



REPUBLIC OF NAMIBIA



REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE

TOWN COUNCIL OF KARIBIB

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

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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 Town Council of Karibib for the financial year ended 30 June 2012, in terms of Article 127(2) of the Namibian Constitution. The report is transmitted to the Honourable Minister of Finance in terms of Section 27(1) of the State Finance Act, 1991, (Act 31 of 1991) to be laid upon the Table of the National Assembly in terms of Section 27(4) of the Act.

WINDHOEK, May 2013

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE
TOWN COUNCIL OF KARIBIB
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012**

1. INTRODUCTION

The accounts of the Town Council of Karibib for the year ended 30 June 2012 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 Town Council on behalf of the Auditor-General and under his supervision.

Figures in the report are rounded off to the nearest Namibia Dollar. Deficits are indicated in brackets.

2. FINANCIAL STATEMENTS

The Town 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 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 2012, 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 Town Council is responsible for the preparation and fair presentation of these 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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatements.

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 judgment, 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 Accounting records and information

The overall control and quality of accounting records for the year under review were not up to standard. Many reconciliations were not done or up to date and various reports that were requested could not be presented to the auditors.

4.2 Financial position

The Town Council has a net accumulated deficit of N\$ 4 592 037 (2011: N\$ 5 578 166) which clearly indicate that the Town Council is not able to continue as a going concern under the present situation.

Due to cash flow problems related to the revenue account, cash amounting to N\$ 2 737 965 (2011: N\$ 3 822 392) from investments of the Fund accounts had to be used to fund the shortfall on the revenue account.

The Town Council will have to take drastic action to become financially viable. It would need to arrange funding, make its operations profitable and ensure that its debt collection is effective.

4.3 Loans in arrears

External Government loans are, as in previous years, not repaid but the repayments are provided for as arrear loan instalments.

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

4.4 Property, plant and equipment

No detailed information of additions could be provided for audit purposes. The auditors were thus unable to verify the assets to their satisfaction.

4.5 Long-term loans receivable

No list of long-term loans receivable to the amount of N\$ 1 213 495 (2011: N\$ 1 216 807) for housing loans and Built Together loans was available for audit purposes. The auditors thus could not perform any tests to verify these loans.

4.6 Inventories

No provision for consumable inventories was made in the financial statements of the Town Council. The Council explained to the auditors that they do not carry significant consumable inventories.

4.7 Trade and other receivables

The average collection period of trade receivables, before taking the provision for bad debts into account, is 263 days (2011: 217 days). The average collection period of trade receivables, after taking the provision for bad debts into account, is 236 days (2011 - 186 days). The recoverability of outstanding debts remains a serious concern and is still a major threat to the cash flow of the Town Council. The auditors are of the opinion that the provision for bad debts is understated with N\$3 842 689 (2011: N\$ 2 443 834).

The age analysis and financial statements differ with N\$ 119 756.

Included in trade and other receivables is an amount of N\$ 819 833 (2011: N\$ 533 602) for VAT receivable. No proper supporting documentation was available for audit purposes to verify this amount.

4.8 Consumer deposits

Consumer deposits are still not in line with monthly charges and the auditors are of the opinion that the deposits are not adequate to cover one month's consumer services.

4.9 Trade and other payables

No list of trade and other payables to the amount of N\$ 14 231 861 was available for audit purposes. No creditors reconciliations are performed by the Council, thus the creditors balance and unrecorded liabilities could not be verified by the auditors. The Council should start performing creditors reconciliations as a matter of urgency.

4.10 Leave provision

No proper information was available for audit purposes to test the provision for leave.

4.11 Value added tax (VAT)

Not all VAT returns for the year under review were rendered timeously to the Directorate: Inland Revenue.

No provision for any penalties and interest has been provided for in the financial statements of the Town Council.

4.12 P.A.Y.E.

Not all P.A.Y.E. returns for the year under review were rendered timeously to the Directorate: Inland Revenue.

No provision for any penalties and interest has been provided for in the financial statements of the Town Council.

