



**REPUBLIC OF NAMIBIA**



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

**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009**

Published by authority

Price (Vat excluded) N\$ 28.28  
Report no 827

**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 Tsumeb for the financial year ended 30 June 2009, in terms of Article 127(2) of the Namibian Constitution. The report is transmitted to the Honourable Minister of Finance in terms of Section 27(1) of the State Finance Act, 1991, (Act 31 of 1991) to be laid upon the Table of the National Assembly in terms of Section 27(4) of the Act.

**WINDHOEK, May 2010**

**JUNIAS ETUNA KANDJEKE  
AUDITOR-GENERAL**

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

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**1. INTRODUCTION**

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

The firm BDO 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. The audited financial statements are in agreement with the general ledger and are filed in his Office. The abridged balance sheet at Annexure A is a true reflection of the original signed by the Accounting Officer. 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 controls 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 misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls 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 controls. 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**

Items that were also reported in the previous financial year are indicated by way of an asterisk (\*).

##### **4.1 Collection of debts (\*)**

Uncollected services debts have continued to increase out of proportion during the past financial years. This adversely affects the cash flow of the Municipality. (See paragraph 23.1)

##### **4.2 Bad and doubtful debts (\*)**

Council provided for all debts in excess of 120 days. However, calculations of the auditors revealed that the provision is still understated by N\$ 2 284 866 (2008: N\$ 45 624 568). This has a negative impact on the Municipality's cash flow position. It appears that the Council's credit policy is ineffective and should urgently be revised to ensure that debts are collected on a regular and timeous basis as individual debtors' accounts have reached unacceptably high levels.

##### **4.3 Cash flow position (\*)**

The Municipality is facing an adverse cash flow problem as indicated by the temporary advances to revenue from other Funds and accounts amounting to N\$ 33 268 660 (2008: N\$ 28 134 788), and a bank balance of N\$ 332 996 (2008 overdraft: N\$ 922 276) as at year end. Furthermore, external loan redemptions and interest amounting to N\$ 12 456 234 (2008: N\$ 10 790 654) have not been paid and some have been outstanding for the past 8 years.

##### **4.4 Rental contracts (\*)**

No rental contracts are kept by the Council for the properties under lease. Therefore the auditors could not verify completeness of rental income amounting to N\$ 960 336 (2008: N\$ 793 776).

The Council should ensure that contracts are entered into for leasing arrangements and copies of such documents are filed.

##### **4.5 VAT differences (\*)**

The VAT statement as per the Receiver of Revenue did not agree to the General Ledger by an amount of N\$ 2 903 445 (2008: N\$ 180 065). Meaning the VAT asset may be overstated by N\$ 2 903 445. The Council is currently undergoing a VAT audit by the Receiver of Revenue.

Furthermore the recoverability of the VAT asset of N\$ 1 884 843 (2008: N\$ 1 381 737) is in doubt because the statement from the Receiver of Revenue indicates a payable balance. Council should reconcile the receivable balance as per their records to the balance payable as per the Receiver of Revenue statement.

##### **4.6 Interest on overdue debtors (\*)**

The Council has not been charging all its debtors the 15% interest on overdue accounts. This has resulted in the Council losing out on potential interest income.

##### **4.7 Discrepancies on internal and external loans (\*)**

The external and internal loans balance at year end have a difference of N\$ 534 518 (2008: N\$ 1 900 679) between the loan statements and the financial statements. The difference on the interest on internal and external loans is N\$ 144 712 (2008: N\$ 951), and the difference on the redemption of internal

and external loans is N\$ 1 716 668 (2008: N\$ 51 356). Council could not resolve these differences at the time of audit.

#### **4.8 Payables (\*)**

No supporting documentation for trade payables and accruals valued at N\$ 2 372 253 (2008: N\$ 3 766 753) could be made available to the auditors. Therefore the auditors could not satisfy themselves with regards to the existence, accuracy and completeness of the payables balance.

