



**REPUBLIC OF NAMIBIA**



**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE  
MUNICIPALITY OF HENTIES BAY  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010**

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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 Henties Bay for the financial year ended 30 June 2010, 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 2011**

**JUNIAS ETUNA KANDJEKE  
AUDITOR-GENERAL**

**REPORT OF THE AUDITOR-GENERAL  
ON THE ACCOUNTS OF THE MUNICIPALITY OF HENTIES BAYS  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010**

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**1. INTRODUCTION**

The accounts of the Municipality of Henties Bay for the year ended 30 June 2010 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 PKF of Windhoek has been appointed in terms of section 26 (2) of the State Finance Act, 1991, to audit the accounts of the Municipality on behalf of the Auditor-General and under his supervision.

Figures in the report are rounded off to the nearest 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, annexure A, is a true reflection of the original.

The following annexures are also attached to this report:

Annexure B: Abridged income statement

Annexure C: Cash flow income

Annexure D: Notes to the financial statements

**3. SCOPE OF THE AUDIT**

***Management's Responsibility for the Financial Statements***

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

***Auditor's Responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

## **4. AUDIT OBSERVATIONS AND COMMENTS**

### **4.1 Long outstanding subsidies**

The financial statements reflect a balance owing by Government of N\$ 1 119 844 in respect of subsidies for streets and traffic since the 2005 financial year. It is doubtful whether this is recoverable.

### **4.2 VAT**

VAT receivable of N\$ 6 246 630 per balance sheet is not recoverable in full in the light of the following:

- An amount of N\$ 1 794 678 being utilised by the Receiver of Revenue as penalties on import VAT and PAYE and
- input VAT of N\$1 307 709 on road development being incorrectly claimed and included above.

### **4.3 Erongo Red**

The investment of N\$ 19 523 832 in Erongo Red could not be verified as 2010 financial statements of Erongo Red were not available. The auditors calculated a considerable impairment based on 2009 accounts.

### **4.4 Sewerage Fund**

The investment is overstated by N\$ 2 000 000 in the books of Council due to incorrect accounting for an amount received from Government for the Sewerage Fund. Consequently the Sewerage Fund is also overstated. This does not imply any financial losses for Council.

### **4.5 Investment: Nampost**

The investment is understated with N\$ 2 000 000 while the bank at the same time is overstated by N\$ 2 000 000. This is due to a cheque written by Council before year-end and deposited at Nampost but not accounted for in the accounting records.

### **4.6 Provision for bad debts**

A considerable provision for bad debts has been raised. This is an indication that the municipality needs to improve its debt collection system.

### **4.7 Fixed assets register**

A fixed assets register was available but the descriptions of some assets, especially the motor vehicles, do not match the actual appearance of the vehicles and therefore making it difficult to identify the assets in the register.

## **5. ACKNOWLEDGEMENT**

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

## 6. FINANCIAL RESULTS

The results of the various operations and of transactions on the Revenue Account for the year are as follows:

	Revenue	Expenditure	Surplus/ (deficit)	Balance
	N\$	N\$	N\$	N\$
Accumulated deficit at 01/07/2009				(5 328 554)
<b>General services</b>				
Non-profitable	7 594 902	12 447 748	(4 852 846)	
Self-supporting	2 125 133	1 323 485	801 648	
<b>Trade accounts</b>				
Electricity services	2 365 724	39 104	2 326 620	
Water supply	4 926 276	2 908 792	2 017 484	
	17 012 035	16 719 129	292 906	
Surplus for the year				292 906
Adjustments and utilisations (See note 8, Anneuxre D)				(1 763 842)
Accumulated deficit at 30/06/2010				<b>(6 799 490)</b>

## 7. CURRENT BANK ACCOUNT

The cash book reflected a favorable balance of N\$ 3 536 135 (2009: favorable N\$ 240 257) while the bank statement reflected a favourable balance of N\$ 2 359 554 (2009: N\$ 419 996). Cheques not presented for payment amounted to N\$ 744 059 (2009: N\$ 489 806). An amount of N\$ 2 000 000 has been transferred by the bank to a Nampost investment account but were not transferred in the general ledger of the Municipality.