4.13 Supporting documentation

In some cases of the items tested by the auditors, the supporting documentation was not available. The auditors therefore could not satisfy them with the validity of expenses.

4.14 Salaries and wages

The July 2011 salary register could not be provided to the auditors. The auditors were thus unable to audit the salaries to their satisfaction.

4.15 Income

The rates used during the current year was lower than the rates on the Government Gazette, therefore the income for the current financial year was understated.

5. ACKNOWLEDGEMENT

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

6. FINANCIAL RESULTS

The results of the operations of, and transactions on the Revenue account for the year were as follows:

| | Revenue | Expenditure | Surplus/ (Deficit) | Balance |
|--|------------|-------------|-----------------------|--------------------|
| | N\$ | N\$ | N\$ | N\$ |
| Accumulated deficit 01/07/2011 | | | | (5 578 166) |
| General accounts | | | | |
| - Non-profitable | 6 628 036 | 8 403 186 | (1 775 150) | |
| - Self-supporting | 2 204 038 | 454 014 | 1 750 024 | |
| Trade accounts | | | | |
| - Water | 4 882 455 | 3 884 760 | 997 695 | |
| Surplus for the year | 13 714 529 | 12 741 960 | 972 569 | 972 569 |
| Adjustments and utilisations (See note 11, Annexure D) | | | | (4 605 597) |
| | | | | 13 560 |
| Accumulated deficit 30/06/2012 | | | | (4 592 037) |

7. CURRENT BANK ACCOUNT

7.1 Operational account

| | 2012 | 2011 |
|---|------------------|----------------|
| | N\$ | N\$ |
| Favorable/(unfavorable) cashbook balance on 30 June | (354 121) | 244 325 |
| Outstanding cheques | 252 582 | 240 |
| Bank balance at 30 June | (101 539) | 244 565 |

8. INVESTMENTS AND INTEREST PROCEEDS

On 30 June the investments were as follows:

| | 2012 | 2011 |
|------------------|------------------|----------------|
| | N\$ | N\$ |
| Commercial banks | 1 742 227 | 880 673 |
| Erongo Red | 3 129 079 | - |
| | 4 871 306 | 880 673 |

The investments were allocated as follows between the Funds:

| | 2012 | 2011 |
|----------------------|-------------------|-------------------|
| | Investment | Investment |
| | N\$ | N\$ |
| Build Together Fund | 236 827 | 410 011 |
| Capital Reserve Fund | 243 472 | - |
| Fixed Property Fund | 808 043 | - |
| Housing Fund | 185 637 | 185 637 |
| Renewal Fund | 268 248 | - |
| Revenue account | 3 129 079 | 285 025 |
| | 4 871 306 | 880 673 |

9. FUND ACCOUNTS

The position of the Funds and accounts at year-end was as shown in note 8 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\$ 2 737 965 (2011: N\$ 3 822 392) 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:

| | Water | |
|---|----------------|----------------|
| | 2012 | 2011 |
| | N\$ | N\$ |
| Royalty/Sales | 4 345 180 | 4 433 932 |
| Cost of sales | (3 361 524) | (3 349 792) |
| Gross profit | 983 656 | 1 084 140 |
| Net expenditure | (161 970) | (179 541) |
| Net surplus/(deficit) | 821 686 | 904 599 |
| Gross profit percentages on cost of sales | (29.3%) | (32.4%) |
| Net profit/(loss) percentage on cost of sales | (24.4%) | (27.0%) |

The distribution of electricity has been taken over by Erongo Red, while a separate bank account has been opened for all water sales and purchases. This account is under the control of Namwater.

10.2 Distribution results

Accurate statistics regarding the purchase and distribution of water units are not available. Furthermore, the Town Council did not perform a monthly reconciliation of distribution losses/surpluses, and as a result also did not follow up variances.

