



AUDIT REPORT ON THE ACCOUNTS OF THE

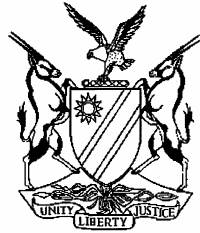
## **VILLAGE COUNCIL OF UIS**

FOR THE FINANCIAL YEARS ENDED 30 JUNE 2003, 2004  
AND 2005

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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 Uis for the financial years ended 30 June 2003, 2004 and 2005, 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, January 2008**

**JUNIAS ETUNA KANDJEKE  
AUDITOR-GENERAL**

**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE  
VILLAGE COUNCIL OF UIS FOR THE FINANCIAL YEARS ENDED**

**30 JUNE 2003, 2004 AND 2005**

**1. INTRODUCTION**

The accounts of the Village Council of Uis for the years ended 30 June 2003, 2004 and 2005 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 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 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. The statements were unsigned and it could not be determined when they have been drawn up. The letters of representation concerning all three financial years are dated 9 August 2006. 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, Annexure A, are true reflections of the originals.

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**

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 the financial transactions included in the financial statements;
- b) assessment of the significant estimates and judgements made by the Accounting Officer of the Village Council in the preparation of the financial statements and whether the accounting policies are appropriate to the 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 explanations 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 irregularities;
- in all material respects, the expenditure and income have been applied to the purposes intended; and
- the financial transactions conform to the authorities which govern them.

#### **4. AUDIT OBSERVATIONS AND COMMENTS**

##### **4.1 Bad and doubtful debts**

No provision for bad and doubtful debts has been estimated or provided for. The significant amount of irrecoverable debts is a matter of grave concern as the recovery of long outstanding debtors threatens the cash flow of the Village Council.

The Council should follow a strict policy of debt collection, and if the amounts outstanding appear to be uncollectable, consideration should be given to write off such debts in order to maintain the integrity of the accounting records of the Village Council.

Due to the significance of this matter, no audit opinion could be expressed on bad and doubtful debts.

##### **4.2 Consumer deposits**

No record has been kept by the Village Council to account for those consumers who have paid deposits. An amount has been recorded in respect of deposits received, but when reviewed and compared to water sales, deposit cover appears to be inadequate to compensate for one month's consumption.

It is advised that the Village Council should determine the level on which deposits should be, and implement necessary steps for collection of such.

Due to the significance of this matter, no audit opinion could be expressed on consumer deposits.

##### **4.3 Stock control**

No physical stocktaking was conducted. No stock was recorded in the balance sheet, which means that stock is expensed to different votes at date of purchase.

Whilst this practice is financially prudent, it leads to inadequate accounting control over the items of stock held by the Council. It is recommended that measures should be implemented to keep accurate stock records of stock on hand.

Due to the significance of this matter, no audit opinion could be expressed on stock.

##### **4.4 Fixed assets**

No fixed assets register was maintained by the Village Council for the periods under review. No physically verification of assets, especially with respect to assets taken over from the Ministry of Regional, Local Government and Housing were conducted. It was also determined that not all assets have been accounted for in the records of the Village Council.

Without proper internal control being put in place and enforced, not only over recording of assets but also over the safekeeping of assets, financial as well as physical loss is bound to be suffered by the Village

Council.

It is therefore recommended that a complete fixed asset register be implemented at the Village Council to limit the possibility that assets can be misappropriated. Council should also enquire about the whereabouts of assets taken over from the Ministry of Regional and Local Government, Housing and Rural Development and account for them as soon as possible.

Due to the significance of this matter, no audit opinion could be expressed on fixed assets.

#### **4.5 Rental income**

No cumulative record exists of all properties that are being letted, and amounts outstanding in respect of rental for each property. The system currently in operation is that manual invoices are made out to each debtor as per cardex system and payments are also then deducted on these cards without comparing them with deposit slips.

A system such as the above can lead to incorrect deductions being made on a specific account, as well as payments never being reflected on an account balance.

It is recommended the Council implements a system whereby outstanding rental is also aged more accurately and timely and whereby receipts are posted directly against an account.

Due to the significance of this matter, no audit opinion could be expressed on rental income.

