, 1992 (Act 23 of 1992).

The firm PKF (Namibia) of Windhoek has been appointed in term 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 finalised and signed during June 2009 instead of six 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 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**

The accounting officer of the Village Council is responsible for the preparation of the financial statements and for ensuring the regularity of the financial transactions. 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 audit as carried out by the said firm, included:

- a) Examination on a test basis of the evidence relevant to the amounts, disclosure and regularity of financial transactions included in the financial statements;
- b) assessment of the significant estimates and judgments made by the Accounting Officer of the Village Council in the preparation of the financial statements and of whether the accounting policies are appropriate to the Village Council's circumstances, consistently applied and adequately disclosed; and
- c) evaluation of the overall adequacy of the presentation of information in the financial statements.

The audit was planned and performed so as to obtain all the information and explanation considered necessary to provide sufficient evidence to give reasonable assurance that:

- The financial statements are free from material misstatement, whether caused by error, fraud or other irregularity;
- in all material respects, the expenditure and income have been applied to purposes intended and

- the financial transactions conform to the authorities which govern them.

**4. AUDIT OBSERVATION AND COMMENTS**

**4.1 Internal control and accounting records**

The system of internal control at the Village Council was not sufficient for the auditors to rely upon for audit purposes.

**4.2 Property, plant and equipment**

**Asset register**

No asset register was available for 2006 while the printout for 2007 deals with assets per department and not with specific assets. A printout of fixed assets for 2008 was made available to the auditors but contain the following inaccuracies:

- The assets register differs with the general ledger by N\$ 67 627;
- The assets register contains an item referred to as unidentified assets in the amount of N\$ 659 829;
- and
- Erf 61 is reflected as an asset of the municipality while it does not belong to the municipality.

Depreciation has been calculated for 2007 and 2008 but not for 2006.

The auditors found that the debits in the income statement in respect of capital expenditure incurred differs considerably from the additions to fixed assets per capital statement attributed to contributions from revenue. For 2006 this is applicable to general administration, cleansing, sewerage, parks, townlands, water and electricity. In total the contribution from revenue per income statement is N\$ 388 825 while the capital statement reflects N\$ 219 601. A major difference is in respect of water where the following figures are reflected:

	N\$
Income statement	153 894
Capital statement	1 889

The same relates for 2008 where the contribution to capital expenditure per general administration income statement amounts to N\$ 447 741 and per capital statement to N\$ 216 321.

The audit tests regarding documentation for additions to fixed assets for 2008 revealed that supporting documentation for additions in the amount of N\$ 397 769 could not be provided to the auditors.

**4.3 Bank reconciliations**

**Current bank account**

Bank reconciliations were made available to the auditors for 2008 and 2007 but it appears that the bank reconciliation for 2006 has either not been done or else is not available.

It further appears that the bank reconciliations for 2008 and 2007 contain a number of items which require urgent attention, being either old outstanding cheques which should be reversed or else direct deposits which have not been dealt with in the accounting records of Council. Such deposits for 2008 amounted to N\$ 170 711.

The 2008 bank reconciliation contains a number of refer to drawer items which may require the attention of Council. It appears that the bank reconciliation does not receive the attention that it requires for clearing and proper accounting in the records.

#### 4.4 Inventories

No list for inventories could be provided to the auditors. The auditors were thus unable to satisfy themselves to the correctness and valuation of the inventory on hand.

The following balances are reflected in the accounts:

	2008	2007	2006	2005
	N\$	N\$	N\$	N\$
Stores	11 921	Nil	11 921	5 914

#### 4.5 VAT control account

It appears that the VAT control of Council has not been reconciled for the years 2006 and 2007 and 2008. It appears that import VAT returns have not been submitted for a considerable period.

#### 4.6 Provision for Leave Fund

It appears that the financial statements differ from the calculation of leave, as follows:

	2008	2006
	N\$	N\$
Provision per calculation	79 385	55 204
Provision per financial statement	97 950	33 497

It appears that in respect of certain employees, leave days in excess of 80 days are outstanding. Council must establish whether this is in line with legislation.