11. SELF-SUPPORTING SERVICES

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

| | 2012 | 2011 |
|-----------------------|------------------|------------------|
| | N\$ | N\$ |
| Health and sanitation | 1 430 448 | 893 674 |
| Commonage | 319 576 | 150 500 |
| Surplus for the year | 1 750 024 | 1 044 174 |

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 2012 | Total expenditure 2011 |
|---------------------------------|------------------|---------------------------|---------------------------|
| | Revenue account | | |
| | N\$ | N\$ | N\$ |
| Natis | - | - | 16 300 |
| Streets | 383 759 | 383 759 | - |
| CEO | 62 997 | 62 997 | - |
| Town engineer | 657 405 | 657 405 | - |
| Electricity | 78 540 | 78 540 | - |
| | 1 182 701 | 1 182 701 | - |

The income statements reflect an amount of N\$ 85 384 more than the capital statement.

16. BURSARIES

There were no bursaries granted for the year under review.

17. CONTRIBUTIONS, GRANTS AND FINANCIAL AID RECEIVED FROM GOVERNMENT

| | 2012 | 2011 |
|---------------|------------------|------------------|
| | N\$ | N\$ |
| Contributions | 1 400 000 | 1 575 246 |

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

Due to poor record keeping at the Town Council this information was not available.

22. TRANSFER OF PROPERTY

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

22.2 There were 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:

| | 2012 | 2011 |
|-------------------------|------------------|------------------|
| | N\$ | N\$ |
| Services | 5 755 270 | 4 205 346 |
| Namwater | 2 912 464 | - |
| Value added tax | 819 833 | 533 602 |
| Sundry debtors | 247 887 | 62 255 |
| Provision for bad debts | (600 000) | (600 000) |
| Total | 9 135 454 | 4 201 203 |

The average collection period of trade receivables, before taking the provision for bad debts into account, is 263 days (2011 - 217 days). The average collection period of trade receivables, after taking the provision for bad debts into account, is 236 days (2011 - 186 days). The recoverability of outstanding debts remains a serious concern and is still a major threat to the cash flow of the Town Council. The auditors are of the opinion that the provision for bad debts is understated with N\$ 3 842 689 (2011: N\$ 2 443 834).

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

23.2 Trade and other payables at 30 June were:

| | 2012 | 2011 |
|-----------------|-------------------|------------------|
| | N\$ | N\$ |
| Trade creditors | 1 457 860 | 6 006 259 |
| Provisions | 12 174 000 | 347 697 |
| Totals | 13 631 860 | 6 353 956 |

No list of trade and other payables to the amount of N\$ 14 231 861 was available for audit purposes. No creditors reconciliations are performed by the Council, thus the creditors balance and unrecorded liabilities

could not be verified by the auditors. The Council should start performing creditors reconciliations as a matter of urgency.

24. ASSESSMENT RATES

| | 2012 | 2011 |
|---|-------------|-------------|
| | N\$ | N\$ |
| The net proceeds from assessment rates were | 986 967 | 810 148 |
| Tariffs per N\$1 valuation per annum - Business | | |
| - Land | 0.0561 | 0.0390 |
| - Improvements | 0.0128 | 0.0089 |

25. LOANS

25.1 External loans

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

| | 2012 | 2011 |
|-----------------|------------------|------------------|
| | N\$ | N\$ |
| Capital section | 1 807 774 | 1 881 195 |
| Housing Fund | 9 324 | 9 324 |
| | 1 817 098 | 1 890 519 |

25.2 Internal loan balances

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

| | 2012 | 2011 |
|---------------------|---------------|---------------|
| | N\$ | N\$ |
| Fixed Property Fund | 15 792 | 18 380 |
| Totals | 15 792 | 18 380 |

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:

| | 2012 | 2011 |
|------------------------------------|-------------|-------------|
| | N\$ | N\$ |
| Due to the Town Council of Karibib | 1 213 495 | 1 216 807 |
| Due to the Government of Namibia | 9 324 | 9 324 |

26. SALE OF ERVEN

No information regarding the sale of erven was available for audit purposes.

27. LOCAL AUTHORITY PROPERTY SOLD ON AN INSTALMENT BASIS

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

28. TARIFF ADJUSTMENTS

Since 2004 no tariff adjustments were done until the current financial year 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:

The Town Council could not provide the auditors with this information.

