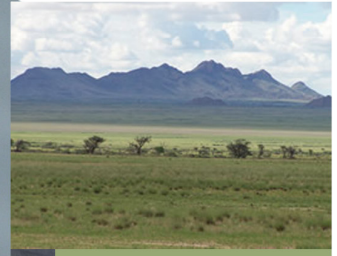
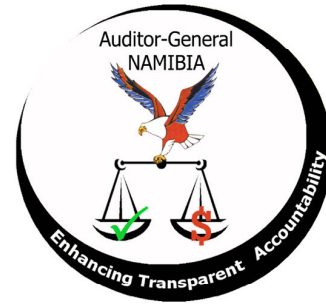




**REPUBLIC OF NAMIBIA**



**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE  
MUNICIPALITY OF KARASBURG  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010**

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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 Municipality of Karasburg for the financial year ended 30 June 2010, 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 2011**

**JUNIAS ETUNA KANDJEKE  
AUDITOR-GENERAL**

**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE  
MUNICIPALITY OF KARASBURG  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010**

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**1. INTRODUCTION**

The accounts of the Municipality of Karasburg for the year ended 30 June 2010 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 Mostert Landgrebe of Windhoek has been appointed in terms of Section 26 (2) of the State Finance Act, 1991, to audit the accounts of the Municipality 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 Municipality'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 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 30 June 2010, Annexure A, is a true reflection of the original.

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**

***Management's responsibility for the financial statements***

The Accounting Officer of the Municipality 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 OBSERVATION AND COMMENTS**

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

The average collection period of trade receivables, before taking the provision for bad debts into account, is 234 days (2009: 245 days). The average collection period of trade receivables, after taking the provision for bad debts into account, is 55 days (2009: 57 days). The recoverability of outstanding debts remains a serious concern and is still a major threat to the cash flow of the Municipality. The auditors are of the opinion that the provision for bad debts is sufficient.

##### **4.2 Loans in arrears**

External loans are, as in previous years, not repaid but the repayments are provided for as arrear loan installments. The total installments in arrears amount to N\$ 1 144 747 (2009: N\$ 1 135 135). (See paragraph 25.1 and note 11 of Annexure D).

No interest on overdue amounts due to Government has been provided for.

##### **4.3 Inventories**

The auditors did not observe the counting of inventories on 30 June 2010, as they were not appointed at that time. There were no alternative practical audit procedures that the auditors could perform to confirm the existence and value of inventories on hand at year-end.

##### **4.4 Distribution losses**

The percentage distribution losses for water are unacceptable high. The Council is urged to take immediate steps to rectify this matter.

Water loss on cubic meters sold - 17,2% (2009: 21,7%)

(See paragraphs 6 and 10.2).

#### **5. ACKNOWLEDGEMENT**

The assistance and co-operation by the staff of the Municipality of Karasburg 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:

	Revenue	Expenditure	Surplus/ (Deficit)	Balance
	N\$	N\$	N\$	N\$
Accumulated deficit 01/07/2009				(1 956 309)
General accounts				
- Non-profitable	3 491 421	4 292 372	(800 951)	
- Self-supporting	2 392 841	2 335 182	57 659	
Trade accounts				
- Abattoir	7 986	6 472	1 514	
- Water	2 950 394	2 990 755	(40 361)	
- Electricity	709 782	80 459	629 323	
Deficit for the year	9 552 424	9 705 240	(152 816)	(152 816)
Transfers (to) Funds (See note 12, Annexure D)				(2 109 125)
Adjustments and utilizations (See note 13, Annexure D)				(23 000)
				(9 696)
Accumulated deficit 30/06/2010				<b>(2 141 821)</b>

## 7. CURRENT BANK ACCOUNT

	2010	2009
	N\$	N\$
Favourable cash-book balance on 30 June	319 910	474 242
Outstanding deposits	(24 943)	(31 275)
Deposits on bank statement - Recorded in July cashbook	194 814	129 230
Outstanding cheques	410 066	276 957
Bank balance at 30 June	<b>899 847</b>	<b>849 154</b>

## 8. INVESTMENTS AND INTEREST PROCEEDS

On 30 June money were invested in fixed deposits and were allocated as follows between the Funds:

	2010		2009	
	Interest	Investment	Interest	Investment
	N\$	N\$	N\$	N\$
Capital reserve fund	1 953	31 668	2 340	31 668
Fixed property fund	13 306	217 645	1 316	17 645
Housing fund	69 873	1 141 463	83 422	1 141 463
Renewal fund	45 451	156 935	27 344	206 835
Betterment fund	3 174	52 591	3 802	52 591
Mayoral chain fund	1 465	23 895	1 535	21 360
Computer replacement fund	1 953	32 006	3 729	51 268
Build Together Fund	-	1 034 642	59 743	2 123 000
	<b>137 175</b>	<b>2 690 845</b>	<b>183 231</b>	<b>3 645 830</b>

## 9. FUND ACCOUNTS

The position of the Funds and accounts at year-end is as shown in note 9 in Annexure D.

It is once again reported that, the Fund Accounts are still not utilized for the purposes created for. Due to cash flow problems on the Revenue Account, cash from other Funds totalling N\$ 1 842 259 (2009: N\$ 1 914 004) had once again to be used to finance the shortfall of the Revenue Account.

## 10. TRADE ACCOUNTS

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

	Electricity		Water	
	2010	2009	2010	2009
	N\$	N\$	N\$	N\$
Royalty/Sales	709 782	733 269	2 846 836	2 711 746
Cost of bulk purchases	-	-	(1 832 480)	(1 805 575)
Gross profit	709 782	733 269	1 014 356	906 171
Net expenditure	(80 459)	(70 997)	(1 054 717)	(981 977)
<b>Net surplus/(deficit)</b>	<b>629 323</b>	<b>662 272</b>	<b>(40 361)</b>	<b>(75 806)</b>
Gross profit percentages on bulk purchases			55.4%	50.2%
Net profit/(loss) percentage on bulk purchases			(2.2%)	(4.2%)

The Municipality appointed Southern Electricity Company (Pty) Ltd (SELCO) as management and operations contractor of the Municipality's electricity network for a period of fifteen years, during which period SELCO shall have sole and exclusive responsibility for the management, operations, administration and maintenance of the network, and to regulate matters pertaining thereto.

SELCO pays to the Municipality a royalty of 14,75 cent (2009: 13,02 cent) per kilowatt/hour of all electricity provided by the bulk supplier. As of the effective date of the project, any loss or profit has been for the account of SELCO. SELCO collects all monies due in respect of services rendered and pays all expenses related to the provision of services.

### 10.2 Distribution results were as follows:

	Water	
	2010	2009
	m <sup>2</sup>	m <sup>2</sup>
Sales	218 611	210 303
Purchases	264 073	268 678
Loss	<b>(45 462)</b>	<b>(58 375)</b>
Percentage loss in units purchased	(17.2%)	(21.7%)

Distribution losses have decreased by 4,5% (2009: 4,8% increased) but is still a matter of concern and once again it is strongly recommended that the Council should conduct an investigation into this matter to determine the main reasons pertaining thereto. This therefore indicates that these services are still not operated on a sound financial basis.

## 11. SELF SUPPORTING SERVICES

### 11.1 The result for the year under review is as follows:

	2010	2009
	N\$	N\$
Commonage	322	481
Sanitation	61 127	210 610
Lordsville housing	6 731	4 066
Westerkim housing	4 698	4 970
Natis	(15 219)	23 408
Surplus for the year	<b>57 659</b>	<b>243 535</b>

## 12. FRUITLESS, UNAUTHORIZED OR AVOIDABLE EXPENDITURE

There were no such expenses.

## 13. SUSPENSE ACCOUNTS

Control accounts were cleared on a regular basis.

## 14. IRREGULARITIES AND LOSSES

There were no such losses.

## 15. CAPITAL PROJECTS

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

Nature of projects/ acquisitions	Financial by			Total expenditure 2010	Total expenditure 2009
	Revenue account	General capital	Internal loans		
	N\$	N\$	N\$	N\$	N\$
Council's general expenses	101	-	299 900	300 001	28 865
Public buildings	-	-	-	-	155
Sanitation	-	7 784 081	-	7 784 081	-
Streets	-	-	-	-	166 865
Water reticulation	8 771	-	-	8 771	78
	<b>8 872</b>	<b>7 784 081</b>	<b>299 900</b>	<b>8 092 853</b>	<b>195 963</b>

## 16. BURSARIES

There were no bursaries granted for the year under review.

