



REPUBLIC OF NAMIBIA



REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE

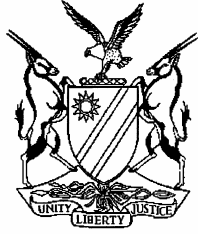
MUNICIPALITY OF OKAHANDJA

FOR THE FINANCIAL YEARS ENDED 30 JUNE 2007 AND 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 Okahandja for the financial years ended 30 June 2007 and 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, January 2010

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

**REPORT OF THE AUDITOR-GENERAL
ON THE ACCOUNTS OF THE MUNICIPALITY OF OKAHANDJA
FOR THE FINANCIAL YEARS ENDED 30 JUNE 2007 AND 2008**

1. INTRODUCTION

The accounts of Municipality of Okahandja for the years ended 30 June 2007 and 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 Grand Namibia 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 Office of the Auditor-General by the Accounting Officer in compliance with Section 87 (1) of the Local Authorities Act, 1992 **except that they were only finalized during June 2008 and February 2009 respectively, whereas the Act only allows for a period of three months after the end of a financial year.** The audited financial statements are in agreement with the general ledger and are filed in his Office. 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

The Accounting Officer of the Municipality is responsible for the preparation of the financial statements and for ensuring the regularity of the financial transactions. 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 audit as carried out by the said firm, included:

- (a) Examination on a test basis of the evidence relevant to the amounts, disclosure and regularity of financial transactions included in the financial statements,
- (b) assessment of the significant estimates and judgements made by the Accounting Officer of the Municipality in the preparation of the financial statements and of whether the accounting policies are appropriate to the Council's circumstances, consistently applied and adequately disclosed, and
- (c) evaluation of the overall adequacy of the presentation of information in the financial statements.

The audit was planned and performed so as to obtain all the information and explanations considered necessary to provide sufficient evidence to give reasonable assurance that:

- The financial statements are free from material misstatement, whether caused by error, fraud or other irregularity;

- in all material respects, the expenditure and income have been applied to the purposes intended; and
- the financial transactions conform to the authorities which govern them.

4. AUDIT OBSERVATIONS AND COMMENTS

4.1 Fund accounts

Due to cash flow problems related to the revenue account, cash amounting to N\$ 8 415 717 for 2008 and N\$ 5 179 259 for 2007 (2006: N\$ 5 394 296) from investments of the Capital Reserve Fund had to be used to fund the shortfall on the revenue account. At year-end, the revenue account had a positive balance of N\$ 6 099 623 for 2008 and positive balance of N\$ 9 495 929 for 2007 (2006: Positive balance of N\$ 6 226 666).

4.2 Provision for bad debts

Day sales in debtors were 127 days for 2008 and 123 days for 2007 (2006: 137 days). The provision for bad and doubtful debts represents 23% for 2008 and 26% for 2007 (2006: 27%) of the total consumer bad debt loan debtors and 30% for 2008 and 32% for 2007 (2006: 26%) of debtors older than 90 days as at 30 June respectively.

The Municipality's records reflect a bad debt provision of N\$ 4 000 000 for 2008 and N\$ 3 917 776 for 2007, which in the opinion of the auditors is inadequate. They are of the opinion that the debtors provision is understated by at least N\$ 4 272 905 for 2008 and N\$ 6 536 933 for 2007.

Consumer deposits increased during the current financial year to N\$ 728 612 for 2008 and N\$ 659 632 for 2007 (2006: N\$ 606 642). Consumer deposits are still not in line with monthly charges and the auditors are of the opinion that the deposits are not adequate to cover one month's consumer services.

4.3 Leave provision

Council provided an amount of N\$ 800 000 for 2008 and N\$ 844 833 for 2007. The leave provision calculated by the auditors amounted to N\$ 1 230 987 for 2008 and N\$ 1 087 101 for 2007. The leave provision is thus understated by N\$ 430 987 for 2008 and N\$ 242 268 for 2007.

