



**REPUBLIC OF NAMIBIA**



# **REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE MUNICIPALITY OF OUTJO**

**FOR THE FINANCIAL YEARS ENDED 30 JUNE 2010**

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**REPUBLIC OF NAMIBIA**



**TO THE HONOURABLE SPEAKER OF THE NATIONAL ASSEMBLY**

I have the honour to submit herewith my report on the accounts of the Municipality of Outjo for the financial year ended 30 June 2010, in terms of Article 127(2) of the Namibian Constitution. The report is transmitted to the Honourable Minister of Finance in terms of Section 27(1) of the State Finance Act, 1991, (Act 31 of 1991) to be laid upon the Table of the National Assembly in terms of Section 27(4) of the Act.

**WINDHOEK, September 2011**

**JUNIAS ETUNA KANDJEKE  
AUDITOR-GENERAL**

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

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**1. INTRODUCTION**

The accounts of the Municipality of Outjo 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 Namibian 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 Annexure A is a true reflection of the original signed by the Accounting Officer.

The financial statements also include:

Annexure B: Income statement

Annexure C: Cash flow statement

Annexure D: Notes to the financial statements

The comparative figures related to the 2008/09 financial year are differently disclosed in this report but the net results remained the same.

**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 the opinion of the Auditor-General to the National Assembly. The said firm conducted the audit in accordance with International Standards on Auditing. Those standards require that the firm comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

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

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

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

##### **4.1 Loans in arrears**

External Government loans are, as in previous years, not repaid but the repayments are provided for as arrear loan instalments. The total instalments in arrears amount to N\$ 2 723 786 (2009: N\$ 2 516 337).

No interest on overdue amounts due to Government has been provided for.

##### **4.2 Property, plant and equipment/Capital outlay**

Loan assets from loans redeemed were transferred to general capital assets, and not to revenue assets. The loan assets must be transferred to revenue assets, as the loans were redeemed from revenue.

##### **4.3 Inventories**

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

##### **4.4 Trade and other receivables- Provision for bad debts**

The average collection period of trade receivables is 410 days (2009: 310 days). As previously reported, Council should attend to the arrears as a matter of urgency.

Based on an average collection period of 60 days, the auditors are of the opinion that the debtors provision is understated by at least N\$ 1 270 499 (2009: N\$1 749 082).

##### **4.5 Trade and other receivables- Cash not banked**

Included in other receivables is an amount of N\$ 1 742 209 (2009: N\$ 939 748) for cash not banked compared to cash received by the municipality. The alleged irregularity is currently under investigation by Nampol, but the outcome thereof and the recoverability of the amount is unknown. The auditors are of the opinion that a provision should be raised against the debtor.

##### **4.6 VAT and P.A.Y.E. returns**

Not all VAT and P.A.Y.E. returns were submitted timeously to the Directorate: Inland Revenue. No provision for penalties and interest has been made in the financial statements.

##### **4.7 VAT receivable**

Included in trade and other payables is an amount of N\$ 1 476 390 for VAT receivable. N\$ 313 402 is claims for the current financial year, and N\$ 1 162 988 is claims for past financial years. The Directorate: Inland Revenue want to perform a VAT audit on that amount, but the supporting documentation was destroyed in a fire. The auditors are of the opinion that the amount should be provided for as bad debts.

##### **4.8 Build Together advances**

These advances are not repaid to the Fund.

##### **4.9 CENORED income**

No supporting documentation could be supplied for the electricity income from Cenored. The auditors could thus not verify the completeness of the electricity income.

##### **4.10 Deposit on services**

Deposits for services do not cover one month's service fees.

#### 4.11 Assessment rates

According to the valuation roll supplied to the auditors, the assessment rates were calculated wrongly. In some cases it was overcharged, and in other cases it was undercharged. According to the municipality, there is another valuation roll, but it could not be supplied to the auditors.

#### 4.12 Supporting documentation

The auditors could not find all the supporting documentation with the tests of expenses.