#### **4.9 Bank (\*)**

The financial statements have an amount for bank and cash of N\$ 4 564 924 (2008: N\$ 5 680 282) for which Council could not provide a reconciliation. This indicates Council does not have appropriate controls in place for reconciling of its bank account.

#### **4.10 Uncleared suspense balances. (\*)**

The Municipality's records are characterized by long outstanding suspense accounts, the majority of which could not be explained. The balances have remained unchanged from prior year periods and it appears that no action is being taken by the Town Treasurer in clearing these accounts. The balance is so significant that it distorts the fair presentation of the financial statements. The following account balances should receive immediate attention:

<b>Description</b>	<b>Amount DR/(Cr)</b>
	N\$
Social housing	(1 500 000)
Omtuli savings	(288 791)

A new suspense account for Dantago Hoda to the amount of N\$ 360 000 was created during this financial year.

The accounting department is once again urged to clear these balances in the next ensuing financial year.

#### **4.11 Expenses charged out (\*)**

There is a material difference of N\$ 882 390 (2008: N\$ 506 694) between the expenses charged out and the votes they were allocated to.

#### **4.12 Sale of erven (\*)**

A listing of the sale of erven could not be provided to the auditors during the audit and therefore the auditors were unable to verify the completeness, accuracy, valuation and existence of this account.

#### **4.13 Censored income**

An amount of N\$ 1 262 906 was received from Censored during the year under review. This amount related to an amount due to the Municipality during the 2007 financial year. However, it was never raised as a debtor in that year and was incorrectly allocated to creditors upon receipt from Censored.

This amount should be reallocated to the appropriation account during the next ensuing financial year.

#### 4.14 Stock

As the auditors were not involved in the stock count, and no alternative procedures could be performed to ensure the completeness and existence of stock items, the balance reflected in the financial statements could not be confirmed as being correct.

#### 4.15 Water sales

Differences were observed between the recalculated water charges using the approved tariffs and the actual charges levied to consumers as per their statements from a sample selected from water consumers. No satisfactory explanation could be provided for these differences.

#### 4.16 Inadequacy of disclosure in the OAG's report (\*)

The lack of audit preparedness coupled with the nature of the records has caused inadequate disclosures in this report and the financial statements as required in terms of the governing legislation and reporting framework. The following information could not be made available to the auditors before finalization of the audit;

- a) A reconciliation of the motor vehicles and their respective values, distance travelled and fuel consumption.(See paragraph 30.1 of this report)
- b) A reconciliation of properties and erven sold on an instalment sale basis to the prior year financial statements.
- c) The details regarding any compensation payments made during the year.
- d) Distribution statistics for water losses.

### 5. ACKNOWLEDGEMENT

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

### 6. FINANCIAL STATEMENTS

The results of the operations of, and transactions on the Revenue Account for the year were as follows:

	<b>Revenue</b>	<b>Expenditure</b>	<b>Surplus/ (Deficit)</b>	<b>Balance</b>
	N\$	N\$	N\$	N\$
Accumulated surplus 01/07/2008				29 816 649
<b>General accounts</b>				
Non-profitable	11 165 148	17 431 592	(6 266 444)	
Self-supporting	9 131 402	6 401 752	2 729 650	
<b>Trade accounts</b>				
Electricity	6 058 859	4 476 948	1 581 911	
Water	12 475 825	8 842 009	3 633 816	
Total surplus for the year	38 831 234	37 152 301	1 678 933	1 678 933
Adjustments and utilizations (See note 10 of Annexure D)				(49 404 459)
<b>Accumulated deficit 30/06/2009</b>				<b>(17 908 877)</b>

## 7. CURRENT BANK ACCOUNT

The bank statement reflected a favourable balance of N\$ 1 304 625 (2008: N\$ 740 423). Cheques totaling N\$ 1 392 697 (2008: N\$ 2 759 483) were outstanding at year-end. The cash-book reflected a favourable balance of N\$ 332 996 (2008 overdraft: N\$ 922 276) on 30 June 2009. The bank reconciliation did not balance as at year end. (Also refer to paragraph 4.9)

