



REPUBLIC OF NAMIBIA



REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE

MUNICIPALITY OF OTJIWARONGO

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

Published by authority

Price (Vat excluded) N\$ 27.51
Report no 978

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 2010, in terms of Article 127(2) of the Namibian Constitution. The report is transmitted to the Honourable Minister of Finance in terms of Section 27(1) of the State Finance Act, 1991, (Act 31 of 1991) to be laid upon the Table of the National Assembly in terms of Section 27(4) of the Act.

WINDHOEK, August 2011

**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 2010**

1. INTRODUCTION

The accounts of the Otjiwarongo Municipality for the year ended 30 June 2010 are being reported on in accordance with the provisions set out in the State Finance Act, 1991 (Act 31 of 1991) and the Local Authorities Act, 1992 (Act 23 of 1992).

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

Figures in the report are rounded off to the nearest Namibia Dollar. Deficits are indicated in brackets.

2. FINANCIAL STATEMENTS

The 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 30 June 2010, Annexure A, is a true reflection of the original.

The financial statements also include:

Annexure B: Abridged income statement

Annexure C: Cash flow statement

Annexure D: Notes to the financial statements

3. SCOPE OF THE AUDIT

Management's responsibility for the financial statements

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

Auditor's responsibility

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

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

4. AUDIT OBSERVATION AND COMMENTS

4.1 Bad and doubtful debts

The average collection period of trade receivables, before taking the provision for bad debts into account, is 230 days (2009: 175 days). The average collection period of trade receivables, after taking the provision for bad debts into account, is 180 days. Based on an average collection period of 60 days, the auditors are of the opinion that the provision for bad debts is understated by at least N\$ 10 896 906.

4.2 Inventories

The auditors did not observe the counting of inventories on 30 June 2010, as they were not appointed at that time. There were no alternative practical audit procedures that the auditors could perform to confirm the existence and value of inventories on hand at year-end.

4.3 Build Together advances

The control account reflects an amount of N\$ 8 650 910, but the list of advances reflect an amount of N\$ 7 018 498. The difference of N\$ 1 632 412 was explained as a journal wrongly passed on the control account. This has been corrected in the new financial year.

4.4 VAT control account

The control account reflects an amount of N\$ 945 025, as the VAT account reconciliation reflects an amount of N\$ 1 771 213. The difference of N\$ 826 188 was explained as import VAT claimed by the Directorate: Inland Revenue, that can be claimed back by the municipality. This has been corrected in the next financial year.

5. ACKNOWLEDGEMENT

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

6. FINANCIAL RESULTS

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

	Revenue	Expenditure	Surplus/ (Deficit)	Balance
	N\$	N\$	N\$	N\$
Accumulated deficit 01/07/2008				28 306 934
General accounts				
- Non-profitable	1 821 980	28 388 890	(26 566 910)	
- Self-supporting	20 167 074	7 313 217	12 853 857	
Trade accounts				
- Water	17 244 026	12 060 304	5 183 722	
- Electricity	*7 024 548	43 313	6 981 235	
Deficit for the year	46 257 628	47 805 724	(1 548 096)	(1 548 096)
Adjustments and utilizations (See note 12, annexure D)				26 758 838 (1 440 790)
Accumulated deficit 30/06/2009				25 318 048

* CENORED surcharges received.

7. CURRENT BANK ACCOUNT

	2010	2009
	N\$	N\$
Favourable/(unfavourable) cashbook balance on 30 June	536 891	(840 932)
Items not recorded in cashbook	23 877	23 877
Outstanding cheques	296 020	1 851 964
Bank statement balance at 30 June	856 788	1 034 909

8. INVESTMENTS AND INTEREST PROCEEDS

On 30 June the investments were as follows:

	2010	2009
	N\$	N\$
Insurance companies	2 647 501	2 569 890
Commercial banks	12 652 693	14 996 594
Cenored	40 518 805	40 518 805
	55 818 999	58 085 289

The investments were allocated as follows between the Funds:

