



**REPUBLIC OF NAMIBIA**



**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE**  
**TOWN COUNCIL OF OKAKARARA**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014**

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**REPUBLIC OF NAMIBIA**



**TO THE HONOURABLE SPEAKER OF THE NATIONAL ASSEMBLY**

I have the honour to submit herewith my report on the accounts of the Town Council of Okakarara for the financial year ended 30 June 2014, in terms of Article 127(2) of the Namibian Constitution. The report is transmitted to the Honourable Minister of Finance in terms of Section 27(1) of the State Finance Act, 1991, (Act 31 of 1991) to be laid upon the Table of the National Assembly in terms of Section 27(4) of the Act.

**WINDHOEK, September 2015**

**JUNIAS ETUNA KANDJEKE  
AUDITOR-GENERAL**

**REPORT OF THE AUDITOR-GENERAL  
ON THE ACCOUNT OF THE TOWN COUNCIL OF OKAKARARA  
FOR THE FINANCIAL YEAR ENDED  
30 JUNE 2014**

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**1. INTRODUCTION**

The accounts of the Town Council of Okakarara for the year ended 30 June 2014 are being reported on in accordance with the provisions set out in the State Finance Act, 1991 (Act 31 of 1991) and the Local Authorities Act, (Act 23 of 1992).

The firm BDO Chartered Accountants 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 Namibia Dollar and deficits are indicated in brackets.

**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 the Annual Financial Statements were signed later than the three months after the year-end as required by the Act** and it could not have been determined when they were prepared. The letter of representation concerning the financial year is dated 20 March 2015. The audited financial statements are in agreement with the general ledger and are filed in the Office of the Auditor-General. The abridged balance sheet, Annexure A, is a true reflection of the originals.

The following Annexures are also attached to this report:

Annexure B: Abridged income statement

Annexure C: Cash flow statement

Annexure D: Notes to the financial statements

**3. SCOPE OF THE AUDIT**

***Management's responsibility for the financial statements***

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

***Auditor's responsibility***

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

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

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

#### **4. ACKNOWLEDGEMENT**

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

#### **5. AUDIT OBSERVATIONS AND COMMENTS**

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

##### **5.1 Recoverability of debtors (\*)**

A provision for bad and doubtful debts of N\$ 15 006 108 was made by the Town Council for the year ended 30 June 2014. As per the auditors review, the Council has under provided for bad debts by an immaterial amount of N\$ 28 634 (2013: over provided N\$ 581 543).

##### **5.2 Build Together Fund (\*)**

No monthly reconciliations were performed on the Build Together Project. No amortization schedules or any supporting details were provided by the Town Council to verify the loan closing balance as at 30 June 2014.

##### **5.3 Submission of annual financial statements (\*)**

The Accounting Officer of the Town Council failed to submit the annual financial statements on time for the financial year under review to the Office of the Auditor-General for audit purposes. According to the Local Authorities Act, 1992 (Act no. 23 of 1992) annual financial statements need to be submitted within three months after the financial year end as per requirement by Section 87 of the Local Authorities Act.

##### **5.4 Inventory (\*)**

No stock value is recorded in the annual financial statements since prior years, although the auditors observed that there is stock at the Town Council premises. No proper stock control system is in place, which have a negative effect on the operations of the Town Council.

##### **5.5 Consumer deposits (\*)**

List for consumer deposits for the year under review could not be provided to the auditors. The consumer deposits closing balance is N\$ 16 505 which indicates that the consumer deposits maybe inadequate for the year under review.

##### **5.6 Source documents (\*)**

Numerous important source documents for incomes received by the Town Council could not be found, at the time of the audit.

##### **5.7 Fixed assets (\*)**

No supporting documentation of the fixed assets additions amounting to N\$ 335 610 was availed to the auditors. The insurance contract was not made available to the auditors.

## **5.8 Value-Added-Tax (\*)**

Auditors obtained, during the audit, a print out of all taxes from the Receiver of Revenue. The Council's accounts are already handed over to debt management at the Receiver of Revenue's offices. The outstanding VAT balance on this report is N\$ 1 599 453 inclusive of penalties and interest. Several VAT returns are also not reflected as being submitted. There is also an import VAT balance as per this report of N\$ 2 108 208 inclusive of interest and penalties due to these returns not being submitted, the Receiver of Revenue balance will change after submission. Furthermore, the auditors were unable to test VAT owing due to the unavailability of the VAT returns for the year.

