



REPUBLIC OF NAMIBIA



AUDIT REPORT ON THE ACCOUNTS OF THE

TOWN COUNCIL OF ONDANGWA

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

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REPUBLIC OF NAMIBIA



TO THE HONOURABLE SPEAKER OF THE NATIONAL ASSEMBLY

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

WINDHOEK, July 2011

**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 2010**

1. INTRODUCTION

The accounts of the Town Council of Ondangwa for the year ended 30 June 2010 are being reported on in accordance with the provisions set out in the State Finance Act, (Act 31 of 1991) and the Local Authorities Act, (Act 23 of 1992).

The firm EDB & Associates 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. 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, Annexure A, is a true reflection of the original, signed by the Accounting Officer.

The financial statements also include:

Annexure B: Income statement

Annexure C: Cash flow statement

Annexure D: Notes to the financial statements

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. The 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 or 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

During the audit the following observations were made:

4.1 External loans - reconciliations

The auditors' computation of the loan balances as per the Council's annual financial statements revealed a difference of N\$ 92 962. This was due to the client not using the bank's loan statements and incorrect cut off procedures.

Also a recalculation, by the auditors, of the redemption and interest charges for the year revealed differences of N\$ 41 959 and N\$ 16 037 respectively.

The above differences are mainly contributed by a lack of proper reconciliations of long-term loans and results into a misstatement of Council's liabilities at year end.

4.2 External loans – opening balances

The auditors review on the opening balances of the Council's loans against the financial institutions loan statements reflect a significant difference of N\$ 272 449.

4.3 Unrecorded liabilities

The Council's annual financial statements reflect a mere N\$ 70 as outstanding on trade creditors however the auditors search for unrecorded liabilities found a significant amount of N\$ 1 060 316 as being omitted from its liabilities at year end.

This incomplete accounting for liabilities might create incorrect cashflow projections and financial decisions to be taken.

4.4 Inaccessible ledger expense accounts

The auditors were unable to access the ledger account expense: Incidental xpenses which total N\$ 344 383 (on sample). The auditors could also not performed alternative auditing procedures to verify the account balance.

4.5 Insurance expenses

Council incorrectly allocated Nedbank investments as inter-bank transfers amounting to N\$ 791 641 to the insurance expense.

4.6 Water purchases invoices

A difference of N\$ 517 103 was found on the water purchases expense which was mainly attributable to the auditors unable to obtain the May 2010 supplier invoice. Also VAT was calculated based on the payments made and not on the invoice values.

4.7 Assets values and description

The auditors found that numerous fixed asset values were overstated which amounted to N\$ 774 992. This was mainly due to incorrect treatment of VAT processing of expenditure.

As reported in prior year loan assets values were materially misstated and the auditors computed this at N\$ 399 022.

Also, incorrect calculations of depreciation on assets were performed and were not in line with the standard and normally accepted Fintel useful lives.

4.8 Investment

The Council's financial statements do not reflect its investment shareholding in NORED as well as capital contributions e.g. cash and electrical assets etc, made.

Council also invested at an insurance company an amount valued at N\$ 2 028 520 but at year-end the maturity value was N\$ 1 492 344 which indicates a possible loss of N\$ 536 176. This type of investment contravenes Section 80(3) of the Local Authorities Act, 1992 unless it is approved by the Minister.

4.9 Recoverability of debtors

As reported in prior years, it was noted that debtors outstanding at 120 days and plus remained at alarming levels, with prospects of recovery slowly fading, and this raise serious concerns on the effectiveness of internal control over this significant asset of the Council. Debt at 120 days and plus comprised of 70% of total debt (2009:71%)

The auditors are of the opinion that a further adjustment of N\$ 833 461 should be made on Council provision for doubtful debts to be adequate. This negative trend would most probable exert pressure on Council cash flow position in future and would force it to use investments earmarked for capital projects to finance operational activities.

Also, the current debt/credit control policy is inadequate to address the above situation. It was also noted that numerous debtor accounts in arrears under the same individual/company are on the system while Council's credit control policy requires a review being done on creditability of past accounts before opening new ones.

4.10 VAT receivable

The auditors recalculation of the VAT control account against the VAT returns submitted revealed a material difference of N\$ 698 679. This was due to VAT not correctly extracted on the Finstel system while inputs on VAT returns are calculated separately on Excel sheets.

