



REPUBLIC OF NAMIBIA



REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE

MUNICIPALITY OF OTJIWARONGO

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

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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 Otjiwarongo for the financial year ended 30 June 2009, 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, July 2010

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF
THE MUNICIPALITY OF OTJIWARONGO
FOR THE FINANCIAL YEAR ENDED
30 JUNE 2009**

1. INTRODUCTION

The accounts of the Municipality of Otjiwarongo for the year ended 30 June 2009 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 BDO of 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 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. 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

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

Auditor's responsibility

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

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

reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

4. AUDIT OBSERVATIONS AND COMMENTS

4.1 Financial results

The Municipality made a deficit of N\$ 3 994 183 (2008: N\$ 2 092 565), before any transfers to funds during the financial year. Council should determine the causes for such continuous deficits and implement measures to return to profitability again.

4.2 Existence of property, plant and equipment

The auditors could not verify the existence of property, plant and equipment due to the inadequate descriptions on the asset registers. The assets also do not have identification numbers to enable identification.

4.3 Transfer of property to Cenored

Revenue assets valued at N\$ 1 984 842 were transferred to CENORED. The auditors were however not able to verify the actual assets transferred and their values with CENORED. The physical transfer of the assets took place in 2005 as per Government directive. There was a delay in updating the asset register resulting in misstatements.

4.4 Internal loans written off

Internal loans amounting to N\$ 9 460 245 were written off. There is no specific Council resolution authorising management to write off these loans. The write off pertains to loan assets that were transferred to CENORED under a Government directive in 2005. However, the related internal loans were not updated to reflect the loan assets transferred in that year. The auditors could not agree the transfers to the asset register or other auxiliary records. Therefore the report is qualified on completeness, existence, accuracy and valuation of internal loans.

4.5 Differences on capital charges

The redemption amount and interest charged to the income statement are less than the amount per the loan schedule by N\$ 475 477. Management could not identify the cause of the difference.

4.6 Provision for doubtful debts

The provision for doubtful debts is insufficient. The total amount outstanding more than 120 days is N\$ 13 824 176 (2008: N\$ 9 867 979). The auditors calculations revealed that the provision is understated by N\$ 9 280 529. It appears that the Council's credit policy is ineffective and should urgently be revised to ensure debts are collected on a regular basis as individual debtors' accounts may reach unacceptably high levels due to the implementation of the prepaid water system. Residential debtors are only paying for the prepaid water services and neglecting to pay their existing debt.

4.7 Discrepancies on internal and external loans

The external and internal loans balance at year-end has a difference of N\$ 103 243 between the loan statements and the financial statements. Council could not resolve these differences at the time of audit resulting in a suspense account in the balance sheet.

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 and transactions on the Revenue Account for the year are as follows:

	Revenue	Expenditure	Surplus/ (Deficit)	Balance
	N\$	N\$	N\$	N\$
Accumulated surplus 01/07/2008				44 284 123
General services				
Non – profitable	11 727 414	27 898 167	(16 170 753)	
Self – sustaining	6 889 250	5 928 903	960 347	
Trade accounts				
Electricity	7 024 983	1 149 172	5 875 811	
Water	16 682 508	11 342 096	5 340 412	
	42 324 155	46 318 338	(3 994 183)	
Deficit for the year				(3 994 183)
Adjustments and appropriations (Note 10, Annexure D)				(11 983 006)
Accumulated surplus 30/06/2009				28 306 934

Council should investigate the causes and implement measures to reduce the losses.

7. CURRENT BANK ACCOUNT

The favourable bank statement balance of the current bank account amounted to N\$ 1 034 909 (2008: N\$ 1 012 749) and the unfavourable cash-book balance was N\$ 840 932 (2008: Unfavourable N\$ 3 246 739). Outstanding cheques at 30 June 2009 amounted to N\$ 1 851 964 (2008: N\$ 4 199 576).

