



REPUBLIC OF NAMIBIA

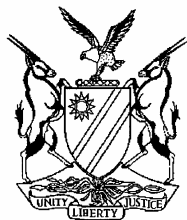


**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE
MUNICIPALITY OF KARASBURG
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008**

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REPUBLIC OF NAMIBIA



TO THE HONOURABLE SPEAKER OF THE NATIONAL ASSEMBLY

I have the honour to submit herewith my report on the accounts of the Municipality of Karasburg for the financial year ended 30 June 2008, 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, February 2009

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE
MUNICIPALITY OF KARASBURG
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008**

1. INTRODUCTION

The accounts of the Karasburg Municipality for the year ended 30 June 2008 are being reported on in accordance with the provisions set out in the State Finance Act, 1991 (Act 31 of 1991) and the Local Authorities Act, 1992 (Act 23 of 1992).

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

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

2. FINANCIAL STATEMENTS

The Municipality's financial statements were submitted to the Auditor-General by the Accounting Officer in compliance with Section 87 (1) of the Local Authorities Act, 1992. The audited financial statements are in agreement with the general ledger and are filed in the Office of the Auditor-General. The abridged balance sheet at 30 June 2008, 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 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 controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

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

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

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

4. AUDIT OBSERVATIONS AND COMMENTS

4.1 Bad and doubtful debts

The average collection period of trade receivables, before taking the provision for bad debts into account, is 247,5 days (2007: 226,7 days). The average collection period of trade receivables, after taking the provision for bad debts into account, is 45,5 days (2007: 72,8 days). The recoverability of outstanding debts remains a serious concern and is still a major threat to the cash flow of the Municipality. The auditors are of the opinion that the provision for bad debts is now sufficient.

4.2 Loans in arrears

The continuation of the Municipality's activities is dependent on the outcome to further negotiations with the Government to either further extend the postponement of redemption payments on the loans in arrears or to write them off. Although the premium where applicable is still provided against the loans (to reflect a reasonable and realistic value of services rendered) no provision for interest was made on arrear payments.

The writing off of these loans together with the improvement of debt collection referred to above will have a major effect on the Municipality's ability to meet its short term commitments.

4.3 Going concern

The continuation of profitable operations by the Municipality remains a problem due to the low level of economic activities in the south and more so in the Karasburg area. The ability to continue as a going concern is mainly dependent on the following:

- (i) The ability of the home owners and other users of services provided by the Council to pay for such services rendered;
- (ii) The willingness of Government to write off the loans in arrears as their contribution to help solving the problem.

4.4 Inventory control

All purchases, except fuel and oil, are still written off on date of purchase. Although this practice is financially prudent it can lead to inadequate accounting and physical control over these items.

4.5 Inventories

The auditors did not observe the counting of inventories on 30 June 2008, as they were not appointed at that time. There were no alternative practical audit procedures that the auditors could perform to confirm the existence and value of inventories on hand at year-end.

4.6 Books of account and internal control

As is common in smaller organisations, the number of staff employed does not make it possible to institute proper internal control over all activities by allocating tasks to different people. The books of the Municipality were found to be up to date and accurate and information needed to complete the audit was available and very well presented despite the fact that a major part of the task is still done by hand.

5. ACKNOWLEDGEMENT

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

6. FINANCIAL RESULTS

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

	Revenue	Expenditure	Surplus/ (Deficit)	Balance
	N\$	N\$	N\$	N\$
Accumulated deficit 01/07/2007				(1 506 146)
General accounts				
- Non-profitable	1 120 272	1 627 016	(506 744)	
- Self-supporting	1 885 365	1 772 438	112 927	
Trade accounts				
- Abattoir	6 600	4 721	1 879	
- Water	2 718 693	2 669 027	49 666	
- Electricity	567 825	78 525	489 300	
Surplus for the year	6 298 755	6 151 727	147 028	147 028
Adjustments and utilizations (Note 12)				(1 359 118)
				(835 841)
Accumulated deficit 30/06/2008				(2 194 959)

7. CURRENT BANK ACCOUNT

	2008	2007
	N\$	N\$
Favourable cash-book balance on 30 June	190 907	322 339
Outstanding deposits	(24 549)	(28 367)
Deposits on bank statement - Recorded in July cash-book	130 480	100 903
Outstanding cheques	458 552	336 778
Bank balance at 30 June	755 390	731 653

8. INVESTMENTS AND INTEREST PROCEEDS

On 30 June the investments were as follows:

	2008	2007
	N\$	N\$
Fixed deposits	1 762 695	2 246 869

The investments were allocated as follows between the Funds:

