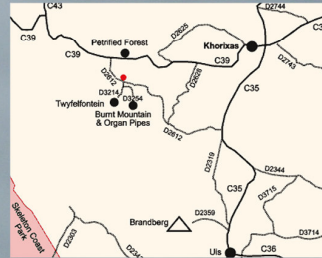




REPUBLIC OF NAMIBIA



REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE

TOWN COUNCIL OF KHORIXAS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

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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 Town Council of Khorixas for the financial year ended 30 June 2008, 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, May 2010

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF
THE TOWN COUNCIL OF KHORIXAS
FOR THE FINANCIAL YEAR ENDED
30 June 2008**

1. INTRODUCTION

The accounts of the Town Council of Khorixas for the year ended 30 June 2008 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 Spencer Steward has been appointed in terms of Section 26(2) of the State Finance Act, 1991, to audit the accounts of the Council 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 Council'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 submitted on 2 September 2009 instead of the three months after 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. 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

The Accounting Officer of the Council is responsible for the preparation of the financial statements and for ensuring the regularity of the financial transactions. It is the responsibility of the Auditor-General to form an independent opinion, based on the audit, on those statements and on the regularity of the financial transactions included in them and to report his opinion to the National Assembly.

The audit as carried out by the said firm, included:

- (a) Examination on a test basis of the evidence relevant to the amounts, disclosure and regularity of financial transactions included in the financial statements;
- (b) assessment of the significant estimates and judgements made by the Accounting Officer of the Council in the preparation of the financial statements and of whether the accounting policies are appropriate to the Council's circumstances, consistently applied and adequately disclosed; and
- (c) evaluation of the overall adequacy of the presentation of information in the financial statements.

The audit was planned and performed so as to obtain all the information and explanations considered necessary to provide sufficient evidence to give reasonable assurance that:

- The financial statements are free from material misstatement, whether caused by error, fraud or other irregularity;

- in all material respects, the expenditure and income have been applied to the purposes intended; and
- the financial transactions conform to the authorities which govern them.

4. AUDIT OBSERVATIONS AND COMMENTS

4.1 Financial results

The Council made a deficit of N\$ 1 919 505 (2007: N\$ 1 077 004), before any transfers to funds during the financial year. Council should determine the causes for the deficit and implement measures to return to profitability again. Also refer to paragraph 4.11.

4.2 Fixed assets

The items on the fixed asset register are not coded and dated as to when they were purchased. The descriptions are not adequate to enable identification of the assets. As a result the auditors could not trace selected assets to the fixed assets register. Council provided for depreciation on loan assets. These assets should not be depreciated until such time as the loans have been fully redeemed.

4.3 Value added tax

Included in trade and other payables is an amount of N\$ 638 860 for VAT payable. No reconciliation of this amount could be provided to the auditors to verify the accuracy, existence and valuation of the amount.

The Council has also submitted incorrect VAT returns as they have not recorded zero rated and exempt income and expenditure.

According to the calculations of the auditors the Council has not claimed all of its allowable input VAT or alternatively it was disallowed by the Receiver of Revenue.

4.4 Funds - Build Together

No supporting documentation could be provided for the movement on this Fund.

The existence, accuracy and completeness of this Fund could not be verified.

4.5 Trade and other receivables

Council provided for all amounts outstanding longer than 120 days. Ther audit tests however, revealed that amounts outstanding for 120 and less days, are also not fully recoverable.

The auditors are of the opinion that a further amount to the value of N\$ 842 235 should be provided for bad debts.

4.6 Consumer deposits

Council could not provide a listing of consumer deposits. The existence, accuracy and completeness could thus not be ascertained.

Furthermore the deposits appear to be inadequate.

4.7 Trade and other payables

As reported in the previous year, Cenored made overpayments to the Town Council amounting to N\$ 680 000 during the financial years 2004/05 and 2005/06.

The Council will not be paid a surcharge for a period of 5 years as Cenored will be recovering the amounts due to them.

No adjustment was made in the financial statements to reflect the Cenored liability. The resulting income has also not been recorded.

No supporting documentation could be provided for trade payables to the amount of N\$ 158 170 and the third party payment suspense account to the amount of N\$ 215 845. It was thus not possible to ascertain the existence, completeness and accuracy of these amounts.

4.8 Build Together Fund – Advanced loans

No listing for the Build Together Fund debtors was made available to the auditors. As such they were unable to verify the accuracy, existence, valuation and completeness of this account.

4.9 Provision for bonuses

No provision for bonuses has been raised. The effect of this non provision could be material.