## 8. INVESTMENTS AND INTEREST PROCEEDS

On 30 June 2009 there was N\$ 3 752 434 (2008: N\$ 3 443 386) invested at financial institutions, as follows:

	2009		2008	
	Investment	Interest	Investment	Interest
Commercial banks	N\$ 3 752 434	N\$ 216 960	N\$ 2 443 386	N\$ 176 851
NAMPOST	-	-	1 000 000	82 726
	<b>3 752 434</b>	<b>216 960</b>	<b>3 443 386</b>	<b>185 360</b>

The investments and interest earned were allocated as follows:

	2009		2008	
	Investment	Interest	Investment	Interest
Capital Development Fund	N\$ 770 075	N\$ -	N\$ 775 990	N\$ -
Build Together	2 982 359	216 960	2 667 396	259 577
	<b>3 752 434</b>	<b>216 960</b>	<b>3 443 386</b>	<b>259 577</b>

## 9. FUND ACCOUNTS

The position of the fund accounts at the end of the year is as shown in Note 2 in Annexure D. Temporary advances amounting to N\$ 33 268 660 for 2009 (2008: N\$ 28 134 787) were made from the Fund accounts to Revenue to finance operating expenditure. Funds are as such no longer fully cash backed and can thus not be fully utilized for the purposes for which they have been created. The increase of these advances indicates the speed with which the Municipality is depleting its funds.

## 10. TRADE ACCOUNTS

### 10.1 The results of operations were as follows:

	Electricity		Water	
	2009	2008	2009	2008
Sales	N\$ 28 197	N\$ 231 601	N\$ 12 467 084	N\$ 8 420 139
Cost of bulk purchases	-	-	-	-
Gross profit	28 197	231 601	12 467 084	8 420 139
Net income/(expenditure)	1 553 714	839 471	(8 833 268)	(8 731 079))
<b>Net surplus/ (deficit)</b>	<b>1 581 911</b>	<b>1 071 072</b>	<b>3 633 816</b>	<b>(310 940)</b>

The surpluses for electricity and water indicate that these services were operating on a sound financial basis. The net income on electricity is a result of Censored surcharges that were received during the year.

## 10.2 Distribution losses:

Council could not provide the auditors with statistics of the water losses for the year.

No electricity statistics for the year were available as Cenored is responsible for the electricity distribution in Tsumeb from the 2007 year onward.

## 11. SELF-SUPPORTING SERVICES

The net results of the following operations were as follows:

	2009	2008
	N\$	N\$
Cleansing	581 255	(257 295)
Sewerage	2 148 395	1 703 638
	<b>2 729 650</b>	<b>1 446 343</b>

Sewerage continues to operate on a self sustaining basis and the same can be said for cleansing this year.

## 12. FRUITLESS, UNAUTHORISED OR AVOIDABLE EXPENDITURE

No fruitless, unauthorized or avoidable expenditure was revealed during the year.

## 13. SUSPENSE ACCOUNTS

The balance sheet includes the following suspense accounts:

	2009		2008	
	Dr	Cr	Dr	Cr
	N\$	N\$	N\$	N\$
Dantago Hoad	-	360 000	-	-
Cenored claims outstanding	-	1 262 906	-	-
Omutali savings	-	288 791	-	288 791
Social housing	-	1 500 000	-	1 500 000
Provisions for Natis	221 084	-	221 084	-
External loans	-	12 456 234	-	10 790 654
	<b>221 084</b>	<b>15 867 931</b>	<b>221 084</b>	<b>12 579 445</b>

The suspense accounts also reflect an amount of N\$ 12 456 234 (2008: N\$ 10 790 654) which is in respect of arrear payments as well as interest payable to the Government of Namibia on external loans. All suspense accounts should be cleared on a regular basis.

## 14. IRREGULARITIES AND LOSSES

No irregularities or losses due to theft, fire and accidents were revealed during the year.



