



REPUBLIC OF NAMIBIA



REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE

TOWN COUNCIL OF LÜDERTIZ

FOR THE FINANCIAL YEARS ENDED 30 JUNE 2008 AND 2009

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REPUBLIC OF NAMIBIA



TO THE HONOURABLE SPEAKER OF THE NATIONAL ASSEMBLY

I have the honour to submit herewith my report on the accounts of the Town Council of Lüderitz for the financial years ended 30 June 2008 and 2009, in terms of Article 127(2) of the Namibian Constitution. The report is transmitted to the Honourable Minister of Finance in terms of Section 27(1) of the State Finance Act, 1991, (Act 31 of 1991) to be laid upon the Table of the National Assembly in terms of Section 27(4) of the Act.

WINDHOEK, July 2010

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE
TOWN COUNCIL OF LÜDERITZ
FOR THE FINANCIAL YEARS ENDED 30 JUNE 2008 AND 2009**

1. INTRODUCTION

The accounts of the Town Council of Lüderitz for the years ended 30 June 2008 and 2009 are being reported on in accordance with the provisions set out in the State Finance Act, 1991 (Act 31 of 1991) and the Local Authorities Act, 1992 (Act 23 of 1992).

The firm 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 Town 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 Town 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 23 January 2010 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 sheets at Annexure A are a true reflection of the original signed by the Accounting Officer.

The financial statements also include:

Annexure B: Abridged income statements

Annexure C: Cash flow statements

Annexure D: Notes to the financial statements

3. SCOPE OF THE AUDIT

Management's responsibility for the financial statements

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

Auditor's responsibility

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

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

overall presentation of the financial statements.

4. AUDIT OBSERVATION AND COMMENTS

4.1 Trade and other receivables - Provision for bad debts (2008 & 2009)

The average collection period of trade receivables, before taking the provision for bad debts into account, is 199 days for 2009 and 171 days for 2008 (2007: 149 days). The average collection period of trade receivables, after taking the provision for bad debts into account, is 152 days for 2009 and 126 days for 2008 (2007: 103 days). Council should attend to the arrears as a matter of urgency. Due to this statistics, the auditors are of the opinion that the provision for bad debts is understated by 2009: N\$ 13 485 232 and 2008: N\$ 9 713 441 (2007: N\$ 6 062 684).

4.2 Other receivables - Build together advances (2008 & 2009)

Included in other receivables is an amount of 2009: N\$ 5 936 566 and 2008: N\$ 6 194 060 (2007: N\$ 4 641 469) for build together advances. No list for these advances could be provided to the auditors and they were thus unable to verify the completeness and accuracy of these advances.

4.3 Inventories

The auditors did not observe the counting of the inventories on 30 June 2008 and 2009, 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 payables (2008 & 2009)

No reconciliations of trade and other payables were available for audit purposes for the years under review, and the auditors were thus unable to verify the accuracy and completeness of trade and other payables. The accuracy and completeness of provisions actually included in the balance sheet could not be verified by the auditors due to a lack of supporting documentation.

4.5 Other payables - P.A.Y.E. and VAT (2008 & 2009)

Not all P.A.Y.E. and VAT returns for the years under review were submitted timeously to the Directorate: Inland Revenue. The provisions in the financial statements might not be sufficient to cover for arrear amounts, penalties and interest thereon.

4.6 Other receivable/(payables) – VAT (2008 & 2009)

Due to a lack of proper accounting records the auditors were unable to verify the correctness of the VAT amount receivable/(payable) per balance sheet of 2009: N\$ 163 046 and 2008: (N\$ 1 939 396) (2007: N\$ 1 867 968).

4.7 Consumer deposits (2008 & 2009)

The consumer deposits for the years under review are not sufficient to cover one month's service charges.

4.8 External loans (2008 & 2009)

External loans from the Government of Namibia of 2009: N\$ 7 524 742 and 2008: N\$ 7 971 435 (2007: N\$ 8 479 838) are included in the balance sheet. No amortisation tables were available at the Town Council therefore the auditors were unable to verify the completeness, existence and accuracy of these external loans.