4.4 Distribution of water and electricity

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

The income statement indicates an 12% for 2008 and 20% for 2007 increase in sales of electricity and an 8,7% for 2008 and 24,8% for 2007 increase in sales of water, while the net surplus increased by 1,44% for 2008 and 48% for 2007 for electricity and for water decreased by 677% for 2008 and 214,9% for 2007.

4.5 Budgetary control

In general, Council adhered to the approved budget and total actual expenditure did not exceed the budgeted expenditure.

4.6 Build Together Programme

Council never accounted for Funds received from Government for the Build Together Programme since inception of this programme. Bank accounts, debtors, income and expenses of the Fund are not reflected in the accounts of the Municipality.

It is recommended that Council should reflect all transactions pertaining to the Build Together Programme in the accounting records of the Municipality.

5. ACKNOWLEDGEMENT

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

6. FINANCIAL RESULTS

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

	Revenue	Expenditure	Surplus/ (Deficit)	Balance
	N\$	N\$	N\$	N\$
Accumulated surplus 01/07/2007				9 495 928
General accounts				
Non-profitable	13 543 023	16 004 841	(2 461 818)	
Self-supporting	5 257 957	4 958 238	299 719	
Trade accounts				
Water	9 784 068	10 967 695	(1 183 627)	
Electricity	21 681 493	19 213 319	2 468 174	
Other	75 738	217 483	(141 745)	
Surplus/(loss) for the year	50 342 279	51 361 576	(1 019 297)	(1 019 297)
Adjustments and utilizations (Note 12)				8 476 631 (2 377 009)
Accumulated surplus 30/06/2008				6 099 622

	Revenue	Expenditure	Surplus/ (Deficit)	Balance
	N\$	N\$	N\$	N\$
Accumulated surplus 01/07/2006				6 226 666
General accounts				
Non-profitable	11 958 888	(11 926 757)	32 131	
Self-supporting	4 698 139	(4 202 596)	495 543	
Trade accounts				
Water	8 978 840	(8 774 015)	204 825	
Electricity	19 339 582	(16 906 533)	2 433 049	
Other	80 022	(508 423)	(428 401)	
Surplus for the year	45 055 471	(42 318 324)	2 737 147	2 737 147
Adjustments and utilizations (Note 12)				8 963 813 532 115
Accumulated surplus 30/06/2007				9 495 928

7. CURRENT BANK ACCOUNT

The balance sheet reflected a favourable cash-book balance of N\$ 924 839 for 2008 and N\$ 774 630 for 2007 (2006: N\$ 1 056 412), which is the reconciled bank balance. For disclosure purposes, the cash float of N\$ 160 for 2008 and N\$ 160 for 2007 (2006: N\$ 1 056 412) has been included in bank and cash balances as per the balance sheet. The bank statement as at 30 June 2008 reflected a favourable balance of N\$ 1 857 590 and N\$ 2 593 570 for 2007 (2006: N\$ 3 733 106), mainly due to cheques not yet cashed.

8. INVESTMENTS

On 30 June 2008 and 2007 N\$ 5 646 871 and N\$ 12 836 871 respectively (2006: N\$ 14 687 066) was invested at Namibian financial institutions as follows:

	2008	2007	2006
Institution	Investments	Investments	Investments
	N\$	N\$	N\$
Invested at:			
First National Bank	1 369 638	1 369 638	1 369 833
Bank Windhoek	3 464 087	10 654 087	10 654 087
Standard Bank	813 146	813 146	2 013 146
Sanlam Unit Trusts	-	-	650 000
Totals	5 646 871	12 836 871	14 687 066

The decrease in investments was mainly due to the capital expenses incurred during the financial year 2007/08 on the refurbishment of the Single Quarters, amounting to N\$ 4 071 749.

These investments were allocated to Funds as follows:

	2008	2007	2006
	N\$	N\$	N\$
Revenue	-	878 327	-
Capital	1 107 510	5 179 259	5 900 000
Housing Fund	2 589 584	2 430 118	2 448 203
Capital Reserve Fund	1 949 777	4 349 167	6 338 863
Totals	5 646 871	12 836 871	14 687 066

9. FUND ACCOUNTS

The position of the Funds and accounts at year-end was as shown in note 9 in Annexure D.