### 5. ACKNOWLEDGEMENT

The assistance and co-operation by the staff of the Outjo 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:

	<b>Revenue</b>	<b>Expenditure</b>	<b>Surplus/ (deficit)</b>	<b>Balance</b>
	N\$	N\$	N\$	N\$
Accumulated deficit on 01/07/2009				(9 266 950)
General accounts				
- Non-profitable services	4 734 102	7 033 511	(2 299 409)	
- Self-supporting services	3 970 186	3 991 114	(20 928)	
Trade accounts				
- Electricity	771 983	270 366	501 617	
- Water	5 447 878	2 010 451	3 437 427	
Deficit for the year	14 924 149	13 305 442	1 618 707	1 618 707
				(7 648 243)
Adjustments and utilizations (Note 11, Annexure D)				(803 871)
Accumulated deficit on 30/06/2010				<b>(8 452 114)</b>

### 7. CURRENT BANK ACCOUNT

	<b>2010</b>	<b>2009</b>
	N\$	N\$
Cash-book balance at 30 June - Balance sheet	(242 977)	18 209
Outstanding cheques	534 657	-
Outstanding deposits	(114 163)	-
Balance as per bank statement	<b>177 517</b>	<b>18 209</b>

## 8. INVESTMENTS

The investments as at 30 June were as follows:

<b>Institution</b>	<b>2010 Investment</b>	<b>2009 Investment</b>
	N\$	N\$
Commercial banks	<b>1 298 357</b>	<b>1 856</b>
<b>Distribution</b>		
Revenue	-	1 856
Housing Fund	1 298 357	-
	<b>1 298 357</b>	<b>1 856</b>

## 9. FUND ACCOUNTS

The position of the Funds and accounts at year-end was as shown in note 8 in Annexure D.

## 10. TRADE ACCOUNT

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

	<b>Electricity</b>		<b>Water</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
	<b>N\$</b>	<b>N\$</b>	<b>N\$</b>	<b>N\$</b>
Sales	771 960	1 300 884	5 419 971	4 478 489
Cost of sales	-	(695 127)	-	-
Gross surplus	771 960	605 757	5 419 971	4 478 489
Other expenses	(270 343)	(265 421)	(1 982 544)	(1 786 994)
<b>Net (deficit)/surplus</b>	<b>501 617</b>	<b>340 336</b>	<b>3 437 427</b>	<b>2 691 495</b>
Net surplus percentage on sales	65.0%	26.2%	63.4%	60.1%

### 10.2 Distribution results were as follows:

No distribution results were available as Cenored supply the electricity and the water are pumped from municipal boreholes.

## 11. SELF SUPPORTING SERVICES

### 11.1 The result for the year under review is as follows:

Service	Income 2010	Expenses 2010	Surplus/ (deficit) 2010	Surplus/ (deficit) 2009
	N\$	N\$	N\$	N\$
Abattoir	8 766	6 720	2 046	4 499
Cleansing services	1 265 238	2 144 053	(878 815)	(913 336)
Sewerage and plunger	2 686 980	1 817 068	869 912	469 974
Sidings and industrial plots	9 202	23 273	(14 071)	(13 241)
	<b>3 970 186</b>	<b>3 991 114</b>	<b>(20 928)</b>	<b>(452 104)</b>

As reported in the previous year, Council must turn the loss making services into self supporting services.

## 12. FRUITLESS, UNAUTHORIZED OR AVOIDABLE EXPENDITURE

There were no such expenses.

## 13. SUSPENSE ACCOUNTS

Suspense account balances are summarised as follows:

	2010		2009	
	Debit	Credit	Debit	Credit
	N\$	N\$	N\$	N\$
Inland Revenue - 3rd Party payments	-	-	270 836	-
Cash not deposited	1 742 209	-	939 747	-
Personnel recoverable	273 939	-	4 963	-
CEO-SEO laptop	-	-	17 062	-
Salaries advance payments	-	-	83 860	-
Retirement Fund	-	-	-	85 686
Homes Trust Insurance	-	46 719	-	42 117
Transfer fees	-	683 118	-	474 238
Third party payments	-	169 276	-	-
Insurance fire damage	-	1 064 221	-	-
	<b>2 016 148</b>	<b>1 963 334</b>	<b>1 316 468</b>	<b>602 041</b>

## 14. IRREGULARITIES AND LOSSES

### 14.1 Fire outbreak

During August 2009 a fire broke out at the offices of the Municipality, and destroyed most of the accounting supporting documentation up to afore-mentioned date. Most of the supporting documentation since the beginning of the financial year up to August 2009 was thus not available for inspection during the audit.