4.10 Investments

The Council does not have an investment register. As such the auditors could not verify the accuracy, existence, completeness, and valuation of the investment balance and interest on investment income in the Councils financial statements. Investments to the amount of N\$ 990 107 could not be confirmed by the auditors.

4.11 Liquidity position

Adjustments were made during the year under review to account for a provision for bad debts and for the liability outstanding to Namwater. This resulted in a negative current ratio which indicates a possible liquidity problem.

4.12 Over-expenditure

The Council has exceeded the budgeted expenditure on the following votes without the approval of Council:

	N\$
Town Clerks department	111 382
Water supply	539 799
Electricity supply	8 121

4.13 Water purchases

The water purchases as per the Namwater statements for the current financial year and the water expenses in the financial statements differ. The water expenses and the net deficit for the year are understated by N\$ 594 981

4.14 Payroll

The Payroll records could not be reconciled to the general ledger. A material difference of N\$ 214 588 was found.

The auditors could thus not ascertain the completeness and existence of these expenses.

5. ACKNOWLEDGEMENT

The assistance and co-operation given by the staff of the Council 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 01/07/2007				6 471 611
General services				
Non-profitable	2 040 770	5 153 002	(3 112 232)	
Self-sustaining	2 685 292	450 195	2 235 097	
Trade accounts				
Electricity	83 531	58 121	25 410	
Water	4 826 020	5 893 800	(1 067 780)	
	9 635 613	11 555 118	(1 919 505)	
Deficit for the year				(1 919 505)
Adjustments of opening balance				38 305
Adjustments and appropriations (Note 10, Annexure D)				(13 432 647)
Accumulated deficit 30/06/2008				(8 842 236)

The deficit of the Council is extremely high. Council should put rectifying measures in place, as a matter of urgency, to rescue the Council from financial difficulties.

7. CURRENT BANK ACCOUNT

The favourable bank statement balance of the current bank account amounted to N\$ 231 910 (2007: N\$ 8 566) and the favourable cash-book balance was N\$ 225 602 (2007: N\$ 164 781 unfavourable). Outstanding cheques at 30 June 2008 amounted to N\$ 15 188 (2007: N\$ 173 347).

8. INVESTMENTS AND INTEREST PROCEEDS

The investments as at 30 June 2008 were as follows:

Institution	2008	2007
	Investment	Investment
	N\$	N\$
Invested at:		
Commercial banks	14 121 846	3 212 290
Cenored	-	60 822
	14 121 846	3 273 112
Distribution		
Build Together Fund	2 311 007	2 736 418
Revenue	1 377 118	169 474
Fixed Property Fund	10 433 721	367 220
	14 121 846	3 273 112

The total balance of investments as per balance sheet amounts to N\$ 14 121 846 (2007: N\$ 3 273 112). Investments to the amount of N\$ 990 107 could not be confirmed by the auditors.

9. FUND ACCOUNTS

The position of internal Funds and Reserves is shown in note 5 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	
	2008	2007	2008	2007
	N\$	N\$	N\$	N\$
Sales	-	-	4 799 788	3 769 516
Cost of bulk purchases	(58 120)	(46 429)	(5 388 103)	(3 230 687)
Gross profit	(58 120)	(46 429)	(588 315)	538 829
Other income/ (expenses)	83 531	-	(479 464)	(546 727)
Net (loss)/surplus	25 411	(46 429)	(1 067 779)	(7 898)
Gross (loss)/ profit on bulk purchases	100%	-	(10.9%)	16.7%
Net (loss)/surplus percentage on bulk purchases	43.7%	-	(19.8%)	(0.2%)

Included in the bulk purchases for the year are journals to account for the long outstanding amount to Namwater as at year-end. According to Namwater statements the purchases for the current year should be N\$ 3 163 745. Taking this into account the gross profit for water services for the year was thus N\$ 1 636 043 and the net surplus N\$1 156 579 which indicates a positive trading result.

10.2 Distribution losses

As reported in prior years, no statistics were kept by the Council to calculate the distribution losses.

Council is advised to record the cubic meters sold and purchased to calculate distribution losses.

11. SELF - SUPPORTING SERVICES

The net results of these services, compared with the previous year, are as follows:

	Revenue	Expenditure	Surplus/	Surplus/
	2008	2008	(Deficit)	(Deficit)
	N\$	N\$	N\$	N\$
Cleansing Services	326 541	-	326 541	454 550
Public Health	150 284	319 158	(168 874)	(175 256)
Sewerage	987 132	1 603	985 529	1 394 388
Town Planning	1 221 335	129 434	1 091 901	884 401
	2 685 292	450 195	2 235 097	2 558 083

Council has successfully maintained the town planning, cleansing and sewerage services self-sustaining.

