



REPUBLIC OF NAMIBIA



REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE

MUNICIPALITY OF KEETMANSHOOP

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

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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 2011, 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, September 2012

**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 2011**

1. INTRODUCTION

The accounts of the Municipality of Keetmanshoop for the year ended 30 June 2011 are being reported on in accordance with the provisions set out in the State Finance Act, 1991(Act 31 of 1991) and the Local Authorities Act, 1992 (Act 23 of 1992).

The firm EDB & Associates of Windhoek has been appointed in terms of Section 26(2) of the State Finance Act, 1991, to audit the accounts of the 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 16 November 2011 instead of within three months after year-end 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, Annexure A, is a true reflection of the originals.

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 comply 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 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 OBSERVATIONS AND COMMENTS

4.1 Recoverability of debtors

The Council made a provision for bad and doubtful debts of N\$ 11 079 491. This amount remained constant since the prior financial year. The auditors' own review concluded that the provision is under-provided by N\$ 10 575 074 for 2011 (N\$ 8 169 920: 2010).

Furthermore, outstanding debt for 120 days and more for 2011 was 81% (2010: 75%) of consumer debtors.

The magnitude of this under-provision highlights the seriousness of a lack in debt collection controls. As a result of the above the current valuation of accounts receivables are materially misstated in the annual financial statements.

4.2 Build Together Fund

Special Funds such as the Build Together programme are administered by the Town Council on behalf of the relevant line Ministry and it should be considered significantly as weaknesses were identified with regards to the administration of the Fund.

This Fund has its own peculiar specifications with respect to the way in which the Fund is to be managed and utilized as stipulated by the line Ministry. The following shortcomings were detected by the auditors:

- * During the audit the auditors discovered that no proper control was exercised in terms of monthly reconciliations of the Fund. No amortizations schedules or any supporting documentation were provided by the Municipality to verify the closing balance of loans as at 30 June 2011. Records processed on the computerized system of the Council could not be relied on as a true source of the outstanding balances.
- * Numerous supporting documents for example Build Together inspection sheets for funds disbursed could not be found at the time of the audit.
- * A material difference of N\$ 2 205 217 was detected during the audit procedures which is due to funds received for the informal settlement upgrading sub-programmes which were deposited into the Council's current account and is disclosed as sale of erven.

4.3 Inventory

The value of the selected sample of stock were recorded with VAT included on the computerized system.

The auditors did not observe the counting of live stock and inventories on 30 June 2011 as they were not appointed by that time. There were no alternative practical audit procedures that the auditors could perform to confirm the existence and value of live stock on hand at year-end.

4.4 Consumer deposits

When comparing the consumer deposits held by the Municipality with the consumer debts outstanding, it is evident that the Municipality lack control over the collection of debts and it clearly indicates that irrecoverable debts would not be covered by these deposits.

	2011	2010
	N\$	N\$
Debt outstanding	26 869 749	25 581 086
Consumer deposits	622 442	597 070
Percentage of deposits against outstanding debts	2.32%	2.33%

4.5 Source documents - Expenses

No insurance contract was provided by the Municipality for the year, under review.

The water purchases reconciliation revealed a material difference of N\$ 2 007 721, due to prior year accrual that were raised, although it was paid before year-end. A journal entry was processed in the ledger account to reverse the wrong entry and was setoff against the water purchase account.

4.6 Fixed assets

Although a fixed assets register was maintained during the year it was incomplete because asset descriptions especially on electronic and office equipment were not entered into the register.

Depreciation of N\$ 1 696 804 calculated in the fixed asset register is not disclosed in the annual financial statements.

There were an over-statement of N\$ 1 730 467 disclosed in the prior year's financial statements related to electrical assets that were corrected in the current financial year. The consultant of the Council explained to the auditors that no supporting documents could be provided.

The afore-mentioned resulted in a distorted view of the value of fixed asset in the annual financial statements.

4.7 Value-Added-Tax (VAT)

The auditors' recalculated VAT reconciliation of VAT receivable revealed that the amount disclosed is materially overstated by N\$ 822 624 for the current year under review.

There was also a material difference of N\$ 6 739 405 between the annual financial statements and the Receiver of Revenue statement of account balance for the year under review.

4.8 Trade and other payables

The auditors' search for unrecorded liabilities revealed an amount of N\$ 90 502 of creditors that were not raised in the annual financial statements.

