



REPUBLIC OF NAMIBIA



REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE

MUNICIPALITY OF KEETMANSHOOP

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

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REPUBLIC OF NAMIBIA



TO THE HONOURABLE SPEAKER OF THE NATIONAL ASSEMBLY

I have the honour to submit herewith my report on the accounts of the Municipality of Keetmanshoop for the financial year ended 30 June 2012, in terms of Article 127(2) of the Namibian Constitution. The report is transmitted to the Honourable Minister of Finance in terms of Section 27(1) of the State Finance Act, 1991, (Act 31 of 1991) to be laid upon the Table of the National Assembly in terms of Section 27(4) of the Act.

WINDHOEK, August 2013

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

**REPORT OF THE AUDITOR-GENERAL
ON THE ACCOUNT OF THE MUNICIPALITY OF KEETMANSHOOP
FOR THE FINANCIAL YEAR ENDED
30 JUNE 2012**

1 INTRODUCTION

The accounts of the Municipality of Keetmanshoop for the year ended 30 June 2012 are being reported on in accordance with the provisions set out in the State Finance Act, 1991 (Act 31 of 1991) and the Local Authorities Act, (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. Deficits are indicated in brackets.

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 03 December 2012 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 the financial statements and for ensuring the regularity of the financial transactions. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

It is the responsibility of the Auditor-General to form an independent opinion, based on the audit, on those statements and on the regularity of the financial transactions included in them and to report his opinion to the National Assembly. The said firm conducted the audit in accordance with International Standards on Auditing. Those standards require that the firm complies with ethical requirements and plans and performs the audit to obtain reasonable assurance whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatements in 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 balance of the provision of N\$ 11 079 491 made by the Municipality for bad and doubtful debts remained constant since prior financial statements. The review and considering slow repayment by consumers indicate an under provision of N\$ 16 190 127.

| | 2012 | 2011 |
|-----------------|------------|------------|
| | N\$ | N\$ |
| Under provision | 16 190 127 | 10 575 074 |

Also, outstanding debt at 120 days and more for the respective financial years were as follows:

| Description | 2012 | 2011 |
|-------------------|------|------|
| | % | % |
| 120 days and more | 81 | 81 |

The magnitude of these under-provisions, highlight serious concerns on the debt collection controls and measures over these assets of the Council. As a result of the above the current valuation of accounts receivables are materially misstated in the annual financial statements.

Due to the significance of this matter, the Auditor-General cannot express an opinion on bad and doubtful debts.

4.2 Build Together Fund

Special funds such as the Build Together Programme are administered by the Municipality on behalf of the relevant Ministry and it should be considered significant as weaknesses were identified with regards to administration.

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

During the audit the auditors discovered that in terms of monthly reconciliations that were computed by the Municipality on the Build Together Fund, no proper control was exercised. No amortizations schedules or any supporting details were provided by the Municipality's to verify the loan closing balance as at 30 June 2012 of the clients and records processed on finstel could not be relied on as at true source of the outstanding balances as explained by the Municipality.

Numerous supporting documents e.g. Build Together inspection sheets for funds disbursed could not be found at the time of the audit.

4.3 Submission of annual financial statements

The Accounting Officer of the Municipality failed to submit the annual financial statements in time for the financial year under review to the Office of the Auditor-General for audit purposes. According to the Local Authorities Act, 1992 (Act 23 of 1992), annual financial statements need to be submitted within three months after the financial year as per requirement by Section 87 of the Local Authorities Act.

4.4 Inventory

The value of the selected sample of stock was recorded as VAT inclusive as per finstel system for the year under review.

A difference of 1 898 litres were found due to an overstatement of petrol and diesel quantities at year-end and the difference could not be explained by the Municipality.