## 8. INVESTMENTS AND INTEREST PROCEEDS

On 30 June 2010 there was N\$ 35 421 830 (2009: N\$ 28 234 237) invested at financial institutions and other institutions as follows:

	2010	2009
	N\$	N\$
Commercial banks	11 620 931	4 101 250
Old Mutual	-	2 704 620
Nampost	3 309 176	932 121
	14 930 107	7 737 991
Investment - Erongo Red	20 073 828	20 073 829
Waterfront Company	200 000	200 000
Listed shares	217 895	222 417
	<b>35 421 830</b>	<b>28 234 237</b>

The investments and interest earned were allocated as follows:

	2010		2009	
	Investment	Interest	Investment	Interest
	N\$	N\$	N\$	N\$
Betterment Fund	51 498	1 118	149 783	2 788
Capital Development Fund	3 104 647	67 389	3 920 838	72 982
Fixed Property Fund	16 871 606	366 214	8 308 926	154 662
Jetty Fund	247 412	5 370	290 152	5 401
Mayoral Relief Fund	6 984	152	1 059	20
Reserve Fund	21 799	473	104 006	1 936
Sewerage Fund	8 955 150	194 381	8 388 015	156 134
Build Together Fund	4 306 424	93 475	4 885 460	90 938
Low Cost Housing Fund	1 856 310	40 293	2 185 998	40 690
	<b>35 421 830</b>	<b>768 865</b>	<b>28 234 237</b>	<b>525 551</b>

## 9. FUND ACCOUNTS

The position of the fund accounts at the end of the year is shown in note 5 of annexure D.

## 10. TRADE ACCOUNTS

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

	2010	2009
	N\$	N\$
Sales	4 873 980	4 533 696
Cost of bulk purchases	2 453 524	2 346 137
Gross profit	2 420 456	2 187 559
Expenses (net)	(402 972)	(450 550)
<b>Net surplus</b>	<b>2 017 484</b>	<b>1 737 009</b>
Gross surplus % on bulk purchases	98.65%	93.24%
Net profit % on bulk purchases	82.23%	74.04%

### 10.1.1 The results of water distribution losses were as follows:

	2010	2009
	N\$	
Units sold	380 431	299 597
Units purchased	(441 934)	(410 973)
<b>Gross loss</b>	<b>(61 503)</b>	<b>(111 376)</b>
Gross loss % on bulk purchases	(14% )	(27% )

### 10.2 The trade results of operation of electricity distribution were as follows:

	2010	2009
	N\$	N\$
Surcharges	2 365 724	1 577 149
Less: Expenses	(39 104)	(29 815)
<b>Net surplus for the year</b>	<b>2 326 620</b>	<b>1 547 334</b>

## 11. SELF-SUPPORTING SERVICES

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

	<b>Income</b>	<b>Expenditure</b>	<b>Surplus/ (deficit)</b>	<b>Surplus/ (deficit)</b>
	<b>2010</b>	<b>2010</b>	<b>2010</b>	<b>2009</b>
	N\$	N	N\$	N\$
Tourism (deficit)	10 646	244 721	(234 075)	(220 867)
Health and cleaning services	2 114 487	1 078 764	1 035 723	761 408
	<b>2 125 133</b>	<b>1 323 485</b>	<b>801 648</b>	<b>540 541</b>

## 12. FRUITLESS, UNAUTHORISED OR AVOIDABLE EXPENDITURE

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

## 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>2010</b>	<b>2009</b>
	N\$	N\$
Infrastructure	9 346 522	23 683 980
Office equipment	406 028	219 478
Motor vehicles	298 913	380 888
<b>Total</b>	<b>10 051 463</b>	<b>24 284 346</b>

Expenditure was financed as follows:

	<b>2010</b>	<b>2009</b>
	N\$	N\$
Capital account	10 051 463	23 903 458
Loan account	-	380 888
<b>Total</b>	<b>10 051 463</b>	<b>24 284 346</b>

## 16. BURSARIES

Bursaries in the amount of N\$ 33 214 were granted during the year under review.