#### **4.6 Payroll**

Payroll documentation to substantiate figures on the financial statements could not be traced. As pay slips were not generated in duplicate, no audit testing could be conducted to satisfy the auditors as to the accuracy, completeness and validity of the payroll expenses of the Village Council.

It is imperative that Council should ensure that payroll information is safeguarded at all costs. Payroll information is considered to be sensitive and the inability to trace such records due to inadequate safeguarding could lead to staff conflicts and legal encounters. It is therefore recommended that Council should implemented necessary internal control measures to ensure that payroll information is kept secured.

Due to the significance of this matter, no audit opinion could be expressed on payroll expenditure for the years under review.

#### **4.7 Internal Funds**

The following Funds were kept by the Council in compliance with Section 80(4) of the Local Authorities Act, 1992:

##### **4.7.1 Capital Reserve Fund**

The purpose of this Fund is as follows:

- To build up a general capital reserve;
- To cater for costs of a capital nature in the development of new townships;
- To provide for future improvements of Local Authority assets.

Income to this Fund accumulates as follows:

- Proceeds on sale of land and property developed by the area;
- Transfers from accumulated funds;
- Transfers from the general income account and a certain part of the proceeds of sale of land.

#### **4.7.2 Housing Fund**

The Housing Fund was established in terms of Section 58 of the Local Authorities Act, 1992. The purpose of this Fund is to provide housing loans to low income groups of people in the town.

#### **4.7.3 Revenue account**

This account is regulated by Section 86(1)(b) of the Local Authorities Act, 1992. All monies received, accrued to and expenses paid by the Local Authority, except for allocations to other Funds created, are reflected in this account.

The audit revealed significant differences on reconciliations of these Funds and lack of control since the auditors could not establish the accountability and accuracy of these Funds from the Council. Council also did not prepare any financial statements regarding the Fund accounts.

Due to the significance of this matter, no audit opinion could be expressed on internal Funds for the year under review.

#### **4.8 Accuracy of charges levied for water, sewerage and sanitation and refuse removal**

No substantiating documentation could be provided to the auditors in order to verify charges levied and therefore the accuracy and validity of these levies could not be established.

It is emphasized that Council should endeavor to make an effort to implement necessary tariffs as gazetted to ensure the validity and integrity of financial data.

Due to the significance of this matter, no audit opinion could be expressed on the accuracy of charges levied for water, sewerage, sanitation and refuse removal.

#### **4.9 Bank accounts**

Transactions to the value of N\$ 967 217 were made from one bank account to another in the financial year 2002/03 without any supporting documentation. The bank account held at Standard Bank, Gustav Voigts Centre, is not reflected in the financial records and it could not be established whether a balance existed on this account as at 31 March 2003 nor what happened with the deposits which were made into this account (See paragraph 7).

### **5. ACKNOWLEDGEMENT**

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

## 6. FINANCIAL RESULTS

The results of the various operations of, and transactions on the Revenue Account for the financial years under review are as follows:

<b>2005</b>	<b>Revenue</b>	<b>Expenditure</b>	<b>Surplus/ (Deficit)</b>	<b>Balance</b>
	N\$	N\$	N\$	N\$
Accumulated surplus as at 01/07/2004				3 770 930
<b>General accounts</b>				
Rates and general	613 927	542 235	71 692	
Self-supporting	149 298	123 644	25 654	
<b>Trade accounts</b>				
Electricity supply	303 542	597 608	(294 066)	
Water supply	669 323	713 806	(44 483)	
	1 736 090	1 977 293	(241 203)	
Deficit for the year				(241 203)
Adjustments and utilizations detailed in Note 7 of the annual financial statements.				-
Accumulated surplus 30/06/2005				<b>3 529 727</b>

<b>2004</b>	<b>Revenue</b>	<b>Expenditure</b>	<b>Surplus/ (Deficit)</b>	<b>Balance</b>
	N\$	N\$	N\$	N\$
Accumulated surplus as at 01/07/2003				5 239 947
<b>General services</b>				
Rates and general	1 730 385	577 315	1 153 070	
Self-supporting	148 878	169 123	(20 245)	
<b>Trade Accounts</b>				
Electricity supply	264 160	730 942	(466 782)	
Water supply	495 201	1 273 045	(777 844)	
	2 638 624	2 750 425	(111 801)	
Deficit for the year				(111 801)
Adjustments and utilizations detailed in Note 7 of the annual financial statements.				(1 357 216)
Accumulated surplus 30/06/2004				<b>3 770 930</b>

