

**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE
MUNICIPALITY OF OTAVI
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2001**

1. INTRODUCTION

The accounts of the Municipality of Otavi for the year ended 30 June 2001 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) as amended. The submission of this report has been considerably delayed due to the inability of the Council to submit financial statements timeously.

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

Figures in the report are rounded off to the nearest Namibia 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, except that the three month period allowed for the submission in terms of the Act was not adhered to. 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 following annexures are also attached to this report:

Annexure B	:	Abridged income statement
Annexure C	:	Cash flow statement
Annexure D	:	Notes to the financial statements

These financial statements were only submitted to the Auditor-General in July 2003 due to the inability of the Council to compile them timeously.

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 Accounting and internal control weaknesses

Yet again it has to be reported that proper financial records were not maintained during the year under review. The general ledger was only prepared about 20 months after year-end and no budgeting controls existed as no budget was prepared for the year under review. Financial information was not available on a monthly basis for control purposes. The auditors were unable to place reliance on internal controls, which are discussed in detail in the formal and informal report. Cash expenses were not appropriately recorded.

4.2 Service debtors/subsidies

Receipts are allocated directly to the current period when received, with the result that no accurate ageing could be obtained.

The ambulance, fire brigade and street subsidies, outstanding since 1988, also appear to be doubtful. According to the June 2001 debtors age analysis, 95% (2000: 51%) or N\$ 2 713 782 (2000: N\$ 1 495 946) of service debtors are outstanding for 90 days (2000: 180 days) and longer. This should, however, be lower as receipts are only allocated to the current period.

4.3 Temporary advances

Temporary advances amounting to N\$ 1 506 313 (2000: N\$ 1 027 956) were made from the Capital and Fund accounts to supplement revenue due to a lack of adequate cash resources available. The Municipality operates on a continuous negative cash flow and is therefore dependent on advances from Government, bank and creditors.

4.4 Loan repayments

External loan repayments to the Government of Namibia, totalling N\$ 611 789 (2000: N\$ 453 100), are in arrears. No arrangement was made with the Government for the postponement of the redemption payments.

4.5 Creditors

In general, creditors are 6 months (2000: 6 months) in arrear with N\$ 967 511 (2000: N\$ 1 111 405) and N\$ 87 138 (2000: N\$ 900 202) being owed to NamPower and NamWater respectively.

4.6 Staff leave

A detailed list of staff leave outstanding at year-end could not be obtained and it was not possible to obtain the necessary information from the staff records. As such the adequacy of the provision for leave pay could not be confirmed.

4.7 Unspent loan monies

The Municipality received a further amount of N\$ 1 200 000 for general services of which N\$ 385 597 was used on such general services. The balance of N\$ 814 403 was unspent at year-end.

However, total cash resources and investments amounted to only N\$ 629 260. In other words, money allocated to capital projects has been used to finance the operating budget.

4.8 Prior year adjustments

Prior year adjustments totalling N\$ 1 025 252 which were shown as income on the income statement could not properly be explained or verified.

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 operations and transactions on the Revenue Account for the year were as follows:

	Revenue	Expenditure	Surplus/ (Deficit)	Balance
	N\$	N\$	N\$	N\$
Accumulated deficit 01/07/2000				(793 845)
General accounts				
Non-profitable	1 953 113	2 866 989	(913 876)	
Self-supporting	390 983	637 304	(246 321)	
Trade accounts				
Electricity	351 487	14 191	337 296	
Water	1 673 293	1 008 857	664 436	
Sub-total	4 368 876	4 527 341	(158 465)	
Total deficit for the year				(158 465)
Prior year adjustments detailed in note 9 to the financial statements				1 025 252
Retained surplus 30/06/2001				72 942

7. CURRENT BANK ACCOUNT

The 30 June 2001 bank reconciliation reflected an unfavourable bank statement balance of N\$ 164 958 (2000: N\$ 150 087) for the operational account, whereas the unfavourable cash-book balance amounted, to N\$ 124 103 (2000: N\$ 219 420). Cheques totalling N\$ 2 423 (2000: N\$ 69 333) and deposits totalling N\$ 43 278 (2000: N\$ 0) were outstanding at year-end.

8. INVESTMENTS AND INTEREST PROCEEDS

On 30 June 2001 there was N\$ 753 331 (2000: N\$ 269 556) invested at financial institutions. Total interest earned for the year was N\$ 27 116 (2000: N\$ 29 466).