#### 4.7 Investments

The general ledger for 2006 differs from the investments verified by the auditors. According to general ledger this should have amounted to N\$68 200 while the auditors could only verify N\$59 054.

#### 4.8 Housing fund advances

Lists could not be provided for any of the 3 years under audit. These advances were as follows:

	2008	2007	2006	2005
	N\$	N\$	N\$	N\$
Balances per general ledger	*1 433	132 004	132 383	233 776

\* According to the trial balance of the Council, Housing Fund debtors at year-end amounted to N\$ 233 776 but according to the financial statements submitted to this Office it was only N\$ 1 433. The difference of N\$ 232 343 could not be explained by the Council.

#### 4.9 Trade receivables

Non-performance on this balance sheet item continues to place considerable pressure on the cash flow of Council. The average collection period of trade receivables at 30 June 2008 was calculated to be 268 days (2005: 304 days) and Council raised a provision for bad debts in the amount of N\$ 817 985 for those debtors exceeding 120 days, being 61 % of total outstanding amounts.

## 5. ACKNOWLEDGEMENT

The assistance and co-operation by the staff of the Koës 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>Expendi- ture</b>	<b>Surplus/ (Deficit)</b>	<b>Balance</b>
	N\$	N\$	N\$	N\$
Accumulated deficit 01/07/2007				119 747
General accounts				
– Non-profitable	1 508 160	2 125 531	(617 371)	
– Self-supporting	315 611	505 789	(190 178)	
Trade accounts				
– Water	543 236	315 391	227 845	
– Electricity	840 326	446 623	393 703	
	3 207 333	3 393 334	186 001	
Deficit for the year				(186 001)
Adjustments and utilizations (Note 10, Annexure D)				(833 647)
Accumulated deficit 30-06- 2008				<b>(899 901)</b>

	<b>Revenue</b>	<b>Expendi- diture</b>	<b>Surplus/ (Deficit)</b>	<b>Balance</b>
	N\$	N\$	N\$	N\$
Accumulated deficit 01/07/2006				(108 965)
General accounts				
– Non-profitable	1 107 068	1 305 682	(198 614)	
– Self-supporting	246 097	408 364	(162 267)	
Trade accounts				
– Water	405 324	308 286	97 038	
– Electricity	660 406	441 068	219 338	
	2 418 895	2 463 400	(44 505)	
Deficit for the year				(44 505)
Adjustments and utilizations (Note 10, Annexure D)				273 217
Accumulated deficit 30-06- 2007				<b>119 747</b>

	<b>Revenue</b>	<b>Expendi- ture</b>	<b>Surplus/ (Deficit)</b>	<b>Balance</b>
	N\$	N\$	N\$	N\$
Accumulated deficit 01/07/2005				(27 274)
General accounts				
– Non-profitable	1 216 846	1 284 624	(67 778)	
– Self-supporting	190 138	261 883	(71 745)	
Trade accounts				
– Water	324 311	532 221	(207 910)	
– Electricity	675 650	422 174	253 476	
	<b>2 406 945</b>	<b>2 500 902</b>	<b>(93 957)</b>	
Deficit of the year				(93 957)
Adjustments and utilisations				12 266
Accumulated deficit 30-06- 2006				<b>(108 965)</b>

## 7. CURRENT BANK ACCOUNT

	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>
	N\$	N\$	N\$	N\$
The records reflect the following balances at year-end:				
Balance per cash book	(302 000)	(66 529)	(277 205)	(580 896)
Outstanding items	341 327	91 648	-	-
Balance per bank statement	<b>39 327</b>	<b>25 119</b>	<b>*66 742</b>	<b>71 799</b>

\* No bank reconciliation could be obtained to ascertain the correctness in the movement between the cash-book and the bank statement balance.

