



REPUBLIC OF NAMIBIA



REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE

TOWN COUNCIL OF ONDANGWA

FOR THE FINANCIAL YEAR ENDED 30 JUNE 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 Ondangwa for the financial year ended 30 June 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, June 2010

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF
THE TOWN COUNCIL OF ONDANGWA
FOR THE FINANCIAL YEAR ENDED
30 JUNE 2009**

1. INTRODUCTION

The accounts of the Town Council of Ondangwa for the year ended 30 June 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 BDO 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.

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. 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

Management's responsibility for the financial statements

The Accounting Officer of the Town Council 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 OBSERVATIONS AND COMMENTS

Items that were also reported in previous financial year are indicated by way of an asterisk (*)

4.1 Financial results

The Town Council made a surplus of N\$ 2 801 269 (2008: surplus N\$ 956 227), before any transfer to funds during the financial year. The deficit after transfer to funds amounted to N\$ 1 090 050 (2008: deficit N\$ 2 209 294). The accumulated deficit as at year-end amounted to N\$ 10 096 215 (2008: N\$ 6 495 081).

4.2 Bad and doubtful debts (*)

The Council has a provision for bad debts of N\$ 6 696 110 (2008: 4 823 543). Tests on debtors recoverability has shown that the ageing is not correct as all receipts are classified under “current”. Based on the audit procedures, the auditors recalculated the provision for bad debts and found it to be overstated by N\$ 890 510 (2008: N\$ 477 595).

4.3 Existence of Property, plant and equipment (*)

The descriptions of assets per the asset register are not adequate to enable identification of the assets. As a result the auditors could not verify existence of the selected assets. This also shows that Council does not have adequate control over the assets.

4.4 Sale of erven (*)

Management could not provide a listing of erven sold to the amount of N\$ 3 637 690 for the year. As a result the auditors could not satisfy themselves on the correctness of the movement in the Capital Development Fund.

4.5 Inventories (*)

The Council could not provide the auditors with the stock count sheets and there is also no movement in the stock figure since last year, this means that the system is not updated with the purchases and usage of stock that took place during the year. This means that inventories are misstated.

4.6 Value Added Taxation (*)

The Output Vat per returns are less than that per financial statements by N\$ 587 607. This means that the Council under declared Output Vat by the amount. This can lead to Council suffering penalties and fines if they have to undergo a VAT audit by the Receiver of Revenue. A material difference of N\$ 1 004 308 exists between the VAT balance as per the Receiver of Revenue statement and the general ledger.

Some expenses recorded included VAT. The auditors could not establish the amount of VAT not correctly accounted for because there are numerous invoices involved. This means that the expenditure is overstated and the Council has incurred a financial loss by not claiming the money.

4.7 External loans (*)

The Council is not performing proper reconciliation for loans, this resulted in the balances per financial statements not agreeing to the confirmations and amortisation schedules by an amount of N\$ 301 837. The short-term portion of the long term loan amounting to N\$ 261 651 has not been raised. Finance charges were fully capitalized on assets (refer to 4.11).

4.8 Build Together Loans (*)

The Council could not provide the auditors with the supporting documentation for an amount of N\$ 588 863 that was included in the redemption amount for the year. The auditors also found that there is no proper register kept for build together loans. If adequate records are not maintained on the loans advanced Council might not be able to collect the amounts from the debtors.

4.9 Accounts Payables (*)

The Council included an amount of N\$ 1 337 377 in the trade payables, while this amount was fully paid by year end. This means that the general ledger is overstated by that amount.

The auditors could not be provided with a list of other creditors to the amount of N\$ 555 640. An amount of N\$ 182 503 was found to be outstanding at year-end but was not included in the creditors at year end. The auditors could not satisfy themselves as to the completeness of creditors because the client could not provide them with all the supporting documentation.

4.10 Consumer deposits (*)

The Council has not been charging consumer deposits on the majority of its customers. Some of these customers have very high consumption bills per month, but no deposits were charged to minimise losses in case of customer defaults.

4.11 Unsupported and incorrect additions to Fixed Assets (*)

The Council could not provide supporting documents for assets purchased during the year to the amount of N\$ 1 534 176. A VAT amount of N\$ 263 390 was capitalised on assets. Finance charges amounting to N\$ 147 498 relating to vehicles purchased through hire purchase were also wrongly capitalised.