12. FRUITLESS, UNAUTHORISED OR AVOIDABLE EXPENDITURE

No fruitless, unauthorised or avoidable expenditure was revealed during the audit.

13. SUSPENSE ACCOUNTS

The suspense accounts are not reconciled on a regular basis.

14. IRREGULARITIES AND LOSSES

No irregularities or losses were identified during the period.

15. CAPITAL PROJECTS

Capital expenditure for the 2008 financial year amounted to N\$ 150 941 (2007: N\$ 26 109) and comprises the following:

	Financed by		
	Revenue	Total 2008	Total 2007
	N\$	N\$	N\$
Council – General Expenses	6 650	6 650	23 876
Town Clerk	80 599	80 599	2 233
Town Treasurer	32 721	32 721	-
Workshop	30 971	30 971	-
	150 941	150 941	26 109

Assets to the value of N\$ 151 047 were incorrectly transferred from loan assets to capital instead of revenue assets. Council should rectify this during the next financial year.

Furthermore loan assets were depreciated which is incorrect. Council should also rectify this error during the next financial year.

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 received by the Council in the year under review.

21.2 The Council made the following gifts/donations:

Nature of gifts/donation	Value	Beneficiary/Donor
Donation	N\$	ELCRN
	1 000	
	1 000	

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 2008 comprise the following:

	2008	2007
	N\$	N\$
Services	20 466 111	20 639 448
Sundry Receivables	-	9 473
	20 466 111	20 648 921
Less: Provision for bad debts	(17 948 925)	(1 000 000)
	2 517 186	19 648 921

A closer investigation revealed the following:

The average collection period of trade receivables is 827 days (2007: 1054 days). The net days outstanding decreased from 350 days to 45 days due to the provision for bad debts made during this year.

Council provided for all amounts outstanding for longer than 120 days. However, the audit tests have revealed that a further provision of N\$ 842 235, is needed for unprovided amounts outstanding 120 days and less.

23.2 Creditors on 30 June 2008 comprise the following:

	2008	2007
	N\$	N\$
Trade creditors	158 270	10 291 750
Consumer deposits	39 768	-
VAT control account	638 861	380 265
Suspense account	478 740	-
Provision for Regional Council	95 417	-
Provision for accrued creditors	128,450	-
Provision for accounting fees	40 000	-
Provision for leave	447 969	366 466
Provision for Namwater	10 934 667	-
	12 962 142	11 038 481

No supporting documentation could be obtained for the trade creditors of N\$ 158 270 and the third party suspense account of N\$ 215 845

Included in the suspense account is also a direct deposit amount which was not cleared timeously to consumer debtors accounts.

Consumer deposits seem to be inadequate.

24. ASSESSMENT RATES

Proceeds from assessment rates amounted to N\$ 1 501 728 (2007: N\$ 999 488), of which an amount of N\$ 75 125 (2007: N\$ 48 626) was paid to the Regional Council. Tariffs determined during the year were N\$ 0.1241 (2007: N\$ 0.1182) per dollar per year on site valuations, N\$ 0.0270 (2007: N\$ 0.0257) per dollar per year on the valuation of improvements.

25. LOANS

25.1 External loan balances, excluding the Housing Fund, due by the Council totalled N\$ 229 469 at 30 June 2008 (2007: N\$ 390 752). The balances agree with actuarial tables. Loan assets have been capitalised and no loan assets were disposed of before the loan was redeemed. Loan monies were used for the purpose they were obtained for.

25.2 Internal loans as at 30 June 2008 were non-existent.

25.3 Build Together loans due to the Council were as follows:

	2008	2007
	N\$	N\$
Interest rates from 9% to 12%.	2 231 715	2 923 797

Council could not provide the auditors with a list of these advances.

26. SALE OF ERVEN

The proceeds of erven and plots sold were N\$ 49 012.

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\$ 7 083 may be written off. Approvals for all over-expenditure were not evident from the minutes reviewed and thus no assurance could be obtained.

30. INVENTORY AND EQUIPMENT

30.1 Motor vehicles

	Sedan		LDV's		Heavy Vehicles	
	Number	Value	Number	Value	Number	Value
Balance - 01/07/2007	3	N\$ 261 579	10	N\$ 572 417	14	N\$ 1 007 000
Plus: Additions	-	-	-	-	-	-
Sub-total	3	261 579	10	572 417	14	1 007 000
Less: Depreciation		(8 000)		(30 000)		(144 200)
Balance - 30/06/2008	3	253 579	10	542 417	14	862 800

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

There is not a sufficient system of internal control at the Town Council. Proper segregation of duties is not possible due to the small number of staff employed. While increased management involvement does reduce risk, 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 Informal queries reported to the Accounting Officer and Town Clerk consisted of:

- VAT accrual
- Debtors
- Provision for bonus
- Fixed assets
- Consumer deposits
- Advances & Funds- Build Together Project
- Supporting documentation
- Investments
- Payroll
- Water purchases

34. DISCLAIMED AUDIT OPINION

The accounts of the Council of Khorixas for the financial year ended 30 June 2008 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.

