



REPUBLIC OF NAMIBIA



REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE

MUNICIPALITY OF KEEMANSHOOP

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

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REPUBLIC OF NAMIBIA



TO THE HONOURABLE SPEAKER OF THE NATIONAL ASSEMBLY

I have the honour to submit herewith my report on the accounts of the Municipality of Keetmanshoop for the financial year ended 30 June 2009, in terms of Article 127(2) of the Namibian Constitution. The report is transmitted to the Honourable Minister of Finance in terms of Section 27(1) of the State Finance Act, 1991, (Act 31 of 1991) to be laid upon the Table of the National Assembly in terms of Section 27(4) of the Act.

WINDHOEK, November 2011

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF
THE MUNICIPALITY OF KEETMANSHOOP
FOR THE FINANCIAL YEAR ENDED
30 JUNE 2009**

1. INTRODUCTION

The accounts of the Municipality of Keetmanshoop for the year ended 30 June 2009 are being reported on in accordance with the provisions set out in the State Finance Act, 1991 (Act 31 of 1991) and the Local Authorities Act, 1992 (Act 23 of 1992).

The firm BDO 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 Namibia 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, **except that they were only signed on 13 April 2011 instead of within three months after yearend as required by the Act.** The audited financial statements are in agreement with the general ledger and are filed in the Office of the Auditor-General. The abridged balance sheet at Annexure A is a true reflection of the original. The following annexures are also attached to this report:

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 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 complies with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

4. AUDIT OBSERVATIONS AND COMMENTS

(* Reported in prior year.

4.1 Opening balance adjustments

The Council could not provide the auditors with supporting documentation or explanations for the adjustments made on the opening balances. It was thus not possible to verify these adjustments.

4.1 Financial results

The Council made a surplus of N\$ 3 125 505 (2008: N\$ 3 433 636). The accumulated deficit as at year-end amounted to N\$ 144 352 (2008: N\$ 8 700 077).

4.3 Fixed assets register – Property, plant and equipment (*)

The Municipality could not provide the auditors with a detailed fixed asset register as at 30 June 2009 and consequently they could not verify the existence and completeness of property, plant and equipment and the accuracy of depreciation.

It was also noted that the opening balances of the capital statement's expenses and finance sides differs with N\$ 785 0985.

Adjustments to reconcile the opening balances of the expenditures within the fixed asset register amounted to a net figure of N\$ 2 860 806 but could not be supported by evidence.

The financing side of the capital statement decreased from N\$ 28 321 056 to N\$ 25 839 923 which are a movement of N\$ 2 481 133. On the statement itself there is no indication on the cause of this negative movement although capital expenditure to the amount of N\$ 2 171 165 was financed by revenue.

4.4 Arrear external loans (*)

External loans were, as in previous years, not repaid but the repayments are provided for as arrear loan instalments. The total instalments in arrears amount to N\$ 4 749 475 (2008: N\$ 11 911 244), while only N\$ 3 390 449 is provided for loan instalments in arrears leaving a difference of N\$ 1 359 026. Council should ensure that all unpaid instalments are correctly reflected in the financial statements.

Council has written off Government loans to the value of N\$ 8 019 508. These loans are still a liability to the Government and have not been written off by Government. As such the liabilities have been understated in the financial statements.

External loan schedules were not updated at all or if updated, incorrectly updated, for the movements of the current year and could thus not be reconciled and agreed to the financial statements.

4.5 Value Added Taxation (*)

The Municipality did not declare their zero rated and exempt sales as per the requirements of the Value Added Tax Act. Financial losses could be incurred due to non-compliance with afore-mentioned Act.

There was a material difference of N\$ 966 247 between the VAT reconciliation conducted by the auditors and the financial statements for the year. There was also a material difference of N\$ 3 826 631 between the financial statements and the statements received from the Receiver of Revenue. As such the auditors could not confirm the accuracy, existence and completeness of the VAT balance in the financial statements.

