



REPUBLIC OF NAMIBIA



REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE

# TOWN COUNCIL OF KARIBIB

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 Town Council of Karibib 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, March 2012**

**JUNIAS ETUNA KANDJEKE  
AUDITOR-GENERAL**

**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE  
TOWN COUNCIL OF KARIBIB  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011**

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**1. INTRODUCTION**

The accounts of the Town Council of Karibib 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 Town Council on behalf of the Auditor-General and under his supervision.

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

**2. FINANCIAL STATEMENTS**

The Town Council's financial statements were submitted to the Auditor-General by the Accounting Officer in compliance with Section 87 (1) of the Local Authorities Act, 1992, **except that they were only submitted on 16 January 2012, instead of six months after the 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 at 30 June 2011, Annexure A, is a true reflection of the original.

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 Town Council 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**

##### **4.1 Accounting records and information**

As also reported previously, the overall control and quality of accounting records for the year under review were not up to standard. Many reconciliations were not done or up to date and various reports that were requested could not be presented to the auditors.

##### **4.2 Financial position**

The Town Council has a net accumulated deficit of N\$ 5 578 166 (2010: N\$ 6 529 953) which clearly indicate that the Town Council is not able to continue as a going concern under the present situation.

Due to cash flow problems related to the revenue account, cash amounting to N\$ 3 822 392 (2010: N\$ 3 450 076) from investments of the Fund accounts had to be used to fund the shortfall on the revenue account.

The Town Council will have to take drastic action to become financially viable. It would need to arrange funding, make its operations profitable and ensure that its debt collection is effective.

##### **4.3 Loans in arrears**

External Government loans are, as in previous years, not repaid but the repayments are provided for as arrear loan instalments and amounts to N\$ 4 189 222 (2010: N\$ 3 900 652).

No interest on overdue amounts due to the Government has been provided for.

##### **4.4 Property, plant and equipment**

No asset register could be provided for audit purposes. The auditors were thus unable to verify the assets to their satisfaction.

The assets are not adequately insured.

##### **4.5 Long-term loans receivable**

As reported in my previous reports, no list of long-term loans receivable to the amount of N\$ 1 216 807 (2010: N\$ 1 276 752) for housing loans and Built Together loans was available for audit purposes. The auditors thus could not perform any tests to verify the correctness of these loans.

##### **4.6 Inventories**

No provision for consumable inventories were made in the financial statements of the Town Council. Council explained to the auditors that they do not carry significant consumable inventories.

##### **4.7 Trade and other receivables**

The average collection period of trade receivables, before taking the provision for bad debts into account, is 217 days (2010: 215 days). The average collection period of trade receivables, after taking the provision for bad debts into account, is 186 days (2010: 180 days). The recoverability of outstanding debts remains a serious concern and is still a major threat to the cash flow of the Town Council. The auditors are of the opinion that the provision for bad debts is understated with N\$ 2 443 834 (2010: N\$ 1 775 931).

No list for trade receivables was available for audit purposes.

Included in trade and other receivables is an amount of N\$ 533 602 (2010: N\$ 590 674) for VAT receivable. No proper supporting documentation was available for audit purposes to verify this amount.

##### **4.8 Consumer deposits**

Consumer deposits are still not in line with monthly charges and the auditors are of the opinion that the deposits are not adequate to cover one month's consumer services.

#### **4.9 Trade and other payables**

As reported previously no creditors reconciliations are performed by the Council, thus the creditors balance could not be verified by the auditors. The auditors could also not carry out any audit procedures to determine unrecorded liabilities. Council should start performing creditors reconciliations as a matter of urgency.

#### **4.10 Leave provision**

No proper information was available for audit purposes to test the accuracy of the provision for leave.

#### **4.11 Distribution results of water**

Accurate statistics regarding the purchase and distribution of water units were not available. Furthermore, the Town Council did not perform a monthly reconciliation of distribution losses/surpluses, and as a result also did not follow up variances.

#### **4.12 Value added tax (VAT)**

As also reported previously, not all VAT returns for the year under review were rendered timeously to the Directorate: Inland Revenue.

No provision for any penalties and interest has been provided for in the financial statements of the Town Council.

#### **4.13 P.A.Y.E.**

As also reported previously, not all P.A.Y.E. returns for the year under review were rendered timeously to the Directorate: Inland Revenue.