## **5.9 Trade and other payables (\*)**

No listing for the sundry creditors to the amount of N\$ 230 624 could be provided by the Council. The Council's accounts are already handed over to debt management at the Receiver of Revenue's offices. The balance of PAYE as at the time of the audit is reflected as N\$ 460 373 inclusive of interest and penalties. The financial statements reflect a balance of N\$ 307 231. Furthermore, the report reflects several outstanding PAYE returns.

## **5.10 Payroll (\*)**

An unexplained difference of N\$ 229 629 was found on the auditors' reconciliation of payroll compared to the earnings reports for the year under review. The Council could also not provide supporting documentation for foreign visits amounting to N\$ 29 684 for audit purposes.

## **5.11 Bank reconciliation (\*)**

Bank reconciliations were not performed for the year under review.

The closing balance on the annual financial statements was the closing bank balance. A comprehensive cash book for the year was not provided in order for the auditors to assess the cashbook balance.

## **5.12 Appropriation account (\*)**

The Council could not provide supporting documentation in respect of journals passed on the appropriation account amounting to N\$ 265 367. Also noted was the fact that the accumulated surplus in the balance sheet of the financial statements did not include the accumulated surplus from prior year amounting to N\$ 3 766 286. This total difference has been disclosed in Annexure C of the financial statements. Management could not give an explanation or provide proof of the difference.

## **5.13 Fixed Property Fund and Housing Fund (\*)**

The Council could not provide supporting documents for the Fixed property fund and Housing fund to the amount of N\$ 917 450 and N\$ 5 389 740 respectively.

## **5.14 Investments (\*)**

Included in the investment balance is an amount of N\$ 2 306 947 (2013: N\$ 1 999 717). The Council could not provide any supporting documentation in respect of this amount. We could thus not ascertain the existence, completeness, accuracy and valuation of this investment.

### **5.15 Income (\*)**

Sale of Erven – An amount of N\$ 307 419 per client financial information could not be verified to supporting documentation.

A difference of N\$ 333 543 was noted on the interest on arrears amount. This was due to the fact that information pertaining to overdue balances for the months of July 2013, August 2013 and November 2013 were not made available to the auditors.

Water Sales – A difference of N\$ 998 008 was arrived at after re-computing the water sales income for the year. This was attributed to the fact that consumption reports for September 2013, December 2013 and January 2014 were not made available.

### **5.16 Expenditure**

There was no authorisation for the overspending on the cleaning services vote. The vote was overspent by N\$ 114 269.

The Council could not provide supporting documentation for capital outlay expenditure for the year amounting to N\$ 1 896 136.

Bulk water purchases – the water expenses per Namwater invoices amounts to N\$ 1 373 137 while the general ledger has an amount of N\$ 978 925. No explanation was obtained for the difference.

### **5.17 Going Concern**

The auditors draw attention to the balance as at 30 June 2014 of the Town Council which indicates that as of that date, the current liabilities exceed its current assets. These conditions indicate the existence of material uncertainties which may cast doubt on Councils ability to continue as a going concern unless central Government provides funding for future operations.

## 6. FINANCIAL RESULTS

|   | Revenue    | Expenditure | Surplus/<br>(deficit) | Balance          |
|---|------------|-------------|-----------------------|------------------|
|   | N\$        | N\$         | N\$                   | N\$              |
| Accumulated surplus<br>as at 01/07/2013                 |            |             |                       | ** 3 766 286     |
| <b>General Services</b>                                 |            |             |                       |                  |
| Non-profitable  | 13 335 948 | 10 731 223  | 2 604 725             |                  |
| Self-supporting   | 818 111    | 753 932     | 64 179                |                  |
| <b>Trade Accounts</b>                                   |            |             |                       |                  |
| Electricity   | 163 595    | -           | 163 595               |                  |
| Water   | 3 232 902  | 1 386 221   | 1 846 681             |                  |
|   | 17 550 556 | 12 871 376  | 4 679 180             | 4 679 180        |
| Surplus for the year                                    |            |             |                       | 8 445 466        |
| Adjustments and utilizations (See Note 10, Annexure D.) |            |             |                       | ** 265 367       |
| Accumulated surplus 30/06/2014                          |            |             |                       | <b>8 710 833</b> |

\*\* The balance sheet of the Council's financial statements does not include the accumulated surplus brought forward from 2013. Consequently, a total difference amounting to N\$ 4 031 653 being brought forward a surplus as at 01/07/2013 of N\$ 3 766 286 and appropriation adjustment of N\$ 265 367 was noted and disclosed as an unaccounted difference on the cash flow statement on Annexure C.

