



**REPUBLIC OF NAMIBIA**



**AUDIT REPORT ON THE ACCOUNTS OF THE  
VILLAGE COUNCIL OF TSES**

**FOR THE FINANCIAL YEARS ENDED 30 JUNE 2008 & 2009**

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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 Tses for the financial years ended 30 June 2008 and 2009, 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, November 2010**

**JUNIAS ETUNA KANDJEKE  
AUDITOR-GENERAL**

**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE  
VILLAGE COUNCIL OF TSES  
FOR THE FINANCIAL YEARS ENDED 30 JUNE 2008 AND 2009**

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**1. INTRODUCTION**

The accounts of Village Council of Tses for the years ended 30 June 2008 and 2009 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.

**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 submitted during May 2010 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 his Office. The abridged balance sheets at Annexure A are a true reflection of the original signed by the Accounting Officer. The following annexures are also attached to this report:

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 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 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 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**

Items that were also reported in the previous financial year are indicated by way of an asterisk (\*).

##### **4.1 Internal control and accounting records (\*)**

There was no system of internal control at the Village Council on which the auditors could rely upon for audit purposes.

##### **4.2 Property, plant and equipment (\*)**

No asset register was available at the Village Council and therefore no verification of assets relating to the existence, carrying value or completeness could be performed by the auditors.

##### **4.3 Inventories (\*)**

No inventories were disclosed in the financial statements of the Village Council. The auditors were unable to calculate the estimated value of inventories due to poor record keeping at the Village Council. It is again recommended that the Council should develop and implement a system to control and account for the stock of the Council regularly.

##### **4.4 Consumer deposits (\*)**

No list for consumer deposits was available at the Village Council. Therefore the auditors were unable to verify these amounts.

##### **4.5 Salaries and wages (\*)**

Payroll summaries for December 2008 and January 2009 could not be provided by the Council and the auditors were therefore unable to verify the balance as per the financial statements.

There was a material difference of N\$ 85 742 between payroll summaries for the 2007/08 financial year as provided by the Council.

##### **4.6 Investments (\*)**

Investments amounting to N\$ 563 750 held at insurance companies could not be confirmed due to a lack of supporting records. Council should provide evidence that this investment still exist.

##### **4.7 Housing debtors and rentals (\*)**

No supporting documentation could be obtained for housing debtors. The Council could also not provide the auditors with rental agreements for Council properties. It was thus not possible to ascertain the existence, completeness, accuracy and valuation of housing debtors.

##### **4.8 Trade receivables (\*)**

There was a difference of 2009: N\$ 33 841 and 2008: N\$ 66 230 between the balance as per the financial statements and the balance as per the age analysis. No provision was made for doubtful debts. The amounts outstanding for 90 days and longer amounted to 2009: N\$ 1 095 404 and 2008: N\$ 932 015 (2007: N\$ 780 809) as at year-end.

#### 4.9 Losses on sale of water (\*)

The Council continues to incur significant losses on the sale of water.

#### 4.10 Trade payables (\*)

There were material differences of N\$ 1 524 099 between the listing as provided by Council and supplier statements for the 2007/2008 financial year. The auditors could thus not ascertain the existence, completion and accuracy of trade payables.

#### 4.11 Other expenditure (\*)

The following differences were observed between FINSTEL and the financial statements:

##### 2009

<b>Expenses</b>	<b>Finstel</b>	<b>Annual financial statements</b>	<b>Financial Statements (Over) stated</b>
	N\$	N\$	N\$
Insurance	5 000	21 331	(16 331)
Fuel and oil	19 670	29 496	(9 826)
Consulting fees	-	50 000	(50 000)
Bulk water	50 787	294 926	(244 139)
Water reticulation	12 018	30 361	(18 343)

##### 2008

<b>Expenses</b>	<b>Finstel</b>	<b>Annual financial statements</b>	<b>Financial Statements (Over) stated</b>
	N\$	N\$	N\$
Bulk electricity	94 000	580 000	(486 000)
Fuel and oil	6 413	21 883	(15 470)
Consulting fees	-	46 000	(46 000)
Telephone and postage	15 232	21 571	(6 339)
Bulk water	30 000	454 576	(424 576)
Vehicles	18 161	21 589	(3 428)

#### 4.12 Value added tax (\*)

Not all VAT returns submitted for the period were made available to the auditors, and the auditors were thus unable to verify the completeness, valuation, existence and accuracy of the balance as per the financial statements. No reconciliation was available of the VAT balance to the VAT returns or the Receiver of Revenue report. Input and output VAT declared could not be reconciled to the VAT returns.