No provision for any penalties and interest has been provided for in the financial statements of the Town Council.

#### **4.14 Supporting documentation - Expenditure**

In some cases of the expenditure items tested by the auditors, the supporting documentation were not available. The auditors therefore could not satisfy them with the validity of all expenses.

#### **4.15 Salaries and wages**

No salary register for the full period under review could be provided to the auditors. No personnel files could be provided to the auditors. The auditors were unable to verify increases, overtime and other personnel related issues.

#### **4.16 Income**

Due to a lack of electronic data, the income could not be tested.

#### **4.17 Appropriation account**

It was again noted with concern that prior year adjustments to the amount of N\$ 695 109 was made in the appropriation account without any evidence nor could an explanation be provided to the auditors.

### **5. ACKNOWLEDGEMENT**

The assistance and co-operation by the staff of the Karibib Town Council 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:

	<b>Revenue</b>	<b>Expenditure</b>	<b>Surplus/ (Deficit)</b>	<b>Balance</b>
	N\$	N\$	N\$	N\$
Accumulated deficit 01/07/2010				(6 529 953)
General accounts				
- Non-profitable	4 622 293	6 311 977	(1 689 684)	
- Self-supporting	1 527 674	483 500	1 044 174	
Trade accounts				
- Water	4 475 074	3 570 475	904 599	
Surplus for the year	10 625 041	10 365 952	259 089	259 089
Adjustments and utilisations (Note 10, Annexure D)				(6 270 864) 692 698
Accumulated deficit 30/06/2011				<b>(5 578 166)</b>

## 7. CURRENT BANK ACCOUNT

### 7.1 Operational account

	<b>2011</b>	<b>2010</b>
	N\$	N\$
Favourable/(unfavourable) cashbook balance on 30 June	244 325	(253 994)
Outstanding cheques	240	447 909
Bank balance at 30 June	<b>244 565</b>	<b>193 915</b>

## 8. INVESTMENTS AND INTEREST PROCEEDS

On 30 June the investments were as follows:

	<b>2011</b>	<b>2010</b>
	N\$	N\$
Fixed deposits	880 673	601 405

The investments were allocated as follows between the Funds:

	<b>2011</b>	<b>2010</b>
	<b>Investment</b>	<b>Investment</b>
	N\$	N\$
Housing Fund	185 637	185 077
Revenue account	285 025	-
Build Together Fund	410 011	416 328
	<b>880 673</b>	<b>601 405</b>

## 9. FUND ACCOUNTS

The position of the Funds and accounts at year-end was as shown in note 8 in Annexure D.

It is once again reported that, the Fund Accounts are still not utilized for the purposes created for. Due to cash flow problems on the Revenue Account, cash from other Funds totalling N\$ 3 822 392 (2010: N\$ 3 450 076) had once again to be used to finance the shortfall of the Revenue Account.

## 10. TRADE ACCOUNTS

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

	Water	
	2011	2010
	N\$	N\$
Sales	4 433 932	3 844 427
Cost of bulk purchases	(3 349 792)	(3 223 461)
Gross profit	1 084 140	620 966
Net expenditure	(179 541)	(567 354)
<b>Net surplus/(deficit)</b>	<b>904 599</b>	<b>53 612</b>
Gross profit percentages on cost of bulk purchases	32.4%	19.3%
Net profit/(loss) percentage on cost of bulk purchases	27.0%	1.7%

The distribution of electricity has been taken over by Erongo Red, while a separate bank account has been opened for all water sales and purchases. This account is under the control of Namwater.

### 10.2 Distribution results

Accurate statistics regarding the purchase and distribution of water units are not available. Furthermore, the Town Council did not perform a monthly reconciliation of distribution losses/surpluses, and as a result also did not follow up variances.

## 11. SELF SUPPORTING SERVICES

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

	2011	2010
	N\$	N\$
Health and sanitation	893 674	478 106
Commonage	150 500	139 995
Surplus for the year	<b>1 044 174</b>	<b>618 101</b>

## 12. FRUITLESS, UNAUTHORIZED OR AVOIDABLE EXPENDITURE

There were no such expenses incurred during the year.

## 13. SUSPENSE ACCOUNTS

Control accounts were cleared on a regular basis.