Council financial statements reflect a debt receivable of N\$ 1 455 838 while the auditors are of the opinion that this balance was materially understated by an amount of N\$ 1 100 744. The collected receipts subsequent to year end on the current year VAT returns were N\$ 2 556 582. This is mainly due to VAT extracted in ledger expense accounts.

4.11 NATIS/Roads authority income

The auditors found that this income was materially overstated by an amount of N\$ 521 124. This was mainly due to incorrect allocations of an amount of N\$ 664 962 which was wrongly paid into Council bank account and was subsequently disbursed to Ongwediva Town Council to whom funds were initially intended for. The corresponding debit entry however, could also not be traced by the auditors.

Also, outstanding invoices not paid within the current year amounted to N\$ 144 215 and were not accounted for as a debtor by the Council.

4.12 VAT refund income

The accounting treatment by the Council of VAT refunds as income earned was incorrect. These receipts should have been allocated against the VAT control account. The amount received for refunds of N\$ 1 077 180 understated the deficit as reported by the Council.

4.13 Payroll reconciliations

The auditors reconciliation of monthly earnings reports against the annual financial statements reflected a material difference of N\$ 846 724. This was mainly due to the fact that the Council was unable to provide the auditors with the earnings report of February 2010 at the time of the audit.

4.14 Bank account reconciliation

The Council was unable to reconcile its bank reconciliation which upon the auditors review, reveal a significant difference of N\$ 3 955 910.

4.15 Reconciliation

As evident in prior year, attention is drawn to the absence of monthly and annual reconciliations of control accounts and the need for the follow up on reconciled items when reconciliations have been performed.

The most important control for ensuring the accuracy of the general ledger is the monthly reconciliation process. In general, the audit revealed that annual and monthly reconciliations are neither performed nor reviewed or are performed too late to constitute an effective control. Also of concern are the reconciling items that are not cleared. This internal control measure will only be effective if reconciling items are identified and cleared timely.

The fact that a number of reconciling items relate to transactions that have not been recorded in the general ledger, but occurred, indicates that the general ledger may contain inaccurate information. The following reconciliations were affected:

- Bank and cash
- Creditors
- Payroll

These reconciliations are standard and should have been easy to maintain and corrected but the reconciliations errors detected raise concerns on the competency levels of the Finance department staff.

4.16 Budget recommendations and overspending

Its' with grave concern that the auditors noted that Council did not comply with the Ministerial recommendations on its budget for the 2009/2010 financial year. No Council correspondence to validate its deviation from these recommendations could be provided to the auditors.

The line Ministry recommended that:

1. "the salary increases should be restricted to 5% for all the staff members" Contrary to this Council approved a salary increase of 11%.
2. "the CEO salary should not exceed N\$ 240 000 per annum.." Contrary to this the Council is paying the CEO an annual salary of N\$ 266 400.
3. "Council should only, in accordance with Personnel Rules, pay a housing allowance of 30%" Contrary to this Council is paying a benefit of 35%.

The auditors also found that numerous expense votes were over-spend compared to the approved budget and most of these were salary costs.

4.17 Tender board regulations

Council's ignorance of tender board regulations concerning expenditure in excess of N\$ 10 000 were noted as a concern. These regulations should be viewed as a management control tool for transparency and avoiding possible fraud and corruption. The minutes of the Tender Board committee dated 21 January 2010 also recorded this deviation.

The overriding of controls by Council and Management should be vigilantly precluded against.

5. ACKNOWLEDGEMENT

The assistance and co-operation given by the management and staff of Council during the audit is appreciated.