**The following differences were also noted between the VAT balances as per general ledger and the balances as per Receiver of Revenue**

<b>Financial year</b>	<b>Balance as per General Ledger</b>	<b>Balance as per Receiver of Revenue</b>	<b>Difference</b>
	N\$	N\$	N\$
2009	311 136	2 935 634	2 624 498
2008	110 003	3 500 856	3 390 853

#### 4.13 Water and electricity charges (\*)

The auditors found that consumers were charged wrongly for water and electricity consumption.

#### 4.14 Funds and reserves (\*)

No supporting documentation was available to substantiate the movement in the housing fund. This movements could also not be verified in the previous financial years. The existence, completeness and accuracy of the current balance could thus not be ascertained.

#### 4.15 Other income

No listing could be provided for site rentals and sundry income and thus could not be verified.

### 5. ACKNOWLEDGEMENT

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

### 6. FINANCIAL STATEMENTS

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 deficit 01/07/2008				<b>(614 233)</b>
<b>General accounts</b>				
Non-profitable				
Self-supporting	1 583 281	1 537 791	45 490	
	175 496	46 451	129 045	
<b>Trade accounts</b>				
Water	390 092	427 068	(36 976)	
Electricity	301 893	844 387	(542 494)	
Total deficit for the year	2 450 762	2 855 697	(404 935)	(404 935)
Adjustments and utilizations (See note 9 of Annexure D)				1 057 558
<b>Accumulated surplus 30/06/2009</b>				<b>38 390</b>

	Revenue	Expenditure	Surplus/ (Deficit)	Balance
	N\$	N\$	N\$	N\$
Accumulated surplus 01/07/2007				(259 066)
<b>General accounts</b>				
Non-profitable	1 821 277	1 659 402	161 875	
Self-supporting	83 724	14 271	69 453	
<b>Trade accounts</b>				
Water	344 190	527 414	(183 224)	
Electricity	272 094	749 563	(477 469)	
Total deficit for the year	2 521 285	2 950 650	(429 365)	(429 365)
Adjustments and utilizations (See note 9 of Annexure D)				74 198
<b>Accumulated surplus 30/06/2008</b>				<b>(614 233)</b>

## 7. CURRENT BANK ACCOUNT

The bank statement reflected a favourable balance of 2009: N\$ 3 991 and 2008: N\$ 9 251 (2007: N\$ 2 254). No cheques (2007: N\$ 2 972) were outstanding at year-end. The cash-book reflected a favourable balance of 2009 favourable: N\$ 3 991 and 2008 favourable: N\$ 9 251 (2007: unfavourable N\$ 718) on 30 June 2008.

## 8. INVESTMENTS AND INTEREST PROCEEDS

On 30 June 2008 the following investments were held:

	2009		2008	
	Investment	Interest	Investment	Interest
	N\$	N\$	N\$	N\$
Financial institutions	561 821	16 385	602 551	43 320
Insurance companies	563 750	-	563 750	-
	<b>1 125 571</b>	<b>*16 385</b>	<b>1 166 301</b>	<b>43 320</b>

\* Only N\$ 15 878 could be verified by the auditors.

