



REPUBLIC OF NAMIBIA



REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE

MUNICIPALITY OF TSUMEB

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

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REPUBLIC OF NAMIBIA



TO THE HONOURABLE SPEAKER OF THE NATIONAL ASSEMBLY

I have the honour to submit herewith my report on the accounts of the Municipality of Tsumeb for the financial year ended 30 June 2011, in terms of Article 127(2) of the Namibian Constitution. The report is transmitted to the Honourable Minister of Finance in terms of Section 27(1) of the State Finance Act, 1991, (Act 31 of 1991) to be laid upon the Table of the National Assembly in terms of Section 27(4) of the Act.

WINDHOEK, November 2011

**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 2011**

1. INTRODUCTION

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

The firm Mostert Landgrebe of Windhoek has been appointed in terms of Section 26 (2) of the State Finance Act, 1991, to audit the accounts of the Municipality on behalf of the Auditor-General and under his supervision.

Figures in the report are rounded off to the nearest Namibia Dollar.

2. FINANCIAL STATEMENTS

The Municipality's financial statements were submitted to the Auditor-General by the Accounting Officer in compliance with Section 87 (1) of the Local Authorities Act, 1992. The audited financial statements are in agreement with the general ledger and are filed in the office of the Auditor-General. The abridged balance sheet at Annexure A is a true reflection of the original signed by the Accounting Officer.

The financial statements also include:

Annexure B: Abridged income statement

Annexure C: Cash flow statement

Annexure D: Notes to the financial statements

3. SCOPE OF THE AUDIT

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation

of the financial statements.

4. AUDIT OBSERVATION AND COMMENTS

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

4.1 Collection of debts (*)

As also reported previously, uncollected services debts have continued to increase out of proportion during the past financial years. This adversely affects the cash flow of the Municipality. Council is now urge to take drastic remedial steps to stop this ever growing problem. (See paragraphs 4.2 and 23.1)

4.2 Bad and doubtful debts (*)

Council provided for bad debts of N\$ 44 053 711. However, the auditors calculations revealed that the provision is understated by N\$ 26 259 232 (2010: N\$ 16 660 446). 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 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\$ 40 076 148 (2010: N\$ 38 696 738) at year -end. Furthermore, external loan redemptions and interest amounting to N\$ 15 738 874 (2010: N\$ 14 092 326) have not been paid and some have been outstanding for the past 10 years.

4.4 VAT, import VAT and P.A.Y.E. returns (*)

The recoverability of the VAT asset as per balance sheet of N\$ 4 197 258 (2010: N\$3 053 625) is in doubt because the statement from the Directorate: Inland Revenue indicates a payable balance of N\$ 2 476 631 on 30 April 2011. This indicates that there is a difference between the Directorate: Inland Revenue and the Municipality of N\$ 6 673 889. Council should reconcile the receivable balance as per their records to the balance payable as per the Directorate: Inland Revenue statement.

Not all returns for VAT, import VAT and P.A.Y.E. were submitted timeously. No provision for any penalties and interest were made in the financial statements.

4.5 Contracts on sale of houses

No sales agreements are kept by the Council for property that were sold under the housing scheme.

4.7 Uncleared suspense balances (*)

The Municipality's records are characterized by long outstanding suspense accounts and the majority of which no explanation could be given. The balances have remained unchanged from prior year periods and it appears that no action has been taken by the Town Treasurer in clearing these accounts. The balance is so significant to the extent that it distorts the fair presentation of the financial statements. The following account balance should receive your immediate attention:

Description	Amount Dr/(Cr)
Social housing	N\$ (1 500 000)
Omtuli savings	(288 791)

This issue was brought to the attention of the Council several times. As can be seen from the above table, no movement took place since the previous audit although the accounting department was urged to clear the

accounts. The management of the Council is now requested to see to it that the relevant and appropriate action is taken by the accounting department to solve this problem.

4.8 Stock (*)

As the auditors were not involved in the stock count, and no alternative procedures could be performed, the completeness and existence of stock items could not be verified.