6. FINANCIAL RESULTS

The results of the various operations of, and transactions on the Revenue Account for the year were as follows:

2010	Revenue	Expenditure	(Deficit)/ Surplus	Balance
	N\$	N\$	N\$	N\$
Accumulated deficit: 01/07/2009				(10 096 215)
General accounts				
Rates and general	4 478 237	10 990 365	(6 512 128)	
Non-profitable	1 177 222	8 516 635	(7 339 413)	
Self-supporting	13 072 072	3 393 529	9 678 543	
Trade accounts				
Water	8 594 567	8 140 524	454 043	
Electricity*	1 246 452	3 418 203	(2 171 751)	
Subtotal	28 568 550	34 459 255	(5 890 705)	
Deficit for the year				(5 890 705)
				(15 986 920)
Adjustments and utilization detailed in Note 10 to the financial statements				2 461 099
Accumulated deficit 30/06/2010				(13 525 821)

* See paragraph 10.1

7. CURRENT BANK ACCOUNT

The current bank account reflected an overdrawn cash-book balance of N\$ 3 389 341 (2009: N\$ 1 421 239 favorable). Outstanding cheques and other transactions totaling N\$ 1 578 920 (2009: N\$ nil). The bank statement reflecting a favorable balance of N\$ 2 145 488 (2009: N\$ 4 760 110 favorable).

Council were unable to reconcile its bank account and a difference of N\$ 3 955 910 were found.

8. INVESTMENTS AND INTEREST PROCEEDS

On 30 June 2010 there was N\$ 20 103 510 (2009: N\$ 16 777 038) invested at commercial banks and insurance companies.

The investments and interest earned were allocated as follows:

Allocation	2010		2009	
	Investment	Interest	Investment	Interest
	N\$	N\$	N\$	N\$
Build Together Fund	3 413 398	74 085	2 263 856	-
Capital Development Fund	16 690 112	-	14 513 182	-
Revenue account	-	671 176	-	891 438
	20 103 510	*745 261	16 777 038	891 438

* The above interest allocated to funds were overstated by an amount of N\$ 53 575. Actual interest earned from financial institutions only totaled N\$ 691 686.

9. FUND ACCOUNTS

The position of the Funds and Reserves is shown in note 2 at Annexure D.

Temporary advances totaling N\$ 14 482 162 (2009: 11 862 588) were transferred from the funds to finance operating costs of the Council. The Council should indicate how it is going to reverse this situation.

10. TRADE ACCOUNTS

10.1 The results of operations were as follows:

	Electricity		Water	
	2010	2009	2010	2009
	N\$	N\$	N\$	N\$
Surcharges/sales	1 246 452	1 780 463	8 446 263	6 590 180
Cost of bulk purchases	-	-	(5 739 697)	(5 255 215)
Gross profit	1 246 452	1 780 463	2 706 566	1 334 965
Other expenses (net)	(3 418 203)	(1 781 247)	(2 252 523)	(1 219 027)
NET SURPLUS	(2 171 751)	(784)	454 043	115 938
Gross profit % on sales	100%	100%	32.04%	20.26%
Net profit % on sales	(174.2%)	(0.04%)	5.38%	1.76%

The Council is no longer selling electricity as this function has been taken over by NORED.

10.2 Distribution losses

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

11. SELF-SUPPORTING SERVICES

The net results were as follows:

	2010	2009
	N\$	N\$
Civic buildings	580 233	82 998
Cleansing	613 891	954 185
Sewerage	1 043 678	1 097 054
Assessment rates	7 440 741	9 316 466
Net (deficit) surplus	9 678 543	11 450 703

12. FRUITLESS OR AVOIDABLE EXPENDITURE

No fruitless expenditure was revealed during the year.

13. SUSPENSE ACCOUNTS

No suspense account were reflected and maintained by Council.

14. IRREGULARITIES AND LOSSES

No irregularities or losses were detected during the audit.

15. CAPITAL PROJECTS

The following expenditure was incurred during the year under review for capital projects or acquisitions:

2010

Nature of project/acquisitions	Total expenditure 2010	Financed by	
		External loans	Revenue account
	N\$	N\$	N\$
Town administration	694 237	694 237	-
Town treasurer	51 846	-	51 846
Civic buildings	47 017	-	47 017
Streets	187 838	-	187 838
Council general expenses	7 495	-	7 495
Town engineer	1 320 248	-	1 320 248
Water	940 137	-	940 137
Electricity	1 981 883	-	1 981 883
Town planning	5 098 370	-	5 098 370
	10 329 071	694 237	9 634 834

2009

Nature of project/acquisitions	Total expenditure 2009	Financed by	
		External loans	Revenue account
	N\$	N\$	N\$
Council general expenses	751 965	-	751 965
Town clerk	7 838	-	7 838
Town treasurer	452 362	202 666	249 696
Town engineer	10 141	-	10 141
Town planning	2 963 591	-	2 963 591
Health	248 725	248 725	-
Water	202 666	-	-
	4 637 288	654 057	3 983 231

16. BURSARIES

No bursaries were granted during the year.