10. TRADE ACCOUNTS

10.1 The results of operations were as follows:

	Electricity		Water	
	2008	2007	2008	2007
	N\$	N\$	N\$	N\$
Sales	21 396 065	19 056 716	9 709 338	8 934 722
Cost of bulk purchases	(12 930 099)	(12 414 776)	(8 487 127)	(6 978 833)
Gross profit	8 465 966	6 641 940	1 222 211	1 955 889
Net revenue/(expenditure)	(5 997 792)	(4 208 891)	(2 405 839)	(1 751 064)
Net surplus	2 468 174	2 433 049	(1 183 628)	204 825
Gross profit % on cost of bulk purchases	65,5%	53,5%	14,4%	28%
Net profit/(loss) % on cost of bulk purchases	19,1%	19,6%	(13,9)%	2,9%

	Electricity		Water	
	2007	2006	2007	2006
	N\$	N\$	N\$	N\$
Sales	19 056 716	15 873 110	8 934 722	7 157 319
Cost of bulk purchases	(12 414 776)	(10 438 547)	(6 978 833)	(5 510 443)
Gross profit	6 641 940	5 434 563	1 955 889	1 646 876
Net revenue/(expenditure)	(4 208 891)	3 793 085	(1 751 064)	(1 825 157)
Net surplus/(loss)	2 433 049	1 641 478	204 825	(178 281)
Gross profit % on cost of bulk purchases	53,5%	52%	28%	29,89%
Net profit/(loss) % on cost of bulk purchases	19,60%	15,73%	2,9%	(3,24%)

10.2 Water and electricity distribution results

No accurate statistics have been kept to determine the distribution results of the water and electricity accounts. Council is advised to implement such control measures in order to address any large deviations between the units bought and distributed timeously.

11. SELF-SUPPORTING SERVICES

The results for the year under review, compared with the previous year, are as follows:

	2008	2007	2006
	N\$	N\$	N\$
Sewerage	(25 895)	333 079	159 946
Cleansing services	325 615	162 464	602 017
	299 720	495 543	761 963

No revenue was received during the years under review for the Single Quarters, whereas the expenditure amounted to N\$ 49 965 for 2008 and N\$ 83 098 for 2007. Council should make the necessary adjustments to ensure that the Single Quarters are run on a self-supporting basis.

12. FRUITLESS, UNAUTHORISED OR AVOIDABLE EXPENDITURE

No fruitless, unauthorized or avoidable expenditure was revealed during the year under review.

13. SUSPENSE ACCOUNTS

The amounts contained in the suspense accounts were allocated to the main ledger during the years under review.

14. IRREGULARITIES AND LOSSES

No irregularities or losses due to thefts, fire and accidents were revealed during the years under review.

15. CAPITAL PROJECTS

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

	Financed from					
	Revenue 2008	Internal loans 2008	General capital 2008	Revenue 2007	Internal loans 2007	General Capital 2007
	N\$	N\$	N\$	N\$	N\$	N\$
Cleaning services	-	-	-	10 431	-	-
Electricity network	-	1 004 818	-	3 908	2 084 658	-
Fire brigade	-	819 197	-	-	53 437	-
Sports, parks and recreation	-	-	-	3 920	-	-
Streets and roads	-	882 872	-	56 597	2 892 884	-
Water network	-	97 590	-	5 478	52 810	-
Housing	-	-	-	-	-	930 189
Single Quarters	-	-	4 071 749	-	-	720 741
Workshops	-	-	-	-	23 002	-
Cemetery	-	-	-	-	198 956	-
Street lights	-	-	-	-	72 873	-
General administration	-	674 046	-	6 447	317 012	-
Health	-	-	-	-	43 369	-
	-	3 478 523	4 071 749	86 781	5 739 001	1 650 930