5. ACKNOWLEDGEMENT

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

6. FINANCIAL RESULTS

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

	Revenue	Expenditure	Deficit	Balance
	N\$	N\$	N\$	N\$
Accumulated surplus on 01/07/2010				(524 814)
General accounts				
- Non profitable	18 250 451	25 842 776	(7 592 325)	
- Self supporting	11 486 166	7 801 818	3 684 348	
Trade accounts				
- Electricity	6 033 934	309 110	5 724 824	
- Water	12 377 147	9 784 763	2 592 384	
Surplus for the year	48 147 698	43 738 467	4 409 231	4 409 231
Adjustments and utilisations (See note 13 of Annexure D)				3 884 417
Transfer to Funds				(658 952)
				(977 561)
Accumulated surplus on 30/06/2011				2 247 904

7. CURRENT BANK ACCOUNT

	2011	2010
	N\$	N\$
Unfavourable cash-book balance at 30 June - Balance sheet	(2 457 289)	(1 353 978)
Outstanding cheques	2 833 745	3 228 321
Unexplained difference	(2 452)	(2 396)
Outstanding deposits	(2 483)	(410 593)
Advanced receipts	69 910	-
Stop orders not in cash-book	(12 651)	-
Bank charges not in cash-book	(6 714)	-
Favourable balance as per bank statement	422 066	1 461 354

8. INVESTMENTS

The investments as at 30 June were as follows:

Institution	2011		2010	
	Investment	Interest	Investment	Interest
	N\$	N\$	N\$	N\$
Commercial banks	2 363 220	84 644	1 082 450	154 299
Censored investment	35 236 648	-	35 236 648	-
	37 599 868	84 644	36 319 098	154 299

The investments were allocated as follows:

Allocation	2011	2010
	N\$	N\$
Building Together Fund	2 363 220	1 082 450
Censored investment	35 236 648	35 236 648
	37 599 868	36 319 098

9. FUND ACCOUNTS

The position of the Funds and accounts at year-end was as shown in note 8 in Annexure D. Temporary advances amounting to N\$ 40 076 148 for 2011 (2010: N\$ 38 696 738) 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 increasingly tempo with which the Municipality is depleting its funds.

10. TRADE ACCOUNT

10.1 The results of water operations were as follows:

	Electricity		Water	
	2011	2010	2011	2010
	N\$	N\$	N\$	N\$
Sales	6 033 934	6 032 081	12 363 982	12 515 837
Cost of sales	-	-	-	-
Gross surplus	6 033 934	6 032 081	12 363 982	12 515 837
Other income/(expenses)	(309 110)	(1 123 536)	(9 771 598)	(11 098 954)
Net (deficit)/surplus	5 724 824	4 908 545	2 592 384	1 416 883
Gross surplus percentages on sales	100.0%	100.0%	100.0%	100.0%
Net surplus percentage on sales	94.9	81.4%	21.0%	11.3%

10.2 Water distribution results, in cubic meters

	Water	
	2011	2010
	Units	Units
Sales	1 798 764	1 876 535
Pumped	2 319 650	2 345 520
Loss	(520 886)	(468 985)
Percentage loss in units purchased	(22.5%)	(20.0%)

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

11. SELF-SUPPORTING SERVICES

11.1 The result for the year under review is as follows:

Service	Income 2011	Expenses 2011	Surplus/ (deficit) 2011	Surplus/ (deficit) 2010
	N\$	N\$	N\$	N\$
Sewerage	5 764 559	5 501 152	263 407	(783 689)
Cleansing	5 721 249	2 300 666	3 420 583	1 936 035
Effluent water	358	-	358	-
	11 486 166	7 801 818	3 684 348	1 152 346

12. FRUITLESS, UNAUTHORIZED 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:

	2011	2010
	N\$	N\$
Omutuli savings	288 791	288 791
Social housing	1 500 000	1 500 000
Endowment fees	505 237	505 237
Donkerhorkie compound	121 849	-
Ondundu upgrade	563 196	-
Elverum grand	23 654	-
Informal settlement	1 700 718	-
	4 703 445	2 294 028

All suspense accounts should be cleared on a regular basis. However, three of these accounts with a total amount of N\$ 2 294 028 remained unchanged since the previous year. Council should provide reasons why these suspense accounts remained stagnant for the year under review.