## 17. CONTRIBUTIONS, GRANTS AND FINANCIAL AID

During the year under review Council accounted for contributions from the Government as follows:

	<b>2010</b>	<b>2009</b>
	N\$	N\$
Sewerage	*8 000 000	19 387 814
Accounting error	2 012 354	-
Build Together Fund	-	2 821 621
	<b>10 012 354</b>	<b>22 209 435</b>

\* This is, according to the auditors, a subsidy received from the Government to assist with the sewerage project, but no supporting documentation could be obtained by them.

## 18. COMPENSATION PAYMENTS

No compensation payments were made during the year under review.

## 19. VISITS TO FOREIGN COUNTRIES

The audit revealed that no expenditure was incurred on visits to foreign countries during the year under review.

## 20. CLAIMS AGAINST THE LOCAL AUTHORITY

No material claims against the Local Authority were received during the year under review.

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

An amount of N\$ 1 078 (2009: N\$ 7 000) was paid as donations for the year under review.

## 22. TRANSFER OF PROPERTY TO / FROM THE COUNCIL

No property was transferred during they year.

## 23. DEBTORS AND CREDITORS

### 23.1 Debtors at 30 June were:

	<b>2010</b>	<b>2009</b>
	N\$	N\$
Consumers	6 033 664	5 083 129
Provision for bad debts	(4 457 276)	(3 724 110)
	1 576 388	1 359 019
Subsidies receivable	1 119 844	1 119 844
Surcharges - Erongo Red	591 431	788 575
	<b>3 287 663</b>	<b>3 267 438</b>

For the year under review, a debtors billing system was used whereby assessment rates, water services and related services were combined. No split was made between relevant services



rendered. However, upon receipt of cash, monies were accounted for the different services rendered.

**23.2 Creditors at 30 June were:**

	<b>2010</b>	<b>2009</b>
	N\$	N\$
Trade creditors	69 657	7 369
Accruals creditors	2 308 345	1 113 299
Consumer deposits	503 878	489 754
Provision for audit fees	82 798	82 798
Provision for staff leave	307 978	720 819
	<b>3 272 656</b>	<b>2 414 039</b>

**24. ASSESSMENT RATES**

Net proceeds from assessment rates amounted to N\$ 5 942 615 (2009: N\$ 5 332 295). The tariffs for private and business properties of N\$ 0.0495 per dollar per year on site valuations and N\$ 0.0076 per dollar per year on the valuation of improvements are in line with gazette rates.

**25. SALE OF ERVEN**

Cash proceeds of N\$ 10 109 540 (2009: N\$ 15 201 234) were received for erven sold and allocated to the Fixed Property Fund during the current financial year.

**26. PROPERTY SOLD ON INSTALLMENT BASIS**

Due to the non-disclosure of property sold on installment basis in the financial statements as prepared by the Municipality the auditors could not determine the value of these properties nor the revenue received.

**27. TARIF ADJUSTMENTS**

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

**28. STOCK AND EQUIPMENT**

**28.1 Motor vehicles**

Due to the format of the fixed asset register kept by the Municipality it is difficult to clarify the type of motor vehicle. The Council is requested to change the format of the fixed asset register that it will enable the auditors to clarify the type of vehicle on hand. The Council is also requested to introduce measures that will enable the Council to calculate the fuel consumption of the vehicles.

**28.2 Inventory**

According to the Municipality, stock comprising of stationery and consumables amounted to N\$ 120 103(2009: N\$ 154 654).

**29. SPECIAL INVESTIGATIONS**

The auditors are not aware of any special investigations that were carried out during the year.