8. INVESTMENTS AND INTEREST PROCEEDS

The investments as at 30 June 2009 and the interest thereon were as follows:

Institution	2009		2008	
	Investment	Interest	Investment	Interest
	N\$	N\$	N\$	N\$
Invested at:				
Insurance companies	2 569 890	85 563	2 484 327	506 963
Commercial banks	14 996 594	2 055 584	25 922 398	2 851 024
	17 566 484	2 141 147	28 406 725	3 357 987
Distribution				
Housing Fund	-	-	674 191	-
Fixed Property Fund	3 513 297	428 229	2 771 454	289 123
Renewal Fund	-	-	9 922 165	839 497
Capital Reserve Fund	1 229 654	149 880	363 141	167 899
Betterment Fund	1 756 648	214 115	4 517 698	335 799
Income Account	-	-	(3 201 570)	-
Capital Development Fund	11 066 885	1 348 922	877 082	231 365
Municipal Study Loan Fund	-	-	37 752	-
Erven Trust Fund	-	-	10 749 285	839 497
Build Together Fund	-	-	(518 223)	-

(continued)

Institution	2009		2008	
	Investment	Interest	Investment	Interest
	N\$	N\$	N\$	N\$
Single Quarter Housing Project	-	-	301 603	16 790
Disaster Fund	-	-	221 764	-
Social Upliftment Fund	-	-	80 219	167 899
Capacity Building Fund	-	-	56 784	167 899
Marketing and Promotion Fund	-	-	188 427	167 899
Social Housing Fund	-	-	1 364 953	134 320
	17 566 484	2 141 146	28 406 725	3 357 987

The total balance of investments as per balance sheet amounts to N\$ 58 085 289 (2007: N\$ 71 473 694). The difference of N\$ 40 518 805 (2008: N\$ 43 066 969) to the above totals represent an investment in CENORED. This represents a 15% share in CENORED.

9. FUND ACCOUNTS

The position of internal Funds and Reserves is shown in note 6 at annexure D.

10. TRADE ACCOUNTS

10.1 Operating results

The results for the financial year under review and the previous year were as follows:

	Electricity		Water	
	2009	2008	2009	2008
	N\$	N\$	N\$	N\$
Sales/Surcharge levies	7 024 983	7 024 548	16 420 028	15 888 633
Cost of bulk purchases	-	-	(8 526 981)	(9 406 727)
Gross profit	7 024 983	7 024 548	7 893 047	6 481 906
Other income/ (expenses)	(1 149 171)	(1 193 557)	(2 552 635)	(1 673 201)
Net surplus	5 875 812	5 830 991	5 340 412	4 808 705
Gross profit on bulk purchases	N/A	N/A	93%	68.9%
Net surplus percentage on bulk purchases	N/A-	N/A	63%	51.1%

Council is commended for good results being achieved on the water service.

10.2 Distribution losses

Water distribution losses were as follows:

	Water	
	2009	2008
	m ³	m ³
Bought	1 302 284	1 432 994
Sold	1 147 491	1 238 965
Distribution loss	154 793	194 029
Loss as percentage of units bought	11.9%	13.5%

The water losses are still high, management should endeavour to reduce them to levels below 10%.

11. SELF-SUPPORTING EXTERNAL SERVICES

The net result of these services, compared with the previous year, is as follows:

	Revenue	Expenditure	Surplus/ (Deficit)	Surplus/ (Deficit)
	2009	2009	2009	2008
	N\$	N\$	N\$	N\$
Sanitation	4 059 942	4 094 422	(34 479)	265 917
Sewerage	2 829 308	1 834 481	994 826	840 668
	6 889 250	5 928 903	960 347	1 106 585

Council has successfully maintained the sanitation and sewerage services profitable.

12. FRUITLESS, UNAUTHORISED OR AVOIDABLE EXPENDITURE

All over-expenditure was approved by Council during the year.

13. SUSPENSE ACCOUNTS

The suspense accounts are reconciled on a regular basis.