	2001		2000	
	Investment	Interest	Investment	Interest
	N\$	N\$	N\$	N\$
Building Society	200 000	24 000	200 000	24 000
Fedsure Insurance Namibia	500 000	-	-	-
Commercial banks	53 331	3 116	69 556	5 466
	753 331	27 116	269 556	29 466

The investments and interest received were allocated to various Funds as follows:

Allocation	2001		2000	
	Investment	Interest	Investment	Interest
	N\$	N\$	N\$	N\$
Housing Fund	149 753	4 241	164 450	10 631
Renewal Fund	-	9 521	-	-
Capital Reserve Fund	240 181	5 797	105 106	3 465
Endowment Fund	-	564	-	-
Fixed Property Fund	363 397	6 993	-	15 370
	753 331	27 116	269 556	29 466

Allocation of interest earned was calculated on the balances of investments and on temporary advances to revenue at the beginning of the financial year.

According to a statement received from the local Standard Bank at Otavi, the bank holds a cheque account with a favourable balance of N\$ 13 115 (2000: N\$ 7 469) as a medical aid fund and a call deposit account with a balance of N\$ nil (2000: N\$ 12 665) as a pension fund on behalf of the Council. These funds are not recorded in the books of the Council. Council is once again requested to forward clarification details to the Office of the Auditor-General.

9. FUND ACCOUNTS

The position of the Fund Accounts at year-end was as shown in note 2 in Annexure D. Temporary advances to revenue amounting to N\$ 1 506 313 (2000: N\$ 1 027 956) were made to finance the operating expenses.

10. TRADE ACCOUNTS

10.1 The results of operations were as follows:

	Electricity		Water	
	2000/2001	1999/2000	2000/2001	1999/2000
	N\$	N\$	N\$	N\$
Sales	351 487	1 663 742	784 622	1 284 092
Cost of sales	-	(959 044)	(735 941)	(648 920)
Gross profit	351 487	704 698	48 681	635 172
Net (expenditure)/ sundry income	(14 191)	(419 586)	615 754	(283 911)
Net surplus	337 296	285 112	664 435	351 261
Gross profit % on cost of sales	-	73%	6,6%	98%
Net profit % on cost of sales	-	30%	90,3%	54%

Electricity services have been privatized and the revenue consists of N\$ 133 498 for royalties and N\$ 217 989 for administrative fees.

A contribution received from Government amounting to N\$ 830 855 is included in the net sundry income for water. It is obvious that if the Government had not assisted the Council, the water account would have closed with a deficit.

10.2 Distribution losses

As also reported in the previous report, the Municipality was once again unable to calculate the units sold as the necessary records were not available. Council is urged to implement such control measure as these would ensure that major losses can be detected timeously.

11. SELF SUPPORTING SERVICES

The net results for the financial year ending 30 June 2001 were as follows:

	2001	2000
	N\$	N\$
Caravan park	(14 722)	(111 299)
Sanitation	(231 599)	(194 326)
(Deficit)	(246 321)	(305 625)

The reason for the negative results is mainly due to ever-increasing costs with no related increase in tariffs. Tariffs should be reviewed and amended on an annual basis. No activity occurred at the abattoir during the year under review. It was also noted that gross income from letting of bungalows amounted to only N\$ 10 065 (2000: N\$ 8 111) while no staff expenses were recorded during the year (2000: N\$ 85 611) for the caravan park. Taking above-mentioned into consideration it seems that the loss for the caravan park is understated.

12. FRUITLESS, UNAUTHORISED OR AVOIDABLE EXPENDITURE

No documentation to verify the income statement items could be obtained by the auditors. A review of daily receipts and its subsequent deposits revealed that they hardly ever agree. The investigation revealed that due to the limited banking facilities, cash was used to pay accounts. Appropriate records were not kept of these cash expenses.

Council's attention is once again drawn to the fact that this situation holds a serious risk for the Municipality, as cash could be easily misappropriated.

13. SUSPENSE ACCOUNTS

The auditors were unable to obtain a detailed list of advances outstanding at year end.

14. IRREGULARITIES AND LOSSES

A material loss could have been incurred due to the facts mentioned in paragraph 12.

15. CAPITAL PROJECTS

During the current year capital expenditure amounted to N\$ 460 133 (2000: N\$ nil).