4.9 Arrear external loans (2008 & 2009)

External loans from Government are, as in previous years, not repaid but the repayments are provided for as arrear loan instalments under current liabilities. The total instalments in arrears amount to 2009: N\$ 20 124 504 and 2008: N\$ 19 016 021 (2007: N\$ 17 907 536).

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

4.10 Property, plant and equipment (2008 & 2009)

As also reported in prior years, no effort has been made to rectify the controls and shortcomings reflected on the property, plant and equipment of the Council for the years under review.

The following was evident:

- No asset register was maintained by the Council
- No list of additions was available for audit purposes
- No list of disposals was available for audit purposes
- No depreciation was processed as also reported in the prior year

Due to the above-mentioned, the auditors were again unable to satisfy themselves if assets are fairly stated in the financial statements.

4.11 Payroll (2008 & 2009)

No proper supporting documentation could be provided to verify the existence and correctness of the payroll for the years under review. The auditors were thus unable to verify the payroll to their satisfaction.

4.12 Investments (2008 & 2009)

No proper supporting documentation could be provided to verify the existence and correctness of the investments for the years under review. The auditors were thus unable to verify the investments to their satisfaction.

5. ACKNOWLEDGEMENT

The assistance and co-operation by the staff of the Town Council of Lüderitz 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 surplus on 01/07/2008				15 224 749
General accounts				
- Non-profitable	20 869 100	44 061 825	(23 192 725)	
- Self-supporting	4 337 920	12 633 718	(8 295 798)	
Trade accounts				
- Water	11 971 915	10 958 481	1 013 434	
- Electricity	31 234 757	25 606 586	5 628 171	
Surplus for the year	68 413 692	93 260 610	(24 846 918)	(24 846 918)
				(9 622 169)
Adjustments and utilizations (See note 11, Annexure D)				404 162
Accumulated surplus on 30/06/2009				(9 218 007)

	Revenue	Expenditure	Surplus/ (deficit)	Balance
	N\$	N\$	N\$	N\$
Accumulated surplus on 01/07/2007				9 390 752
General accounts				
- Non-profitable	20 088 414	23 399 101	(3 310 687)	
- Self-supporting	4 207 014	6 724 482	(2 517 468)	
Trade accounts				
- Water	11 928 015	12 152 840	(224 825)	
- Electricity	33 019 454	20 950 364	12 069 090	
Surplus for the year	69 242 897	63 226 787	6 016 110	6 016 110
				15 406 862
Adjustments and utilizations (See note 11, Annexure D)				(182 113)
Accumulated surplus on 30/06/2008				15 224 749

7. CURRENT BANK ACCOUNT

	2009	2008	2007
	N\$	N\$	N\$
Cash-book balance at 30 June	(7 010 869)	(3 106 006)	(3 767 006)
Outstanding cheques			
- Disclosed as trade payables	5 864 501	3 116 423	3 775 584
Balance as per bank statement	(1 146 368)	10 417	8 578

8. INVESTMENTS

The investments as at 30 June were as follows:

Institution	2009	2008	2007
	N\$	N\$	N\$
Commercial banks	24 590 313	42 600 211	31 766 991
Insurance company	*18 243 175	*18 243 175	*18 043 175
	42 833 488	60 843 386	49 810 166

* No documentation could be submitted by the Council to support this investment or value thereof.

Section 80(3) of the Act read as follows:

"(3) A Local Authority Council may invest any unexpended portion of its funds with a bank registered in terms of the Banks Act, 1965 (Act 23 of 1965), a building society as defined in Section 1 of the Building Society Act, 1986 (Act 2 of 1986), and the Post Office Savings Bank controlled and managed by the Namibia Post Limited established by Section 2 of the Posts and Telecommunications Companies Establishment Act 1992, or such other financial institution as may be approved by the Minister.

No such approval could be provided by the Town Council.

