



REPUBLIC OF NAMIBIA



REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE

TOWN COUNCIL OF OSHAKATI

FOR THE FINANCIAL YEARS ENDED 30 JUNE 2010 AND 2011

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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 Oshakati for the financial years ended 30 June 2010 and 2011, 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, October 2012

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF
THE TOWN COUNCIL OF OSHAKATI
FOR THE FINANCIAL YEARS ENDED 30 JUNE 2010 AND 2011**

1. INTRODUCTION

The accounts of the Town Council of Oshakati for the years ended 30 June 2010 and 2011 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 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 Town Council 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 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 the 2010 financial statements were only submitted on 17 March 2011 and the 2011 was submitted to the auditors in October 2012 instead of within 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, 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 these financial statements and for ensuring the regularity of the financial transactions. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to

design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

4. AUDIT OBSERVATIONS AND COMMENTS

4.1 Recoverability of debtors - Bad and doubtful debts

In the years under review, the Council's outstanding debts increased by 20%: 2011 and 9%: 2010 while the provision for doubtful debts were also raised by 1%: 2011 and 20%: 2010. Also, doubtful debts provision represented 70%: 2011 and 83%: 2010 of total debt outstanding as such the auditors can conclude that debt collection strategies and policies implemented are not effective.

	2011	2010	2009
	N\$	N\$	N\$
Debt outstanding	15 353 272	12 752 675	11 656 563
Provision for bad debts	10 667 200	10 541 387	8 760 993
Percentage increase in outstanding debts	20%	9%	15%
Percentage increase in provision for bad debts	1%	20%	19%
Percentage provision vs. debt	70%	83%	75%

Furthermore the portion of debtors at 120 days to total debts outstanding has shown a constant increase over the past years, raising concern of possible future cash flow difficulties. The auditors recalculation of provision for doubtful debts reveal an under provision of N\$ 301 560 in 2011 and N\$ 304 546 in 2010.

Although it was evident that credit control policies are in place, the effectiveness of these measures should be reviewed constantly by the management committee and Town Treasurer department.

Due to the significance of this matter, the Auditor-General has to qualify his opinion on valuation of debtors.

4.2 Unrecorded liabilities

The Council did not provide for creditors amounting to N\$ 200 095 as at 30 June 2011 and N\$ 507 309 as at 2010.

Such practice leads to inadequate accounting control over accruals and provisions made by the Council. It is recommended that measures should be implemented to keep accurate creditors reconciliations.

Due to the significance of this matter, the Auditor-General has to qualify his opinion on accounts payable for the year under review.

4.3 Fixed assets

4.3.1 Depreciation

The accounting system used by the Council was not able to calculate depreciation on a pro-rata basis, on all fixed assets bought during the year. This inability creates an incorrect valuation of fixed assets as stated in the annual financial statements.

4.4 Build Together advances

The auditors' reconciliation of the annual financial statements balance to the Council's computerized loan debtors trial balance revealed an unexplained difference of N\$ 133 429.

In addition, a substantial number of beneficiary debts exceeded their original approved loan amount. This is mainly due to arrears and interest charges levied.

4.5 Permission to Occupy income

The Council currently applies rates that are not published in the Government Gazette of 15 July 2008 No. 3661. These rates were inherited from the time when the Council was still under Government control.

All tariffs and rates for services delivered by the Council should be gazetted.

4.6 Stock control

A physical stocktaking was conducted, but the accounting records was not properly updated, therefore the value of stock recorded in the balance sheet does not agree with the values indicated in the actual stock card records. In addition, no provision has been made for slow-moving and obsolete stock.

In addition, proper segregation of duties in the Stores department is not in place due to the small number of staff allocated thereto. The auditors' physical inspection of the store premises revealed poor security and safe-keeping of store items e.g. some items were stored outside in the yard and are easily exposed to wear and tear and theft.

Due to the significance of this matter, the Auditor-General has to qualify his opinion on stock.

4.7 Road Fund Administration (RFA) income

The auditors reconciliation on RFA claims income revealed a material difference of N\$ 969 080. This claim amount relates to prior year – period April to June 2008. No trade receivable was raised in prior year's financial statements on the mentioned amount.

Due to the significance of this matter, the Auditor-General has to qualify his opinion on income.

