



REPUBLIC OF NAMIBIA



REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE

TOWN COUNCIL OF OTAVI

FOR THE FINANCIAL YEAR ENDED 30 JUNE 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 Otavi for the financial year ended 30 June 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, February 2012

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF
THE TOWN COUNCIL OF OTAVI
FOR THE FINANCIAL YEAR ENDED
30 JUNE 2011**

1. INTRODUCTION

The above accounts of the Town Council of Otavi for the year ended 30 June 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 BDO 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. The audited financial statements are in agreement with the general ledger and are filed in his Office. 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 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 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 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

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

4.1 Value Added Tax (*)

The general ledger balance could not be reconciled to the VAT returns, taking into account payments and amounts received. A difference of N\$ 135 035 occurred. Furthermore, the VAT balance as per the general ledger differs with N\$ 196 288 from the Receiver of Revenue balance. VAT returns are not completed accurately, and not all exempt and zero rated income are declared.

The Council has been under declaring their output VAT in the current year and have also been under declaring their input VAT.

4.2 Accounts receivable (*)

The Council has provided for all amounts more than 120 days for its provision for bad debtors, however, they did not take into account the adjustments done on the current debtors. This has resulted in the Council over-providing for its debtors in current year, based on subsequent to year-end receipts tests, by an amount of N\$ 2 086 272

4.3 Cash and bank (*)

The reconciled bank statement balance and the balance as per the financial statements differs with N\$ 702 734.

4.4 Housing Fund debtors (*)

The Council could not provide the auditors with a list of Housing Fund debtors and Housing Fund debtor files were incomplete. It could thus not be ascertained whether the balance is fairly stated in the annual financial statements for the year under review.

4.5 Property, plant and equipment (*)

Material differences were found between the fixed assets register and the financial statements. The difference totalled to N\$ 317 911. This difference originated from the opening balance. The current year movement agrees.

Fixed assets with material net book values were identified during the physical verification test, which seems to be impaired. The Council should remove these assets from their records.

4.6 Consumer deposits (*)

The Council has not raised a consumer deposits balance in current year financial statements.

4.7 Accounts payables (*)

No trade creditors listing could be provided by the Council and thus the auditors were unable to verify the fair presentation of the balance as per the annual financial statements. No provision was made in the current financial year for the Regional Council contribution. The outstanding balance on Regional Council contribution could not be verified to a statement.

The Council has recorded amounts received from Government as a trade payable instead of recognising the amount in funds. The total amount received was an amount of N\$ 1 644 000.

A debit of N\$ 955 000 is also reflected in the books in respect of the Singel quarters. No support could be provided for this balance. The existence, accuracy and completeness could thus not be ascertained.

4.8 Lack of supporting documents for income and expenditure (*)

Various income and expenditure accounts could not be verified due to incomplete record keeping and the auditors were thus unable to express an opinion on the fair presentation of these accounts. The amounts are as follows;

EXPENSES

Details	Amount
	N\$
Materials and Stores	21 308
Account payable	48 496
Water bulk purchase	597 077
R& M - Plant and machinery	39 857

INCOME

Details	Amount
	N\$
Sundry income	1 297 090
Subsidy MRLGH	1 969 543
Subsidy MRLGH wheely bins	74 721
Contribution MRLGH	240 000

Furthermore, not all invoices in respect of electricity consumption could be provided to the auditors and the completeness of the expense could thus not be tested.

4.9 Internal control and accounting records (*)

As a result of prior year qualifications, the auditors observed the status of the Town Council and concluded that there were no improvements in the internal controls and accounting recordkeeping of the Town Council. There is still not an adequate system of internal control nor are there proper accounting records which the auditors could rely on for audit purposes.

4.10 Stock

No physical stocktaking was done at year-end. No stock records are maintained and all purchases of items are expensed. No stock balance is thus accounted for in the Council records.

4.11 Appropriation account

No supporting documentation could be provided for the net adjustment of N\$ 2 543 508 that was made. The validity thereof could thus not be ascertained.

4.12 External loans

An amount of N\$ 3 693 942 was transferred to provisions (accounts payable) in prior years and a further amount of N\$ 132 115 the current year. Still no ministerial approval could be obtained to substantiate this transaction.

3.13 Temporary advances

It was noted with concern that several Funds made temporarily advances to Revenue to the amount of N\$ 2 669 377. This again highlighted the cash flow problems of the Council and emphasized the fact that special Funds created by the Council are not anymore solely used for the purpose they were created for.