<b>2003</b>	<b>Revenue</b>	<b>Expenditure</b>	<b>Surplus/ (Deficit)</b>	<b>Balance</b>
	N\$	N\$	N\$	N\$
Accumulated surplus as at 01/07/2002				2 514 667
<b>General accounts</b>				
Rates and general	2 809 087	448 888	2 360 199	
Self-supporting	147 378	118 482	28 896	
<b>Trade accounts</b>				
Electricity supply	236 409	670 285	(433 876)	
Water supply	473 545	1 165 222	(691 677)	
	3 666 419	2 402 877	1 263 542	
Surplus for the year				1 263 542
Adjustments and utilizations detailed in Note 7 of the annual financial statements.				1 461 738
Accumulated surplus 30/06/2003				<b>5 239 947</b>

Council should urgently address the continuous losses on the water and electricity trade accounts.

## **7. CURRENT BANK ACCOUNTS**

The cash-book balance reflected a favourable balance of N\$ 1 072 for the 2004/05 financial year. (2004: N\$ 53 094 and 2003: N\$ 579 528) while the bank statements reflected a favourable balance of N\$ 34 292 (2004: N\$ 79 227 and 2003: N\$ 603 635) Not all issued cheques were presented for payments as cheques totalling N\$ 33 220 (2004: N\$ 45 021 and 2003: N\$ 24 106) were outstanding at year-end.

Council operated separate bank accounts for the Social Housing Project of which the current bank account closed with an unfavourable balance of N\$ 1 809 for the 2004/05 financial year (2004: Favourable N\$ 81 148 and 2003: Favourable N\$ 478 961). A call account was also opened which closed with a balance of N\$ 237 084 in the 2002/03 financial year but is wrongly disclosed in the balance sheet as N\$ 537 084. The difference of N\$ 300 000 consists of a withdrawal which is included in the balance of the current account mentioned above.

The call account was closed in the 2003/04 financial year and the balance was transferred to the current account of the Social Housing Project. A further bank account was kept of which the balance amounted to N\$ 349 526 at 30 June 2005 which is disclosed in the balance sheet as N\$ 300 000 (2004: N\$ 358 520 disclosed as N\$ 300 000 and 2003: N\$ 638 532 disclosed in the balance sheet as Nil).

During May 2002 up to September 2002 amounts totalling N\$ 967 217 were deposited into an account held with Standard Bank, Gustav Voigts Centre, from a bank account held at Bank Windhoek, Kudu branch. No supporting documents for these transactions could be submitted and no such bank account is reflected in the financial statements, nor were any bank statements available. Council should indicate what the payments consist of and what was the purpose of the bank account.



## 8. INVESTMENTS AND INTEREST PROCEEDS

Investments are reflected as follows in the balance sheets but differ from the audit information:

	<b>2005</b>	<b>2004</b>	<b>2003</b>
	N\$	N\$	N\$
Commercial banks	349 526	358 520	1 477 924
Disclosed in balance sheet	300 000	300 000	537 084

Interest proceeds from the investments amounted to N\$ 19 755 – 2005, N\$ 52 857 – 2004 and N\$ 250 515 – 2003. This interest has not been brought to account in the financial statements.

## 9. FUND ACCOUNTS

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

## 10. TRADE ACCOUNTS

**10.1** The results of operations of electricity were as follows:

	<b>2005</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>
	N\$	N\$	N\$	N\$
Sales	289 811	251 620	233 409	210 964
Cost of sales	(498 469)	(580 120)	(550 378)	(448 209)
Gross profit/(loss)	(208 658)	(328 500)	(316 969)	(237 245)
Net income/(expenditure)	(85 408)	(138 282)	(116 907)	(83 264)
<b>Net surplus/(deficit)</b>	<b>(294 066)</b>	<b>(466 782)</b>	<b>(433 876)</b>	<b>(320 509)</b>
Gross profit/(loss) on cost of sales	(41.85%)	(56.63%)	(57.6%)	(52.93%)
Net profit/(loss) on cost of sales	(59.0%)	(80.46%)	(78.83%)	(71.51%)

Due to the inability of the Council to provide the auditors with the necessary supporting documents, they were unable to verify the above transactions but the analytical review indicates that the Council either sells electricity under cost price or has a huge amount of reticulation losses.