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

There were no such items.

## 18. COMPENSATION PAYMENTS

There were no compensation payments.

## 19. VISITS TO FOREIGN COUNTRIES

There were no visits to foreign countries.

## 20. CLAIMS AGAINST THE LOCAL AUTHORITY

There were no claims against the Local Authority.

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

**21.1 GIFTS BY THE LOCAL AUTHORITY**

There were no such expenses.

**21.2 DONATIONS BY THE LOCAL AUTHORITY**

	<b>2010</b>
	N\$
Karasburg Senior Secondary School	1 000
Karasburg High School	1 000
Karas Region Youth Forum	1 000
	<b>3 000</b>

**22. TRANSFER OF PROPERTY**

**22.1** There were no transfers of property to the Local Authority.

**22.2** There was no transfer of property by the Local Authority to others.

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

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

	<b>2010</b>	<b>2009</b>
	N\$	N\$
Assessment rates	1 049 465	1 063 444
Services	2 784 198	2 739 780
House and site rentals	86 894	97 022
Value added tax	6 523	117 178
Sundry debtors	56 106	373
Provision for bad debts	(2 926 958)	(2 926 958)
<b>Total</b>	<b>1 056 228</b>	<b>1 090 839</b>
<b>Analyses of services and general debtors:</b>		
Average monthly levy	497 868	471 526
Rates and service debtors	3 833 663	3 803 224
Average credit terms in days - Before provision for bad debts	234.2	245.3
Average credit terms in days - After provision for bad debts	55.4	56.5
Consumer deposits	215 544	184 694

The recoverability of outstanding debts remains a serious concern and is still a major threat to the cash flow of the Municipality. The auditors are of the opinion that the provision for bad debts is sufficient.

Deposits for services do not cover one month's service fees.



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

	2010	2009
	N\$	N\$
Recoverables	60 788	10 977
Trade creditors	8 318	81 128
Provision for audit fees	131 300	83 150
Provision for staff leave	199 986	199 986
Loan installments in arrear	1 144 747	1 135 135
<b>Totals</b>	<b>1 545 139</b>	<b>1 510 376</b>

The loans in arrear excludes any provision for additional interest payable thereon.

In the light of current economic conditions, the Council will not be able to fulfill its commitment in respect of arrear loan installments after 30 June 1998. This matter has also been addressed in the previous audit reports.

## 24. ASSESSMENT RATES

Proceeds from assessment rates were N\$ 1 104 352 (2009: N\$ 1 039 682). The tariffs private and business properties during the year were N\$ 0.055 (2009: N\$ 0.055) per dollar per year on the site valuations plus N\$ 0.015 (2009: N\$ 0.0150) per dollar per year on the valuation of improvements.

## 25. LOANS

### 25.1 External loans

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

	2010	2009
	N\$	N\$
Capital section	419 227	455 712
Loan installments in arrear (Included in current liabilities)	1 144 747	1 135 135
	<b>1 563 974</b>	<b>1 590 847</b>

The balances as detailed above correspond to the balances per actuarial tables.

As mentioned in paragraph 23.2, loan installments in arrear have been disclosed under current liabilities as the Government postponed the repayment of interest and capital loans until 30 June 1998. This is consistent with the prior years but it gives rise to concern about the lack of progress between the Council and the Government. As reported last year, Council is urged to finalize an agreement with the Ministry.

No interest on overdue amounts has been provided for.

### 25.2 Internal loan balances

The amounts outstanding in respect of loans made from the following Funds on 30 June were as follows:

	2010	2009
	N\$	N\$
Fixed property fund	61 596	91 039
Betterment fund	110 221	115 344
Renewal Fund	635 966	418 752
<b>Totals</b>	<b>807 783</b>	<b>625 135</b>

The balances of the above external and internal loans are in agreement with the balances on the relevant amortization schedules.

### 25.3 Loans written off

No loans were written off during the year.

### 25.4 Housing loans

On 30 June, the amounts outstanding in respect of loans made from the following Funds were as follows:

	2010	2009
	N\$	N\$
Due to the Municipality of Karasburg	6 048	7 012
Due to the Government of Namibia	130 070	150 643

The balances of the loans due to the Government of Namibia were in agreement with the balances on the relevant amortization schedules. Redemption payments were up to date.

