



REPUBLIC OF NAMIBIA



REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE

TOWN COUNCIL OF REHOBOTH

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

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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 Rehoboth for the financial year ended 30 June 2013, in terms of Article 127(2) of the Namibian Constitution. The report is transmitted to the Honourable Minister of Finance in terms of Section 27(1) of the State Finance Act, 1991, (Act 31 of 1991) to be laid upon the Table of the National Assembly in terms of Section 27(4) of the Act.

WINDHOEK, May 2014

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE
TOWN COUNCIL OF REHOBOTH
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013**

1. INTRODUCTION

The accounts of the Town Council of Rehoboth for the year ended 30 June 2013 are being reported on in accordance with the provisions set out in the State Finance Act, 1991 (Act 31 of 1991) and the Local Authorities Act, 1992 (Act 23 of 1992).

The firm 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 Namibia Dollar. 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. The audited financial statements are in agreement with the general ledger and are filed in the Office of the Auditor-General. The abridged balance sheet at Annexure A is a true reflection of the original signed by the Accounting Officer.

The financial statements also include:

Annexure B: Abridged income statement

Annexure C: Cash flow statement

Annexure D: Notes to the financial statements

3. SCOPE OF THE AUDIT

Management's Responsibility for the Financial Statements

The Accounting Officer of the 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, 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 Old Housing Fund

The Old Housing Fund loans receivable reflect an amount of N\$ 3 124 386. Loan documents provided for audit purposes was partly repaid and the balances written off by the Council, but was not written off on the system.

4.2 Build Together Fund

The Build Together Fund reflects an amount of N\$ 5 105 859 for advances to buyers. Due to the credit amounts on the trade and other receivables of N\$ 473 085, the balance could not be verified. On the verification of the Build Together loans, there were loans that was written off and property sold to other customers for which there is still an outstanding balance on the system.

4.3 Sewerage Fund

The financial statements reflects an amount of N\$ 9 917 338 for the Sewerage Fund. These funds were made available by the Hardap Regional Council for the building of the sewer system of Blok G and the sewer system and a sewer pump station of Blok E. The total project amounted to N\$ 13 407 871 of which only N\$ 9 849 155 was paid to suppliers and contractors for the project. The project could not be completed as the Council used the remaining funds for the upgrading of an existing pump station. There are still outstanding amounts owed to suppliers/contractors that cannot be paid as there is no available funds.

4.4 Capital Development Fund

The financial statements reflects an amount of N\$ 1 178 041 for the Capital Development Fund. The Fund is made up by sale of erven from 10 September 2010 - 2 August 2011 which must be allocated to income.

4.5 Trade and other receivables

On trade and other receivables are credit balances to the amount of N\$ 1 552 314. Included in this amount are the following:

- N\$ 339 493 received from AGRA livestock for commission that was not allocated to the income account;
- N\$ 275 341 received from various customers, which cannot be allocated to the customer accounts as the Council cannot identify to which accounts the payments must be allocated; and
- N\$ 473 085 is settlements on the Build Together loans with the Council that was not allocated to the Build Together accounts.

4.6 Service loans

No documentation for the service loans of N\$ 13 836 009 could be provided.

4.7 Appropriation account

The opening balance on the appropriation account differs with N\$ 125 946 084 from the closing balance on the 30 June 2012 statements. This balance is:

| | N\$ |
|---|------------|
| Unexplained transactions on the appropriation account - Debit entries | |
| Adjustment to provision for bad debts | 2 663 240 |
| Suspense normal (Fin balance) | 4 105 253 |
| Current year creditors adjustments | 10 223 120 |
| Current year accrual | 1 464 957 |
| Adjustment to VAT control account | 7 854 988 |
| Debtors adjustments | 76 179 997 |
| Balances written back - 2011&2012, Credit balance of N\$ 54 273 260 | 51 996 936 |
| Unexplained transactions on the appropriation account - Credit entries | |
| Adjustment to old investment accounts | 1 817 078 |
| Stale cheques | 15 335 055 |
| Suspense deposits (Fin payment) | 3 815 525 |
| Adjustment to suspense accounts | 7 480 630 |
| Adjustment to VAT balance | 10 009 727 |
| Adjustment to current year accruals | 1 389 817 |
| Correction to bank suspense accounts | 2 291 203 |
| Correction to suspense accounts | 4 054 124 |
| Correction to bank reconciliation suspense accounts | 4 377 152 |

4.8 Provision for bad debts

Audit tests revealed that the provision for bad debts may be understated by N\$ 4 530 563 (understated 2012: N\$ 643 493).