## 7. CURRENT BANK ACCOUNT

The bank statements reflected a favourable balance for N\$ 295 099 (2013: N\$ 210 460).

|  | 2014           | 2013           |
|--|----------------|----------------|
|  | N\$            | N\$            |
| Cash-book balance at 30 June - Balance sheet | 295 099        | (1 552 077)    |
| Outstanding cheques                          | -              | -              |
| Unexplained differences                      | -              | 1 762 537      |
| Balance as per bank statements               | <b>295 099</b> | <b>210 460</b> |

No bank reconciliation was provided by the Council. No comprehensive cash book was provided by the Council.

## 8. INVESTMENTS AND INTEREST PROCEEDS

On 30 June 2014 there was N\$ 8 474 700 (2013: N\$ 8 683 138) invested at financial institutions, as follows:

|  | <b>2014</b>      | <b>2013</b>      |
|--|------------------|------------------|
|  | N\$              | N\$              |
| Investments were allocated to the following Funds:                                 |                  |                  |
| Bank   | 4 016            | 519 684          |
| Veiina Tobias  | 2 306 947        | 1 999 717        |
| Cenored  | 6 163 737        | 6 163 737        |
|  | <b>8 474 700</b> | <b>8 683 138</b> |
| Investment interest for 2014: N\$ 7 803 (2013: N\$ 0.00) were earned for the year. |                  |                  |

|                         | <b>Investment<br/>2014</b> | <b>Interest<br/>2014</b> | <b>Investment<br/>2013</b> | <b>Interest<br/>2013</b> |
|-------------------------|----------------------------|--------------------------|----------------------------|--------------------------|
|                         | N\$                        | N\$                      | N\$                        | N\$                      |
| Revenue (Cenored)       | 6 163 737                  | -                        | 6 163 737                  | -                        |
| Revenue (Veiina Tobias) | 2 306 947                  | -                        | 1 999 717                  | -                        |
| Housing Fund            | 3 233                      | -                        | 448 537                    | -                        |
| Fixed Property Fund     | 783                        | 7 803                    | 71 147                     | -                        |
|                         | <b>8 474 700</b>           | <b>7 803</b>             | <b>8 683 138</b>           | <b>-</b>                 |

## 9. FUND ACCOUNTS

The position of the Fund accounts at the end of the year is shown in Note 2 of Annexure D.

## 10. TRADE ACCOUNTS

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

|                                | <b>2014</b>    | <b>2013</b>    |
|--------------------------------|----------------|----------------|
|                                | N\$            | N\$            |
| Sales                          | 163 595        | 258 459        |
| Cost of Sales (Bulk purchases) | -              | -              |
| <b>Gross profit</b>            | <b>163 595</b> | <b>258 459</b> |
| Other income                   | -              | -              |
| <b>Net profit</b>              | <b>163 595</b> | <b>258 459</b> |
| Gross loss % on cost of sales  | -              | -              |
| Net loss % on cost of sales    | -              | -              |

**10.2** The distribution losses for electricity could not be determined due to inadequate record keeping.

**10.3** The results of operations of water were as follows:

|                                 | <b>2014</b>      | <b>2013</b>        |
|---------------------------------|------------------|--------------------|
|                                 | N\$              | N\$                |
| Sales                           | 3 200 236        | 2 601 440          |
| Cost of Sales (Bulk purchases)  | (978 925)        | (1 807 242)        |
| <b>Gross profit</b>             | <b>2 221 311</b> | <b>794 198</b>     |
| Expenses (net)                  | (374 630)        | (4 513 866)        |
| <b>Net surplus/(deficit)</b>    | <b>1 846 681</b> | <b>(3 719 668)</b> |
| Gross profit % on cost of sales | (2.27%)          | 43.95%             |
| Net loss % on cost of sales     | (1.89%)          | (205.82%)          |