**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:

	<b>2005</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>
	N\$	N\$	N\$	N\$
Sales	663 508	490 701	473 545	834 833
Cost of sales	(639 371)	(1 174 153)	(1 073 304)	(1 593 293)
Gross profit/(loss)	24 137	(683 452)	(599 759)	(758 460)
Net expenditure	(68 620)	(94 392)	(91 918)	(71 758)
<b>Net loss</b>	<b>(44 483)</b>	<b>(777 844)</b>	<b>(691 677)</b>	<b>(830 218)</b>
Gross profit/(loss) on cost of sales	3.78%	(58.21%)	(55.88%)	(47.60%)
Net profit/(loss) on cost of sales	(6.96%)	(66.25%)	(64.44%)	(52.11%)

Due to the inability of the Council to provide the auditors with the necessary supporting documents, they were unable to verify the above transactions but the analytical review indicates that the Council either sells water under cost price or has a huge amount of reticulation losses.

**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:

	<b>2005</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>
	N\$	N\$	N\$	N\$
Cleansing services	71 026	37 999	74 963	87 389
Townlands	(45 372)	(58 244)	(46 067)	(41 223)
	<b>(25 654)</b>	<b>(20 245)</b>	<b>28 996</b>	<b>46 166</b>

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

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

**13. SUSPENSE ACCOUNTS**

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

**14. IRREGULARITIES AND LOSSES**

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

**15. CAPITAL PROJECTS**

An amount of N\$ 530 053 (2004: N\$ 1 209 349 and 2003: N\$ 602 867) was incurred for capital projects or acquisitions for the year under review.

**16. BURSARIES**

No bursaries were granted during the year under review.

## 17. CONTRIBUTIONS, GRANTS AND FINANCIAL AID

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

## 18. COMPENSATION PAYMENTS

No compensation payments were made during the years under review.

## 19. VISITS TO FOREIGN COUNTRIES

No expenditure was incurred on visits to other countries during the years under review.

## 20. CLAIMS AGAINST THE LOCAL AUTHORITY

No claims for losses were received during the years.

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

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

## 22. TRANSFER OF PROPERTY TO / FROM GOVERNMENT

The Council took over the fixed assets and liabilities of the Local Authority on 02 August 2002 from the Ministry of Regional, Local Government and Housing, but a list substantiating the assets could not be provided by the Council.

Due to the significance of this matter, the Auditor-General cannot express his opinion on transfer of property to/ from Government for the year under review.

## 23. TRADE AND OTHER RECEIVABLES/PAYABLES

### 23.1 Debtors at 30 June comprise the following:

	<b>2005</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>
	N\$	N\$	N\$	N\$
Consumer services	2 852 475	2 780 045	3 562 284	3 156 630
Housing rentals	1 353 760	1 283 407	1 495 792	1 310 977
	<b>4 206 235</b>	<b>4 063 452</b>	<b>5 058 076</b>	<b>4 467 607</b>

The above-mentioned debtors balance were analysed to determine the correctness thereof. The financial statements reflect the debtors balances as N\$ 4 206 235 (2004: N\$ 4 063 452 and 2003: N\$ 5 058 076), which differs from the calculated figures of N\$ 4 101 856 (2004: N\$ 3 937 384 and 2003: N\$ 3 747 335).

The differences should be investigated and cleared during the next financial year.