Council would also appear to be under declare their input VAT during for the year.

4.6 Trade receivables – Overdue accounts (*)

The trade debtors balance increased from N\$ 16 264 680 in 2008 to N\$ 19 633 779 in the current year and the average debtors outstanding in days increased with 42 days. This indicates that the Municipality is having difficulties in collecting its debts.

The age analysis presented to the auditors differed with N\$ 10 325 291 from the financial statements. The completeness, existence, accuracy and valuation of the trade receivables could thus not be ascertained.

4.7 Investments

There was a material difference of N\$ 565 735 between the investment register and the amounts per the financial statements. Council could not explain this difference. As a result the auditors could not satisfy themselves with regards to the completeness, accuracy and validity of the investment balances.

4.8 Bank reconciliation (*)

Council did not perform bank reconciliations for the year under review. As a result the auditors could not verify the accuracy, existence, completeness and valuation of the bank balance.

4.9 Existence and completeness of expenditures and other income (*)

The auditors could not obtain supporting documentation for the following expenditure selected.

	N\$
Cleaning General	74 541
Fuel & Oil	48 294
R&M - General	192 817
R&M - Vehicle	193 956
Town Planning	475 187
260 Plot Kronlein	440 733
Vehicles	576 775
Total	<u>2 002 303</u>

Water purchases amounting to N\$ 399 863 could not be traced to the general ledger.

In addition the auditors could not obtain supporting documentation for the following income selected:

	N\$
RFA contribution	1 372 570
Rental: Building	347 407
Sundry income	427 033
Natis contribution	848 653
Royalties (Selco)	*2 824 206
	<u>5 819 869</u>

* During the audit of Selco royalties revenue, the auditors discovered a calculated difference of N\$ 594 687. When the Council could not explain the difference the auditors requested a detailed account for an analytical review. The Council was however also unable to provide such a list to the auditors.

Council is urged to keep all accounting records in a save place for audit purposed as required by Section 86(1) of the Act.

4.10 Housing Fund and Housing Fund debtors (*)

The auditors could not obtain a list of advances made. According to the financial statements housing debtors amounts to N\$ 2 619 178. As a result the auditors could not verify the existence, accuracy, valuation and completeness of these advances and the movement on the Housing Fund.

4.11 Distribution results – Water (*)

The Municipality could not provide the auditors with a list of units sold during the year and as a result they could not determine the distribution results for the year under review.

4.12 Stock

Council could not provide valuation schedules. The accuracy and valuation could thus not be tested.

4.13 Payroll

The total of the payroll could not be reconciled to the payroll balance as per general ledger. The difference of N\$ 990 248 was caused by the Council who misallocated amounts. The existence, completeness and accuracy could thus not be ascertained.

4.14 Adjustment to the appropriation account

The audit revealed that adjustments related to the Accumulated Fund to a net amount of N\$ 5 430 220 was made in the appropriation account without supporting documentation.

4.15 Assessment rates

Assessment rates to the amount of N\$ 8 603 276 were received during the year under review, but the 5% levied for the benefit of the funds of the Regional Council in terms of Section 77(1) of the Local Authority Act was not paid over to the Regional Council nor did the Local Authority make provision for such payment. This means that the liabilities of the Council are materially understated.

4.16 Going concern considerations (*)

The Municipality has been unable to meet its liabilities, most notably, there are loan instalments totalling N\$ 4 749 475 (2008: N\$ 11 911 244) owed to the Government. The accumulated deficit of the Council however decreased from N\$ 8 700 077 to N\$ 144 352. This decrease arose due to arrear loan instalments that were written off against the appropriation account without the necessary approval. Temporary advances to revenue remained high, with a balance of N\$ 5 738 276, as at year end. This is a clear indication of the cash flow problems that the Council is experiencing and their financial position in general.

The ability of the Municipality to continue as a going concern in the future is dependent on a number of factors, some of which have been highlighted in the preceding notes above.