	Total	Financed by	
		Revenue	External loans
	N\$	N\$	N\$
General administration	78 511	74 535	3 976
Sanitation	381 621	-	381 621
	460 132	74 535	385 597

16. BURSARIES

No bursaries were granted during the year.

17. CONTRIBUTIONS, GRANTS AND FINANCIAL AID

There were no contributions or grants made or financial aid rendered by the Local Authority.

18. COMPENSATION PAYMENTS

No compensation payments were made during the year.

19. VISITS TO FOREIGN COUNTRIES

No expenditure was incurred on visits to other countries.

20. CLAIMS AGAINST THE LOCAL AUTHORITY

Otavi fountain

The owner of the farm on which the Otavi fountain is situated filed a claim against the municipality for a servitude registered in favour of the Local Authority of Otavi whereby the Municipality has a right to 12.5% of the water yield from the Otavi fountain. The claim has gone to the Appeal Court which ruled in favour of the Municipality's 12,5% utilisation.

Since then an additional claim has been filed concerning the validity of the servitude and at the time of writing this report the case was still pending.

According to information obtained, the cost to defend this right already exceeds N\$ 1,5 million over the duration of this dispute which has carried on for over 25 years.

As mentioned in the previous reports, it is again recommended that the Department of Water Affairs intervenes in this case in terms of Article 100 of the Namibian Constitution, and by that regulates the utilisation of the fountain water in terms of the Water Act to end these futile money-absorbing court cases.

21. GIFTS/DONATIONS BY THE LOCAL AUTHORITY

There were no gifts/donations made or received by or to the Local Authority.

22. TRANSFER OF PROPERTY TO / FROM GOVERNMENT

No property was transferred to or from the Government.

23. DEBTORS/CREDITORS

23.1 Debtors at 30 June 2001 were:

	2001	2000
	N\$	N\$
Consumers	2 859 176	2 858 866
General	48 720	48 720
Provision for bad and doubtful debts	2 907 896 (250 000)	2 907 586 (250 000)
Subsidy debtors	2 657 896 1 403 680	2 657 586 939 834
	4 061 576	3 597 420

The receipts from debtors are allocated directly to the current period when received, with the result that accurate ageing could not be obtained.

Potential bad and doubtful debts could also not be determined due to the above reason. The estimated provision for doubtful debts should be approximately N\$ 850 000 (2000: N\$ 750 000).

The ambulance subsidy of N\$ 86 285 is outstanding since 1988 and should be reversed in full against income. Claims for the other subsidies should be taken up with the Ministry of Local and Regional Government and Housing in order to determine recoverability.

Drastic measures will have to be introduced by the Municipality if they are to collect overdue accounts and prevent a serious cash-flow crisis. The effect of an ever-increasing cash flow crisis can clearly be seen with creditors increasing from N\$ 795 614 in 1998 to N\$ 2 268 739 in 2001. Creditors are now in average six months outstanding.

23.2 Creditors at 30 June 2001 were:

	2001	2000
	N\$	N\$
Trade creditors	1 282 805	2 414 189
Provision for audit fees	128 451	98 451
Provision for staff leave	227 794	134 840
External loan repayments in arrear	611 789	453 100
Long-term liabilities: Short-term portion	17 900	18 198
	2 268 739	3 118 778

The audit fees have not been paid for the 1997/98, 1999/00 and 2000/01 financial years.

The Municipality was unable to supply the auditors with a detailed list of staff leave outstanding at year-end and it was not possible to extract the necessary information from the salary records.

Arrears on external loan repayments to the value of N\$ 16 100 (2000: N\$ nil) were made to the Government of Namibia during the current year.

As mentioned in paragraphs 12 and 31 (in general) no documentation could be found to substantiate expenses which leaves doubt that the trade creditors as reported above are complete and accurate.

24. ASSESSMENT RATES

Net proceeds from assessment rates were N\$ 509 420 (2000: N\$ 436 806). The tariffs for private and business property were N\$ 0,0605 (2000: N\$ 0,06) per dollar per half year of the site valuation and N\$ 0,0121 (2000: N\$ 0,011) per dollar per half year of the improvement valuation.