	2008		2007	
	Investment	Interest	Investment	Interest
	N\$	N\$	N\$	N\$
Financial institutions	602 551	43 320	122 951	22 323
Insurance companies	563 750	-	563 750	-
	<b>1 166 301</b>	<b>43 320</b>	<b>686 701</b>	<b>22 323</b>

Section 80(3) of the Act reads as follows:

*“(3) A local Authority Council may invest any unexpended portion of its funds with a bank registered in terms of the Banks Act, 1965 (Act 23 of 1965), a building society as defined in Section 1 of the Building Society Act, 1986 (Act 2 of 1986), and the Post Office Savings Bank controlled and managed by the Namibia Post Limited established by Section 2 of the Posts and Telecommunications Companies Establishment Act, 1992, or such other financial institution as may be approved by the Minister.”*

The auditors requested proof of the approval by the Minister of all investments held at insurance companies. The Council could not provide such a letter. No supporting documentation could be provided for the investment.

The investments and interest earned were allocated as follows:

	2009		2008	
	Investment	Interest	Investment	Interest
	N\$	N\$	N\$	N\$
Revenue	948 442	16 385	1 162 095	43 265
Housing Fund	177 129	-	4 206	55
	<b>1 125 571</b>	<b>*16 385</b>	<b>1 166 301</b>	<b>43 320</b>

\* Only N\$ 15 878 could be verified by the auditors.

	2008		2007	
	Investment	Interest	Investment	Interest
	N\$	N\$	N\$	N\$
Revenue	1 162 095	43 265	666 601	2 271
Housing Fund	4 206	55	20 100	52
	<b>1 166 301</b>	<b>43 320</b>	<b>686 701</b>	<b>22 383</b>

## 9. FUND ACCOUNTS

The position of the fund accounts at the end of the years is as shown in Note 2 in Annexure D. The cash available to these funds was applied in terms of internal regulations and the unapplied portion was invested.

## 10. TRADE ACCOUNTS

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

	Water		Electricity	
	2009	2008	2009	2008
	N\$	N\$	N\$	N\$
Sales	390 092	344 190	252 85	260 120
Cost of bulk purchases	(294 926)	(454 576)	(437 795)	(580 000)
Gross profit	95 166	(110 386)	(184 944)	(319 880)
Net income/(expenditure)	(132 142)	(72 838)	(357 550)	(157 589)
<b>Net surplus/ (deficit)</b>	<b>(36 976)</b>	<b>(183 224)</b>	<b>(542 494)</b>	<b>(477 469)</b>
Gross profit on bulk purchases	32.27%	(24.28%)	(42.24%)	(55.15%)
Net surplus/(deficit) on cost of sales	(12.54%)	(40.31%)	*(123.92%)	*(82.32%)

	Water		Electricity	
	2008	2007	2008	2007
	N\$	N\$	N\$	N\$
Sales	344 190	280 019	260 120	204 049
Cost of bulk purchases	(454 576)	(731 028)	(580 000)	(712 001)
Gross profit	(110 386)	(451 009)	(319 880)	(507 952)
Net income/(expenditure)	(72 838)	(106 405)	(157 589)	(725 388)
<b>Net surplus/ (deficit)</b>	<b>(183 224)</b>	<b>(557 414)</b>	<b>(477 469)</b>	<b>(1 233 340)</b>
Gross profit on bulk purchases	(24.28%)	(61.70%)	(55.15%)	(71.34%)
Net surplus/(deficit) on bulk purchases	(40.31%)	(76.25%)	*(82.32%)	*(173.22%)

\* Council should investigate the reasons for the extremely high financial loss on electricity. Council should report their findings to the Auditor-General.



## 10.2 Distribution losses

Council could not provide the auditors with statistics to enable them to calculate the distribution losses for the year. This is seen in a very serious light specifically when looking at the financial losses that the Council suffered.

## 11. SELF SUPPORTING SERVICES

The net results of the following operations were as follows:

	<b>2009</b>	<b>2008</b>	<b>2007</b>
	N\$	N\$	N\$
Cleansing	(20 980)	12 169	(13 476)
Sewerage	56 116	57 284	50 649
Townlands	93 909	-	(12 051)
Surplus/ (deficit) for the year	<b>129 045</b>	<b>69 453</b>	<b>25 122</b>

Council could be commended on the turn-around of these results.

## 12. FRUITLESS, UNAUTHORISED OR AVOIDABLE EXPENDITURE

No fruitless, unauthorized or avoidable expenditure was revealed during the years under review.