	2008		2007	
	Interest	Investment	Interest	Investment
	N\$	N\$	N\$	N\$
Capital Reserve Fund	3 396	31 668	2 391	31 668
Fixed Property Fund	1 910	17 645	1 345	17 645
Housing Fund	121 089	1 141 463	85 575	1 141 463
Renewal Fund	20 270	191 466	26 301	352 235
Betterment Fund	5 625	52 591	3 885	52 591
Houses Maintenance Fund	-	-	10 535	141 405
Mayoral Chain Fund	1 698	16 466	1 195	16 466
Computer Replacement Fund	4 033	38 396	2 839	38 396
Build Together Fund	28 981	273 000	39 749	455 000
	187 002	1 762 695	173 815	2 246 869

9. FUND ACCOUNTS

The position of the Funds and accounts at year-end was as shown in note 9 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\$ 1 844 093 (2007: N\$ 1 601 338) 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:

	Electricity		Water	
	2008	2007	2008	2007
	N\$	N\$	N\$	N\$
Royalty/Sales	567 825	525 562	2 633 522	2 511 386
Cost of bulk purchases	-	-	(1 735 892)	(1 812 826)
Gross profit on bulk purchases	567 825	525 562	897 630	698 560
Net expenditure	(78 525)	(128 578)	(847 964)	(804 084)
Net surplus/(deficit)	489 300	396 984	49 666	(105 524)
Gross profit percentages on bulk purchases			51.7%	38.5%
Net profit/(loss) percentage on bulk purchases			2.9%	(5.8%)

The Municipality appointed Southern Electricity Company (Pty) Ltd (SELCO) as management and operations contractor of the Municipality's electricity network for a period of fifteen years, during which period SELCO shall have sole and exclusive responsibility for the management, operations, administration and maintenance of the network, and to regulate matters pertaining thereto.

SELCO pays to the Municipality a royalty of 11,22 cent (2007: 8,92 cent) per kilowatt/hour of all electricity provided by the bulk supplier. As of the effective date of the project, any loss or profit has been for the account of SELCO. SELCO collects all monies due in respect of services rendered and pays all expenses related to the provision of services. This agreement came into effect at the end of October 2000.

10.2 Distribution results were as follows:

	Water	
	2008 Cubic meter	2007 Cubic meter
Sales	214 810	226 990
Purchases	258 421	271 981
Loss	(43 611)	(44 991)
Percentage loss in units purchased	(16.9%)	(16.5%)

Distribution losses have increased by 0,4% (2007: 1,7%) and are still a matter of concern and once again it is strongly recommended that the Council should conduct an investigation into this matter to determine the main reasons pertaining thereto. This therefore indicates that these services are not operated on a sound financial basis.

11. SELF-SUPPORTING SERVICES

11.1 The results for the year under review are as follows:

	2008	2007
	N\$	N\$
Commonage	(12 160)	(1 294)
Sanitation	42 813	104 179
Lordsville housing	4 571	17 018
Westerkim housing	10 559	16 979
Natis	67 144	41 780
Surplus for the year	112 927	178 662

12. FRUITLESS, UNAUTHORIZED OR AVOIDABLE EXPENDITURE

No such expenses were revealed during the audit.

13. SUSPENSE ACCOUNTS

Control accounts were cleared on a regular basis.

14. IRREGULARITIES AND LOSSES

No irregularities and losses were revealed during the audit.

15. CAPITAL PROJECTS

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

Nature of projects/ acquisitions	Financed by			Total expenditure 2008	Total expendi- ture 2007
	Revenue account	General capital	Internal loans		
Council's general expenses	N\$ -	N\$ 91 880	N\$ -	N\$ 91 880	N\$ 133 360
Public buildings	3 245	-	-	3 245	2 673
Sanitation	-	-	302 174	302 174	-
	3 245	91 880	302 174	397 299	136 033

16. BURSARIES

There were no bursaries granted for the year under review.

17. CONTRIBUTIONS, GRANTS AND FINANCIAL AID RECEIVED FROM GOVERNMENT

There were no such items.