## 8. INVESTMENTS

On 30 June the investments were as follows:

	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>
	N\$	N\$	N\$	N\$
Banking institutions	787 091	754 437	*68 200	54 192

The investments were allocated as follows between the funds:

	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>
	N\$	N\$	N\$	N\$
Housing Fund	-	24 235	34 703	54 192
Leave Reserve Fund	51 925	-	33 497	-
Capital reserve Fund	-	1 397	-	-
Build Together Housing Fund	735 166	728 805	-	-
Total	<b>787 091</b>	<b>754 437</b>	<b>*68 200</b>	<b>54 192</b>

\* The auditors could only verify N\$ 59 054. The difference of N\$ 9 146 could not be explained by the Council.

## 9. FUND ACCOUNT

The position of the Funds and accounts at year-end was as shown in note 7 in Annexure D.

## 10. TRADE ACCOUNTS

### 10.1 The results of operations were as follows:

	Electricity		Electricity	
	2008	2007	2006	2005
	N\$	N\$	N\$	N\$
Sales	820 558	652 137	642 042	627 162
Bulk purchases	(331 256)	(366 364)	(285 606)	(233 478)
Gross profit	489 302	285 773	356 436	393 684
Net (expenditure)	(95 599)	(66 435)	(102 960)	(125 041)
<b>Net profit</b>	<b>393 703</b>	<b>219 338</b>	<b>253 476</b>	<b>268 643</b>
Gross profit percentage on bulk purchases	147.7%	78%	124.8%	168.6%
Net profit percentage on bulk purchases	118.9%	59.9 %	88.8%	115.1%
Gross profit percentages on sales	59.6%	43.8%	55.5%	62.8%
Net profit percentage on sales	47.8%	33.6%	39.5%	42.8%

	Water		Water	
	2008	2007	2006	2005
	N\$	N\$	N\$	N\$
Sales	541 376	401 724	321 341	349 498
Bulk purchases	(191 934)	(181 266)	(275 921)	(293 151)
Gross profit	349 442	220 458	45 420	56 347
Net (expenditure)	(121 597)	(123 420)	(253 330)	(101 249)
<b>Net profit/(loss)</b>	<b>227 845</b>	<b>97 038</b>	<b>(207 910)</b>	<b>(44 902)</b>
Gross profit percentage on bulk purchases	182.1%	121.6%	16.5%	19.2%
Net profit/(loss) percentage on bulk purchases	118.7%	53.5%	(75.4%)	(15.3%)
Gross profit percentages on sales	64.5%	54.9%	14.1%	16.1%
Net profit/(loss) percentage on sales	42.1%	24.1%	(64.7%)	(12.8%)

### 10.2 Distribution results were as follows:

No statistics were kept by the Village Council to calculate the distribution losses. Council must ensure that the accounts payable of Namwater and Nampower be recorded at year-end in order to make these statistics a worthwhile calculation.



**11. SELF SUPPORTING SERVICES**

**11.1 The result for the year under review is as follows (losses in brackets):**

	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>
	N\$	N\$	N\$	N\$
Cleaning services	(167 285)	(101 557)	(60 258)	(60 630)
Sewerage	22 449	8 204	26 606	50 855
Townlands	(45 342)	(68 914)	(38 093)	18 836
(Deficit) /surplus for the year	<b>(190 178)</b>	<b>(162 267)</b>	<b>(71 745)</b>	<b>9 061</b>

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

The auditors did not find any of the above through their audit tests.

**13. SUSPENSE ACCOUNTS**

There are no suspense accounts which are not reconciled.

**14. IRREGULARITIES AND LOSSES**

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

**15. CAPITAL PROJECTS**

**Financing of assets**

The expenditure on fixed assets per income statement differs considerably from additions per capital statement and reliable figures in this regard are not available.

Council should ensure that assets financed through the income statement, should be properly recorded as capital outlay.

**16. BURSARIES**

No bursaries were allocated during the period under audit.

