



REPUBLIC OF NAMIBIA



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

Published by authority

Price (Vat excluded) N\$ 31.65
Report no 37/2014

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 2013, 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 2014

**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 2013**

1. INTRODUCTION

The accounts of the Municipality of Tsumeb for the year ended 30 June 2013 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 PKF 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. 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 misstatements, 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, plan and perform 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 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 (*)

Outstanding services debts have continued to increase out of proportion during the past financial years. This has a negative impact on the Municipality's cash flow position as clearly indicated on page 13 of the annexure and the notes thereto. Trade receivables increased with N\$ 12 932 634 in 2012 and with a further N\$ 7 607 772 in 2013, clearly indicating the inefficiency of the collection process.

4.2 Bad and doubtful debts (*)

The Municipality provided for bad debts of N\$ 44 333 605. However, the auditors' calculation revealed that the provision is understated by N\$ 33 081 821 (2012: N\$ 37 081 961). The total provision should be N\$ 77 415 426.

4.3 Cash flow position (*)

The Municipality is facing a cash flow problem as indicated by the temporary advances to revenue from other funds and accounts amounting to N\$ 46 621 607 (2012: N\$ 42 138 562) at year-end. Furthermore, external loan redemptions and interest amounting to N\$ 19 031 969 (2012: N\$ 17 385 421) are in arrears. Furthermore, Council is in arrears by N\$ 1 742 823 (2012: N\$ 1 318 140) with Regional Council fees. This position started developing in 2002 and continued unabated till 2013.

Salaries, wages and allowances for 2013 amounted to 47,7% of revenue and the pressure on cash flow may threaten the regular payments.

4.4 VAT differences (*)

The recoverability of the VAT asset as per balance sheet of N\$ 8 104 774 (2012: N\$ 6 039 880) is in doubt as the amount calculated as due by the Receiver indicates N\$ 3 763 524, thus reflecting an amount of N\$ 4 341 249 less as the ledger account of Council. The Municipality should reconcile the receivable balance as per their records to the balance payable as per the Directorate: Inland Revenue statement.

Not all returns for import VAT were submitted timeously and attracted penalties. No provision for any penalties and interest were made in the financial statements.

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 and transactions on the Revenue account for the year were as follows:

	Revenue	Expenditure	Surplus/ (deficit)	Balance
	N\$	N\$	N\$	N\$
Accumulated surplus on 1 July 2012				1 608 322
General accounts				
- Non profitable	19 086 836	31 940 428	(12 853 592)	
- Self supporting	13 670 071	9 775 920	3 894 151	
Trade accounts				
- Electricity	6 018 764	439 310	5 579 454	
- Water	15 095 144	13 761 527	1 333 617	
	53 870 815	55 917 185	(2 046 370)	(2 046 370)
Deficit for the year				(438 048)
Adjustments and utilisations (See Note 13, Annexure D)				3 153 582
Accumulated surplus on 30 June 2013				2 715 534

7. CURRENT BANK ACCOUNT

	2013	2012
	N\$	N\$
Unfavourable cashbook balance at 30 June 2013	(9 214 544)	(4 757 023)
Outstanding cheques	9 573 620	5 216 565
Unexplained difference	(7 763)	-
Outstanding deposits	(13 912)	-
Favourable balance as per bank statement	337 401	459 542

The amount of outstanding cheques emphasises the negative cash flow position of the Council.

8. INVESTMENTS

The investments as at 30 June were as follows:

	2013		2012	
	Investment	Interest	Investment	Interest
	N\$	N\$	N\$	N\$
Commercial banks	1 380 171	40 506	4 836 001	84 644
Shares in Central-North Electricity Distribution Company (Pty) Ltd	35 236 648	-	35 236 648	-
	36 616 819	40 506	40 072 649	84 644

The investments were allocated as follows:

	2013	2012
	N\$	N\$
Build Together Fund	1 380 171	3 811 270
Revenue account	35 236 648	35 236 648
Dantago Hoada	-	151 579
Khaibasen Group	-	57 654
Khomas Group	-	62 956
Omwene Tukwafa Group	-	99 432
Peace Group	-	78 441
Peace Maker	-	99 125
Renewal Fund	-	237 658
Twatameka Two Savings	-	237 886
	36 616 819	40 072 649

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\$ 46 621 607 for 2013 (2012: N\$ 42 138 562) were made from the fund accounts to revenue to finance operating expenditure. Funds are as such no longer cash backed and can thus not be fully utilised for the purposes for which they have been created.