The investments were allocated as follows:

Allocation	2009	2008	2007
	N\$	N\$	N\$
Capital Development Fund	3 663 314	2 329 815	1 036 568
Housing Fund	17 917 397	15 511 132	13 043 709
Fixed Property Fund	14 843 129	13 099 904	11 218 738
Renewal Fund	6 018 805	4 373 133	2 752 257
Revenue	390 843	25 529 402	21 758 894
	42 833 488	60 843 386	49 810 166

9. FUND ACCOUNTS

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

10. TRADE ACCOUNTS

10.1 The results of trade accounts were as follows:

	Electricity		Water	
	2009	2008	2009	2008
	N\$	N\$	N\$	N\$
Sales	30 230 872	29 163 991	11 303 382	11 338 146
Cost of bulk purchases	(19 389 173)	(14 677 088)	(7 546 899)	(7 226 632)
Gross profit	10 841 699	14 486 903	3 756 483	4 111 514
Other expenses	(5 213 528)	(2 417 813)	(2 743 049)	(4 336 339)
Net (loss)/surplus	5 628 171	12 069 090	1 013 434	(224 825)
Gross profit percentages on sales	35.9%	49.7%	33.2%	36.3%
Gross profit percentages on bulk purchase	55.9%	98.7%	49.8%	56.9%
Net profit/(loss) percentages on bulk purchases	29.0%	82.2%	13.4%	(3.1%)
Net (loss)/profit percentage on sales	18.6%	41.4%	9.0%	(2.0%)

	Electricity		Water	
	2008	2007	2008	2007
	N\$	N\$	N\$	N\$
Sales	29 163 991	28 696 039	11 338 146	9 722 641
Cost of bulk purchases	(14 677 088)	(14 700 934)	(7 226 632)	(7 742 086)
Gross profit	14 486 903	13 995 105	4 111 514	1 980 555
Other expenses	(2 417 813)	(8 518 367)	(4 336 339)	(3 776 230)
Net (loss)/surplus	12 069 090	5 476 738	(224 825)	(1 795 675)
Gross profit percentages on sales	49.7%	48.8%	36.3%	20.4%
Gross profit percentages on bulk purchases	98.7%	95.2%	56.9%	25.6%
Net profit percentages on bulk purchases	82.2%	37.3%	(3.1%)	(23.2%)
Net (loss)/profit percentage on sales	41.4%	19.1%	(2.0%)	(18.5%)

10.2 Water distribution results, in cubic meters

No statistics were kept by the Town Council to calculate the distribution losses. The Town Council, in future, must record the cubic meters sold and purchase to calculate distribution losses.

11. SELF-SUPPORTING SERVICES

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

	Income 2009	Expenses 2009	Surplus/ (deficit) 2009	Surplus/ (deficit) 2008
	N\$	N\$	N\$	N\$
Sewerage	2 407 164	8 875 659	(6 468 495)	(282 749)
Cleaning services	1 592 238	3 585 310	(1 993 072)	(2 312 461)
Natis	338 518	172 749	165 769	77 742
	4 337 920	12 633 718	(8 295 798)	(2 517 468)

	Income 2008	Expenses 2008	Surplus/ (deficit) 2008	Surplus/ (deficit) 2007
	N\$	N\$	N\$	N\$
Sewerage	2 398 686	2 681 435	(282 749)	(589 197)
Cleaning services	1 500 426	3 812 887	(2 312 461)	(1 073 672)
Natis	307 902	230 160	77 742	(106 895)
	4 207 014	6 724 482	(2 517 468)	(1 769 764)

Council should introduce measures to reduce the losses on the self-supporting services.

12. FRUITLESS, UNAUTHORIZED OR AVOIDABLE EXPENDITURE

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

13. SUSPENSE ACCOUNTS

Suspense accounts are cleared on a regular basis.

14. IRREGULARITIES AND LOSSES

There were no such expenses.

15. CAPITAL PROJECTS

The following were spend on capital projects:

Vote charged with projects/acquisitions	Financed by	Total
	Revenue account 2009	Total expenditure 2008
	N\$	N\$
Local economical development	-	117 204
Electricity	-	463 607
Financial services	2 348	192 835
Roads and streets	9 867 708	3 319 845
Cleansing services	-	626 874
Health services	-	4 956
Water	-	1 473 023
General administration	152 435	-
Sub-economic housing	12 330 089	-
Town planning	2 480	-
Sewerage	5 614 648	-
	27 969 708	6 198 344

Vote charged with projects/acquisitions	Financed by	Total
	Revenue account 2008	expenditure 2007
	N\$	N\$
Local economical development	117 204	2 647 255
Electricity	463 607	5 652 192
Financial services	192 835	144 147
Human resources	-	24 229
Roads and streets	3 319 845	493 361
Cleansing services	626 874	14 069
Health services	4 956	210 891
Water	1 473 023	1 186 047
General administration	-	34 273
Workshop	-	5 000
Rates and taxes	-	11 609
Sewerage	-	436 522
	6 198 344	10 859 595

16. BURSARIES

There were no bursaries granted for the year under review.