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

	2008
	N\$
Karas Regional Youth Expo	500
Police Public Relations Committee	500
Karasburg Constituency CACOC	500
Just Ladies Football Club	1 000
Junior Town Council	900
Karas Youth Expo	1 000
	4 400

22. TRANSFER OF PROPERTY

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

22.2 There were no transfer 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:

	2008	2007
	N\$	N\$
Assessment rates	1 047 456	922 107
Services	2 539 510	2 171 973
House and site rentals	105 038	112 201
Value added tax	95 749	76 872
Sundry debtors	572	649
Provision for bad debts	(2 926 958)	(2 100 000)
Total	861 367	1 183 802
Analyses of services and general debtors:		
Average monthly levy	440 900	415 058
Rates and service debtors	3 586 966	3 094 080
Average credit terms in days - Before provision for bad debts	247.5	226.7
Average credit terms in days - After provision for bad debts	45.5	72.8
Consumer deposits	169 685	157 710

The recoverability of outstanding debts remains a serious concern and is still a major threat to the cash flow of the Municipality. The auditors are of the opinion that the provision for bad debts is now sufficient.

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

23.2 Trade and other payables at 30 June were:

	2008	2007
	N\$	N\$
Recoverable transfer cost	9 437	11 263
Trade creditors	16 903	10 319
Provision for audit fees	39 500	34 100
Provision for staff leave	173 602	173 602
Loan instalments in arrear	1 120 552	1 101 000
Totals	1 359 994	1 330 284

The loans in arrear exclude any provision for additional interest payable thereon.

In the light of current economic conditions, the Council will not be able to fulfill its commitment in respect of arrear loan instalments after 30 June 2008. This matter has also been addressed in the previous audit reports.

24. ASSESSMENT RATES

Proceeds from assessment rates were N\$ 986 248 (2007: N\$ 984 794). The tariffs for private and business properties during the year were N\$ 0.058 (2007: N\$ 0.058) per dollar per year on the site valuations plus N\$ 0.020 (2007: N\$ 0.020) per dollar per year on the valuation of improvements. N\$ 43 019 has been paid to the Regional Council.

25. LOANS

25.1 External loans

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

	2008	2007
	N\$	N\$
Capital section	497 882	542 813
Loan instalments in arrear (Included in current liabilities)	1 120 552	1 101 000
	1 618 434	1 643 813

The balances as detailed above correspond to the balances per actuarial tables.

As mentioned in paragraph 23.2, loan instalments in arrear have been disclosed under current liabilities as the Government postponed the repayment of interest and capital loans until 30 June 1998. This is consistent with the prior years but it gives rise to concern about the lack of progress between the Council and the Government. As reported last year, Council is urged to finalize an agreement with the Ministry.

No interest on overdue amounts has been provided for.

25.2 Internal loan balances

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

	2008	2007
	N\$	N\$
Fixed Property Fund	117 867	145 701
Betterment Fund	120 000	120 843
Renewal Fund	302 174	-
Totals	540 041	266 544

The balances of the above external and internal loans are in agreement with the balances on the relevant amortization schedules.

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 Housing Fund were as follows:

	2008	2007
	N\$	N\$
Due to the Municipality of Karasburg	8 088	8 914
Due to the Government of Namibia	168 495	185 187

The balances of the loans due to the Government of Namibia were in agreement with the balances on the relevant amortization schedules. Redemption payments were up to date.

The balances due to the Municipality were up to date, interest was correctly calculated and the securities held were in order. Administration and control measures were effectively applied.

26. SALE OF ERVEN

During the current financial year, 11 (2007: 5) erven to the value of N\$ 55 269 (2007: N\$ 21 208) were sold. The amount was allocated to the Fixed Property Fund.

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 vehicles and values thereof:

	Sedan vehicles		LDV's and Combi's		Heavy duty vehicles (Lorries and busses)	
	No	N\$	No	N\$	No	N\$
On hand as at 01/07/2007	1	130 050	4	122 481	7	105 847
Acquisitions during the year	-	-	-	-	1	302 174
Less: Write-off/sold	1	130 050	4	122 481	8	408 021
Less: Depreciation		(13 005)	(1)	(2 700)	(1)	(159)
		(677)		(677)		(10 568)
On hand 30/06/2008	1	117 045	3	119 104	7	397 294
Kilometers travelled		27 881		45 892		**
Total fuel consumption (liters)		3 094.66		5 862.70		12 471.90
Kilometers per liter		9.01		7.83		**

** Kilometers travelled could not be verified, because odometers were damaged.

30.2 Inventory

As at the end of the financial year, stock comprising fuel and lubricants amounted to N\$ 126 451 (2007: N\$ 77 183). Administrative and control measures were effectively applied, with all other items of stock directly expensed to the income statement once incurred.

31. SPECIAL INVESTIGATIONS

There were no special investigations carried out during the year.

32. GENERAL

There is a sufficient system of internal control at the Municipality. Proper segregation of duties is not possible due to the small number of staff employed. While increased management involvement does not 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 The following informal queries were addressed to the Town Clerk:

Deposit on services inadequacy.