The balances due to the Municipality were up to date, interest was correctly calculated and the securities held were in order. Administration and control measures were effectively applied.

### 26. SALE OF ERVEN

During the current financial year, 20 (2009: 6) erven to the value of N\$ 110 750 (2009: N\$ 32 578) were sold. The amount was allocated to the Fixed property Fund.

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

No property was sold on an installment basis during the year.

### 28. TARIFF ADJUSTMENTS

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

### 29. APPROVALS

All necessary approvals were obtained.

### 30. INVENTORY AND EQUIPMENT

#### 30.1 Motor vehicle and values thereof:

	LDV's and Combi's		Heavy duty vehicles (Lorries and busses)	
	No	N\$	No	N\$
On hand as at 01/07/2009	3	118 469	7	387 782
Acquisitions during the year	1	299 900	-	-
	4	418 369	7	387 782
Less: Write-off/sold	-	-	(1)	(7 214)
Less: Depreciation	-	(11 847)	-	(7 686)
On hand 30/06/2010	<b>4</b>	<b>406 522</b>	<b>6</b>	<b>372 882</b>
Kilometers travelled		42 305		**
Total fuel consumption (liters)		5 269.66		12 638.40
Kilometers per liter		8.03		**

\*\* Kilometers travelled could not be verified, because vehicles speedometers were damaged.

### **30.2 Inventory**

As at the end of the financial year, stock comprising fuel and lubricants amounted to N\$ 84 330 (2009: N\$ 87 398). Administrative and control measures were effectively applied, with all other items of stock directly expensed to the income statement once incurred.

### **31. SPECIAL INVESTIGATIONS**

There were no special investigations carried out during the year.

### **32. GENERAL**

There is a sufficient system of internal control at the Municipality. Proper segregation of duties is not possible due to the small number of staff employed. While increased management involvement does not reduce risks, it causes the risk that management and Council override existing controls, a potentially dangerous practice, which Council should vigilantly guard against.

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

The following matter was brought to the attention of the Chief Executive Officer by way of a report to management:

- Deposit on services inadequate
- Bad and doubtful debts
- Loans in arrears
- Inventories
- Distribution losses

### **34. QUALIFIED AUDIT OPINION**

The accounts of the Municipality of Karasburg for the financial year end 30 June 2010, 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 audit opinion has been qualified due to the following reason:

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 Local Authority is unable to continue as a going concern.

Except for the above-mentioned remarks, in my opinion the financial statements fairly present the financial position of the Municipality at 30 June 2010 and the results of its operations and cash flow for the year then ended.

## THE MUNICIPALITY OF KARASBURG

## BALANCE SHEET AT 30 JUNE

	Note	2010 N\$	2009 N\$
<b>ASSETS</b>			
<b>Non-current assets</b>		13 527 178	6 447 919
Property, plant and equipment	2	10 830 285	2 795 077
Investments	3	2 690 845	3 645 830
Secured loans	4	6 048	7 012
<b>Current assets</b>		2 156 766	2 248 806
Trade and other receivables	5	1 056 228	1 090 839
Inventories	6	84 330	87 398
Cash and bank balances	7	1 016 208	1 070 569
<b>TOTAL ASSETS</b>		<b>15 683 944</b>	<b>8 696 725</b>
<b>FUNDS AND LIABILITIES</b>			
<b>Funds and reserves</b>		13 373 964	6 395 299
Capital outlay	8	9 603 274	1 714 230
Funds and accounts	9	3 770 690	4 681 069
<b>Long-term liabilities</b>	10	764 841	791 050
<b>Current liabilities</b>			
Trade and other payables	11	1 545 139	1 510 376
<b>TOTAL FUNDS AND LIABILITIES</b>		<b>15 683 944</b>	<b>8 696 725</b>

## THE MUNICIPALITY OF KARASBURG

## INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE

	<u>Note</u>	<u>2010</u> N\$	<u>2009</u> N\$
INCOME		9 726 249	9 009 440
EXPENDITURE		<u>(9 881 831)</u>	<u>(8 805 550)</u>
NET OPERATING (DEFICIT)/SURPLUS		(155 582)	203 890
INVESTMENT INCOME EARNED FOR REVENUE ACCOUNTS		<u>2 766</u>	<u>8 835</u>
NET (DEFICIT)/SURPLUS FOR THE YEAR		(152 816)	212 725
TRANSFER TO FUNDS	12	(23 000)	-
APPROPRIATION ACCOUNT	13	<u>(9 696)</u>	<u>25 925</u>
		(185 512)	238 650
ACCUMULATED FUNDS - Beginning of year		<u>(1 956 309)</u>	<u>(2 194 959)</u>
ACCUMULATED FUNDS - End of year		<u><b>(2 141 821)</b></u>	<u><b>(1 956 309)</b></u>