**11. SELF-SUPPORTING SERVICES**

The net results of self-supporting services were as follows:

|                    | <b>Income<br/>2014</b> | <b>Expenses<br/>2014</b> | <b>Surplus/(Loss)<br/>2014</b> | <b>Surplus/(Loss)<br/>2013</b> |
|--------------------|------------------------|--------------------------|--------------------------------|--------------------------------|
|                    | N\$                    | N\$                      | N\$                            | N\$                            |
| Cleansing services | 418 122                | 674 269                  | (256 147)                      | (465 464)                      |
| Sewerage           | 399 989                | 79 663                   | 320 326                        | 550 410                        |
|                    | <b>818 111</b>         | <b>753 932</b>           | <b>64 179</b>                  | <b>84 946</b>                  |

**12. FRUITLESS, UNAUTHORIZED OR AVOIDABLE EXPENDITURE**

Council did not receive authorisation for overspending an amount of N\$ 114 269 for cleaning services.

**13. SUSPENSE ACCOUNTS**

No money was accounted for in suspense accounts during the year under review.

**14. IRREGULARITIES AND LOSSES**

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

## 15. CAPITAL PROJECTS

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

|                                    |                 | <b>Financed by</b> | <b>Total</b>       | <b>Total</b>       |
|------------------------------------|-----------------|--------------------|--------------------|--------------------|
|                                    | <b>External</b> | <b>Revenue</b>     | <b>Expenditure</b> | <b>Expenditure</b> |
|                                    | <b>loans</b>    | <b>account</b>     | <b>2014</b>        | <b>2013</b>        |
|                                    | N\$             | N\$                | N\$                | N\$                |
| Council's general expenses         | -               | 8 696              | 8 696              | 158 260            |
| Finance department                 | -               | -                  | -                  | 17 261             |
| Town engineers dept                | -               | -                  | -                  | 5 841              |
| Town clerks dept CEO dept          | -               | -                  | -                  | 3 474              |
| Streets, storm water and sidewalks | -               | -                  | -                  | 3 032 718          |
| General administration             | 335 610         | -                  | 335 610            | -                  |
| Sanitation and cleaning            | -               | -                  | -                  | -                  |
| Town planning                      | -               | 7 317              | 7 317              | 375 335            |
| Water supply                       | -               | -                  | -                  | 3 736 643          |
|                                    | <b>335 610</b>  | <b>16 013</b>      | <b>351 623</b>     | <b>7 329 891</b>   |

## 16. BURSARIES

No bursaries were granted during the year under review.

## 17. CONTRIBUTIONS, GRANTS AND FINANCIAL AID

The Ministry of Regional and Local Government, Housing and Rural Development funded the Town Council with a grant of N\$ 1 500 000 to fund the Capital Projects for the year under review.

## 18. COMPENSATION PAYMENTS

No compensation payments were made during the year under review.

## 19. VISITS TO FOREIGN COUNTRIES

Foreign visits amounted to N\$ 29 684 (2013: N\$ 403 751) for the year under review.

## 20. CLAIMS AGAINST THE LOCAL AUTHORITY

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

## 21. GIFTS / DONATIONS BY / TO THE LOCAL AUTHORITY

Donations of N\$ 20 019 (2013: Nil) were made.

**22. TRANSFER OF PROPERTY TO / FROM GOVERNMENT**

No properties were transferred from the Ministry of Local Government and Housing for the year under review.

**23. DEBTORS AND CREDITORS****23.1 Debtors at 30 June were:**

|                               | <b>2014</b>      | <b>2013</b>      |
|-------------------------------|------------------|------------------|
|                               | N\$              | N\$              |
| Services                      | 16 944 807       | 14 269 804       |
| Less: Provision for bad debts | (15 006 108)     | (13 157 278)     |
| Sundry debtors                | -                | -                |
|                               | <b>1 938 699</b> | <b>1 112 526</b> |

**23.2 Creditors at 30 June were:**

|                            | <b>2014</b>      | <b>2013</b>      |
|----------------------------|------------------|------------------|
|                            | N\$              | N\$              |
| Trade creditors            | 1 000            | 508 373          |
| Receiver of Revenue – VAT  | 3 476 491        | 1 301 045        |
| Regional Council Fees      | 184 808          | -                |
| Receiver of Revenue - PAYE | 307 231          | -                |
| Namwater                   | 405 355          | -                |
| Sundry creditors           | 230 624          | -                |
| Consumer deposits          | 16 505           | 2 185            |
| Provision for leave        | 404 583          | 890 231          |
| Audit fees                 | -                | 40 000           |
|                            | <b>5 026 596</b> | <b>2 741 834</b> |

