



REPUBLIC OF NAMIBIA



REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE

MUNICIPALITY OF USAKOS

FOR THE FINANCIAL YEARS ENDED 30 JUNE 2009 AND 2010

Published by authority

Price (Vat excluded) N\$ 27.29
Report no 988

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 Usakos for the financial years ended 30 June 2009 and 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
MUNICIPALITY OF USAKOS
FOR THE FINANCIAL YEARS ENDED 30 JUNE 2009 and 2010**

1. INTRODUCTION

The accounts of the Municipality of Usakos for the years ended 30 June 2009 and 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 PKF Namibia 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.

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 they were only finalised and made available during March 2011 instead of six months after the year-end as required by the Act.** 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: 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 complies 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 judgement, 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 Appropriation account

It appears that substantial adjustments were made on the appropriation accounts as follows:

	2010	2009	2008
	N\$	N\$	N\$
Debit adjustments	-	-	(52 260)
Credit adjustments	400 654	-	7 723
Erongo Red investment adjustment	2 460 227	-	-
Total	*2 860 881	-	(44 537)

* The net adjustment for the 2009/10 financial year for N\$ 2 860 881 are incorrect and therefore the appropriation account as well as the financial results are misstated.

The adjustment of N\$ 2 580 847 as per appropriation account should be N\$ 2 339 607. This occurred as a result of the accounting error of N\$ 241 240 and therefore the accumulated deficit is understated. This error should be rectified during the next financial year. (See paragraph 6.)

4.2 Loan and capital corresponding advances

The Ministry of Finance informed the Municipality during 2003 that all loans granted before independence has been written off for all the municipalities, including Usakos. Council passed these entries during 2010.

However, Council is still considerably overdue on certain payments to the Government of the Republic of Namibia. External loans which are in arrears are reflected under current liabilities. According to the financial statements the Council are in arrears with 2010: N\$ 1 894 808 and 2009: N\$ 2 205 990 (2008: N\$ 2 020 979).

4.3 Investment in Erongo Red

The Council holds 1.9% of the total issued capital in Erongo Red. According to the transfer agreement between the Council and Erongo Red, that was duly signed on 8 December 2005, certain assets with a value of N\$ 2 051 351, that is part of the investment, should have been transferred to Erongo Red. The agreement further stipulates that a contribution in cash of N\$ 237 500 should be made.

Up to the 2008/09 financial year this investment was not disclosed in the financial statements of the Council. However the financial statements for 2009/10 disclose an investment of N\$ 2 460 227.

The auditors could not be provided with annual financial statements of Erongo Red and could consequently not establish whether any provision for impairment is required for the investment in Erongo Red.

4.4 Accounts payable

The auditors are of the opinion that the provision for bad debts of 1020: N\$ 621 198 and 2009: N\$ 316 000 (2008: N\$ 316 000) is not sufficient. According to their calculations fair provisions for the year under review should be 2010: N\$ 5 713 808 and 2009 N\$ 5 425 954 (2008: N\$ 3 000 000). This means that the provisions is materially understated by 2010: N\$ 5 092 610 and 2009: N\$ 5 109 954 (2008: N\$ 2 684 000).

4.5 Going concern

Council is technically insolvent by N\$ 1 327 061 as at 30 June 2010, per balance sheet. Council is also commercially insolvent as it owed an amount of N\$ 2 524 569 at 30 June 2010 to Namwater. The account appears to be considerably in arrears as the total purchases of water for the year is N\$ 1 610 513. Council is not able to pay this account without Government assistance.

5. ACKNOWLEDGEMENT

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

6. FINANCIAL RESULTS

	Revenue	Expenditure	Surplus / (Deficit)	Balance
	N\$	N\$	N\$	N\$
Accumulated deficit 01/07/2009				(2 739 754)
General accounts:				
Non profitable	1 457 910	4 813 716	(3 355 806)	
Self-supporting	1 533 212	612 415	920 797	
Trade accounts:				
Water	1 880 882	2 034 288	(153 406)	
Electricity	1 233 787	93 560	1 140 227	
(Deficit) for the year	6 105 791	7 553 979	(1 448 188)	(1 448 188)
Adjustments and utilizations (See note 10, annexure D)				(4 187 942)
				*2 860 881
Accumulated deficit 30/06/2010				(1 327 061)

* See paragraph 4.1.