## THE MUNICIPALITY OF KARASBURG

## CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE

	Note	2010 N\$	2009 N\$
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Cash receipts from customers		9 726 249	9 009 440
Cash paid to suppliers		(9 842 085)	(8 819 662)
Cash (utilised)/generated by operations	14	(115 836)	189 778
Investment income		2 766	8 835
Movement in Fund accounts			
- (Decrease)/increase in Fund accounts		(724 867)	2 147 527
- Increase/(decrease) in capital outlay		7 889 044	(34 495)
Net cash flow from operating activities		7 051 107	2 311 645
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Net capital expenditure		(8 035 208)	(8 430)
Decrease/(increase) in investments		954 985	(1 883 135)
Decrease in loans receivable		964	1 076
		(7 079 259)	(1 890 489)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Decrease in long-term liabilities		(26 209)	(45 012)
		(26 209)	(45 012)
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(54 361)	376 144
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR		1 070 569	694 425
CASH AND CASH EQUIVALENTS - END OF YEAR		<b>1 016 208</b>	<b>1 070 569</b>

## THE MUNICIPALITY OF KARASBURG

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

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**1. ACCOUNTING POLICIES****1.1 Introduction**

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.

**1.2 Property, plant and equipment**

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, 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.

**1.3 Internal Funds**

The following Funds were created by the Village Council:

**1.3.1 Housing Fund**

The purpose of this Fund is to provide for housing loans. Income for this Fund is derived from interest earned on secured housing loans and investments as well as profits made on the resale of housing scheme houses. Interest paid on external housing loans is charged to the Fund.

**1.3.2 Capital Reserve Fund**

The purpose of this Fund is to build up a general capital reserve to ensure a stable financial position. Income for this Fund is derived from general revenue contributions and interest earned on internal loans and investments.

**1.3.3 Betterment Fund**

The purpose of this Fund is to provide for future improvements of municipal assets. Part of the proceeds of the sale of land as well as interest earned on internal loans and investments are allocated to this Fund.

**1.3.4 Fixed Property Fund**

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

**1.3.5 Renewal Fund**

Its purpose is to provide for replacement of assets and for additional depreciation on assets which abnormally decreased in value. Income for this account is derived from general revenue contributions as well as interest earned on investments.

**1.3.6 Other internal Funds**

Although requested, the purpose of the following Funds could not be explained by the Municipality:

- Mayoral Chain Fund
- Computer Replacement Fund
- Development Fund
- Build Together Fund

## THE MUNICIPALITY OF KARASBURG

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

## ACCOUNTING POLICIES (continued)

**1.4 Capital redemption on loans (Current loans redeemed)**

Capital redemptions on external and internal loans are charged against income. A similar amount is credited to the Loan Redemption Fund for the duration of the loan. As and when the loan is fully redeemed the Loan Redemption Fund is transferred to the Revenue Contribution.

**1.5 Inventories**

Fuel inventory is valued at cost on the first-in-first-out basis.

	<b>2010</b>	<b>2009</b>
	N\$	N\$
<b>2. PROPERTY, PLANT AND EQUIPMENT</b>		
Loan assets	1 876 945	1 689 796
Income assets	1 054 681	979 222
General capital assets	7 898 659	126 059
	<b>10 830 285</b>	<b>2 795 077</b>
<b>3. INVESTMENTS</b>		
INVESTMENTS		
Fixed deposits	<b>2 690 845</b>	<b>3 645 830</b>
ALLOCATED TO FUNDS		
Capital Reserve Fund	31 668	31 668
Fixed Property Fund	217 645	17 645
Housing Fund	1 141 463	1 141 463
Renewal Fund	156 935	206 835
Betterment Fund	52 591	52 591
Mayoral Chain Fund	23 895	21 360
Computer Replacement Fund	32 006	51 268
Build Together Fund	1 034 642	2 123 000
	<b>2 690 845</b>	<b>3 645 830</b>
<b>4. SECURED LOANS</b>		
Loans granted against first mortgage bonds against fixed property	<b>6 048</b>	<b>7 012</b>