10. TRADE ACCOUNT

10.1 The results of water operations were as follows:

	Water	
	2013	2012
	N\$	N\$
Sales	15 013 195	14 567 792
Cost of sales	(11 849 878)	(10 075 088)
Gross surplus	3 163 317	4 492 704
Other expenses	(1 829 700)	(993 936)
Net surplus	1 333 617	3 498 768
Gross surplus percentages on sales	21,1%	30,8%
Net surplus percentage on sales	8,9%	24,0%

10.2 Water distribution results in cubic meters:

	Water	
	2013	2012
	Units	Units
Units pumped	3 017 048	4 634 076
Units sold	2 551 418	4 140 920
Loss	(465 630)	(493 156)
Percentage loss in units purchased	(15%)	(10.6%)

There is doubt about the correctness of the 2012 statistics due to the huge drop for the units sold from 4 140 920 in 2012 to 2 551 418 in 2013 and yet experience an increase in turnover.

10.3 Electricity

	2013	2012
Receipts from Cenored	Kwh 6 018 764	Kwh 6 029 498
Expenses	(439 310)	(328 461)
Net surplus	5 579 454	5 701 037

11. SELF-SUPPORTING SERVICES

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

Service	Income	Expenses	Surplus	Surplus
	2013	2013	2013	2012
	N\$	N\$	N\$	N\$
Sewerage	6 839 296	3 230 738	3 608 558	3 896 577
Cleansing	6 830 775	6 545 182	285 593	1 026 303
	13 670 071	9 775 920	3 894 151	4 922 880

12. FRUITLESS, UNAUTHORISED OR AVOIDABLE EXPENDITURE

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

13. SUSPENSE ACCOUNTS

The balance sheet includes the following suspense accounts:

	2013	2012
	N\$	N\$
Donations youth office	-	1 148
Donkerhoekie compound	-	100 470
Elverum grand	-	23 654
Endowment fees	-	505 237
Informal settlement	-	1 700 718
Natural disaster	-	200 000
Omutuli savings	-	240 439
Ondundu upgrade	-	239 159
Social housing	-	1 486 000
Tipeeg projects	-	7 418 684
	-	11 915 509

The accounts and amounts reflected above for 2012 were transferred to fund accounts and creditors. These are amounts received to be spent for specified purposes and not fully utilised at year-end. The balances are properly reconciled.

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 spent on capital projects:

Nature of projects/ acquisitions	Revenue account	General capital	Loans	2013 Total expenditure	2012 Total expenditure
	N\$	N\$	N\$	N\$	N\$
Cemetery and parks	-	41 965	-	41 965	45 278
Civic buildings	-	-	-	-	36 904
Council's general expenses	-	-	-	-	78 076
Fire brigade	-	3 773 266	-	3 773 266	-
Housing	-	34 375	-	34 375	21 380
Human resources	-	-	-	-	7 893
Mayor's office	-	-	128 012	128 012	355 131
Sewerage	-	228 520	-	228 520	48 352
Streets	-	850 330	-	850 330	3 562 107
Town Clerk's department	-	-	-	-	20 503
Town Engineer's department	-	-	-	-	17 201
Town Treasurer's department	5 965	-	23 319	29 284	22 528
Tsumeb Cultural Village	4 367	-	3 883	8 250	-
Water	-	-	-	-	1 201 411
	10 332	4 928 456	155 214	5 094 002	5 416 764

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

There was a visit to Sweden by seven (7) delegates. This visit was duly approved by the Council.