14. IRREGULARITIES AND LOSSES

14.1 No irregularities or losses were identified during the period.

15. CAPITAL PROJECTS

Capital expenditure for the 2009 financial year amounted to N\$ 7 594 662 (2008: N\$ 8 914 717) and comprises the following:

	Financed by		Total 2008
	Total 2009	General capital	
	N\$	N\$	
Emergency services	29 871	29 871	71 053
Town planning	359 701	359 701	682 721
Public buildings	587 866	587 866	172 153
Roads and street works	1 220 910	1 220 910	1 582 832
Parks and show grounds	293 607	293 607	1 085 828
Administration	-	-	16 991
Finance, administration and IT	439 416	439 416	409 888
Water	2 546 775	2 546 775	4 217 908
Sewerage	727 898	727 898	82 090
Sanitation	639 159	639 159	570 485
Council	99 688	99 688	11 739
Finance	261 767	261 767	6 000
Workshop	388 005	388 005	-
Multi-purpose centre	-	-	1 629
HIV South Project	-	-	3 400
	7 594 663	7 594 663	8 914 717

Assets were funded directly by the funds and not through the internal loans or revenue.

Loans amounting to N\$ 115 298 were redeemed in full during the year, however, the related assets were not transferred to revenue.

The prior year fully redeemed loan assets amounting to N\$ 1 976 403, were also not transferred during this year. The result being that depreciation is understated as a result of these transfers not being effected.

16. BURSARIES

No bursaries were granted during the year.

17. CONTRIBUTIONS, GRANTS AND FINANCIAL AID

No contributions or grants were made and no financial assistance was given during the year.

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 during the year under review.

20. CLAIMS AGAINST THE LOCAL AUTHORITY

No claims for losses were received during the year.

21. GIFTS AND DONATIONS BY/(TO) THE LOCAL AUTHORITY

21.1 No donations were made by the Municipality during the year under review.

21.2 The Municipality received the following gifts/donations:

Nature of gifts/donation	Value	Beneficiary/Donor
Donation	N\$ 59 199	Gemente Heusden
	59 199	

22. TRANSFER OF PROPERTY TO/FROM THE GOVERNMENT

No property was transferred to/or from the Government.

23. DEBTORS/CREDITORS

23.1 Debtors on 30 June 2009 comprise the following:

	2009	2008
	N\$	N\$
Consumers	18 899 729	17 559 192
Sundry debtors	1 794 604	1 217 072
	20 694 333	18 776 264
Less: Provision for bad debts	(4 995 443)	(5 000 000)
	15 698 890	13 776 264
Analysis of services and general debtors:		
Average monthly levy	3 290 481	3 137 014
Debtors	18 899 729	17 559 192
Average credit terms in days	175 days	170 days
Consumer deposits	1 065 151	1 138 489
Percentage of deposits in relation to debtors	5.64.%	6.48%

A closer investigation revealed the following:

Of the total debtors balance outstanding as at year end, N\$ 13 824 176 was over 120 days old. This represents 73% of total debtors, a worsening from the prior year rate of 57% and suggests that the Council has decreased its collection efforts due to the installation of prepaid water meters for residential customers who neglect to pay their existing debt.

23.2 Creditors on 30 June 2009 comprise the following:

	2009	2008
	N\$	N\$
Commitments by purchases and other obligations	1 261 725	1 355 638
Audit fees provision	110 000	50 000
Sundries	7 962	535 631
Leave and bonus provision	2 583 531	2 868 539
	3 963 218	4 809 808

24. ASSESSMENT RATES

Proceeds from assessment rates amounted to N\$ 8 341 840 (2008: N\$ 7 760 487), of which an amount of N\$ 416 173 (2008: N\$ 387 807) was paid to the Regional Council. Tariffs determined during the year were N\$ 0.0650 (2008: N\$ 0.0620) per dollar per year on site valuations, N\$ 0.00770 (2008: N\$ 0.00730) per dollar per year on the valuation of improvements.