## THE MUNICIPALITY OF KARASBURG

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

	<b>2010</b>	<b>2009</b>
	N\$	N\$
<b>5. TRADE AND OTHER RECEIVABLES</b>		
Assessment rates	1 049 465	1 063 444
Services	2 784 198	2 739 780
House and site rentals	86 894	97 022
Value added tax	6 523	117 178
Sundry debtors	56 106	373
Provision for doubtful debts	(2 926 958)	(2 926 958)
	<b>1 056 228</b>	<b>1 090 839</b>
<b>6. INVENTORY</b>		
Comprising of fuel and lubricants	<b>84 330</b>	<b>87 398</b>
<b>7. CASH AND BANK BALANCES</b>		
Current bank account	1 015 548	1 069 909
Petty cash	660	660
	<b>1 016 208</b>	<b>1 070 569</b>
<b>8. CAPITAL OUTLAY</b>		
Loans redeemed	649 934	608 949
Revenue contributions	1 054 681	979 222
General Capital contributions	7 898 659	126 059
	<b>9 603 274</b>	<b>1 714 230</b>
<b>9. FUNDS AND ACCOUNTS</b>		
Betterment Fund	540 675	502 923
Capital Reserve Fund	188 951	186 998
Computer Replacement Fund	33 960	57 997
Development Fund	5 000	-
Fixed Property Fund	886 059	773 731
Housing Fund	1 504 402	1 438 794
Mayoral Chain Fund	29 360	23 895
Renewal Fund	993 824	934 373
Build Together Fund	1 730 280	2 718 667
Revenue account kept in compliance with Section 86(1) of the Local Authority Act, 1992.	(2 141 821)	(1 956 309)
	<b>3 770 690</b>	<b>4 681 069</b>

## THE MUNICIPALITY OF KARASBURG

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

	<b>2010</b>	<b>2009</b>
	N\$	N\$
<b>10. LONG-TERM LIABILITIES</b>		
The Government of Namibia		
Capital section	419 227	455 712
Housing Fund	130 070	150 643
Deposits held	215 544	184 695
	<b>764 841</b>	<b>791 050</b>
<b>11. TRADE AND OTHER PAYABLES</b>		
Recoverables	60 788	10 977
Trade creditors	8 318	81 128
Provision for audit fees	131 300	83 150
Provision for staff leave	199 986	199 986
Loan installments in arrear	1 144 747	1 135 135
	<b>1 545 139</b>	<b>1 510 376</b>
<b>12. TRANSFER TO FUNDS</b>		
Mayoral Chain Fund	4 000	-
Development Fund	5 000	-
Renewal Fund	14 000	-
	<b>23 000</b>	<b>-</b>
<b>13. ADJUSTMENTS TO APPROPRIATION ACCOUNT</b>		
Deposit - Badmington Club	-	150
Faulty levies	(4 555)	(5 914)
Houses sold	6 776	9 000
Insurance claim	-	93 539
Provision for leave	(11 917)	(70 890)
Stale cheque	-	40
	<b>(9 696)</b>	<b>25 925</b>

## THE MUNICIPALITY OF KARASBURG

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

	<b>2010</b>	<b>2009</b>
	N\$	N\$
<b>14. CASH (UTILISED)/GENERATED BY OPERATIONS</b>		
NET OPERATING (DEFICIT)/SURPLUS BEFORE TRANSFERS	(152 816)	212 725
ADJUSTMENTS FOR:		
- Adjustments to appropriation account	(9 696)	25 925
- Investment income	(2 766)	(8 835)
- Transfer to Funds	(23 000)	-
OPERATING DEFICIT BEFORE CHANGES IN WORKING CAPITAL	(188 278)	229 815
CHANGES IN WORKING CAPITAL		
Decrease/(increase) in trade and other receivables	34 611	(229 472)
Decrease in inventories	3 068	39 053
Increase in trade and other payables	34 763	150 382
	72 442	(40 037)
<b>CASH (UTILISED)/GENERATED BY OPERATIONS</b>	<b>(115 836)</b>	<b>189 778</b>