**24. ASSESSMENT RATES**

|   | <b>2014</b> | <b>2013</b> |
|---|-------------|-------------|
|   | N\$         | N\$         |
| Net proceeds from assessment rates were             | 4 304 846   | 3 520 706   |
| Tariffs per N\$ 1 valuation per annum - Business    |             |             |
| Valuation per annum                                 |             |             |
| - Land  | 0.02625     | 0.0250      |
| - Improvements                                      | 0.008925    | 0.0850      |
| Tariffs per N\$ 1 valuation per annum - Residential |             |             |
| Valuation per annum                                 |             |             |
| - Land  | 0.01575     | 0.0750      |
| - Improvements                                      | 0.007875    | 0.0150      |

## 25. LOANS

### 25.1 External loans

External loans outstanding at year-end amounted to N\$ 281 486 (2012: N\$ Nil).

### 25.2 Internal loans

No internal loans were advanced or received during the year under review.

### 25.3 Housing loans

The amount advanced in favour of housing loans under the Build Together programme are reflected as N\$ 5 304 468 (2013: N\$ 4 590 478) in the annual financial statements.

## 26. SALE OF ERVEN

The income as per financial statements amounted to N\$ 307 419 (2013: N\$ 323 396) for the year under review.

## 27. PROPERTY SOLD ON INSTALLMENT BASIS

No details of houses that were sold on an instalment basis during the years under review could be provided.

## 28. TARIFF ADJUSTMENTS

All tariff adjustments were in accordance with the relevant Official Government Gazette, although some customers rates were not appropriately adjusted.

## 29. APPROVALS

### 29.1 Excess on approved budget

Excess expenditure was noted on the cleaning material vote on which the actual budget was overspent by N\$ 114 269. No proof of approval of the excess expenditure was made available.

## 30. STOCK AND EQUIPMENT

### 30.1 Motor vehicles and values thereof:

No proper record was kept for the vehicles sold and disposal for the year and to determine fuel consumption during the year under review.

|                                | LDV's and Combie's |               | Heavy duty vehicles<br>(Lorries and busses) |                |
|--------------------------------|--------------------|---------------|---|----------------|
|                                | No                 | N\$           | No  | N\$            |
| On hand as at 01/07/2013       | 5                  | 70 125        | 4   | 240 000        |
| Acquisitions during the year * | -                  | -             | -   | -              |
| Less: Depreciation/Correction* | -                  | -             | -   | -              |
| Less: Withdrawal *             | -                  | -             | -   | -              |
| On hand 30/06/2014*            | <b>5</b>           | <b>70 125</b> | <b>4</b>                                    | <b>240 000</b> |

### **31. SPECIAL INVESTIGATIONS**

The auditors are not aware of any special investigation concluded on the affairs of the Council.

### **32. GENERAL**

#### **32.1 Internal controls**

The accounting and internal controls were found to be inadequate. Proper segregation of duties is not feasible due to the small number of staff employed. While increased management involvement reduces risks, the risk arises that management and Council override existing controls, a potentially dangerous practice, which Council should vigilantly guard against.

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

**33.1** Formal queries are embodied in this report.  
Informal queries addressed to the Accounting Officer.

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

The accounts of the Okakarara Town Council for the financial year ended 30 June 2014, summarized in Annexure A to D, were audited by me in terms of provisions of Section 85 of the Local Authorities Act, 1992 read with Section 25(1) of the State Finance Act, 1991.

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

- The inventory value at year end was not accounted for in the financial statements.
- Provision for bad debts was under provided with N\$ 15 006 108 which is eighty nine percent (89%) of total debt.
- The listing of consumer deposits could not be provided.
- Funds to the amount of N\$ 6 307 190 was not tested due to lack of supporting documents.
- Payroll reconciliation reflects an overstatement of N\$ 229 629.
- The PAYE returns were not available to check on the compliance of the Council with the Namibian Income Tax Act.
- Property, plant and equipment additions for the year to the amount of N\$ 335 610 could not be supported.
- Water consumption reports have a difference of N\$ 998 008.
- Incomplete VAT Returns.
- Sale of Erven – An amount of N\$ 307 419 per client financial information could not be verified to supporting documentation.
- Secured loans (Build together) amounting to N\$ 5 304 468 could not be tested due to lack of supporting documents.
- The Council could not substantiate or explain the journals processed on the appropriation

account to the amount of N\$ 265 367.