4.5 Consumer deposits

There was a material difference of N\$ 331 324 on the reasonability calculation on consumer deposits.

| | 2012 | 2011 |
|--|-------------|-------------|
| | N\$ | N\$ |
| Debt outstanding | 33 604 547 | 26 869 749 |
| Consumer deposits | 647 063 | 622 442 |
| Percentage of deposits against outstanding debts | 1.93% | 2.32% |

When comparing the consumer deposits to the Municipality's total consumer debts outstanding it is evident and troublesome to note that the Municipality lack control over the collection of deposits payable, an overall view, clearly indicate that irrecoverable debts, would not be covered by these deposits.

4.6 Source documents - Expenses

Numerous travel and accommodation documentation or travel forms were not correctly approved and signed for the year under review.

The water purchases reconciliation revealed a material difference of N\$ 1 442 147.

It must be noted that the lack of proper record keeping experienced by auditors is in contravention of Section 86 of the Local Authorities Act, 1992.

4.7 Fixed assets

Although a fixed asset register was maintained during the year, it was incomplete because asset descriptions especially on electronic and office equipment were not recorded. An invoice which amounted to N\$ 174 458 were wrongly allocated as a capital expenditure and related VAT was not accounted for.

4.8 Value-Added-Tax (VAT)

The auditors' recalculated VAT reconciliation revealed a material difference of N\$ 6 261 188 for the year under review.

4.9 Payables and provisions

During the audit the Namwater creditors reconciliation revealed a material difference of N\$ 811 435 for the year under review.

The recalculated provision for leave days indicated an under-statement of N\$ 208 076 for the year under review. No proper record keeping on leave days were kept, thus the auditors could not satisfy themselves regarding accuracy and completeness of leave days calculated.

4.10 Payroll

An unexplained difference of N\$ 77 929 was found on the auditors' payroll reconciliation for 30 June 2012.

The audit also revealed that numerous employees leave days exceeded 60 days. This is in contradiction with the Gazetted personnel rules of the Municipality that states that vacation days with remuneration in excess of 60 days lapses after a leave cycle.

4.11 Admin charges – NATIS

An unexplained difference of N\$ 226 985 between the revenue receivable from Natis and the ledger was calculated.

4.12 Electricity supply - SELCO

During the audit a material difference of N\$ 330 596 was calculated for revenues from SELCO. No explanation was given.

4.13 Assessment rates

Numerous customers were charged with wrong assessment rates for the year under review.

4.14 Rental building

Numerous customers rental charges could not be matched to the Government Gazette tariff rates for the year under review.

4.15 External loans

The audit revealed that loans from the Government of Namibia differed by N\$ 3 823 089. A confirmation from the Ministry of Finance on loan balances outstanding and arrears outstanding indicated a sum that was N\$ 3 823 089 less than the amount indicated as Government Loans in the financial statements. It was also evident that no reconciliations were done on loans outstanding and the subsequent differences rectified timely to mitigate material misstatements in the annual financial statements.

4.16 Visits to foreign countries

The Municipality confirmed that there were foreign visits to Finland and South Africa, but no such evidence could be provided by the Municipality for the year under review.

5. ACKNOWLEDGEMENT

The assistance and co-operation given by the management and staff of the Municipality during the audit are appreciated. The efforts made by management to implement the previous years recommendations are also appreciated.

6. FINANCIAL RESULTS

| | Revenue | Expenditure | Surplus/ (deficit) | Balance |
|---|------------|-------------|-----------------------|-------------------|
| | N\$ | N\$ | N\$ | N\$ |
| Accumulated surplus as at 01/07/2011 | | | | 14 694 764 |
| General services | | | | |
| Non-profitable | 20 438 202 | 22 785 329 | (2 347 127) | |
| Self-supporting (note 11) | 8 939 710 | 2 407 419 | 6 532 291 | |
| Trade accounts | | | | |
| Electricity supply | 3 509 064 | 851 892 | 2 657 172 | |
| Water supply | 13 590 037 | 16 427 865 | (2 837 828) | |
| | 46 477 013 | 42 472 505 | 4 004 508 | 4 004 508 |
| Surplus for the year | | | | 18 699 272 |
| Adjustments and utilizations (See Note 11, Annexure D)* | | | | (5 522 908) |
| Accumulated surplus 30/06/2012 | | | | 13 176 365 |