## 14. IRREGULARITIES AND LOSSES

There were no losses reported or detected during the year.

**15. CAPITAL PROJECTS**

The following expenditure was incurred during the year for capital projects or acquisitions:

Nature of projects/ acquisitions	Financed by	Total expenditure 2011	Total expenditure 2010
	Revenue account		
Administration	N\$ -	N\$ -	N\$ 22 768
Natis	16 300	16 300	-
Town engineer and corporate services	-	-	982 590
	<b>16 300</b>	<b>16 300</b>	<b>22 768</b>

**16. BURSARIES**

There were no bursaries granted for the year under review.

**17. CONTRIBUTIONS, GRANTS AND FINANCIAL AID RECEIVED FROM GOVERNMENT**

	2011	2010
	N\$	N\$
Contribution	1 575 246	-

**18. COMPENSATION PAYMENTS**

There were no compensation payments.

**19. VISITS TO FOREIGN COUNTRIES**

There were no visits to foreign countries.

**20. CLAIMS AGAINST THE LOCAL AUTHORITY**

There were no claims against the Local Authority.

**21. GIFTS/DONATIONS BY THE LOCAL AUTHORITY****21.1 GIFTS BY THE LOCAL AUTHORITY**

There were no such expenses.

**21.2 DONATIONS BY THE LOCAL AUTHORITY**

Due to poor record keeping at the Town Council, information in this regard was not available.

**22. TRANSFER OF PROPERTY**

**22.1** There were no transfers of property to the Local Authority.

**22.2** There were no transfers of property by the Local Authority to others.



## 23. TRADE AND OTHER RECEIVABLES/TRADE AND OTHER PAYABLES

### 23.1 Trade and other receivables at 30 June were:

	2011	2010
	N\$	N\$
Services	4 205 346	3 671 632
Value added tax	533 602	590 674
Sundry debtors	62 255	64 596
	4 801 203	4 326 902
Provision for doubtful debts	(600 000)	(600 000)
<b>Total</b>	<b>4 201 203</b>	<b>3 726 902</b>

The average collection period of trade receivables, before taking the provision for doubtful debts into account, is 217 days (2010 - 215 days). The average collection period of trade receivables, after taking the provision for bad debts into account, is 186 days (2010 - 180 days). The recoverability of outstanding debts remains a serious concern and is still a major threat to the cash flow of the Town Council. The auditors are of the opinion that the provision for bad debts is understated with N\$2 443 834 (2010 - N\$1 775 931).

Consumer deposits for services do not cover one month's service fees.

### 23.2 Trade and other payables at 30 June were:

	2011	2010
	N\$	N\$
Trade creditors	6 006 259	6 072 216
Provisions	347 697	347 697
<b>Totals</b>	<b>6 353 956</b>	<b>6 419 913</b>

No creditors reconciliations are performed by the Council, thus the creditors balance and unrecorded liabilities could not be verified by the auditors. Council should start performing creditors reconciliations as a matter of urgency.

## 24. ASSESSMENT RATES

	2011	2010
	N\$	N\$
The net proceeds from assessment rates were	810 148	775 163
Tariffs per N\$1 valuation per annum - Business		
- Land	0.0390	0.0390
- Improvements	0.0089	0.0089

## 25. LOANS

### 25.1 External loans

The balances due to the Government of Namibia were as follows:

	2011	2010
	N\$	N\$
Capital section	1 881 195	1 948 049
Hosing Fund	9 324	9 324
	<b>1 890 519</b>	<b>1 957 373</b>

## 25.2 Internal loan balances

The amounts outstanding in respect of loans made from the following Funds on 30 June were as follows:

	2011	2010
	N\$	N\$
Fixed Property Fund	18 380	20 754
Totals	<b>18 380</b>	<b>20 754</b>

## 25.3 Loans written off

No loans were written off during the year.

## 25.4 Housing loans

On 30 June, the amounts outstanding in respect of loans made from the following Funds were as follows:

	2011	2010
	N\$	N\$
Due to the Town Council of Karibib	1 216 807	1 276 752
Due to the Government of Namibia	9 324	9 324

## 26. SALE OF ERVEN

No information regarding the sale of erven was available for audit purposes.