**23.2 Creditors** at 30 June comprise the following:

	<b>2005</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>
	N\$	N\$	N\$	N\$
Trade creditors	510 711	337 670	391 202	235 204
Consumer deposits	11 225	7 910	6 610	5 200
	<b>521 936</b>	<b>345 580</b>	<b>397 812</b>	<b>240 404</b>

**24. ASSESSMENT RATES**

Net proceeds from assessment rates for the years under review amounted to N\$ 73 591 annually. The tariffs for private and business properties were N\$ 0.025 per dollar per year on site valuations plus N\$ 0.0035 per dollar per year on the valuation of improvements and are in line with gazetted rates. Accuracy of income received with respect to assessment rates however, could not be established, due to incorrect rates used by the Council.

Due to the significance of this matter, the Auditor-General cannot express an opinion on assessment rates for the years under review.

**25. LOANS**

**25.1 External loans**

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

**25.2 Internal loans**

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

**25.3 Housing loans**

The amount advanced in favour of housing loans could not be established. (See Par. 4.7)

**26. SALE OF ERVEN**

During the relevant financial years no erven were sold.

**27. PROPERTY SOLD ON INSTALMENT BASIS**

Details of such sales could not be obtained. (See Par. 4.7)

**28. TARIFF ADJUSTMENTS**

**2002/03**

The Council could not provide the auditors with the Government Gazette in which tariffs were approved.

**2003/04**

Only tariffs from the Berseba Village Council were approved, which were also applied by the Council.

**2004/05**

All tariff adjustments were in accordance with the relevant Official Government notice.

## **29. APPROVALS**

All necessary approvals were obtained.

## **30. STOCK AND EQUIPMENT**

### **30.1 Motor vehicles**

No up to date asset register as at 30 June for the financial years under review could be submitted. As such it was not possible to confirm that all vehicles and equipment are on hand and at what value.

### **30.2 Stock**

As at the end of all three financial years under review, no stock was accounted for. Administrative and control measures were ineffectively applied during the course of the year in respect of issuing of stock.

## **31. SPECIAL INVESTIGATIONS**

No special investigations were carried out during the year.

## **32. GENERAL**

### **32.1 Internal controls**

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

### **32.2 Temporary advances**

There were no temporary advances to revenue during the year under review.

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

Formal queries are embodied in this report.

Informal queries addressed to the Village Secretary consist of:

- \* Implementation of accounting policies;
- \* Long overdue debtors accounts and monies long outstanding becoming doubtful;
- \* Inadequate inventory control;
- \* Accounting and recording of fixed assets;
- \* Control and accounting of rental income;
- \* Control and accounting of investments;
- \* Control and accounting of funds;
- \* Control and accounting of payroll administration;

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

The accounts of the Uis Village Council for the financial years ended 30 June 2003, 2004 and 2005, summarized in Annexure 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) 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 realization 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 Local Authority is unable to continue as a going concern.

Major balance sheet accounts like the Social housing project fund were not appropriately recorded in the annual financial statements and there were no satisfactory audit procedures that could be performed to ensure that all balance sheet accounts are properly recorded. Furthermore, it was observed that unexplained journal entries were passed to the appropriation account. Consequently the auditors were unable to satisfy themselves as to the completeness and accuracy of the accounting records relating to funds and investments.

Due to the significance of matters referred to in paragraphs 4.1 – Bad and doubtful debts, 4.2 – Consumer deposits, 4.3 – Stock control, 4.4 – Fixed assets, 4.5 – Rental income, 4.6 – Payroll, 4.7 – Internal Funds, 4.8 – Accuracy of charges levied for water, sewerage and sanitation and refuse removal. I am unable to express an opinion on the financial statements of the financial years ended 30 June 2003, 2004 and 2005.

**WINDHOEK, January 2008**

**JUNIAS ETUNA KANDJEKE  
AUDITOR-GENERAL**

## VILLAGE COUNCIL OF UIS

## BALANCE SHEETS ON 30 JUNE

	Note	2005 N\$	2004 N\$	2003 N\$	2002 N\$
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	3	3 891 031	3 443 935	2 869 483	1 250 571
Investments	4	3 592 840	3 062 787	1 853 438	1 250 571
		298 191	381 148	1 016 045	-
<b>Current assets</b>					
Accounts receivable	6	4 238 373	4 116 803	5 638 053	2 994 996
Cash and cash equivalents		4 206 235	4 063 452	5 058 076	2 994 996
		32 138	53 351	579 977	-
<b>TOTAL ASSETS</b>		<b>8 129 404</b>	<b>7 560 738</b>	<b>8 507 536</b>	<b>4 245 567</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Funds and reserves</b>					
Funds and accounts	2	7 607 468	7 215 158	8 109 724	3 765 532
		7 607 468	7 215 158	8 109 724	3 765 532
<b>Current liabilities</b>					
Trade and other payables	8	521 936	345 580	397 812	480 035
Cash and cash equivalents		521 936	345 580	397 812	240 404
		-	-	-	239 631
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>8 129 404</b>	<b>7 560 738</b>	<b>8 507 536</b>	<b>4 245 567</b>