4.8 Attendance of Councilors

Numerous Council minutes of meetings, whether extra-ordinary, ad-hoc or ordinary meetings, indicate poor attendance by Councilors throughout the year under review. In addition, one Councilor remained absent for 3 consecutive meetings

Poor attendance from Councilors could avoid quorums to be reached and creates unnecessary delays in decisions to be taken.

4.9 Capital accounts

The capital account had an opening balance difference of N\$ 151 023 for the 2011 financial year.

5. ACKNOWLEDGEMENT

The assistance and co-operation given by the management and staff of the Town Council during the audit is appreciated. The efforts made by management to implement the previous year recommendations of the auditors are also appreciated.

6. FINANCIAL RESULTS

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

	Revenue	Expenditure	Surplus/ (deficit)	Balance
	N\$	N\$	N\$	N\$
Accumulated surplus as at 01/07/2010				26 470 178
General services				
Rate and general	3 705 200	6 246 408	(2 541 208)	
Non-profitable	9 026 124	17 211 647	(8 185 523)	
Self-supporting	5 882 791	5 709 052	173 739	
Trade accounts				
Water supply	31 502 057	13 331 278	18 170 779	
Contributions from subsidiary				
Electricity supply	2 256 876	-	2 256 876	
	52 373 048	42 498 385	9 874 663	
Surplus for the year				9 874 663
(Adjustments and utilizations detailed in Note 9 of annexure D)				(2 899 184)
Accumulated surplus as at 30/06/2011				33 445 657

	Revenue	Expenditure	Surplus/ (deficit)	Balance
	N\$	N\$	N\$	N\$
Accumulated surplus as at 01/07/2009				32 846 734
General services				
Rate and general	3 094 265	8 986 381	(5 892 115)	
Non-profitable	9 334 252	15 070 280	(5 736 028)	
Self-supporting	5 591 378	6 326 684	(735 306)	
Trade accounts				
Water supply	18 457 606	13 489 288	4 968 318	
Contributions from subsidiary				
Electricity supply	3 448 379	-	3 448 379	
	39 925 881	43 872 633	(3 946 752)	
Deficit for the year				(3 946 752)
(Adjustments and utilizations detailed in Note 9 of annexure D)				(2 429 804)
Accumulated surplus as at 30/06/2010				26 470 178

7. CURRENT BANK ACCOUNT

	2011	2010	2009
	N\$	N\$	N\$
Cash-book balance at 30 June	3 163 283	1 637 376	10 511 470
Outstanding cheques	6 284 762	3 220 973	6 556 248
Outstanding deposits	(68 797)	(508 185)	(70 470)
Balance as per bank statement	9 379 248	4 350 164	16 997 128

8. INVESTMENTS AND INTEREST PROCEEDS

At 30 June 2011 there was N\$ 61 741 619 (2010: N\$ 37 340 929) invested at approved financial institutions, as follows:

	Interest allocation	Investments	
	2011	2011	2010
	N\$	N\$	N\$
Banking institutions	1 907 609	61 741 519	37 340 829
Shares		100	100
	1 907 609	61 741 619	37 340 929
Investments and interest were allocated to the following Funds:			
Build Together Fund	285 707	8 166 949	7 659 996
Capital Development Fund		2 495 278	1 540 180
Income	1 621 902	51 079 393	28 140 753
	1 907 609	61 741 619	37 340 929

	Interest allocation	Investments	
	2010	2010	2009
	N\$	N\$	N\$
Banking institutions	1 859 989	37 340 829	33 856 846
Shares		100	100
	1 859 989	37 340 929	35 856 946
Investments and interest were allocated to the following Funds:			
Build Together Fund	341 451	7 659 996	6 831 410
Capital Development Fund	418 538	1 540 180	788 257
Income	1 100 000	28 140 753	28 237 279
	1 859 989	37 340 929	35 856 946

9. FUND ACCOUNTS

The position of the Fund accounts at the end of the year is shown in Note 2 of Annexure D.

10. TRADE ACCOUNTS

10.1 The results of operations of water were as follows:

	2011	2010	2009
	N\$	N\$	N\$
Sales	31 132 060	18 069 760	17 243 154
Cost of bulk purchases	(11 102 347)	(11 263 763)	(9 870 146)
Gross profit	20 029 713	6 805 997	7 373 008
Expenses (net)	(1 858 934)	(1 837 679)	(2 152 665)
Net surplus	18 170 779	4 968 318	5 220 343
Gross profit % on bulk purchases	180.41%	60.40%	74.70%
Net surplus % on bulk purchases	163.67%	44.11%	52.89%

The trading results showed a decrease in profitability compared to the prior year.