34. AUDIT OPINION

The accounts of the Municipality of Karasburg for the financial year ended 30 June 2008, summarised in Annexures A to D, were audited by me in terms of Section 85 of the Local Authority act, 1992, read with Section 25 (1) (b) of the State Finance Act, 1991.

The 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.

In my opinion, the financial statements fairly present the financial position of the Municipality at 30 June 2008 and the results of its operations and cash flows for the year then ended.

WINDHOEK, February 2009

**JUNIAS ETUNA KANDJEKE
AUDITOR- GENERAL**

THE MUNICIPALITY OF KARASBURG

BALANCE SHEET AS AT 30 JUNE

	Note	2008 N\$	2007 N\$
ASSETS			
Non-current assets		4 557 430	4 722 044
Property, plant and equipment	2	2 786 647	2 466 261
Investments	3	1 762 695	2 246 869
Secured loans	4	8 088	8 914
Current assets		1 682 243	2 030 487
Trade and other receivables	5	861 367	1 183 802
Inventories	6	126 451	77 183
Cash and bank balances	7	694 425	769 502
TOTAL ASSETS		6 239 673	6 752 531
FUNDS AND LIABILITIES			
Funds and reserves		4 043 617	4 536 537
Capital outlay	8	1 748 725	1 656 904
Funds and accounts	9	2 294 892	2 879 633
Long-term liabilities	10	836 062	885 710
Current liabilities			
Trade and other payables	11	1 359 994	1 330 284
TOTAL FUNDS AND LIABILITIES		6 239 673	6 752 531

THE MUNICIPALITY OF KARASBURG

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE

	<u>Note</u>	<u>2008</u>	<u>2007</u>
		N\$	N\$
INCOME		6 520 917	5 953 415
EXPENDITURE		<u>(6 373 889)</u>	<u>(5 833 829)</u>
NET OPERATING SURPLUS		147 028	119 586
INVESTMENT INCOME EARNED FOR REVENUE ACCOUNTS		<u>187 002</u>	<u>173 816</u>
NET SURPLUS FOR THE YEAR		334 030	293 402
INTEREST TRANSFERRED TO FUNDS		(187 002)	(173 816)
APPROPRIATION ACCOUNT	12	<u>(835 841)</u>	<u>(926 756)</u>
		(688 813)	(807 170)
ACCUMULATED FUNDS - Beginning of the year		<u>(1 506 146)</u>	<u>(698 976)</u>
ACCUMULATED FUNDS - End of the year		<u>(2 194 959)</u>	<u>(1 506 146)</u>

THE MUNICIPALITY OF KARASBURG

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE

	Note	2008 N\$	2007 N\$
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from customers		6 520 917	6 158 731
Cash paid to suppliers		(7 093 855)	(6 309 092)
Cash utilised by operations	13	(572 938)	(150 361)
Investment income		187 002	173 816
Movement in Fund accounts			
- Increase in Fund accounts		104 072	235 485
- Increase in capital outlay		91 821	151 114
Net cash flow from operating activities		(190 043)	410 054
CASH FLOW FROM INVESTING ACTIVITIES			
Net capital expenditure		(320 386)	(79 112)
Decrease/(increase) in investments		484 174	(62 055)
Decrease in loans receivable		826	842
		164 614	(140 325)
CASH FLOW FROM FINANCING ACTIVITIES			
Decrease in long-term liabilities		(49 648)	(53 410)
		(49 648)	(53 410)
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(75 077)	216 319
CASH AND CASH EQUIVALENTS - BEGINNING OF THE YEAR		769 502	553 183
CASH AND CASH EQUIVALENTS - END OF THE YEAR		694 425	769 502

THE MUNICIPALITY OF KARASBURG

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

1. ACCOUNTING POLICIES

1.1 Introduction

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

1.2 Property, plant and equipment

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 Village 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 House Maintenance Fund - Townships

The purpose of this Fund is to meet maintenance costs on municipal houses in the Lordswille and Westerkim residential areas. Income for this Fund is derived from general revenue contributions and interest earned on investments.

1.3.4 Betterment Fund

The purpose of this Fund is to provide for future improvements of municipal assets. Part of the proceeds of the sale of land as well as interest earned on internal loans and investments are allocated to this Fund.

THE MUNICIPALITY OF KARASBURG

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

1. ACCOUNTING POLICIES (Continued)**1.3.5 Fixed Property Fund**

Proceeds from the sale of land developed by the Municipality, 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.

1.3.6 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.

