



**REPUBLIC OF NAMIBIA**



**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE**

# **MUNICIPALITY OF KEETMANSHOOP**

**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 Keetmanshoop 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, 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 2010**

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## **1. INTRODUCTION**

The above accounts of the Municipality of Keetmanshoop 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 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 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, **except that they were only signed on 28 June 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**

### **4.1 Financial results**

The Council made a surplus of N\$ 6 418 226 (2009: N\$ 3 125 505). The accumulated surplus/(deficit) as at year-end amounted to N\$ 5 464 820 (2009: (N\$ 144 352)).

### **4.2 Fixed assets register – Property, plant and equipment (\*)**

The Municipality could not provide the auditors with a detailed fixed asset register as at 30 June 2010 and consequently they could not verify the existence and completeness of property, plant and equipment and the accuracy of depreciation.

Unspent loan monies of N\$ 785 048, which were earmarked to purchase assets, is disclosed as a temporary advance to revenue which clearly indicates that the money is not utilized for the purposes intended.

### **4.3 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\$ 5 307 664 (2009: N\$ 4 749 475).

### **4.4 Value Added Taxation (\*)**

The Municipality did not declare its 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 the afore-mentioned Act.

There was a material difference of N\$ 4 921 317 between the financial statements and the statements received from the Receiver of Revenue. As such the auditors could not verify the accuracy, existence and completeness of the VAT balance in the financial statements.

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

### **4.5 Trade receivables – Overdue accounts (\*)**

The trade debtors balance increased from N\$ 19 633 779 in 2009 to N\$ 25 581 086 in the current year and the average debtors outstanding in days increased with 40 days. This indicates that the Municipality is having difficulties in collecting its debts.

### **4.6 Existence and completeness of expenditures and other income (\*)**

During the audit a sample of thirteen (13) vouchers related to purchases of fuel and oil were tested with a total value of N\$ 33 523. None of these vouchers could be submitted to the auditors. Taking afore-mentioned into account, the auditors concluded that the total amount of N\$ 586 294, as disclosed in the financial statements might be misstated. Furthermore, water purchases to the amount of N\$ 11 300 212 could not be reconciled with the suppliers invoices.

Due to a lack of documentation, sundry revenue to the amount of N\$ 492 851 and contributions from the Road Fund Administration of N\$ 1 555 235 could not be confirmed.

The auditors could also not reconcile the electricity royalties received from Selco to the amount of N\$ 3 785 442.

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

The auditors could not obtain a list of advances made. As a result they could not verify the existence, accuracy, valuation and completeness of these advances to the amount of N\$ 2 542 957 or any other movement within the Housing Fund.

#### **4.8 Distribution losses – 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 losses for current year.

#### **4.9 Stock**

Council could not provide supporting evidence for stock to the value of N\$ 347 119 as disclosed in the financial statements. The accuracy and valuation could thus not be tested.

#### **4.10 Payroll**

The payroll records could not be reconciled to the payroll expenses and a difference of N\$ 1 123 918 was detected. The existence, completeness and accuracy could thus not be ascertained.

#### **4.11 Creditors**

No supporting documentation could be provided for an amount of N\$ 1 910 314 related to creditors, as a result the auditors could not verify the existence, accuracy and valuation of creditors.

#### **4.12 Provision for doubtful debts**

The provision for doubtful debts is insufficient and the auditors are of the opinion that it is understated by N\$ 8 169 920. The total amount outstanding more than 120 days is N\$ 18 404 815 (2009: N\$ 4 507 399). It appears that the Council's credit policy is ineffective and should urgently be revised to ensure debts are collected on a regular basis.

#### **4.13 Fixed Property Fund**

The auditors could not obtain a listing of expenditure in relation to this Fund. As a result they could not verify the existence, accuracy, valuation and completeness of the movement on the Fixed Property Fund.

#### **4.14 Going concern considerations (\*)**

The Municipality has been unable to meet its liabilities, most notably, there are loan instalments totalling N\$ 5 076 667 (2009: N\$ 4 749 475) owed to the Government. The Municipality's accumulated deficit however decreased from a deficit of N\$ 144 351 to a surplus of N\$ 5 464 820. Temporary advances to revenue remained high, with a balance of N\$ 6 707 527, as at year-end.

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.
- Turn-around strategy should be developed and implemented.
- The recovery of long outstanding trade receivables should be prioritized.
- Further negotiations with the Government to either further extend the postponement of loan redemption payments in arrears, or to write them off should also become a priority.

➤ The extension of existing levels of finance by major trade payables should be negotiated.

(\* ) Also reported in prior year.