30.2 Inventory

No inventories are carried on the balance sheet of the Town Council.

31. SPECIAL INVESTIGATIONS

There were no special investigations carried out during the year.

32. GENERAL

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

33. FORMAL AND INFORMAL QUERIES

33.1 Formal queries are embodied in this report.

33.2 Informal queries were discussed with the Town Council.

34. DISCLAIMED AUDIT OPINION

The accounts of the Town Council of Karibib for the financial year end 30 June 2012, summarised in Annexures A to D, were audited by me in terms of Section 85 of the Local Authority act, 1992, read with Section 25 (1) (b) of the State Finance Act, 1991.

I am unable to express an audit opinion due to the following reasons:

Accounting records and information

The overall control and quality of accounting records for the year under review were not up to standard. Reconciliations were not done or up to date and various reports that were requested could not be presented to the auditors.

Financial position

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.

Loans in arrears

External Government loans are, as in previous years, not repaid but the repayments are provided for as arrear loan instalments.

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

Property, plant and equipment

No detailed information of additions could be provided for audit purposes. The auditors were thus unable to verify the assets to their satisfaction.

Long-term loans receivable

No list of long-term loans receivable to the amount of N\$ 1 213 495 for housing loans and Build Together loans was available for audit purposes.

Trade and other receivables

The auditors are of the opinion that the provision for bad debts is understated with N\$ 3 842 689.

The age analysis and financial statements differ with N\$ 119 756.

Included in trade and other receivables is an amount of N\$ 819 833 for VAT receivable. No proper supporting documentation was available for audit purposes to verify this amount.

Trade and other payables

No creditors reconciliation are performed by the Council, thus the creditors balance and unrecorded liabilities could not be verified by the auditors. The Council should start performing creditors reconciliation as a matter of urgency.

Leave provision

No proper information was available for audit purposes to test the provision for leave.

Value Added Tax (VAT)

Not all VAT returns for the year under review were rendered timeously to the Directorate: Inland Revenue.

No provision for any penalties and interest has been provided for in the financial statements of the Town Council.

P.A.Y.E.

Not all P.A.Y.E. returns for the year under review were rendered timeously to Directorate: Inland Revenue.

No provision for any penalties and interest has been provided for in the financial statements of the Town Council.

Supporting documentation

In cases of the items tested by the auditors, the supporting documentation was not available. The auditors therefore could not satisfy them with the validity of expenses.

Salaries and wages

The July 2011 salary register could not be provided to the auditors. The auditors were thus unable to audit the salaries to their satisfaction.

Income

The rates used during the current year was lower than the rates on the Government Gazette, therefore the income for the current financial year was understated.

WINDHOEK, May 2013

**JUNIAS ETUNA KANDJEKE
AUDITOR- GENERAL**

TOWN COUNCIL OF KARIBIB

BALANCE SHEET AT 30 JUNE

| | Notes | 2012 N\$ | 2011 N\$ |
|------------------------------------|-------|-------------------|-------------------|
| ASSETS | | | |
| Non-current assets | | 13 644 175 | 9 237 484 |
| Property, plant and equipment | 2 | 7 559 374 | 7 140 004 |
| Investments | 3 | 4 871 306 | 880 673 |
| Secured loans | 4 | 1 213 495 | 1 216 807 |
| Current assets | | 9 135 454 | 4 445 528 |
| Trade and other receivables | 5 | 9 135 454 | 4 201 203 |
| Cash and bank balances | 6 | - | 244 325 |
| TOTAL ASSETS | | 22 779 629 | 13 683 012 |
| FUNDS AND LIABILITIES | | | |
| Funds and reserves | | 6 843 927 | 5 306 165 |
| Capital outlay | 7 | 5 735 808 | 5 240 429 |
| Funds and accounts | 8 | 1 108 119 | 65 736 |
| Long-term liabilities | 9 | 1 949 481 | 2 022 891 |
| Current liabilities | | 13 986 221 | 6 353 956 |
| Trade and other payables | 10 | 13 631 860 | 6 353 956 |
| Bank overdraft | 6 | 354 361 | - |
| TOTAL FUNDS AND LIABILITIES | | 22 779 629 | 13 683 012 |