- A balance of N\$ 3766 286 was not carried forward from previous year.
- No monthly bank reconciliations are performed by the Council.
- The Council could not provide supporting documentation for an amount of N\$ 2 306 947.
- Auditors could thus not ascertain the existence, completeness, accuracy and valuation of this investment.
- Council could not provide proof that the cleaning services overspent by N\$ 114 269 were authorised.
- Trade and other payables – No listing could be provided for the sundry creditors of N\$ 230 624.

**WINDHOEK, September 2015**

**JUNIAS ETUNA KANDJEKE  
AUDITOR-GENERAL**

## TOWN COUNCIL OF OKAKARARA

## BALANCE SHEET ON 30 JUNE 2014

|                                     | Notes | 2014<br>N\$       | 2013<br>N\$       |
|-------------------------------------|-------|-------------------|-------------------|
| <b>ASSETS</b>                       |       |                   |                   |
| <b>Non-current assets</b>           |       |                   |                   |
| Property, plant and equipment       | 3     | 34 828 694        | 36 322 981        |
| Secured loans                       | 7     | 21 049 525        | 23 049 365        |
| Investments                         | 4     | 5 304 468         | 4 590 478         |
|                                     |       | 8 474 700         | 8 683 138         |
| <b>Current assets</b>               |       |                   |                   |
| Accounts receivables                | 5     | 2 233 798         | 1 112 526         |
| Cash and cash equivalents           | 8     | 1 938 699         | 1 112 526         |
|                                     |       | 295 099           | -                 |
| <b>TOTAL ASSETS</b>                 |       | <b>37 062 492</b> | <b>37 435 507</b> |
| <b>EQUITY AND LIABILITIES</b>       |       |                   |                   |
| <b>Funds</b>                        |       |                   |                   |
| Funds and accounts                  | 2     | 32 035 896        | 33 141 596        |
| Accumulated funds                   | 2     | 21 049 525        | 23 049 365        |
|                                     |       | 10 986 371        | 10 092 231        |
| <b>Current liabilities</b>          |       |                   |                   |
| Accounts Payables                   | 6     | 5 026 596         | 4 293 911         |
| Bank overdraft                      | 8     | 5 026 596         | 2 741 834         |
|                                     |       | -                 | 1 552 077         |
| <b>TOTAL EQUITY AND LIABILITIES</b> |       | <b>37 062 492</b> | <b>37 435 507</b> |

## TOWN COUNCIL OF OKAKARARA

## INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2014

|  | Notes | 2014             | 2013             |
|--|-------|------------------|------------------|
|  |       | N\$              | N\$              |
| INCOME   |       | 17 550 556       | 22 405 590       |
| EXPENDITURE                                    |       | (12 871 376)     | (19 252 624)     |
| NET OPERATING PROFIT / (LOSS)                  |       | 4 679 180        | 3 152 966        |
| INVESTMENT INTEREST EARNED                     |       | -                | -                |
| NET PROFIT / (LOSS)                            |       | 4 679 180        | 3 152 966        |
| ADJUSTMENTS                                    | 10    | 265 367          | 519 261          |
| NET PROFIT / (LOSS) for the year               |       | 4 944 547        | 3 672 227        |
| APPROPRIATION ACCOUNT AT BEGINNING OF THE YEAR |       | 3 766 286        | 94 059           |
| APPROPRIATION ACCOUNT AT END OF YEAR           |       | <b>8 710 833</b> | <b>3 766 286</b> |