17. CONTRIBUTIONS, GRANTS AND FINANCIAL AID.

Due to poor recordkeeping, grants cannot be determined for the years under review.

18. COMPENSATION PAYMENTS

There were no such expenses for the years under review.

19. VISITS TO FOREIGN COUNTRIES

There were no such expenses.

20. CLAIMS AGAINST THE LOCAL AUTHORITY

There were no claims against the local authority.

21. GIFTS/DONATIONS BY THE LOCAL AUTHORITY

There were no such expenses.

22. TRANSFER OF PROPERTY

There were no transfers of property to or from the Local Authority.

23. TRADE AND OTHER RECEIVABLES/PAYABLES

23.1 Trade and other receivables at 30 June were:

	2009	2008	2007
	N\$	N\$	N\$
Services, rates and taxes	28 973 448	25 146 136	21 024 267
Build Together advances	5 936 566	6 194 060	4 641 469
VAT	163 046	-	-
	35 073 060	31 340 196	25 665 736
Consumer deposits	(572 308)	(568 464)	(556 368)
Provision for bad debts	(6 737 000)	(6 595 000)	(6 503 000)
Total	27 763 752	24 176 732	18 606 368

The average collection period of trade receivables, before taking the provision for bad debts into account, is 199 days for 2009 and 171 days for 2008 (2007: 149 days). The average collection period of trade receivables, after taking the provision for bad debts into account, is 152 days for 2009 and 126 days for 2008 (2007: 103 days). Council should attend to the arrears as a matter of urgency. Due to this statistics, the auditors are of the opinion that the provision for bad debts is understated by 2009: N\$ 13 485 232 and 2008: N\$ 9 713 441 (2007: N\$ 6 062 684).

Included in other receivables is an amount of 2009: N\$ 5 936 566 and 2008: N\$ 6 194 060 (2007: N \$4 641 469) for build together advances. No list of these advances could be provided to the auditors and they were thus unable to verify the completeness and accuracy of these advances.

23.2 Trade and other payables at 30 June were:

	2009	2008	2007
	N\$	N\$	N\$
Trade payables	864 197	1 100 213	316 344
Loan instalments in arrear	20 124 504	19 016 021	17 907 536
VAT	-	1 939 396	1 867 968
Suspense accounts	312 029	309 244	34 972
Outstanding cheques	5 864 501	3 116 423	3 775 584
Totals	27 165 231	25 481 297	23 902 404

No reconciliations of trade and other payables were available for audit purposes, and the auditors were thus unable to verify the accuracy and completeness of trade and other payables. The accuracy and completeness of provisions actually included in the balance sheets could not be verified by the auditors

due to a lack of supporting documentation.

Not all P.A.Y.E. and VAT returns for the years under review were submitted timeously to the Directorate: Inland Revenue. The provisions in the financial statements might not be sufficient to cover for arrear amounts, penalties and interest thereon.

24. ASSESSMENT RATES

	2009	2008	2007
	N\$	N\$	N\$
The proceeds from assessment rates were	5 001 583	4 680 264	4 838 923
Luderitz town area			
Tariffs per N\$1 valuation per annum - Site valuation	0.047300	0.047300	0.047300
Tariffs per N\$1 valuation per annum - Improvements	0.010212	0.010212	0.010212
Nautilus town area			
Tariffs per N\$1 valuation per annum - Site valuation	0.047300	0.047300	0.047300
Tariffs per N\$1 valuation per annum - Improvements	0.009460	0.009460	0.009460
Benguela town area			
Tariffs per N\$1 valuation per annum - Site valuation	0.016130	0.016130	0.016130
Tariffs per N\$1 valuation per annum - Improvements	0.004730	0.004730	0.004730

25. LOANS

25.1 External loans

	2009	2008	2007
	N\$	N\$	N\$
The Government of Namibia	7 524 742	7 971 435	8 479 838
Commercial banks	600 255	-	31 552
	8 124 997	7 971 435	8 511 390

External loans from Government are, as in previous years, not repaid but the repayments are provided for as arrear loan instalments under current liabilities. The total instalments in arrears amount to 2009: N\$ 20 124 504 and 2008: N\$ 19 016 021 (2007: N\$ 17 907 536).