### 14.2 Cash received but not banked

The cash received and not banked reflect an amount of N\$ 1 742 209 in the suspense account in the balance sheet. This is an accumulated amount as a result of an investigation by the Municipality which covered the period from March 2007 up to September 2009.

The alleged irregularity is currently under investigation by the Namibian Police.

**15. CAPITAL PROJECTS**

The following were spend on capital projects:

Nature of projects/ acquisitions	Financed by		Total expenditure 2010	Total expenditure 2009
	Revenue account	General capital		
	N\$	N\$	N\$	N\$
Town Clerk/Treasurer	5 531	417 791	423 322	6 340
Council's general expenses	87 210	-	87 210	72 276
Fire Brigade	-	-	-	14 122
Streets, roads and starm water	34 230	-	34 230	66 495
Natis	-	-	-	80 715
Housing	8 610	1 258 058	1 266 668	72 100
Single quarters	-	-	-	200 653
Cleansing services	47 047	-	47 047	124 348
Sewerage and plunger	13 900	-	13 900	45 383
Water supply	-	-	-	98 261
Workshop	5 130	-	5 130	-
	<b>201 658</b>	<b>1 675 849</b>	<b>1 877 507</b>	<b>780 693</b>

**16. STUDY LOANS/BURSARIES**

The auditors are not aware of any bursaries that were granted during the year.

**17. CONTRIBUTIONS, GRANTS AND FINANCIAL AID.**

The Council did not disclose, that any amount was received or given as contributions or grants during the years under review, to the auditors.

**18. COMPENSATION PAYMENTS**

The audit did not reveal that any compensation payments were made during the years under review nor did the Council inform the auditors of such payments.

**19. VISITS TO FOREIGN COUNTRIES**

No amount was incurred on visits to other countries during the years under review.

**20. CLAIMS AGAINST THE LOCAL AUTHORITY**

The audit did not reveal that there were claims against the Local Authority nor did the Council disclose such payments.

**21. GIFTS/DONATIONS BY THE LOCAL AUTHORITY**

The Municipality made the following gifts/donations:

Nature of gift/donation	Value
	N\$
Donations	11 400
Free services	13 200
Subsidies to pensioners and indigent people	382 046
	<b>406 646</b>



## 22. TRANSFER OF PROPERTY

The audit did not reveal any transfer of property to / from the Council for the periods under review.

## 23. TRADE AND OTHER RECEIVABLES/TRADE AND OTHER PAYABLES

### 23.1 Trade and other receivables at 30 June were:

	<b>2010</b>	<b>2009</b>
	N\$	N\$
Consumers	13 058 954	11 153 380
Cash not banked	1 742 209	939 747
VAT receivable	1 476 390	1 187 950
Sundries	303 804	382 214
Provision for bad debts	16 581 357 (9 878 129)	13 663 291 (8 065 893)
<b>Total</b>	<b>6 703 228</b>	<b>5 597 398</b>
<b>Analysis of services and general debtors:</b>		
Average monthly levy	968 429	1 094 350
Debtors	13 058 954	11 153 380
Average credit terms in days	410	310

### 23.2 Trade and other payable at 30 June were:

	<b>2010</b>	<b>2009</b>
	N\$	N\$
Trade payables	139 935	507 339
Provisions	1 206 650	1 272 320
Amounts received in advance	321 046	795 916
Loan instalments in arrears	2 723 786	2 516 337
Sundry payables	1 963 334	602 041
Deposit – camp rent	-	257 555
<b>Totals</b>	<b>6 354 751</b>	<b>5 951 508</b>

## 24. ASSESSMENT RATES

	<b>2010</b>	<b>2009</b>
	N\$	N\$
The net proceeds from assessment rates were	1 324 907	1 280 297
Paid to the Regional Council	65 118	63 028
Tariffs per N\$1 valuation per month		
- Land	0.1000	0.1000
- Improvements	0.0140	0.0140

**25. LOANS**

**25.1 External loans**

	<b>2010</b>	<b>2009</b>
	N\$	N\$
External loans - Government	<b>1 494 584</b>	<b>1 542 156</b>

**25.2 Internal loans**

	<b>2010</b>	<b>2009</b>
	N\$	N\$
Total	-	<b>180 999</b>

**26. SALE OF ERVEN**

There were no records made available to the auditors to determine if any property sales took place.