	Revenue	Expenditure	Surplus / (Deficit)	Balance
	N\$	N\$	N\$	N\$
Accumulated deficit 01/07/2008				(1 692 573)
General accounts:				
Non profitable	3 084 376	6 117 447	(3 033 071)	
Self-supporting	1 578 688	735 014	843 674	
Trade accounts:				
Water	1 727 828	1 890 432	(162 604)	
Electricity	1 338 346	33 526	1 304 820	
(Deficit) for the year	7 729 238	8 776 419	(1 047 181)	(1 047 181)
Accumulated deficit 30/06/2009				(2 739 754)

7. CURRENT BANK ACCOUNT

	2010	2009	2008
	N\$	N\$	N\$
Cash-book balance at 30 June - per balance sheet	(177 529)	(50 122)	(123 601)
Outstanding cheques	212 300	175 622	211 010
Balance as per bank statement	34 771	125 500	87 409

8. INVESTMENTS

On 30 June the investments were as follows:

	2010	2009	2008
	N\$	N\$	N\$
Bank institutions	1 697 205	650 684	1 757 866
Erongo Red	2 460 227	-	-
Total	4 157 432	650 684	1 757 866

The investments were allocated as follows between the funds:

	2010	2009	2008
	N\$	N\$	N\$
Housing Fund	1 697 205	650 684	1 757 866
Revenue	2 460 227	-	-
	4 157 432	650 684	1 757 866

9. FUND ACCOUNTS

The position of the Funds and accounts at year-end are reflected in note 7 in Annexure D.

All available cash in the Fixed Property Fund, Renewal Fund and Capital Reserve Fund and a certain amount from Housing Fund has been utilised to finance operating expenses of the Municipality at the end of both financial years under review. The temporary advances made from these fund accounts amounted to 2010: N\$ 3 226 965 and 2009: N\$ 3 249 101 (2008: N\$ 2 592 055). This situation underlines the serious cash flow problem of the Municipality.

10. TRADE ACCOUNTS

10.1 The results of operations were as follows:

	Water		
	2010	2009	2008
	N\$	N\$	N\$
Sales	1 880 393	1 727 828	1 653 108
Cost of bulk purchases	(1 610 513)	(1 362 054)	(1 131 587)
Gross profit on bulk purchases	269 880	365 774	521 521
Net expenditure	(423 286)	(528 378)	(485 687)
Net (deficit)/surplus	(153 406)	(162 604)	35 834
Gross profit as % on bulk purchases	16,76%	26,85%	46,09%
Net (deficit)/profit as % on bulk purchases	(9,53%)	(11,94%)	3,17%

	Electricity		
	2010	2009	2008
	N\$	N\$	N\$
Erongo Red levies	1 231 933	1 338 346	1 160 711
Net expenditure	(91 706)	(33 526)	(133 621)
Net surplus	1 140 227	1 304 820	1 027 090

10.2 Water distribution results

As reported in previous reports, no statistics were kept by the Municipality to calculate the distribution results.

It appears that the Municipality extracts water from own resources and does not keep record of the amount of water withdrawn. It is consequently impossible to calculate the real distribution losses of the Municipality.

The auditors recommend that procedure be established to determine the amount of water extracted from own resources be added to bulk purchases from Namwater on a monthly basis and compare that with sales to ensure that distribution results are calculated in an accurate manner.

11. SELF-SUPPORTING SERVICES

The results of the years under review were as follows:

	Income	Expenses	Surplus/ (deficit)	Surplus/ (deficit)
	2010	2010	2010	2009
	N\$	N\$	N\$	N\$
Ambulance	-	3 923	(3 923)	(4 853)
Housing	66 220	16 130	50 090	80 521
Sanitation and sewerage	1 466 992	592 362	874 630	768 006
	1 533 212	612 415	920 797	843 674
	2009	2009	2009	2008
	N\$	N\$	N\$	N\$
Ambulance	-	4 853	(4 853)	(14 465)
Housing	117 570	37 049	80 521	103 136
Sanitation and sewerage	1 461 118	693 112	768 006	987 301
	1 578 688	735 014	843 674	1 075 972