## 13. SUSPENSE ACCOUNTS

At the end of the 2008 financial year a debtor suspense account with a balance of N\$ 27 167 existed. This account was cleared during the next financial year.

## 14. IRREGULARITIES AND LOSSES

No irregularities or losses due to theft, fire or accidents were revealed during the years under review.

## 15. CAPITAL PROJECTS

The following expenditure was incurred during the year for capital projects or acquisitions according to a statement submitted to the auditors:

<b>Nature of capital expenditure</b>	<b>Total expenditure 2008/2009</b>	<b>Revenue</b>	<b>Total expenditure 2008</b>
	N\$	N\$	N\$
General administration	243 007	243 007	872 120
Parks and recreation	92 000	92 000	158 019
Electricity	387 064	387 064	72 929
Water	100 000	100 000	4 827
	<b>822 071</b>	<b>822 071</b>	<b>1 107 895</b>

<b>Nature of capital expenditure</b>	<b>Total expenditure 2007/2008</b>	<b>Revenue</b>	<b>Total expenditure 2007</b>
	N\$	N\$	N\$
General administration	872 120	872 120	86 058
Parks and recreation	158 019	158 019	-
Electricity	72 929	72 929	730 713
Water	4 827	4 827	98 463
	<b>1 107 895</b>	<b>1 107 895</b>	<b>915 234</b>

#### **16. BURSARIES**

No bursaries were granted during the year.

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

	<b>2009</b>	<b>2008</b>	<b>2007</b>
	N\$	N\$	N\$
Contributions	1 500 000	1 700 000	1 150 000
	<b>1 500 000</b>	<b>1 700 000</b>	<b>1 150 000</b>

The amount recorded as income in the financial statements for the 2008/2009 financial year differs with N\$30 025. The financial statements reflects an amount of N\$ 1 469 975. The difference could not be explained by the Council.

#### **18. COMPENSATION PAYMENTS**

No compensation payments were made during the years under review.

#### **19. VISITS TO FOREIGN COUNTRIES**

Information regarding visits to foreign countries for the years under review could not be availed due to inadequate record keeping.

#### **20. CLAIMS AGAINST THE LOCAL AUTHORITY**

No claims were paid as a result of accidents during the years under review.

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

No gifts or donations were made by the Village Council during the years under review.

#### **22. TRANSFER OF PROPERTY**

No property was transferred by the Village Council during the years under review.

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

	2009	2008	2007
	N\$	N\$	N\$
Services, rates and taxes	1 319 496	967 011	830 509
Other debtors	1 108 024	714 749	699 302
	<b>2 427 520</b>	<b>1 681 760</b>	<b>1 529 801</b>

There were a material difference between trade receivables per age analysis and financial statements. No provision for bad debts was made during the year. A list of housing fund debtors was not made available to the auditors. (Refer to paragraphs 4.7 and 4.8).

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

	2009	2008	2007
	N\$	N\$	N\$
Trade payables	1 920 113	2 667 865	1 693 890
Consumer deposits	2 290	1 890	1 840
Value added tax	311 136	110 003	59 728
	<b>2 233 539</b>	<b>2 779 758</b>	<b>1 755 458</b>

No list of consumer deposits were available for audit purposes. The Village Council did not provide for VAT penalties or interest arising from the late submission of VAT returns. A VAT reconciliation could not be provided to auditors for verification. There was material differences between the VAT amount per Receiver of Revenue statement and the VAT amount per ledger. (refer to paragraph 4.12).

## 24. ASSESSMENT RATES

### 2009

Net proceeds from assessment rates were N\$ 93 909. The tariff for private property was N\$ 0.250 per dollar per year of the site valuations plus N\$ 0.0350 per dollar per year of the valuations of improvements. The tariff for business property was N\$ 0.250 per dollar per year of the site valuations plus N\$ 0.060 per dollar per year of the valuations of improvements.

### 2008

Assessment rates could not be verified. According to the financial statements of the Council, no assessment rates were collected by the Council for the year under review. This situation should be rectified and rates should be charged and collected in terms of the Act.