* As reported in prior year, prior year adjustments with a net credit result of (N\$ 5 522 908) were posted to the appropriation account. This net figure comprises of a credit amount of (N\$ 1 681 949) and a debit adjustment of N\$ 7 204 856. A proper breakdown of these adjustments could not be provided. 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 of N\$ 6 185 595 (2011: N\$ 4 975 877). The bank statements reflected a favourable balance of N\$ 8 229 529 (2011: N\$ 7 761 003, mainly due to outstanding cheques at year end.

| | 2012 | 2011 |
|-------------------------------------|------------------|------------------|
| | N\$ | N\$ |
| Cash-book balance at 30 June | | |
| - Standard Bank | 923 956 | 1 095 611 |
| - Bank Windhoek | 5 259 639 | 3 880 266 |
| Petty cash | 2 000 | 2 000 |
| Balance as per bank statements | 6 185 595 | 4 977 877 |

8. INVESTMENTS AND INTEREST PROCEEDS

The investments as at 30 June 2012 and the interest thereon were as follows:

| Institution | 2012 | | 2011 | |
|--------------------------|-------------------|----------------|-------------------|----------------|
| | Investment | Interest | Investment | Interest |
| | N\$ | N\$ | N\$ | N\$ |
| Invested at: | | | | |
| Commercial banks | 11 322 048 | 272 536 | 11 982 897 | 272 536 |
| | 11 322 048 | 272 536 | 11 982 897 | 272 536 |
| Distribution: | | | | |
| Capital | - | - | - | - |
| Fixed Property Fund | - | 116 921 | - | 95 729 |
| Housing Fund | 5 717 909 | 111 541 | 6 205 043 | 117 310 |
| Capital Development Fund | - | 31 774 | - | 40 907 |
| Revenue Account | 5 604 139 | 103 861 | 5 777 854 | 18 599 |
| | 11 322 048 | 364 097 | 11 982 897 | 272 545 |

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:

| | 2012 | 2011 |
|-------------------------------|------------------|------------------|
| | N\$ | N\$ |
| Sales | 3 346 070 | 3 203 928 |
| Cost of Sales | - | - |
| Gross profit / (loss) | 3 346 070 | 3 203 928 |
| Expenses (net) | (688 898) | (1 053 016) |
| Net surplus | 2 657 172 | 2 150 912 |
| Gross loss % on cost of sales | - | - |
| Net loss % on cost of sales | - | - |

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:

| | 2012 | 2011 |
|--|--------------------|------------------|
| | N\$ | N\$ |
| Sales | 13 551 710 | 13 135 332 |
| Cost of sales | (13 546 795) | (8 815 347) |
| Gross profit | 4 915 | 4 319 985 |
| Expenses (net) | (2 842 743) | (1 936 361) |
| Net (loss) / surplus | (2 837 828) | 2 383 624 |
| Gross loss % on cost of sales | - | 49% |
| Net (loss) % / profit on cost of sales | (20.9%) | 27% |

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

| | 2012 | 2011 |
|--|--------------------|--------------------|
| | m ³ | m ³ |
| Total cubic meters sold for the year * | - | - |
| Total cubic meters bought for the year | (1 624 785) | (1 659 545) |
| Loss (cubic meters) | - | - |
| | (1 624 785) | (1 659 545) |
| Percentage loss on sales | - | - |
| Percentage loss on purchases | - | - |

* The cubic meters of water sold during the year could not be provided by the Municipality. 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:

| | Income 2012 | Expenses 2012 | Surplus/(Loss) 2012 | Surplus/(Loss) 2011 |
|-----------------------|------------------------|--------------------------|--------------------------------|--------------------------------|
| | N\$ | N\$ | N\$ | N\$ |
| Commonage and pound | 597 811 | 86 395 | 511 416 | 217 973 |
| Sewerage | 3 454 982 | 222 565 | 3 232 417 | 3 200 001 |
| Health and sanitation | 4 838 822 | 1 977 077 | 2 861 745 | 2 753 285 |
| Caravan park | 48 095 | 121 382 | (73 287) | (132 977) |
| | 8 939 710 | 2 407 419 | 6 532 291 | 6 038 282 |

| | Income 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 | 3 428 529 | 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) |
| | 8 450 112 | 2 411 830 | 6 038 282 | 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.