I am unable to express an opinion on the financial statements results of operations and the cash flow of the Council for the year ended 30 June 2008 due to the following reasons:

- The fixed asset register is not coded nor dated. The descriptions are also not satisfactory to enable a person to identify assets. Council provided for depreciation on loan assets.
- VAT payable to the amount of N\$ 638 860 has not been reconciled. VAT returns submitted were wrong.
- No supporting documentation related to movements in the Build Together Fund could be provided for audit purposes.
- Provision for bad debts is underprovided by N\$ 842 235.
- Council could not provided a detailed list of consumer deposits.
- No supporting documentation could be provided for trade payables to the amount of N\$ 158 270 nor could Council provide evidence amounting to N\$ 215 845 in relation to the third party suspense accounts.
- No listing of Build Together debtors could be provided.
- No provision for bonuses has been raised.
- Investments to the amount of N\$ 990 107 could not be confirmed.
- Water expenses are understated by N\$ 594 981.
- Payroll records could not be reconciled with the General Ledger. A difference of N\$ 214 588 occurred.

WINDHOEK, May 2010

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

BALANCE SHEET AS AT 30 JUNE 2008

ASSETS	Notes	2008	2007
		N\$	N\$
Non-current assets		26 551 800	17 456 482
Property, plant and equipment	2	10 198 239	11 259 573
Loans	9	2 231 715	2 923 797
Investments	3	14 121 846	3 273 112
Current assets		2 742 788	19 484 140
Trade and other receivables	4	2 517 186	19 648 921
Cash and cash equivalents		225 602	(164 781)
TOTAL ASSETS		29 294 588	36 940 622
EQUITY AND LIABILITIES			
Equity		16 102 977	25 511 389
Capital outlay	5.1	9 968 770	13 345 994
Fund accounts and reserves	5.2	6 134 207	12 165 395
Non-current liabilities		229 469	390 752
Long term liabilities	6	229 469	390 752
Current liabilities		12 962 142	11 038 481
Trade and other payables	7	12 483 402	11 038 481
Suspense account	8	478 740	-
TOTAL EQUITY AND LIABILITIES		29 294 588	36 940 622

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2008

	<u>Note</u>	<u>2008</u>	<u>2007</u>
		N\$	N\$
INCOME		9 449 456	7 397 726
EXPENDITURE		<u>(11 555 118)</u>	<u>(8 498 190)</u>
OPERATING LOSS FOR THE YEAR		(2 105 662)	(1 100 464)
INVESTMENT INTEREST EARNED FOR FUND ACCOUNTS		<u>186 157</u>	<u>23 460</u>
NET LOSS FOR THE YEAR		(1 919 505)	(1 077 004)
Add: Adjustment in opening balance		38 305	-
Appropriations and adjustments	10	<u>(13 432 647)</u>	<u>133 886</u>
RETAINED SURPLUS/(LOSS) FOR THE YEAR		(15 313 847)	(943 118)
ACCUMULATED FUNDS:			
30 June 2007		<u>6 471 611</u>	<u>7 414 729</u>
30 June 2008		<u>(8 842 236)</u>	<u>6 471 611</u>

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2008

	Note	2008	2007
		N\$	N\$
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from customers		9 449 456	6 332 281
Cash paid to suppliers		(5 894 064)	(6 292 808)
Cash generated from customers	11	3 555 392	39 473
Investment income		186 157	23 460
<i>Net cash (Utilised)/generated by operating activities</i>		3 741 549	62 933
CASH GENERATED BY INVESTING ACTIVITIES			
		(9 095 318)	(1 074 816)
Purchase of property, plant and equipment		1 061 334	(26 109)
Decrease/(increase) in advances		692 082	(587 583)
(Increase) in investments		(10 848 734)	(461 124)
CASH UTILIZED BY FINANCING ACTIVITIES			
		5 744 152	1 071 480
(Decrease)/increase in revenue Funds		5 905 435	1 215 138
Decrease in long term liabilities		(161 283)	(143 658)
Net (decrease)/increase in cash and cash equivalents		390 383	59 597
Cash and cash equivalents at the beginning of the year		(164 781)	(224 378)
Cash and cash equivalents at the end of the year		225 602	(164 781)

TOWN COUNCIL OF KHORIXAS**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE
(continued)**

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

All property, plant and equipment are initially recorded at cost. Cost includes all costs directly attributable to bringing the assets to working condition for their intended use. All other plant and equipment are stated at historical cost or valuation where applicable.