**17. CONTRIBUTIONS, GRANTS AND FINANCIAL AID RECEIVED FROM GOVERNMENT**

	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>
	N\$	N\$	N\$	N\$
Contribution	1 200 000	920 000	1 000 000	761 000

**18. COMPENSATION PAYMENTS**

No compensation payments were made by Council during the period under audit.

**19. VISIT TO FOREIGN COUNTRIES**

No foreign visits were recorded in the financial records for the years under review.

**20. CLAIMS AGAINST THE LOCAL AUTHORITY**

No claims against the local authority could be found during the years under review.

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

No gifts or donations were made by Council.

## 22. TRANSFER OF PROPERTY

Properties were sold in terms of the build together scheme and were properly recorded as sales in the administration section of the income statement.

## 23. TRADE AND OTHER RECEIVABLES

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

	2008	2007	2006	2005
	N\$	N\$	N\$	N\$
Services, rates and taxes	1 339 755	881 548	786 605	840 710
Provision for bad debts	(817 985)	-	-	-
Other debtors	-	-	-	-
Sundry debtors	9 035	-	(6 239)	379 000
<b>Total</b>	<b>530 805</b>	<b>881 548</b>	<b>780 366</b>	<b>1 219 710</b>

### Collection period

Council should attend to the arrears as a matter of urgency as the recoverability of outstanding debts is a serious concern and is a major threat to the cash flow of the Village Council.

### Provision for bad debts

The total trade receivables exceeding 120 days amounts to N\$ 817 985.

### Consumer deposits

The amount for consumer deposits does not cover one month's consumption.

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

	2008	2007	2006	2005
	N\$	N\$	N\$	N\$
Consumer deposits	8 180	7 195	5 820	4 360
VAT payable	-	94 617	142 708	217 153
Other creditors	127 090	19 544	-	6 239
<b>Total</b>	<b>135 270</b>	<b>121 356</b>	<b>148 528</b>	<b>227 752</b>

### Trade payables

No provision for the outstanding accounts of Namwater to the amount of N\$ 216 637 was made in the financial statements at 30 June 2008.

## 24. ASSESSMENT RATES

The correctness of assessment rates levied and collected could not be verified. No documentation regarding the tariffs or the approval thereof was available at the Village Council for 2006 and 2007.

## 25. LOANS

### 25.1 External loans

The balances due to the Government of Namibia were as follows:

	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>
	N\$	N\$	N\$	N\$
Government of Namibia - Other loans	597 433	597 433	636 276	551 846
Government of Namibia - Housing loans	49 802	49 802	49 802	49 802
	<b>647 235</b>	<b>647 235</b>	<b>686 078</b>	<b>601 648</b>

No payments on these loans were made and the repayment schedules were not available for audit purposes.

Arrears are not identified and reflected in the financial statements. These arrears should be reflected under current liabilities.

### 25.2 Internal loans

	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>
	N\$	N\$	N\$	N\$
Balances outstanding on 30 June	-	7 486	15 755	23 327

### 25.3 Due to the Village Council

	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>
	N\$	N\$	N\$	N\$
Housing Fund advances	1 433	132 004	132 383	133 776
Build-together advances	1 305 925	754 412	467 000	-
	<b>1 307 358</b>	<b>886 416</b>	<b>599 383</b>	<b>133 776</b>

### 25.4 Loans written off

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

## 26. SALE OF ERVEN

Properties were sold in terms of the build together scheme and properly recorded as sales in the administration section of the income statement.

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

Properties sold on installment basis have been properly recorded.

## 28. TARIFF ADJUSTMENTS

No approval for tariff adjustments could be provided to the auditors.

## 29. INVENTORY AND EQUIPMENT

### 29.1 Motor vehicle and values thereof:

No asset register is available to gather this information for all the years under review.

### **30. SPECIAL INVESTIGATIONS**

No special investigations in the affairs of Council have been conducted for the years under review.

### **31. GENERAL**

There is an insufficient 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.