1.3.7 Other

The Council also created a Mayoral Chain Fund, Computer Replacement Fund and a Build Together Fund to assist the needy population group to build their own houses.

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 Account.

1.5 Inventories

Fuel inventory is valued at cost on the first-in-first-out basis.

	<u>2008</u>	<u>2007</u>
	N\$	N\$
2. PROPERTY, PLANT AND EQUIPMENT		
Property development, vehicles, plant and equipment	<u>2 786 647</u>	<u>2 466 261</u>

3. INVESTMENTS

INVESTMENTS

Fixed deposits	<u>1 762 695</u>	<u>2 246 869</u>
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THE MUNICIPALITY OF KARASBURG

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

	2008	2007
	N\$	N\$
3. INVESTMENTS (continued)		
ALLOCATED TO FUNDS		
Capital Reserve Fund	31 668	31 668
Fixed Property Fund	17 645	17 645
Housing Fund	1 141 463	1 141 463
Renewal Fund	191 466	352 235
Betterment Fund	52 591	52 591
Houses Maintenance Fund	-	141 405
Mayoral Chain Fund	16 466	16 466
Computer Replacement Fund	38 396	38 396
Build Together Fund	273 000	455 000
	1 762 695	2 246 869
4. SECURED LOANS		
Loans granted against first mortgage bonds against fixed property	8 088	8 914
5. TRADE AND OTHER RECEIVABLES		
Assessment rates	1 047 456	922 107
Services	2 539 510	2 171 973
House and site rentals	105 038	112 201
Value added tax	95 749	76 872
Sundry debtors	572	649
Provision for doubtful debts	(2 926 958)	(2 100 000)
	861 367	1 183 802
6. INVENTORY		
Comprising of fuel and lubricants	126 451	77 183
7. CASH AND BANK BALANCES		
Current bank account *	693 765	768 992
Petty cash	660	510
	694 425	769 502

* Including Build Together bank accounts.

THE MUNICIPALITY OF KARASBURG

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

	2008	2007
	N\$	N\$
8. CAPITAL OUTLAY		
Loans redeemed	768 822	703 836
Revenue contributions	755 762	807 010
General Capital contributions	224 141	146 058
	1 748 725	1 656 904
9. FUNDS AND ACCOUNTS		
Capital Reserve Fund	184 659	181 263
Fixed Property Fund	733 650	670 691
Housing Fund	1 362 472	1 249 352
Renewal Fund	880 940	708 729
Betterment Fund	479 644	459 254
Houses Maintenance Fund	-	151 940
Mayoral Chain Fund	21 360	18 662
Computer Replacement Fund	51 268	44 235
Build Together Fund	775 858	901 653
Revenue account kept in compliance with Section 86(1) of the Local Authorities Act, 1992.	(2 194 959)	(1 506 146)
	2 294 892	2 879 633
10. LONG-TERM LIABILITIES		
The Government of Namibia:		
Capital section	497 882	542 813
Housing Fund	168 495	185 187
Deposits held	169 685	157 710
	836 062	885 710

THE MUNICIPALITY OF KARASBURG

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

	2008	2007
	N\$	N\$
11. TRADE AND OTHER PAYABLES		
Recoverable transfer costs	9 437	11 263
Trade creditors	16 903	10 319
Provision for audit fees	39 500	34 100
Provision for staff leave	173 602	173 602
Loan instalments in arrear	1 120 552	1 101 000
	1 359 994	1 330 284
12. ADJUSTMENTS TO APPROPRIATION ACCOUNT		
Capital growth on investment	-	602 126
Cheque refer to drawer	-	(3 030)
Faulty levies	(2 441)	675
Houses sold	-	150
Incorrect receipt	-	(170)
Provision for audit fees	(1 648)	(1 035)
Provision for bad debts	(832 000)	(1 525 518)
Stale cheque	248	46
	(835 841)	(926 756)
13. CASH UTILISED BY OPERATIONS		
NET OPERATING SURPLUS BEFORE TRANSFERS	334 030	293 402
ADJUSTMENTS FOR:		
- Adjustments to appropriation account	(835 841)	(926 756)
- Investment income	(187 002)	(173 816)
- Transfer to Funds	(187 002)	(173 816)
OPERATING DEFICIT BEFORE CHANGES IN WORKING CAPITAL	(875 815)	(980 986)
CHANGES IN WORKING CAPITAL		
Decrease in trade and other receivables	322 435	997 908
Increase in inventories	(49 268)	(25 350)
Increase/(decrease) in trade and other payables	29 710	(141 933)
	302 877	830 625
CASH UTILISED BY OPERATIONS	(572 938)	(150 361)