	Financed from				
	Revenue 2007	Internal loans 2007	General capital 2007	Revenue 2006	Internal loans 2006
	N\$		N\$	N\$	N\$
Cleaning services	10 431	-	-	4 808	891 059
Electricity network	3 908	2 084 658	-	-	731 641
Public buildings and recreation	-	-	-	3 044	-
Fire brigade	-	-	-	23 980	-
Sewerage and sanitation	-	53 437	-	-	-
Sports, parks and recreation	3 920	-	-	25 130	16 072
Streets and roads	56 597	2 892 884	-	-	1 677 779
Water network	5 478	52 810	-	-	95 970
Housing	-	-	930 189	-	-
Single Quarters	-	-	720 741	-	-
Workshops	-	23 002	-	-	-
Cemetery	-	198 956	-	-	-
Street lights	-	72 873	-	-	-
General administration	6 447	317 012	-	12 254	265 716
Health	-	43 369	-	-	-
	86 781	5 739 001	1 650 930	69 216	3 678 237

The asset register of Council as contained on the Finstel System does not reconcile to its ledger balance. Council should review the Finstel Asset Register and adjust it to the ledger and Asset Register as contained in the Excel Spreadsheet.

It was also observed that some assets on the asset register have been sold or scrapped, but are still reflected on the register. Council should update its Fixed Asset Register on a regular basis in order to account only for those assets still in existence.

16. BURSARIES

No bursaries were granted during the years under review.

17. CONTRIBUTIONS, GRANTS AND FINANCIAL AID

No contributions were made during the years under review.

18. COMPENSATION PAYMENTS

No compensation payments were made during the years under review.

19. VISITS TO FOREIGN COUNTRIES

2008

The Chief Executive Officer and an Officer of the Municipality undertook an official trip to London, UK. An amount of N\$ 42 253 in S & T and accommodation was paid for the two officials.

2007

The Chief Executive Officer undertook an official trip to Birmingham, UK. An amount of N\$ 21 081 in S & T and accommodation was paid.

20. CLAIMS AGAINST THE LOCAL AUTHORITY

There were no claims against the local authority.

21. GIFTS/DONATIONS BY THE LOCAL AUTHORITY

Beneficiaries	2008	2007	2006
Nominal donations	9 080	9 385	3 017
Mayor's Aid Fund	12 360	6 389	913
Aids care	-	1 000	120
Total	21 440	16 774	4 050

All donations made by the Municipality were approved by the Council.

22. TRANSFER OF PROPERTY

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

23. TRADE AND OTHER RECEIVABLES/PAYABLES

23.1 Trade and other receivables at 30 June were:

	2008	2007	2006
	N\$	N\$	N\$
Rates/services	20 088 180	18 340 986	16 530 662
Sundry debtors	3 733 795	3 281 748	1 407 558
Provision for bad debts	(4 000 000)	(3 917 776)	(3 917 776)
Total	19 821 975	17 704 958	14 020 444

The bad debt provision of N\$ 4 000 000 for 2008 and N\$ 3 917 776 for 2007 is inadequate and is estimated to be N\$ 8 272 905 for 2008 and N\$ 10 454 709 for 2007. The bad debt provision is understated by N\$ 4 272 905 for 2008 and N\$ 6 536 933 for 2007.

23.2 Trade and other payables at 30 June were:

	2008	2007	2006
	N\$	N\$	N\$
Trade payables	2 933 404	1 983 792	1 366 848
Provision for audit fees	220 000	149 840	130 000
Provision for leave	800 000	844 833	844 833
Consumer deposits	728 612	659 632	606 642
Sundry creditors	2 019 859	1 568 177	1 048 979
Current portion of long-term liabilities	280 944	304 073	289 950
Total	6 982 819	5 510 347	4 287 252

Trade creditors were paid on a regular basis. The provision for leave is understated by N\$ 430 987 for 2008 and N\$ 242 268 for 2007.

24. ASSESSMENT RATES

The net proceeds from assessment rates received during the financial years were N\$ 3 393 235 for 2008 and N\$ 3 068 535 for 2007 (2006: N\$ 2 895 065). The tariffs were N\$ 0,03916 for 2008 and N\$ 0.0356 for 2007 (2006: N\$ 0.0327) per Namibian Dollar per year on the site valuation and N\$ 0,00451 for 2008 and N\$ 0.0041 for 2007 (2006: N\$ 0.0041) per Namibian Dollar per year on the valuation of improvements. The last valuation on property and improvements was done in 2003.