## TOWN COUNCIL OF OKAKARARA

## CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE

|  | Notes | 2014<br>N\$    | 2013<br>N\$        |
|--|-------|----------------|--------------------|
| Cash receipts from customers   |       | 17 550 559     | 22 405 590         |
| Cash paid to suppliers   |       | (23 953 695)   | (21 454 842)       |
| <i>Cash generated / (utilised) by operations</i>                     | 11    | 6 403 136      | 950 748            |
| Investment income  |       | -              | -                  |
| Movements in funds   |       | (2 018 595)    | 4 923 731          |
| - Funds accounts   |       | (18 755)       | (33 725)           |
| - Capital outlay excluding loans redeemed                            |       | (1 999 840)    | 4 890 066          |
| <i>Net cash flow from operating activities</i>                       |       | 4 384 541      | 5 874 381          |
| <b><i>CASH FLOW FROM INVESTING ACTIVITIES</i></b>                    |       | 1 494 288      | (6 399 932)        |
| Net capital expenditure  |       | 1 999 840      | (4 873 130)        |
| (Increase) / decrease in loans                                       |       | (713 990)      | (1 744 106)        |
| (Increase) / decrease in investments                                 |       | 208 438        | 234 180            |
| (Increase) / decrease in long term liabilities                       |       | -              | (16 876)           |
| <b><i>NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS</i></b> |       | 5 878 829      | (525 551)          |
| Cash and cash equivalents at beginning of year                       |       | (1 552 077)    | (1 026 526)        |
| **Difference unaccounted for   |       | (4 031 653)    | -                  |
| Cash and cash equivalents at end of year                             |       | <b>295 099</b> | <b>(1 552 077)</b> |

\*\* The unaccounted difference is made up of the accumulated surplus for the prior year of N\$ 3 766 286 plus the previous year adjustments on the appropriation account amounting to N\$ 265 367. These amounts are not included as part of accumulated surplus for the 2014 financial year in the Council's balance sheet.

## TOWN COUNCIL OF OKAKARARA

NOTES TO THE ANNUAL FINANCIAL STATEMENTS AT 30 JUNE 2014

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**1 ACCOUNTING POLICIES****1.1 Basis of presentation**

The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain property, plant and equipment, marketable securities and investment properties where appropriate.

**1.2 Property, plant and equipment and depreciation**

All plant and equipment are initially recorded at cost. Cost includes all costs directly attributable to bringing the assets to working condition for their intended use. All other plant and equipment are stated at historical cost or valuation where applicable.

Depreciation of fixed assets ranged from 5 to 15 years.

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimation recoverable amount, the assets or cash generating units are written down to their recoverable amount.

**1.3 Cash and cash equivalents**

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks and investments in money market instruments, net of bank overdrafts. In the balance sheet, bank overdrafts are included in current liabilities.

**1.4 Fixed property fund**

Proceeds from the sale of land that has been developed by the Town Council accumulates in this Fund. Cost incurred on the development of land is charged to this fund.

No sale of erven was recorded in the annual financial statements.

**1.5 Housing Fund**

The purpose of this Fund is to provide for housing loans. Income to this Fund is transferred from the general income statement account, external loans from Government and interest on investments and loans.

**1.6 Capital Reserve Fund**

This Fund was created to make provision for unforeseen expenditures as approved by the Council.

## TOWN COUNCIL OF OKAKARARA

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

|  | <b>2014</b>       | <b>2013</b>       |
|--|-------------------|-------------------|
|  | N\$               | N\$               |
| <b>2. OWN FUNDS</b>  |                   |                   |
| <b>2.1 Financing of capital:</b>   |                   |                   |
| Contribution from:   | <b>21 049 525</b> | <b>23 049 365</b> |
| Revenue contributions  | 9 781 285         | 12 265 066        |
| General capital contributions  | 10 986 754        | 10 784 299        |
| Loan contributions   | 281 486           | -                 |
| <b>2.2 Funds</b>   | <b>10 986 371</b> | <b>10 092 231</b> |
| Capital Reserve Fund   | 917 450           | 917 450           |
| Built Together Fund  | 5 389 740         | 5 408 495         |
| Accumulated surplus  | 4 679 181         | 3 766 286         |
| <b>TOTAL FUNDS</b>   | <b>32 035 896</b> | <b>33 141 596</b> |
| <b>3. FIXED ASSETS</b>   |                   |                   |
| Infrastructure, land and buildings, motor vehicles, office equipment, furniture and fittings and computer equipment. |                   |                   |
|  | <b>21 049 525</b> | <b>23 049 365</b> |
| Financed from:   |                   |                   |
| Revenue account  | 21 049 525        | 23 049 365        |
|  | <b>21 049 525</b> | <b>23 049 365</b> |
| Financed from:   |                   |                   |
| Revenue contributions  | 9 781 285         | 12 265 066        |
| General capital contributions  | 10 986 754        | 10 784 299        |
| Loans  | 281 486           | -                 |
| Loans redeemed   | -                 | -                 |
|  | <b>21 049 525</b> | <b>23 049 365</b> |
| <b>4. INVESTMENTS</b>  |                   |                   |
| Commercial banks   | 8 474 700         | 8 683 138         |
|  | <b>8 474 700</b>  | <b>8 683 138</b>  |
| Comprising of:   |                   |                   |
| Banks  | 4 016             | 519 684           |
| Veina Tobias   | 2 306 947         | 1 999 717         |
| Cenored  | 6 163 737         | 6 163 737         |
|  | <b>8 474 700</b>  | <b>8 683 138</b>  |