20. CLAIMS

	Claims against the Municipality			Claims by the Municipality		
		Claimed	Settled		Claimed	Settled
	Number	N\$	N\$	Number	N\$	N\$
Outstanding 1 July 2012	-	-	-	1	4 500	-
Received 2012/2013	-	-	-	8	551 075	551 075
Finalised 2012/2013	-	-	-	(9)	-	(555 575)
Outstanding 30 June 2013	-	-	-	-	-	-

21. GIFTS/DONATIONS BY THE LOCAL AUTHORITY

The Municipality made the following gifts/donations:

Nature of gift/donation	Beneficiary	Value
Donation	Etosha Secondary School	N\$ 400
Donation	Otavi Investment Expo	3 000
Donation	Pensioner's water basic exemption	292 202
Donation	Prior year adjustment	(2 290)
Donation	Tsumeb Municipality	5 000
		298 312

22. TRANSFER OF PROPERTY

There was no transfer of property to and from Government.

23. TRADE AND OTHER RECEIVABLES/TRADE AND OTHER PAYABLES

23.1 Trade and other receivables at 30 June were:

	2013	2012
	N\$	N\$
Services rendered and assessment rates	94 365 738	88 160 694
VAT provision	8 104 774	6 039 880
Sundries	413 410	302 614
Provision for bad debts	102 883 922 (44 333 606)	94 503 188 (43 979 130)
Consumer deposits	(1 251 062)	(1 217 211)
Total	57 299 254	49 306 847

23.2 Trade and other payables at 30 June were:

	2013	2012
	N\$	N\$
Accruals	790 386	1 309 640
Provisions	7 110 597	4 646 369
Arrears for loan interest and redemptions	19 031 969	17 385 421
Sundries	9 960	1 550 444
Unutilised receipts/Suspense accounts	7 348 520	11 915 509
	34 291 432	36 807 383

24. ASSESSMENT RATES

Net proceeds from assessment rates were N\$ 8 493 669 (2012: N\$ 8 267 094). The tariffs for private and business property were N\$ 0.23557 (2012: N\$ 0.23557) per dollar per year of the site valuations plus N\$ 0.00571 (2012: N\$ 0.00571) per dollar per year of the valuations of improvements.

25. LOANS

25.1 External loans

External loan balances were N\$ 9 671 219 (2012: N\$ 10 119 531). 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.

All assets financed by external loans were correctly capitalised and no assets have been disposed of before the loan was completely redeemed. Loan money were used for the purposes they were obtained for.

25.2 Internal loans

Internal loans as at 30 June 2013, being N\$ 6 958 618 (2012: N\$ 7 443 049), are eliminated 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

	2013	2012
	N\$	N\$
Balance due to the Municipality by house owners	3 396 342	3 721 635

26. SALE OF ERVEN

26.1 Property transferred from the Municipality during the year

There were 24 (2012: 22) properties to the value of N\$ 1 392 694 (2012: N\$ 1 425 986) transferred from the Municipality to others.

26.2 Property transferred to the Municipality during the year

There were 5 (2012: nil) properties at nil cost transferred from others 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

At year-end Council had 62 vehicles and heavy duty units in operation. Detail of kilometers driven and fuel consumption are kept.

30.2 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

There were no special investigations during the year.

32. GENERAL

The accounting and internal controls applied by the Municipality are satisfactory.

33. FORMAL AND INFORMAL QUERIES

33.1 Formal queries are embodied in this report.

33.2 Informal queries were raised with the accounting officer.

34. QUALIFIED AUDIT OPINION

The accounts of the Municipality of Tsumeb for the financial year end 30 June 2013, summarised in Annexures A to D, were audited by me in terms 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:

Bad and doubtful debts

Municipality provided for bad debts of N\$ 44 333 605. However, the auditors calculations reveal that the provision is understated by N\$ 33 081 821.