### **32. FORMAL AND INFORMAL QUERIES**

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

**32.2** A report has been addressed to the Chief Executive Officer regarding informal queries.

The following issues were raised:

- Lack of control over income.
- Lack of control over expenditure.
- Bank reconciliations not done.
- Property, plant and equipment – No asset register.
- Service debtors not controlled/collected.
- Provision for outstanding accounts not done.
- Results of trade accounts.
- External loans not repaid – Arrear payments not identified and disclosed as current liabilities.
- VAT and P.A.Y.E. issues.

### **33. DISCLAIMED AUDIT OPINION**

The accounts of the Village Council of Koës for the financial years ended 30 June 2006, 30 June 2007 and 30 June 2008, 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.

The statements have been prepared on the basis of accounting practices applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business. Accordingly, these financial statements do not include any adjustments relating to the valuation of assets and the classification of liabilities that might be necessary if the Village Council is unable to continue as a going concern.

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, 2007 and 2008 due to the following reasons:

- The internal control system is not adequate to rely on.
- The assets register was:
  - Not available for 2006;
  - not specific enough for 2007; and
  - was inaccurate for 2008 with unidentified assets to the value of N\$ 659 829.
- Capital expenditure incurred from revenue differ with the capital statements of the Council.
- Bank reconciliations for 2006 was not available.
- Bank reconciliations for 2007 and 2008 identified items that should be cleared and be properly accounted for.

- No list of inventories could be provided.
- VAT control account has not been reconciled.
- Provision for leave calculated differs from the financial statements.
- Investments for 2006 disclosed in the financial statements and those verified by the auditors differ with N\$ 9 146.
- A difference of N\$ 232 343 on housing fund advances could not be explained by the Council.

**Windhoek, May 2010**

**JUNIAS ETUNA KANDJEKE  
AUDITOR-GENERAL**

## VILLAGE COUNCIL OF KOËS

## BALANCE SHEETS AT 30 JUNE

	Notes	2008 N\$	2007 N\$	2006 N\$	2005 N\$
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment		4 176 045	3 360 825	2 307 402	1 545 879
Investments	2	2 081 596	1 719 972	1 639 819	1 357 911
Loans receivable	3	787 091	754 437	68 200	54 192
		1 307 358	886 416	599 383	133 776
<b>Current assets</b>					
Trade and other receivables	4	542 757	881 579	800 542	1 233 879
Inventories		530 805	881 548	780 366	1 219 710
Cash and bank balances	5	11 921	-	11 921	5 914
		31	31	8 255	8 255
<b>Total assets</b>		<b>4 718 802</b>	<b>4 242 404</b>	<b>3 107 944</b>	<b>2 779 758</b>
<b>FUNDS AND LIABILITIES</b>					
<b>Funds and reserves</b>					
Capital outlay	6	3 634 277	3 407 263	1 996 133	1 369 462
Funds and accounts	7	1 571 522	1 200 752	1 073 486	868 436
		2 062 755	2 206 511	922 647	501 026
<b>Non-current liabilities</b>					
Long-term liabilities	8	647 235	647 235	686 078	601 648
<b>Current liabilities</b>					
Bank overdraft		437 290	187 906	425 733	808 648
Trade and other payables	9	302 020	66 550	277 205	580 896
		135 270	121 356	148 528	227 752
<b>Total funds and liabilities</b>		<b>4 718 802</b>	<b>4 242 404</b>	<b>3 107 944</b>	<b>2 779 758</b>

## VILLAGE COUNCIL OF KOËS

## INCOME STATEMENTS FOR THE YEARS ENDED 30 JUNE

	Note	2008	2007	2006	2005
		N\$	N\$	N\$	N\$
Income		3 207 333	2 418 895	2 406 945	2 087 468
Expenditure		(3 393 334)	(2 463 400)	(2 500 902)	(2 199 987)
Net deficit for the year		(186 001)	(44 505)	(93 957)	(112 519)
Appropriation account	10	(833 647)	273 217	12 266	99 578
		(1 019 648)	228 712	(81 691)	(12 941)
Accumulated loss - beginning of year		119 747	(108 965)	(27 274)	(14 333)
Accumulated loss - end of year		<b>(899 901)</b>	<b>119 747</b>	<b>(108 965)</b>	<b>(27 274)</b>