TOWN COUNCIL OF KARIBIB

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE

| | <u>Notes</u> | <u>2012</u> | <u>2011</u> |
|---|--------------|---------------------------|---------------------------|
| | | N\$ | N\$ |
| INCOME | | 13 698 493 | 10 625 041 |
| EXPENDITURE | | <u>(12 741 960)</u> | <u>(10 365 952)</u> |
| NET OPERATING SURPLUS/(DEFICIT) | | 956 533 | 259 089 |
| INVESTMENT INCOME EARNED FOR REVENUE ACCOUNTS | | <u>16 036</u> | - |
| NET SURPLUS/(DEFICIT) FOR THE YEAR | | 972 569 | 259 089 |
| APPROPRIATION ACCOUNT | 11 | <u>13 560</u> | <u>692 698</u> |
| | | 986 129 | 951 787 |
| ACCUMULATED FUNDS - Beginning of year | | <u>(5 578 166)</u> | <u>(6 529 953)</u> |
| ACCUMULATED FUNDS - End of year | | <u>(4 592 037)</u> | <u>(5 578 166)</u> |

TOWN COUNCIL OF KARIBIB

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE

| | Note | 2012 | 2011 |
|---|-------------|------------------|----------------|
| | | N\$ | N\$ |
| CASH FLOW FROM OPERATING ACTIVITIES | | | |
| Cash receipts from customers | | 13 698 493 | 10 625 041 |
| Cash paid to suppliers | | (10 384 747) | (10 213 512) |
| Cash generated/(utilised) by operations | 12 | 3 313 746 | 411 529 |
| Investment income | | 16 036 | - |
| Movement in Fund accounts | | | |
| - Increase in Fund accounts | | 56 254 | 304 239 |
| - Increase in capital outlay | | 495 379 | 85 528 |
| Net cash flow from operating activities | | 3 881 415 | 801 296 |
| CASH FLOW FROM INVESTING ACTIVITIES | | | |
| Net capital expenditure | | (419 370) | (16 300) |
| (Increase)/decrease in investments | | (3 990 633) | (279 268) |
| Decrease in loans receivable | | 3 312 | 59 945 |
| | | (4 406 691) | (235 623) |
| CASH FLOW FROM FINANCING ACTIVITIES | | | |
| Decrease in long-term liabilities | | (73 410) | (67 354) |
| | | (73 410) | (67 354) |
| INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS | | | |
| | | (598 686) | 498 319 |
| CASH AND CASH EQUIVALENTS | | | |
| - BEGINNING OF YEAR | | 244 325 | (253 994) |
| CASH AND CASH EQUIVALENTS - END OF YEAR | | (354 361) | 244 325 |

TOWN COUNCIL OF KARIBIB

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

1. ACCOUNTING POLICIES**1.1 Introduction**

The annual financial statements set out in Annexures A to D 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 Municipality:

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 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.

1.3.4 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.

1.3.5 Build Together Fund

The purpose of this Fund is to lend money to the low income group of inhabitants to enable them to erect their own residences. Income is derived from Government grants and interest on loans and investments.

TOWN COUNCIL OF KARIBIB

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

ACCOUNTING POLICIES (continued)

1.4 Capital redemption on loans

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.