25. LOANS

25.1 External capital loans

On 30 June 2001 the Council owed the Government of Namibia an amount of N\$ 2 441 294 (2000: N\$ 1 257 718), which was made up as follows:

	2001	2000
	N\$	N\$
Capital loans	2 385 949	1 202 049
Revenue loans	20 521	20 845
Housing Fund loans	34 824	34 824
	2 441 294	1 257 718

The redemption of loans agreed with the actuarial tables, except for housing loans, which were not redeemed during the year. Loan assets were capitalised. No assets were sold or written off before the loan was fully redeemed. Loan funds were not used for the purpose for which they were requested. Unspent loan moneys at year-end amounted to N\$ 814 403 (2000: N\$ 244 492). Total cash resources and investments amounted to only N\$ 629 260 (2000: N\$ 107 050), which means in effect that some of the money received from the Government of Namibia for the upgrading of general services and sanitation was used to finance the operating budget.

External loan repayments payable to the Government for the year under review were not made during the year. The total arrear amount of N\$ 611 789 (2000: N\$ 453 100) was transferred to creditors.

25.2 Internal loans

On 30 June 2001 an amount of N\$ 912 183 (2000: N\$ 942 154) was outstanding in respect of internal loans made from the following Funds:

	2001	2000
	N\$	N\$
Fixed Property Fund	487 234	501 762
Capital Reserve Fund	282 228	293 779
Renewal Fund	142 721	146 613
	912 183	942 154

All loans were approved and assets purchased were capitalised. Redemption of loans agreed with the actuarial tables.

25.3 Housing loans

	2001	2000
	N\$	N\$
Balance due to: The Government of Namibia	34 824	34 824
Balance due by:Residents of Otavi	179 264	152 936

No redemption payments were made for housing loans due to the Government of Namibia.

26. SALE OF ERVEN

The amount received for properties sold could not be obtained as at the date of this report (2000: N\$ 48 750). The proceeds were allocated to the Fixed Property Fund. A detailed list of erven sold could not be obtained.

27. ERVEN SOLD ON AN INSTALMENT BASIS

No properties were sold on an instalment basis.

28. TARIFF ADJUSTMENTS

The auditors were unable to determine if all tariff adjustments were in accordance with the relevant Official Government Notices, as no copy of such notice was made available. Council should provide the necessary details to the Office of the Auditor-General.

29. APPROVALS

29.1 Over-expenditure on approved budget posts

An approved budget could not be obtained.

29.2 Revenue written off

No revenue was written off during the year under review.

29.3 Internal loans

No internal loans were made during the year.

30. STOCK AND EQUIPMENT

30.1 Stock

The Council does not disclose any stock in the financial records. The Council does however have a certain amount of municipal inventory on hand. The value thereof could not be confirmed by the auditors as no records are kept thereof.

30.2 Motor vehicles

Motor vehicles and their values were:

	Sedan vehicles		LDV and Combi's		Heavy vehicles (Lorries and busses)	
	Number	Value	Number	Value	Number	Value
On hand: 01/07/2000	1	N\$ 78 893	5	N\$ 2 000	12	N\$ 262 409
Acquisitions during the year	--	--	--	--	--	--
	1	78 893	5	2 000	12	262 409
Less: Withdrawal from service	--	--	--	--	--	--
Depreciation	--	--	--	(500)	--	(28 600)
On hand: 30/06/2001	1	78 893	5	1 500	12	233 809

31. SPECIAL INVESTIGATIONS

No special investigations were performed during the financial year.

32. GENERAL

As reported in the previous year, the accounting and internal controls are unsatisfactory and the auditors were unable to place any reliance on them. The general ledger was not kept up to date and there were no budgeting controls. There are signs of a total accounting breakdown and a serious effort should be made to utilise the computer system to its full potential and to ensure that the general accounting is maintained on a monthly basis.

33. INFORMAL QUERIES

The following issues were taken up informally with the Accounting Officer:

- Previous year informal queries
- Financial state of affairs
- Subsidies receivable
- Provision for doubtful debts
- Advances to staff
- Temporary advances
- Unspent monies
- Consumer deposits
- Minutes
- Outstanding PAYE
- Inventory
- Provision for staff leave
- Rates and taxes
- Employee contracts
- Fixed asset register
- Union fees
- Income statement expenses
- Internal and external loans
- Difference between receipts and deposits

34. QUALIFIED AUDIT OPINION

The accounts of the Municipality of Otavi for the year ended 30 June 2001, summarised in Annexures A to D, were audited by me in terms of the provisions of Section 85 of the Local Authorities Act, Act 23 of 1992 as amended, read with Section 25(1)(b) of the State Finance Act, 1991.