Cash flow position

The Municipality is facing a cash flow problem as indicated by the temporary advances to revenue from other funds and accounts amounting to N\$ 46 621 607 at year-end. Furthermore, external loan redemptions and interest amounting to N\$ 19 031 969 have not been paid. This may raise concern about the going concern status of the Council.

VAT differences

The recoverability of the VAT asset as per balance sheet of N\$ 8 104 774 is in doubt as the amount calculated as due by the Receiver indicates N\$ 3 763 524, thus reflecting an amount of N\$ 4 341 249 less than the ledger account of the Council.

Import VAT returns

Not all returns for import VAT and PAYE were submitted timeously. No provision for any penalties and interest were made in the financial statements.

Except for the effect of any adjustments that might have been necessary as referred to in the preceding paragraphs, in my opinion, the financial statements fairly present the financial position of the Municipality at 30 June 2013 and the results of its operations and cash flows for the year then ended.

WINDHOEK, May 2014

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

MUNICIPALITY OF TSUMEB

BALANCE SHEET AT 30 JUNE

	Notes	2013	2012
		N\$	N\$
ASSETS			
Non-current assets			
Property, plant and equipment	2	80 575 007	79 727 027
Loans receivable	3	40 561 846	35 932 743
Investments	4	3 396 342	3 721 635
		36 616 819	40 072 649
Current assets			
Trade and other receivables	5	57 606 467	49 569 405
Inventories	6	57 299 252	49 306 847
		307 215	262 558
		138 181 474	129 296 432
FUNDS AND LIABILITIES			
Funds and reserves			
Capital outlay	7	85 004 279	77 812 495
Funds and accounts	8	23 932 008	22 694 036
		61 072 271	55 118 459
Non-current liabilities			
Long-term loans	9	9 671 219	10 119 531
Current liabilities			
Trade and other payables	10	43 505 976	41 364 406
Bank overdraft	11	34 291 432	36 607 383
		9 214 544	4 757 023
		138 181 474	129 296 432

MUNICIPALITY OF TSUMEB

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE

	<u>Notes</u>	<u>2013</u>	<u>2012</u>
		N\$	N\$
INCOME		53 870 815	51 960 015
EXPENDITURE		54 886 515	49 999 527
NET OPERATING SURPLUS/(DEFICIT)		(1 015 700)	1 960 488
TRANSFER TO INTERNAL FUNDS	12	(1 030 670)	(947 517)
NET SURPLUS/(DEFICIT) AFTER TRANSFERS		(2 046 370)	1 012 971
APPROPRIATION ACCOUNT	13	3 153 582	(1 652 553)
NET SURPLUS/(DEFICIT) AFTER APPROPRIATIONS		1 107 212	(639 582)
REVENUE ACCOUNT - beginning of year		1 608 322	2 247 904
REVENUE ACCOUNT - end of year		2 715 534	1 608 322

MUNICIPALITY OF TSUMEB

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE

	Note	2013	2012
		N\$	N\$
OPERATING ACTIVITIES			
Cash receipts from customers		46 263 043	39 027 381
Cash paid to suppliers		(52 800 924)	(43 389 526)
Cash utilised by operations	14	(6 537 881)	(4 362 145)
Increase in fund accounts		3 024 378	4 517 705
Increase/(decrease) in capital outlay		-	1 601 631
Net cash flow from operating activities		(3 513 503)	1 757 191
INVESTING ACTIVITIES			
Net capital expenditure		(8 139 048)	(1 924 305)
Donations received		3 773 266	-
Decrease in loans receivable		(4 365 782)	(1 924 305)
Increase in investments		(28 022)	17 488
		3 455 830	(2 472 781)
		(937 974)	(4 379 598)
FINANCING ACTIVITIES			
Increase/(decrease) in long-term liabilities		(6 044)	322 673
NET DECREASE IN CASH AND CASH EQUIVALENTS		(4 457 521)	(2 299 734)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR		(4 757 023)	(2 457 289)
CASH AND CASH EQUIVALENTS - END OF YEAR		(9 214 544)	(4 757 023)

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 D 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 the 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 realisable value. Obsolete stock is written off against the income statement.