## VILLAGE COUNCIL OF UIS

## INCOME STATEMENTS FOR THE YEARS ENDED 30 JUNE

	<b>2005</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>
	N\$	N\$	N\$	N\$
INCOME	1 736 090	2 638 624	3 666 419	3 758 054
EXPENDITURE	(1 977 293)	(2 750 425)	(2 402 877)	(2 708 577)
NET OPERATING PROFIT	(241 203)	(111 801)	1 263 542	1 049 477
INVESTMENT INTEREST EARNED FOR REVENUE ACCOUNTS	-	-	-	2 266
NET PROFIT FOR THE YEAR	(241 203)	(111 801)	1 263 542	1 051 743
APPROPRIATION ACCOUNT - Adjustments	-	(1 357 216)	1 461 738	(1 545 008)
Accumulated surplus:	(241 203)	(1 469 017)	2 725 280	(493 265)
At the beginning of the year	3 770 930	5 239 947	2 514 667	3 007 932
At the end of the year	<b>3 529 727</b>	<b>3 770 930</b>	<b>5 239 947</b>	<b>2 514 667</b>



## VILLAGE COUNCIL OF UIS

## CASH FLOW STATEMENT FOR THE YEARS ENDED 30 JUNE

	Notes	2005 N\$	2004 N\$	2003 N\$	2002 N\$
Cash absorbed by operations	A	(241 203)	(1 469 017)	2 725 280	(495 531)
Investment income		-	-	-	2 266
Utilized by increase in working capital	B	33 573	942 391	(1 905 672)	(547 480)
<i>Cash generated by operating activities</i>		(207 630)	(526 626)	819 608	(1 040 745)
<i>Cash utilized in investing activities</i>		(447 096)	(574 452)	(1 618 912)	(865 704)
Additions to fixed assets		(530 053)	(1 209 349)	(602 867)	(865 704)
(Increase)/decrease in investments		82 957	634 897	(1 016 045)	-
<i>Cash utilized in financing activities</i>		633 513	574 452	1 618 912	865 704
Assets financed from Revenue Fund		530 053	1 209 349	602 867	865 704
Increase/(decrease) in Social Housing Fund		103 460	(634 897)	1 016 045	-
Increase/(decrease) in cash and cash equivalents		(21 213)	(526 626)	819 608	(1 040 745)
Cash and cash equivalents at beginning of year		53 351	579 977	(239 631)	801 114
Cash and cash equivalents at end of year		<b>32 138</b>	<b>53 351</b>	<b>579 977</b>	<b>(239 631)</b>

## NOTES TO THE CASH FLOW STATEMENT

## A. Cash absorbed by operations

Net income after investment interest and adjustments.	(241 203)	(111 801)	1 263 542	1 051 743
Adjustments to appropriation account	-	(1 357 216)	1 461 738	(1 545 008)
Investment income		-	-	(2 266)
	<b>(241 203)</b>	<b>(1 469 017)</b>	<b>2 725 280</b>	<b>(495 531)</b>

## B. Utilized to increase working capital

Trade and other receivables				
- (increase)/decrease	(142 783)	994 623	(2 063 080)	(598 239)
Trade and other payables				
- increase/(decrease)	176 356	(52 232)	157 408	50 759
	<b>33 573</b>	<b>942 391</b>	<b>(1 905 672)</b>	<b>(547 480)</b>

## VILLAGE COUNCIL OF UIS

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS AT 30 JUNE

**1. ACCOUNTING POLICIES**

The annual financial statements are compiled in accordance with the historical convention modified by the restatement of financial instruments to fair value, except where otherwise stated.