## TOWN COUNCIL OF OKAKARARA

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS AT 30 JUNE 2014 (continued)

|  | <b>2014</b>      | <b>2013</b>      |
|--|------------------|------------------|
|  | N\$              | N\$              |
| <b>5. ACCOUNTS RECEIVABLE</b>                  |                  |                  |
| Consumers                                      | 16 944 807       | 14 269 804       |
| Less: Provision for bad debts                  | (15 006 108)     | (13 157 278)     |
| Sundry debtors                                 | -                | -                |
|  | <b>1 938 699</b> | <b>1 112 526</b> |
| <b>6. ACCOUNTS PAYABLES</b>                    |                  |                  |
| Trade payables                                 | 1 000            | 508 373          |
| Receiver of Revenue - VAT                      | 3 476 491        | 1 301 045        |
| Consumer deposits                              | 16 505           | 2 185            |
| Provision for leave                            | 404 583          | 890 231          |
| Receiver of Revenue – PAYE                     | 307 231          | -                |
| Regional Council fees                          | 184 808          | -                |
| Namwater                                       | 405 355          | -                |
| Sundry creditors                               | 230 624          | -                |
| Audit fees                                     | -                | 40 000           |
|  | <b>5 026 596</b> | <b>2 741 834</b> |
| <b>7. LONG-TERM LIABILITIES</b>                |                  |                  |
| External loans                                 | 281 486          | -                |
|  | <b>281 486</b>   | -                |
| <b>8. SECURED LOANS</b>                        |                  |                  |
| Loans granted for housing                      | 5 304 468        | 4 590 478        |
|  | <b>5 304 468</b> | <b>4 590 478</b> |
| <b>9. CASH AND BANK BALANCES</b>               |                  |                  |
| Current bank account                           | 295 099          | (1 552 077)      |
| Outstanding cheques transferred to creditors   | -                | -                |
| Outstanding deposits                           | -                | 1 762 537        |
|  | <b>295 099</b>   | <b>210 460</b>   |
| <b>10. ADJUSTMENTS AND UTILIZATIONS</b>        |                  |                  |
| Adjustments - relating to prior year           | 265 367          | 519 261          |
| Adjustments-Built Together Fund (Housing Fund) | -                | -                |
|  | <b>265 367</b>   | <b>519 261</b>   |

## TOWN COUNCIL OF OKAKARARA

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS AT 30 JUNE 2014 (continued)

|   | <u>2014</u>                 | <u>2013</u>                 |
|---|-----------------------------|-----------------------------|
|   | N\$                         | N\$                         |
| <b>11. CASH UTILISED BY OPERATIONS</b>                        |                             |                             |
| A. Cash utilised/(absorbed) by operations                     |                             |                             |
| Net profit/(loss) before investment interest and adjustments. | 4 679 180                   | 3 152 966                   |
| Adjustment on appropriation account                           | 265 367                     | 519 261                     |
| <br>OPERATING INCOME BEFORE CHANGES IN WORKING CAPITAL        | <br><u><b>4 944 547</b></u> | <br><u><b>3 672 227</b></u> |
| B. Utilized to increase working capital                       |                             |                             |
| Decrease in accounts receivable                               | (826 173)                   | 93 633                      |
| (Decrease) / increase in accounts payable                     | <u>2 284 762</u>            | <u>(2 815 210)</u>          |
|   | <u>1 458 590</u>            | <u>(2 721 577)</u>          |
| <br>CASH GENERATED / (UTILISED) BY OPERATIONS                 | <br><u><b>6 403 136</b></u> | <br><u><b>950 748</b></u>   |