25. LOANS

External capital loan balances at year-end, including Housing Fund loans, were N\$ 3 712 131 for 2008 and N\$ 4 016 204 for 2007 (2006: N\$ 5 243 729). An amount of N\$ 3 494 818 for 2008 and N\$ 3 759 945 for 2007 (2006: N\$ 4 011 727) is in respect of long-term loans from Government at rates ranging between 1% and 12%. The outstanding balance still due to the National Housing Enterprise as at year-end was N\$ 52 787 for 2008 and N\$ 59 879 for 2007 (2006: N\$ 66 366) at an interest rate of 9%.

No new loans were received during the years under review.

Internal loan balances at year-end amounted to N\$ 15 001 241 for 2008 and N\$ 12 595 765 for 2007 (2006: N\$ 7 667 931). Internal loans of N\$ 3 478 523 for 2008 and N\$ 5 739 002 for 2007, funded from the Capital Reserve Fund were added during the years under review.

Housing Fund loans owing by the Municipality to Government as at year-end amounted to N\$ 164 525 for 2008 and N\$ 196 380 for 2007 (2006: N\$ 1 165 636). Housing loans owing to the Municipality amounted to N\$ 390 146 for 2008 and N\$ 452 079 for 2007 (2006: N\$ 517 074).

26. SALE OF ERVEN

An amount of N\$ 920 565 for 2008 and N\$ 582 495 for 2007 (2006: N\$ 712 819) was raised through the sale of erven during the year. This amount was allocated to the Capital Reserve Fund. No erven were bought during the financial year.

The management could not provide the auditors with a complete list of erven sold, nor could they provide the representatives with a list of erven debtors. Erven sale debtors of N\$ 531 095 for the 2007/08 financial year were not raised in the books of the Municipality. Although an attempt was made to provide the auditors with a reconciliation of erven sales, it was unsuccessful as the list of erven sales was incomplete. Council should on an urgent basis implement an erf management/township development management system.

27. LOCAL AUTHORITY PROPERTY SOLD ON AN INSTALMENT BASIS

No erven were sold on an instalment basis for the years under review.

28. TARIFF ADJUSTMENTS

Tariff adjustments were duly approved and promulgated in the Government Gazette.

29. APPROVALS

No debtors accounts were written off during the financial year (2007: N\$ Nil and 2006: N\$ Nil).

30. INVENTORY AND EQUIPMENT

30.1 Motor vehicles

	Sedan vehicles		LDV 's and combi's		Heavy vehicles	
	Number	Value	Number	Value	Number	Value
Balance on 01/07/2007	4	N\$ 154 443	17	N\$ 31 830	28	N\$ 2 670 702
Scrapping	-	-	-	-	-	-
Plus: Adjustments to opening balance	-	-	-	-	-	-
Additions	-	-	-	-	3	819 197
Sub-total	4	154 443	17	31 830	31	3 489 899
Less: Depreciation	-	-	-	(31 817)	-	(116 093)
Balance at 30/06/2008	4	154 443	17	13	31	3 373 806
Hours worked	-		-		305	
Kilometres travelled	96 887		96 829		90 757	
Fuel consumption (Litres)	10 127		16 492		62 418	
Fuel consumption (Km/L)	9,57		5,87		1,45	

	Sedan vehicles		LDV 's and combi's		Heavy vehicles	
	Number	Value	Number	Value	Number	Value
		N\$		N\$		N\$
Balance on 01/07/2006	5	154 443	17	80 877	26	2 101 770
Scrapping	(1)	-	-	-	-	-
Plus: Adjustments to opening balance	-	-	-	-	-	-
Additions	-	-	-	-	2	699 298
Sub-total	4	154 443	17	80 877	28	2 801 068
Less: Depreciation	-	-	-	(49 047)	-	(130 366)
Balance at 30/06/2007	4	154 443	17	31 830	28	2 670 702
Hours worked	-		-		927	
Kilometres travelled	59 924		150 001		66 120	
Fuel consumption (Litres)	7 097		23 940		75 863	
Fuel consumption (Km/L)	8,44		6,27		0,87	

The fuel consumption in respect of heavy vehicles includes fuel used by machinery that cannot be measured properly due to the fact that they use fuel on an hourly basis, thus no reliability can be placed on the above consumption figures. Council should endeavour to keep kilometre readings of all vehicles.