25. LOANS

25.1 **External loan** balances, excluding the Housing Fund, due by the Municipality totalled to N\$ 2 681 646 at 30 June 2009 (2008: N\$ 3 108 026). (See Note 7 Annexure D). The balances agree with actuarial tables. Loan assets have been capitalised and no loan assets were disposed off before the loan was redeemed. Loan monies were used for the purpose they were obtained for. Arrear loan instalments provided for under current liabilities amounts to N\$ 181 630 (2008: N\$ 132 669) as at year-end. No interest was provided for on these arrear instalments as at year-end.

25.2 Internal loans as at 30 June 2009, being N\$ 26 426 885 (2008: N\$ 37 298 818), are not disclosed in the abridged balance sheet. There were no new internal loans advanced during the year and all assets were financed directly by funds and revenue and were capitalised.

25.3 Housing Fund loans

No Housing Fund loans were due to the Government at year-end (2008: 18 loans with a balance of N\$ 7 717).

25.4 Loans due to the Municipality

	2009	2008
	N\$	N\$
Advances: Build Together	7 814 919	6 078 674
Amount owing on erven sold	1 681 148	481 119
Housing Advances – Ex loans	199 101	218 966
Municipal Housing Advances	1 201 162	1 274 029
Single Quarter Advances	4 069 665	4 339 285
Municipal Study Loans	38 831	65 781
Clay House Project	731 000	381 000
	15 735 826	12 838 854

26. SALE OF ERVEN

The proceeds of erven and plots sold, which were accounted for in the Erven Trust Fund were:

	2009	2008
	N\$	N\$
Erven sold	2 577 496	499 330

The council did not maintain a register of erven sold during the year.

27. PROPERTY SOLD ON AN INSTALMENT BASIS

No properties were sold on an instalment basis during the year.

28. TARIFF ADJUSTMENTS

Tariff adjustments were applied in accordance with the relevant Official Government Notices.

29. APPROVALS

The Council authorised that bad debts to the amount of N\$ 115 555 may be written off and approvals for all over-expenditure were obtained.

30. INVENTORY AND EQUIPMENT

30.1 Motor vehicles

	Sedan vehicles		LDV and combi's		Heavy vehicles (Lorries and busses)	
	Number	Value	Number	Value	Number	Value
On hand 01/07/2008	*8	N\$ 305 403	*23	N\$ 485 603	*31	N\$ 156 030
Acquisitions	-	-	2	160 000	-	-
	8	305 403	25	645 603	31	156 030
Less: Withdrawals from service	-	-	-	-	-	-
Depreciation	-	(23 567)	-	(30 000)	-	(26 000)
On hand 30/06/2009	8	281 836	25	615 603	31	130 030

* The opening values have been adjusted to agree with the asset register.

No proper records were kept on fuel consumption during the year under review and therefore fuel consumption per litre could not be accurately calculated. The above values are based on the values as reflected in the fixed asset register. The total insured value of the vehicles amounts to N\$ 3 603 849.

30.2 Motor vehicle accidents

No vehicle accidents were reported during the year.

30.3 Inventory

No stock count was performed at year-end and consequently no stock balance is reflected in the balance sheet.

31. SPECIAL INVESTIGATIONS

No special investigations were commissioned by the Council.

32. GENERAL

The accounting and internal controls are satisfactory, except where indicated otherwise in this report. The Municipality has implemented controls and are working towards their effectiveness.

33. FORMAL AND INFORMAL QUERIES

33.1 Formal queries are embodied in this report.

33.2 Informal queries reported to the Accounting Officer and Town Clerk consisted of:

- Asset loans fully redeemed
- Investment in CENORED
- VAT treatment
- Provision for doubtful debts
- Issues from prior year

34. QUALIFIED AUDIT OPINION

The accounts of the Municipality of Otjiwarongo for the financial year ended 30 June 2009 summarised in Annexure A to D, were audited 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:

- Fixed assets could not be verified due to inadequate description on the asset register.
- The assets and their values transferred to CENORED could not be verified.
- Internal loans amounting to N\$ 9 460 245 were written off without Council approval.
- Redemption charged does not agree with the loan schedules with an amount of N\$ 475 477.
- Provision for doubtful debts is understated by N\$ 9 280 529.
- External and internal loans balances differ with N\$ 103 243 at year-end.

