



REPUBLIC OF NAMIBIA



**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE
MUNICIPALITY OF KEETMANSHOOP
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013 AND 2014**

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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 years ended 30 June 2013 and 2014 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, July 2015

**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 2013 AND 2014**

1. INTRODUCTION

The accounts of the Municipality of Keetmanshoop for the years ended 30 June 2014 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 the annual financial statements of 30 June 2014 were only submitted on the 10th of November 2014, and the annual financial statements of 30 June 2013 were only submitted on the 29th of July 2014 instead of the 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

	2014	2013	2012
Under provision	1 588 975	N\$ 12 922 226	N\$ 16 190 127

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

Description	2014	2013	2012
	%	%	%
120 days and more	89	88	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..

4.2 Build Together Fund

There were no segregation of duties in terms of monthly reconciliations that were done by the Municipality on the Build Together Fund. No amortizations schedules or any supporting details were provided by the Municipality's to verify the loan closing balance as at 30 June 2014 and 30 June 2013 of the clients.

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 could not be verified because no invoices could be traced or availed during the time of the audit. Auditors revealed differences in petrol and diesel inventory totalling 443 litres, these differences could not be explained.

4.5 Consumer deposits

	2014	2013	2012
	N\$	N\$	N\$
Debt outstanding	46 586 818	38 870 362	33 604 547
Consumer deposits	714 430	687 883	647 063
Percentage of deposits against outstanding debts	1.53%	1.77%	1.93%

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

4.6 Source documents - Expenses

Numerous invoices could not be traced during the time of the audit

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

Audit noted that council did not account for VAT, hence fixed asset values included VAT and it appears that the same has not been claimed from the Ministry of Finance, the amount calculated on the sample was N\$ 134 710 and the extrapolated result was N\$ 270 823 in 2014, the amount not accounted for in 2013 amounted to N\$ 19 178 and the extrapolated result was N\$ 27 143. Invoices amounting to N\$ 22 509 were wrongly allocated as capital expenditure in the 2013 financial year.

4.8 Value-Added-Tax (VAT)

The auditors' recalculated VAT reconciliation revealed a material difference of N\$ 1 902 177 for the year under review. Vat returns were also not submitted on time, period 04/2014 and 06/2014 were not submitted at the time of the audit.

4.9 Payables and provisions

The recalculated provision for leave days indicated an under-statement of N\$ 18 079 for the 2013 financial year. 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\$ 163 162 and N\$ 146 757 was found on the auditors' payroll reconciliation for 30 June 2014 and 30 June 2013 respectively.

The audit also revealed that numerous employees leave days exceeded 60 days. This is in contravention 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\$ 433 395 (2013: N\$ 90 682) between the revenue receivable from Natis and the general ledger was calculated.

4.12 Electricity supply – SELCO

During the audit a material difference of N\$ 508 707 (2013: 594 345) was calculated for revenues from SELCO. Auditors could not verify royalty source documents for the period February 2014 and May 2014, because it could not be availed during the time of the audit.

4.13 Assessment rates

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

4.14 Bank reconciliations

The auditors recalculation of the bank reconciliation revealed a material difference of N\$ 4 000 000, it was also noted that reconciling items amounting to N\$ 706 114 with description stolen money and an amount of N\$ 1 829 996 with the description wrong debit, was not cleared and explained. The result of this is that the amount disclosed as bank and cash in the balance sheet is misstated materially.

4.15 External loans

The audit revealed that loans from the Government of Namibia differed by N\$ 2 081 002 in 2014 and N\$ 2 279 336 in 2013. 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 Fixed property fund

Auditors recalculations revealed a material difference of N\$ 1 777 441, as a result of opening balances that were not brought forward properly.

4.17 Investment interest

The auditors recalculation of interest earned during the year and interest allocated in the financial statements revealed differences, of N\$ 159 088 during the 2014 financial year and N\$ 162 608 during 2013. Interest received was understated in both years.

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 01/07/2012				13 176 365
General services				
Non-profitable	22 459 632	22 669 632	(210 000)	
Self-supporting (note 11)	9 309 817	2 330 236	6 979 581	
Trade accounts				
Electricity supply	4 113 734	927 373	3 186 361	
Water supply	15 670 869	19 536 539	(3 865 669)	
	51 554 052	45 463 780	6 090 273	6 090 273
Surplus for the year				19 266 638
Adjustments and utilizations (See Note 11, Annexure D)*				(9 027 542)
Accumulated surplus 30/06/2013				10 239 096