The most significant of these are:

- The profitability of operations should be maintained.
- A turn-around strategy should be developed and implemented.
- The recovery of long outstanding trade receivables.
- Further negotiations with the Government to either further extend the postponement of loan redemption payments in arrears, or to write them off should become a priority.
- The extension of existing levels of finance by major trade payables should be negotiated.

5. ACKNOWLEDGEMENT

The assistance and co-operation given by the staff of the Municipality during the audit is appreciated

6. FINANCIAL RESULTS

The results of the various operations and transactions on the Revenue account for the year are as follows:

	Revenue	Expenditure	Surplus/ (Deficit)	Balance
	N\$	N\$	N\$	N\$
Accumulated deficit 01/07/2008				(8 700 077)
General accounts				
Non-profitable services	14 699 410	18 491 081	(3 791 671)	
Self-supporting services	8 092 246	3 230 899	4 861 347	
Trade accounts				
Electricity	2 834 497	1 928 522	905 975	
Water	12 141 313	10 991 458	1 149 855	
	37 767 466	34 641 961	3 125 505	
Surplus for the year				3 125 505
Adjustments and appropriations (Note 11, Annexure D)				*5 430 220
Accumulated deficit 30/06/2009				(144 352)

It was noted that these adjustments were made without supporting documents. This is totally unacceptable to this Office. Council is again urged to keep all relevant accounting documentation in order to comply with Section 86(1) of the Act.

7. CURRENT BANK ACCOUNT

The favourable cash-book balance at 30 June 2008 amounted to N\$ 2 136 305 (2008: N\$ 895 504 - favourable). No bank reconciliation was done in current year by Council. (See paragraph 4.7.)

8. INVESTMENTS AND INTEREST PROCEEDS

The investments as at 30 June 2009 and the interest thereon were as follows:

Institution	2009		2008	
	Investment	Interest	Investment	Interest
	N\$	N\$	N\$	N\$
Invested at:				
Commercial banks	4 338 117	18 988	520 454	823 651
Nampost	-	-	133 081	9 613
	4 338 117	18 988	653 535	833 264
Distribution:				
Capital	785 048	-	-	-
Fixed Property Fund	-	-	-	-
Housing Fund - Keetmanshoop	3 538 530	18 988	260 249	53 069
Housing Fund - Tseiblaagte	-	-	-	-
Housing Fund - Kronlein	-	-	-	-
Capital Development Fund	-	-	-	-
Revenue Account	14 539	-	393 286	780 195
	4 338 117	18 988	653 535	833 264

9. FUND ACCOUNTS

The position of internal Funds and Reserves is shown in note 7 at annexure D.

10. TRADE ACCOUNTS

10.1 Operating results

The results for the financial year under review and the previous year were as follows:

	Electricity		Water	
	2009	2008	2009	2008
	N\$	N\$	N\$	N\$
Royalties/Sales	1 734 569	1 710 559	12 130 562	9 542 772
Cost of bulk purchases	-	-	(9 674 756)	(8 399 008)
Gross profit	1 734 569	1 710 559	2 455 806	1 143 764
Other income/ (expenses)	(828 594)	(1 517 330)	(1 305 951)	(1 371 967)
NET PROFIT/ (LOSS)	905 975	193 229	1 149 855	(228 203)
Gross profit % on bulk purchases	N/A	N/A	25.3%	13.6%
Surplus/(Deficit) % on bulk purchases	N/A	N/A	11.9%	(2.7%)

The loss on water from prior year has been turned into a surplus in the current year.

10.2 Water distribution results, in cubic meters.

	2009	2008
	N\$	N\$
Total cubic meters sold for the year	*-	*-
Total cubic meters bought for the year	(1 465 700)	(1 582 321)
Loss (cubic meters)	-	-
Percentage loss on sales	-	-
Percentage loss on purchases	-	-

* The cubic meters of water sold during the year could not be provided by the Council. The Office of the Auditor-General see this omission in a very serious light. Council should put measures in place to ensure that the required information is always available.