## 27. LOCAL AUTHORITY PROPERTY SOLD ON AN INSTALMENT BASIS

No property was sold on an instalment basis during the year.

## 28. TARIFF ADJUSTMENTS

All tariff adjustments were in accordance with the relevant Official Government notice.

## 29. APPROVALS

All necessary approvals were obtained.

## 30. INVENTORY AND EQUIPMENT

### 30.1 Motor vehicle and values thereof

The Town Council could not provide the auditors with this any information in this regard.

### 30.2 Inventory

No inventories are carried on the balance sheet of the Town Council.

## 31. SPECIAL INVESTIGATIONS

There were no special investigations carried out during the year.

## 32. GENERAL

There is not a sufficient system of internal control at the Town Council. Proper segregation of duties is not possible due to the small number of staff employed. While increased management involvement does reduce risks, it causes the risk that management and Council override existing controls, a potentially dangerous practice, which Council should vigilantly guard against.

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

**33.1** Formal queries are embodied in this report.

**33.2** Informal queries were raised by way of a report to the management of the Town Council and consisted of the following:

- Accounting records and information were not up to standard
- Financial position of the Council
- Loans in arrears
- Property, plant and equipment
- Long-term loans receivable
- Inventories
- Trade and other receivables
- Consumer deposits
- Trade and other payables
- Leave provision
- Distribution results of water
- Value Add Tax (VAT)
- P.A.Y.E.
- Supporting documentation - Expenditure
- Salaries and wages
- Income

### **34. DISCLAIMED AUDIT OPINION**

The accounts of the Town Council of Karibib 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 Authorities Act, 1992, read with Section 25 (1) (b) of the State Finance Act, 1991.

I am unable to express an opinion due to the following reasons:

#### **Accounting records and information**

The overall control and quality of accounting records for the year under review were not up to standard. Many reconciliations were not done or up to date and various reports that were requested could not be presented.

#### **Financial position**

The statements have been prepared on the basis of accounting practices applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business. Accordingly, these financial statements do not include any adjustments relating to the valuation of assets and the classification of liabilities that might be necessary if the Local Authority is unable to continue as a going concern.

#### **Loans in arrears**

External Government loans are, as in previous years, not repaid but the repayments are provided for as arrear loan instalments to the amount of N\$ 4 189 222.

No interest on overdue amounts due to Government has been provided for.

#### **Property, plant and equipment**

No asset register could be provided for audit purposes. The auditors were thus unable to verify the existence and valuation assets to the value of N\$ 7 140 004 to their satisfaction.

The assets are not adequately insured.

**Long-term loans receivable**

Lists of long-term loans receivable to the amount of N\$ 1 216 807 related to housing and Build Together loans were not available.

**Trade and other receivables**

The auditors are of the opinion that the provision for doubtful debts is understated with N\$ 2 443 834.

A list for trade receivables to the amount of N\$ 4 205 346 was not available.

Included in trade and other receivables is an amount of N\$ 533 602 for VAT receivable which could not be supported by documentation.

**Trade and other payables**

Creditors reconciliations were not performed by the Council, thus the creditors balance of N\$ 6 353 956 could not be verified. The auditors could also not determine unrecorded liabilities due to a lack of documentation.

**Leave provision**

No proper information was available to test the accuracy of the provision for leave.

**Value added tax (VAT)**

Not all VAT returns for the year under review were rendered timeously to the Directorate: Inland Revenue.

No provision for any penalties and interest has been provided for in the financial statements of the Town Council.

**P.A.Y.E.**

Not all P.A.Y.E. returns for the year under review were rendered timeously to the Directorate: Inland Revenue.

No provision for any penalties and interest has been provided for in the financial statements of the Town Council.

**Supporting documentation - Expenditure**

In some cases of expenditure items tested, the supporting documentation was not available. The auditors therefore could not satisfy themselves with the validity of expenses.

**Salaries and wages**

No salary register for the full period under review could be provided. No personnel files could be provided. The auditors were thus unable to verify increases, overtime and other personnel related matters.

**Income**

Due to a lack of electronic data, the income could not be tested.

**Appropriation account**

Prior year adjustments to the amount of N\$ 695 109 could not be verified due to a lack of documentation.