10. TRADE ACCOUNTS

10.2 Distribution losses for water were:

	2011	2010	2009
	m ³	m ³	m ³
Units sold for the year	1 298 375	1 327 035	*528 173
Units purchased during the year	1 588 429	1 576 084	1 436 878
Distribution loss	(290 054)	(249 049)	(908 705)
Distribution loss percentage	(18.3%)	16%	(63.2%)

* Council statistics on water distributions reveal increases in water losses. However, the reliability on the units sold is doubtful.

11. SELF-SUPPORTING SERVICES

The net results of self-supporting services were as follows:

	2011	2010	2009
	N\$	N\$	N\$
Cleaning services	(66 636)	380 067	1 039 336
Sewerage	240 374	(1 115 373)	1 717 134
Total	173 739	(735 306)	2 756 470

12. FRUITLESS, UNAUTHORIZED OR AVOIDABLE EXPENDITURE

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

13. SUSPENSE ACCOUNTS

	2011	2010	2009
	Government contributions	31 830 504	8 841 502

These grants are for specific projects hence these accounts will only be cleared once the expenditures are incurred.

14. IRREGULARITIES AND LOSSES

No irregularities and losses were revealed by the audit for the year under review.

15. CAPITAL PROJECTS

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

	Financed from		Financed from
	2011	2010	2009
	Revenue account	Revenue account	Revenue Account
	N\$	N\$	N\$
Town secretary	145 433	48 252	-
Town treasurer	2 010	43 963	-
Cleansing	975 849	631 321	-
Health inspector	10 389	6 994	526 885
Town planning	17 222	267 718	216 923
Cemeteries	-	913 488	560 380
Parks and sport grounds	6 064 029	2 744 844	4 334 221
Civic buildings and housing	-	-	1 392 171
Streets, sidewalks and stormwaters	4 060 502	3 227 429	9 345 340
Fire brigade	22 757	410 704	-
Sewerage	697 750	1 935 763	-
Water supply	468 827	2 862 445	591 331
Total	12 464 767	13 092 922	16 967 251

16. BURSARIES

No bursaries were granted during the year under review.

17. CONTRIBUTIONS, GRANTS AND FINANCIAL AID

Donations and grants to the amount of N\$0.00: 2011, N\$ 0.00:2010 and N\$ 6 612:2009 were made by the Council during the year under review.

18. COMPENSATION PAYMENTS

An amount of N\$ 0.00:2011, N\$ 0.00:2010 (2009: N\$ 184 178) as crop fields compensation payments during the year under review.

19. VISITS TO FOREIGN COUNTRIES

No expenditure was incurred on visits to other countries during the year under review.

20. CLAIMS AGAINST THE TOWN COUNCIL

No claims for losses were received during the year.

21. GIFTS / DONATIONS BY / TO THE LOCAL AUTHORITY

No gifts to/by the Town Council were made during the year under review.

22. TRANSFER OF PROPERTY TO / FROM GOVERNMENT

No properties were transferred from the Ministry of Regional and Local Government, Housing and Rural Development.

23. DEBTORS AND CREDITORS

23.1 Debtors at 30 June 2011 and 2010 were:

	2011	2010	2009
	N\$	N\$	N\$
Consumers	18 661 071	16 249 519	15 404 783
Provision for bad debts	(10 667 200)	(10 541 387)	(8 760 993)
	7 993 872	5 708 131	6 643 790
Value added taxation	3 339 060	2 027 162	2 005 966
Other debtors	609 915	1 670 173	1 778 559
	11 942 846	9 405 466	10 428 315

For the year under review, a debtor's billings system was used of whereby build together accounts, assessment rates, water services and related services were combined. No split was made between relevant services rendered. However, upon receipt of cash, monies were accounted for in terms of different services rendered.