11. SELF-SUPPORTING EXTERNAL SERVICES

The net result of these services, compared with the previous year, is as follows:

	Revenue 2009	Expenditure 2009	Surplus/ (Deficit) 2009	Surplus/ (Deficit) 2008
	N\$	N\$	N\$	N\$
Commonage and pound	352 866	351 202	1 664	(107 245)
Sewerage	3 168 301	242 362	2 925 939	957 207
Health and sanitation	4 502 618	2 352 083	2 150 535	1 033 626
Caravan Park	68 461	285 252	(216 791)	(99 136)
	8 092 246	3 230 899	4 861 347	1 784 452

12. FRUITLESS, UNAUTHORISED OR AVOIDABLE EXPENDITURE

No such expenditure was revealed during the audit.

13. SUSPENSE ACCOUNTS

There is a credit balance of N\$ 72 791 (N\$ 20 735) disclose as a suspense account for sundry deposits.

The Council is urged to clear this suspense account.

14. IRREGULARITIES AND LOSSES

14.1 No irregularities were noted and reported in current year.

14.2 No losses were reported.

15. CAPITAL PROJECTS

Capital expenditure for the 2009 financial year amounted to N\$ 3 274 113 (2008: N\$ 3 274 113) and comprise of the following:

	FINANCED BY			2009	2008
	Capital account	Loan account	Revenue account	Total	Total
	N\$	N\$	N\$	N\$	N\$
CEO	-	-	-	-	13 480
Human resources	-	-	24 735	24 735	20 679
Administration	-	-	-	-	218 141
Stores	-	-	626	629	-
Sub-economic housing	-	-	14 891	14 891	-
Fire brigade	-	-	327 874	327 874	1 330 283
General administration	-	-	25 179	25 179	31 228
Parks, plains and sports grounds	-	-	104 251	104 251	145 516
Council general expense	-	-	82 441	82 441	-
Informal settlement	-	-	-	-	176 496
Sanitation	-	-	203 435	203 435	84 885
Streets	-	-	261 979	261 979	241 935
Town engineer	-	-	-	-	16 656
Workshop	-	-	-	-	8 572
Water reticulation	-	-	27 288	27 288	83 871
Traffic control	-	-	135	135	-
Treasury	-	-	5 620	5 620	78 746
Electricity reticulation	-	-	1 092 712	1 092 712	823 625
	-	-	2 171 166	2 171 166	3 274 113

The audit revealed that the capital statement of the Council, as submitted, has the following shortcomings:

- The opening balances of the expenditure side and the finance side differs with N\$ 785 098.
- Adjustments to reconcile the opening balances with the fixed asset register were made with a net amount of N\$ 2 860 806 but no supporting evidence could be provided. A detailed fixed asset register at year-end could not be provided to the auditors.
- Capital expenditure to the amount of N\$ 2 171 166 are disclosed but it is not indicated how they were financed.

- According to the Capital statement expenses amounted to N\$ 2 171 165 for the year under review, but according to the income and expenditure statements of the Council the expenditure amounted to N\$ 2 171 505 resulting in a difference of N\$ 4 340.

16. STUDY LOANS/BURSARIES

The Municipality awarded bursaries totalling N\$ 68 472. A breakdown of the amount to indicate beneficiaries could however not be provided by the Municipality.

17. CONTRIBUTIONS, GRANTS AND FINANCIAL AID

No contributions, grants and financial aid were made during the year.

18. COMPENSATION PAYMENTS

No compensation payments were made during the year.

19. VISITS TO FOREIGN COUNTRIES

No visits to foreign countries were undertaken.

20. CLAIMS AGAINST THE LOCAL AUTHORITY

No claims for losses were received during the year.

21. GIFTS AND DONATIONS BY THE LOCAL AUTHORITY

No gifts of donations have been made by Council in current year.