## TOWN COUNCIL OF KARIBIB

## BALANCE SHEET AT 30 JUNE

	Note	2011 N\$	2010 N\$
<b>ASSETS</b>			
<b>Non-current assets</b>			
		9 237 484	9 001 861
Property, plant and equipment	2	7 140 004	7 123 704
Investments	3	880 673	601 405
Secured loans	4	1 216 807	1 276 752
<b>Current assets</b>			
		4 445 528	3 726 902
Trade and other receivables	5	4 201 203	3 726 902
Cash and bank balances	6	244 325	-
<b>TOTAL ASSETS</b>		<b>13 683 012</b>	<b>12 728 763</b>
<b>FUNDS AND LIABILITIES</b>			
<b>Funds and reserves</b>			
		5 306 165	3 964 611
Capital outlay	7	5 240 429	5 154 901
Funds and accounts	8	65 736	(1 190 290)
<b>Long-term liabilities</b>			
	9	2 022 891	2 090 245
<b>Current liabilities</b>			
		6 353 956	6 673 907
Trade and other payables	10	6 353 956	6 419 913
Bank overdraft	6	-	253 994
<b>TOTAL FUNDS AND LIABILITIES</b>		<b>13 683 012</b>	<b>12 728 763</b>

## TOWN COUNCIL OF KARIBIB

## INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE

	Note	2011 N\$	2010 N\$
INCOME		10 625 041	7 498 680
EXPENDITURE		(10 365 952)	(11 302 766)
NET OPERATING SURPLUS/(DEFICIT)		259 089	(3 804 086)
INVESTMENT INCOME EARNED FOR REVENUE ACCOUNTS		-	4 994
NET SURPLUS/(DEFICIT) FOR THE YEAR		259 089	(3 799 092)
APPROPRIATION ACCOUNT	11	692 698	1 350 714
		951 787	(2 448 378)
ACCUMULATED FUNDS - Beginning of year		(6 529 953)	(4 081 575)
ACCUMULATED FUNDS - End of year		<b>(5 578 166)</b>	<b>(6 529 953)</b>

## TOWN COUNCIL OF KARIBIB

## CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE

	Note	2011 N\$	2010 N\$
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Cash receipts from customers		10 625 041	7 498 680
Cash paid to suppliers		(10 213 512)	(9 838 952)
Cash generated/(utilised) by operations	12	411 529	(2 340 272)
Investment income		-	4 994
Movement in Fund accounts			
- Increase in Fund accounts		304 239	362 084
- Increase in capital outlay		85 528	1 068 445
Net cash flow from operating activities		801 296	(904 749)
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Net capital expenditure		(16 300)	(1 005 358)
(Increase)/decrease in investments		(279 268)	1 671 791
Decrease in loans receivable		59 945	49 130
		(235 623)	715 563
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Decrease in long-term liabilities		(67 354)	(56 597)
		(67 354)	(56 597)
<b>INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		498 319	(245 783)
<b>CASH AND CASH EQUIVALENTS</b>			
- BEGINNING OF THE YEAR		(253 994)	(8 211)
<b>CASH AND CASH EQUIVALENTS</b>			
- END OF THE YEAR		<b>244 325</b>	<b>(253 994)</b>

## TOWN COUNCIL OF KARIBIB

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

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**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**

Fixed assets are stated at cost or at valuation where assets have been acquired by grant or 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 Internal Funds**

The following Funds were created by the Town Council:

**1.3.1 Housing Fund**

The purpose of this Fund is to provide for housing loans. Income for this Fund is derived from interest earned on secured housing loans and investments as well as profits made on the resale of housing scheme houses. Interest paid on external housing loans is charged to the Fund.

**1.3.2 Capital Reserve Fund**

The purpose of this fund is to build up a general capital reserve to ensure a stable financial position. Income for this fund is derived from general revenue contributions and interest earned on internal loans and investments.

**1.3.3 Fixed Property Fund**

Proceeds from the sale of land developed by the Town Council, interest earned on loans for the sale of land as well as interest earned on internal loans and investments accumulate in this Fund, which is used to develop properties.

**1.3.4 Renewal Fund**

Its purpose is to provide for replacement of assets and for additional depreciation on assets which abnormally decreased in value. Income for this account is derived from general revenue contributions as well as interest earned on investments.

**1.3.5 Build Together Fund**

The purpose of this Fund is to lend money to the low income group of inhabitants to enable them to erect their own residences. Income is derived from Government grants and interest on loans and investments.