4.9 Bank and cash

On the Standard Bank account for the Electricity Division, the cheque numbers on the Finstel system does not correspond with the cheque numbers issued and that on the bank statements.

On the bank accounts of the Council are stale cheques to the amount of N\$ 4 114 962. The Council is busy investigating the outstanding stale cheques. There are outstanding deposits to the amount of N\$ 2 933 718. These deposits were duplicated on the bank reconciliations. The Council is busy correcting these entries.

4.10 P.A.Y.E. returns

P.A.Y.E. returns were not submitted to the Directorate: Inland Revenue on time. No provision was made for the penalties and interest on late submission of PAYE returns.

4.11 Income

No proper water and electricity reading cards are available. A book for all readings have been implemented after year-end.

The water income is understated due to errors on postings of water readings from water reading documents and incorrect rates used.

On the sewerage only the fixed charge was levied on the accounts. The consumption levy on the Government Gazette was not implemented on the system and therefore the sewerage income is understated.

Rates and taxes were charged on the previous year rates and not the new Government Gazette rates. The rates were changed on the system, but not implemented and therefore the rates and taxes are understated.

4.12 Payroll

The PAYE deducted from the monthly salaries are not calculated correctly.

4.13 Going concern

The ability of the Town Council to continue as a going concern is dependant on a number of factors. The most significant of these are the continuation of profitable operations and the recovery of long outstanding debtors and the maintenance of existing levels of finance by major creditors.

5. ACKNOWLEDGEMENT

The assistance and co-operation by the staff of the Rehoboth 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:

| | Revenue | Expenditure | Surplus/ (deficit) | Balance |
|---|----------------|--------------------|-------------------------------|---------------------|
| | N\$ | N\$ | N\$ | N\$ |
| Accumulated deficit on 01/07/2012 | | | | (57 853 393) |
| General accounts | | | | |
| - Rates and general | 8 253 182 | 15 018 086 | (6 764 904) | |
| - Non-profitable services | 5 099 676 | 7 246 008 | (2 146 332) | |
| - Self-supporting services | 7 381 356 | 2 815 451 | 4 565 905 | |
| Trade accounts | | | | |
| - Electricity | 34 929 319 | 40 642 675 | (5 713 356) | |
| - Water | 18 739 515 | 16 367 409 | 2 372 106 | |
| Deficit for the year | 74 403 048 | 82 089 629 | (7 686 581) | (7 686 581) |
| | | | | (65 539 974) |
| Adjustments and utilisations (See note 11 Annexure D) | | | | 22 324 369 |
| Accumulated deficit on 30/06/2013 | | | | (43 215 605) |

7. CURRENT BANK ACCOUNT

| | 2013 | 2012 |
|--|------------------|---------------------|
| | N\$ | N\$ |
| Cash-book balance at 30 June - Balance sheet | 3 525 771 | (15 813 099) |
| Outstanding cheques | 6 381 472 | - |
| Outstanding deposits | (3 032 325) | - |
| Other outstanding items | 15 405 | - |
| Unexplained difference | - | (2 787 098) |
| Balance as per bank statement | 6 890 323 | (18 600 197) |

8. INVESTMENTS

The investments as at 30 June were as follows:

| Institution | 2013 Investment | 2012 Investment |
|---------------------|----------------------------|----------------------------|
| Commercial banks | N\$ 8 919 | N\$ 1 493 045 |
| Distribution | | |
| Build Together Fund | - | 1 044 937 |
| Revenue | 8 919 | 448 108 |
| | 8 919 | 1 493 045 |