The auditors' recalculated provision for leave days revealed that it is understated by N\$ 118 954 for the year under review. No proper record keeping on leave days were kept, thus the auditors could not satisfy themselves regarding the accuracy and completeness of leave days calculated.

4.9 Payroll

An unexplained material difference of N\$ 271 046 were found on the payroll reconciliation between

the computerized system and the annual financial statements. A difference of N\$ 177 352 was found on the PAYE reconciliation due to payments of July and August 2010 that could not be provided by the Council. The individual testing on PAYE on provision for tax bonuses for September 2010 revealed a difference of N\$ 3 686 and for June 2011 a difference of N\$ 2 110.

4.10 NATIS

Invoices from the Roads Authority for April 2011, May 2011 and June 2011 which amounted to N\$ 176 337 were still outstanding and the payments of July 2010, September 2010 and October 2010 which amounted to N\$ 224 361 were wrongly allocated to the subsidy account for the year under review.

The VAT of the months of August 2010, November 2010, December 2010, January 2011, February 2011 and March 2011 were wrongly calculated and therefore the ledger account was understated by N\$ 372 633.

4.11 Electricity supply

During the audit it was discovered that the Royalties income from SELCO is understated by N\$ 130 099.

4.12 Capital expenditure

Capital expenditure disclosed in the income statement (votes) reflects an amount of N\$ 181 792. The Capital statement of the Council however, reflects an amount of N\$ 156 394 resulting in a difference of N\$ 25 398 which could not be explained by the Council.

5. ACKNOWLEDGEMENT

The assistance and co-operation given by the management and staff of the Municipality during the audit are appreciated.

6. FINANCIAL RESULTS

	Revenue	Expenditure	Surplus/ (deficit)	Balance
	N\$	N\$	N\$	N\$
Accumulated surplus as at 01/07/2010				5 464 820
General services				
Rate and general	-	-	-	
Non-profitable	15 758 913	17 359 804	(1 600 891)	
Self-supporting	8 450 111	2 411 830	6 038 281	
Trade accounts				
Electricity supply	3 208 998	1 058 086	2 150 912	
Water supply	13 178 157	10 794 533	2 383 624	
	40 596 179	31 624 253	8 971 926	8 971 926
Surplus for the year (Adjustments and utilizations detailed in Note 11 of the financial statements.) *				14 436 746
				258 018
Accumulated surplus 30/06/2011				14 694 764

* As reported in prior year, the prior year adjustments with a net credit result of N\$ 258 018 were posted in the appropriation account. This net figure comprises of a credit amount of (N\$ 1 042 504) and a net debit adjustment of N\$ 784 486. A proper breakdown of these adjustments were not evident in the

financial statements of the Municipality. The Municipality is requested to provide such details as an annexure to their financial statements in future.

7. CURRENT BANK ACCOUNT

The balance sheet reflected a favourable cash-book balance for 2011: N\$ 4 975 877 (2010: N\$ 3 136 989). The bank statements reflected a favourable balance for 2011: N\$ 7 761 003 (2010: N\$ 5 778 416). The difference was mainly due to outstanding cheques at year-end.

	2011	2010
	N\$	N\$
Cash-book balance at 30 June - Balance sheet		
- Standard Bank	1 095 611	672 237
- Bank Windhoek	3 880 266	2 464 752
Petty cash	2 000	355
Balance as per bank statements	4 977 877	3 137 344

8. INVESTMENTS AND INTEREST PROCEEDS

The investment as at 30 June 2011 and the interest thereon were as follows:

Institution	2011		2010	
	Investment	Interest	Investment	Interest
	N\$	N\$	N\$	N\$
Invested at:				
Commercial banks	11 982 897	272 536	4 796 282	204 462
	11 982 897	272 536	4 796 282	204 462
Distribution:				
Fixed Property Fund	-	95 729	-	65 801
Housing Fund	6 205 043	117 310	4 796 282	101 161
Capital Development Fund	-	40 907	-	37 179
Revenue Account	5 777 854	18 599	-	320
	11 982 897	272 545	4 796 282	204 462

9. FUND ACCOUNTS

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

10. TRADE ACCOUNTS

10.1 The results of operations of electricity were as follows:

	2011	2010
	N\$	N\$
Sales	3 203 928	3 187 341
Cost of bulk purchase	-	-
Gross profit / (loss)	3 203 928	3 187 341
Expenses (net)	(1 053 016)	(1 262 896)
Net surplus	2 150 912	1 924 445
Gross loss % on bulk purchases	N/A	N/A
Net loss % on bulk purchases	N/A	N/A