4.12 Income (*)

The Council could not provide the auditors with supporting documentation for sundry income amounting to N\$ 354 142. As a result the auditors could not satisfy themselves regarding the validity and completeness of the income.

4.13 Allocation of interest income (*)

The investments of the Capital Development Fund represent about 34% of the total investments portfolio. However, no interest income was allocated to the Fund during the period under review. There is also no interest earned recorded on Build Together loans.

4.14 Bank & Cash

The Council had not provided the auditors with a bank reconciliation to support the bank balance of N\$ 1 421 239.

4.15 Suspense account (*)

The Council had a suspense account (debit balance) of N\$ 237 389. The Council could not provide the auditors with supporting documents for the balance and as a result they could not establish the existence, accuracy and valuation thereof.

4.16 Investments (*)

The Council has materially overstated an insurance policy investment by an amount of N\$ 736 452. Interest from investments is understated by an amount of N\$ 149 087.

4.17 Expenses

Expenses amounting to N\$ 1 744 025 could not be supported by evidence.

4.18 Depreciation of assets

The Council has not raised depreciation in the current year, this results in overstatement of fixed assets net book value.

5. ACKNOWLEDGEMENT

The assistance and co-operation given by the staff of the Town 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 deficit 01/07/2008				(6 495 081)
General accounts				
Non-profitable services	1 241 645	6 641 322	(5 399 677)	
Self-supporting services	13 747 181	2 296 478	11 450 703	
Rate and General	4 103 716	11 359 946	(7 256 230)	
Trade accounts				
Electricity	1 780 463	1 781 247	(784)	
Water	6 699 743	6 583 805	115 938	
	27 572 748	28 662 798	(1 090 050)	
Deficit for the year				(1 090 050)
Adjustments and appropriations (Note 9, Annexure D)				(2 511 084)
Accumulated deficit 30/06/2009				(10 096 215)

7. CURRENT BANK ACCOUNT

The favourable bank statement balance on the current bank account amounted to N\$ 4 760 110 (2008: N\$ 1 196 131) and the cash-book reflected a favourable balance of N\$ 1 421 239(2008: N\$ 865 257). The auditors could not obtain a bank reconciliation from the Council. The auditors could therefore not determine if the bank balance is stated correctly.

8. INVESTMENTS AND INTEREST PROCEEDS

The investments as at 30 June 2009 and the interest thereon were as follows:

Institution	2009		2008	
	Investment	Interest	Investment	Interest
	N\$	N\$	N\$	N\$
Invested at:				
Commercial banks	15 024 936	891 438	14 357 337	1 162 556
Insurance companies	1 752 102	-	1 502 756	-
	16 777 038	891 438	15 860 093	1 162 556
Distribution				
Capital Development Fund	14 513 182	-	12 521 252	-
Built Together Fund	2 263 856	-	3 338 841	162 856
Revenue	-	891 438	-	999 700
	16 777 038	891 438	15 860 093	1 162 556

9. FUND ACCOUNTS

The position of Funds and Reserves is shown in note 6 at annexure D.

Temporary advances totalling N\$ 11 862 588 (2008: N\$ 10 216 828) and N\$2 044 919 were transferred to revenue from the Capital Development Fund and Housing Fund respectively to finance operating costs of the Council. The Council should indicate how it is going to reverse the situation.

10. TRADE ACCOUNTS

10.1 Operating results

The results for the financial year under review and the previous year were as follows:

	Electricity		Water	
	2009	2008	2009	2008
	N\$	N\$	N\$	N\$
Royalties/Sales	1 780 463	1 410 233	6 590 180	5 502 550
Cost on bulk purchases	-	-	(5 255 215)	(5 729 292)
Gross profit	1 780 463	1 410 233	1 334 965	(226 742)
Other income/ (expenses)	(1 781 247)	(3 426 217)	(1 219 027)	(558 076)
NET PROFIT/(LOSS)	(784)	(2 015 984)	115 938	(784 818)
Gross profit on bulk purchases	N/A	N/A	27.4%	(0.04%)
Net profit percentage on bulk purchases	N/A	N/A	2.2%	(13.7%)

The profit on sale of water is mainly due to less water bulk purchase in the current year N\$ 5 255 215 (2008: N\$ 5 729 292). While a positive turnaround on electricity is caused by the decrease in electrification of informal settlement areas to an amount of N\$ 592 432 (2008: N\$ 2 409 487). There was also an increase in royalties received from NORED.