| | Financed by | 2012 | 2011 |
|--------------------------------|------------------------|------------------|----------------|
| | Revenue account | Total | Total |
| | N\$ | N\$ | N\$ |
| Council general expenses | 19 137 | 19 137 | 11 560 |
| Chief executive office | 24 835 | 24 835 | 55 470 |
| Economic development | 16 635 | 16 635 | - |
| Fire brigade | - | - | 13 836 |
| Human resources | - | - | 1 342 |
| Park, plains and sport grounds | 375 066 | 375 066 | 31 934 |
| Sewerage | - | - | 26 052 |
| Stores | - | - | 8 100 |
| Traffic control | - | - | 8 100 |
| Town engineer | 2 530 609 | 2 530 609 | - |
| Sanitation | 305 200 | 305 200 | - |
| Total | 3 271 482 | 3 271 482 | 156 394 |

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 Municipality confirmed that there were foreign visits to Finland and South Africa, but no such evidence could be provided by the Municipality for the year under review.

20. CLAIMS AGAINST THE LOCAL AUTHORITY

No claims against the Local Authority payments were made during the year under review.

21. GIFTS / DONATIONS BY / TO THE LOCAL AUTHORITY

A donations of N\$ 48 453 was made for the year under review.

22. TRANSFER OF PROPERTY TO / FROM GOVERNMENT

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

23. DEBTORS AND CREDITORS

23.1 Debtors at 30 June were:

| | 2012 | 2011 |
|-------------------------------|-------------------|-------------------|
| | N\$ | N\$ |
| Rates/Services | 33 604 547 | 26 869 749 |
| Consumer deposits | (647 063) | (622 442) |
| Less: Provision for bad debts | (11 079 491) | (11 079 491) |
| VAT | - | 2 891 268 |
| Sundry debtors | 190 551 | 25 750 |
| | 22 068 544 | 18 084 834 |

23.2 Creditors at 30 June were:

| | 2012 | 2011 |
|----------------|-------------------|------------------|
| | N\$ | N\$ |
| Trade payables | 7 682 655 | 4 929 917 |
| Provisions | 855 775 | 855 775 |
| VAT | 2 663 791 | - |
| | 11 202 221 | 5 785 692 |

24. ASSESSMENT RATES

| | 2012 | 2011 |
|---|------------|------------|
| | N\$ | N\$ |
| Net proceeds from assessment rates were | 12 076 457 | 11 762 999 |
| Tariffs per N\$ 1 valuation per annum - Tseiblaagte | | |
| Valuation per annum | | |
| - Land | 0.1310 | 0.120 |
| - Improvements | 0.0164 | 0.015 |
| Tariffs per N\$ 1 valuation per annum - Kronlein | | |
| Valuation per annum | | |
| - Land | 0.1654 | 0.124 |
| - Improvements | 0.0164 | 0.015 |
| Tariffs per N\$ 1 valuation per annum - Noordhoek | | |
| Valuation per annum | | |
| - Land | 0.1441 | 0.132 |
| - Improvements | 0.0175 | 0.016 |
| Tariffs per N\$ 1 valuation per annum - Industrial | | |
| Valuation per annum | | |
| - Land | 0.1474 | 0.135 |
| - Improvements | 0.0175 | 0.016 |
| Tariffs per N\$ 1 valuation per annum - Westdene | | |
| Valuation per annum | | |
| - Land | 0.1507 | 0.138 |
| - Improvements | 0.0175 | 0.016 |