22. TRANSFER OF PROPERTY TO/FROM THE LOCAL AUTHORITY

No property was transferred to/or from the Local Authority.

23. DEBTORS/CREDITORS

23.1 Debtors on 30 June 2comprise the following:

	2009	2008
	N\$	N\$
TRADE DEBTORS		
Rates/services	19 633 779	16 264 680
Customer deposits	(560 753)	(526 080)
Provision for bad debts	(11 006 699)	(7 328 622)
	8 066 327	8 409 978
OTHER		
VAT	1 500 235	1 765 367
Sundry debtors	589 614	292 608
Natis	-	-
	10 156 176	10 467 953
Analysis of services and general debtors:		
Average monthly levy	3 147 289	3 345 096
Debtors	19 633 779	16 264 680
Average credit terms in days	190 days	148 days

The debtors' collection period has worsened from 148 days to 190 days, which implies that the Council is taking longer to collect revenue from their debtors than was the case in the previous year. The normal

standard collection period should be 30 days, therefore, the Council is advised to apply more pressure on its residents to pay their bills on time.

As was highlighted in the prior year, the increase in debtors' collection days is a matter of concern, the analysis above shows that more and more of the Council's resources are locked in none paying debtors.

It is imperative to note that the inability of the Council to collect the arrears had an adverse impact on the operating cash flow of the Municipality.

23.2 Creditors on 30 June 2009 comprise the following:

	2009	2008
	N\$	N\$
Trade creditors	272 286	3 902 907
Deposits	72 792	20 735
Provisions	3 303 560	436 586
	3 648 638	4 360 228

24. ASSESSMENT RATES

Proceeds from assessment rates amounted to N\$ 8 603 276 (2008: N\$ 8 522 798). For the year under review no money was paid to the Regional Council (2008: N\$ 426 141) which are in contradiction with Section 77(2) of the Local Authorities Act. The Council also did not made provision for any such payment.

The tariffs varied between the different townships and areas from N\$ 0.115 to N\$ 0.130 per dollar on site valuations and N\$ 0.012 to N\$ 0.013 per dollar on the valuation of improvements.

25. LOANS

25.1 External loans

The balances due to third parties were as follows:

	2009	2008
	N\$	N\$
CAPITAL SECTION AND FUNDS		
Capital section	6 827 611	7 576 422
Fixed Property Fund	171 562	171 562
Payments in arrear	2 944 604	10 286 421
Interest in arrear	663 889	663 889
HOUSING FUNDS		
Keetmanshoop	155 741	155 741
Kronlein	98 213	98 213
Tseiblaagte	240 302	240 302
Payments in arrear	1 137 982	960 934
	12 239 904	20 153 484

As also recommended in previous reports, the Council should reconsider its policies towards the repayments of loans. All loan assets have been capitalised and no loan assets are disposed of before the loan is completely redeemed.

25.2 Due to the Municipality

	2009	2008
	N\$	N\$
HOUSING FUNDS		
Tseiblaagte, Keetmanshoop and Kronlein	2 619 177	2 668 430
	2 619 177	2 668 430

25.3 Loans written off

No loans were written off in current year.

26. SALE OF ERVEN

The Municipality could not provide the auditors with the list of ervens sold during the year.

27. PROPERTY SOLD ON AN INSTALMENT BASIS

No erven were sold on an instalment basis.

28. TARIFF ADJUSTMENTS

Tariff adjustments were applied in accordance with the relevant Official Government Notices.

29. APPROVALS

29.1 Revenue written off

No revenue was written off in current year.

29.2 Excess on approved budget

As in the previous years, the auditors could not obtain the budget for the year under review from the Municipality. This is seen in a serious light by the Office of the Auditor-General. The Council should see to it that an approved budget is available at all times.