**1.4 Capital redemption on loans**

Capital redemptions on external and internal loans are charged against income. A similar amount is credited to the Loan Redemption Fund for the duration of the loan. As and when the loan is fully redeemed the Loan Redemption Fund is transferred to the Revenue Contribution.



## TOWN COUNCIL OF KARIBIB

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

	<b>2011</b>	<b>2010</b>
	N\$	N\$
<b>2. PROPERTY, PLANT AND EQUIPMENT</b>		
Total	<b>7 140 004</b>	<b>7 123 704</b>
<b>3. INVESTMENTS</b>		
INVESTMENTS		
Commercial banks	<b>880 673</b>	<b>601 405</b>
ALLOCATED TO FUNDS		
Housing Fund	185 637	183 077
Revenue Account	285 025	-
Build Together Fund	410 011	416 328
	<b>880 673</b>	<b>601 405</b>
<b>4. SECURED LOANS</b>		
Housing loans - Housing Fund	15 849	15 849
Build Together loans	1 200 958	1 260 903
Loans granted against first mortgage bonds against fixed property	<b>1 216 807</b>	<b>1 276 752</b>
<b>5. TRADE AND OTHER RECEIVABLES</b>		
Services	4 205 346	3 671 632
Value added tax	533 602	590 674
Sundry debtors	62 255	64 596
Provision for doubtful debts	(600 000)	(600 000)
	<b>4 201 203</b>	<b>3 726 902</b>
<b>6. CASH AND BANK BALANCES</b>		
Current account	244 325	(253 994)
	<b>244 325</b>	<b>(253 994)</b>
<b>7. CAPITAL OUTLAY</b>		
Loans redeemed	910 492	841 263
Revenue contributions	2 777 964	2 761 665
General Capital contributions	1 551 973	1 551 973
	<b>5 240 429</b>	<b>5 154 901</b>

## TOWN COUNCIL OF KARIBIB

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

	<b>2011</b>	<b>2010</b>
	N\$	N\$
<b>8. FUNDS AND ACCOUNTS</b>		
Fixed Property Fund	2 208 868	1 905 402
Capital Reserve Fund	243 472	242 739
Renewal Fund	268 248	267 439
Housing Fund	192 162	191 602
Build Together Fund	2 731 152	2 732 481
Revenue account kept in compliance with Section 86(1) of the Local Authority Act, 1992.	(5 578 166)	(6 529 953)
	<b>65 736</b>	<b>(1 190 290)</b>
<b>9. LONG-TERM LIABILITIES</b>		
The Government of Namibia		
Capital section	1 881 195	1 948 049
Housing fund	9 324	9 324
Deposits held	132 372	132 872
	<b>2 022 891</b>	<b>2 090 245</b>
<b>10. TRADE AND OTHER PAYABLES</b>		
Trade creditors	6 006 259	6 072 216
Provisions	347 697	347 697
	<b>6 353 956</b>	<b>6 419 913</b>
<b>11. ADJUSTMENTS TO APPROPRIATION ACCOUNT</b>		
Prior year adjustments	692 698	1 350 714
Surplus - Water account	-	-
	<b>692 698</b>	<b>1 350 714</b>

## TOWN COUNCIL OF KARIBIB

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

	<b>2011</b>	<b>2010</b>
	N\$	N\$
<b>12. CASH GENERATED/(UTILISED) BY OPERATIONS</b>		
NET OPERATING SURPLUS/(DEFICIT) BEFORE TRANSFERS	259 089	(3 799 092)
ADJUSTMENTS FOR:		
- Adjustments to appropriation account	692 698	1 350 714
- Investment income	-	(4 994)
OPERATING (DEFICIT)/SURPLUS BEFORE CHANGES IN WORKING CAPITAL	<u>951 787</u>	<u>(2 453 372)</u>
CHANGES IN WORKING CAPITAL		
Increase in trade and other receivables	(474 301)	(285 590)
(Decrease)/increase in trade and other payables	(65 957)	398 690
	<u>(540 258)</u>	<u>113 100</u>
CASH GENERATED/(UTILISED) BY OPERATIONS	<b><u>411 529</u></b>	<b><u>(2 340 272)</u></b>