	Revenue	Expenditure	Surplus/ (deficit)	Balance
	N\$	N\$	N\$	N\$
Accumulated surplus as at 01/07/2013				10 239 096
General services				
Non-profitable	24 513 514	31 770 695	(7 257 181)	
Self-supporting (note 11)	10 438 220	2 397 926	8 040 294	
Trade accounts				
Electricity supply	4 910 051	1 217 071	3 692 980	
Water supply	18 104 602	21 610 440	(3 505 838)	
	57 966 387	56 996 132	970 255	970 255
Surplus for the year				11 209 351
Adjustments and utilizations (See Note 11, Annexure D)*				(19 611 389)
Accumulated surplus 30/06/2014				(8 402 038)

* As reported in prior year, prior year adjustments with a net credit result of N\$ 2 350 677 (2013: {N\$ 395 592}) (2012: N\$ 5 522 908) were posted to the appropriation account. 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\$ 9 461 353 (2013: N\$ 5 399 971) (2012: N\$ 6 185 595). The bank statements reflected a favourable balance of N\$ 12 088 490 (2013: N\$ 9 418 569) (2012: N\$ 7 761 003).

	2014	2013	2012
	N\$	N\$	N\$
Cash-book balance at 30 June			
- Standard Bank	914 352	597 521	923 956
- Bank Windhoek	8 547 002	4 802 450	5 259 639
Petty cash	2 000	2 000	2 000
Balance as per annual financial statements	9 463 353	5 401 971	6 185 595

8. INVESTMENTS AND INTEREST PROCEEDS

The investments as at 30 June 2014 and the interest thereon were as follows:

Institution	2014		2013	
	Investment	Interest	Investment	Interest
	N\$	N\$	N\$	N\$
Invested at:				
Commercial banks	18 510 946	533 743	16 010 412	445 153
	18 510 946	533 743	16 010 412	445 153
Distribution:				
Unallocated	-	159 088	-	162 607
Fixed Property Fund	-	-	-	107 210
Housing Fund	6 858 887	-	8 118 102	76 406
Capital Development Fund	11 652 059	-	-	24 045
Revenue Account	-	374 655	7 892 310	74 886
	18 510 946	533 743	16 010 412	445 153

Institution	2013		2012	
	Investment	Interest	Investment	Interest
	N\$	N\$	N\$	N\$
Invested at:				
Commercial banks	16 010 412	445 153	11 322 048	364 097
	16 010 412	445 153	11 322 048	364 097
Distribution:				
Unallocated	-	162 607	-	-
Fixed Property Fund	-	107 210	-	116 921
Housing Fund	8 118 102	76 406	5 717 909	111 541
Capital Development Fund	-	24 045	-	31 774
Revenue Account	7 892 310	74 886	5 604 139	103 861
	16 010 412	445 153	11 322 048	364 097

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:

	2014	2013	2012
	N\$	N\$	N\$
Sales (Royalties)	4 700 341	3 899 715	3 346 070
Cost of sales	-	-	-
Gross profit / (loss)	4 700 341	3 899 715	3 346 070
Expenses (net)	(1 007 361)	(713 354)	(688 898)
Net surplus	3 692 980	3 186 361	2 657 172
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:

	2014	2013	2012
	N\$	N\$	N\$
Sales	18 072 688	15 611 915	13 551 710
Cost of sales	(18 155 125)	(15 779 678)	(13 546 795)
Gross profit	(82 437)	(167 763)	4 915
Expenses (net)	(3 423 401)	(3 697 905)	(2 842 743)
Net (loss) / surplus	(3 505 838)	(3 865 668)	(2 837 828)
Gross loss % on cost of sales	-	-	-
Net (loss) % / profit on cost of sales	(19.40%)	(24.49%)	(20.9%)

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

	2014	2013	2012
	m ³	m ³	m ³
Total cubic meters sold for the year *	*	*	*
Total cubic meters bought for the year	*	*	(1 624 785)
Loss (cubic meters)	-	*	(1 624 785)
Percentage loss on sales	-	-	-
Percentage loss on purchases	-	-	-

* The cubic meters of water sold and purchased 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 2014	Expenses 2014	Surplus/(Loss) 2014	Surplus/(Loss) 2013
	N\$	N\$	N\$	N\$
Commonage and pound	461 250	38 227	423 023	339 691
Sewerage	4 064 054	205 247	3 858 806	3 370 839
Health and sanitation	5 886 148	2 067 133	3 819 015	3 288 565
Caravan park	26 769	87 318	(60 549)	(19 512)
	10 438 221	2 397 925	8 040 295	6 979 583

	Income 2013	Expenses 2013	Surplus/(Loss) 2013	Surplus/(Loss) 2012
	N\$	N\$	N\$	N\$
Commonage and pound	399 901	60 210	339 691	511 416
Sewerage	3 700 640	329 801	3 370 839	3 232 417
Health and sanitation	5 169 293	1 880 728	3 288 565	2 861 745
Caravan park	39 984	59 496	(19 512)	(73 287)
	9 309 818	2 330 235	6 979 583	6 532 291

Municipality should put measures in place to ensure that the caravan park is self-supporting.