## 15. CAPITAL PROJECTS

The following expenditure was incurred during the year for capital projects or acquisitions according to a statement submitted to the auditors:

<b>Nature of capital expenditure</b>	<b>Total expenditure 2008/2009</b>	<b>Revenue</b>	<b>General capital</b>	<b>Internal loans</b>
Town clerk's department	N\$ 8 458	N\$ 8 458	N\$	N\$
Cemetery and parks	26 053			26 053
Council's general expenses	210 308			210 308
Civic buildings	5 217			5 217
Town engineer's department	371 576			371 576
Town treasurer's department	240 747			240 747
Water	1 537 618		738 965	798 653
	<b>2 399 977</b>	<b>8 458</b>	<b>738 965</b>	<b>1 652 554</b>

During the previous year capital expenditure amounted to N\$ 1 048 097.

## 16. BURSARIES

No bursaries were granted during the year.

## 17. CONTRIBUTIONS, GRANTS AND FINANCIAL AID

No contributions other than listed in paragraph 21 were made during the year.

## 18. COMPENSATION PAYMENTS

No compensation payments were made during the year.

## 19. VISITS TO FOREIGN COUNTRIES

Information regarding visits to foreign countries could not be availed due to inadequate record keeping.

## 20. CLAIMS AGAINST THE LOCAL AUTHORITY

No claims were accrued and paid as a result of accidents.

## 21. GIFTS / DONATIONS BY THE LOCAL AUTHORITY

The following were the donations made during the year and were approved by the Council:

<b>Beneficiary</b>	<b>Amount</b>
	N\$
Pensioner's subsidy	171 547
Female staff uniforms	22 915
Nomtsoub Old Age Home	12 000
Tsumeb Women & Child Centre	8 000
NCCI	10 000
Oshikoto Education and Training Fund	20 000
Other	29 486
	<b>273 948</b>

## 22. TRANSFER OF PROPERTY

Property was transferred from the Municipality during the year as follows;

Date	Transfer Deed No	Erf No	Purchase price
			N\$
11/08/08	T4375/08	424N	20 900
08/08/08	T4356/08	316N	37 000
28/08/08	T4700/08	321N	19 062
01/09/08	T4799/08	101N	4 300
01/09/08	T4800/08	102N	720
03/09/08	T4815/08	757N	22 700
03/09/08	T4816/08	545N	1 640
15/10/08	T5632/08	2704T	10 920
17/10/08	T5694/08	1273T	9 000
28/10/08	T5907/08	275N	54 500
30/10/08	T5996/08	971T	21 384
17/11/08	T6341/08	581T	171 741
21/11/08	T6483/08	975T	13 129
01/12/08	T6674/08	1356N	2 718
04/12/08	T6776/08	969T	25 380
12/02/09	T405/09	906N	20 400
24/02/09	T583/09	966T	25 632
27/02/09	T723/09	1442N	16 000
20/03/09	T1108/09	356N	2 700
07/05/09	T2064/09	1074T	20 600
19/06/09	T2831/09	153N	Donation
06/08/08	T4287/08	791N	21 600
11/09/08	T4991/08	1206T	30 001

Property was transferred from other to the Municipality as follows:

Date	Deed number	Erf no	Area	Purchase price
			m <sup>2</sup>	N\$
02/03/09	T742/09	1089T	4,9263	CRT
02/03/09	T744/09	Ptn 24T	6,7037	CRT
02/03/09	T745/09	1245T	7,7297	CRT

## 23. DEBTORS / CREDITORS

### 23.1 Debtors

	2009	2008
	N\$	N\$
Consumers, combined billing	51 670 263	48 210 989
Surcharges	-	2 414 925
VAT accrual	1 884 843	1 381 737
Suspense accounts and provisions	(45 861 667)	420 771
	<b>7 693 439</b>	<b>52 428 422</b>

Refer to 4.1 regarding recoverability.