10.2 Distribution losses

The auditors could not perform distribution analysis on water due to unavailability of information.

11. SELF-SUPPORTING EXTERNAL SERVICES

The net result of these services, compared with the previous year, is as follows:

	Revenue	Expenditure	Surplus/ (Deficit)	Surplus/ (Deficit)
	2009	2009	2009	2008
	N\$	N\$	N\$	N\$
Civic buildings	386 636	303 638	82 998	231 556
Cleaning services	1 994 433	1 040 248	954 185	904 591
Assessment rates	9 691 475	375 009	9 316 466	5 658 745
Sewerage	1 674 637	577 583	1 097 054	1 070 025
Total	13 747 181	2 296 478	11 450 703	7 864 917

The self-supporting votes continue to be profitable.

12. FRUITLESS, UNAUTHORISED OR AVOIDABLE EXPENDITURE

No such expenditure was revealed.

13. SUSPENSE ACCOUNTS

The Council has a suspense account with a debit balance of N\$ 237 939. This amount is coming from prior year, the account has long outstanding transactions and there are no sufficient supporting documents to validate balances.

14. IRREGULARITIES AND LOSSES

14.1 No irregularities by employees were reported.

14.2 No losses were reported.

15. CAPITAL PROJECTS

Capital expenditure for the 2009 financial year amounted to N\$ 4 637 288 (2008: N\$ 7 711 213) and comprise of the following:

	FINANCED BY		2009	2008
	Loan account	Revenue account	Total	Total
	N\$	N\$	N\$	N\$
Council' general expenses	-	751 965	751 965	-
Town Clerk	-	7 838	7 838	1550
Town Treasurer	202 666	249 696	452 362	215
Town Engineer	-	10 141	10 141	-
Town planning & development	-	2 963 591	2 963 591	2 821 364
Streets and storm water	-	-	-	1 233 329
Electricity services	-	-	-	2 529 344
Civic building & housing	-	-	-	23 545
Health	248 725	-	248 725	-
Workshop	-	-	-	1 001 299
Water supply	202 666	-	202 666	100 567
	654 057	3 983 231	4 637 288	7 711 213

The balance sheet and balances for contribution from revenue do not agree to the capital statement nor to the

individual expenditure votes. The above expenditure agrees to the balance sheet and the fixed asset register.

16. STUDY LOANS/BURSARIES

There were no study loans or bursaries.

17. CONTRIBUTIONS, GRANTS AND FINANCIAL AID

No contributions, grants or financial aid were given or provided by the Council during the year.

18. COMPENSATION PAYMENTS

No compensation payments were made during the year.

19. VISITS TO FOREIGN COUNTRIES

There were visits to foreign countries (mainly Europe) by Council officials during the financial period under review. Most of these trips were financially taken care of by the Council's foreign counterparts.

20. CLAIMS AGAINST THE LOCAL AUTHORITY

No claims for losses were received during the year.

21. GIFTS AND DONATIONS BY THE LOCAL AUTHORITY

The Municipality made the following donations:

Nature of gifts/donation	Value	Beneficiary
Donation	N\$ 5 500	No supporting documents could be obtained from the Council

22. TRANSFER OF PROPERTY TO/FROM THE LOCAL AUTHORITY

No property was transferred to/or from the Local Authority.

23. DEBTORS/CREDITORS

23.1 Debtors on 30 June 2009 comprise the following:

	2009	2008
	N\$	N\$
Consumers	10 828 690	9 054 059
Inland Revenue	892 339	328 680
Suspense account	237 939	237 939
Incomplete projects	131 453	-
Sundry debtors	2 710	-
Built Together Advances	2 696 226	3 512 559
	14 789 357	13 133 237
Less: Provision for bad debts	(6 696 110)	(4 823 543)
	8 093 247	8 309 694
Analysis of services and general debtors:		
Average monthly levy	1 712 915	1 464 046
Debtors	10 828 690	9 054 059
Average credit terms in days	192 days	188 days

The debtors' collection period has continued to worsen. This implies that the Council is taking longer to collect outstanding debts than was the case in the previous year. The normal standard collection period should be 30 days, the Council is advised to apply more pressure on its residents to pay on time. As was highlighted in the prior year, the increase in debtors' collection days is a matter of concern, the analysis above shows that more and more of the Council's resources are locked in none paying debtors.