The principal accounting policies of the Village Council, which are set out below, are consistent and comply with Namibian Statements of Generally Accepted Accounting Practices. The financial statements have been prepared in accordance with the requirements of the Namibian Local Authorities Act.

**1.1 Fixed assets and depreciation**

Fixed assets are stated at cost or at valuation where assets have been acquired by grant or donation, less depreciation written off over the expected useful lives as determined by the Council from time to time. Fixed assets acquired with loan funds are not depreciated until the loan is repaid or unless the expected lifetime of the asset is less than the repayment period of the loan in which case depreciation is calculated on the shortfall.

**1.2 Stock**

Inventories are measured at lower cost or net realizable value. The cost of inventories comprise of all cost of purchases, cost of conversion and other cost incurred in bringing the inventories to their present location and condition.

	<b>2005</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>
	N\$	N\$	N\$	N\$
<b>2. OWN FUNDS</b>				
<i>Financing of capital:</i>				
Contribution from:	3 592 840	3 062 787	1 853 438	1 250 571
Capital	3 207 973	2 677 920	1 468 571	865 704
Revenue	384 867	384 867	384 867	384 867
<i>Funds</i>	4 014 628	4 152 371	6 256 286	2 514 961
Fixed Property Fund	294	294	294	294
Housing Fund	484 607	381 148	1 016 045	-
Accumulated surplus	3 529 727	3 770 929	5 239 947	2 514 667
<b>TOTAL FUNDS</b>	<b>7 607 468</b>	<b>7 215 158</b>	<b>8 109 724</b>	<b>3 765 532</b>

## VILLAGE COUNCIL OF UIS

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS AT 30 JUNE

	<b>2005</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>
	N\$	N\$	N\$	N\$
<b>3. FIXED ASSETS</b>				
Infrastructure, land and buildings, motor vehicles, office equipment, furniture and fittings and computer equipment.	<b>3 592 840</b>	<b>3 062 787</b>	<b>1 853 438</b>	<b>1 250 571</b>
Financed from:				
Capital account	3 207 973	2 677 920	1 468 571	865 704
Revenue account	384 867	384 867	384 867	384 867
	<b>3 592 840</b>	<b>3 062 787</b>	<b>1 853 438</b>	<b>1 250 571</b>
<b>4. BANK ACCOUNTS AND INVESTMENTS</b>				
Fixed Property Fund	294	294	294	294
Temporary advances to revenue	(294)	(294)	(294)	(294)
Housing Fund	186 416	-	-	-
Temporary advances to revenue	(186 416)	-	-	-
Social housing plan - Std Bank	(1 809)	81 148	478 961	-
Capital Development Fund – Bank Windhoek	300 000	300 000	537 084	-
	<b>298 191</b>	<b>381 148</b>	<b>1 016 045</b>	<b>-</b>
<b>5. INVENTORY</b>				
Comprising of:				
Stationery	-	-	-	-
Consumable stores	-	-	-	-
	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
(No inventory records were maintained as inventory was expensed as and when purchased.)				
<b>6. ACCOUNTS RECEIVABLE</b>				
Consumer services	2 852 475	2 780 045	3 562 284	2 969 102
Housing rentals	1 353 760	1 283 407	1 495 792	-
Salary deductions	-	-	-	25 894
	<b>4 206 235</b>	<b>4 063 452</b>	<b>5 058 076</b>	<b>2 994 996</b>

## VILLAGE COUNCIL OF UIS

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS AT 30 JUNE

	<b>2005</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>
	N\$	N\$	N\$	N\$
<b>7. ADJUSTMENTS AND UTILIZATIONS (PRIOR YEARS)</b>				
Prior year adjustments	-	(1 357 216)	1 461 738	(1 545 008)
	<b>-</b>	<b>(1 357 216)</b>	<b>1 461 738</b>	<b>(1 545 008)</b>
<b>8. TRADE AND OTHER PAYABLES</b>				
Trade payables	510 711	337 670	391 202	235 204
Consumer deposits	11 225	7 910	6 610	5 200
	<b>521 936</b>	<b>345 580</b>	<b>397 812</b>	<b>240 404</b>