25 LOANS

25.1 External loans

The balances due to third parties were as follows:

| | 2012 | 2011 |
|--|-------------------|-------------------|
| | N\$ | N\$ |
| CAPITAL FUNDS SECTION AND FUNDS | | |
| Capital section | 4 620 318 | 5 342 354 |
| Fixed Property Fund | - | 163 501 |
| Payments in arrear | 5 231 341 | 4 397 405 |
| Interest in arrear | 445 845 | 458 256 |
| HOUSING FUNDS | | |
| Keetmanshoop | 85 312 | 108 160 |
| Kronlein | 66 836 | 77 729 |
| Tseiblange | 189 666 | 206 713 |
| Payments in arrear | 1 285 990 | 1 502 680 |
| | 11 925 308 | 12 256 798 |

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 off on or 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 in favour of housing loans under the Build Together programme are reflected as N\$ 5 174 463 (2011: N\$ 4 012 586) in the annual statements.

26. SALE OF ERVEN

Erven sold amounted to N\$ 1 552 350 for 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, although some customers rates were not appropriately adjusted.

29. APPROVALS

29.1 Excess on approved budget

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

30. SPECIAL INVESTIGATIONS

No special investigations were conducted for the year under review.

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 Municipality 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. ADVERSE AUDIT OPINION

The accounts of the Keetmanshoop Municipality for the financial year ended 30 June 2012, 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 on the financial statements, results of operations and the cash flow of the Municipality for the year ended 30 June 2012 due to the following reasons:

- * The recalculated provision for doubtful debts revealed a material under provision of N\$ 16 190 127.
- * A material overstatement of loan balances amounting to N\$ 3 823 089 were calculated for loans outstanding to the Government of Namibia.
- * The value of the selected sample of stock was recorded as VAT inclusive as per finstel system for the year under review.
- * A difference of 1 898 litres were found due to an overstatement of petrol and diesel quantities at year-end and the difference could not be explained by the Municipality for the year under review.
- * A material difference of N\$ 331 324 on the reasonability calculation on consumer deposits were found.
- * Numerous travel and accommodation documentation or travel forms were not correctly approved and signed.
- * The water purchases reconciliation revealed a material difference of N\$ 1 442 147.
- * Although fixed asset register was maintained during the year, it was incomplete.
- * Auditors recalculated VAT reconciliation revealed a material difference of N\$ 6 261 188 , however the necessary adjustment was made against the appropriation account to match a statement from Ministry of Finance.
- * During the audit the Namwater creditors reconciliation revealed a material difference of N\$ 811 435.
- * The auditors' recalculated provision for leave days revealed an understatement of N\$ 208 076.

- * Auditors also noted that numerous employees leave days exceeded 60 days, this is in contradiction with the Gazetted personnel rules of the municipality that states that vacation days with remuneration in excess of 60 days lapses after a leave cycle.
- * An unexplained difference of N\$ 77 929 was found on the payroll reconciliation.
- * A unexplained difference of N\$ 226 985 between the revenue receivable from Natis and the ledger was calculated.
- * Numerous customers were charged with wrong assessment rates.
- * Numerous customers' rental charges could not be matched to the Government Gazette rates.

WINDHOEK, August 2013

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

MUNICIPALITY OF KEETMANSHOOP

BALANCE SHEET ON 30 JUNE 2012

| | Notes | 2012 N\$ | 2011 N\$ |
|-------------------------------------|-------|-------------------|-------------------|
| ASSETS | | | |
| Non-current assets | | | |
| | | 39 909 818 | 39 835 989 |
| Property, plant and equipment | 3 | 23 413 306 | 23 840 506 |
| Investments | 4 | 11 322 048 | 11 982 897 |
| Loans | 7 | 5 174 463 | 4 012 586 |
| Current assets | | | |
| | | 28 735 019 | 23 759 643 |
| Accounts receivables | 5 | 22 068 544 | 18 084 834 |
| Inventories | 8 | 480 880 | 696 932 |
| Cash and cash equivalents | 9 | 6 185 595 | 4 977 877 |
| TOTAL ASSETS | | 68 644 837 | 63 595 632 |
| EQUITY AND LIABILITIES | | | |
| Funds | | | |
| | | 51 554 949 | 50 396 392 |
| Funds and accounts | 2 | 38 378 584 | 35 701 628 |
| Accumulated funds | 2 | 13 176 365 | 14 694 764 |
| Non-current liabilities | | | |
| | | 5 887 667 | 7 413 548 |
| Long-term liabilities | 10 | 5 887 667 | 7 413 548 |
| Current liabilities | | | |
| | | 11 202 221 | 5 785 692 |
| Accounts payables | 6 | 11 202 221 | 5 785 692 |
| TOTAL EQUITY AND LIABILITIES | | 68 644 837 | 63 595 632 |