17. CONTRIBUTIONS, GRANTS AND FINANCIAL AID

No contributions, grants or financial aid were made during the year.

18. COMPENSATION PAYMENTS

No compensation payments were made during the year.

19. VISITS TO FOREIGN COUNTRIES

During the 2010 financial year, one Councilor and employee of the Council visited Tanzania and Finland at a total cost of N\$ 27 478.

20. CLAIMS AGAINST THE LOCAL AUTHORITY

No claims for losses were received during the year.

21. GIFTS/DONATIONS BY THE LOCAL AUTHORITY

No gifts or donations were received or paid during the year.

22. TRANSFER OF PROPERTY

No Government property was transferred to or from the Municipality during the year.

23. DEBTORS/CREDITORS

23.1 Debtors at 30 June were:

	2010	2009
	N\$	N\$
Consumers, combined billing	11 172 440	10 828 690
- Build Together debtors	2 698 637	2 696 226
- VAT	1 455 838	892 339
- Sundry debtors	115 610	372 102
	15 442 525	14 789 357
Less: Provision for doubtful debts	(7 010 465)	(6 696 110)
	8 432 060	8 093 247

23.2 Creditors at 30 June were:

	2010	2009
	N\$	N\$
Trade creditors	70	1 466 905
Provisions	1 034 045	458 755
Consumer deposits	1 031 732	976 316
Sundry creditors	-	627 987
	2 065 847	3 529 963

24. ASSESSMENT RATES

Net proceeds from assessment rates were N\$ 7 440 741 (2009: N\$ 9 691 475). The Council did not provide for the Regional Council levy of N\$ 398 668 in respect of the 2009/2010 financial year, which is payable to the Regional Council in terms of Section 77(1) of the Act.

25. LOANS

25.1 External capital loan balances at 30 June 2010 were N\$ 1 463 263 (2009: N\$ 1 399 966). The balances did not correspond with the balances as per financial institutions statements. Finance charges have been wrongly capitalized.

All loan assets were capitalized and no loan assets had been disposed of before the loan was completely redeemed. Loan monies were used for the purpose they were obtained for and there were no unspent loan monies of a long-term nature.

25.2 Internal loan balances – There were no internal loans advanced during the year under review.

26. SALE OF ERVEN

Erven were sold for N\$ 3 157 212 (2009: N\$ 3 637 690). The revenue was allocated to the Capital Development Fund. No detailed list on the number of erven sold could be provided.

27. PROPERTY SOLD ON AN INSTALMENT BASIS

The balance of property sold on instalment basis could not be provided to the auditors.

28. TARIFF ADJUSTMENTS

Tariff adjustments were all in accordance with the relevant Government notice.

29. APPROVALS

29.1 Revenue written off

No debts were written off during the year.

29.2 External loans

All external loans made during the year were approved.

30. INVENTORY AND EQUIPMENT

30.1 Inventory

Inventories as disclosed in the financial statements of the Council amount to N\$ 793 255 (2009: N\$ 653 987).

30.2 Motor Vehicles

	Sedans, LDV's, combi's and trailers		Heavy vehicles (Lorries and busses)	
	Number	Value	Number	Value
On hand 01/07/2009	12	N\$ 1 282 752	14	N\$ 1 610 645
Additions	2	225 833	1	415 451
	14	1 508 585	15	2 026 096
Less: Depreciation	-	(485 144)	-	(65 978)
On hand 30/06/2010	14	1 023 441	15	1 960 118

31. SPECIAL INVESTIGATIONS FACTUAL FINDINGS

No special investigations were carried out during the year under review.

32. FORMAL AND INFORMAL QUERIES

Formal queries are embodied in this report. The following informal queries were addressed in the report to management of the Municipality:

- Asset descriptions on the Fixed Asset Register.
- Value Added Taxation.
- Sale of erven
- Allocation on interest income
- Payroll reports
- Incorrect allocations
- Poor debt repayments.