	2010		2009	
	Investment	Interest	Investment	Interest
	N\$	N\$	N\$	N\$
Revenue – CENORED	40 518 805	-	40 518 805	-
Fixed Property Fund	3 060 039	2 271 119	3 513 297	428 229
Capital Reserve Fund	1 101 033	81 720	1 229 654	149 880
Betterment Fund	1 530 019	113 560	1 756 648	214 115
Capital Development Fund	8 109 103	601 866	11 066 885	1 348 922
Build Together Fund	1 500 000	111 332	-	-
Total	55 818 999	3 179 597	58 085 289	

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	
	2010	2009	2010	2009
	N\$	N\$	N\$	N\$
Royalty/Sales	7 024 548	7 024 983	17 001 067	16 420 028
Cost of bulk purchases	-	-	(8 932 377)	(8 526 981)
Gross profit	7 024 548	7 024 983	8 068 690	7 893 047
Net expenditure	(43 313)	(1 149 171)	(2 884 968)	(2 552 635)
Net surplus	6 981 235	5 875 812	5 183 722	5 340 412
Gross profit percentages on bulk purchases			90.3%	92.6%
Net profit percentage on bulk purchases			58.0%	62.6%

10.2 Distribution results were as follows:

	Water	
	2010 Cubic meter	2009 Cubic meter
Sales	1 162 715	1 147 491
Purchases	1 315 642	1 302 284
Loss	(152 927)	(154 793)
Percentage loss in units purchased	(11.6%)	(11.9%)

11. SELF SUPPORTING SERVICES**11.1 The result for the year under review is as follows:**

Self-supporting	2010			2009
	Revenue	Expenditure	Surplus/ (deficit)	Surplus/ (deficit)
	N\$	N\$	N\$	N\$
Natis	1 184 790	859 790	325 000	214 370
Traffic control	260 820	654 111	(393 291)	-
Community based project	142 517	79 142	63 375	-
Rates and taxes	9 274 426	232 765	9 041 661	7 918 187
Municipal property	1 188 874	475 288	713 586	464 721
Sewerage	3 265 690	1 688 303	1 577 387	994 826
Sanitation	4 849 957	3 323 818	1 526 139	(34 479)
Total	20 167 074	7 313 217	12 853 857	9 557 625

12. FRUITLESS, UNAUTHORIZED OR AVOIDABLE EXPENDITURE

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

13. SUSPENSE ACCOUNTS

These accounts are properly maintained, controlled and reconciled on a regular basis.

14. IRREGULARITIES AND LOSSES

No irregularities and losses took place during the year under review.

15. CAPITAL PROJECTS

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

Nature of projects/acquisitions	Revenue account	Financial by	Total expenditure 2010	Total expenditure 2009
		General capital		
	N\$	N\$	N\$	N\$
Emergency services	-	14 562	14 562	29 871
Town planning	-	839 550	839 550	359 701
Public buildings	13 225	215 664	228 889	587 866
Roads and street works	-	1 338 578	1 338 578	1 220 910
Parks and show grounds	-	-	-	293 607
Finance, Admin and IT	-	257 424	257 424	439 416
Water	-	1 026 689	1 026 689	2 546 775
Sewerage	-	-	-	727 898
Sanitation	-	2 156 310	2 156 310	639 159
Council	-	-	-	99 688
Finance	-	-	-	261 767
Workshop	-	96 764	96 764	388 005
Traffic	-	215 017	215 017	-
Total	13 225	*6 160 558	6 173 783	7 594 663

* Asset were directly funded from Funds.

16. BURSARIES

There were no bursaries granted for the year under review.

17. CONTRIBUTIONS, GRANTS AND FINANCIAL AID RECEIVED FROM GOVERNMENT

No contributions, grants or financial aid were granted during the year under review.

18. COMPENSATION PAYMENTS

There were no compensation payments.

19. VISITS TO FOREIGN COUNTRIES

There were no visits to foreign countries.

20. CLAIMS AGAINST THE LOCAL AUTHORITY

There were no claims against the Local Authority.