## VILLAGE COUNCIL OF KOËS

## CASH FLOW STATEMENTS FOR THE YEARS ENDED 30 JUNE

	<b>Note</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>
		N\$	N\$	N\$	N\$
<b>Operating activities</b>					
Cash receipts from customers		3 207 333	2 418 895	2 406 945	2 087 468
Cash paid to suppliers		(3 874 245)	(2 306 616)	(2 134 523)	(2 666 076)
Cash utilised by operations	11	(666 912)	112 279	272 422	(578 608)
Movement in fund accounts					
– Fund accounts		875 892	1 055 152	503 312	2 881
– Capital outlay		370 770	127 266	205 050	324 327
Net cash flow from operating activities		579 750	1 294 697	980 784	(251 400)
<b>Investing activities</b>					
Net capital expenditure		(361 624)	(80 153)	(281 908)	(317 394)
Change in investments		(32 654)	(686 237)	(14 008)	(16 253)
Change in loans		(420 942)	(287 033)	(465 607)	28 054
		(815 220)	(1 053 423)	(761 523)	(305 593)
<b>Financing activities</b>					
Change in long-term loans		-	(38 843)	84 430	-
Net movement in cash and cash equivalents		(235 470)	202 431	303 691	(556 993)
Cash and cash equivalents - Beginning of the year		(66 519)	(268 950)	(572 641)	(15 648)
Cash and cash equivalents - End of the year		<b>(301 989)</b>	<b>(66 519)</b>	<b>(268 950)</b>	<b>(572 641)</b>



VILLAGE COUNCIL OF KOËS

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

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**1. Accounting policies**

The annual financial statements set out in Annexures A to C were prepared on the historical cost basis and incorporate the following principal accounting policies, which are consistent in all material aspects with those applied in the previous year.

**1.1 Property, plant and equipment**

Property, plant and equipment are stated at cost, or valuation where assets have been acquired by grant or by donation. No formal depreciation policy on plant and equipment exists, but depreciation was calculated and accounted for during the year under review.

**1.2 Internal Funds**

The following funds were created by the Village Council:

**Capital Reserve Fund**

The purpose of this Fund is to provide for replacement of movable assets.

**Housing Funds**

Housing loans are being paid out of this Fund. Refer sections 30(1)(i) and 57 of the Local Authorities Act.

**Fixed Property Fund**

Proceeds on the sale of property developed by the Village Council accumulate to this Fund. Interest earned on loans for the sale of land as well as interest earned on internal loans and investments accumulate to this Fund, which is used to develop properties.

**Leave Reserve Fund**

This Reserve Fund provides for payment of leave credit as needed and the policy is that the balance available in the Fund should meet the total leave credits as at 30 June each year.

**Build Together Housing Fund**

The purpose of this Fund is to provide loans to applicants who want to build or buy houses with the help of the community. The instalments received for the payment of these loans are reinvested in this Fund.