33. GENERAL

The accounting and internal controls are satisfactory except for those cases specifically pointed out in the management letter to Council. Proper segregation of duties is not possible due to the small number of staff employed. While increased management involvement does reduce risks partly, it causes the risk that management and Council override existing controls, a potentially dangerous practice, which Council should vigilantly guard against.

34. QUALIFIED AUDIT OPINION

The accounts of the TOWN COUNCIL OF ONDANGWA for the financial year ended 30 June 2010, 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.

The audit opinion has been qualified due to the following reasons:

- External loans opening balances misstated by N\$ 272 449.
- Unrecorded liabilities amounting to N\$ 1 060 316.
- NATIS/Roads authority income was materially misstated by an amount of N\$ 521 124.
- Understatement of VAT receivable on the Council financial statements by an amount of N\$ 1 100 744.
- Incorrect disclosure of VAT refunds amounting to N\$ 1 077 180 as operational income.
- Payroll reconciliations reflected a material difference of N\$ 846 724.
- The Council was unable to reconcile its bank reconciliation of which upon the auditors review revealed a significant difference of N\$ 3 955 910.
- Overstatement of insurance expense by an amount of N\$ 791 641.
- Overstatement of fixed asset values by an amount of N\$ 774 992.

Except for the effect 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 2010, and the results of operations and cash-flows for the year then ended in accordance with generally accepted accounting practice.

WINDHOEK, July 2011

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

TOWN COUNCIL OF ONDANGWA

ANNEXURE A

BALANCE SHEET AT 30 JUNE

	Notes	2010	2009
		N\$	N\$
ASSETS			
Non-current assets			
Property, plant and equipment	4	47 109 544	45 336 866
Investments	5	20 103 510	16 777 038
Current assets			
Cash and cash equivalents		9 225 315	10 168 933
Inventories	6	793 255	653 987
Accounts receivable	7	8 432 060	8 093 247
Total assets		76 438 369	72 282 837
EQUITY AND LIABILITIES			
Equity			
Funds and reserves	2	69 520 378	67 352 908
Non-current liabilities			
Long-term liabilities	3	1 079 114	1 138 315
Current liabilities			
Accounts payable	8	2 065 847	3 529 963
Short-term portion of long-term loans	3	384 149	261 651
Bank overdraft		3 388 881	-
Total equity and liabilities		76 438 369	72 282 837

TOWN COUNCIL OF ONDANGWA

ANNEXURE B

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE

	<u>Notes</u>	<u>2010</u>	<u>2009</u>
		N\$	N\$
INCOME		27 897 374	26 567 597
EXPENDITURE		<u>(34 459 255)</u>	<u>(24 657 766)</u>
NET OPERATING (LOSS)		(6 561 881)	(1 909 831)
Investment interest on revenue account		<u>671 176</u>	<u>891 438</u>
NET (LOSS) for the year		(5 890 705)	(2 801 269)
Adjustments to appropriation account	10	<u>2 461 099</u>	<u>(2 511 084)</u>
Accumulated (deficit) for the year		(3 429 606)	(3 601 134)
ACCUMULATED (DEFICIT)			
– At the beginning of the year		<u>(10 096 215)</u>	<u>(6 495 081)</u>
– At the end of the year	2	<u>(13 525 821)</u>	<u>(10 096 215)</u>

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE

	Notes	2010 N\$	2009 N\$
Cash generated (utilised) by operating activities			
Cash receipts from customers		27 897 374	26 681 311
Cash paid to suppliers		(33 269 177)	(29 099 702)
Cash (utilized) by operating activities	11	(5 371 803)	(2 418 391)
Cash available for investment		(5 371 803)	(2 418 391)
Cash effects on investing activities		(5 099 150)	(5 714 631)
Net capital expenditure		(1 772 678)	(4 797 686)
(Increase) in investments		(3 326 472)	(916 945)
Cash effects on financing activities		5 660 373	8 689 004
Increase in capital funds		1 709 380	4 450 601
Net proceeds from statutory funds	9	3 887 696	3 891 319
Net loans raised		63 297	347 084
Net change in cash and cash equivalents		(4 810 580)	555 982
Cash and cash equivalents at the beginning of the year		1 421 699	865 717
Cash and cash equivalents at the end of the year		(3 388 881)	1 421 699

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE

1. ACCOUNTING POLICIES

The financial statements set out in Annexure A to C were 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 are stated at cost or at valuation where assets have been acquired by grant or donation, less depreciation written off over the expected useful lives as determined by Council from time to time. Property, plant and equipment acquired with loan funds are not depreciated until the loan is repaid unless the expected lifetime of the asset is less than the repayment period of the loan in which case depreciation is calculated on the shortfall.