21. GIFTS/DONATIONS BY THE LOCAL AUTHORITY

21.1 GIFTS BY THE LOCAL AUTHORITY

There were no gifts granted by the local authority.

21.2 DONATIONS BY THE LOCAL AUTHORITY

	2010
	N\$
Best learner - Paresis	2 000
L. Engelbrecht	2 000
Orwetoweni Priamary School	500
G. Pearson - Best academic achiever	500
Karundu Primary School	500
Independence celebrations	5 000
Pendukeni Primary School	1 000
Total	11 500

22. TRANSFER OF PROPERTY

22.1 There was no transfer of property to the Local Authority.

22.2 There was no transfer of properties by the Local Authority to others.

23. TRADE AND OTHER RECEIVABLES/TRADE AND OTHER PAYABLES

23.1 Trade and other receivables at 30 June were:

	2010	2009
	N\$	N\$
Trade receivables	20 922 086	18 899 729
Value added tax	945 025	1 482 501
Sundry debtors	231 143	312 103
Suspense account	-	103 243
Provision for bad debts	(4 574 834)	(4 995 443)
Total	17 523 420	15 802 133
Analyses of services and general debtors:		
Average monthly levy	2 763 022	3 290 481
Rates and service debtors	20 922 086	18 899 729
Average credit terms in days - Before provision for bad debts	230	175
Average credit terms in days - After provision for bad debts	180	129
Consumer deposits	1 170 652	1 065 150

23.2 Trade and other payables at 30 June were:

	2010	2009
	N\$	N\$
Trade creditors	1 023 357	1 261 725
Provision for audit fees	110 000	110 000
Provision for staff leave	2 131 252	2 583 531
Loan installments in arrear	32 224	7 962
Total	3 296 833	3 963 218

24. ASSESSMENT RATES

Proceeds from assessment rates were N\$ 9 254 233 (200: N\$ 8 341 840). The tariffs private and business properties during the year were N\$ 0.069 (2009: N\$ 0.065) per dollar per year on the site valuations plus N\$ 0.0085 (2009: N\$ 0.0077) per dollar per year on the valuation of improvements.

25. LOANS

25.1 External loans

The balances due to the Government of Namibia were as follows:

	2010	2009
	N\$	N\$
Capital section	2 614 244	2 681 646
	2 614 244	2 681 646

The balances as detailed above correspond to the balances per actuarial tables.

25.2 Internal loan balances

Internal loans as at 30 June 2010, being N\$22 029 034 (2009 - N\$26 426 885), are not disclosed in the abridged balance sheet. All new internal loans advanced during the year were authorised and all assets financed by internal loans were capitalised.

25.3 Loans written off

No loans were written off during the year.

25.4 Loans due to the municipality

On 30 June, the amounts outstanding in respect of loans made from the following Funds were as follows:

	2010	2009
	N\$	N\$
Erven Trust Fund	1 649 095	1 681 148
Single Quarter Housing Scheme	3 918 595	4 069 665
Build Together	8 650 911	7 814 919
Personnel Housing Scheme	1 129 008	1 201 162
Other	1 068 181	968 932
Total	16 415 790	15 735 826

26. SALE OF ERVEN

During the current financial year erven to the value of N\$ 202 120 (2009: N\$ 2 577 496) were sold. The proceeds were allocated to the Fixed Property Fund.

27. LOCAL AUTHORITY PROPERTY SOLD ON AN INSTALMENT BASIS

No property was sold on an instalment basis during the year.

28. TARIFF ADJUSTMENTS

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

29. APPROVALS

All necessary approvals were obtained.

30. INVENTORY AND EQUIPMENT

30.1 Motor vehicle and values thereof:

	Sedan		LDV's and		Heavy duty vehicles	
	Vehicles		Combi's		(Lorries and busses)	
	No	N\$	No	N\$	No	N\$
On hand as at 01/07/2009	8	281 836	25	615 603	31	130 030
Acquisitions during the year	2	215 019	-	-	3	1 489 202
	10	496 855	25	615 603	34	1 619 232
Less: Depreciation	-	(23 567)	-	(62 000)	-	(123 820)
On hand 30/06/2010	10	473 288	25	553 603	34	1 495 412

30.2 Inventory

As at the end of the financial year, stock comprising fuel and lubricants amounted to N\$ 1 229 147 (2009: Nil). Administrative and control measures were effectively applied, with all other items of stock directly expensed to the income statement once incurred.