30.2 Inventory

Council only accounts for fuel stock for both financial years. Inventory of items utilised in repairs are not accounted for at year-end. Council should compile a complete list of all its inventories at year-end.

31. SPECIAL INVESTIGATIONS

During the 2007/08 financial year, the Anti-Corruption Commission and Ombudsman's Office investigated the following matters/complaints against the Municipality of Okahandja:

(a) Complaints against the building inspector

A complaint was received by the Anti-Corruption Commission from an Okahandja resident that the building inspector is drawing plans for residents as well as approving those plans and carrying out the inspections.

Council took the following action: An instruction was issued to stop the building inspector from drawing up plans and approving building plans drawn up by him.

Audit could find no evidence that disciplinary action was taken against the building inspector.

(b) Illegal sale of plots

A complaint was lodged by a consumer alleging that she applied for a plot and was allocated erf 2657 at a price of N\$ 79 820. The allocation was revoked and was together with seven other plots sold to another resident for N\$ 90 000, i.e. N\$ 11 250 per plot. When finalizing this report, Council had not yet addressed the issue.

32. GENERAL

The accounting and internal controls are insufficient and unsatisfactory. Proper segregation of duties is not possible due to the small number of staff employed. While increased management involvement does reduce risks, it causes the risk that management and Council override existing controls, a potentially dangerous practice, which Council should vigilantly guard against.

33. FORMAL AND INFORMAL QUERIES

Formal queries are embodied in this report. Informal queries were raised with the Town Clerk. Audit differences and other comments are addressed in paragraph 4 of this report.

34. QUALIFIED AUDIT OPINION

The accounts of the Municipality of Okahandja for the financial years ended 30 June 2007 and 2008, summarized in Annexures 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 issues:

- The provision for bad debts is materially understated by N\$ 4 272 905 for 2008 and N\$ 6 536 933 for 2007 in the financial statements of the Council.
- The provision for leave is materially understated by N\$ 430 987 for 2008 and N\$ 242 268 for 2007.
- The Build Together Programme is not disclosed in the financial statements of the Council.
- A complete list of erven sold during the years under review could not be provided by the Council. Debtors related to erven sales amounting to N\$ 531 095 were not raised in the accounts' of the Council for the 2007/08 financial year.

Except for the above-mentioned remarks, 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 flow for the year then ended.

WINDHOEK, January 2010

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

BALANCE SHEETS AT 30 JUNE

	Notes`	2008 N\$	2007 N\$	2006 N\$
ASSETS				
Non-current assets		46 737 439	46 837 445	41 880 990
Property, plant and equipment	2	40 700 422	33 548 495	26 675 970
Investments	3	5 646 871	12 836 871	14 687 066
Loans	4	390 146	452 079	517 954
Current assets		20 827 069	18 551 056	15 101 191
Inventory	5	80 095	71 308	24 175
Trade and other receivables	6	19 821 975	17 704 958	14 020 444
Bank and cash	7	924 999	774 790	1 056 572
Total assets		67 564 508	65 388 501	56 982 181
EQUITY AND LIABILITIES				
Funds and reserves		57 150 502	56 166 023	47 741 150
Capital outlay	8	23 259 086	22 312 166	20 829 946
Funds and accounts	9	33 891 416	33 853 857	26 911 204
Non-current liabilities				
Long-term liabilities	10	3 431 187	3 712 131	4 953 779
Current liabilities				
Trade and other payables	11	6 982 819	5 510 347	4 287 252
Total equity and liabilities		67 564 508	65 388 501	56 982 181