30. INVENTORY AND EQUIPMENT

30.1 Motor vehicles

The Municipality could not provide the auditors with a fixed asset register nor any information on distance travelled or fuel consumed. According to the income statements of the council, vehicles to the value of N\$ 800 622 were purchased during the year under review, but due to a lack of information the auditors could not classify these vehicles as required. Council is urged to keep the necessary records which will enable them to provide the required information when requested.

30.2 Inventory

The inventory comprises of stores, fuel and lubricants of which the total value amounted to N\$ 325 692 at 30 June 2009 (2008: N\$ 393 206). No provision was made for slow moving/obsolete inventories.

31. SPECIAL INVESTIGATIONS

No special investigations were carried out during the year.

32. GENERAL

The accounting and internal controls applied by the Municipality are not sufficient.

33. FORMAL AND INFORMAL QUERIES

33.1 Formal queries are embodied in this report.

33.2 Informal queries addressed to the Chief Executive Officer consist of:

- Debtors, bad and doubtful debts
- Fixed assets register
- Trade receivables - Overdue Accounts
- Value added tax
- Cash and bank
- Existence and completeness of expenditure
- Investments
- Housing fund debtors
- External loan statements
- Journals
- Unavailability of documentation

34. DISCLAIMED AUDIT OPINION

The accounts of the Municipality of Keetmanshoop for the financial year ended 30 June 2009, 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) (b) of the State Finance Act, 1991.

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

- The Council made adjustments to their opening balances without supporting documentation or explanations.
- The Council could not provide an updated fixed asset register as at 30 June 2009.
- The audit revealed the following with regard to the capital statement:
 - The opening balances of the expenditure side and the finance side differ with N\$ 785 098.
 - Adjustments of N\$ 2 860 806 were made to the opening balances of the expenditure side to balance with the fixed asset register's opening balances but without supporting evidence.
 - The financing side decreased with N\$ 2 481 133 without any indication related to the cause of this movement.
 - Capital expenditure to the amount of N\$ 2 171 165 were incurred but it is not indicated how it was financed.
- The provision for loan in arrears is understated by N\$ 1 359 026. Loans to the amount of N\$ 8 019 508 was written off by the Council without approval of the Government, therefore the liabilities of the Council is further understated with the said amount.
- The VAT reconciliation of the auditors indicated a material misstatement of N\$ 966 247 with the amount disclosed in the financial statements of the Council. There was also a difference of N\$ 3 826 631 between the financial statements of the Council and the statements of the Receiver of Revenue.
- The age analysis of the Council differs with N\$ 10 325 291 from the amount disclosed in the financial statements.
- A difference of N\$ 565 735 was revealed between the investment register and the financial statements.
- Council did not perform bank reconciliations for the year under review.
- Supporting expenditure vouchers to the amount of N\$ 2 002 303 could not be provided for audit purposes. Water purchases to the amount of N\$ 399 863 could not be traced to the general ledger.

- Supporting documentation related to revenue to the amount of N\$ 5 819 869 could not be submitted for audit purposes.
- No detailed list of housing debtors to the amount of N\$ 2 619 178 could be provided.
- A difference of N\$ 990 248 occurred between the payroll and the general ledger.
- A net adjustment of N\$ 5 430 220 was made to the accumulated fund in the appropriation account without supporting documentation.
- The 5% of assessment rates levied by the Council that is due to Regional Council was not paid nor was it provided for.

WINDHOEK, November 2011

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

MUNICIPALITY OF KEETMANSHOOP

BALANCE SHEET AS AT 30 JUNE

	Notes	2009 N\$	2008 N\$
ASSETS			
Non-current assets		32 012 168	30 857 973
Property, plant and equipment	2	25 054 874	27 536 008
Investments	3	4 338 117	653 535
Loans	4	2 619 177	2 668 430
Current assets		12 618 473	11 756 964
Inventory	5	325 692	393 206
Accounts receivable	6	10 156 176	10 467 953
Cash and bank balance	9	2 136 605	895 805
TOTAL ASSETS		44 630 641	42 614 937
EQUITY AND LIABILITIES			
Equity		28 742 099	18 101 225
Funds	7.1	28 886 451	26 801 302
Accumulated deficit	7.2	(144 352)	(8 700 077)
Non-current liabilities			
Interest bearing borrowings	8	12 239 904	8 242 240
Current liabilities		3 648 638	16 271 472
Accounts payable	10	3 648 638	4 360 228
Short term portion of interest bearing borrowings		-	11 911 244
TOTAL EQUITY AND LIABILITIES		44 630 641	42 614 937