**27. LOCAL AUTHORITY PROPERTY SOLD ON AN INSTALMENT BASIS**

No records were made available to the auditors to determine if any property was sold on installment basis during the year under review.

**28. TARIFF ADJUSTMENTS**

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

**29. APPROVALS**

All overspending were approved by the Council.

**30. INVENTORY AND EQUIPMENT**

**30.1 Motor vehicles and values thereof:**

The auditors could not obtain satisfactory information regarding the quantity and value of motor vehicles. The auditors were also unable to obtain information to calculate fuel consumptions of the Council's vehicles.

**30.2 Inventory**

Adequate systems of control over and recording of inventory were maintained.

Inventory counts are performed twice per annum.

Slow moving inventory was identified and adequate provision has been made for obsolete items.

Housekeeping is up to standard.

**31. SPECIAL INVESTIGATIONS**

Refer to paragraph 14.

**32. GENERAL**

The accounting and internal controls are not satisfactory, except where indicated otherwise in this report. Proper segregation of duties is not feasible due to the small number of staff employed. While increased management involvement does reduce risks, the risk arises that management and Council override existing controls, a potentially dangerous practice which the Municipality should vigilantly

guard against. The integrity of staff in appropriate positions should however be reviewed to ensure that qualified personnel are employed in respective positions.

### **33. FORMAL AND INFORMAL QUERIES**

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

**33.2** Informal queries were raised by way of a management letter and was discussed with staff of Municipality. The letter contained the following:

- Loan installments in arrears.
- Property, Plant and Equipment / Capital outlay.
- Inventories
- Trade and other receivables – Provision for bad debts
- Trade and other receivables – cash not banked.
- V.A.T and P.A.Y.E. returns
- V.A.T receivable
- Build Together advances
- Censored income
- Deposit on services
- Assessment rates
- Supporting documentation

### **34. QUALIFIED AUDIT OPINION**

The accounts of the Outjo Municipality for the financial year ended 30 June 2010, summarised in Annexures A to D, were audited by me in terms 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:

- The total loan installments in arrears amount to N\$ 2 723 786.
- The provision for bad debts is understated by N\$ 1 270 499.
- Cash to the amount of N\$ 1 742 209 was not banked.
- Not all V.A.T and P.A.Y.E. returns were submitted timeously, but no provisions were made for any penalties or interest that might be charged in future.
- An amount of N\$ 1 162 988 related to V.A.T receivable from part of the Council's debtors. It is doubtful if the Council will receive afore-mentioned amount due to a lack of supporting documentation that was destroyed by the fire.
- No supporting documentation could be supplied to support the electricity income from Censored to the amount of N\$ 771 960.

Except for the above-mentioned issues, in my opinion, the financial statements fairly present the financial position of the Municipality at 30 June 2010 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, September 2011**

**JUNIAS ETUNA KANDJEKE  
AUDITOR-GENERAL**

## THE MUNICIPALITY OF OUTJO

## BALANCE SHEET AT 30 JUNE

	Notes	2010 N\$	2009 N\$
<b>ASSETS</b>			
<b>Non current assets</b>		24 084 413	16 994 037
Property, plant and equipment	2	17 444 890	16 992 181
Investments	3	1 298 357	1 856
Loans advanced - Housing Funds		5 341 166	-
<b>Current assets</b>		6 751 292	5 938 054
Trade and other receivables	4	6 703 228	5 597 398
Inventories	5	46 234	322 447
Bank and cash	6	1 830	18 209
<b>TOTAL ASSETS</b>		<b>30 835 705</b>	<b>22 932 091</b>
<b>FUNDS AND LIABILITIES</b>			
<b>Funds and reserves</b>		22 454 160	15 093 473
Capital outlay	7	11 866 450	10 959 120
Funds and accounts	8	10 587 710	4 134 353
<b>Non-current liabilities</b>			
Long-term loans	9	1 783 817	1 887 110
<b>Current liabilities</b>		6 597 728	5 951 508
Trade and other payables	10	6 354 751	5 951 508
Bank overdraft	6	242 977	-
<b>TOTAL FUNDS AND LIABILITIES</b>		<b>30 835 705</b>	<b>22 932 091</b>