31. SPECIAL INVESTIGATIONS

There were no special investigations carried out during the year.

32. GENERAL

There is a sufficient system of internal control at the Municipality. Proper segregation of duties is not possible due to the small number of staff employed. While increased management involvement does not 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

33.1 Formal queries are embodied in this report.

33.2 The following matters were brought to the attention of the Chief Executive Officer by way of a report to management:

- Bad and doubtful debts
- Build Together advances
- Inventories
- VAT control account
- Deposit on services

34. QUALIFIED AUDIT OPINION

The accounts of the Municipality of Otjiwarongo for the financial year end 30 June 2010, summarised in Annexures A to D, were audited by me in terms of Section 85 of the Local Authority act, 1992, read with Section 25 (1) (b) of the State Finance Act, 1991.

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

The Build Together Control account reflects an amount of N\$ 8 650 910, but the list of advances reflects an amount of N\$ 7 018 498. The difference of N\$1 632 412 is material. This has been corrected in the new financial year.

The provision for doubtful debts are understated by at least N\$ 10 896 906.

The VAT control account reflects an amount of N\$ 945 025, but the VAT account reconciliation reflects an amount of N\$ 1 771 213. The difference of N\$ 826 188 is material.

Except for the effects of any adjustments which might have been necessary as referred to in the preceding paragraphs, in my opinion these financial statements fairly present the financial position of the Municipality at 30 June 2010 and the result of its operations and cash flows for the year then ended.

Windhoek, August 2011

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

MUNICIPALITY OF OTJIWARONGO

BALANCE SHEET AT 30 JUNE

	Notes	2010 N\$	2009 N\$
ASSETS			
Non-current assets			
		123 940 062	125 176 942
Property, plant and equipment	2	51 705 273	51 355 827
Investments	3	55 818 999	58 085 289
Secured loans	4	16 415 790	15 735 826
Current assets			
		19 294 858	15 807 533
Trade and other receivables	5	17 523 420	15 802 133
Inventories	6	1 229 147	-
Cash and bank balances	7	542 291	5 400
TOTAL ASSETS		143 234 920	140 984 475
FUNDS AND LIABILITIES			
Funds and reserves			
		136 153 190	132 433 529
Capital outlay	8	27 061 995	22 247 296
Funds and accounts	9	109 091 195	110 186 233
Long-term liabilities			
		3 699 926	3 565 156
Long-term loans	10	2 529 273	2 500 006
Consumer deposits		1 170 653	1 065 150
Current liabilities			
		3 381 804	4 985 790
Trade and other payables	11	3 296 833	3 963 218
Bank overdraft	7	-	840 932
Short-term portion of long-term loans	10	84 971	181 640
TOTAL FUNDS AND LIABILITIES		143 234 920	140 984 475

MUNICIPALITY OF OTJIWARONGO

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE

	<u>Note</u>	<u>2010</u>	<u>2009</u>
		N\$	N\$
INCOME		46 257 628	42 324 155
EXPENDITURE		<u>(47 805 724)</u>	<u>(46 318 338)</u>
NET OPERATING DEFICIT		(1 548 096)	(3 994 183)
APPROPRIATION ACCOUNT	12	<u>(1 440 790)</u>	<u>(11 983 006)</u>
		(2 988 886)	(15 977 189)
ACCUMULATED FUNDS - Beginning of year		<u>28 306 934</u>	<u>44 284 123</u>
ACCUMULATED FUNDS - End of year		<u>25 318 048</u>	<u>28 306 934</u>