MUNICIPALITY OF KEETMANSHOOP

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE

| | <u>Notes</u> | <u>2012</u> | <u>2011</u> |
|--|--------------|--------------------------|--------------------------|
| | | N\$ | N\$ |
| INCOME | | 46 373 151 | 40 323 643 |
| EXPENDITURE | | <u>(42 472 505)</u> | <u>(31 624 252)</u> |
| NET OPERATING PROFIT | | 3 900 646 | 8 699 390 |
| INVESTMENT INTEREST EARNED | | <u>103 862</u> | <u>272 536</u> |
| NET PROFIT | | 4 004 508 | 8 971 926 |
| ADJUSTMENTS | 11 | (5 522 907) | 258 018 |
| NET (LOSS)/PROFIT for the year | | <u>(1 518 399)</u> | <u>9 229 944</u> |
| APPROPRIATION ACCOUNT AT BEGINNING OF THE YEAR | | <u>14 694 764</u> | <u>5 464 820</u> |
| APPROPRIATION ACCOUNT AT END OF YEAR | | <u>13 176 365</u> | <u>14 694 764</u> |

MUNICIPALITY OF KEETMANSHOOP

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE

| | Note | 2012 N\$ | 2011 N\$ |
|--|------|------------------|------------------|
| CASH FLOW FROM OPERATING ACTIVITIES | | | |
| Cash receipts from customers | | 46 373 151 | 40 323 643 |
| Cash paid to suppliers | | (46 346 541) | (31 253 769) |
| <i>Cash generated by operations</i> | 12 | 26 610 | 9 069 874 |
| Investment income | | 103 862 | 272 536 |
| <i>Movement in Fund accounts</i> | | 2 676 956 | 4 352 191 |
| Increase in funds accounts | | 2 676 956 | 4 352 191 |
| <i>Net cash flow from operating activities</i> | | 2 807 428 | 13 694 601 |
| CASH FLOW FROM INVESTING ACTIVITIES | | | |
| Net increase in capital value | | 427 200 | 1 574 073 |
| Increase in loans | | (1 161 878) | (1 469 629) |
| Decrease / (Increase) in investments | | 660 849 | (7 186 615) |
| CASH FLOW FROM FINANCING ACTIVITIES | | | |
| Decrease in long-term loans | | (1 525 881) | (4 771 897) |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | | | |
| Cash and cash equivalents at beginning of year | | 4 977 877 | 3 137 344 |
| Cash and cash equivalents at end of year | | 6 185 595 | 4 977 877 |

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 Municipality 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)