## ANNEXURE B

## THE MUNICIPALITY OF OUTJO

## INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE

	Note	2010 N\$	2009 N\$
INCOME		14 924 149	13 125 759
EXPENDITURE		13 305 442	13 188 313
NET OPERATING SURPLUS/(DEFICIT)		1 618 707	(62 554)
APPROPRIATION ACCOUNT	11	(803 871)	(5 993 878)
NET SURPLUS/(DEFICIT) AFTER APPROPRIATIONS		814 836	(6 056 432)
REVENUE ACCOUNT - Beginning of the year		(9 266 950)	(3 210 518)
REVENUE ACCOUNT - End of the year		<b>(8 452 114)</b>	<b>(9 266 950)</b>

## THE MUNICIPALITY OF OUTJO

## CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2009

	Note	2010 N\$	2009 N\$
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Cash receipts from customers		14 924 149	13 125 691
Cash paid to suppliers		(14 535 687)	(16 317 287)
	12	388 462	(3 191 596)
Interest received		-	68
Increase in Fund accounts		5 638 521	4 926 124
Increase in Capital Outlay		907 330	48 140
Net cash flow from operating activities		6 934 313	1 782 736
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Net(Increase)/decrease in capital expenditure		(452 709)	19 485
(Increase)/decrease in investments		(1 296 501)	(99)
(Increase)/decrease in loans advance-Housing Fund		(5 341 166)	-
		(7 090 376)	19 386
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
(Decrease)/in interest bearing borrowings		(103 293)	(1 477 440)
<b>NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS</b>			
		(259 356)	324 682
Cash and Cash equivalents - Beginning of the year		18 209	(306 473)
Cash and Cash equivalents - End of the year		<b>(241 147)</b>	<b>18 209</b>

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

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**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 fixed property, the cost or valuation of other items are depreciated on the reducing-balance basis over their expected useful lives.

**1.3 Fund accounts**

The following Funds were maintained:

**1.3.1 Housing Fund**

The purpose of this Fund is to provide housing loans. Income for the Fund is derived from interest earned on secured housing loans and investments as well as from profits made on the resale of Housing Scheme houses. Interest paid on external housing loans is charged to this Fund.

**1.3.2 Capital Reserve Fund**

The purpose of this Fund is to build up a general capital reserve to ensure a stable financial position. Income from this Fund is derived from general revenue contributions and interest earned on internal loans and investments.

**1.3.3 Water Tower Restoration Fund**

The purpose of this Fund is to accumulate reserves to restore the water tower.

**1.3.4 Decentralized Single Quarter Fund**

The purpose of this Fund is to upgrade the single quarters in Etoshapoort. Income is derived from Government grants.

**1.3.5 Sport and Social Fund**

The purpose of this Fund is to utilize available funds for sport recreational purposes for staff employed by the Municipality.

**1.3.6 Build Together Fund**

The purpose of this Fund is to provide low cost housing loans. Income to this Fund is transferred from the general income account and interest on investments. Loans granted are funded from this Fund and interest earned on these loans are allocated to the Fund.

**1.3.7 Ablutions – Settlement area Fund**

This Fund was created by a donation received from the Regional Council. The purpose of the Fund is to create ablution facilities in Settlement Areas.

#### **1.4 Capital redemption on loans**

Capital redemption on external and internal loans is charged against income. A similar amount is credited to the Loan Redemption account for the duration of the loans. As and when the loan is fully redeemed, the loan amount is to be transferred to the Revenue Contribution Capital Account.



## THE MUNICIPALITY OF OUTJO

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

**1.5 Inventory**

Fuel inventory is valued at cost on the first-in first-out basis. Consumables are valued at the average landed costs.