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash generating units are written down to their recoverable amount.

1.3 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of the cash flow statement, cash and cash equivalents comprise cash in hand, deposits held at call with banks, and investments in money market instruments, net of bank overdrafts.

1.4 Internal Funds

The following Funds were created by the Town Council:

1.4.1 Build Together Fund

The purpose of this Fund is to provide for housing loan assistance to low income earners in the society. The low income earners are expected to provide their house plans and are vetted for qualification before the funds are disbursed. This is a revolving fund, the low income earners are expected to repay these loans on a monthly basis for a period of up to twenty years, at an interest rate of five percent per annum. Income for the Fund is derived from interest earned on secured housing loans and investments.

1.4.2 Fixed Property Fund

Proceeds from the sale of land, that have been developed by the Town Council, accumulate in this Fund. Costs incurred on the development of land are charged to this Fund.

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

	2008	2007
	N\$	N\$
2. PROPERTY, PLANT AND EQUIPMENT		
Consists of :		
Property, plant and equipment	10 198 239	11 259 573
Financed by :		
Revenue account	7 134 476	7 827 766
General capital	2 505 721	2 545 485
Loans assets	558 042	886 322
	10 198 239	11 259 573
3. INVESTMENTS		
Commercial banks	14 121 846	3 212 290
Cenored	-	60 822
	14 121 846	3 273 112
Allocated to:		
Capital	-	367 220
Fixed Property Fund	10 433 721	-
Build Together Fund	2 311 007	2 736 418
Revenue account	1 377 118	169 474
	14 121 846	3 273 112
4. ACCOUNTS RECEIVABLE		
Trade debtors	20 466 111	20 639 448
Value added taxation	-	-
Housing Fund	-	-
Sundry debtors	-	9 473
	20 466 111	20 648 921
Less :		
Provision for doubtful debts	(17 948 925)	(1 000 000)
	2 517 186	19 648 921

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

	2008	2007
	N\$	N\$
5. FUNDS AND ACCOUNTS		
5.1 Capital outlay	9 968 770	13 345 994
Contribution ex Revenue	7 134 476	6 998 910
Contribution ex General Capital	2 505 721	6 347 084
Long term loans redeemed	328 573	-
5.2 Funds, accounts and reserves	6 134 207	12 165 395
Fixed Property Fund	10 433 721	399 686
Build Together Fund	4 542 722	5 294 098
Revenue Account kept in compliance with Section 86 (1) of the Local Authorities Act, 1992	(8 842 236)	6 471 611
6. EXTERNAL LOANS		
External loans	229 469	390 752
	229 469	390 752
7. ACCOUNTS PAYABLE		
Trade payables	158 270	10 291 750
Provision for leave pay	447 969	366 466
Provision for accounting fees	40 000	-
VAT suspense account	638 861	380 265
NAMWATER	10 934 667	-
Regional Council	95 417	-
Accrued creditors	128 450	-
Consumer deposits	39 768	-
	12 483 402	11 038 481
8. SUSPENSE ACCOUNT		
Third Party payments	215 845	-
Direct deposits	262 895	-
	478 740	-

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

	<u>2008</u>	<u>2007</u>
	N\$	N\$
9. LOANS		
Advances to buyers	2 231 715	2 923 797
	<u>2 231 715</u>	<u>2 923 797</u>
10. ADJUSTMENTS AND APPROPRIATIONS		
Provision for bad debts	(16 948 925)	(115 000)
Prior year audit adjustments	3 511 108	248 886
Stale cPheque	5 170	-
	<u>(13 432 647)</u>	<u>133 886</u>
11. CASH UTILISED IN OPERATIONS		
Net operating deficit	(1 919 505)	(1 077 004)
Adjustments (appropriations)	(13 394 342)	133 886
Investment income	(186 157)	(23 460)
	<u>(15 500 004)</u>	<u>(966 578)</u>
OPERATIONAL INCOME BEFORE CHANGE IN WORKING CAPITAL	<u>(15 500 004)</u>	<u>(966 578)</u>
GENERATION OF WORKING CAPITAL		
(Increase)/decrease in accounts receivable	17 131 735	(1 065 445)
Increase/(decrease) in accounts payable	1 923 661	2 071 496
	<u>3 555 392</u>	<u>39 473</u>