| | 2012 | 2011 |
|--|-------------------|-------------------|
| | N\$ | N\$ |
| 2. OWN FUNDS | | |
| 2.1 Financing of capital: | | |
| Internal Funds | | |
| Contribution from: | 38 378 584 | 35 701 628 |
| Housing Fund | 8 977 960 | 8 539 037 |
| Capital Development Fund | 1 799 394 | 1 767 619 |
| Fixed Property Fund | 8 023 194 | 6 111 773 |
| Loans Redeemed | 3 822 239 | 4 190 900 |
| Revenue contributions | 10 468 796 | 9 805 298 |
| General Capital Contributions | 5 287 001 | 5 287 001 |
| 2.2 Unappropriated surplus | | |
| Accumulated surplus | 13 176 365 | 14 694 764 |
| TOTAL FUNDS | 51 554 949 | 50 396 392 |
| 3. FIXED ASSETS | | |
| Infrastructure, land and buildings, motor vehicles, office equipment, furniture and fittings and computer equipment. | | |
| | 23 413 306 | 23 840 506 |
| Financed from: | | |
| Loan assets | 7 657 509 | 8 748 207 |
| General capital | 5 287 001 | 5 287 001 |
| Revenue account | 10 468 796 | 9 805 298 |
| | 23 413 306 | 23 840 506 |
| 4. INVESTMENTS | | |
| Commercial banks | 11 322 048 | 11 982 897 |
| | 11 322 048 | 11 982 897 |
| Allocated to: | | |
| Housing Fund | 5 717 909 | 6 205 043 |
| Revenue Fund | 5 604 139 | 5 777 854 |
| | 11 322 048 | 11 982 897 |

MUNICIPALITY OF KEETMANSHOOP

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

| | 2012 | 2011 |
|--|-------------------|-------------------|
| | N\$ | N\$ |
| 5. ACCOUNTS RECEIVABLE | | |
| Trade debtors | 33 604 547 | 26 869 749 |
| Consumer deposits | (647 063) | (622 442) |
| Less: Provision for bad debts | (11 079 491) | (11 079 491) |
| Value Added Tax | - | 2 891 268 |
| Sundry debtors | 190 551 | 25 750 |
| | 22 068 544 | 18 084 834 |
| 6. ACCOUNTS PAYABLE | | |
| Trade payables | 7 682 655 | 4 929 917 |
| Provisions | 855 775 | 855 775 |
| Value Added Tax | 2 663 791 | - |
| | 11 202 221 | 5 785 692 |
| 7. LONG-TERM LIABILITIES | | |
| LOANS GIVEN AGAINST FIRST MORTGAGE BONDS OVER: | | |
| External loans | 5 174 464 | 4 012 586 |
| | 5 174 464 | 4 012 586 |
| 8. INVENTORIES | | |
| Inventory consists of: | | |
| Stores | 389 020 | 457 496 |
| Fuel and lubricants | 91 860 | 239 436 |
| | 480 880 | 696 932 |
| 9. CASH AND BANK BALANCES | | |
| Bank | 6 183 595 | 4 975 877 |
| Petty cash | 2 000 | 2 000 |
| | 6 185 595 | 4 977 877 |
| 10. INTEREST BEARING BORROWINGS | | |
| Capital section (Rates varying from 1% - 14%) | 4 259 863 | 5 734 956 |
| Housing fund (Rates varying from 1.5% - 11.3%) | 1 627 804 | 1 678 592 |
| | 5 887 667 | 7 413 548 |

MUNICIPALITY OF KEETMANSHOOP

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

| | 2012 | 2011 |
|---|--------------------|------------------|
| | N\$ | N\$ |
| 11. ADJUSTMENTS AND UTILIZATIONS | | |
| Prior year adjustments - Net | (9 527 415) | 258 018 |
| Surplus for year | 4 004 508 | - |
| | (5 522 907) | 258 018 |
| 12. CASH UTILISED BY OPERATIONS | | |
| Cash generated / (absorbed) by operations | | |
| Net profit before investment interest and adjustments. | 4 004 508 | 8 971 926 |
| Adjustment on appropriation account | (5 522 907) | 258 018 |
| Investment income | (103 862) | (272 536) |
| OPERATING INCOME BEFORE CHANGES IN WORKING CAPITAL | (1 622 261) | 8 957 408 |
| Utilized to increase working capital | | |
| (Increase) in accounts receivable | (3 983 710) | (2 321 214) |
| Decrease / (increase) in inventories | 216 052 | (349 813) |
| Increase in accounts payable | 5 416 529 | 2 783 493 |
| | 1 648 871 | 112 466 |
| CASH GENERATED BY OPERATIONS | 26 610 | 9 069 874 |