1.2 Inventory

Inventory is valued using the average cost basis. Obsolete stock is written off.

1.3 Fund accounts**1.3.1 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.

1.3.2 Housing Fund

Housing loans have been paid from this Fund. Sections 30(1)(i) and 57 to 62 of the Act, 1992, refer.

1.3.3 Reserve Funds

The Municipality also maintains the following Funds in terms of the authorisation in Section 80(4) of the Act:

- **Capital Reserve Fund**

The purpose is to stabilize the financial position. Income is obtained from the Revenue Account.

- **Fixed Property Fund**

Proceeds on the sale of developed property accumulate in this Fund, which is used to develop properties.

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE

1.3.4 Build Together Fund

The purpose is to provide loans for low cost housing.

	2010	2009
	N\$	N\$
2. FUNDS AND RESERVES		
Build Together Fund	8 571 938	7 136 454
Capital Development Fund	28 827 981	26 375 769
Revenue Account	(13 525 821)	(10 096 215)
Total	23 874 098	23 416 008
CAPITAL OUTLAY		
Contribution from revenue	42 242 115	40 512 821
General capital	2 413 268	3 168 689
Loans redeemed	990 897	255 390
	45 646 280	43 936 900
TOTAL FUNDS AND RESERVES	69 520 378	67 352 908
3. LONG TERM LIABILITIES		
Loans from the Financial Institutions:		
- Hire purchase agreements	1 463 263	1 399 966
	1 463 263	1 399 966
Less: Current portion of liabilities included under current liabilities	(384 149)	(261 651)
	1 079 114	1 138 315
4. PROPERTY, PLANT AND EQUIPMENT		
Net book value	47 109 544	45 336 866
Financed by:		
Revenue account	42 242 115	40 512 821
General capital	2 413 268	3 168 689
Loan assets	2 454 161	1 655 356
	47 109 544	45 336 866

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE

	2010	2009
	N\$	N\$
5. INVESTMENTS		
Moneys on call at a commercial banks	18 074 990	15 024 936
Insurance companies	2 028 520	1 752 102
	20 103 510	16 777 038
6. INVENTORIES		
Consumable goods in store	793 255	653 987
7. ACCOUNTS RECEIVABLE		
Consumer accounts	11 172 440	10 828 690
Inland revenue	1 455 838	892 339
Build together advances	2 698 637	2 696 226
Sundry debtors	115 610	372 102
	15 442 525	14 789 357
Less: Provision for doubtful debts	(7 010 465)	(6 696 110)
	8 432 060	8 093 247
8. ACCOUNTS PAYABLE		
Trade creditors	70	1 466 905
Provisions	1 034 045	458 755
Consumer deposits	1 031 732	976 316
Sundry creditors	-	627 987
	2 065 847	3 529 963
9. TRANSFER TO FUNDS		
The following amounts were transferred to/(from) Funds:		
Build Together Fund	1 435 484	253 629
Capital Development Fund	2 452 212	3 637 690
	3 887 696	3 891 319

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE

	2010	2009
	N\$	N\$
10. ADJUSTMENTS AND UTILISATIONS - REVENUE ACCOUNT		
Previous year adjustments	-	91 852
Audit adjustments	2 350 743	(619 169)
Debts recovered	1 000 000	
Accrued leave adjustment	(575 290)	(111 200)
Provision for bad debts	(314 354)	(1 872 567)
	2 461 099	(2 511 084)
11. CASH (UTILIZED)/GENERATED BY OPERATIONS		
Operating surplus before interest and adjustments	(5 890 705)	(1 090 050)
- Adjustments and utilizations	2 461 099	(2 511 084)
Working capital changes		
(Increase) in inventories	(139 268)	-
(Increase)/decrease in accounts receivable	(338 813)	216 446
(Decrease)/increase in accounts payable	(1 464 116)	966 297
Cash utilised in operations	(5 371 803)	(2 418 391)