9. FUND ACCOUNTS

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

10. TRADE ACCOUNTS

10.1 The results of trade accounts were as follows:

| | Electricity | | Water | |
|-----------------------------------|--------------------|------------------|------------------|--------------------|
| | 2013 | 2012 | 2013 | 2012 |
| | N\$ | N\$ | N\$ | N\$ |
| Sales | 30 373 150 | 35 576 307 | 18 519 062 | 10 618 624 |
| Cost of sales | 31 861 215 | 24 694 986 | 13 900 657 | 12 462 653 |
| Gross surplus/(loss) | (1 488 065) | 10 881 321 | 4 618 405 | (1 844 029) |
| Other income | (4 225 291) | (8 214 216) | (2 246 299) | (1 695 363) |
| Net surplus/deficit | (5 713 356) | 2 667 105 | 2 372 106 | (3 539 392) |
| Gross surplus percentage on sales | (4.9%) | 30.6% | 24.9% | (17.4%) |
| Net surplus percentage on sales | (18.8%) | 7.5% | 12.8% | (33.3%) |

10.2 Distribution results

No distribution results were available.

11. SELF-SUPPORTING SERVICES

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

| Service | Income 2013 | Expenses 2013 | Surplus/ (deficit) 2013 | Surplus/ (deficit) 2012 |
|---------------------|------------------------|--------------------------|--|--|
| | N\$ | N\$ | N\$ | N\$ |
| Sanitation | 840 | 1 220 | (380) | (126 859) |
| Sewerage | 4 176 447 | 806 652 | 3 369 795 | 800 174 |
| Commonage and Pound | 808 161 | 278 154 | 530 007 | 769 993 |
| Properties | 2 395 908 | 1 729 425 | 666 483 | 554 769 |
| | 7 381 356 | 2 815 451 | 4 565 905 | 1 998 077 |

12. FRUITLESS, UNAUTHORIZED OR AVOIDABLE EXPENDITURE

No such expenses was revealed.

13. SUSPENSE ACCOUNTS**13.1 Receivable**

| | 2013 | 2012 |
|---------------------------------|-------------|------------------|
| | N\$ | N\$ |
| Debtors | - | 1 492 733 |
| Bank reconciliation differences | - | 1 500 890 |
| Totals | - | 2 993 623 |

13.2 Payable

| | 2013 | 2012 |
|---------------|-------------------|-------------------|
| | N\$ | N\$ |
| Other | - | 875 576 |
| Service loans | 13 836 009 | 13 836 009 |
| Totals | 13 836 009 | 14 711 585 |

14. IRREGULARITIES AND LOSSES

No such expenses were reported.

15. CAPITAL PROJECTS

No capital statements were available for the year under review.

16. STUDY LOANS/BURSARIES

No study loans were granted for the year under review.

17. CONTRIBUTIONS, GRANTS AND FINANCIAL AID

There were no contributions or grants.

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

There were no donations for the year under review.

22. TRANSFER OF PROPERTY

No property were transferred to or from Government.

23. TRADE AND OTHER RECEIVABLES/PAYABLES

23.1 Trade and other receivables at 30 June were:

| | 2013 | 2012 |
|-------------------------|----------------------------|----------------------------|
| | N\$ | N\$ |
| Consumers | 72 136 800 | 63 171 538 |
| Suspense accounts | - | 2 993 623 |
| VAT | 1 055 541 | 1 511 445 |
| Provision for bad debts | 73 192 341 (61 291 583) | 67 676 606 (57 686 250) |
| Total | 11 900 758 | 9 990 356 |

23.2 Trade and other payables at 30 June were:

| | 2013 | 2012 |
|-------------------|-------------------|-------------------|
| | N\$ | N\$ |
| Trade payables | 41 528 935 | 32 459 706 |
| P.A.Y.E. | - | 1 591 717 |
| Provisions | 1 830 076 | 2 106 041 |
| Suspense accounts | 13 836 009 | 14 711 585 |
| Total | 57 195 020 | 50 869 049 |