## **30. GENERAL**

### **30.1 Internal controls**

The accounting and internal controls are 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 reduces risks, the risk arises that management and Council override existing controls, a potential dangerous practice which the Council should vigilantly guard against.

## **31. FORMAL AND INFORMAL QUERIES**

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

**31.2** Informal queries were addressed to the Chief Executive Officer by way of a management letter dated 30 March 2011 but were also dealt with locally. This letter included the following:

- Income.
- Expenses.
- VAT on PAYE.
- Accounts receivable.
- Fixed assets.
- Investments

## **32. QUALIFIED AUDIT OPINION**

The accounts of the Municipality of Henties Bay for the financial year ended 30 June 2010, summarised in annexure A to D, were audited by me in terms of the provisions of section 85 of the Local Authorities Act, 1992, read with section 25(1)(b) of the State Finance Act, 1991.

The audit opinion has been qualified due to the following reasons:

- It is doubtful if a long outstanding debt receivable by the Council to the amount of N\$ 1 119 844 in regard of street and traffic subsidies since 2005 will be recovered.
- VAT receivable to the amount of N\$ 19 523 630 as per balance sheet will not be recovered in full. The auditors are of the opinion that an amount of N\$ 3 102 387 will be deducted by the Receiver of Revenue.
- The investment in Erongo Red to the amount of N\$ 19 526 832 could not be verified because the financial statements of Erongo Red was not available.

Except for the above-mentioned remarks, in my opinion the financial statements fairly present the financial position of the Town Council at 30 June 2010 and the results of its operations and cash flow for the year then ended.

**WINDHOEK, September 2011**

**JUNIAS ETUNA KANDJEKE  
AUDITOR-GENERAL**

## MUNICIPALITY OF HENTIES BAY

## BALANCE SHEET AS AT 30 JUNE

	Notes	2010 N\$	2009 N\$
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	2	99 711 419	81 627 392
Property loans		56 650 086	46 935 051
Investments	3	7 639 503	6 458 104
		35 421 830	28 234 237
<b>Current assets</b>			
Inventory		13 191 627	11 018 009
Accounts receivable	4	120 103	154 654
VAT claims		3 287 663	3 267 438
Cash and cash equivalents		6 246 630	7 354 564
		3 537 231	241 353
<b>Total assets</b>		<b>112 903 046</b>	<b>92 645 401</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Funds	5	109 187 128	89 305 071
Accumulated loss		115 986 618	94 633 625
		(6 799 490)	(5 328 554)
<b>Non-current liabilities</b>			
Finance agreements	6	443 262	926 291
<b>Current liabilities</b>			
Trade and other payables	7	3 272 656	2 414 039
<b>Total equity and liabilities</b>		<b>112 903 046</b>	<b>92 645 401</b>

## MUNICIPALITY OF HENTIES BAY

## INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE

	Note	2010	2009
		N\$	N\$
Income		16 971 780	14 460 564
Expenditure		16 719 129	(15 350 427)
Net operating profit /(loss)		252 651	(889 863)
Profit on sale of plant and equipment		-	49 913
Interest earned		40 255	82 009
Net profit /(loss) for the year		292 906	(757 941)
Accumulated loss			
– Adjustments for the year	8	(1 763 842)	(873 776)
– Beginning of the year		(5 328 554)	(3 696 837)
– End of the year		<b>(6 799 490)</b>	<b>(5 328 554)</b>