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 years under review.

14. IRREGULARITIES AND LOSSES

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

15. CAPITAL PROJECTS

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

	Financed by	2014	Financed by	2013	2012
	Revenue account	Total	Revenue account	Total	Total
	N\$	N\$	N\$	N\$	N\$
Council general expenses	962 607	962 607	-	-	19 137
Chief executive office	-	-	13 198	13 198	24 835
Chief administration	109 276	109 276	-	-	-
Economic development	189 011	189 011	-	-	16 635
Community development	-	-	93 286	93 286	-
Fire brigade	36 501	36 501	-	-	-
Human resources	-	-	-	-	-
Park and sport grounds	328 935	328 935	192 554	192 554	375 066
Sewerage	-	-	18 725	18 725	-
Streets	2 834 142	2 834 142	35 387	35 387	-
Traffic control	280 278	280 278	30 086	30 086	-
Town engineer	5 828 437	5 828 437	2 207 029	2 207 029	2 530 609
Treasury	211 145	211 145	16 655	16 655	-
Water	-	-	195 176	195 176	-
Sanitation	423 543	423 543	247 815	247 815	305 200
Total	11 203 875	11 203 875	3 049 910	3 049 910	3 271 482

16. BURSARIES

No bursaries were granted during the years under review.

17. CONTRIBUTIONS, GRANTS AND FINANCIAL AID

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

18. COMPENSATION PAYMENTS

No compensation payments were made during the years 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 years under review.

20. CLAIMS AGAINST THE LOCAL AUTHORITY

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

21. GIFTS / DONATIONS BY / TO THE LOCAL AUTHORITY

A donations of N\$ 48 453 was made for the years 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:**

	2014	2013	2012
	N\$	N\$	N\$
Rates/Services	46 586 818	38 870 362	33 604 547
Consumer deposits	(714 430)	(687 883)	(647 063)
Less: Provision for bad debts	(40 005 974)	(21 079 491)	(11 079 491)
VAT	289 234	-	-
Sundry debtors	1 347 811	6 620	190 551
	7 503 459	17 109 608	22 068 544

23.2 Creditors at 30 June were:

	2014	2013	2012
	N\$	N\$	N\$
Trade payables	11 730 397	6 406 035	7 682 655
Provisions	1 247 194	1 003 989	855 775
VAT	-	1 462 566	2 663 791
	12 977 591	8 872 590	11 202 221

24. ASSESSMENT RATES

	2014	2013	2012
	N\$	N\$	N\$
Net proceeds from assessment rates were	14 059 141	13 076 143	12 076 457
Tariffs per N\$ 1 valuation per annum - Tseiblaagte Valuation per annum			
- Land	0.14	0.1310	0.1310
- Improvements	0.02	0.0164	0.0164
Tariffs per N\$ 1 valuation per annum - Kronlein Valuation per annum			
- Land	0.15	0.1354	0.1654
- Improvements	0.02	0.0164	0.0164
Tariffs per N\$ 1 valuation per annum - Noordhoek Valuation per annum			
- Land	0.16	0.1441	0.1441
- Improvements	0.02	0.0175	0.0175
Tariffs per N\$ 1 valuation per annum – Industrial Valuation per annum			
- Land	0.16	0.1474	0.1474
- Improvements	0.02	0.0175	0.0175
Tariffs per N\$ 1 valuation per annum - Westdene Valuation per annum			
- Land	0.16	0.1507	0.1507
- Improvements	0.02	0.0175	0.0175

25 LOANS

25.1 External loans

The balances due to third parties were as follows:

	2014	2013	2012
	N\$	N\$	N\$
CAPITAL FUNDS SECTION AND FUNDS			
Capital section	3 887 741	4 179 531	4 620 318
Fixed Property Fund	-	-	-
Payments in arrear	747 886	699 880	5231 341
Interest in arrear	4 246 673	4 138 599	445 845
HOUSING FUNDS			
Keetmanshoop	44 867	65 170	85 312
Kronlein	42 921	55 251	66 836
Tseiblagte	155 060	172 449	189 666
Payments in arrear	-	1 285 990	1 285 990
Hire purchase agreements	3 075 283	-	-
	12 200 431	10 596 870	11 925 308

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 years under review.