24. ASSESSMENT RATES

| | 2013 | 2012 |
|---|-----------|-----------|
| | N\$ | N\$ |
| The net proceeds from assessment rates were | 2 522 997 | 2 407 174 |
| Tariffs per N\$1 valuation per month on site value | 0.0410 | 0.0340 |
| Tariffs per N\$1 valuation per month on improvement value | 0.0043 | 0.0036 |

25. LOANS

25.1 External and internal loans

| | 2013 | 2012 |
|--------------------------|------|-------|
| | N\$ | N\$ |
| External loans - Wesbank | - | 9 185 |

25.2 Internal loans

There were no internal loans

25.3 Housing loans due to the Council

| | 2013 | 2012 |
|-----------------------------------|------------------|------------------|
| | N\$ | N\$ |
| Old Housing Fund | 3 124 386 | 3 124 386 |
| Build Together advances to buyers | 5 105 859 | 4 033 048 |
| Total | 8 230 245 | 7 157 434 |

26. SALE OF ERVEN

The proceeds of erven and plots sold were N\$ 794 177 (2012: N\$ 1 814 996) and were allocated to the Revenue account.

27. LOCAL AUTHORITY PROPERTY SOLD ON AN INSTALMENT BASIS

No property were 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 overspending were approved by the Council.

30. INVENTORY AND EQUIPMENT

30.1 Motor vehicles and values thereof:

| | Sedan | | LDV's, 4x4's and Combi's | | Other | |
|----------------------|----------|----------|--------------------------|----------------|-----------|-----------|
| | Number | Value | Number | Value | Number | Value |
| Balance - 01/07/2012 | 2 | N\$ 2 | 12 | N\$ 345 872 | 11 | N\$ 11 |
| Additions | - | - | - | - | - | - |
| Sub-total | 2 | 2 | 12 | 345 872 | 11 | 11 |
| Write off | - | - | - | - | - | - |
| Depreciation | - | - | - | (172 933) | - | - |
| Balance - 30/06/2013 | 2 | 2 | 12 | 172 939 | 11 | 11 |

30.2 Inventory

According to the Council, stock comprising of stationery and consumables amounted to N\$ 567 779 (2012: N\$ 567 779). The inventory is being done on a manual system for which the auditors only received a list. No further information regarding the closing value on 30 June 2013 was available.

31. SPECIAL INVESTIGATIONS

There were no special investigations during the year under review.

32. GENERAL

The accounting and internal controls are not satisfactory, except where indicated otherwise in this report. Proper segregation of duties is not feasible due to the small number of staff employed. While increased management involvement does reduce risks, the risk arises that management and Council override existing controls, a potentially dangerous practice which the Town Council should vigilantly guard against. The integrity of staff in appropriate positions should however be reviewed to ensure that qualified personnel are employed in respective positions.

33. FORMAL AND INFORMAL QUERIES

33.1 Formal queries are embodied in this report.

33.2 Informal queries was discussed with the Town Council.

34. DISCLAIMED AUDIT OPINION

The accounts of the Town Council for Rehoboth for the financial year ended 30 June 2013, 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.

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

Old Housing Fund

The Old Housing Fund loans receivable reflect an amount of N\$ 3 124 386. Loan documents provided for audit purposes was partly repaid and the balances written off by the Council, but was not written off on the system.

Build Together Fund

The Build Together Fund reflects an amount of N\$ 5 105 859 for advances to buyers. Due to the credit amounts on the Trade and other receivables of N\$ 473 085, the balance could not be verified. On the verification of the Build Together loans, there were loans that were written off and property sold to other customers for which there is still an outstanding balance on the system.

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Service loans

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Appropriation account

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Provision for bad debts

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Bank and Cash

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P.A.Y.E. returns

P.A.Y.E. returns were not submitted to the Directorate: Inland Revenue on time. No provision was made for the penalties and interest on late submission of PAYE returns.

Income

No proper water and electricity reading cards were available.

The water income is understated due to errors on postings of water readings from water reading documents and incorrect rates used.

On the sewerage only the fixed charge was levied on the accounts. The consumption levy on the Government Gazette was not implemented on the system and therefore the Sewerage income is understated.

Rates and taxes was charged on the previous year rates and not the new rates on the government gazette. The rates was changed on the system, but not implemented and therefore the rates and taxes is understated.