23.2 Creditors on 30 June 2009 comprise the following:

	2009	2008
	N\$	N\$
Trade creditors	1 466 905	851 799
Leave pay provisions	458 755	347 555
Other creditors	555 640	555 640
Sundry creditors	72 347	-
Consumer deposits	976 316	808 672
	3 529 963	2 563 666

24. ASSESSMENT RATES

Net proceeds from assessment rates amounted to N\$ 9 691 475 (2008: N\$ 5 658 745), of which an amount of N\$ 324 109 (2008: N\$ 623 096) was paid to the Regional Council.

25. LOANS

25.1 External loan

Loan balances, due by the Council totalled N\$ 1 399 966 at 30 June 2009 (2008: N\$ 1 052 881). The balances do not agree with amortisation tables by an amount of N\$ 301 837. Finance charges were capitalised. Loan assets have been capitalised and no loan assets were disposed off before the loan was redeemed. Loan monies were used for the purpose they were obtained for.

26. SALE OF ERVEN

The proceeds of erven and plots sold, which were accounted to the Capital Development Fund were:

	2009	2008
	N\$	N\$
Erven sold	3 637 690	2 570 064
The Council could not avail the total number of erven sold for the year.		

27. PROPERTY SOLD ON AN INSTALMENT BASIS

No erven was sold on an instalment basis.

28. TARIFF ADJUSTMENTS

Tariff adjustments were applied in accordance with the relevant Official Government Notices.

29. APPROVALS

29.1 Revenue written off

No revenue was written off

29.2 Excess on approved budget

	Budgeted expenditure	Actual expenditure	Excess expenditure
	N\$	N\$	N\$
Town Treasurer	3 256 282	3 965 381	709 099
Workshop	689 589	711 879	22 290
Electricity supply	1 300 649	1 781 247	480 598

Excess expenditure has not been approved by Council. It is recommended that Council approval should be obtained before any excess expenditure is incurred.

30. INVENTORY AND EQUIPMENT

30.1 Motor vehicles

	Sedan vehicles		LDV and kombi's		Heavy vehicles (Lorries and busses)	
	Number	Value	Number	Value	Number	Value
On hand 01/07/2008	3	3	7	877 417	13	1 361 920
Acquisitions			2	405 332	1	248 725
On hand 30/06/2009	3	3	9	1 282 749	14	1 610 645
Kilometres travelled*						
Fuel Consumption*						

* There was no proper fleet management system in place during the year. Therefore fuel consumption and kilometres travelled could not be provided by the Council.

30.2 Inventory

The Council did not update its books with the value of physical stock counts. This is evident by the fact that the value of stock, as disclosed in the financial statements of the Council, remained unchanged from the previous year.

31. SPECIAL INVESTIGATIONS

No special investigations were carried out during the year.

32. GENERAL

The accounting and internal controls applied by the Council are satisfactory.

33. FORMAL AND INFORMAL QUERIES

33.1 Formal queries are embodied in this report.

33.2 Informal queries addressed to the Chief Executive Officer consist of:

- Bad and doubtful debts
- Value Added Taxation
- Inventories
- Sale of erven
- Consumer deposits
- Build together loans
- Unsupported and incorrect additions to assets
- Existence of fixed assets
- External loans
- Accounts payable
- Income
- Allocation of interest income
- Bank & cash
- Suspense account
- Investments overstated
- Expenses
- Depreciation
- Payroll

34. QUALIFIED AUDIT OPINION

The accounts of the Ondangwa Town Council for the financial year ended 30 June 2009, summarized in Annexures A to D, were audited by me 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.

An qualified audit opinion is being expressed due to the following reasons:

- Provision for bad debts is overstated by N\$ 890 510.
- Fixed asset register is not adequate to verify the existence of assets.
- Listing of erven sold to the amount of N\$ 3 637 690 could not be provided.
- Council could not provide a stock count sheet to the auditors. As there is no movement on the value of stock it is concluded that purchases and usage of consumables is not captured on the system.