## 25. LOANS

### 25.1 External loans

No external loans were made during the years under review.

### 25.2 Internal loans

No internal loans were made during the years under review.

	<b>2009</b>	<b>2008</b>	<b>2007</b>
	N\$	N\$	N\$
Balance owed to the Village Council by property owners	1 108 024	714 749	699 302

A list of these loans could not be availed to the auditors and therefore they could not verify the correctness of the figures.

## **26. SALE OF ERVEN**

No erven were sold during the years under review.

## **27. PROPERTIES SOLD ON AN INSTALLMENT BASIS**

No properties were sold on an installment basis for the years under review.

## **28. TARIFF ADJUSTMENTS**

Tariff adjustments were all in accordance with the relevant Official Government notice for both financial years.

## **29. APPROVALS**

### **29.1 Revenue written off**

No revenue was written off during the years under review.

### **29.2 Excess on approved budget**

The following votes were exceeded:

#### **2009**

<b>Vote</b>	<b>Approved budget</b>	<b>Actual expenditure</b>	<b>Over-expenditure</b>
	N\$	N\$	N\$
Electricity supply	469 855	844 387	374 532
Parks and recreation	15 624	102 583	86 959
General administration	1 163 506	1 330 302	166 796
	<b>1 648 985</b>	<b>2 277 272</b>	<b>628 287</b>

#### **2008**

<b>Vote</b>	<b>Approved budget</b>	<b>Actual expenditure</b>	<b>Over-expenditure</b>
	N\$	N\$	N\$
Electricity supply	720 919	749 563	28 644
Parks and recreation	38 234	170 112	131 878
Council's general expenses	-	79 100	79 100
	<b>759 153</b>	<b>998 775</b>	<b>239 622</b>

### **29.3 External loans**

No new loans were advanced during the years under review.

## **30. INVENTORY AND EQUIPMENT**

### **30.1 Motor vehicles**

The reconciliation of the number of motor vehicles, distance traveled and fuel consumed for the respective years could not be availed for disclosure in this report.

### **30.2 Inventory**

No inventory records were made available to the auditors.

## **31. SPECIAL INVESTIGATIONS**

No special investigations were carried out during the years under review.

## **32. GENERAL**

A sufficient system of internal control for the years under review was not in place 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 raises the risk that management and the Council could override existing controls.

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

Management letters were issued after the audit. These letters were addressed to the Village Secretary and the following issues were raised.

- Investments for both years
- Lack of rental contracts for both years
- Lack of a housing loan register for both year
- VAT for both years
- Lack of a fixed asset register for both years
- Losses on water and electricity for both years
- Inadequate consumer deposits for both years
- Non-disclosure of inventories for both years
- Assessment rates for both years
- Differences between finstel and financial statements for both years
- Water and electricity charges for both years
- Lack of physical security for both years

## **34. DISCLAIMED AUDIT OPINION**

The accounts of the Village Council of Tses for the financial years ended 30 June 2008 and 2009 summarized in Annexures A to D, were audited by me in terms of the provisions 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 flow of the Council for the years ended 30 June 2008 and 2009 due to the following reasons:

- No system of internal control on which the auditors could rely
- No asset register was available
- Inventories are not disclosed in the financial statements
- No list of consumer deposits were available
- Incomplete information related to salaries and wages

- No supporting documentation for and investment of N\$ 563 750 held at an insurance company could be provided
- No supporting documentation could be obtained to verify housing debtors
- Differences of N\$ 33 841 for 2009 and N\$66 230 for 2008 related to trade receivables were found between the financial statements and the age analysis provided.
- No provisions were made for bad and doubtful debts
- A difference of N\$ 1 524 099 was found between the trade payables as per financial statements and the listings provided
- Several differences were found between the financial statements and the computerized accounting system
- Value added tax payable to the receiver of revenue differs with an amount of N\$ 2 624 498 for 2009 and N\$ 3 390 853 between the financial statements of the Council and reports from the receiver of revenue
- Consumers were charged incorrectly for water and electricity services
- Movements within the housing fund could not be verified due to a lack of information
- Site central income could not be verified due to a lack of information