14. IRREGULARITIES AND LOSSES

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

15. CAPITAL PROJECTS

The following were spend on capital projects:

Nature of projects/ acquisitions	Financial by		Total expenditure 2011	Total expenditure 2010
	Revenue account	Internal loans		
	N\$	N\$	N\$	N\$
Town clerk's department	9 441	9 298	18 739	3 891
Cemetery and parks	-	338 139	338 139	26 411
Council's general expenses	-	-	-	151 620
Civic buildings	-	-	-	8 683
Town Engineer's department	-	21 280	21 280	226 991
Town Treasurer's department	17 264	251 925	269 189	45 269
Water	4 578	302 562	307 140	312 927
Human resources	15 094	2 543	17 637	4 348
Mayors office	-	-	-	7 322
Housing	-	-	-	581 217
Streets	-	53 838	53 838	111 476
Sewerage	-	74 434	74 434	127 986
Health	9 442	-	9 442	-
Stores	2 696	11 188	13 884	-
Tsumeb Cultural Village	-	115 813	115 813	-
Cleansing	-	6 479	6 479	-
	58 515	1 187 499	1 246 014	1 608 141

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

One official visited Stockholm in Sweden with the approval of the Council.

20. CLAIMS

	Claims against the Municipality			Claims by the Municipality		
	Number	Claimed	Settled	Number	Claimed	Settled
		N\$	N\$		N\$	N\$
Outstanding 01/07/2010	-	-	-	-	-	-
Received 2010/2011	3	22 899	22 899	7	192 500	192 500
Finalised 2010/2011	(3)	-	-	(7)	-	-
Outstanding 30/06/2011	-	-	-	-	-	-

21. GIFTS/DONATIONS BY THE LOCAL AUTHORITY

The Municipality made the following gifts/donations:

Nature of gift/donation	Beneficiary	Value
		N\$
Donation	Etosha Secondary School	300
Donation	Hai-//Gom Traditional Authority	500
Donation	Hardap Regional Development Trust	500
Donation	Hearts & voices (Refund)	(2 000)
Donation	Journal	(4 285)
Donation	Maritima Logistics	19 290
Donation	Ndilimani Cultural Troupe	5 000
Donation	Old age home (Correction)	(500)
Donation	Ondundu Primary School	300
Donation	Opawa Primary School	400
Donation	OTB sport & trophy	2 017
Donation	Otjikoto Secondary School	1 900
Donation	Pensioner's water basic exemption	217 064
Donation	Pep Stores	3 043
Donation	Rynse Nama School	300
Donation	St Francis Primary School	400
Donation	Town Treasurer	1 050
Donation	Tsintsabis Primary School	400
Donation	Weyland's	3 235
Donation	Woman of Substance Association	1 350
		250 264

22. TRANSFER OF PROPERTY

There was no transfer of property to and from Government.

23. TRADE AND OTHER RECEIVABLES/PAYABLES

23.1 Trade and other receivables at 30 June were:

	2011	2010
	N\$	N\$
Services rendered and assessment rates	76 790 414	68 942 431
VAT provision	4 197 258	3 053 605
Sundries	619 014	716 043
	81 606 686	72 712 079
Provision for bad debts	(44 053 711)	(45 192 036)
Consumer deposits	(1 178 762)	(1 170 585)
Total	36 374 213	26 349 458

23.2 Trade and other payables at 30 June were:

	2011	2010
	N\$	N\$
Accruals	665 324	1 046 467
Provisions	4 571 816	4 179 796
Arrears for loan interest and redemptions	15 738 874	14 092 326
Sundries	1 873 098	1 158 414
Suspense accounts	4 703 445	2 294 028
Totals	27 552 557	22 771 031

Included in trade and other payables is an amount of N\$ 15 738 874 (2010: N\$ 14 092 326) which is in respect of arrear payments as well as interest payable to Government of Namibia on external loans.

24. ASSESSMENT RATES

Net proceeds from assessment rates were N\$ 8 108 794 (2010: N\$ 7 873 332). The tariffs for private and business property were N\$ 0.236 (2010: N\$ 0.236) per dollar per year of the site valuations plus N\$ 0.006 (2010: N\$0.006) per dollar per year of the valuations of improvements.

25. LOANS

25.1 External loans

External loan balances were N\$ 10 181 824 (2010: N\$ 10 694 247). 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 23.2.

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 totalling N\$ 4 556 853 (2010: N\$ 4 556 853) which were unspent on loans and appear to be long-term in nature.

25.2 Internal loans

Internal loans as at 30 June 2011, being N\$ 7 058 083 (2010: N\$ 6 436 606), are not disclosed in the abridged balance sheet. All new internal loans advanced during the year were authorised and all assets financed by internal loans were capitalised.