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

25.2 Due to the Town Council

	2009	2008	2007
	N\$	N\$	N\$
Build Together advances – Included in trade and other receivables	5 936 566	6 194 060	4 641 469

No list of these advances could be provided to the auditors and the auditors were thus unable to verify the completeness and correctness of these advances.

25.3 Loans written off

No loans were written off by the Council during the years under review.

26. SALE OF ERVEN

No lists relate to the sale of erven for the years under review could be provided.

27. LOCAL AUTHORITY PROPERTY SOLD ON AN INSTALMENT BASIS

No property was sold on an instalment basis during the years under review.

28. TARIFF ADJUSTMENTS

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

29. APPROVALS

29.1 Excess on approved budget

All budget excesses were approved.

29.2 Internal loans

There were no new internal loans during the years under review.

29.3 Revenue written off

None

30. INVENTORY AND EQUIPMENT

30.1 Motor vehicles and values thereof :

No information regarding motor vehicles could be provided to the auditors.

30.2 Inventory

Inventories amounted to 2009: N\$ 406 992 and 2008: N\$ 370 080 (2007: N\$ 405 035). (See paragraph 4.3.)

31. SPECIAL INVESTIGATIONS

None

32. GENERAL

There is an insufficient 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 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

Formal queries are embodied in this report.

Informal queries were raised with the Town Clerk. Matters addressed were:

- Provision for bad debts understated.
- Housing Fund advances.
- P.A.Y.E. and VAT records.
- Arrear external loans.
- Payroll.

- Investments.
- Water distribution statistics.

34. DISCLAIMED AUDIT OPINION

The accounts of the Town Council of Lüderitz for the financial years ended 30 June 2008 and 2009, 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.

I am unable to express an opinion on the financial statements, results of operations and the cash flows of the Council for the years ended 30 June 2008 and 2009 due to the following reasons:

- Provision for bad debts is understated by N\$ 13 485 232 for 2009 and N\$ 9 713 441 for 2008.
- Housing Fund debtors of N\$ 5 936 566 for 2009 and N\$ 6 194 060 for 2008 could not be verified because debtor lists were not available.
- No reconciliations of trade and other payables were made available for the auditors therefore they could not verify the accuracy and completeness thereof.
- Provisions in the financial statements might not be sufficient to cover arrear amounts, penalties or interest on P.A.Y.E. and VAT returns that was submitted late.
- The auditors were unable to verify the correctness of VAT receivable of N\$ 163 046 for 2009 and VAT payable of N\$ 1 939 396 for 2008.
- External loans outstanding from the Government of Namibia to the amounts of N\$ 7 524 742 for 2009 and N\$ 7 971 435 for 2008 could not be verified due to the unavailability of amortization tables.
- Total instalments on Government loans in arrears amounted to N\$ 20 124 504 for 2009 and N\$ 19 016 021 for 2008 and is provide for under current liabilities. No interest on these overdue amounts has been provided for.
- A fixed asset register was not available and therefore the auditors were unable to satisfy themselves on the existence and value of assets.
- The auditors were unable to satisfy themselves on the accuracy and completeness of the payroll due to a lack of documentation.
- No proper supporting documentation could be provided to verify the existence and correctness of the investments. The auditors were thus unable to verify the investments to their satisfaction.