Payroll

The PAYE deducted from the monthly salaries is not calculated correctly.

Cheques

Not all cheques could be provided for audit purposes. Cheques are not properly filed in number sequence.

Going concern

The ability of the Town Council to continue as a going concern is dependant on a number of factors. The most significant of these are the continuation of profitable operations and the recovery of long outstanding debtors and the maintenance of existing levels of finance by major creditors.

WINDHOEK, May 2014

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

TOWN COUNCIL OF REHOBOTH

BALANCE SHEET AT 30 JUNE

| | Notes | 2013 N\$ | 2012 N\$ |
|---|-------|--------------------|--------------------|
| ASSETS | | | |
| Non-current assets | | | |
| | | 120 047 867 | 130 781 601 |
| Property, plant and equipment | 2 | 111 808 703 | 122 131 122 |
| Investments | 3 | 8 919 | 1 493 045 |
| Long-term loans receivable | 4 | 8 230 245 | 7 157 434 |
| Current assets | | | |
| | | 36 206 007 | 32 677 179 |
| Trade and other receivables | 5 | 11 900 758 | 9 990 356 |
| Temporary advances not on Council's balance sheet | | 20 296 857 | 22 426 703 |
| Inventories | | 482 621 | 260 120 |
| Bank account | 6 | 3 525 771 | - |
| TOTAL ASSETS | | 156 253 874 | 163 458 780 |
| FUNDS AND LIABILITIES | | | |
| Funds and reserves | | | |
| | | 97 120 200 | 94 897 617 |
| Capital outlay | 7 | 111 808 703 | 122 121 937 |
| Funds and accounts | 8 | (14 688 503) | (27 224 320) |
| Non-current liabilities | | | |
| Long-term loans | 9 | 1 938 654 | 1 889 294 |
| Current liabilities | | | |
| | | 57 195 020 | 66 671 869 |
| Trade and other payables | 10 | 57 195 020 | 50 869 049 |
| Bank overdraft | 6 | - | 15 802 820 |
| TOTAL FUNDS AND LIABILITIES | | 156 253 874 | 163 458 780 |

TOWN COUNCIL OF REHOBOTH

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE

| | <u>Note</u> | <u>2013</u> | <u>2012</u> |
|--|-------------|---------------------|---------------------|
| | | N\$ | N\$ |
| INCOME | | 74 394 547 | 66 860 381 |
| EXPENDITURE | | 82 089 629 | 73 400 553 |
| NET OPERATING DEFICIT | | (7 695 082) | (6 540 172) |
| INTEREST ON INVESTMENTS | | 8 501 | - |
| NET OPERATING (DEFICIT)/SURPLUS AFTER INTEREST | | (7 686 581) | (6 540 172) |
| APPROPRIATION ACCOUNT | 11 | 22 324 369 | (63 412 975) |
| NET SURPLUS/(DEFICIT) AFTER APPROPRIATIONS | | 14 637 788 | (69 953 147) |
| REVENUE ACCOUNT - Beginning of year | | (57 853 393) | 12 099 754 |
| REVENUE ACCOUNT - End of year | | <u>(43 215 605)</u> | <u>(57 853 393)</u> |

REHOBOTH TOWN COUNCIL

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE

| | Note | 2013 N\$ | 2012 N\$ |
|---|-------------|--------------------|---------------------|
| CASH FLOW FROM OPERATING ACTIVITIES | | | |
| Cash receipts from customers | | 74 394 547 | 66 860 381 |
| Cash paid to suppliers | | (53 442 346) | (63 854 564) |
| Cash generated by operations | 12 | 20 952 201 | 3 005 817 |
| Investment income | | 8 501 | - |
| (Decrease)/increase in Fund accounts | | (2 101 971) | 1 059 148 |
| (Decrease)/increase in Capital outlay | | (10 313 234) | 43 478 922 |
| Net cash flow from operating activities | | 8 545 497 | 47 543 887 |
| CASH FLOW FROM INVESTING ACTIVITIES | | | |
| Net capital income/(expenditure) | | 10 322 419 | (43 227 251) |
| Decrease/(increase) in investments | | 1 484 126 | (928 896) |
| Increase in advances | | (1 072 811) | - |
| | | 10 733 734 | (44 156 147) |
| CASH FLOW FROM FINANCING ACTIVITIES | | | |
| Increase in long-term liabilities | | 49 360 | 624 779 |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | | 19 328 591 | 4 012 519 |
| CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR | | (15 802 820) | (19 815 339) |
| CASH AND CASH EQUIVALENTS - END OF YEAR | | 3 525 771 | (15 802 820) |