25.3 Due to the Municipality

	2011	2010
	N\$	N\$
Balance due to the Municipality by house owners	4 124 089	4 395 720

26. SALE OF ERVEN

26.1 Property transferred from the Municipality during the year

There were 50 (2010: 23) properties to the value of N\$ 1 416 589 (2010: N\$ 414 934) transferred from the Municipality to others.

26.2 Property transferred to the Municipality during the year

There was 1 (2010: 14) property to the value of N\$ 2 500 (2010: N\$ 1 000) transferred to the Municipality.

27. LOCAL AUTHORITY PROPERTY SOLD ON AN INSTALMENT BASIS

No figures were provided for the year under review.

28. TARIFF ADJUSTMENTS

Tariff adjustments were duly approved and promulgated in the Government Gazette.

29. APPROVALS

29.1 Excess on approved budget

All budget excesses were approved.

30. INVENTORY AND EQUIPMENT

30.1 Motor vehicles and values thereof

No statistics were available.

30.1 Inventory

Adequate systems of control over and recording of inventory were maintained.

Inventory counts are performed twice per annum.

Slow moving inventory was identified and adequate provision has been made for obsolete items.

Housekeeping is up to standard.

31. SPECIAL INVESTIGATIONS

All special investigations were completed and reported upon.

32. GENERAL

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

33. FORMAL AND INFORMAL QUERIES

33.1 Formal queries are embodied in this report.

33.2 Informal queries were raised with the Town Clerk by way of a management letter and were the following:

- Collection of debts.
- Bad and doubtful debts.
- Cash flow position.
- VAT differences.
- VAT, import VAT and P.A.Y.E. returns.
- Uncleared suspense accounts.
- Stock.
- Contracts and sale of houses.

34. QUALIFIED AUDIT OPINION

The accounts of the Tsumeb Municipality for the financial year end 30 June 2011, summarised in Annexures A to D, were audited by me in terms of Section 85 of the Local Authority 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:

Bad and doubtful debts

Council provided for bad debts of N\$ 44 053 711. Calculations revealed that the provision is understated by N\$ 26 259 232.

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\$ 40 076 148 at year-end. Furthermore, external loan redemptions and interest amounting to N\$ 15 738 874 have not been paid and some have been outstanding for the past 10 years.

VAT, Import VAT and P.A.Y.E. returns

The recoverability of the VAT asset as per balance sheet of N\$ 4 197 258 is in doubt because the statement from the Directorate: Inland Revenue indicates a payable balance of N\$ 2 476 631 on 30 April 2011. This indicates that there is a difference between the Directorate: Inland Revenue and the Municipality of N\$ 6 673 889.

Not all returns for VAT, import VAT and P.A.Y.E. were submitted timeously. No provision for any penalties and interest were made in the financial statements.

Uncleared suspense balances.

The Municipality's records are characterized by long outstanding suspense accounts and the majority of which no explanation could be given. The balances have remained unchanged from prior year periods and it appears that no action has been taken by the Town Treasurer in clearing these accounts. The credit balance of N\$1 788 791 is so significant to the extent that it distorts the fair presentation of the financial statements.

Housing loans receivable

No sales agreements are kept by the Council for the property sold under the housing scheme.

Except for the effect of any adjustments that might have been necessary as referred to in the above-mentioned paragraphs, in my opinion, the financial statements fairly present the financial position of the Municipality at 30 June 2011 and the results of its operations and cash flows for the year then ended.

WINDHOEK, November 2011

**JUNIAS ETUNA KANDJEKE
AUDITOR- GENERAL**

MUNICIPALITY OF TSUMEB

BALANCE SHEET AT 30 JUNE

	Note	2011 N\$	2010 N\$
ASSETS			
Non-current assets			
Property, plant and equipment	2	34 008 438	36 032 874
Loans receivable	3	4 124 089	4 395 720
Investments	4	37 599 868	36 319 098
Current assets			
Trade and other receivables	5	36 374 213	26 349 458
Inventories	6	217 803	205 590
TOTAL ASSETS		112 324 411	103 302 740
FUNDS AND LIABILITIES			
Funds and reserves			
Capital outlay	7	21 092 405	23 225 893
Funds and accounts	8	51 040 336	45 257 591
Non-current liabilities			
Long-term loans	9	10 181 824	10 694 247
Current liabilities			
Trade and other payables	10	27 552 557	22 771 031
Bank overdraft	11	2 457 289	1 353 978
TOTAL FUNDS AND LIABILITIES		112 324 411	103 302 740