23.2 Creditors at 30 June 2011 and 2010 were:

	2011	2010	2009
	N\$	N\$	N\$
Trade creditors	2 291 158	4 959 105	7 485 080
Provisions and accruals	1 513 405	1 425 557	800 349
Suspense accounts	32 082 810	8 886 468	10 594 766
	35 887 373	15 271 131	18 880 195

24. ASSESSMENT RATES

	2011	2010	2009
	N\$	N\$	N\$
Net Proceeds	6 661 672	6 654 911	6 308 624
<u>Tariffs</u>			
Private – land value			N\$ 0.0221
Business – land value	1 513 405	1 425 557	N\$ 0.0223
Private – improvement			N\$ 0.0091
Business – improvement	32 082 810	8 886 468	N\$ 0.0092

25. LOANS

25.1 External loans

The Town Council's shareholders loan in the company Oshakati Premier Electric is N\$ 5 771 242: 2011, N\$ 5 771 242: 2010 (2009: N\$ 5 771 242).

25.2 Internal loans

No internal loans were advanced or received during the year under review.

25.3 Housing loans

The amounts advanced in favour of housing loans under the Build Together Housing Scheme are disclosed at N\$ 3 307 799:2011, N\$ 3 496 843:2010 and N\$ 3 748 219:2009 in the financial statements.

26. SALE OF ERVEN

During the current financial year, cash proceeds to the value of N\$ 954 276 (2010: N\$ 332 974) were received for erven sold and allocated to the Capital Development Fund.

27. PROPERTY SOLD ON INSTALMENT BASIS

No erven were sold on instalment basis for the year under review. The Council's policy is to sell all erven on a cash basis.

28 TARIFF ADJUSTMENTS

All tariff adjustments were in accordance with the relevant Official Government notice.

29. APPROVALS

29.1 Excess on approved budget

The budget vs actual expenditure revealed on an overall view; no excess expenditure from the approved budget.

30. MOTOR VEHICLES

30.1 Motor vehicles and values thereof:

	Sedan vehicles		LDV's		Heavy duty vehicles	
	No	N\$	No	N\$	No	N\$
On hand as at 01/07/10	5	284 648	18	799 912	16	2 249 491
Additions	-	-	-	-	-	-
	5	284 648	18	799 912	16	2 249 491
Less: Depreciation	-	-	-	-	-	-
On hand as at 30/06/11	5	284 648	18	799 912	16	2 249 491

* The above information was compiled by the auditors using the Councils fixed asset register as the Council was unable to provide this information.

30.2 Stock

According to the Council, stock comprising of stationery and consumables amounted to N\$ 683 935:2011, N\$ 609 879:2010, N\$ 526 712:2009.

31. SPECIAL INVESTIGATIONS

No special investigations were carried out during the year.

32. GENERAL

32.1 Internal controls

The accounting and internal controls are satisfactory, except where indicated otherwise in this report.

33. FORMAL AND INFORMAL QUERIES

Formal queries are embodied in this report.

Informal queries addressed to the Town Clerk consist of:

- * Unrecorded liabilities
- * Leave days provision
- * Long overdue debtors' accounts and monies long outstanding becoming doubtful;
- * Incorrect PAYE calculation
- * Inadequate descriptions of assets on the fixed asset register

34. QUALIFIED AUDIT OPINION

The accounts of the Oshakati Town Council for the financial year ended 30 June 2010 and 2011, summarized in Annexure 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) of the State Finance Act, 1991.

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

- * Incorrect valuation of consumer debtors due to under provision of doubtful debts by a material amount of N\$ 301 560 as at 30 June 2011 and (2010: N\$ 304 546);
- * Unrecorded liabilities amounting to N\$ 200 095 as at 30 June 2011 and N\$ 507 309 (2010);
- * Road Fund Administration income of N\$ 969 080 relating to prior years was only accounted for in the current financial year.

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 2010 and 2011, and the results of operations and cash flows for the year then ended in accordance with generally accepted accounting practice.

WINDHOEK, September 2012

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

THE TOWN COUNCIL OF OSHAKATI

BALANCE SHEET ON 30 JUNE

	Notes	2011	2010	2009
			N\$	N\$
ASSETS				
Non-current assets		167 616 453	138 005 875	130 103 471
Property, plant and equipment	3	100 103 591	94 893 704	88 475 283
Loans	6	5 771 242	5 771 242	5 771 242
Investments	4	61 741 620	37 340 929	35 856 946
Current assets		15 790 194	11 326 157	21 466 628
Inventory	5	683 935	609 879	526 712
Accounts receivable	7	11 942 846	9 453 864	10 428 315
Cash and cash equivalents		3 163 413	1 262 414	10 511 600
TOTAL ASSETS		183 406 647	149 332 032	151 570 098
FUNDS AND LIABILITIES				
Funds and reserves		147 519 274	134 060 901	132 689 903
Fund accounts and reserves	2	133 549 248	121 363 882	121 322 017
Capital Development Fund	2	2 495 278	1 540 180	788 257
Build-Together Fund	2	11 474 748	11 156 839	10 579 629
Current liabilities				
Accounts payable	8	35 887 373	15 271 131	18 880 195
TOTAL FUNDS AND LIABILITIES		183 406 647	149 332 032	151 570 098