10.2 The distribution losses for electricity could not be determined due to inadequate record keeping.

10.3 The results of operations of water were as follows:

	2011	2010
	N\$	N\$
Sales	13 135 332	12 624 903
Cost of bulk purchases	(8 815 347)	(11 300 212)
Gross profit	4 319 985	1 324 691
Expenses (net)	(1 936 361)	(1 803 644)
Net surplus / (deficit)	2 383 624	(478 953)
Gross profit % on cost of bulk purchases	49.0%	11.7%
Net profit % on cost of bulk purchases	27.0%	(4.2%)

10.4 The distribution losses for water could not be determined due to inadequate record keeping.

	2011	2010
	m ³	m ³
Total cubic meters sold for the year	-	-
Total cubic meters bought for the year	(1 659 545)	(1 717 382)
Loss (cubic meters)	-	-
	(1 659 545)	(1 717 382)
Percentage loss on sales	-	-
Percentage loss on purchases	-	-

* The cubic meters of water sold during the year could not be provided by the Municipality. As also reported previously, the Auditor-General sees this omission in a very serious light. The Municipality should put measures in place to ensure that the required information is always available.

11. SELF-SUPPORTING SERVICES

The net results of self-supporting services were as follows:

	Revenue 2011	Expenses 2011	Surplus/ (Loss) 2011	Surplus/ (Loss) 2010
	N\$	N\$	N\$	N\$
Commonage and pound	408 180	190 207	217 973	176 445
Sewerage	3 428 528	228 528	3 200 001	3 148 144
Health and sanitation	4 581 954	1 828 669	2 753 285	2 588 094
Caravan park	31 449	164 426	(132 977)	(112 423)
	8 450 111	2 411 830	6 038 281	5 800 260

12. FRUITLESS, UNAUTHORIZED OR AVOIDABLE EXPENDITURE

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

13. SUSPENSE ACCOUNTS

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

14. IRREGULARITIES AND LOSSES

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

15. CAPITAL PROJECTS

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

	Expenditure according to vote	Expenditure according to capital statement	Capital statement more/(less) than vote
	N\$	N\$	N\$
Human resources	15 552	1 342	(14 210)
Chief administration	8 971	55 470	46 499
Fire brigade	13 836	13 836	-
General administration	46 499	-	(46 499)
Stores	8 100	8 100	-
Parks and sport grounds	31 934	31 934	-
Council's general expenses	11 560	11 560	-
Sewerage	26 052	26 052	-
Traffic control	8 100	8 100	-
Economic development	1 200	-	(1 200)
Electricity	9 988	-	(9 988)
Total	181 792	156 394	(25 398)

It is clear from the table above that the capital expenditures, as per votes, does not agree with the capital statement. The Council is urged to reconcile all relevant account areas with each other before submitting their financial statement to the Office of the Auditor-General.

16. BURSARIES

No bursaries were granted during the year under review.

17. CONTRIBUTIONS, GRANTS AND FINANCIAL AID

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

18. COMPENSATION PAYMENTS

No compensation payments were made during the year under review.

19. VISITS TO FOREIGN COUNTRIES

The audit revealed that visits were undertaken to foreign countries but the total amount spend was not made available to the auditors. The Council is again reminded to keep record of all foreign trips and to make such information available on request.

20. CLAIMS AGAINST THE LOCAL AUTHORITY

The audit did not reveal that any claims were made against the Local Authority nor were any received during the year under review.

21. GIFTS/DONATIONS BY/TO THE LOCAL AUTHORITY

No gifts/donations were made by the Local Authority nor were any received during the year under review.

22. TRANSFER OF PROPERTY TO/FROM GOVERNMENT

No properties were transferred to/from the Ministry of Regional and Local Government, Housing and Rural Development during the year under review.