MUNICIPALITY OF OTJIWARONGO

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE

	Note	2010 N\$	2009 N\$
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from customers		46 257 628	42 324 155
Cash paid to suppliers		(52 863 333)	(61 173 803)
Cash utilised by operations	13	(6 605 705)	(18 849 648)
Movement in Fund accounts			
- Increase/(decrease) in Fund accounts		1 893 848	(26 854)
- Increase in capital outlay		4 814 699	15 060 852
Net cash flow from operating activities		102 842	(3 815 650)
CASH FLOW FROM INVESTING ACTIVITIES			
Net capital expenditure		(349 446)	(3 762 541)
Decrease in investments		2 266 290	13 388 405
(Increase) in loans receivable		(679 964)	(2 896 972)
		1 236 880	6 728 892
CASH FLOW FROM FINANCING ACTIVITIES			
Decrease in long-term liabilities		(67 402)	(434 097)
Increase/(decrease) in consumer deposits		105 503	(73 337)
		38 101	(507 434)
INCREASE IN CASH AND CASH EQUIVALENTS		1 377 823	2 405 808
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR		(835 532)	(3 241 340)
CASH AND CASH EQUIVALENTS - END OF YEAR	7	542 291	(835 532)

MUNICIPALITY OF OTJIWARONGO

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

1. ACCOUNTING POLICIES**1.1 Introduction**

The annual financial statements set out in Annexures A to 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 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 for 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:

Land and buildings	20 Years
Furniture and equipment	10 Years
Vehicles	5 Years
Tools and equipment	5 Years

1.3 Internal Funds

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 the Fund is to make provision for future capital development projects of the Council. Income is derived from the Revenue Account and donations from Government.

1.3.2 Renewal Fund

Its purpose is to provide for replacement of assets and for additional depreciation on assets which abnormally decreased in value. Income for this account is derived from general revenue contributions as well as interest earned on investments.

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.

1.3.4 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.

1.3.5 Disaster Fund

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

MUNICIPALITY OF OTJIWARONGO

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

ACCOUNTING POLICIES (continued)**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 Housing Levy Fund

The purpose of this Fund is to build up a reserve to undertake improvements of the Municipality's infrastructure. The Municipality levies charges to consumers to build up this Fund.

1.3.8 Tariff Stabilisation Fund

The purpose of this Fund is to build up a reserve to prevent unnecessary fluctuation in tariffs for electricity and water during a financial year. Unforeseen increases in electricity and water tariffs and surcharges levied on the electricity accounts of Nampower will be partly subsidised from this account.

1.3.9 Fixed Property Fund

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

1.3.10 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.

1.3.11 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.

1.3.12 Housing Fund (Government)

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

1.3.13 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.

1.3.14 Municipal Study Loan Fund

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

1.3.15 Social Upliftment Fund

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

MUNICIPALITY OF OTJIWARONGO

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

ACCOUNTING POLICIES (continued)

1.3.16 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.

1.3.17 Capacity Building Fund and Marketing Promotion Fund

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

1.4 Capital redemption on loans

Capital redemptions on external and internal loans are charged against income. A similar amount is credited to the Loan Redemption Fund for the duration of the loan. As and when the loan is fully redeemed the Loan Redemption Fund is transferred to the Revenue Contribution.

1.5 Inventories

Fuel inventory is valued at cost on the first-in-first-out basis.

	2010	2009
	N\$	N\$
2. PROPERTY, PLANT AND EQUIPMENT		
Loan assets	34 380 142	37 656 430
Income assets	17 325 131	13 699 397
	51 705 273	51 355 827
3. INVESTMENTS		
INVESTMENTS		
Insurance companies	2 647 501	2 569 890
Commercial banks	12 652 693	14 996 594
CENORED (Pty) Ltd	40 518 805	40 518 805
	55 818 999	58 085 289
ALLOCATED TO FUNDS		
CENORED – Revenue	40 518 805	40 518 805
Fixed Property Fund	3 060 039	3 513 297
Capital Reserve Fund	1 101 033	1 229 654
Betterment Fund	1 530 019	1 756 648
Capital Development Fund	8 109 103	11 066 885
Build Together Fund	1 500 000	-
	55 818 999	50 085 289