These 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 reclassification of liabilities that might be necessary if the Municipality is unable to continue as a going concern. The fact that the municipality has a negative cash flow and the current liabilities exceed the current assets (if adequate provision for doubtful debt has been made) and the absence of a formal agreement with the Government to support the Municipality financially, raises doubt that the Municipality will be able to continue as a going concern.

Proper financial records were not maintained during the year under review. The general ledger was only prepared about 20 months after year-end and no budgeting controls existed as no budget was prepared for the year under review. Financial information was not available on a monthly basis for control purposes. The auditors were unable to place reliance on internal controls, which are discussed in detail in the formal and informal report. The correctness of the service debtors amount could not be confirmed due to the fact that the Municipality kept no debtor's statements. Furthermore, the accounting system did not allow for the reprinting of a detailed age analysis at 30 June 2001. Receipts from debtors are allocated to the current period when received with the result that no accurate ageing could be obtained. The Municipality's records did not permit the application of alternative auditing procedures and, consequently, not all the information and explanations considered necessary to satisfy myself as to the existence and valuation of service debtors, could be obtained.

Prior year adjustments totalling N\$ 1 025 255 which were shown as income on the income statement could not properly be explained or verified. The records of the Municipality did not permit the application of alternative audit procedures to explain the particular prior year adjustments.

Subsidies in respect of ambulance, fire brigade and street maintenance totalling N\$ 1,4 million are outstanding for a considerable length of time and the receipt of such subsidies is uncertain.

Debtors totalling N\$ 2,7 million are outstanding for more than 90 days and the collection of these debtors is doubtful.

Disclaimer of audit opinion

Because of the significance of the matters discussed in the preceding paragraphs, I do not express an opinion on the financial statements.

WINDHOEK, January 2004

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

ANNEXURE A

MUNICIPALITY OF OTAVI

BALANCE SHEET FOR THE YEAR ENDED 30 JUNE

	Notes	2001	2000
		N\$	N\$
ASSETS			
Non current assets			
Fixed assets	4	3 963 373	3 503 242
Investments	5	753 331	269 556
Loans	6	179 264	152 936
Current assets			
Accounts receivable	7	4 061 576	3 597 420
Cash on hand		31	25
		8 957 575	7 523 179
EQUITY AND LIABILITIES			
Funds	2	4 054 452	2 922 970
Loans (long-term)	3	2 510 283	1 318 901
Current Liabilities			
Accounts payable	8	2 268 738	3 118 778
Bank overdraft		124 102	162 530
		8 957 575	7 523 179

ANNEXURE B

MUNICIPALITY OF OTAVI

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE

	Notes	<u>2001</u>	<u>2000</u>
		N\$	N\$
Income		4 368 876	5 229 297
Expenditure		<u>(4 527 341)</u>	<u>(5 999 488)</u>
Net loss for the year		(158 465)	(770 191)
Prior year adjustments	9	1 025 252	-
Accumulated loss at beginning of the year		(793 845)	(23 654)
Retained surplus / (Accumulated loss) at end of the year		<u><u>72 942</u></u>	<u><u>(793 845)</u></u>

ANNEXURE C

MUNICIPALITY OF OTAVI

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE

	Notes	2001	2000
		N\$	N\$
Cash utilised in operations	10	(158 465)	(668 598)
Movement in working capital	11	(1 313 896)	514 514
Cash utilised in operating activities		(1 472 361)	(154 084)
Investment in future operations		1 994 868	196 771
Capital expenditure		(460 132)	--
Movement in own funds		1 289 946	359 013
Long-term liabilities raised/(repaid)		1 191 382	(13 615)
Increase in loans owed to the Municipality		(26 328)	(148 627)
CASH REQUIREMENTS		522 207	42 687
Cash effect of financing activities:			
(Increase)/decrease in fund investments		(483 775)	14 387
Increase in cash resources		(38 432)	(57 074)
CASH GENERATED		(522 207)	(42 687)

MUNICIPALITY OF OTAVI**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE**

1. ACCOUNTING POLICIES

The financial statements set out in Annexures A and B are prepared on the historical cost basis and incorporate the following principal accounting policies, which are consistent with those applied in the previous year:

1.1 Fixed assets

Fixed assets are stated at cost or at valuation where assets have been acquired by grant or by donation, less depreciation. 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. Depreciation on other assets is written off over their expected useful lives as determined by the Council from time to time.