12. FRUITLESS, UNAUTHORISED OR AVOIDABLE EXPENDITURE

The audit revealed that the Council deliberately misallocated expenses related to travelling and accommodation to other votes which resulted in unauthorized expenditures. These unauthorized expenditures can be summarized as follows for the two (2) years under review:

	2010	2009
	N\$	N\$
Authorized budget	240 000	220 000
	(398 785)	(452 349)
Expenditure correctly allocated	269 236	198 736
Expenditure misallocated	129 549	253 613
Amounts unauthorized	(158 785)	(232 349)

13. SUSPENSE ACCOUNTS

Council carried a suspense account of N\$ 456 987 at 30 June 2010 in respect of unknown receipts.

14. IRREGULARITIES AND LOSSES

Anti-Corruption conducted certain investigations into alleged irregularities at the Municipality during the year. Their reports were not available when conducting the audit.

An attempt was made to embezzle a cheque from Council, but was timeously stopped.

15. CAPITAL PROJECTS

2010

During this financial year expenditure of a capital nature amounted to N\$ 54 942 (2009: N\$ 156 512). This expenditure was financed from revenue.

2009

According to the financial statements, capital expenditure amounted to N\$ 1 593 074. This however, is not correct because the audit revealed that an amount of N\$ 1 436 562 was related to maintenance work done on streets and water reticulation. This means that the capital expenditure for this year amounted to N\$ 156 512 only (2008: Nil). This expenditure was financed by revenue.

16. BURSARIES

Study loans were granted to a suspended member of staff. The outstanding amounts were 2010: N\$ 58 991 and 2009: N\$ 3 856.

17. CONTRIBUTIONS, GRANTS AND FINANCIAL AID

No contributions, grants or financial aid were provided outside the budget for the years under review.

18. COMPENSATION PAYMENTS

No compensation payments were made other than in the ordinary course of business for the years under review.

19. VISITS TO FOREIGN COUNTRIES

No visits to foreign countries were recorded for the years under review.

20. CLAIMS AGAINST THE LOCAL AUTHORITY

To the best of the knowledge and belief of the auditors, there were no claims against the Local Authority for the years under review.

21. GIFTS / DONATIONS BY THE LOCAL AUTHORITY

No gifts or donations were made by the Local Authority outside the budget for the years under review.

22. TRANSFER OF PROPERTY

According to the financial statements of the Municipality a number of properties were sold during the years under review to the amounts of 2010: N\$ 19 246 and 2009: N\$ 38 783. They were only transferred after payment was received. No register of property sales or transfers has been kept.

23. TRADE AND OTHER RECEIVABLES AND PAYABLES

23.1 Trade and other receivables at 30 June were:

	2 010	2009	2008
	N\$	N\$	N\$
Service debtors	6 211 983	5 882 213	5 077 949
Less: Provision for bad debts	(621 198)	(316 000)	(316 000)
	5 590 785	5 566 213	4 761 949
Sundry debts	-	-	440 196
VAT	126 633	298 036	384 589
Staff loans	73 618	45 342	15 379
	5 791 036	5 909 591	5 602 113

The auditors are of opinion that the management of accounts receivable is not sufficient for the needs of the Municipality. The management system does not make provision for proper ageing of the debtors.

The Municipality should attend to the arrears as a matter of urgency.

The average outstanding days of trade receivables, before taking the provision for bad debts into consideration is approximately 676 days for 2010 and 680 days for 2009. Accurate statistics regarding ageing are not available and the above calculation is done on the basis of the average income of the Municipality for the past year. The revenue account of the Municipality is and will stay in debit unless collection of arrears is stepped up. The Municipality will continue experience cash flow pressure and going concern problems may surface.

The auditors are of opinion that the provision for bad debts is not nearly sufficient. According to the auditors the provisions are understated by 2010: N\$ 5 092 610 and 2009: N\$ 5 109 954 (2008: N\$ 2 684 000).