23. DEBTORS AND CREDITORS

23.1 Debtors at 30 June were:

	2011	2010
	N\$	N\$
Rates/Services	26 869 749	25 581 086
Consumer deposits	(622 442)	(597 070)
Less: Provision for bad debts	(11 079 491)	(11 079 491)
VAT	2 891 268	1 585 478
Sundry debtors	25 750	273 617
	18 084 834	15 763 620

23.2 Creditors at 30 June were:

	2011	2010
	N\$	N\$
Trade payables including Government loan instalments in arrears	4 929 917	2 146 424
Provision for leave	855 775	855 775
	-	-
	5 785 692	3 002 199

24. ASSESSMENT RATES

	2011	2010
	N\$	N\$
Net proceeds from assessment rates were	11 762 999	10 490 598
Tariffs per N\$ 1 valuation per annum - Tseiblaagte		
Valuation per annum		
- Land	0.120	0.120
- Improvements	0.015	0.015
Tariffs per N\$ 1 valuation per annum - Kronlein		
Valuation per annum		
- Land	0.124	0.132
- Improvements	0.015	0.015
Tariffs per N\$ 1 valuation per annum - Noordhoek		
Valuation per annum		
- Land	0.132	0.132
- Improvements	0.016	0.016
Tariffs per N\$ 1 valuation per annum - Industrial		
Valuation per annum		
- Land	0.135	0.135
- Improvements	0.016	0.016
Tariffs per N\$ 1 valuation per annum - Westdene		
Valuation per annum		
- Land	0.138	0.138
- Improvements	0.016	0.016

25. LOANS

25.1 External loans

The balances due to third parties were as follows:

	2011	2010
	N\$	N\$
CAPITAL FUNDS SECTION AND FUNDS		
Capital section	5 342 354	6 056 253
Fixed Property Fund	163 501	163 500
Payments in arrear	4 397 405	3 627 692
Interest in arrear	458 256	688 116
HOUSING FUNDS		
Keetmanshoop	108 160	131 412
Kronlein	77 729	88 177
Tseiblange	206 713	223 591
Payments in arrear	1 502 680	1 206 704
	12 256 798	12 185 445

As also recommended in previous reports, the Municipality 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 Internal loans

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

25.3 Housing loans

The amount advanced related to housing loans under the Build Together programme are reflected at N\$ 4 012 586 for 2011 (2010: N\$ 2 542 957) in the annual statements.

26. SALE OF ERVEN

No sale or erven register was kept at the Municipality, therefore the auditors could not determine if any erven was sold during the year under review.

27. PROPERTY SOLD ON INSTALMENT BASIS

No details of houses that were sold on an instalment basis during the year under review could be provided.

28. TARIFF ADJUSTMENTS

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

29. APPROVALS

29.1 Excess on approved budget

Only copies of original budgets and relevant Ministry approvals could be obtained thus reliance on validity and accuracy on budgets figures could not be ascertained.

30. SPECIAL INVESTIGATIONS

Due to the lack of internal control, no comment regarding these expenses is presented.

31. GENERAL

31.1 Internal controls

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

32. FORMAL AND INFORMAL QUERIES

Formal queries are embodied in this report.

Informal queries addressed to the Town Clerk consist of:

- * Lack of supporting documentation;
- * Inadequate inventory control;
- * Control and accounting of housing funds;
- * Unorganised filing and recordkeeping system;
- * Inadequate consumer deposits; and
- * Long overdue debtors' accounts and monies long outstanding becoming doubtful.

33. DISCLAIMED AUDIT OPINION

The accounts of the Municipality of Keetmanshoop for the financial year ended 30 June 2011, summarized in Annexure A to D, were audited by me in terms of provisions of Section 85 of the Local Authorities Act, 1992 read with Section 25(1) of the State Finance Act, 1991.

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

- * The recalculated provision for doubtful debts revealed a material under-provision of N\$ 10 575 074.
- * A material difference of N\$ 2 205 217 were detected during the audit which is due to funds received for the informal settlement upgrading sub-programme which were deposited into the Council's current account and are disclosed as sale of erven.
- * The water purchases reconciliation revealed a material difference of N\$ 2 007 721, due to prior year accrual that was raised and incorrectly accounted for during the year under review, although it was paid during the previous financial year.
- * Depreciation of N\$ 1 696 804 calculated in the fixed asset register is not included in the annual financial statements.
- * There were an overstatement of N\$ 1 730 467 disclosed in the prior year's financial statements related to electrical assets, that were corrected in the current financial year. The consultant of the Council explained that no supporting documents could be provided.
- * The recalculated VAT reconciliation revealed a material difference of N\$ 822 624 for the current year.
- * There was a material difference of N\$ 6 739 405 between the annual financial statements and the Receiver of Revenue statement of account balance related to VAT for the year under review.
- * The search for unrecorded liabilities revealed a difference of N\$ 90 502 of creditors not raised in

the annual financial statements.