## 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:

	<b>Revenue</b>	<b>Expenditure</b>	<b>Surplus/ (Deficit)</b>	<b>Balance</b>
	N\$	N\$	N\$	N\$
Accumulated (deficit) 01/07/2009				(144 352)
<b>General accounts</b>				
Non-profitable services	16 508 254	17 335 779	(827 525)	
Self-supporting services	8 248 778	2 448 518	5 800 260	
<b>Trade accounts</b>				
Electricity	3 195 709	1 271 264	1 924 445	
Water	12 644 646	13 123 600	(478 954)	
Surplus for the year	40 597 387	34 179 161	6 418 226	6 418 226
Adjustments and appropriations (Note 11, Annexure D)				6 273 874 *(809 054)
Accumulated surplus 30/06/2010				<b>5 464 820</b>

\* Prior year adjustments with a net debit result of (N\$ 809 054) were posted in the appropriation account. This net figure comprises of a debit amount of (N\$ 1 261 675) and a credit adjustment of N\$ 452 621. A proper brake down of these adjustments is not evident in the financial statements of the Council. The Council is requested to provide such details as an annexure to their financial statements in future.

## 7. CURRENT BANK ACCOUNT

The favourable cash-book balance at 30 June 2010 amounted to N\$ 3 136 989 (2009: N\$ 2 136 305). The total outstanding cheques at 30 June 2010 amounted to N\$ 2 641 426. The bank statement balance amounted to N\$5 778 416.

## 8. INVESTMENTS AND INTEREST PROCEEDS

The investments as at 30 June 2010 and the interest thereon were as follows:

Institution	2010		2009	
	Investment	Interest	Investment	Interest
	N\$	N\$	N\$	N\$
<b>Invested at:</b>				
Commercial banks	4 796 282	204 462	4 338 117	18 988
Nampost	-	-	-	-
	<b>4 796 282</b>	<b>204 462</b>	<b>4 338 117</b>	<b>18 988</b>
<b>Distribution:</b>				
Capital	*-	-	785 048	-
Fixed Property Fund	-	65 801	-	-
Housing Fund	4 796 282	101 161	3 538 530	18 988
Capital Development Fund	-	37 179	-	-
Revenue Account	-	320	14 539	-
	<b>4 796 282</b>	<b>204 462</b>	<b>4 338 117</b>	<b>18 988</b>

\* It was noted that unspent loan monies to the amount of N\$ 785 048 was used as a temporary advance to Revenue. This is a clear indication that loan monies are not used for the purpose intended.

## 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	
	2010	2009	2010	2009
	N\$	N\$	N\$	N\$
Royalties/Sales	3 187 341	1 734 569	12 624 903	12 130 562
Cost of bulk purchases	-	-	(11 300 212)	(9 674 756)
Gross profit	3 187 341	1 734 569	1 324 691	2 455 806
Other income/ (expenses)	(1 262 896)	(828 594)	(1 803 644)	(1 305 951)
<b>NET PROFIT/ (LOSS)</b>	<b>1 924 445</b>	<b>905 975</b>	<b>(478 954)</b>	<b>1 149 855</b>
Gross profit percentage on bulk purchases	N/A	N/A	11.7%	25.3%
Surplus/(Deficit) percentage on bulk purchases	N/A	N/A	(4.2%)	11.9%

The Council should investigate the causes for the water loss and implement corrective measures in the next financial year.

## 10.2 Water distribution results, in cubic meters.

	<b>2010</b>	<b>2009</b>
Total cubic meters sold for the year	m <sup>3</sup> *_-	m <sup>3</sup>
Total cubic meters bought for the year	(1 717 382)	*_-
Loss (cubic meters)	-	(1 465 700)
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:

	<b>Revenue</b>	<b>Expenditure</b>	<b>Surplus/ (Deficit)</b>	<b>Surplus/ (Deficit)</b>
	<b>2010</b>	<b>2010</b>	<b>2010</b>	<b>2009</b>
	N\$	N\$	N\$	N\$
Commonage and pound	404 554	228 109	176 445	1 664
Sewerage	3 271 492	123 348	3 148 144	2 925 939
Health and sanitation	4 531 659	1 943 565	2 588 094	2 150 535
Caravan Park	41 073	153 496	(112 423)	(216 791)
	<b>8 248 778</b>	<b>2 448 518</b>	<b>5 800 260</b>	<b>4 861 347</b>

As mentioned in previous reports, Council should strive to run all these services as self-supporting.

## 12. FRUITLESS, UNAUTHORISED OR AVOIDABLE EXPENDITURE

No such expenditure was revealed.