MUNICIPALITY OF KEETMANSHOOP

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE

	<u>Note</u>	<u>2009</u>	<u>2008</u>
		N\$	N\$
INCOME		37 762 926	39 360 957
EXPENDITURE		<u>(34 641 961)</u>	<u>(36 707 516)</u>
OPERATING PROFIT FOR THE YEAR		3 120 965	2 653 441
INVESTMENT INTEREST EARNED FOR FUND ACCOUNTS		<u>4 540</u>	<u>780 195</u>
NET PROFIT FOR THE YEAR		3 125 505	3 433 636
Add : Appropriation and adjustments	11	<u>5 430 220</u>	<u>8 443 292</u>
RETAINED INCOME FOR THE YEAR		8 555 725	11 876 928
- Beginning of the year		<u>(8 700 077)</u>	<u>(20 577 005)</u>
- End of the year		<u>(144 352)</u>	<u>(8 700 077)</u>

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE

	Note	2009	2008
		N\$	N\$
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from customers		37 762 926	35 034 052
Cash paid to suppliers		(24 891 740)	(30 909 150)
Cash (Utilised)/generated by operations	12	12 871 186	4 124 902
Investment income		4 540	780 195
Movement in Fund accounts			
- Fund accounts - increase		2 085 149	(1 102 531)
Cash (Utilised)/generated by operating activities		14 960 875	3 802 566
CASH GENERATED BY INVESTING ACTIVITIES			
Capital expenditure		(2 171 166)	(3 274 113)
Increase in secured loans		49 253	(2 488 378)
(Increase)/decrease in investments		(3 684 582)	1 934 411
CASH UTILIZED BY FINANCING ACTIVITIES			
Increase in long term liabilities		(7 913 580)	1 772 264
Net increase in cash and cash equivalents		1 240 800	1 746 750
Cash and cash equivalents at the beginning of the year		895 805	(850 945)
Cash and cash equivalents at the end of the year		2 136 605	895 805

MUNICIPALITY OF KEETMANSHOOP

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE

1. ACCOUNTING POLICIES

The financial statements set out in Annexures A, B and C, are prepared on the historical cost basis and incorporate the following principal accounting policies which are consistent with those applied in the previous year:

1.1 Property, plant and equipment

Property, plant and equipment acquired with loan funds are stated at cost and no depreciation is provided thereon until the loan is fully redeemed. All other items of property, plant and equipment are stated at cost or valuation, and except fixed property, the cost or valuation of these items of property, plant and equipment is depreciated on the reducing-balance basis over their expected useful lives.

1.2 Inventories

Inventories are valued at the lower of landed cost or net realisable value on a first-in first-out basis.

1.3 Fund accounts

The following Funds were maintained:

Capital Development Fund

This Fund was created to make provision for unforeseen expenditure as approved by the Council.

Fixed Property Fund

Proceeds from the sale of land that has been developed by the Municipality, accumulates in this Fund. Costs incurred on the development of land are charged to this Fund.

Housing Fund

The purpose of this Fund is to provide for housing loans. Income to this Fund is transferred from the general income account, external loans from government and interest on investments and loans.

1.4 Capital redemption on loans

Capital redemption on external loans is charged against income. A similar amount is credited to the Loan Redemption account for the duration of the loans. As and when the loan is fully redeemed, the loan amount is to be transferred to the Revenue Contribution Capital Account.