MUNICIPALITY OF TSUMEB

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE

	<u>Notes</u>	<u>2011</u>	<u>2010</u>
		N\$	N\$
INCOME		48 147 698	51 058 333
EXPENDITURE		<u>(43 738 467)</u>	<u>(39 776 700)</u>
NET OPERATING SURPLUS		4 409 231	11 281 633
TRANSFER TO INTERNAL FUNDS	12	<u>(977 561)</u>	<u>(820 323)</u>
NET SURPLUS AFTER TRANSFERS		3 431 670	10 461 310
APPROPRIATION ACCOUNT	13	<u>(658 952)</u>	<u>6 922 753</u>
NET SURPLUS AFTER APPROPRIATIONS		2 772 718	17 384 063
REVENUE ACCOUNT - Beginning of the year		<u>(524 814)</u>	<u>(17 908 877)</u>
REVENUE ACCOUNT - End of the year		<u>2 247 904</u>	<u>(524 814)</u>

MUNICIPALITY OF TSUMEB

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE

	<u>Note</u>	<u>2011</u>	<u>2010</u>
		N\$	N\$
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from customers		48 147 698	51 058 333
Cash paid to suppliers		<u>(50 630 422)</u>	<u>(53 103 224)</u>
Cash utilised by operations	14	(2 482 724)	(2 044 891)
Increase in Fund accounts		3 010 027	4 241 181
Decrease in Capital outlay		<u>(2 133 488)</u>	<u>(1 534 913)</u>
Net cash flow from operating activities		<u>(1 606 185)</u>	<u>661 377</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Net capital expenditure		2 024 436	2 172 988
Increase in suspense accounts		-	(454 253)
Decrease/(increase) in loans receivable		271 631	(1 825 600)
(Increase)/decrease in investments		<u>(1 280 770)</u>	<u>2 669 984</u>
		<u>1 015 297</u>	<u>2 563 119</u>
CASH FLOW FROM FINANCING ACTIVITIES			
Decrease in long-term liabilities		<u>(512 423)</u>	<u>(346 546)</u>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(1 103 311)	2 877 950
CASH AND CASH EQUIVALENTS - BEGINNING OF THE YEAR		<u>(1 353 978)</u>	<u>(4 231 928)</u>
CASH AND CASH EQUIVALENTS - END OF THE YEAR		<u>(2 457 289)</u>	<u>(1 353 978)</u>

MUNICIPALITY OF TSUMEB**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE**

1. ACCOUNTING POLICIES**1.1 Introduction**

The annual financial statements set out in Annexures A to C were prepared on the historical cost basis and incorporate the following principal accounting policies, which are consistent in all material aspects with those applied in the previous year.

1.2 Property, plant and equipment

Property, plant and equipment 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.

1.3 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**1.3.1 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.

1.3.2 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.

1.4.1 Parking Meter Fund

The purpose of this Fund is to provide for the installation and up keeping of parking meters.

1.4.2 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.

MUNICIPALITY OF TSUMEB

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

ACCOUNTING POLICIES (continued)

1.4.3 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.

1.4.4 Fixed Property Fund

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

1.4.5 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.

1.4.6 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 installments received for the payment of these loans are reinvested in this Fund.

	<u>2011</u>	<u>2010</u>
	N\$	N\$
2. PROPERTY, PLANT AND EQUIPMENT		
Income assets	4 540 566	6 466 349
Loan assets	24 927 764	23 740 265
General capital assets	4 540 108	5 826 260
Total	<u>34 008 438</u>	<u>36 032 874</u>
3. LOANS RECEIVABLE		
Housing Fund 1	(29 354)	23 150
Housing Fund 2	805 779	805 779
Sale of erven	91 841	90 532
Build Togethr Fund	879 511	943 541
Build Togethr Fund - Temporary advances	466 984	466 984
Twatameka Two Savings	211 101	243 838
Dantago Hoda	275 624	293 563
Peace Maker	298 747	326 264
Khaibasen Group	203 636	220 463
Peace Group	269 112	290 292
Omwene Tukwafa Group	337 648	366 107
Khomas Group	313 460	325 207
	<u>4 124 089</u>	<u>4 395 720</u>