1.4 Funds**1.4.1 Revenue account**

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

1.4.2 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.

1.5 Special Funds

The Municipality also maintains the following funds in terms of the authorisation in Section 80(4) of the Local Authorities Act of 1992.

1.5.1 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.

1.5.2 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.

MUNICIPALITY OF TSUMEB

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE
(continued)**1. ACCOUNTING POLICIES (continued)****1.5.3 Fixed Property Fund**

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

1.5.4 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.

1.5.5 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>2013</u>	<u>2012</u>
	N\$	N\$
2. PROPERTY, PLANT AND EQUIPMENT		
Income assets	3 019 942	4 631 600
Loan assets	23 381 729	23 254 535
General capital assets	14 160 175	8 046 608
Total	<u>40 561 846</u>	<u>35 932 743</u>
A motor vehicle with book value is encumbered by an asset finance agreement.	419 342	419 342
3. LOANS RECEIVABLE		
Build Together Fund	755 031	825 036
Build Together Fund - temporary advances	466 984	466 984
Dantago Hoadia	228 343	251 618
Fixed Property Fund	23 005	23 584
Housing Fund 1	(178 955)	(123 114)
Housing Fund 2	805 779	805 779
Internal loans	-	28 022
Khaibasen Group	167 356	184 597
Khomas Group	277 306	295 622
Omwene Tukwafa Group	276 275	302 638
Peace Group	212 500	240 591
Peace Maker	228 357	258 851
Twatameka Two Savings	134 361	161 427
	<u>3 396 342</u>	<u>3 721 635</u>

MUNICIPALITY OF TSUMEB

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE
(continued)

	2013	2012
	N\$	N\$
4. INVESTMENTS		
INVESTMENTS		
Central-North Electricity Distribution Company (Pty) Ltd	35 236 648	35 236 648
Commercial banks	1 380 171	4 836 001
	36 616 819	40 072 649
The investment in Central-North Electricity Distribution Company (Pty) Ltd comprises a 12,6% (2012: 12,6%) holding in the share capital of Central-North Electricity Distribution Company (Pty) Ltd, at cost.		
ALLOCATED AS FOLLOWS		
Build Together Fund	1 380 171	3 811 270
Revenue account	35 236 648	35 236 648
Renewal Fund	-	237 658
Twatameka Two Savings	-	237 886
Dantago Hoadia	-	151 579
Peace Maker	-	99 125
Khaibasen Group	-	57 654
Peace Group	-	78 441
Omwene Tukwafa Group	-	99 432
Khomas Group	-	62 956
	36 616 819	40 072 649
5. TRADE AND OTHER RECEIVABLES		
Services rendered and assessment rates	94 365 737	88 160 694
VAT provision	8 104 773	6 039 880
Sundries	413 410	302 614
	102 883 920	94 503 188
Provision for bad debts	(44 333 606)	(43 979 130)
Consumer deposits	(1 251 062)	(1 217 211)
	57 299 252	49 306 847
The provision for bad debts is considered to be understated by	33 081 821	37 081 961
6. INVENTORIES		
Stores, at cost	307 215	262 558

MUNICIPALITY OF TSUMEB

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE
(continued)