| | 2012 | 2011 |
|---|------------------|------------------|
| | N\$ | N\$ |
| 2. PROPERTY, PLANT AND EQUIPMENT | | |
| Loans assets | 2 810 066 | 2 810 066 |
| Income Assets | 3 367 033 | 2 777 964 |
| General Capital assets | 1 382 275 | 1 551 974 |
| | 7 559 374 | 7 140 004 |
| 3. INVESTMENTS | | |
| INVESTMENTS | | |
| Commercial banks | 1 742 227 | 880 673 |
| Erongo Red | 3 129 079 | - |
| | 4 871 306 | 880 673 |
| ALLOCATED TO FUNDS | | |
| Build Together Fund | 236 827 | 410 011 |
| Capital Reserve Fund | 243 472 | - |
| Fixed Property Fund | 808 043 | - |
| Housing Fund | 185 637 | 185 637 |
| Renewal Fund | 268 248 | - |
| Revenue account | 3 129 079 | 285 025 |
| | 4 871 306 | 880 673 |
| 4. SECURED LOANS | | |
| Housing loans - Housing Fund | 15 849 | 15 849 |
| Build Together loans | 1 197 646 | 1 200 958 |
| | 1 213 495 | 1 216 807 |
| Loans granted against first mortgage bonds against fixed property | 1 213 495 | 1 216 807 |

TOWN COUNCIL OF KARIBIB

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

| | 2012 | 2011 |
|---|------------------|------------------|
| | N\$ | N\$ |
| 5. TRADE AND OTHER RECEIVABLES | | |
| Services | 5 755 270 | 4 205 346 |
| Namwater | 2 912 464 | - |
| Value Added Tax | 819 833 | 533 602 |
| Sundry debtors | 247 887 | 62 255 |
| Provision for doubtful debts | (600 000) | (600 000) |
| | 9 135 454 | 4 201 203 |
| 6. CASH AND BANK BALANCES | | |
| Current account | (354 361) | 244 325 |
| | (354 361) | 244 325 |
| 7. CAPITAL OUTLAY | | |
| Loans redeemed | 986 500 | 910 492 |
| Revenue contributions | 3 367 033 | 2 777 964 |
| General Capital contributions | 1 382 275 | 1 551 973 |
| | 5 735 808 | 5 240 429 |
| 8. FUNDS AND ACCOUNTS | | |
| Fixed Property Fund | 2 208 868 | 2 208 868 |
| Capital Reserve Fund | 243 473 | 243 472 |
| Renewal Fund | 268 248 | 268 248 |
| Housing Fund | 192 162 | 192 162 |
| Build Together Fund | 2 787 405 | 2 731 152 |
| Revenue account kept in compliance with Section 86(1) of the Local Authorities Act, 1992. | (4 592 037) | (5 578 166) |
| | 1 108 119 | 65 736 |
| 9. LONG-TERM LIABILITIES | | |
| The Government of Namibia | | |
| Capital section | 1 807 774 | 1 881 195 |
| Housing Fund | 9 324 | 9 324 |
| Deposits held | 132 383 | 132 372 |
| | 1 949 481 | 2 022 891 |

TOWN COUNCIL OF KARIBIB

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

| | 2012 | 2011 |
|---|-------------------|------------------|
| | N\$ | N\$ |
| 10. TRADE AND OTHER PAYABLES | | |
| Trade creditors | 1 457 860 | 6 006 259 |
| Provisions | 12 174 000 | 347 697 |
| | 13 631 860 | 6 353 956 |
| 11. ADJUSTMENTS TO APPROPRIATION ACCOUNT | | |
| Prior year adjustments | 2 733 885 | 692 698 |
| Provision for bad debts | (5 849 404) | - |
| Erongo Red Equity | 3 129 079 | - |
| | 13 560 | 692 698 |
| 12. CASH GENERATED/(UTILISED) BY OPERATIONS | | |
| NET OPERATING SURPLUS/(DEFICIT) BEFORE TRANSFERS | 972 569 | 259 089 |
| ADJUSTMENTS FOR: | | |
| - Adjustments to appropriation account | 13 560 | 692 698 |
| - Investment income | (16 036) | - |
| OPERATING (DEFICIT)/SURPLUS BEFORE CHANGES IN WORKING CAPITAL | 970 093 | 951 787 |
| CHANGES IN WORKING CAPITAL | | |
| Increase in trade and other receivables | (4 934 251) | (474 301) |
| (Decrease)/increase in trade and other payables | 7 277 904 | (65 957) |
| | 2 343 653 | (540 258) |
| CASH GENERATED/(UTILISED) BY OPERATIONS | 3 313 746 | 411 529 |