## 23.2 Creditors

	<b>2009</b>	<b>2008</b>
	N\$	N\$
Trade creditors	-	962 708
Accruals	523 411	2 804 044
Loan interest and redemption in arrears	12 456 234	10 790 654
Leave bonus and salary reserve	3 510 859	3 066 962
Suspense accounts	6 244 795	4 346 446
Sundry creditors	792 426	742 857
	<b>23 527 725</b>	<b>22 713 671</b>

## 24. ASSESSMENT RATES

Net proceeds from assessment rates were N\$ 7 495 384 (2008: N\$ 6 985 322). The tariffs for private and business property were N\$ 0.23557 (2008: N\$ 0.21416) per dollar per year of the site valuations plus N\$ 0.00571 (2008: N\$ 0.00519) per dollar per year of the valuation of improvements.

## 25. LOANS

### 25.1 External loans

Balances at 30 June 2009 were N\$ 11 040 793 (2008: N\$ 10 843 895). The balances correspond with the balances as per actuarial tables and the general ledger. Redemption payments are not up to date as stated in paragraph 13.

Loan assets were correctly capitalized and no loan assets have been disposed of before the loan was completely redeemed. Loan moneys were used for the purposes they were obtained for. However there were amounts totaling N\$ 4 556 853 (2008: N\$ 4 556 853) which were unspent on loans and appear to be long term in nature. This amount is reflected as N\$ 4 323 873 in the balance sheet of the Council.

### 25.2 Internal loans

Balances at 30 June 2009 were N\$ 6 728 135 (2008: N\$ 7 298 101). All assets financed by internal loans were capitalized.

**25.3 Housing Fund loans** were as follows at 30 June 2009:

	<b>2009</b>	<b>2008</b>
	N\$	N\$
Balance owed to the Municipality by property owners	884 604	935 296

## 26. SALE OF ERVEN

The proceeds for the sale of erven amounted to N\$ 619 264 (2008: N\$ 656 232) and the full amount was allocated to the Fixed Property Fund.

## 27. PROPERTIES SOLD ON AN INSTALMENT BASIS

No figures were provided for the year under review.

## 28. TARIFF ADJUSTMENTS

Tariff adjustments were all in accordance with the relevant Official Government notice.

## 29. APPROVALS

### 29.1 Revenue written off

Bad debts amounting to N\$ 1 363 736 (2008: N\$ 868 999) were written off with Council approval during the year.

### 29.2 Excess on approved budget

The following votes were exceeded:

<b>Vote</b>	<b>Approved budget</b>	<b>Actual expenditure</b>	<b>Over- expenditure</b>
	N\$	N\$	N\$
Housing	253 429	335 766	82 337
Assessment rates	1 124 346	1 164 744	40 398
Civic buildings	919 594	1 318 002	398 408
Cleansing	3 565 566	3 781 162	215 596
	<b>5 862 935</b>	<b>6 599 674</b>	<b>736 739</b>

### 29.3 External loans

No new loans were advanced during the current year.

## 30. INVENTORY AND EQUIPMENT

### 30.1 Motor vehicles

The reconciliation of the number of motor vehicles, distance travelled and fuel consumed could not be availed for disclosure in this report.

### 30.2 Inventory

Record keeping and stock controls are exercised. No obsolete stock was identified.

## 31. SPECIAL INVESTIGATIONS

No special investigations were carried out during the year under review.

## 32. GENERAL

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

### **33. FORMAL AND INFORMAL QUERIES**

Formal queries are embodied in this report.

Informal queries addressed to the Chief Executive Officer comprise:

1. Inadequacy of provision for bad debts.
2. Lack of rental contracts.
3. Housing loan contract.
4. Discrepancies on loans.
5. VAT differences.
6. Audit fee provision.
7. Payables.
8. Interest on overdue debtors.
9. Fixed Property Fund.
10. Censored claims.
11. Administration charges.
12. Water sales.

Council should address the above areas of concern as a matter of urgency.

### **34. QUALIFIED AUDIT OPINION**

The accounts of the Municipality of Tsumeb for the financial year ended 30 June 2009, summarized in Annexures A to D, were audited by me in terms of the provisions of Section 85 of the Local Authorities Act, 1992, read with Section 25(1) (b) of the State Finance Act, 1991.