WINDHOEK, July 2010

**JUNIAS ETUNA KANDJEKE
AUDITOR- GENERAL**

TOWN COUNCIL OF LÜDERITZ

BALANCE SHEETS AT 30 JUNE

	Notes	2009 N\$	2008 N\$	2007 N\$
ASSETS				
NON-CURRENT ASSETS				
		170 754 938	160 097 743	142 855 093
Property, plant and equipment	2	127 921 450	99 254 357	93 044 927
Investments	3	42 833 488	60 843 386	49 810 166
CURRENT ASSETS				
		28 171 726	24 557 229	19 019 981
Trade and other receivables	4	27 763 752	24 176 732	18 606 368
Inventories	5	406 992	370 080	405 035
Bank and cash	6	982	10 417	8 578
TOTAL ASSETS				
		198 926 664	184 654 972	61 875 074
FUNDS AND LIABILITIES				
FUNDS AND RESERVES				
		162 490 068	151 202 240	129 461 280
Capital outlay	7	104 115 698	74 416 542	66 553 607
Funds and accounts	8	58 374 370	76 785 698	62 907 673
NON-CURRENT LIABILITIES				
Long-term liabilities	9	8 124 997	7 971 435	8 511 390
CURRENT LIABILITIES				
		28 311 599	25 481 297	23 902 404
Trade and other payables	10	27 165 231	25 481 297	23 902 404
Bank overdraft	6	1 146 368	-	-
TOTAL FUNDS AND LIABILITIES				
		198 926 664	184 654 972	161 875 074

TOWN COUNCIL OF LÜDERITZ

INCOME STATEMENTS FOR THE YEARS ENDED 30 JUNE

	<u>Note</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
		N\$	N\$	N\$
INCOME		67 205 067	67 772 506	63 221 292
EXPENDITURE		(93 260 610)	(63 226 787)	(66 074 445)
NET OPERATING SURPLUS/ (DEFICIT)		(26 055 543)	4 545 719	(2 853 153)
INTEREST ON INVESTMENTS		1 208 625	1 470 391	1 241 816
NET SURPLUS/(DEFICIT) AFTER INTEREST		(24 846 918)	6 016 110	(1 611 337)
APPROPRIATION ACCOUNT	11	404 162	(182 113)	(927 975)
		(24 442 756)	5 833 997	(2 539 312)
REVENUE ACCOUNT - Beginning of the year		15 224 749	9 390 752	11 930 064
REVENUE ACCOUNT - End of the year		(9 218 007)	15 224 749	9 390 752

TOWN COUNCIL OF LÜDERITZ

CASH FLOW STATEMENT FOR THE YEARS ENDED 30 JUNE

	Notes	2009 N\$	2008 N\$	2007 N\$
CASH FLOW FROM OPERATING ACTIVITIES				
Cash receipts from customers		67 205 067	67 772 506	63 221 292
Cash paid to suppliers		(94 796 446)	(67 365 416)	(68 241 520)
Cash generated/(utilized) by operations	12	(27 591 379)	407 090	(5 020 228)
Interest received		1 208 625	1 470 391	1 241 816
Increase in Fund accounts		6 031 428	8 044 028	6 014 641
Increase in Capital outlay		29 699 156	7 862 935	12 418 461
Net cash flow from operating activities		9 347 830	17 784 444	14 654 690
CASH FLOW FROM INVESTING ACTIVITIES				
Net capital expenditure		(28 667 093)	(6 209 430)	(10 896 613)
Increase in investments		18 009 898	(11 033 220)	(3 252 752)
		(10 657 195)	(17 242 650)	(14 149 365)
CASH FLOW FROM FINANCING ACTIVITIES				
Decrease in long-term loans		153 562	(539 955)	(507 004)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(1 155 803)	1 839	(1 679)
CASH AND CASH EQUIVALENTS – BEGINNING OF YEAR		10 417	8 578	10 257
CASH AND CASH EQUIVALENTS – END OF YEAR	6	(1 145 386)	10 417	8 578

TOWN COUNCIL OF LÜDERITZ

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEARS 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 are stated at cost or valuation where assets have been acquired by grant or by donation. Assets are depreciated over their estimated useful life's.

1.3 Internal Funds

The following Fund were created by the Town Council:

1.3.1 Fixed Property Fund

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

1.3.2 Housing Fund

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

1.3.3 Capital Development Fund

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

1.3.4 Accumulated Leave Fund

The purpose of this Fund is to make provision for payment of accumulated leave.

1.3.5 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.

1.3.6 Capital Redemption Fund

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.

1.3.7 Bonus Leave Reserve Fund

The purpose of this Fund is to make provision for payment of bonuses.