- Output VAT as per returns is N\$ 587 607 less than disclosed in the financial statements. Furthermore a difference of N\$ 1 004 308 exists between the balance as per Receiver of Revenue and the ledger of the Council.
- Council did not reconcile their external loan balances. The financial statements and the amortisation schedules differs with an amount of N\$ 301 837.
- Council could not provide supporting documentation to the value of N\$ 588 863 related to Build Together loans.
- Council included an amount of N\$ 1 337 377 as payables although the suppliers were already paid by year-end.
- Council is not charging consumer deposits for the majority of their customers.
- Council could not provide supporting documentation for fixed assets purchased to the value of N\$ 1 534 176. VAT to the amount of N\$ 263 390 was wrongly capitilized. Finance charges amounting to N\$ 147 498 were also wrongly capitilized.
- Council could not provide supporting documentation related to sundry income to the amount of N\$ 354 142.
- The Council could not provide a bank reconciliation as at 30 June 2009 and therefore the correctness of the bank balance of N\$ 1 421 239 could not be confirmed.
- A suspense account with a debit balance of N\$ 237 389 could not be verified due to a lack of supporting documents.
- Council overstated an insurance policy investment by an amount of N\$ 736 452.
- Expenses amounting to N\$ 1 449 436 could not be supported by vouchers.
- No depreciation has been raised during the year under review, therefore fixed assets are overstated.

Except for the effects of any adjustments which might have been necessary as referred to above, in my opinion, these financial statements fairly present the financial position of the Town Council at 30 June 2009, and the results of operations and cash flows for the year then ended in accordance with generally accepted accounting practice.

WINDHOEK, June 2010

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

BALANCE SHEET AS AT 30 JUNE 2009

ASSETS	Notes	2009	2008
		N\$	N\$
Non-current assets		62 113 904	56 399 273
Property, plant and equipment	2	45 336 866	40 539 180
Investments	3	16 777 038	15 860 093
Current assets		10 168 933	9 829 397
Inventory	4	653 987	653 987
Accounts receivable	5	8 093 247	8 309 693
Cash and cash equivalents		1 421 699	865 717
TOTAL ASSETS		72 282 837	66 228 670
EQUITY AND LIABILITIES			
Equity		67 352 908	62 612 122
Funds	6.1	77 449 123	69 107 203
Accumulated deficit	6.2	(10 096 215)	(6 495 081)
Non-current liabilities		1 138 315	870 528
Interest bearing borrowings	7	1 138 315	870 528
Current liabilities		3 791 614	2 746 020
Accounts payable	8	3 529 963	2 563 666
Short term portion of interest bearing borrowings	7	261 651	182 354
TOTAL EQUITY AND LIABILITIES		72 282 837	66 228 670

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2009

	<u>Note</u>	<u>2009</u>	<u>2008</u>
		N\$	N\$
INCOME		26 567 597	25 108 966
EXPENDITURE		<u>(24 657 766)</u>	<u>(25 315 295)</u>
NET OPERATING (LOSS)/INCOME		1 909 831	(206 329)
INTEREST EARNED		<u>891 438</u>	<u>1 162 556</u>
NET INCOME FOR THE YEAR		2 801 269	956 227
Less : Transfer to funds and reserves		<u>(3 891 319)</u>	<u>(3 165 522)</u>
NET LOSS FOR THE YEAR		(1 090 050)	(2 209 295)
Add/(Less) : Appropriation and adjustments	9	<u>(2 511 084)</u>	<u>2 251 749</u>
RETAINED (LOSS)/INCOME FOR THE YEAR		(3 601 134)	42 454
30 June 2008		<u>(6 495 081)</u>	<u>(6 537 535)</u>
30 June 2009		<u>(10 096 215)</u>	<u>(6 495 081)</u>

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2009

	<u>Note</u>	<u>2009</u>	<u>2008</u>
		N\$	N\$
Cash flow from operating activities			
Cash generated by operations	10	5 032 091	6 477 065
Interest on investments		891 438	1 162 556
Net cash generated from operating activities		5 923 529	7 639 621
Cash flow from investing activities			
Purchases of property, plant & equipment		(4 797 686)	(7 711 214)
Increase in investments		(916 945)	(918 041)
Net cash (utilized) in investing activities		(5 714 632)	(8 629 255)
Cash flow from financing activities			
Movement on long term liabilities		347 084	940 925
Net cash generated/(utilised) in financing activities		347 084	940 925
Net (decrease)/increase in cash and cash equivalents		555 982	(48 709)
Cash and cash equivalents at the beginning of the year		865 717	914 426
Cash and cash equivalents at the end of the year		1 421 699	865 717

ONDANGWA TOWN COUNCIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

1. ACCOUNTING POLICIES

The financial statements set out in Annexures A, B and C, are prepared on the historical cost basis and incorporate the following principal accounting policies which are consistent with those applied in the previous year:

1.1 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 the fixed property, the cost or valuation of these items of property, plant and equipment is depreciated on the straight-line basis over their expected useful lives.