The audit opinion has been qualified due to the following reasons:

- Provision for bad and doubtful debts is understated by N\$ 2 284 866.
- Rental contracts are not kept therefore the auditors could not confirm the correctness of rental income of N\$ 960 336.
- The VAT statement of the Receiver of Revenue does not agree with the General Ledger of the Council. Recoverability of VAT to the amount of N\$ 1 884 843 is doubtful because the Receiver of Revenue indicates a payable balance.
- Internal and external loans differs with N\$ 534 518.
- No supporting documentation could be provided to substantiate trade payables to the amount of N\$ 2 372 253.
- The financial statements disclose a bank and cash amount of N\$ 4 564 924 for which no reconciliation could be provided.
- Uncleared suspense accounts with credit balances of N\$ 1 788 791 were found to be of a long-term nature without movement.
- Expenses charged out differ with N\$ 882 390 between the expenses and the votes allocated to.
- No listing of sale of even could be provided, therefore the auditors could not verify the completeness, accuracy, valuation or existence of these sales.
- An amount of N\$ 1 262 906 has been received from Censored during this year, but which related to the previous financial year, should be allocated to the appropriation account.

Except for the above-mentioned remarks, in my opinion the financial statements fairly present the financial position of the Municipality at 30 June 2009 and the results of its operations and cash flow for the year then ended.

## BALANCE SHEET AS AT 30 JUNE 2009

ASSETS	Notes	2009 N\$	2008 N\$
<b>Non-current assets</b>		79 310 811	92 892 960
Property, plant and equipment	2	38 205 862	50 078 386
Investments	3	38 989 082	38 680 034
Suspense account	4	(454 253)	1 489 950
Loans		2 570 120	2 644 590
<b>Current assets</b>		7 882 788	52 031 017
Inventory	5	189 349	736 047
Accounts receivable	6	7 693 439	51 294 970
<b>TOTAL ASSETS</b>		<b>87 193 599</b>	<b>144 923 977</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>		48 393 153	104 763 851
Capital outlay	7.1	24 760 806	36 260 262
Fund accounts and reserves	7.2	23 632 347	68 503 589
<b>Non-current liabilities</b>			
Long-term liabilities	8	11 040 793	10 843 895
<b>Current liabilities</b>		27 759 653	29 316 231
Accounts payable	9	23 527 725	22 713 671
Bank overdraft		4 231 928	6 602 560
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>87 193 599</b>	<b>144 923 977</b>

## INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2009

	<u>Note</u>	<u>2009</u>	<u>2008</u>
		N\$	N\$
INCOME		38 831 234	30 272 258
EXPENDITURE		<u>(37 152 301)</u>	<u>(37 337 258)</u>
OPERATING PROFIT FOR THE YEAR		1 678 933	(7 065 000)
INTEREST ON INVESTMENTS		<u>-</u>	<u>-</u>
NET PROFIT FOR THE YEAR		1 678 933	(7 065 000)
Add : Appropriation and adjustments	10	<u>(49 404 459)</u>	<u>29 355 294</u>
RETAINED INCOME FOR THE YEAR		(47 725 526)	22 290 294
30 June 2008		<u>29 816 649</u>	<u>7 526 355</u>
30 June 2009		<u><b>(17 908 877)</b></u>	<u><b>29 816 649</b></u>