	<b>2010</b>	<b>2009</b>
	N\$	N\$

**2. PROPERTY, PLANT AND EQUIPMENT**

Income assets	439 963	399 176
Loan assets	8 856 066	9 116 668
Funds and Grants	8 148 861	7 476 337
Total	<b>17 444 890</b>	<b>16 992 181</b>

**3. INVESTMENTS**

## INVESTMENTS

Commercial banks	1 298 357	1 856
	<b>1 298 357</b>	<b>1 856</b>

## ALLOCATED AS FOLLOWS

Revenue	-	1 856
Housing Fund	1 298 357	-
	<b>1 298 357</b>	<b>1 856</b>

**4. TRADE AND OTHER RECEIVABLES**

Consumers	13 058 954	11 153 380
Cash not banked	1 742 209	939 747
VAT receivable	1 476 390	1 187 950
Sundries	303 804	382 214
	16 581 357	13 663 291
Provision for bad debts	(9 878 129)	(8 065 893)
	<b>6 703 228</b>	<b>5 597 398</b>

**5. INVENTORIES**

Fuel and oil	<b>46 234</b>	<b>322 447</b>
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**6. BANK AND CASH**

Current account - Municipality operating account	(242 977)	17 744
Petty cash	1 830	465
	<b>(241 147)</b>	<b>18 209</b>

## THE MUNICIPALITY OF OUTJO

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

	2010	2009
	N\$	N\$
<b>7. CAPITAL OUTLAY</b>		
Loans redeemed	3 277 626	3 083 607
Revenue contributions	439 963	399 176
General capital contributions	8 148 861	7 476 337
	<b>11 866 450</b>	<b>10 959 120</b>
<b>8. FUNDS, ACCOUNTS AND RESERVES</b>		
Capital Reserve Fund	12 057 315	11 286 765
Water Tower Restoration Fund	7 971	7 946
Decentralised Single Quarter Fund	-	366 400
Sport and Social Fund	69 075	28 425
Ablutions Settlement Area Fund	90 055	89 776
Temporary advances – Housing Fund	-	(4 103 068)
Build Together Fund	3 121 842	2 358 500
Housing Fund	3 693 566	3 366 559
Revenue account kept in compliance with Section 86(1) of the Local Authorities Act, 1992.	(8 452 114)	(9 266 950)
	<b>10 587 710</b>	<b>4 134 353</b>
<b>9. LONG-TERM LIABILITIES</b>		
External loans - Government	1 494 584	1 542 156
Housing Fund	-	180 999
Consumer deposits	289 233	163 955
	<b>1 783 817</b>	<b>1 887 110</b>
<b>10. TRADE AND OTHER PAYABLES</b>		
Deposit – Camp rent		257 555
Trade payables	139 935	507 339
Provisions	1 206 650	1 272 320
Amounts received in advance	321 046	795 916
Loan installments in arrears	2 723 786	2 516 337
Sundry payables	1 963 334	602 041
	<b>6 354 751</b>	<b>5 951 508</b>

## THE MUNICIPALITY OF OUTJO

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

	2010	2009
	N\$	N\$
<b>11. ADJUSTMENTS TO APPROPRIATION ACCOUNT</b>		
Adjustment to provision for leave	115 788	-
Bad debts written off	(447 850)	(1 435 849)
Cash not deposited	802 461	-
Debtor adjustments	(49 721)	-
Income	-	1 389 120
Other expenses/income	(565 888)	824 327
Provision for bad debts	(1 812 237)	(6 771 476)
Stale cheques previous year	1 153 576	-
	<b>(803 871)</b>	<b>(5 993 878)</b>
<b>12. CASH GENERATED / (UTILIZED) BY OPERATIONS</b>		
Net operating profit before transfers	1 618 707	(62 622)
Adjustments for:		
- Appropriation account	(803 871)	(5 993 878)
Operating (deficit)/surplus before changes in working capital	814 836	(6 056 500)
<b>CHANGES IN WORKING CAPITAL</b>		
(Increase)/decrease in camp rent deposits	-	257 555
(Increase)/decrease in suspense accounts	-	(714 427)
(Increase)/decrease in trade and other receivables	(1 105 830)	3 597 834
(Increase)/decrease in inventories	276 213	(194 738)
(Increase)/decrease in trade and other payables	403 243	(81 320)
	(426 374)	2 864 904
<b>CASH GENERATED/UTILIZED BY OPERATIONS</b>	<b>388 462</b>	<b>(3 191 596)</b>