MUNICIPALITY OF OTJIWARONGO

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

	2010	2009
	N\$	N\$
4. SECURED LOANS		
Secured by mortgage bonds over fixed property.		
Erven Trust Fund	1 649 095	1 681 148
Single Quarter Housing Scheme	3 918 595	4 069 665
Build Together	8 650 911	7 814 919
Personnel Housing Scheme	1 129 008	1 201 162
Other	1 068 181	968 932
	16 415 790	15 735 826
5. TRADE AND OTHER RECEIVABLES		
Trade receivables	20 922 086	18 899 729
Value added tax	945 025	1 482 501
Sundry debtors	231 143	312 103
Suspense account	-	103 243
Provision for doubtful debts	(4 574 834)	(4 995 443)
	17 523 420	15 802 133
6. INVENTORY		
Total	1 229 147	-
7. CASH AND BANK BALANCES		
Current bank account	536 891	(840 932)
Petty cash	5 400	5 400
	542 291	(835 532)
8. CAPITAL OUTLAY		
Loans redeemed	9 736 864	8 547 899
Revenue contributions	17 325 131	13 699 397
	27 061 995	22 247 296

MUNICIPALITY OF OTJIWARONGO

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

	2010	2009
	N\$	N\$
9. FUNDS AND ACCOUNTS		
Fixed Property Fund	7 029 979	6 600 738
Betterment Fund	3 693 281	3 482 302
Capital Reserve Fund	8 772 504	8 237 455
Capital Development Fund	26 396 197	26 432 183
Renewal Fund	3 540 048	6 053 638
Personnel Housing Fund	1 551 803	1 417 611
Erven Trust Fund	15 657 414	14 860 454
Municipal Study Loan Fund	86 924	90 810
Housing Fund (GRN)	1 526 080	1 516 744
Built Together Fund	9 814 255	7 814 919
BT - Informal Settlement Fund	473 311	-
Single Quarters Housing Scheme	4 265 143	4 151 500
Social Upliftment Fund	731 842	731 842
Disaster Fund	221 764	221 764
Capacity Building Fund	6 421	117 577
Marketing and Promotion Fund	6 181	149 762
Revenue account kept in compliance with Section 86(1) of the Local Authority Act, 1992.	25 318 048	28 306 934
	109 091 195	110 186 233
10. LONG-TERM LIABILITIES		
The Government of Namibia:		
Capital section	2 614 244	2 681 646
Short-term portion stated as current liabilities	(84 971)	(181 640)
	2 529 273	2 500 006
11. TRADE AND OTHER PAYABLES		
Trade creditors	1 023 357	1 261 725
Provision for audit fees	110 000	110 000
Provision for staff leave	2 131 252	2 583 531
Other payables	32 224	7 962
	3 296 833	3 963 218

MUNICIPALITY OF OTJIWARONGO

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

	<u>2010</u>	<u>2009</u>
	N\$	N\$
12. ADJUSTMENTS TO APPROPRIATION ACCOUNT		
Prior year adjustments	(1 440 790)	(12 935 638)
Year-end close balances	-	952 632
	<u>(1 440 790)</u>	<u>(11 983 006)</u>
13. CASH UTILISED BY OPERATIONS		
NET OPERATING DEFICIT BEFORE TRANSFERS	(1 548 096)	(3 994 183)
ADJUSTMENT FOR:		
- Adjustments to appropriation account	<u>(1 440 790)</u>	<u>(11 983 006)</u>
OPERATING DEFICIT BEFORE CHANGES IN WORKING CAPITAL	<u>(2 988 886)</u>	<u>(15 977 189)</u>
CHANGES IN WORKING CAPITAL		
(Increase) in trade and other receivables	(1 721 287)	(2 025 869)
(Increase) in inventories	(1 229 147)	-
(Decrease) in trade and other payables	<u>(666 385)</u>	<u>(846 590)</u>
	<u>(3 616 819)</u>	<u>(2 872 459)</u>
CASH UTILISED BY OPERATIONS	<u>(6 605 705)</u>	<u>(18 849 648)</u>