**WINDHOEK, November 2010**

**JUNIAS ETUNA KANDJEKE  
AUDITOR-GENERAL**

## BALANCE SHEETS AS AT 30 JUNE

	Notes	2009	2008	2007
		N\$	N\$	N\$
<b>ASSETS</b>				
<b>Non-current assets</b>		7 365 402	6 584 060	4 996 565
Property, plant and equipment	2	6 239 831	5 417 759	4 309 864
Investments	3	1 125 571	1 166 301	686 701
<b>Current assets</b>		2 431 511	1 718 178	1 529 811
Suspense account	4	-	27 167	-
Accounts receivable	6	2 427 520	1 681 760	1 529 811
Cash and cash balances	5	3 991	9 251	-
<b>TOTAL ASSETS</b>		<b>9 796 913</b>	<b>8 302 238</b>	<b>6 526 376</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>		7 563 374	5 522 480	4 770 200
Capital outlay	7.1	6 239 831	5 417 759	4 309 864
Fund accounts and reserves	7.2	1 323 543	104 721	460 336
<b>Current liabilities</b>		2 233 539	2 779 758	1 756 176
Accounts payable	8	2 233 539	2 779 758	1 755 458
Bank overdraft	5	-	-	718
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>9 796 913</b>	<b>8 302 238</b>	<b>6 526 376</b>

## INCOME STATEMENTS FOR THE YEARS ENDED 30 JUNE

	<b>Note</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>
		N\$	N\$	N\$
INCOME		2 434 377	2 478 020	1 761 960
EXPENDITURE		(2 855 697)	(2 950 650)	(3 146 269)
OPERATING DEFICIT FOR THE YEAR		(421 320)	(472 630)	(1 384 309)
INTEREST ON INVESTMENT		16 385	43 265	22 271
NET DEFICIT FOR THE YEAR		(404 935)	(429 365)	(1 362 038)
Add : Appropriation and adjustments	9	1 057 558	74 198	150 679
RETAINED INCOME FOR THE YEAR		652 623	(355 167)	(1 211 359)
30 June 2007		(614 233)	(259 066)	952 293
30 June 2008		<b>38 390</b>	<b>(614 233)</b>	<b>(259 066)</b>



## CASH FLOW STATEMENTS FOR THE YEARS ENDED 30 JUNE

	Note	2009	2008	2007
		N\$	N\$	N\$
<b>Cash flow from operating activities</b>				
Cash receipts from customers		2 434 377	2 478 020	1 761 960
Cash paid to suppliers		(3 062 951)	(2 031 268)	(1 778 772)
<b>Cash generated from operations</b>	10	(628 574)	446 752	(16 812)
Investment income		16 385	43 265	22 271
Movement in Fund accounts				
- Fund accounts		566 199	(448)	(781)
- Capital outlay		822 072	1 107 895	915 233
<b>Net cash flow from operating activities</b>		<b>776 082</b>	<b>1 597 464</b>	<b>919 911</b>
<b>Cash flow from investing activities</b>				
Net capital expenditure		(822 072)	(1 107 895)	(915 234)
(Increase)/ Decrease in investment		40 730	(479 600)	(12 990)
<b>Net cash flow from investing activities</b>		(781 342)	(1 587 495)	(928 224)
Net increase/(decrease) in cash and cash equivalents		(5 260)	9 969	(8 313)
Cash and cash equivalents at the beginning of the year		9 251	(718)	7 595
<b>Cash and cash equivalents at the end of the year</b>		<b>3 991</b>	<b>9 251</b>	<b>(718)</b>

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

**1. ACCOUNTING POLICIES**

The financial statements are prepared on historical cost basis and incorporate the following principal accounting policies, which are consistent 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 property, plant and equipment exists.

**1.2 Internal fund**

The following fund was maintained by the Village Council:

**1.2.1 Housing Fund**

Housing loans are being paid out of this Fund. Sections 30(1)(i) and 57 of the local Authorities Act refer.