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

	Note	2009	2008
		N\$	N\$
<b>Cash flow from operating activities</b>			
Cash receipts from customers		38 831 234	30 272 258
Cash paid to suppliers		(41 594 477)	(5 071 645)
<b>Cash generated from operations</b>	11	<b>(2 763 243)</b>	<b>25 200 613</b>
Investment income		-	-
<b>Net cash flow from operating activities</b>		<b>(2 763 243)</b>	<b>25 200 613</b>
<b>Cash flow from investing activities</b>			
Net capital expenditure		11 872 524	(457 147)
(Increase)/ Decrease in suspense accounts		1 944 203	269 927
Decrease in advances		74 470	25 510
(Increase)/ Decrease in investments		(309 048)	(35 000 313)
<b>Net cash flow from investing activities</b>		<b>13 582 149</b>	<b>(35 162 023)</b>
<b>Cash flow from financing activities</b>			
Increase/ (Decrease) in Revenue Fund		(8 645 172)	5 410 456
Decrease/ (Increase) in long term liabilities		196 898	(235 850)
<b>Net cash flow from financing activities</b>		<b>(8 448 274)</b>	<b>5 174 606</b>
Net increase/(decrease) in cash and cash equivalents		2 370 632	(4 786 804)
Cash and cash equivalents at the beginning of the year		(6 602 560)	(1 815 756)
Cash and cash equivalents at the end of the year		<b>(4 231 928)</b>	<b>(6 602 560)</b>



NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2009

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**1. ACCOUNTING POLICIES**

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

**1.1 Fixed assets**

Fixed assets are stated at cost or at valuation where assets have been acquired by grant or by donation, less depreciation written off over the expected useful lives as determined by Council from time to time. Fixed assets acquired with loan funds are not depreciated until the loan is repaid unless the expected lifetime of the asset is less than the repayment period of the loan in which case depreciation is calculated on the shortfall.

**1.2 Stock**

Stock is valued at the lower of cost and net realizable value. Obsolete stock is written off against the income statement.

**1.3 Funds****Revenue Account**

All monies received and accrued and expenses paid and accrued, except for allocation to other funds, are reflected in this account, and are kept in compliance with Section 86(1)(b) of the Local Authorities Act of 1992 as amended.

**Housing Fund**

The purpose of this Fund is to provide funds to enable tenants of houses to buy such houses as required in terms of Section 58 of the Act.

**1.4 Special Funds**

The Municipality also maintains the following Funds in terms of the authorizations in Section 80(4) of the Local Authorities Act of 1992:

**Capital Development Fund**

The purpose of this Fund is to build up a general reserve to ensure that the Municipality's financial position is stable. Income to this Fund is transferred from the general income account and derived from interest on investments.

**Betterment Fund**

The purpose of this Fund is to provide for future improvement of Municipal assets. Part of the proceeds of the sale of properties developed by the Municipality accumulates in this Fund as well as interest derived from investments.

**Fixed Property Fund**

Proceeds on the sale of developed properties accumulate in this Fund and are used to develop properties.

## MUNICIPALITY OF TSUMEB

## NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2009 (continued)

**Renewal Fund**

The purpose of this Fund is to provide for replacement for assets and for additional depreciation on assets which decreased in value. Income is obtained from the Revenue Account and interest derived from investments.

**Build Together Fund**

The purpose of this Fund is to provide loans to applicants who want to build or buy houses with the help of the community. The instalments received for the payment of these loans are reinvested in this Fund.

	<u>2009</u>	<u>2008</u>
	N\$	N\$
<b>2. PROPERTY, PLANT AND EQUIPMENT</b>		
<b>Consists of :</b>		
Property, plant and equipment	<u>38 205 862</u>	<u>50 078 386</u>
<b>Financed by :</b>		
External and internal loans		
General capital	7 354 455	18 441
Revenue account	8 179 947	22 957 352
Loans redeemed	22 671 460	27 102 593
	<u>38 205 862</u>	<u>50 078 386</u>
<b>3. INVESTMENTS</b>		
Cenored investment	35 236 648	35 236 648
Fixed deposits	3 752 434	3 443 386
	<u>38 989 082</u>	<u>38 680 034</u>
<b>4. SUSPENSE ACCOUNTS</b>		
Internal loans per Municipality annual financial statements	(6 728 135)	(7 298 101)
Internal loans per Funds	6 273 882	8 787 086
Other	-	965
	<u>(454 253)</u>	<u>1 489 950</u>
<b>5. INVENTORY</b>		
Other consumables	189 349	736 047
	<u>189 349</u>	<u>736 047</u>