1.2 Internal Funds

The Municipality has created the following Funds in compliance with Section 80(4) of the Local Authorities Act, 1992 as amended:

Endowment Fund

The purpose of this Fund is to provide for the future sub-division of erven. Income is derived from endowments received from owners who divide their land and from interest on investments.

Capital Reserve Fund

The purpose of this Fund is to build up a general capital reserve to ensure that the Municipality's financial position is stable. Income to this Fund is transferred from the revenue account.

Fixed Property Fund

Proceeds on the sale of property developed by the Municipality accumulate in this Fund. Costs incurred in the development of new townships are charged to this account.

Renewal Fund

The purpose of this Fund is to provide for future replacement for assets and for additional depreciation on assets which have permanently decreased in value. Income to this account is transferred from the general income account.

Housing Fund

The Housing Fund was established in terms of Section 58 of the Local Authorities Act, 1992 as amended. The purpose of this Fund is to provide housing loans.

ANNEXURE D

MUNICIPALITY OF OTAVI

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

1.2 Internal Funds (continued)

Revenue Account

This account is regulated by Section 86(1)(b) of the Local Authorities Act of 1992 as amended. All monies received, accrued to and expenses paid by the Local Authority, except for allocation to other Funds created by the Municipality, are reflected in this account.

	2001	2000
	N\$	N\$
2. OWN FUNDS		
2.1 Internal Funds	2 330 314	1 319 439
Fixed Property Fund	850 631	773 354
Capital Reserve Fund	550 961	518 978
Endowment Fund	22 537	21 973
Renewal Fund	539 050	516 420
Housing Fund	294 192	282 562
Revenue Account	72 943	(793 848)
2.2 Fixed Assets related Funds	1 724 138	1 603 531
Loans redeemed	284 484	238 412
Contributions from revenue	1 171 774	1 097 239
General capital	267 880	267 880
Total Funds	4 054 452	2 922 970
3. LONG-TERM LIABILITIES		
3.1 The Government of Namibia		
Loans with interest rates:		
- up to 5%	1 250 043	54 908
- 5% to 10%	188 710	194 272
- 10% to 15%	1 002 542	1 008 538
	2 441 295	1 257 718
3.2 Deposits held	86 888	79 381
	2 528 183	1 337 099
Less: Capital portion repayable in one year transferred to current liabilities	(17 900)	(18 198)
	2 510 283	1 318 901

ANNEXURE D

MUNICIPALITY OF OTAVI

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

	2001	2000
	N\$	N\$
4. FIXED ASSETS		
Infrastructure	1 920 248	1 919 951
Buildings (Bonded, see note 6)	1 134 078	1 134 078
Vehicles	341 292	341 292
Plant and equipment	567 755	107 921
Net book value	3 963 373	3 503 242
5. INVESTMENTS		
Fixed deposits and money on call with various financial institutions		
32 days	553 331	69 556
180 days	200 000	200 000
	753 331	269 556
6. LOANS		
Secured by a first bond over fixed property (See note 4)	179 264	152 936
7. ACCOUNTS RECEIVABLE		
Consumers	2 859 176	2 858 866
General and subsidies	1 452 400	988 554
Provision for bad and doubtful debts	(250 000)	(250 000)
	4 061 576	3 597 420
8. ACCOUNTS PAYABLE		
Trading	1 894 594	2 867 288
Other	374 144	251 490
	2 268 738	3 118 778

ANNEXURE D

MUNICIPALITY OF OTAVI

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

	2001	2000
	N\$	N\$
9. PRIOR YEAR ADJUSTMENTS		
Prior year adjustments	(36 820)	-
Prior year adjustments	389 794	-
Redemption loan	(1 871)	-
Insurance claim	237 500	-
Underprovision - Subsidy receivable	436 649	-
	1 025 252	-
10. CASH UTILISED IN OPERATIONS		
Net loss for the year	(158 465)	(770 194)
Add: Depreciation	-	101 596
	(158 465)	(668 598)
11. MOVEMENT IN WORKING CAPITAL		
Increase in accounts receivable	(464 156)	(628 561)
(Decrease)/increase in accounts payable	(849 740)	1 143 075
	(1 313 896)	514 514