TOWN COUNCIL OF REHOBOTH

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

1. ACCOUNTING POLICIES**1.1 Introduction**

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

1.2 Property, plant and equipment

Property, plant and equipment are stated at cost, less depreciation, or valuation, less depreciation, where assets have been acquired by grant or by donation.

1.3 Investments

Investments are reflected at face value.

1.4 Trade receivables

Accounts receivable are recorded at originated cost less an allowance for bad debts.

1.5 Cash and cash equivalents

It consists of cash on hand and the current account with banks, all of which are available for immediate use by the Council.

1.6 Trade and other payables

All financial liabilities are recorded at cost.

1.7 Internal Funds

Internal Funds were created as follows by the Council:

1.7.1 Build Together Fund

The purpose of this Fund is to provide for housing loan assistance to low income earners in the society. The low income earners are expected to provide their house plans and are vetted for qualification before the funds are disbursed. This is a revolving Fund and the low income earners are expected to repay these loans on a monthly basis for a period of up to twenty years, at an interest rate of five percent per annum. Income for the Fund is derived from interest earned on secured housing loans and investments.

1.7.2 Old Housing Fund

The purpose of this Fund is to provide housing loans to the low income group of inhabitants. Income for this Fund is derived from interest earned on secured housing loans and investments.

1.7.3 Sewerage Reserve Fund

The purpose of this Fund is to generate funds for the upgrading of existing sewerage works. Income is generated from annual contributions from the operational budget as well as interest on investments.

TOWN COUNCIL OF REHOBOTH

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

| | <u>2013</u> | <u>2012</u> |
|---|--------------------|--------------------|
| | N\$ | N\$ |
| 2. PROPERTY, PLANT AND EQUIPMENT | | |
| External loan assets | - | 9 185 |
| Revenue assets | 111 808 703 | 122 121 937 |
| Total | 111 808 703 | 122 131 122 |
| 3. INVESTMENTS | | |
| INVESTMENTS | | |
| Commercial banks | 8 919 | 1 493 045 |
| ALLOCATED AS FOLLOWS | | |
| Build Together Fund | - | 1 044 937 |
| Revenue | 8 919 | 448 108 |
| | 8 919 | 1 493 045 |
| 4. LONG-TERM LOANS RECEIVABLE | | |
| Old HousingFund | 3 124 386 | 3 124 386 |
| Build Together advances to buyers | 5 105 859 | 4 033 048 |
| | 8 230 245 | 7 157 434 |
| 5. TRADE AND OTHER RECEIVABLES | | |
| Consumers | 72 136 800 | 63 171 538 |
| Suspense accounts | - | 2 993 623 |
| VAT | 1 055 541 | 1 511 445 |
| | 73 192 341 | 67 676 606 |
| Provision for bad debts | (61 291 583) | (57 686 250) |
| | 11 900 758 | 9 990 356 |