## MUNICIPALITY OF TSUMEB

## NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2009 (continued)

	<b>2009</b>	<b>2008</b>
	N\$	N\$
<b>6. ACCOUNTS RECEIVABLE</b>		
Trade debtors	51 670 263	48 210 989
Sundry debtors	2 385 364	4 217 433
	<b>54 055 627</b>	<b>52 428 422</b>
<i>Less :</i>		
Consumer deposits for services	(1 170 153)	(1 133 452)
Provision for bad debts	(45 192 036)	-
	<b>7 693 439</b>	<b>51 294 970</b>
<b>7. FUNDS AND ACCOUNTS</b>		
<b>7.1 Capital outlay</b>		
Loans redeemed from revenue	9 226 404	13 284 469
General capital and Revenue contributions	15 534 402	22 975 793
	<b>24 760 806</b>	<b>36 260 262</b>
<b>7.2 Funds, Accounts and Reserves</b>		
Fixed Property Fund	15 016 732	13 922 715
Twatameka two savings	363 475	26 353
Capital Development Fund	2 580 150	2 467 405
Betterment Fund	1 955 185	1 955 185
Renewal Fund	15 000 106	14 032 549
Housing Funds	6 625 575	6 282 733
Revenue Account kept in compliance with Section 86(1) of the Local Authorities Act, 1992	(17 908 877)	29 816 649
	<b>23 632 347</b>	<b>68 503 589</b>
<b>8. LONG TERM LIABILITIES</b>		
Loans from Government	11 040 793	10 843 895
	<b>11 040 793</b>	<b>10 843 895</b>

## MUNICIPALITY OF TSUMEB

## NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2009 (continued)

	<b>2009</b>	<b>2008</b>
	N\$	N\$
<b>9. ACCOUNTS PAYABLE</b>		
Trade payables	-	962 708
Accruals	523 411	2 804 044
Leave and audit fee provision	3 760 605	3 066 962
Arrears for loan interest and redemptions	12 456 234	10 790 654
Sundries	792 425	902 081
<b>Sub-total</b>	<b>17 532 675</b>	<b>18 526 449</b>
<b>Suspense accounts</b>		
Cenored claims outstanding	1 262 906	-
Omutuli savings	288 791	288 791
Soweto development	2 372 253	2 372 253
Dantago Hoadia	360 000	-
Social housing	1 500 000	1 500 000
Other	211 100	26 178
<b>Sub-total</b>	<b>5 995 050</b>	<b>4 187 222</b>
<b>Total</b>	<b>23 527 725</b>	<b>22 713 671</b>
<b>10. ADJUSTMENTS AND APPROPRIATIONS</b>		
Service accounts: Staff payments	30 946	
Bad debts	(1 363 736)	(868 999)
Transnamib Holdings	( 47)	-
Order incorrectly cancelled	4 335	-
Provision for bad debts	(45 192 036)	-
Auction sales	84 891	-
Stock correction: Previous years	(574 252)	-
Correction of debtors: Previous years	128 990	-
Unclaimed balances	-	(500)
Miscellaneous adjustments	(216 356)	(3 779 997)
Cenorad equity	(2 326 540)	33 857 302
Adjustments- Revenue relating to prior year	19 346	147 487
	<b>(49 404 459)</b>	<b>29 355 293</b>

## MUNICIPALITY OF TSUMEB

## NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2009 (continued)

	<u>2009</u>	<u>2008</u>
	N\$	N\$
<b>11. CASH UTILISED IN OPERATIONS</b>		
Net operating surplus	1 678 933	(7 065 000)
Adjustments (appropriations)	<u>(49 404 459)</u>	<u>29 355 294</u>
	<b>(47 725 526)</b>	<b>22 290 294</b>
<b>GENERATION OF WORKING CAPITAL</b>		
Decrease / (Increase) in inventory	546 698	(414 937)
Decrease / (Increase) in accounts receivable	43 601 531	(3 985 535)
Increase in accounts payable	<u>814 054</u>	<u>7 310 791</u>
	<b>44 962 283</b>	<b>2 910 319</b>
	<u><b>(2 763 243)</b></u>	<u><b>25 200 613</b></u>