THE TOWN COUNCIL OF OSHAKATI

INCOME STATEMENT FOR THE YEARS ENDED 30 JUNE

	Note	2011	2010	2009
		N\$	N\$	N\$
INCOME		50 751 146	38 289 270	53 766 143
EXPENDITURE		(45 492 855)	(43 872 633)	(44 926 645)
NET OPERATING SURPLUS		5 258 291	(5 583 363)	8 839 498
INVESTMENT INTEREST EARNED		1 621 902	1 636 611	1 638 514
NET INCOME FOR THE YEAR		6 880 193	(3 946 752)	10 478 012
ADJUSTMENTS	9	95 286	(2 429 804)	(1 014 331)
NET SURPLUS/(DEFICIT) FOR THE YEAR		6 975 479	(6 376 556)	9 463 681
APPROPRIATION ACCOUNT - AT THE BEGINNING OF THE YEAR		26 470 178	32 846 734	23 383 053
APPROPRIATION ACCOUNT - AT THE END OF THE YEAR		33 445 657	26 470 178	32 846 734

TOWN COUNCIL OF OSHAKATI

CASH FLOW STATEMENTS FOR THE YEARS ENDED 30 JUNE

	<u>2011</u>	<u>2010</u>	<u>2009</u>
	N\$	N\$	N\$
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from customers	50 751 146	38 289 270	53 766 143
Cash paid to suppliers	(20 089 485)	(42 345 717)	(37 769 874)
Cash (utilized)/generated by operations	10 30 661 661	(4 056 447)	15 996 269
Investment income	1 621 902	1 636 611	1 638 514
Movement in Fund accounts			
- Fund accounts	6 482 894	7 747 554	534 183
- (Increase) in loans	-	-	(1 343 645)
Net cash flow from operating activities	38 766 457	5 327 718	16 825 321
CASH FLOW FROM INVESTING ACTIVITIES			
Net capital expenditure	(12 464 767)	(13 092 922)	(16 967 252)
Change in investments – (Increase)/decrease	(24 400 691)	(1 483 983)	(2 542 343)
	(36 865 458)	(14 576 905)	(19 509 595)
NET MOVEMENT IN CASH AND CASH EQUIVALENTS			
	1 900 999	(9 249 186)	(2 684 274)
CASH AND CASH EQUIVALENTS			
- Beginning of the year	1 262 414	10 511 601	13 195 874
CASH AND CASH EQUIVALENTS			
- End of the year	5 3 163 413	1 262 414	10 511 600

THE TOWN COUNCIL OF OSHAKATI

NOTES TO THE ANNUAL FINANCIAL STATEMENTS AS AT 30 JUNE 2010 AND 2011

1. ACCOUNTING POLICIES

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

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

1.1 Fixed assets and depreciation

Fixed assets 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 the Council from time to time. Fixed assets 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 Inventories

Inventories are measured at lower of cost or net realizable value. The cost of inventories should comprise all cost of purchases, cost of conversion and other cost incurred in bringing the inventories to their present location and condition.

	2011	2010	2009
	N\$	N\$	N\$
2. OWN FUNDS			
2.1 Financing of capital:			
Contribution from:	100 103 591	94 893 704	88 475 283
Capital	2 623 802	2 935 105	3 574 489
Revenue	97 479 789	91 958 599	85 220 486
2.2 Funds	47 415 683	39 167 197	44 214 621
Capital Development Fund	2 495 278	1 540 180	788 257
Build Together Fund	11 474 748	11 156 839	10 579 629
Accumulated Surplus	33 445 657	26 470 178	32 846 734
TOTAL FUNDS	147 519 274	134 060 901	132 689 903

THE TOWN COUNCIL OF OSHAKATI

NOTES TO THE ANNUAL FINANCIAL STATEMENTS AS AT 30 JUNE 2010 AND 2011
(continued)