TOWN COUNCIL OF LÜDERITZ

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

	2009	2008	2007
	N\$	N\$	N\$
2. PROPERTY, PLANT AND EQUIPMENT			
Total	127 921 450	99 254 357	93 044 927
3. INVESTMENTS			
INVESTMENTS			
Commercial banks	24 590 313	42 600 211	31 766 991
Insurance companies	18 243 175	18 243 175	18 043 175
	42 833 488	60 843 386	49 810 166
ALLOCATED AS FOLLOWS			
Capital Development Fund	3 663 314	2 329 815	1 036 568
Housing Fund	17 917 397	15 511 132	13 043 709
Fixed Property Fund	14 843 129	13 099 904	11 218 738
Renewal Fund	6 018 805	4 373 133	2 752 257
Revenue	390 843	25 529 402	21 758 894
	42 833 488	60 843 386	49 810 166
4. TRADE AND OTHER RECEIVABLES			
Services, rates and taxes	28 973 448	25 146 136	21 024 267
Build Together advances	5 936 566	6 194 060	4 641 469
VAT	163 046	-	-
	35 073 060	31 340 196	25 665 736
Consumer deposits	(572 308)	(568 464)	(556 368)
Provision for bad debts	(6 737 000)	(6 595 000)	(6 503 000)
	27 763 752	24 176 732	18 606 368
5. INVENTORIES			
Materials	406 992	370 080	405 035

TOWN COUNCIL OF LÜDERITZ

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

	2009	2008	2007
	N\$	N\$	N\$
6. CASH AND BANK BALANCES			
Current account	(1 146 368)	10 417	8 578
Petty cash	982	-	-
	(1 145 386)	10 417	8 578
7. CAPITAL OUTLAY			
Loans redeemed	11 145 534	10 023 546	13 189 904
Revenue contributions	74 083 049	45 505 881	34 476 588
General Capital contributions	18 887 115	18 887 115	18 887 115
	104 115 698	74 416 542	66 553 607
8. FUNDS AND ACCOUNTS			
Internal loans overstated in Fund accounts	(902 042)	(902 042)	(902 042)
Accumulated Leave Fund	3 266 710	2 740 676	2 295 788
Bonus Leave Reserve Fund	265 702	445 850	548 463
Capital Development Fund	11 531 316	10 683 622	9 832 504
Housing Fund	24 056 846	21 914 523	17 900 424
Fixed Property Fund	21 477 015	20 156 629	18 662 073
Renewal Fund	7 896 830	6 521 691	5 179 711
Revenue account kept in compliance with Section 86(1) of the Local Authorities Act, 1992.	(9 218 007)	15 224 749	9 390 752
	58 374 370	76 785 698	62 907 673
9. LONG-TERM LIABILITIES			
The Government of Namibia	7 524 742	7 971 435	8 479 838
Commercial banks	600 255	-	31 552
	8 124 997	7 971 435	8 511 390

TOWN COUNCIL OF LÜDERITZ

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

	2009	2008	2007
	N\$	N\$	N\$
10. TRADE AND OTHER PAYABLES			
Trade payables	864 197	1 100 213	316 344
Loan instalments in arrear	20 124 504	19 016 021	17 907 536
VAT	-	1 939 396	1 867 968
Suspense accounts	312 029	309 244	34 972
Outstanding cheques	5 864 501	3 116 423	3 775 584
	27 165 231	25 481 297	23 902 404
11. ADJUSTMENTS TO APPROPRIATION ACCOUNT			
Prior year adjustments	404 162	(182 113)	(927 975)
	404 162	(182 113)	(927 975)
12. CASH GENERATED/(UTILISED) BY OPERATIONS			
Net operating surplus/(deficit) before transfers	(26 055 543)	4 545 719	(2 853 153)
Adjustments for:			
- Adjustments to appropriation account	404 162	(182 113)	(927 975)
OPERATING SURPLUS/(DEFICIT) BEFORE CHANGES IN WORKING CAPITAL	(25 651 381)	4 363 606	(3 781 128)
CHANGES IN WORKING CAPITAL			
Increase in trade and other receivables	(3 587 020)	(5 570 364)	(2 285 273)
Decrease/(increase) in inventories	(36 912)	34 955	(57 892)
Increase in trade and other payables	1 683 934	1 578 893	1 104 065
	(1 939 998)	(3 956 516)	(1 239 100)
CASH GENERATED/(UTILISED) BY OPERATIONS	(27 591 379)	407 090	(5 020 228)