## 13. SUSPENSE ACCOUNTS

There was no suspense accounts with balances at year-end (2009: one with a balance of (N\$ 72 791)).

## 14. IRREGULARITIES AND LOSSES

**14.1** No irregularities were noted and reported on during the current year.

**14.2** No losses were reported.



## 15. CAPITAL PROJECTS

Capital expenditure for the 2010 financial year amounted to N\$ 359 704 (2009: N\$ 2 171 166) and comprise of the following:

	Financed by		2010	2009
	Loan account	Revenue account	Total	Total
	N\$	N\$	N\$	N\$
Human resources	-	-	-	24 735
Stores	-	-	-	629
Sub-economic housing	-	-	-	14 891
Fire brigade	-	-	-	327 874
General administration	-	-	-	25 179
Parks, plains and sports grounds	-	30 962	30 962	104 251
Council general expense	-	-	-	82 441
Informal settlement	-	-	-	-
Sanitation	-	-	-	203 435
Streets	96 147	-	96 147	261 979
Water reticulation	-	-	-	27 288
Traffic control	-	-	-	135
Treasury	-	-	-	5 620
Electricity reticulation	-	232 595	232 595	1 092 711
	<b>96 147</b>	<b>263 557</b>	<b>359 704</b>	<b>2 171 166</b>

As reported in paragraph 4.2, no detailed fixed asset register could be availed to the auditors.

The capital statements are combined in one statement. The Council should prepare individual capital statements for loans, revenue and general capital in future.

Capital expenditure financed by the vote for the Chief Executive Officer to the value of N\$ 2 992, are not disclosed in the capital statement. The Council should rectify this mistake during the next financial year.

## 16. STUDY LOANS/BURSARIES

The Municipality awarded bursaries totalling to N\$ 5 957. 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 or donations have been made by the Council during the 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 comprise the following:

	2010	2009
	N\$	N\$
TRADE DEBTORS		
Rates/services	25 581 086	19 633 779
Customer deposits	(597 070)	(560 753)
Provision for bad debts	(11 079 491)	(11 006 699)
	13 904 525	8 066 327
OTHER		
VAT	1 585 478	1 500 235
Sundry debtors	273 617	589 614
	<b>15 763 620</b>	<b>10 156 176</b>
<b>Analysis of services and general debtors:</b>		
Average monthly levy	3 383 116	3 147 289
Debtors	25 581 086	19 633 779
Average credit terms in days	230 days	190 days

The debtors' collection period has worsened from 190 days to 230 days, which implies that the Council is taking longer to collect from debtors than was the case in the previous year. The normal standard collection period should be 30 days. The Council is advised to apply more pressure on its residents to ensure that they pay 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 absorbed 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 comprise the following:

	2010	2010
	N\$	N\$
Trade creditors	2 146 424	272 287
Deposits	-	72 791
Provisions	855 775	3 303 560
	<b>3 002 199</b>	<b>3 648 638</b>

## 24. ASSESSMENT RATES

Proceeds from assessment rates amounted to N\$ 10 490 598 (2009: N\$ 8 603 276), of which an amount of N\$ 529 039 (2009: N\$ 0) was paid to the Regional Council.

The tariffs varied between the different townships and areas from between N\$ 0.115 to N\$ 0.127 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:

	<b>2010</b>	<b>2009</b>
	N\$	N\$
<b>CAPITAL SECTION AND FUNDS</b>		
Capital section	6 056 253	6 827 611
Fixed Property Fund	163 500	171 562
Payments in arrear	3 627 692	2 944 604
Interest in arrear	688 116	663 889
<b>HOUSING FUNDS</b>		
Keetmanshoop	131 412	155 741
Kronlein	88 177	98 213
Tseiblaagte	223 591	240 302
Payments in arrear	1 206 704	1 137 982
	<b>12 185 445</b>	<b>12 239 904</b>

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

	<b>2010</b>	<b>2009</b>
	N\$	N\$
Housing Fund	2 542 957	2 619 177
	<b>2 542 957</b>	<b>2 619 177</b>

### 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**

The auditors could not obtain the budget for the 2009/2010 financial year 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**

Due to the fact that there is no updated fixed asset register nor any other relevant information available related to the number, value or type of vehicles in the possession of the Council, the auditors were unable to provide any useful information in this regard. The Council is again urged to update the fixed asset register and open auxiliary registers to control the usage and fuel consumption of vehicles.