23.2 Trade and other payables at 30 June were:

	2010	2009	2008
	N\$	N\$	N\$
Regional Council	152 266	103 725	29 386
Trade creditors	2 997 603	1 840 869	1 831 852
Provisions: bonus leave	400 109	484 856	434 856
External loan repayments in arrears	1 894 808	2 205 990	2 020 979
Consumer deposits	267 928	254 798	254 117
Suspense account	456 987	457 418	-
Salaries	4 837	3 175	8 639
	6 174 538	5 350 831	4 579 829

It appears that the Municipality is not a going concern and that extra care should be taken to ensure that creditors are serviced properly. The Municipality owed Namwater, 2010: N\$ 2 524 569 and N\$ 1 637 139 for 2009 at the specific year-ends. A Namwater account with a balance of N\$ 1 080 602 are, according to the auditors, an old account and is frozen. According to them Council should attempt to write this money off.

24. ASSESSMENT RATES

Assessment rates and the contribution to Erongo Regional Council were as follows during the period under review:

	2010	2009	2008
	N\$	N\$	N\$
Assessment rates	970 815	941 312	587 703
Regional Council levies paid	48 541	39 787	29 385

Although the Council paid some levies to the Regional Council, the following amounts were outstanding at the specific year-ends:

	N\$
2010	152 266
2009	103 725
2008	29 386

It is clear from afore-mentioned that the amount payable to the Regional Council is accumulating upwards year by year. This again emphasizes the financial position of the Council.

25. LOANS

25.1 External loans

	2010	2009	2008
	N\$	N\$	N\$
Government of Namibia (including housing loans)	1 056 063	1 389 443	1 398 717
First National Bank	12 689	61 826	136 414
	1 068 752	1 451 269	1 535 131

25.2 Internal loans

Internal loan balances at year-end were 2010: N\$ 60 278 and 2009: N\$ 61 826 (2008: N\$ 73 033).

25.3 Housing loans

	2010	2009	2008
	N\$	N\$	N\$
Balance due to the Government	46 931	53 670	110 694
Balance due by homeowners to the Municipality of Usakos	2 586 187	2 320 909	1 526 161

26. SALE OF ERVEN

No register of property sales has been kept and the auditors could consequently only verify those sales which were paid for. (See paragraph 22.)

27. LOCAL AUTHORITY PROPERTY SOLD ON AN INSTALLMENT BASIS

The auditors did not find any evidence that properties were sold on an installment basis during the year under review.

28. INVENTORY AND EQUIPMENT

No inventory has been recorded in the annual general ledgers during the years under review.

29. FORMAL AND INFORMAL QUERIES

Formal queries are embodied in his report.

The following issued have been raised by the auditors to Council by way of a management letter:

- Going concern status
- Income items
- Expense items
- Value added tax
- Accounts receivable
- Accounts payable
- Government loans

30. DISCLAIMED AUDIT OPINION

The accounts of the Municipality of Usakos for the financial years ended 2009 and 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 statements have been prepared on the basis of accounting practice 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 classification of liabilities that might be necessary if the Local Authority is unable to continue as a going concern.

I am unable to express an opinion due to the following reasons:

- The nett adjustment related to the Revenue Account for 2009/10 financial year is misstated by N\$ 241 240 which will influence the accumulated deficit.
- Council is overdue with payments to the Ministry of Finance relating to external loans as follows:

	N\$
2010	1 849 808
2009	2 205 990

- The investment in Erongo Red was not disclosed in the financial statements for the 2008/09 financial year.
- The provision for bad debts is materially understated by approximately 2010: N\$ 5 092 610 and 2009: N\$ 5 109 954.
- The Council is not a going concern at the moment.

WINDHOEK, September 2011

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

MUNICIPALITY OF USAKOS

BALANCE SHEETS AS AT 30 JUNE

	Notes	2010 N\$	2009 N\$	2008 N\$
ASSETS				
Non-current assets				
Property, plant and equipment	2	9 707 513	9 793 953	9 966 140
Investments	3	4 157 432	650 684	1 757 866
Loans receivable	4	2 586 187	2 320 909	1 526 161
Current assets				
Trade and other receivables	5	5 791 036	5 909 591	5 602 113
Cash and bank balances		709	709	800
Total assets		22 242 877	18 675 846	18 853 080
EQUITY AND LIABILITIES				
Capital and reserves				
Capital outlay	6	8 625 414	8 330 021	8 357 975
Funds and accounts	7	6 196 643	3 493 603	4 145 850
Non-current liabilities				
Long-term liabilities	8	1 068 752	1 451 269	1 645 825
Current liabilities				
Trade and other payables	9	6 174 538	5 350 831	4 579 829
Bank overdraft		177 530	50 122	123 601
Total equity and liabilities		22 242 877	18 675 846	18 853 080