MUNICIPALITY OF OKAHANDJA

INCOME STATEMENTS FOR THE YEARS ENDED 30 JUNE

	<u>Notes</u>	<u>2008</u> N\$	<u>2007</u> N\$	<u>2006</u> N\$
INCOME		49 934 520	44 048 808	38 389 949
EXPENDITURE		(51 356 346)	(41 232 800)	(35 215 778)
NET OPERATING (LOSS)/PROFIT		(1 421 826)	2 816 008	3 174 171
INVESTMENT INCOME EARNED FOR REVENUE ACCOUNTS		1 349 245	1 203 141	1 275 771
NET (LOSS)/PROFIT FOR THE YEAR		(72 581)	4 019 149	4 449 942
APPROPRIATION ACCOUNT – Adjustments	12	(2 377 009)	532 115	(406 928)
TRANSFER TO FUNDS	13	(946 717)	(1 282 001)	(2 193 290)
		(3 396 307)	3 269 263	1 849 724
ACCUMULATED FUNDS – Beginning of the year		9 495 929	6 226 666	4 376 942
ACCUMULATED FUNDS – End of the year		6 099 622	9 495 929	6 226 666

MUNICIPALITY OF OKAHANDJA

CASH FLOW STATEMENTS FOR THE YEARS ENDED 30 JUNE

	Notes	2008 N\$	2007 N\$	2006 N\$
CASH GENERATED BY OPERATING ACTIVITIES				
Cash receipts from customers		46 870 786	39 614 408	38 389 949
Cash paid to suppliers		52 269 670	(40 056 838)	(40 621 747)
Cash (utilised) by operations	14	(5 398 884)	(442 430)	(2 231 798)
Investment income		1 349 245	1 203 141	1 275 771
Movement in Fund Accounts				
- Fund accounts		3 433 866	3 673 390	3 411 026
- Capital outlay		946 920	1 482 220	204 928
Net cash flow from operating activities		331 147	5 916 321	2 659 927
CASH EFFECTS OF INVESTING ACTIVITIES				
Net capital expenditure		(7 151 927)	(6 872 525)	(3 100 520)
Change in investments – (increase)/decrease		7 190 000	1 850 195	(13 066)
Change in secured loans – (increase)/decrease		61 933	65 875	65 944
		100 006	(4 956 455)	(3 047 642)
CASH EFFECTS OF FINANCING ACTIVITIES				
Change in long-term liabilities – increase/(decrease)		(280 944)	(1 241 648)	(232 035)
NET MOVEMENT IN CASH AND CASH EQUIVALENTS		150 209	(281 782)	(619 750)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		774 790	1 056 572	1 676 322
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		924 999	774 790	1 056 572

MUNICIPALITY OF OKAHANDJA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS 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

Property, plant and equipment are stated at cost or valuation where assets have been acquired by grant or by donation, less depreciation written off over the expected useful lives as determined by the Council from time to time. Property, plant and equipment 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 Municipality in terms of the Local Authorities Act (Act 23 of 1992).

1.3.1 Housing Fund

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

1.3.2 Capital Reserve Fund

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

MUNICIPALITY OF OKAHANDJA

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

	2008	2007	2006
	N\$	N\$	N\$
2. PROPERTY, PLANT AND EQUIPMENT			
Property, plant and equipment at book value	40 700 422	33 548 495	26 675 970
3. INVESTMENTS			
Commercial banks	5 646 871	12 836 871	14 037 066
Insurance companies	-	-	650 000
	5 646 871	12 836 871	14 687 066
ALLOCATED TO FUNDS			
Revenue	-	878 327	-
Capital outlay	1 107 510	5 179 259	5 900 000
Capital Reserve Fund	1 949 777	4 349 167	6 338 863
Housing Fund	2 589 584	2 430 118	2 448 203
	5 646 871	12 836 871	14 687 066
4. LOANS			
HOUSING FUND			
Erven and housing loans	390 146	452 079	517 954
5. INVENTORIES			
Fuel	80 095	71 308	24 175
6. TRADE AND OTHER RECEIVABLES			
TRADE DEBTORS	16 088 180	14 423 210	12 612 886
Rates/services	20 088 180	18 340 986	16 530 662
Provision for bad debts	(4 000 000)	(3 917 776)	(3 917 776)
OTHER			
VAT receivable	3 733 795	3 281 748	1 407 558
	19 821 975	17 704 958	14 020 444