Except for the above-mentioned issues, in my opinion, the financial statements fairly present the financial position of the Municipality at 30 June 2009 and the results of its operations and cash flows for the year then ended in the manner required by the Local Authorities Act, 1992, and the State Finance Act, 1991.

WINDHOEK, July 2010

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

MUNICIPALITY OF OTJIWARONGO

BALANCE SHEET AT 30 JUNE

ASSETS	Notes	2009	2008
		N\$	N\$
Non-current assets		125 176 942	131 905 834
Property, plant and equipment	2	51 355 827	47 593 286
Loans	3	15 735 826	12 838 854
Investments	5	58 085 289	71 473 694
Current assets		15 807 533	13 781 664
Accounts receivable	6	15 698 890	13 776 264
Suspense account	4	103 243	-
Cash and cash equivalents		5 400	5 400
TOTAL ASSETS		140 984 475	145 687 498
EQUITY AND LIABILITIES			
Equity		132 433 529	133 376 720
Capital outlay	7.1	22 247 296	7 186 444
Fund accounts and reserves	7.2	110 186 233	126 190 276
Non-current liabilities		3 565 156	4 114 488
Interest bearing borrowings	8	2 500 006	2 975 999
Consumer deposits		1 065 150	1 138 489
Current liabilities		4 985 790	8 196 290
Accounts payable	9	3 963 218	4 809 808
Bank overdraft		840 932	3 246 738
Short-term portion of interest bearing borrowings	8	181 640	139 744
TOTAL EQUITY AND LIABILITIES		140 984 475	145 687 498

MUNICIPALITY OF OTJIWARONGO

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2009

	<u>Note</u>	<u>2009</u>	<u>2008</u>
		N\$	N\$
INCOME		42 324 155	40 582 566
EXPENDITURE		<u>(46 318 338)</u>	<u>(42 675 131)</u>
NET LOSS FOR THE YEAR		(3 994 183)	(2 092 565)
Add : Appropriation and adjustments	10	<u>(11 983 006)</u>	<u>42 218 901</u>
RETAINED SURPLUS/(LOSS) FOR THE YEAR		(15 977 189)	40 126 336
30 June 2008		<u>44 284 123</u>	<u>4 157 787</u>
30 June 2009		<u>28 306 934</u>	<u>44 284 123</u>

MUNICIPALITY OF OTJIWARONGO

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2009

	<u>Note</u>	<u>2009</u>	<u>2008</u>
		N\$	N\$
Cash flow from operating activities			
Cash receipts from customers		40 224 947	39 736 828
Cash paid to suppliers		(37 724 691)	(43 371 061)
Net cash flow from operating activities	11	2 500 256	(3 634 233)
Cash flow from investing activities			
		366 503	(6 780 919)
Purchases of property, plant and equipment		(7 576 766)	(8 914 716)
Decrease/(increase) in advances		(2 896 972)	(2 581 946)
(Increase)/decrease in investments		10 840 241	4 715 743
Net cash flow from investing activities			
Cash flow from financing activities			
		(460 951)	7 246 129
Increase in revenue Funds		(26 854)	7 801 270
(Decrease) in long-term liabilities		(434 097)	(555 141)
Net increase/(decrease) in cash and cash equivalents			
		2 405 808	(3 169 023)
Cash and cash equivalents at the beginning of the year		(3 241 340)	(72 317)
Cash and cash equivalents at the end of the year		(835 532)	(3 241 340)

MUNICIPALITY OF OTJIWARONGO

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

1. ACCOUNTING POLICIES**1.1 Introduction**

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

1.2 Property, plant and equipment

Property, plant and equipment acquired with loan funds are stated at cost and no depreciation is provided thereon until the loan is fully redeemed. All other items of property, plant and equipment are stated at cost or valuation, and except fixed property, the cost or valuation of these items of property, plant and equipment is depreciated on the straight line basis over their expected useful lives as follows:

Item	Rate
Land and buildings	5 %
Furniture and equipment	10 %
Vehicles	20 %
Tools and equipment	20 %

1.3 Fund accounts

The following Funds were maintained by the Municipality in terms of section 58(1) and 80(4) of the Local Authorities Act (Act 23 of 1992):

1.3.1 Capital Development Fund

The purpose of this Fund is to make provision for future capital development projects of the Council. Income is obtained from the Revenue Account as well as a cash donation from Government.

1.3.2 Renewal Fund

Its purpose is to provide for the replacement of assets and for additional depreciation on assets which abnormally decrease in value. Income is obtained from the Revenue Account.

1.3.3 Revenue account

All monies received by and accrued to and expenses paid, except for allocations to other Funds, are reflected in this account, and are kept in compliance with Section 86(1)(b) of the Act.

MUNICIPALITY OF OTJIWARONGO**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (continued)**

1.3 Fund accounts (continued)**1.3.4 Housing Fund**

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

1.3.5 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 general income account.

1.3.6 Erven Trust Fund

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

1.3.7 Fixed Property Fund

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

1.3.8 Betterment Fund

The purpose of this Fund is to provide for future improvements of municipal assets. Income to this Fund is transferred from the general income account and a certain part of the proceeds of the sale of land.

1.3.9 Personnel Housing Scheme Fund

The purpose of this Fund is to provide housing loans to staff. Proceeds of staff houses sold to staff members accumulate in this Fund.

1.3.10 Housing Fund (Government)

The purpose of this Fund used to provide housing loans to inhabitants as an agent for the Government. Funds are obtained by way of loans granted and interest on investments.

1.3.11 Single Quarter Housing Scheme

The purpose of this Fund is to administer money received from the Government of Namibia to finance the building of houses to replace the single quarters.

1.3.12 Municipal Study Loan Fund

The purpose of this Fund is to provide capacity building and training of staff.

MUNICIPALITY OF OTJIWARONGO

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (continued)

1.3 Fund accounts (continued)**1.3.13 Disaster Fund**

The purpose of this Fund is to build up reserves to assist with costs of disasters to occur at the town.

1.3.14 Social Upliftment Fund

The purpose of this Fund is to build up enough reserves for social activities which will involve the town's community.

1.3.15 Build Together Fund

The purpose of this Fund is to provide housing loans to the low income group. Income to this Fund is derived from Government contributions, repayments, interest on investments and loans.

1.3.16 Capacity Building Fund and Marketing Promotion Fund

No purpose and sources of revenue for these Funds were submitted.

	<u>2009</u>	<u>2008</u>
	N\$	N\$
2. PROPERTY, PLANT AND EQUIPMENT		
Consists of :		
Property, plant and equipment	<u>51 355 827</u>	<u>47 593 286</u>
Financed by :		
Revenue account	13 699 397	4 848 960
General capital	-	5 070 000
Loans assets	37 656 430	37 674 326
	<u>51 355 827</u>	<u>47 593 286</u>

MUNICIPALITY OF OTJIWARONGO

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (continued)

	2009	2008
	N\$	N\$
3. SECURED LOANS		
First mortgage bonds over fixed property:		
- Erven Trust Fund	1 681 148	481 119
- Single Quarter Housing Scheme	4 069 665	4 339 285
- Build Together	7 814 919	6 078 674
- Personnel Housing Scheme	1 201 162	1 274 029
- Other	968 932	665 747
	15 735 826	12 838 854
4. SUSPENSE ACCOUNT		
Internal loans per the loans schedule	26 530 128	-
Internal loans per Municipality annual financial statements	(26 426 885)	-
	103 243	-
5. INVESTMENTS		
Allocated to:		
Investment in CENORED (Pty) Ltd	40 518 805	43 066 969
Commercial Banks	17 566 484	28 406 725
	58 085 289	71 473 694
6. ACCOUNTS RECEIVABLE		
Trade debtors	18 899 729	17 559 192
Value added taxation	1 482 501	962 547
Sundry debtors	312 103	254 525
	20 694 333	18 776 264
<i>Less :</i>		
Provision for doubtful debts	(4 995 443)	(5 000 000)
	15 698 890	13 776 264