	2011	2010	2009
	N\$	N\$	N\$
3. FIXED ASSETS			
Infrastructure, land and buildings, motor vehicles, office equipment, furniture and fittings and computer equipment.	100 103 591	94 893 704	88 475 283
Financed from:			
Capital account	2 623 802	2 935 105	3 254 797
Revenue account	97 479 789	91 958 599	85 220 486
	100 103 591	94 893 704	88 475 283
4. INVESTMENTS			
Commercial banks	61 741 520	37 340 829	35 856 846
Shares - Oshakati Premier Electric (Pty) Ltd	100	100	100
	61 741 620	37 340 929	35 856 946
Comprising of:			
Build Together Fund	8 166 949	7 659 996	6 831 410
Capital Development Fund	2 495 278	1 540 180	788 257
Revenue account	51 079 393	28 140 753	28 237 279
	61 741 620	37 340 929	35 856 946
5. INVENTORY			
Comprising of:			
Consumable stores	683 935	609 879	526 712
	683 935	609 879	526 712
6. LONG-TERM LOANS RECEIVABLE			
Oshakati Premier Electric (Pty) Ltd	5 771 242	5 771 242	5 771 242
	5 771 242	5 771 242	5 771 242

The shareholders loan is unsecured, bears interest at 22.50% per annum, and has no fixed terms of repayment. The loan is disclosed as a long-term loan since the Town Council had no intention to recall it within the next 12 months.

THE TOWN COUNCIL OF OSHAKATI

NOTES TO THE ANNUAL FINANCIAL STATEMENTS AS AT 30 JUNE 2010 AND 2011
(continued)

	2011	2010	2009
	N\$	N\$	N\$
7. ACCOUNTS RECEIVABLE			
Consumer debtors	15 353 272	12 752 675	11 656 563
Less: Provision for doubtful debts	(10 667 200)	(10 541 387)	(8 760 993)
	<u>4 686 072</u>	<u>2 211 288</u>	<u>2 895 570</u>
VAT control account	3 339 060	2 027 162	2 005 966
Sundry debtors	609 915	1 718 571	1 778 559
Build Together advances	3 307 799	3 496 843	3 748 220
	<u>11 942 846</u>	<u>9 453 864</u>	<u>10 428 315</u>
8. ACCOUNTS PAYABLE			
Trade and other payables	394 806	3 133 160	5 704 009
Provisions and accruals	1 513 405	1 425 557	800 349
Consumer deposits	1 896 352	1 825 946	1 781 070
Suspense accounts	32 082 810	8 886 468	10 594 767
	<u>35 887 373</u>	<u>15 271 131</u>	<u>18 880 195</u>
9. ADJUSTMENTS AND UTILIZATIONS			
Correction of prior year	260 380	(706 628)	(4 926)
Income adjustment	-	56 436	400 184
Personnel benefits	(50 199)	-	-
Unclaimed deposits	2 061	782	1 492
Provision for bad debts	(125 812)	(1 780 394)	(1 411 711)
Stale cheque	8 856	-	-
	<u>95 286</u>	<u>(2 429 804)</u>	<u>(1 014 331)</u>

TOWN COUNCIL OF OSHAKATI

NOTES TO THE ANNUAL FINANCIAL STATEMENTS AS AT 30 JUNE 2010 AND 2011
(continued)

	2011	2010	2009
	N\$	N\$	N\$
10. CASH GENERATED BY OPERATIONS			
NET OPERATING (DEFICIT)/SURPLUS BEFORE TRANSFERS	6 880 193	(3 946 752)	10 478 012
ADJUSTMENTS FOR:			
- Opening balance difference – Capital account	(151 023)	-	-
- Adjustments to appropriation account	95 286	(2 429 804)	(1 014 331)
- Depreciation	7 405 903	6 674 500	6 055 075
- Investment income	(1 621 902)	(1 636 611)	(1 638 514)
OPERATING (LOSS)/INCOME BEFORE CHANGES IN WORKING CAPITAL	12 608 457	(1 338 667)	(13 880 242)
CHANGES IN WORKING CAPITAL			
Inventory – decrease / (increase)	(74 056)	(83 167)	(32 464)
Trade and other receivables – Decrease/(increase)	(2 488 982)	974 451	(2 280 385)
Trade and other payables – Increase/(decrease)	20 616 242	(3 609 064)	4 428 876
	18 053 204	(2 717 780)	2 166 027
CASH GENERATED/(UTILIZED) BY OPERATIONS	30 661 661	(4 056 447)	15 996 269