## VILLAGE COUNCIL OF KOËS

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

	2008	2007	2006	2005
	N\$	N\$	N\$	N\$
<b>2. INVESTMENTS</b>				
Banking institutions	<b>787 091</b>	<b>754 437</b>	<b>68 200</b>	<b>54 192</b>
Housing Fund	-	24 235	34 703	54 1952
Leave Reserve Fund	51 925	-	33 497	-
Capital Reserve Fund	-	1 397	-	-
Build Together Housing Fund	735 166	728 805	-	-
	<b>787 091</b>	<b>754 437</b>	<b>68 200</b>	<b>54 192</b>
<b>3. LOANS RECEIVABLE</b>				
Housing Fund advances	1 433	132 004	132 383	133 776
Build Together advances	1 305 925	754 412	467 000	-
	<b>1 307 358</b>	<b>886 416</b>	<b>599 383</b>	<b>133 776</b>
<b>4. TRADE AND OTHER RECEIVABLES</b>				
Services, rates and taxes	1 339 755	881 548	786 605	840 710
Provision for bad debts	(817 985)	-	-	-
Sundry debtors	-	-	-	379 000
Other debtors	9 035	-	(6 239)	-
	<b>530 805</b>	<b>881 548</b>	<b>780 366</b>	<b>1 219 710</b>
<b>5. CASH AND BANK BALANCES</b>				
Petty cash	31	31	31	31
Current account - Build Together	-	-	8 224	8 224
	<b>31</b>	<b>31</b>	<b>8 255</b>	<b>8 255</b>
<b>6. CAPITAL OUTLAY</b>				
Loans redeemed	237 102	229 617	182 504	148 962
Revenue contributions	1 189 384	826 099	745 946	574 438
General capital contributions	145 036	145 036	145 036	145 036
	<b>1 571 522</b>	<b>1 200 752</b>	<b>1 073 486</b>	<b>868 436</b>

## VILLAGE COUNCIL OF KOËS

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

	2008	2007	2006	2005
	N\$	N\$	N\$	N\$
<b>7. FUNDS AND ACCOUNTS</b>				
Build Together Housing Fund	2 453 790	1 483 217	467 000	-
Leave Reserve Fund	97 950	66 572	33 496	-
Capital Reserve Fund	165 158	165 158	162 519	160 370
Fixed Property Fund	37 319	37 319	37 049	37 049
Housing Fund	208 439	334 498	331 548	330 881
Revenue account kept in compliance with section 86(1) of the Local Authorities Act, 1992.	(899 901)	119 747	(108 965)	(27 274)
	<b>2 062 755</b>	<b>2 206 511</b>	<b>922 647</b>	<b>501 026</b>
<b>8. Long-term liabilities</b>				
Namibian Government - Other loans	597 433	597 433	636 276	551 846
Namibian Government - Housing loans	49 802	49 802	49 802	49 802
	<b>647 235</b>	<b>647 235</b>	<b>686 078</b>	<b>601 648</b>
<b>9. Trade and other payables</b>				
Consumer deposits	8 180	7 195	5 820	4 360
Other creditors	127 090	19 544	-	6 239
VAT control account	-	94 617	142 708	217 153
	<b>135 270</b>	<b>121 356</b>	<b>148 528</b>	<b>227 752</b>
<b>10. Adjustments to appropriation account</b>				
Provision for bad debts	(817 985)	-	-	-
Departmental accounts	-	-	(77 392)	-
Debtor - Grazing fees	-	-	-	27 634
VAT refund (nett)	-	67 027	66 332	65 010
Internal loan adjustment	-	-	-	6 934
Prior year adjustments	(15 662)	206 190	23 326	-
	<b>(833 647)</b>	<b>273 217</b>	<b>12 266</b>	<b>99 578</b>

## VILLAGE COUNCIL OF KOËS

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

	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>
	N\$	N\$	N\$	N\$
<b>11. CASH UTILIZED BY OPERATIONS</b>				
Net operating (deficit) / surplus before transfers	(186 001)	(44 505)	(93 957)	(112 519)
Adjustments for:				
Adjustments to appropriation account	(833 647)	273 217	12 266	99 578
Operating deficit before changes in working capital	(1 019 648)	228 712	(81 691)	(12 941)
Changes in working capital				
(Increase)/decrease - Trade and other receivables	350 743	(101 182)	439 344	(630 255)
(Increase)/decrease - Inventories	(11 921)	11 921	(6 007)	3
Increase/(decrease) - Trade and other payables	13 914	(27 172)	(79 224)	64 585
	<u>352 736</u>	<u>(116 433)</u>	<u>354 113</u>	<u>(565 667)</u>
Cash utilized by operations	<b><u>(666 912)</u></b>	<b><u>112 279</u></b>	<b><u>272 422</u></b>	<b><u>(578 608)</u></b>