MUNICIPALITY OF OKAHANDJA

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

	2008	2007	2006
	N\$	N\$	N\$
7. CASH AND BANK BALANCES			
Current	924 839	774 630	1056 412
Petty cash	160	160	160
	924 999	774 790	1 056 572
8. CAPITAL OUTLAY			
Loans redeemed	8 911 537	8 297 672	7 228 235
Revenue contributions	6 759 855	6 426 800	6 944 207
General capital contributions	7 587 694	7 587 694	6 657 504
	23 259 086	22 312 166	20 829 946
9. FUNDS AND ACCOUNTS			
Capital Reserve Fund	25 366 735	22 124 191	19 401 090
Housing Fund	2 425 059	2 233 737	1 283 448
Revenue account kept in compliance with Section 86 (1) of the Local Authorities Act, 1992.	6 099 622	9 495 929	6 226 666
	33 891 416	33 853 857	26 911 204
10. LONG-TERM LIABILITIES			
CAPITAL LOANS			
The Government of Namibia	3 494 818	3 759 945	4 011 727
National Housing Enterprises	52 787	59 879	66 366
HOUSING LOANS			
The Government of Namibia	164 526	196 380	1 165 636
	3 712 131	4 016 204	5 243 729
Short-term portion included in current liabilities	(280 944)	(304 073)	(289 950)
	3 431 187	3 712 131	4 953 779

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

	2008	2007	2006
	N\$	N\$	N\$
11. TRADE AND OTHER PAYABLES			
Trade payables	2 933 404	1 983 792	1 366 848
Provision for audit fees	220 000	149 840	130 000
Provision for leave	800 000	844 833	844 833
Consumer deposits	728 612	659 632	606 642
Sundry creditors	2 019 859	1 568 177	1 048 979
Current portion of long-term liabilities	280 944	304 073	289 950
	6 982 819	5 510 347	4 287 252
12. ADJUSTMENTS TO THE APPROPRIATION ACCOUNT			
Sundry creditors	-	178 835	-
Stock written off	-	-	(10 371)
Audit fee provision	(58 472)	-	-
Staff loan debtors duplicated	-	(517 334)	-
Sundry debtors adjustments	197 364	305 334	15 757
Adjustment to income	1 905	19 109	-
Sundry journals	(350)	273 866	(240 199)
Unclaimed deposits	19 935	2 328	-
Provision for leave	44 833	-	(163 933)
Bad debt provision	(82 224)	-	-
Adjustment to Bank Account	-	269 977	(90 339)
Loan adjustment	-	-	82 157
Adjustment to VAT	(2 500 000)	-	-
	(2 377 009)	532 115	(406 928)
13. TRANSFERS TO FUNDS			
FROM REVENUE			
Capital Reserve Fund	5 230	1 085 524	1 234 793
INTEREST ALLOCATED			
Capital Reserve Fund	750 166	162 558	798 299
Housing Fund	191 321	33 919	160 98
	946 717	1 282 001	2 193 290

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

14. CASH GENERATED BY OPERATIONS	2008	2007	2006
	N\$	N\$	N\$
Net operating (loss)/profit before transfers	(72 581)	4 019 149	4 449 942
Adjustments for:			
- Adjustments to appropriation account	(2 377 009)	532 115	(406 928)
- Investment income	(1 349 245)	(1 203 141)	(1 275 771)
- Transfer to Funds	(946 717)	(1 282 001)	(2 193 290)
OPERATING INCOME BEFORE CHANGES IN WORKING CAPITAL	(4 745 552)	2 066 122	573 953
CHANGES IN WORKING CAPITAL			
Inventories – decrease/(increase)	(8 787)	(47 133)	(13 804)
Trade and other receivables – (increase)	(2 117 017)	(3 684 514)	(3 178 947)
Trade and other payables – increase	1 472 472	1 223 095	387 000
	(653 332)	(2 508 552)	(2 805 751)
CASH GENERATED/(UTILISED) BY OPERATIONS	(5 398 884)	(442 430)	(2 231 798)