MUNICIPALITY OF TSUMEB

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

	2011	2010
	N\$	N\$
4. INVESTMENTS		
INVESTMENTS		
Commercial banks	2 363 220	1 082 450
Censored Investment	35 236 648	35 236 648
	37 599 868	36 319 098
ALLOCATED AS FOLLOWS		
Builg Together Fund	2 363 220	1 082 450
Censored Investment	35 236 648	35 236 648
	37 599 868	36 319 098
5. TRADE AND OTHER RECEIVABLES		
Services rendered and assessment rates	76 790 414	68 942 431
VAT Provision	4 197 258	3 053 605
Sundries	619 014	716 043
	81 606 686	72 712 079
Provision for bad debts	(44 053 711)	(45 192 036)
Consumer deposits	(1 178 762)	(1 170 585)
	36 374 213	26 349 458
6. INVENTORIES		
Stores	217 803	205 590
	217 803	205 590
7. CAPITAL OUTLAY		
Loans redeemed	12 011 731	10 933 284
Revenue contributions	4 540 566	6 466 349
General capital contributions	4 540 108	5 826 260
	21 092 405	23 225 893

MUNICIPALITY OF TSUMEB

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

	2011	2010
	N\$	N\$
8. FUNDS, ACCOUNTS AND RESERVES		
Fixed Property Fund	17 444 242	15 994 800
Twatameka two savings	390 059	378 608
Capital Development Fund	2 968 242	2 661 783
Betterment Fund	1 955 185	1 955 185
Renewal Fund	17 013 895	16 031 467
Housing Funds	9 020 809	8 760 562
Revenue account kept in compliance with Section 86(1) of the Local Authorities Act, 1992.	2 247 904	(524 814)
	51 040 336	45 257 591
9. LONG-TERM LIABILITIES		
The Government of Namibia	10 154 071	10 497 549
Commercial Banks	27 753	196 698
	10 181 824	10 694 247
10. TRADE AND OTHER PAYABLES		
Accruals	665 324	1 046 467
Provisions	4 571 816	4 179 796
Arrears for loan interest and redemptions	15 738 874	14 092 326
Sundries	1 873 098	1 158 414
	22 849 112	20 477 003
Suspence accounts		
Omutuli savings	288 791	288 791
Social housing	1 500 000	1 500 000
Endowment fees	505 237	505 237
Donkerhorkie compound	121 849	-
Ondundu upgrade	563 196	-
Elverum grand	23 654	-
Informal settlement	1 700 718	-
	4 703 445	2 294 028
Total	27 552 557	22 771 031

MUNICIPALITY OF TSUMEB

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

	2011	2010
	N\$	N\$
11. BANK OVERDRAFT		
Current account	2 457 289	1 353 978
	2 457 289	1 353 978
12. TRANSFER (TO)/FROM INTERNAL FUNDS		
Capital Development Fund	(306 459)	(78 607)
Renewal Fund	(671 102)	(741 716)
	(977 561)	(820 323)
13. ADJUSTMENTS TO APPROPRIATION ACCOUNT		
Adjustments- Revenue relating to prior year	(364 931)	-
Adjustments- Expenditure relating to prior year	(151 025)	-
Bank reconciliation correction	-	4 145 002
Cash surplus	420	-
Correction of debtors	-	3 078 014
Loans corrected	-	(68 182)
Miscellaneous adjustments	-	(232 081)
Provision for bad debts	(145 129)	-
Stale cheques	1 713	-
	(658 952)	6 922 753
14. CASH UTILISED BY OPERATIONS		
Net operating surplus before interest and transfers	4 409 231	11 281 633
Adjustments for:		
- Adjustments to appropriation account	(658 952)	6 922 753
- Transfer to Funds	(977 561)	(820 323)
OPERATING SURPLUS/(DEFICIT) BEFORE CHANGES IN WORKING CAPITAL	2 772 718	17 384 063
CHANGES IN WORKING CAPITAL		
(Increase) in trade and other receivables	(10 024 755)	(18 656 019)
(Increase) in inventories	(12 213)	(16 241)
Increase/(decrease) in trade and other payables	4 781 526	(756 694)
	(5 255 442)	(19 428 954)
CASH UTILISED BY OPERATIONS	(2 482 724)	(2 044 891)