### **30.2 Inventory**

The inventory comprises of stores, fuel and lubricants of which the total value amounted to N\$ 347 119 at 30 June 2010 (2009: N\$ 325 692). 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:

- Bad and doubtful debts
- Fixed assets register
- Trade receivables - Overdue Accounts
- Value added tax
- Existence and completeness of expenditure
- Creditors
- Unavailability of documentation List of even sold

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

The accounts of the Municipality of Keetmanshoop for the financial year ended 30 June 2010, 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 could not provide a detailed fixed asset register for the year.
- Unspent loan monies, earmarked to purchase fixed assets, to the amount of N\$ 785 048, was utilized as a temporary advance to Revenue and were therefore not utilized for the purpose intended.
- Loan instalments are in arrears with N\$ 5 307 664.
- There are a difference of N\$ 4 921 317 related to VAT between the financial statements of the Council and those from the Receiver of Revenue.
- Existence and completeness of expenditure to the amount of N\$ 11 886 506 could not be confirmed due to a lack of documentation.
- Revenue to the amount of N\$ 2 048 086 could not be confirmed due to a lack of documentation.
- Royalties income to the amount of N\$ 3 785 442 could not be confirmed to suppliers invoices.
- Housing debtors of N\$ 2 542 957 could not be confirmed.
- The value of consumable stock to the amount of N\$ 347 119, as disclosed, could not be confirmed.
- The payroll records could not be reconciled to the payroll expenses and a difference of N\$ 1 123 918 was detected.
- Creditors to the amount of N\$ 1 910 814 could not be confirmed due to a lack of documentation.
- Provision for bad debts is understated by N\$ 8 169 920.
- Movements in the Fixed Property Fund could not be confirmed due to a lack of information.

**WINDHOEK, November 2011**

**JUNIAS ETUNA KANDJEKE  
AUDITOR-GENERAL**

## MUNICIPALITY OF KEETMANSHOOP

## BALANCE SHEET AS AT 30 JUNE 2010

<b>ASSETS</b>	<b>Notes</b>	<b>2010</b>	<b>2009</b>
		N\$	N\$
<b>Non-current assets</b>		32 753 818	32 012 168
Property, plant and equipment	2	25 414 579	25 054 874
Investments	3	4 796 282	4 338 117
Loans	4	2 542 957	2 619 177
<b>Current assets</b>		19 248 0823	12 618 473
Inventory	5	347 119	325 692
Accounts receivable	6	15 763 620	10 156 176
Cash and bank balance	9	3 137 344	2 136 605
<b>TOTAL ASSETS</b>		<b>52 001 901</b>	<b>44 630 641</b>
<b>Equity</b>		36 814 257	28 742 099
Funds	7.1	31 349 437	28 886 451
Accumulated deficit	7.2	5 464 820	(144 352)
<b>Non-current liabilities</b>			
Interest bearing borrowings	8	12 185 445	12 239 904
<b>Current liabilities</b>		3 002 199	3 648 638
Accounts payable	10	3 002 199	3 648 638
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>52 001 901</b>	<b>44 630 641</b>

## MUNICIPALITY OF KEETMANSHOOP

## INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2010

	<u>Note</u>	<u>2010</u>	<u>2009</u>
		N\$	N\$
INCOME		40 392 925	37 762 926
EXPENDITURE		<u>(34 179 161)</u>	<u>(34 641 961)</u>
OPERATING PROFIT FOR THE YEAR		6 213 764	3 120 965
INVESTMENT INTEREST EARNED FOR FUND ACCOUNTS		<u>204 462</u>	<u>4 540</u>
NET PROFIT FOR THE YEAR		6 418 226	3 125 505
Add : Appropriation and adjustments	11	<u>(809 054)</u>	<u>5 430 220</u>
RETAINED INCOME FOR THE YEAR		5 609 172	8 555 725
- Beginning of the year		<u>(144 352)</u>	<u>(8 700 077)</u>
- End of the year		<u><b>5 464 820</b></u>	<u><b>(144 352)</b></u>

## MUNICIPALITY OF KEETMANSHOOP

## CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2009

	Note	2010 N\$	2009 N\$
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Cash receipts from customers		40 392 925	37 762 926
Cash paid to suppliers		(41 263 525)	(24 891 740)
Cash (Utilised)/generated by operations	12	(870 600)	12 871 186
Investment income		204 462	4 540
Movement in Fund accounts			
- Fund accounts - increase		2 462 986	2 085 149
Cash (Utilised)/generated by operating activities		1 796 848	14 960 875
<b>CASH GENERATED BY INVESTING ACTIVITIES</b>			
Capital expenditure		(359 705)	(2 171 166)
Decrease in secured loans		76 220	49 253
Increase in investments		(458 165)	(3 684 582)
<b>CASH UTILIZED BY FINANCING ACTIVITIES</b>			
Decrease in long term liabilities		(54 459)	(7 913 580)
Net increase in cash and cash equivalents		1 000 739	1 240 800
Cash and cash equivalents at the beginning of the year		2 136 605	895 805
Cash and cash equivalents at the end of the year		<b>3 137 344</b>	<b>2 136 605</b>



## MUNICIPALITY OF KEETMANSHOOP

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

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**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

The 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.