	2013	2012
	N\$	N\$
7. CAPITAL OUTLAY		
Loans redeemed	9 445 109	12 709 046
Revenue contributions	3 019 942	4 631 600
General capital contributions	11 466 957	5 353 390
	23 932 008	22 694 036
8. FUNDS, ACCOUNTS AND RESERVES		
Statutory funds:		
Accumulated surplus	2 715 534	1 608 322
Betterment Fund	1 955 185	1 955 185
Capital Development Fund	3 544 149	3 253 657
Fixed Property Fund	23 035 986	20 024 313
Housing Fund	7 716 195	9 565 732
Renewal Fund	19 267 021	18 111 937
Funds for expenditure to be incurred:		
Dantaga Hoada	415 187	-
Khaibasen Group	251 071	-
Khomas Group	372 969	-
Natural Disaster Fund	250 000	200 000
Omwene Tukwafa Group	416 583	-
Peace Group	330 440	-
Peace Maker	370 234	-
Self Study Scheme	25 000	-
Twatameka Two Savings	406 717	399 313
	61 072 271	55 118 459
9. LONG-TERM LIABILITIES		
The Government of Namibia	9 322 133	9 764 400
Commercial banks	349 086	355 131
	9 671 219	10 119 531
The loan from a bank is secured by an asset finance agreement over a vehicle with book value.	419 342	419 342

MUNICIPALITY OF TSUMEB

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE
(continued)

	2013	2012
	N\$	N\$
10. TRADE AND OTHER PAYABLES		
Accruals	790 386	1 309 640
Provisions		
- leave, bonuses and salary reserve	4 393 761	4 196 974
- audit fees	515 946	449 395
- workmen's compensation	251 301	232 304
- Regional Council fees	1 742 823	1 318 140
- retention expenses	206 767	-
Government loan interest and redemptions	19 031 969	17 385 421
Sundries	9 960	-
	<u>26 942 913</u>	<u>24 891 874</u>
Funds for specific purposes: not utilised		
Omutuli savings	240 439	240 439
Social housing	1 486 000	1 486 000
Endowment fees	-	505 237
Donkerhoekie compound	67 139	100 470
Ondundu upgrade	-	239 159
Elverum grant	-	23 654
Informal settlement	1 381 329	1 700 718
Tipeeg projects	4 173 612	7 418 684
Donations youth office		1 148
	<u>7 348 519</u>	<u>11 715 509</u>
Total	<u>34 291 432</u>	<u>36 607 383</u>
11. BANK OVERDRAFT		
Current account	<u>9 214 544</u>	<u>4 757 023</u>
12. TRANSFER TO INTERNAL FUNDS		
Capital Development Fund	(290 492)	(276 415)
Renewal Fund	(740 178)	(671 102)
	<u>(1 030 670)</u>	<u>(947 517)</u>

MUNICIPALITY OF TSUMEB

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE
(continued)

	2013	2012
	N\$	N\$
13. ADJUSTMENTS TO APPROPRIATION ACCOUNT		
Adjustments - expenditure relating to 2012	1 514 840	(1 624 700)
Adjustments - revenue relating to 2012	(3 210 171)	156 291
Bank reconciliation 2012	18 604	-
Cash surplus	220	2 200
Correction of daily report	-	70 490
Court ruling - J Shikale	-	(260 522)
Endowment fee	505 237	-
Interest - prior year	-	2 476
Unclaimed balances	980	1 212
Unspent loan written off	4 323 872	-
	3 153 582	(1 652 553)
14. CASH UTILISED BY OPERATIONS		
Net operating (deficit)/surplus	(2 046 369)	1 960 488
Adjustments for:		
- Adjustments to appropriation account	(1 170 290)	(1 652 553)
- Unspent loan amount written off	4 323 872	-
- Non cash flow items charged to income statement	(258 422)	(947 517)
OPERATING (DEFICIT)/SURPLUS BEFORE CHANGES IN WORKING CAPITAL	848 791	(639 582)
CHANGES IN WORKING CAPITAL		
Increase in trade and other receivables	(7 607 772)	(12 932 634)
Increase in inventories	(44 657)	(44 755)
Increase in trade and other payables	265 757	9 254 826
	(7 386 672)	(3 722 563)
CASH UTILISED BY OPERATIONS	(6 537 881)	(4 362 145)
CASH RECEIPTS FROM CUSTOMERS		
Income for the year	53 870 815	51 960 015
Less: Increase in trade receivables	7 607 772	12 932 634
	46 263 043	39 027 381