25.3 Housing loans

The amount advanced in favour of housing loans under the Build Together programme are reflected as N\$ 5 393 515 (2013: N\$ 5 077 615) (2012: N\$ 5 174 463) in the annual financial statements.

26. SALE OF ERVEN

Erven sold amounted to N\$ 784 207 (2013: No amount provided) (2012: 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 years 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 were addressed to the Municipality.

33. DISCLAIMED AUDIT OPINION

The accounts of the Keetmanshoop Municipality for the financial years ended 30 June 2013 and 30 June 2014, 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 2013 and 30 June 2014. A disclaimed audit opinion is being expressed due to the following reasons:

- Under provision of debtors;
- No supporting document provided on Build Together Programme;
- No supporting documents on expenses;
- Fixed assets are VAT inclusive;
- Difference on VAT reconciliations;
- Unexplained Natis reconciliations;
- No source documents Electricity supply SELCO;
- Bank reconciliation has a material difference of N\$ 4 000 000; and
- A difference of N\$ 1 777 441 in fixed property fund.

WINDHOEK, July 2015

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

MUNICIPALITY OF KEETMANSHOOP

BALANCE SHEET ON 30 JUNE

	Notes	2014 N\$	2013 N\$	2012 N\$
ASSETS				
Non-current assets		57 112 218	45 682 268	39 909 818
Property, plant and equipment	3	33 207 757	24 594 241	23 413 306
Investments	4	18 510 946	16 010 412	11 322 048
Loans	7	5 393 515	5 077 615	5 174 463
Current assets		18 203 411	23 724 409	28 735 019
Accounts receivables	5	8 217 890	17 797 491	22 068 544
Inventories	8	522 168	524 947	480 880
Cash and cash equivalents	9	9 463 353	5 401 971	6 185 595
TOTAL ASSETS		74 315 629	69 406 676	68 644 837
EQUITY AND LIABILITIES				
Funds		55 132 166	54 775 696	51 554 949
Funds and accounts	2	63 534 204	44 536 600	38 378 584
Accumulated funds	2	(8 402 038)	10 239 096	13 176 365
Non-current liabilities		7 205 872	5 758 391	5 887 667
Long-term liabilities	10	7 205 872	5 758 391	5 887 667
Current liabilities		12 977 591	8 872 589	11 202 221
Accounts payables	6	12 977 591	8 872 589	11 202 221
TOTAL EQUITY AND LIABILITIES		75 315 629	69 406 676	68 644 837

MUNICIPALITY OF KEETMANSHOOP

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE

	Notes	2014	2013	2012
			N\$	N\$
INCOME		57 519 733	51 478 405	46 373 151
EXPENDITURE		(56 996 132)	(45 463 779)	(42 472 505)
NET OPERATING PROFIT		595 601	6 014 626	3 900 646
INVESTMENT INTEREST EARNED		374 655	75 647	103 862
NET PROFIT		970 256	6 090 273	4 004 508
ADJUSTMENTS	11	(19 611 389)	(9 027 542)	(5 522 907)
NET (LOSS)/PROFIT for the year		(18 641 133)	(2 937 269)	(1 518 399)
APPROPRIATION ACCOUNT AT BEGINNING OF THE YEAR		10 239 096	13 176 365	14 694 764
APPROPRIATION ACCOUNT AT END OF YEAR		(8 402 037)	10 239 096	13 176 365

MUNICIPALITY OF KEETMANSHOOP

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE

	Note	2014 N\$	2013 N\$	2012 N\$
CASH FLOW FROM OPERATING ACTIVITIES				
Cash receipts from customers		57 519 733	51 478 405	46 373 151
Cash paid to suppliers		(62 920 139)	(52 593 967)	(46 346 541)
<i>Cash generated by operations</i>	12	(5 328 406)	(1 115 562)	26 610
Investment income		374 655	75 647	103 862
<i>Movement in Fund accounts</i>		18 997 604	6 158 016	2 676 956
Increase in funds accounts		18 997 604	6 158 016	2 676 956
<i>Net cash flow from operating activities</i>		14 043 853	5 118 101	2 807 428
CASH FLOW FROM INVESTING ACTIVITIES				
		(11 429 950)	(5 772 451)	(73 829)
Net increase in capital value		(8 613 516)	(1 180 935)	427 200
Increase in loans		(315 900)	96 848	(1 161 878)
Decrease / (Increase) in investments		(2 500 534)	(4 688 364)	660 849
CASH FLOW FROM FINANCING ACTIVITIES				
		1 447 481	(129 276)	(1 525 881)
Increase/(decrease) in long-term loans		1 447 481	(129 276)	(1 525 881)
NET INCREASE IN CASH AND CASH EQUIVALENTS				
		4 061 384	(783 626)	1 207 718
Cash and cash equivalents at beginning of year		5 401 971	6 185 595	4 977 877
Cash and cash equivalents at end of year		9 463 353	5 401 969	6 185 595