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

	<b>2010</b>	<b>2009</b>
	N\$	N\$
<b>2. PROPERTY, PLANT AND EQUIPMENT</b>		
<b>Consists of :</b>		
Property, plant and equipment	<b>25 414 579</b>	<b>25 054 874</b>
<b>Financed by :</b>		
Loan assets	8 844 354	9 276 327
General capital	5 287 000	5 287 000
Revenue account	11 283 225	10 491 547
	<b>25 414 579</b>	<b>25 054 874</b>
<b>3. INVESTMENTS</b>		
Commercial banks	<b>4 796 282</b>	<b>4 338 117</b>
Allocated to:		
Capital Fund	-	785 048
Housing Fund	4 796 282	3 538 530
Revenue Fund	-	14 539
	<b>4 796 282</b>	<b>4 338 117</b>
<b>4. LOANS</b>		
LOANS GIVEN AGAINST FIRST MORTGAGE BONDS OVER:		
Housing Fund	<b>2 542 957</b>	<b>2 619 177</b>
<b>5. INVENTORY</b>		
Inventory consists of:		
Stores	228 649	267 402
Fuel and lubricants	118 470	58 291
	<b>347 119</b>	<b>325 693</b>
<b>6. ACCOUNTS RECEIVABLE</b>		
Trade debtors	25 581 086	19 633 779
Consumer deposits	(597 070)	(560 753)
Provision for doubtful debts	(11 079 491)	(11 006 699)
	13 904 525	8 066 327
OTHER	1 859 095	2 089 849
Value Added Tax	1 585 478	1 500 235
Sundry debtors	273 617	589 614
	<b>15 763 620</b>	<b>10 156 176</b>

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

	<u>2010</u>	<u>2009</u>
	N\$	N\$
<b>7. FUNDS AND ACCOUNTS</b>		
<b>7.1 Funds, Accounts and Reserves</b>		
<b>Internal Funds</b>	31 349 437	28 886 451
Housing Funds	5 844 374	5 584 014
Capital Development Fund	1 726 712	1 689 533
Fixed Property Fund	3 634 976	2 600 591
Loans redeemed	3 573 149	3 233 765
Revenue contributions	11 283 225	10 491 547
General Capital Contributions	5 287 001	5 287 001
<b>7.2 Unappropriated surplus/(deficit)</b>		
Accumulated funds	5 464 820	(144 352)
<b>Total</b>	<b><u>36 814 257</u></b>	<b><u>28 742 099</u></b>
<b>8. INTEREST BEARING BORROWINGS</b>		
Capital section ( Rates varyig from 1% - 14%)	10 535 561	10 607 666
Housing Fund ( Rates vary from 1.5% - 11.3%)	1 649 884	1 632 238
	<b><u>12 185 445</u></b>	<b><u>12 239 904</u></b>
<b>9. CASH AND CASH EQUIVALENTS</b>		
Bank	3 136 989	2 136 305
Petty cash	355	300
	<b><u>3 137 344</u></b>	<b><u>2 136 605</u></b>
<b>10. ACCOUNTS PAYABLE</b>		
Trade payables	2 146 424	272 286
Provisions	855 775	3 303 560
Deposits	-	72 791
	<b><u>3 002 199</u></b>	<b><u>3 648 638</u></b>

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

	<u>2010</u>	<u>2009</u>
	N\$	N\$
<b>11. ADJUSTMENTS AND APPROPRIATIONS</b>		
Prior year adjustments - Net	(809 054)	5 459 455
Other adjustments	-	(29 235)
	<u><b>(809 054)</b></u>	<u><b>5 430 220</b></u>
<b>12. CASH UTILISED IN OPERATIONS</b>		
Net operating surplus	6 418 226	3 125 505
Adjustments (appropriations)	(809 054)	5 430 220
Fixed assets adjustment	-	2 860 858
Depreciation	-	1 791 442
Investment income	(204 462)	(4 540)
Loans redeemed		
	<u>5 404 710</u>	<u>13 203 485</u>
(Increase)/decrease in inventory	(21 427)	67 514
(Increase) /decrease in accounts receivable	(5 607 444)	311 777
Decrease in accounts payable	(646 439)	(711 590)
	<u><b>(870 600)</b></u>	<u><b>12 871 186</b></u>