MUNICIPALITY OF USAKOS

INCOME STATEMENTS FOR THE YEARS EDED 30 JUNE

	Note	2010	2009	2008
		N\$	N\$	N\$
Income		6 105 791	7 729 238	5 893 943
Expenditure		(7 553 979)	(8 776 419)	(6 764 356)
Net deficit for the year		(1 448 188)	(1 047 181)	(870 413)
Adjustments to appropriation account	10	2 860 881	-	(44 537)
Surplus/(deficit) for the year		1 412 693	(1 047 181)	(914 950)
Accumulated loss - Beginning of the year		(2 739 754)	(1 692 573)	(777 623)
Accumulated loss - End of the year		(1 327 061)	(2 739 754)	(1 692 573)

MUNICIPALITY OF USAKOS

CASH FLOW STATEMENTS FOR THE YEARS EDED 30 JUNE

	Notes	2010 N\$	2009 N\$	2008 N\$
CASH FLOW STATEMENT				
Operating activities				
Cash received from customers		6 045 352	7 421 760	6 147 980
Cash paid to suppliers		(6 054 725)	(7 835 678)	(5 703 842)
Cash utilised by operations	11	(9 373)	(413 918)	444 138
Movements in funds and reserve accounts				
– Fund accounts	12	1 297 842	404 029	1 638 549
Net cash flow from operating activities		1 288 469	(9 889)	2 082 687
Investing activities				
Acquisition of property, plant and equipment		(54 942)	(156 512)	(503 935)
Disposals of property, plant and equipment				-
Change in investments		(1 046 520)	1 107 182	(978 752)
Change in loans receivable		(265 278)	(794 748)	(569 043)
		(1 366 740)	155 922	(2 051 730)
Financing activities				
Change in long-term loans		(49 137)	(72 645)	(70 058)
Net movement in cash and cash equivalents		(127 408)	73 388	(39 101)
Cash and cash equivalents - Beginning of the year		(49 413)	(122 801)	(83 700)
Cash and cash equivalents - End of the year		(176 821)	(49 413)	(122 801)

MUNICIPALITY OF USAKOS

NOTE TO THE FINANCIAL STATEMENTS FOR THE YEARS EDED 30 JUNE

1. Accounting policies

The annual financial statements are compiled in accordance with the historical convention modified by the restatement of the financial instruments to fair value, except where otherwise stated.

The principal accounting policies of the Town Council, which are set out below, have been consistent and comply with Namibian Statements of Generally Accepted Accounting Practices. The financial statements have been prepared in accordance with the requirements of the Namibian Local Authorities Act.

1.1 Property, plant and equipment

Property, plant and equipment are stated at cost, or valuation where assets have been acquired by grant or by donation. No formal depreciation policy on plant and equipment exists.

1.2 Internal funds

The following funds were created by the Municipality:

Revenue account

All receipts, accruals and expenses, except those allocated to other funds, are reflected in this account.

Housing Funds

This Fund is applied only for the purpose of providing loans to house owners in respect of purchase price, building costs and improvements made.

Fixed Property Fund

Proceeds from the sale of land, that has been developed by the Municipality, accumulated in this fund. Costs incurred on the development of land are charged to this Fund.

Capital Reserve Fund

It is the purpose to build up a general capital reserve to ensure the Municipality's financial position remains stable. Income is obtained from interest on internal loans and investments as well as transfers from the revenue account.

Renewal Fund

The purpose of this fund is to provide for future replacement of assets and for additional depreciation on assets which have permanently declined in value. Income for this account is derived from general revenue contributions as well as interest on investments.