	<b>2009</b>	<b>2008</b>	<b>2007</b>
	N\$	N\$	N\$
<b>2. PROPERTY, PLANT AND EQUIPMENT</b>			
<b>Consists of :</b>			
Property, plant and equipment	<b>6 239 831</b>	<b>5 417 759</b>	<b>4 309 864</b>
<b>Financed by :</b>			
Revenue account	3 904 024	3 081 952	1 974 057
General capital	2 335 807	2 335 807	2 335 807
	<b>6 239 831</b>	<b>5 417 759</b>	<b>4 309 864</b>
<b>3. INVESTMENTS</b>			
Financial institutions	561 821	602 551	122 951
Insurance companies	563 750	563 750	563 750
	<b>1 125 571</b>	<b>1 166 301</b>	<b>686 701</b>
Allocated to Funds			
Revenue	948 442	4 206	666 601
Housing fund	177 129	1 162 095	20 100
	<b>1 125 571</b>	<b>1 166 301</b>	<b>686 701</b>

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

	<b>2009</b>	<b>2008</b>	<b>2007</b>
	N\$	N\$	N\$
<b>4. SUSPENSE ACCOUNT</b>			
Debtors	-	27 167	-
	<b>-</b>	<b>27 167</b>	<b>-</b>
<b>5. CASH AND CASH BALANCES</b>			
Current bank account	3 991	9 251	(718)
	<b>3 991</b>	<b>9 251</b>	<b>(718)</b>
<b>6. ACCOUNTS RECEIVABLE</b>			
Services	1 319 496	967 011	830 509
Housing loans	1 108 024	714 749	699 302
	<b>2 427 520</b>	<b>1 681 760</b>	<b>1 529 811</b>
<b>7. FUNDS AND ACCOUNTS</b>			
<b>7.1 Capital Outlay</b>			
Revenue contributions	3 904 024	3 081 953	1 974 057
General capital contributions	2 335 807	2 335 806	2 335 807
	<b>6 239 831</b>	<b>5 417 759</b>	<b>4 309 864</b>
<b>7.2 Funds, Accounts and Reserves</b>			
Housing Fund	1 285 153	718 954	719 402
Revenue Account kept in compliance with Section 86(1) of the Local Authorities Act, 1992	38 390	(614 233)	(259 066)
	<b>1 323 543</b>	<b>104 721</b>	<b>460 336</b>
<b>8. ACCOUNTS PAYABLE</b>			
Trade payables	1 920 113	2 667 865	1 693 890
Deposits	2 290	1 890	1 840
Value added tax	311 136	110 003	59 728
<b>Total</b>	<b>2 233 539</b>	<b>2 779 758</b>	<b>1 755 458</b>

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

	<b>2009</b>	<b>2008</b>	<b>2007</b>
	N\$	N\$	N\$
<b>9. ADJUSTMENTS AND APPROPRIATIONS</b>			
Correction of wrong allocations	(40 638)	-	-
Allocation of additional income	53 427		
Correction of debtors: previous years	90 354	74 198	41 559
Correction of incorrect allocations	954 415	-	109 120
	<b>1 057 558</b>	<b>74 198</b>	<b>150 679</b>
<b>10. CASH (UTILISED) GENERATED BY OPERATIONS</b>			
Net operating deficit	(404 935)	(429 365)	(1 362 038)
Adjustments (appropriations)	1 057 558	74 198	150 679
Investment income	(16 385)	(43 265)	(22 271)
<b>OPERATING LOSS BEFORE CHANGES IN WORKING CAPITAL</b>	<b>636 238</b>	<b>(398 432)</b>	<b>(1 233 630)</b>
(Increase) in accounts receivable	(718 593)	(179 116)	(111 368)
Increase /decrease in accounts payable	(546 219)	1 024 300	1 328 186
Nett changes in working capital	<b>(1 264 812)</b>	<b>845 184</b>	<b>1 216 818</b>
	<b>(628 574)</b>	<b>446 752</b>	<b>(16 812)</b>