MUNICIPALITY OF OTJIWARONGO

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (continued)

	2009	2008
	N\$	N\$
7. FUNDS AND ACCOUNTS		
7.1 Capital Outlay	22 247 296	7 186 444
Contribution ex Revenue	13 699 397	4 848 961
Contribution ex General Capital	-	5 070 000
Long-term loans redeemed	8 547 899	(2 732 517)
7.2 Funds, Accounts and Reserves	110 186 233	126 190 276
Fixed Property Fund	6 600 738	5 967 167
Betterment Fund	3 482 302	6 149 318
Capital Reserve Fund	8 237 455	7 595 293
Capital Development Fund	26 432 183	23 529 695
Renewal Fund	6 053 638	10 368 432
Personnel Housing Scheme Fund	1 417 611	1 274 030
Erven Trust Fund	14 860 454	12 487 800
Municipal Study Loan Fund	90 810	112 518
Housing Levy Fund		-
Housing Fund (GRN)	1 516 744	1 759 513
Build Together Fund	7 814 919	5 560 452
Build Together - Social Housing Fund	-	1 364 953
Single Quarters Housing Scheme	4 151 500	4 640 889
Social Upliftment Fund	731 842	461 219
Disaster Fund	221 764	221 764
Capacity Building Fund	117 577	224 683
Marketing and Promotion Fund	149 762	188 427
Revenue Account kept in compliance with Section 86 (1) of the Local Authorities Act, 1992	28 306 934	44 284 123

MUNICIPALITY OF OTJIWARONGO

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (continued)

	2009	2008
	N\$	N\$
8. EXTERNAL LOANS		
The Government of Namibia: Capital	2 681 646	3 108 026
Housing Fund	-	7 717
Less: Short-term portion	(181 640)	(139 744)
	2 500 006	2 975 999
9. ACCOUNTS PAYABLE		
Trade payables	1 261 725	1 355 638
Provision for bonus and leave pay	2 583 531	2 868 539
Provision for audit fees	110 000	50 000
Other payables	7 962	535 631
	3 963 218	4 809 808
10. ADJUSTMENTS AND APPROPRIATIONS		
Adjustments- Income relating to prior year		
Correction of Censored equity	-	37 972 076
Prior year audit adjustments	(12 935 638)	(662 619)
Year-end close balances	952 632	4 909 444
	(11 983 006)	42 218 901

MUNICIPALITY OF OTJIWARONGO

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (continued)

	2009	2008
	N\$	N\$
11. CASH UTILISED IN OPERATIONS		
Net operating deficit	(3 994 183)	(2 092 565)
Adjustments (appropriations)	(11 983 006)	42 218 901
Redemption of internal loans	1 398 293	1 254 535
Redemption of external loans	426 380	535 047
Revaluation surplus on assets to Cenored		(26 149 616)
Transfer of assets to Cenored	(1 984 842)	(15 517 353)
Revenue assets additions	7 594 662	
Assets written off		40 257
Internal loans written off	9 460 245	-
Audit adjustment	(4 803)	-
Adjustment to CENORED investment	4 533 006	-
OPERATIONAL INCOME BEFORE CHANGE IN WORKING CAPITAL	5 446 053	289 206
CHANGE IN WORKING CAPITAL	(2 945 797)	(3 923 439)
(Increase)/decrease in accounts receivable	(1 922 626)	(845 738)
Increase/(decrease) in consumer deposits	(73 338)	-
(Increase)/decrease in suspense	(103 243)	-
Increase/(decrease) in accounts payable	(846 590)	(3 077 701)
Nett cash flow from operating activities	2 500 256	(3 634 233)