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)

	2014	2013	2012
	N\$	N\$	N\$
2. OWN FUNDS			
2.1 Financing of capital:			
Internal Funds			
Contribution from:	63 534 204	44 536 600	38 378 584
Housing Fund	12 009 555	11 616 856	8 977 960
Capital Development Fund	14 323 438	1 823 438	1 799 394
Fixed Property Fund	10 171 430	9 896 548	8 023 194
Loans Redeemed	5 122 412	4 263 026	3 822 239
Revenue contributions	16 792 554	11 821 917	10 468 796
General Capital Contributions	5 114 815	5 114 815	5 287 001
2.2 Unappropriated surplus			
Accumulated surplus	(8 402 038)	10 239 096	13 176 365
TOTAL FUNDS	55 132 166	51 554 949	51 554 949
3. FIXED ASSETS			
Infrastructure, land and buildings, motor vehicles, office equipment, furniture and fittings and computer equipment.			
	33 207 757	24 594 241	23 413 306
Financed from:			
Loan assets	11 300 388	7 657 509	7 657 509
General capital	5 114 815	5 114 815	5 287 001
Revenue account	16 792 554	11 821 917	10 468 796
	33 207 757	24 594 241	23 413 306
4. INVESTMENTS			
Commercial banks	18 510 946	16 010 412	11 322 048
	18 510 946	16 010 412	11 322 048
Allocated to:			
Housing Fund	6 858 887	8 118 102	5 717 909
Revenue Fund	-	7 892 310	5 604 139
Capital development fund	11 652 059	-	-
	18 510 946	16 010 412	11 322 048

MUNICIPALITY OF KEETMANSHOOP

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

	2014	2013	2012
		N\$	N\$
5. ACCOUNTS RECEIVABLE			
Trade debtors	46 586 818	38 870 362	33 604 547
Consumer deposits	-	-	(647 063)
Less: Provision for bad debts	(40 005 974)	(21 079 491)	(11 079 491)
Value Added Tax	289 234	-	-
Sundry debtors	1 347 811	6 620	190 551
	8 217 889	17 797 491	22 068 544
6. ACCOUNTS PAYABLE			
Trade payables	8 616 265	6 406 035	7 682 655
Provisions	4 361 326	1 003 989	855 775
Value Added Tax	-	1 462 566	2 663 791
	12 977 591	8 872 590	11 202 221
7. LONG-TERM LIABILITIES			
LOANS GIVEN AGAINST FIRST MORTGAGE BONDS OVER:			
External loans	5 393 515	5 077 615	5 174 464
	5 393 515	5 077 615	5 174 464
8. INVENTORIES			
Inventory consists of:			
Stores	392 913	452 155	389 020
Fuel and lubricants	129 254	72 692	91 860
	522 168	524 947	480 880
9. CASH AND BANK BALANCES			
Bank	9 461 353	5 399 971	6 183 595
Petty cash	2 000	2 000	2 000
	9 463 353	5 401 971	6 185 595
10. INTEREST BEARING BORROWINGS			
Capital section	6 963 024	4 179 531	4 259 863
Housing fund	242 848	1 578 860	1 627 804
	7 205 872	5 758 391	5 887 667

MUNICIPALITY OF KEETMANSHOOP

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

	2014	2013	2012
	N\$	N\$	N\$
11. ADJUSTMENTS AND UTILIZATIONS			
Prior year adjustments - Net	(19 611 389)	(9 027 542)	(5 522 906)
	(19 611 389)	(9 027 542)	(5 522 907)
12. CASH UTILISED BY OPERATIONS			
Cash generated / (absorbed) by operations			
Net profit before investment interest and adjustments.	970 256	6 090 273	4 004 508
Adjustment on appropriation account	(19 611 389)	(9 027 542)	(5 522 907)
Investment income	(374 655)	(75 647)	(103 862)
OPERATING INCOME BEFORE CHANGES IN WORKING CAPITAL	(19 015 788)	(3 012 916)	(1 622 261)
Utilized to increase working capital			
(Increase) in accounts receivable	9 579 601	4 271 053	(3 983 710)
Decrease / (increase) in inventories	2 779	(44 067)	216 052
Increase in accounts payable	4 105 002	(2 329 632)	5 416 529
	13 687 382	1 897 354	1 648 871
CASH GENERATED BY OPERATIONS	(5 328 406)	(1 115 562)	26 610