1.2 Fund accounts

The following Funds were maintained:

Capital Development Fund

Proceeds from the sale of land developed by the Council as well as interest earned on investments accumulate in this Fund. Costs incurred on the development of land are charged to this account.

Building 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.

Revenue account

All monies received by and accrued to and expenses paid, except for allocations to other Funds, are reflected in this account, and are kept in compliance with Section 86(1)(b) of the Act.

1.3 Capital redemption on loans

Capital redemption on external 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.

1.4 Inventory

Consumables are valued at the average landed costs.

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

	2009	2008
	N\$	N\$
2. PROPERTY, PLANT AND EQUIPMENT		
Consists of :		
Property, plant and equipment	45 336 866	40 539 180
Financed by :		
Revenue account	40 512 821	36 119 364
General capital	3 168 689	3 168 689
Loans assets	1 655 356	1 251 127
	45 336 866	40 539 180
3. INVESTMENTS		
Allocated to:		
Commercial banks	15 024 936	14 357 336
Insurance companies	1 752 102	1 502 756
	16 777 038	15 860 092
4. INVENTORY		
Inventories consist of :		
Operational and stationery stocks	653 987	653 987
	653 987	653 987
5. ACCOUNTS RECEIVABLE		
Trade debtors	10 828 690	9 054 058
Inland Revenue	892 339	328 680
Building Together - Advances	2 696 226	3 512 559
Incomplete projects	131 453	-
Sundry debtors	2 710	-
Suspense account	237 939	237 939
	14 789 357	13 133 236
Less :		
Provision for doubtful debts	(6 696 110)	(4 823 543)
	8 093 247	8 309 693

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

	2009	2008
	N\$	N\$
6. FUNDS AND ACCOUNTS		
6.1 INTERNAL FUNDS	77 449 123	69 107 203
Contribution ex Revenue	40 512 821	36 119 364
Contribution ex Grants	3 168 689	3 168 689
Built Together Fund	7 136 454	6 882 825
Loan term loans redeemed	255 390	198 246
Capital Development Fund	26 375 769	22 738 079
6.2 UNAPPROPRIATED SURPLUS/(DEFICIT)		
Accumulated funds	(10 096 215)	(6 495 081)
Total	67 352 908	62 612 122
7. INTEREST BEARING BORROWINGS		
Long-term liabilities	1 399 966	1 052 881
Less: Short-term portion	(261 651)	(182 353)
	1 138 315	870 528
8. ACCOUNTS PAYABLE		
Trade payables	1 466 905	851 799
Consumer deposits	976 316	808 672
Provision for leave pay	458 755	347 555
Other creditors	555 640	555 640
Sundry creditors	72 347	-
	3 529 963	2 563 666

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

	2009	2008
	N\$	N\$
9. ADJUSTMENTS AND APPROPRIATIONS		
Previous year adjustments	91 852	794 023
Previous year adjustments	-	(7 120)
Creditors previous year	-	-
Creditor adjustments	-	110 010
Provision for personel benefits	(111 200)	-
Audit Adjustment	(619 169)	-
Stores adjustment	-	(5 422)
Consumer deposits	-	26 506
Direct Deposits	-	664 116
Vat Control	-	669 636
Debtors adjustments	-	-
Provision for bad debts	(1 872 567)	-
	(2 511 084)	2 251 749
10. CASH GENERATED BY OPERATIONS		
Net operating surplus (deficit)	1 909 831	(206 329)
Adjustments (appropriations)	(2 511 084)	2 251 749
External loans redeemed	306 972	60 375
Fixed assets financed ex revenue	4 143 629	6 709 915
	3 849 348	8 815 710
OPERATIONAL INCOME BEFORE CHANGE IN WORKING CAPITAL		
GENERATION OF WORKING CAPITAL		
Decrease in inventory	-	(6 520)
(Increase)/decrease in accounts receivable	216 446	(2 844 425)
Increase/(decrease) in accounts payable	966 297	512 300
	5 032 091	6 477 065