MUNICIPALITY OF USAKOS

NOTE TO THE FINANCIAL STATEMENTS FOR THE YEARS EDED 30 JUNE (continue)

	2010	2009	2008
	N\$	N\$	N\$
2. PROPERTY, PLANT AND EQUIPMENT			
External loans	1 021 821	1 397 598	1 535 131
Internal loans	60 278	66 334	73 033
Loans redeemed	411 496	891 311	860 629
Contribution from income	1 185 160	1 209 463	1 294 062
General capital	7 028 758	6 229 247	6 203 285
	9 707 513	9 793 953	9 966 140
3. INVESTMENTS			
Erongo Red	2 460 227	-	-
Banking institutions	1 697 205	650 684	1 757 866
	4 157 432	650 684	1 757 866
Allocated as follows:			
Revenue	2 460 227	-	-
Housing Fund	1 697 205	650 684	1 757 866
	4 157 432	650 684	1 757 866
4. LOANS RECEIVABLE			
Build Together loans	2 586 187	2 320 909	1 526 161
5. TRADE AND OTHER RECEIVABLES			
Service debtors	6 211 983	5 882 213	5 077 949
Less: Provision for bad debts	(621 198)	(316 000)	(316 000)
	5 590 785	5 566 213	4 761 949
Sundry debtors	-	-	440 196
VAT	126 633	298 036	384 589
Staff loans	73 618	45 342	15 379
	5 791 036	5 909 591	5 602 113
6. CAPITAL OUTLAY			
Loans redeemed	411 496	891 311	860 628
Revenue contributions	1 185 160	1 209 463	1 294 062
General capital contributions	7 028 758	6 229 247	6 203 285
	8 625 414	8 330 021	8 357 975

MUNICIPALITY OF USAKOS

NOTE TO THE FINANCIAL STATEMENTS FOR THE YEARS EDED 30 JUNE (continue)

	2010	2009	2008
	N\$	N\$	N\$
7. FUNDS AND ACCOUNTS			
Capital Reserve Fund	506 918	506 918	506 861
Fixed Property Fund	1 530 484	1 524 776	1 518 807
Renewal Fund	364 597	364 335	363 834
Housing Fund	5 121 705	3 837 328	3 448 921
Revenue account kept in compliance with Section 86(1) of the Local Authorities Act, 1992.	(1 327 061)	(2 739 754)	(1 692 573)
	6 196 643	3 493 603	4 145 850
8. LONG-TERM LIABILITIES			
Loans from the Government of Namibia	1 056 063	1 389 443	1 509 411
Instalment sale agreements	12 689	61 826	136 414
	1 068 752	1 451 269	1 645 825
9. TRADE AND OTHER PAYABLES			
Regional Council	152 266	103 725	29 386
Trade creditors	2 997 603	1 840 869	1 831 852
Provisions: Bonus leave	400 109	484 856	434 856
External loan repayments in arrears	1 894 808	2 205 990	2 020 979
Consumer deposits	267 928	254 798	254 117
Suspense account	456 987	457 418	-
Salaries	4 837	3 175	8 639
	6 174 538	5 350 831	4 579 829
10. ADJUSTMENTS TO APPROPRIATION ACCOUNT			
Prior year adjustments	(5 583)	-	(44 537)
Erongo Red Investment brought to book	(2 460 227)	-	-
Additional provision for bad debts	305 198	-	-
Government loans written off	(579 648)	-	-
Incorrect VAT entry	(120 621)	-	-
	(2 860 881)	-	(44 537)

MUNICIPALITY OF USAKOS

NOTE TO THE FINANCIAL STATEMENTS FOR THE YEARS EDED 30 JUNE (continue)

	2010	2009	2008
	N\$	N\$	N\$
11. CASH UTILISED BY OPERATIONS			
Net operating loss before transfers	(1 448 188)	(1 047 181)	(870 413)
Adjustments to appropriation account	5 583	-	(44 537)
External and internal loan transactions through income statement	196 940	198 238	42 211
Adjustment on VAT account	(120 620)	-	-
Additions to property, plant and equipment through income statement	54 942	156 512	503 935
Operating deficit before changes in working capital	(1 311 343)	(692 431)	(368 804)
Changes in working capital			
Trade and other receivables	(66 023)	(307 478)	246 314
Trade and other payables	1 367 993	585 991	566 628
	<u>1 301 970</u>	<u>278 513</u>	<u>812 942</u>
Cash utilized by operations	<u>(9 373)</u>	<u>(413 918)</u>	<u>444 138</u>
12. CASH FLOW - FUND ACCOUNTS			
Government grant	1 284 000	345 000	
Interest on investments	13 842	59 029	
	<u>1 297 842</u>	<u>404 029</u>	