## MUNICIPALITY OF HENTIES BAY

## CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE

	Notes	2010 N\$	2009 N\$
<b>OPERATING ACTIVITIES</b>			
Income account			
Cash received from customers		17 389 370	14 210 562
Cash paid to suppliers of goods and services		(16 426 652)	(19 534 023)
	9	962 718	(5 323 461)
Interest received		40 255	82 009
Proceeds of sale of plant and equipment		-	49 913
		1 002 973	(5 191 539)
<b>Capital and funds accounts</b>			
Cash received	10	21 042 280	37 641 923
Cash paid out	11	(1 101 439)	(24 742 880)
		19 940 841	12 899 043
Interest received		1 255 547	1 158 221
		21 196 388	14 057 264
Net cash inflow from operating activities		22 199 361	8 865 725
<b>INVESTING ACTIVITIES</b>			
Property, plant and equipment purchased		(10 051 462)	(9 515 542)
Increase in property loans		(1 181 399)	(664 446)
(Increase) /decrease in investments		(7 187 593)	1 776 853
		(18 420 454)	(8 403 135)
<b>FINANCING ACTIVITIES</b>			
Net decrease in finance agreements		(483 029)	(7 204)
NET INCREASE IN CASH AND CASH EQUIVALENTS		3 295 878	455 386
<b>NET CASH AND CASH EQUIVALENTS</b>			
– At the beginning of the year		241 353	(214 033)
– At the end of the year		<b>3 537 231</b>	<b>240 353</b>

## MUNICIPALITY OF HENTIES BAY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE

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**1. Accounting policies**

The annual financial statements are compiled in accordance with the historical convention modified by the restatement of the financial instruments to fair value, except where otherwise stated.

The principal accounting policies of the Town Council, which are set out below, have been consistent and comply with Namibian Statements of Generally Accepted Accounting Practices. The financial statements have been prepared in accordance with the requirements of the Namibian Local Authorities Act.

**1.1 Fixed assets and depreciation**

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.

**1.2 Inventories**

Inventories are measured at lower of cost and net realizable value. The cost of inventories comprise all cost of purchases, cost of conversion and other cost incurred in bringing the inventories to their present location and condition.

**1.3 Funds****Revenue account**

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

**Reserve Fund**

The purpose of this Fund is to provide for replacement of moveable assets.

**Capital Development Fund**

The purpose of this Fund is to finance electrical reticulation network projects. Revenue is derived from interest on investments, internal loans and contributions from revenue.

**Betterment Fund**

The purpose of this Fund is to provide for future improvements of Council assets.

**Fixed Property Fund**

Proceeds of sale of development property accumulate in this Fund, which is used to develop properties.

## MUNICIPALITY OF HENTIES BAY

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

**1.3 Funds (continued)****Jetty Fund**

The purpose of this Fund is to create a jetty at the river mouth. Income consists of contributions made by the public.

**Low Cost Housing Fund**

The purpose of the Fund is to provide for housing loans to lower income groups of people. Revenue is derived from the sale of houses and installments received.

**Mayoral Relief Fund**

The purpose of this Fund is to provide funding to enable the mayor to make donations/contributions towards various events. Income is derived from the revenue accounts and donations from the public.

**Sewerage Fund**

The purpose of this Fund is to create a sewerage system. Income is derived from the monthly basic charges on sewerage.

	<b>2010</b>	<b>2009</b>
	N\$	N\$
<b>2. PROPERTY, PLANT AND EQUIPMENT</b>		
Property, plant and equipment, at cost	59 329 274	49 277 812
Less: Depreciation	(2 679 188)	(2 342 761)
	<b>56 650 086</b>	<b>46 935 051</b>
<b>3. INVESTMENTS</b>		
Erongo Red	20 073 828	20 073 829
– Unlisted shares, at cost	549 997	549 997
– Assets made over	19 523 831	19 523 832
Insurance policies	-	2 704 620
Shares	417 895	422 417
– Listed, at market price	217 895	222 417
– Unlisted, at cost	200 000	200 000
Fixed deposits and money on call	14 930 107	5 033 371
Total investments at year end	<b>35 421 830</b>	<b>28 234 237</b>
<b>4. TRADE AND OTHER RECEIVABLES</b>		
Consumers	6 033 664	5 083 129
Less: Provision for doubtful debts	(4 457 276)	(3 724 110)
	1 576 388	1 359 019
Subsidies	1 119 844	1 119 844
Surcharge Erongo Red	591 431	788 575
	<b>3 287 663</b>	<b>3 267 438</b>