TOWN COUNCIL OF REHOBOTH

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

| | <u>2013</u> | <u>2012</u> |
|--|----------------------------|----------------------------|
| | N\$ | N\$ |
| 6. BANK AND CASH | | |
| Current account | <u>3 525 771</u> | <u>(15 802 820)</u> |
| 7. CAPITAL OUTLAY | | |
| Revenue contributions | <u>111 808 703</u> | <u>122 121 937</u> |
| | <u>111 808 703</u> | <u>122 121 937</u> |
| 8. FUNDS, ACCOUNTS AND RESERVES | | |
| Old Housing Fund | 3 904 071 | 3 904 071 |
| Sewerage Fund | 9 917 338 | 9 917 338 |
| Capital Development Fund | 1 178 041 | 1 178 041 |
| Build Together Fund | 13 527 652 | 15 629 623 |
| Revenue account kept in compliance with Section 86(1) of the Local Authorities Act, 1992. | <u>(43 215 605)</u> | <u>(57 853 393)</u> |
| | <u>(14 688 503)</u> | <u>(27 224 320)</u> |
| 9. LONG-TERM LIABILITIES | | |
| External loans - Wesbank | - | 9 185 |
| Consumer deposits | <u>1 938 654</u> | <u>1 880 109</u> |
| | <u>1 938 654</u> | <u>1 889 294</u> |
| 10. TRADE AND OTHER PAYABLES | | |
| Trade payables | 41 528 935 | 32 459 706 |
| P.A.Y.E. | - | 1 591 717 |
| Provisions | 1 830 076 | 2 106 041 |
| Suspense accounts | <u>13 836 009</u> | <u>14 711 585</u> |
| | <u>57 195 020</u> | <u>50 869 049</u> |

TOWN COUNCIL OF REHOBOTH

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

| | 2013 | 2012 |
|---|-------------------|---------------------|
| | N\$ | N\$ |
| 11. ADJUSTMENTS TO APPROPRIATION ACCOUNT | | |
| Adjustment to consumer deposits | 3 165 | 455 300 |
| Adjustment to contribution out of revenue Funds | - | (39 805 890) |
| Adjustment to Fund Accounts | - | 53 627 992 |
| Adjustment to investment accounts | 1 817 044 | 3 882 671 |
| Adjustment to loan assets | - | (7 367) |
| Adjustment to loans outstanding | (136 627) | (9 185) |
| Adjustment to petty cash | (8 453) | - |
| Adjustment to suspense accounts | 11 175 520 | - |
| Balances written back | (51 996 936) | 54 273 260 |
| Bank reconciliation adjustments | 6 668 355 | - |
| Creditors adjustment | (9 475 041) | (20 833 864) |
| Current year accrual | (75 140) | (1 464 957) |
| Current year amnesty movement written off | - | (998 924) |
| Debtors adjustments | (76 179 997) | (86 708 804) |
| Huaxia donation written off | 467 791 | - |
| Opening balance adjustment | - | 100 426 |
| Provision for bad debts | (3 605 333) | (57 373 315) |
| Provision for P.A.Y.E | - | (1 591 717) |
| Provision for regional council levies | - | (234 553) |
| Provision for staff benefits | (44 272) | (1 700 975) |
| Provision for third party accruals | (335 444) | - |
| R/D cheques | (3 259) | - |
| Revaluation of income assets | - | 39 805 890 |
| Stale cheques | 15 335 055 | - |
| Stores | 222 557 | 123 493 |
| Unexplained difference in opening balance | 125 946 084 | (4 952 456) |
| Vat adjustment | 2 549 300 | - |
| | 22 324 369 | (63 412 975) |

TOWN COUNCIL OF REHOBOTH

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

| | <u>2013</u> | <u>2012</u> |
|---|--------------------------|-------------------------|
| | N\$ | N\$ |
| 12. CASH GENERATED BY OPERATIONS | | |
| Net operating (deficit)/surplus before interest and transfers | (7 695 082) | (6 540 172) |
| Adjustments for: | | |
| - Adjustments to appropriation account | 22 324 369 | (63 412 975) |
| - Temporary advances not on Council's balance sheet | 2 129 846 | (2 711 673) |
| OPERATING (DEFICIT)/SURPLUS BEFORE CHANGES IN WORKING CAPITAL | <u>16 759 133</u> | <u>(72 664 820)</u> |
| CHANGES IN WORKING CAPITAL | | |
| (Increase)/decrease in trade and other receivables | (1 910 402) | 56 362 735 |
| Increase in inventories | (222 501) | (260 120) |
| Increase in trade and other payables | 6 325 971 | 19 568 022 |
| | <u>4 193 068</u> | <u>75 670 637</u> |
| CASH GENERATED BY OPERATIONS | <u>20 952 201</u> | <u>3 005 817</u> |