- * The provision for leave days were understated with N\$ 118 954 for the year under review.
- * A material difference of N\$ 271 046 was found when reconciling the payroll of the computerized system with the annual financial statements. A difference of N\$ 177 352 was found on the PAYE reconciliation due to payments of July and August 2010 that could not be provided by the Council.
- * The Roads Authority invoices for three (3) months amounting to N\$ 176 337 were still outstanding. Payments of three (3) months which amounted to N\$ 224 361 were wrongly allocated to the subsidy account.
- * The VAT for six (6) months related to NATIS revenue were wrongly calculated, and therefore the ledger account is understated by N\$ 372 633.
- * Royalties income from SELCO is understated by N\$ 130 099.
- * Capital expenditure disclosed in the income statements reflect an amount of N\$ 181 792. However, the capital statement reflects an amount of N\$ 156 394 for capital expenditure, resulting in a difference of N\$ 25 399.

WINDHOEK, September 2012

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

MUNICIPALITY OF KEETMANSHOOP

BALANCE SHEET ON 30 JUNE

	Notes	2011 N\$	2010 N\$
ASSETS			
Non-current assets			
Property, plant and equipment	3	23 840 506	25 414 579
Investments	4	11 982 897	4 796 282
Loans	7	4 012 586	2 542 957
Current Assets			
Accounts receivable	5	18 084 834	15 763 620
Inventories	8	696 932	347 119
Cash and cash equivalents	9	4 977 877	3 137 344
TOTAL ASSETS		63 595 632	52 001 901
EQUITY AND LIABILITIES			
Funds			
Funds and accounts	2	35 701 628	31 349 437
Accumulated funds	2	14 694 764	5 464 820
Non-current liabilities			
Long-term liabilities	10	7 413 548	12 185 445
Current liabilities			
Accounts payables	6	5 785 692	3 002 199
TOTAL EQUITY AND LIABILITIES		63 595 632	52 001 901

MUNICIPALITY OF KEETMANSHOOP

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE

	<u>Notes</u>	<u>2011</u>	<u>2010</u>
		N\$	N\$
INCOME		40 323 643	40 392 925
EXPENDITURE		<u>(31 624 253)</u>	<u>(34 179 161)</u>
NET OPERATING PROFIT / (LOSS)		8 699 390	6 213 764
INVESTMENT INTEREST EARNED		<u>272 536</u>	<u>204 462</u>
NET PROFIT	2	8 971 926	6 418 226
ADJUSTMENTS	9	258 018	(809 054)
NET PROFIT for the year		<u>9 229 944</u>	<u>5 609 172</u>
APPROPRIATION ACCOUNT - AT BEGINNING OF THE YEAR		<u>5 464 820</u>	<u>(144 352)</u>
APPROPRIATION ACCOUNT - AT END OF THE YEAR		<u>14 694 764</u>	<u>5 464 820</u>

MUNICIPALITY OF KEETMANSHOOP

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE

	Notes	2011 N\$	2010 N\$
Cash flow from operating activities			
Cash receipts from customers		40 323 643	40 392 925
Cash paid to suppliers		(31 253 769)	(41 263 525)
<i>Cash (utilised) / generated by operations</i>	12	9 069 874	(870 600)
Investment income		272 536	204 462
Movement in Fund accounts			
Increase in Fund accounts		4 352 191	2 462 986
<i>Net cash flow from operating activities</i>		13 694 601	1 796 848
CASH FLOW FROM INVESTING ACTIVITIES			
Net decrease in capital value		1 574 073	(359 705)
(Increase)/decrease in loans		(1 469 629)	76 220
(Increase) in investments		(7 186 615)	(458 165)
CASH FLOW FROM FINANCING ACTIVITIES			
Decrease in long-term loans		(4 771 897)	(54 459)
NET INCREASE IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at beginning of year		3 137 344	2 136 605
Cash and cash equivalents at end of year		4 977 877	3 137 344

MUNICIPALITY OF KEETMANSHOOP

NOTES TO THE ANNUAL FINANCIAL STATEMENTS AT 30 JUNE

1. ACCOUNTING POLICIES**1.1 Basis of presentation**

The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain property, plant and equipment, marketable securities and investment properties where appropriate.

1.2 Property, plant and equipment and depreciation

All plant and equipment are initially recorded at cost. Cost includes all costs directly attributable to bringing the assets to working condition for their intended use. All other plant and equipment are stated at historical cost or valuation where applicable.

No depreciation is calculated on property, plant and equipment.