## MUNICIPALITY OF HENTIES BAY

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

	<b>2010</b>	<b>2009</b>
	N\$	N\$
<b>5. FUNDS AND ACCOUNTS</b>		
<b>5.1 Internal Funds</b>		
	58 686 363	47 867 862
Build Together Fund	7 134 819	6 851 007
Betterment Fund	85 320	210 045
Capital Development Fund	5 143 734	5 498 292
Fixed Property Fund	27 952 628	19 926 083
Jetty Fund	409 908	406 888
Low Cost Housing Fund	3 075 507	3 065 481
Mayoral Relief Fund	11 570	1 485
Reserve Fund	36 117	145 851
Sewerage Fund	14 836 760	11 762 730
<b>5.2 Capital Funds</b>	57 300 255	46 765 763
Loans redeemed	1 931 165	1 448 136
Contributions from general capital	43 923 575	33 872 112
Contributions from revenue	11 445 515	11 445 515
	<b>115 986 618</b>	<b>94 633 625</b>
<b>6. LONG-TERM LIABILITIES</b>		
<b>External loans</b>		
Suspensive sale agreements	<b>443 262</b>	<b>926 291</b>
<b>7. TRADE AND OTHER PAYABLES</b>		
Trade creditors	69 657	7 369
Accruals	2 308 345	1 113 299
Consumer deposits	503 878	489 754
Provision for audit fees	82 798	82 798
Provision for leave	307 978	720 819
	<b>3 272 656</b>	<b>2 414 039</b>



## MUNICIPALITY OF HENTIES BAY

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

	<b>2010</b>	<b>2009</b>
	N\$	N\$
<b>8. ADJUSTMENT TO APPROPRIATION ACCOUNT</b>		
Provision for leave days	412 841	(359 270)
Income - Waterfront company	1 630	402 969
Unknown deposits	14 672	43 886
Dividends received	11 121	-
Donations received	35 623	-
Provision for bad debt	(1 025 228)	(1 536 992)
Loans	(19 456)	-
Accruals	(1 195 045)	(470 979)
Workmens Compensation	-	(40 167)
Transfer cost	-	(361 549)
Refunds	-	68 320
Surcharges	-	1 380 006
	<b>(1 763 842)</b>	<b>( 873 776)</b>
<b>9. CASH REQUIRED BY OPERATING ACTIVITIES</b>		
Net surplus /(deficit) for the year, per income statement	292 906	(757 941)
Adjustments for non-cash and other items:		
– Capital redemption on finance agreements	483 029	445 224
– Interest received	(40 255)	(82 009)
– Contributions to mayoral relief fund	10 000	-
– Profit on sale of plant and equipment	-	(49 913)
	745 680	(444 639)
Adjustments on appropriation account:		
– Receipts	63 047	1 895 182
– Payments	(311 517)	(872 695)
Cash operating profit before working capital changes	497 210	577 848
Working capital changes:		
– Accounts payable	76 414	713 100
– Accounts receivable	(753 391)	(2 145 184)
– Bad debts written off	-	(5 151 762)
– Nominal change in balance sheet	-	3 006 578
– Inventory	34 551	(21 339)
– VAT claims	1 107 934	(4 447 886)
	<b>962 718</b>	<b>(5 323 461)</b>

## MUNICIPALITY OF HENTIES BAY

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

	<b>2010</b>	<b>2009</b>
	N\$	N\$
<b>10. CASH RECEIVED</b>		
Property sales	10 109 540	15 201 134
Contributions from Government		
– Sewerage works	10 012 354	19 387 814
– Build Together Scheme	-	2 821 621
Installments on loans	774 717	178 737
Sundry income	145 669	52 617
	<b>21 042 280</b>	<b>37 641 923</b>
<b>11. CASH PAID OUT</b>		
Property development expenses:		
– For own assets, less charged out	258 316	14 089 567
– For handover to Erongo Red	-	8 856 311
Sundry expenses	552 986	1 687 548
New loans	290 137	109 454
	<b>1 101 439</b>	<b>24 742 880</b>