MUNICIPALITY OF KEETMANSHOOP

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

	2009	2008
	N\$	N\$
2. PROPERTY, PLANT AND EQUIPMENT		
Consists of :		
Property, plant and equipment	25 054 874	27 536 008
Financed by :		
Loan assets	9 276 327	10 808 794
General capital	5 287 000	3 788 921
Revenue account	10 491 547	12 938 293
	25 054 874	27 536 008
3. INVESTMENTS		
Commercial banks	4 338 117	520 454
Nampost	-	133 081
	4 338 117	653 535
Allocated to:		
Capital Fund	785 048	-
Housing Fund	3 538 530	260 249
Revenue Fund	14 539	393 286
	4 338 117	653 535
4. LOANS		
LOANS GIVEN AGAINST FIRST MORTGAGE BONDS OVER:		
HOUSING FUNDS		
- Tseiblaagte ,Keetmanshoop and Kronlein	2 619 177	2 668 430
	2 619 177	2 668 430
5. INVENTORY		
Inventory consists of:		
Stores	267 402	279 998
Fuel and lubricants	58 290	113 208
	325 692	393 206

MUNICIPALITY OF KEETMANSHOOP

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

	2009	2008
	N\$	N\$
6. ACCOUNTS RECEIVABLE		
Trade debtors	19 633 779	16 264 680
Consumer deposits	(560 753)	(526 080)
Provision for doubtful debts	(11 006 699)	(7 328 622)
	<u>8 066 327</u>	<u>8 409 978</u>
OTHER	2 089 849	2 057 975
Value Added Tax	1 500 235	1 765 367
Sundry debtors	589 614	292 608
	<u>10 156 176</u>	<u>10 467 953</u>
7. FUNDS AND ACCOUNTS		
7.1 Funds, Accounts and Reserves		
Internal Funds	28 886 451	26 801 302
Housing Funds	5 584 014	1 811 819
Capital Development Fund	1 689 533	1 689 533
Fixed Property Fund	2 600 591	2 555 316
Unallocated interest	-	-
Loans redeemed	3 233 765	3 232 372
Revenue contributions	10 491 547	10 651 924
General Capital Contributions	5 287 001	6 860 338
7.2 Unappropriated surplus/(deficit)		
Accumulated funds	(144 352)	(8 700 077)
Total	<u>28 742 099</u>	<u>18 101 225</u>
8. INTEREST BEARING BORROWINGS		
Capital section (Rates vary from 1% - 14%)	10 607 666	18 698 294
Housing Fund (Rates vary from 1.5% - 11.3%)	1 632 238	1 455 190
Capitalised deferred expense	-	-
Less: Short term portion		(11 911 244)
	<u>12 239 904</u>	<u>8 242 240</u>

MUNICIPALITY OF KEETMANSHOOP

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

	2009	2008
	N\$	N\$
9. CASH AND CASH EQUIVALENTS		
Bank	2 136 305	895 505
Petty cash	300	300
	2 136 605	895 805
10. ACCOUNTS PAYABLE		
Trade payables	272 286	3 902 907
Provisions	3 303 560	436 586
Deposits	72 792	20735
	3 648 638	4 360 228
11. ADJUSTMENTS AND APPROPRIATIONS		
Prior year depreciation reversed	-	5 366 025
Prior year adjustment	5 459 455	-
Other adjustments	(29 235)	3 077 267
	5 430 220	8 443 292
12. CASH UTILISED IN OPERATIONS		
Net operating surplus	3 125 505	3 433 636
Adjustments (appropriations)	5 430 220	8 443 292
Fixed assets adjustment	2 860 858	
Depreciation	1 791 442	
Investment income	(4 540)	(780 195)
	13 203 485	11 096 733
GENERATION OF WORKING CAPITAL		
Decrease/(Increase) in inventory	67 514	(116 387)
Decrease/(Increase) in accounts receivable	311 777	(4 326 905)
Decrease in accounts payable	(711 590)	(2 528 539)
	12 871 186	4 124 902