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimation recoverable amount, the assets or cash generating units are written down to their recoverable value.

1.3 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of the cash flow statement, cash and cash equivalents comprise cash in hand, deposits held at call with banks and investments in money market instruments, net of bank overdrafts. In the balance sheet, bank overdrafts are included in current liabilities.

1.4 Fixed Property Fund

Proceeds from the sale of land that has been developed by the Town Council accumulates in this Fund. Cost incurred on the development of land is charged to this Fund.

1.5 Housing Fund

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

1.6 Capital Development Fund

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

MUNICIPALITY OF KEETMANSHOOP

NOTES TO THE ANNUAL FINANCIAL STATEMENTS AT 30 JUNE (continued)

	2011 N\$	2010 N\$
2. OWN FUNDS		
2.1 Financing of capital:		
Internal Funds		
Contribution from:	35 701 628	31 349 437
Housing Funds	8 539 037	5 844 374
Capital Development Fund	1 767 619	1 726 712
Fixed Property Fund	6 111 773	3 634 976
Loans redeemed	4 190 900	3 573 149
Revenue contributions	9 805 298	11 283 225
General Capital contributions	5 287 001	5 287 001
2.2 Unappropriate surplus		
Accumulated surplus	14 694 764	5 464 820
TOTAL FUNDS	50 396 392	36 814 257
3. FIXED ASSETS		
Infrastructure, land and buildings, motor vehicles, office equipment, furniture and fittings and computer equipment.	23 840 506	25 414 579
Financed from:		
Loan assets	8 748 207	8 844 354
General capital	5 287 001	5 287 000
Revenue account	9 805 298	11 283 225
	23 840 506	25 414 579
4. INVESTMENTS		
Commercial banks	11 982 897	4 796 282
	11 982 897	4 796 282
Allocated to:		
Housing Fund	6 205 043	4 796 282
Revenue Fund	5 777 854	-
	11 982 897	4 796 282

MUNICIPALITY OF KEETMANSHOOP

NOTES TO THE ANNUAL FINANCIAL STATEMENTS AT 30 JUNE (continued)

	2011	2010
	N\$	N\$
5. ACCOUNTS RECEIVABLE		
Trade debtors	26 869 749	25 581 086
Consumer deposits	(622 442)	(597 070)
Less: Provision for bad debts	(11 079 491)	(11 079 491)
Value Added Tax	2 891 268	1 585 478
Sundry debtors	25 750	273 617
	18 084 834	15 763 620
6. ACCOUNTS PAYABLES		
Trade payables	4 929 917	2 146 424
Provisions	855 775	855 775
	5 785 692	3 002 199
7. LONG-TERM LIABILITIES		
LOANS GIVEN AGAINST FIRST MORTGAGE BONDS OVER:		
External loans	4 012 586	2 542 957
	4 012 586	2 542 957
8. INVENTORIES		
Inventory consists of:		
Stores	457 496	228 649
Fuel and lubricants	239 436	118 470
	696 932	347 119
9. CASH AND BANK BALANCES		
Bank	4 975 877	3 136 989
Petty cash	2 000	355
	4 977 877	3 137 344
10. INTEREST BEARING BORROWINGS		
Capital section (Rates varying from 1% - 14%)	5 734 956	10 535 561
Housing Fund (Rates varying from 1.5% - 11.3%)	1 678 592	1 649 884
	7 413 548	12 185 445

MUNICIPALITY OF KEETMANSHOOP

NOTES TO THE ANNUAL FINANCIAL STATEMENTS AT 30 JUNE (continued)

	2011	2010
	N\$	N\$
11. ADJUSTMENTS AND UTILIZATIONS		
Prior year adjustments - Net	258 018	(809 054)
	258 018	(809 054)
12. CASH UTILISED BY OPERATIONS		
Cash generated/(absorbed) by operations		
Net profit/(loss) before investment interest and adjustments.	8 971 926	6 418 226
Adjustment on appropriation account	258 018	(809 054)
Investment income	(272 536)	(204 462)
OPERATING INCOME BEFORE CHANGES IN WORKING CAPITAL	8 957 408	5 404 710
Utilized to increase working capital		
(Increase) in accounts receivable	(2 321 214)	(21 427)
(Increase) in inventories	(349 813)	(5 607 444)
Increase/(decrease) in accounts payable	2 783 493	(646 439)
	112 466	(6 275 310)
CASH (UTILISED)/GENERATED BY OPERATIONS	9 069 874	(870 600)