4.14 Going concern (*)

The going concern status of the Council is dependent on a number of factors. The most important of these being returning to a profitable position and maintaining support from the Government and external creditors and financiers.

5. ACKNOWLEDGEMENT

The assistance and co-operation given by the staff of the Town Council during the audit is highly 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 01/07/2010				(6 665 948)
General accounts				
Non-profitable services	3 505 385	5 327 608	(1 822 223)	
Self-supporting services	1 470 081	1 052 302	417 779	
Trade accounts				
Water	2 385 505	2 074 195	311 310	
Electricity	538 048	82 011	456 037	
Deficit for the year	7 899 019	8 536 116	(637 097)	(637 097)
Adjustments and appropriations (Note 9, Annexure D)				(7 303 045) *(2 543 508)
Accumulated deficit 30/06/2011				(9 846 553)

* See paragraph 4.11

7. CURRENT BANK ACCOUNT

The favourable bank statement balance on the current bank account amounted to N\$ 3 254 (2010: unfavourable N\$ 261 954). The cash-book reflected an unfavourable balance of N\$ 73 752. The reconciling items to the bank reconciliation seem to be invalid. A difference of N\$ 702 734 exists between the bank statement balance and the balance per the financial statements. (Also refer to paragraph 4.3)

8. INVESTMENTS AND INTEREST PROCEEDS

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

	2011	2010
	N\$	N\$
Invested at:		
Commercial banks	3 115 357	2 133 547
CENORED	5 313 439	5 313 439
	8 428 796	7 446 986
Distribution		
Capital	2 031 738	2 031 738
Build Together Fund	104 360	101 809
Capital Reserve Fund	979 259	-
Revenue	5 313 439	5 313 439
	8 428 796	7 446 986
Interest on investments	144 243	93 117

9. FUND ACCOUNTS

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

10. TRADE ACCOUNTS

10.1 Operating results

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

	Water	
	2011	2010
	N\$	N\$
Sales	1 868 664	1 953 044
Bulk purchases	(1 521 828)	(1 315 360)
Gross profit	346 836	637 684
Other income/(expenses)	(35 526)	(175 713)
NET PROFIT/(LOSS)	311 310	461 971
Gross profit on bulk purchases	22.79%	48.48%
Net profit percentage on bulk purchases	20.46%	35.13%

The net profit has decreased from prior year. The bulk purchases could not be verified due to a lack of supporting documentation. (Also refer to paragraph 4.8)

10.2 Distribution losses

No records were available to determine distribution losses for the year under review. The Council should implement a system to control and monitor distribution losses.

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)
	2011	2011	2011	2010
	N\$	N\$	N\$	N\$
Sanitation	1 470 081	1 052 302	417 779	310 753
	1 470 081	1 052 302	417 779	310 753

The above table shows that the self-supporting service is self supportive.

12. FRUITLESS, UNAUTHORISED OR AVOIDABLE EXPENDITURE

No such expenditure was revealed during the audit.

13. SUSPENSE ACCOUNTS

No suspense accounts were disclosed in the financial statements for the year under review.

14. IRREGULARITIES AND LOSSES

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

15. CAPITAL PROJECTS

The Council acquired assets of N\$ 1 315 416 (2010: N\$ 1 633 774) during the year under review.

	Financed by		2011	2010
	Capital account	Revenue account	Total	Total
	N\$	N\$	N\$	N\$
Administration	-	-	-	903 196
General administration	-	8 889	8 889	-
Sanitation	420 664	-	420 664	-
Streets and roads	669 543	6 320	675 863	730 578
Civic buildings	-	210 000	210 000	-
	1 090 207	225 209	1 315 416	1 633 774

It was noted that the expenditure of N\$ 8 889 paid from general administration according to the Capital account for ex-revenue but this amount does not appear in the vote. Furthermore, the votes of Finance, Sanitation and Water disclose expenditures towards capital outlay of N\$ 24 155, N\$ 724 634 and N\$ 369 144 respectively but is not included in the capital statement for ex-revenue. Council should investigate these differences and rectify them.

There was also a material difference between the annual financial statements and the fixed asset register of N\$ 317 911. (Also refer to paragraph 4.5)

16. STUDY LOANS/BURSARIES

No evidence was provided to satisfy the auditors that no bursaries or loans were granted during the year.

17. CONTRIBUTIONS, GRANTS AND FINANCIAL AID

Contributions of N\$ 2 284 265 (2010: N\$ 2 129 093) were received from the Government by the Council during the year.

18. COMPENSATION PAYMENTS

No evidence was provided that compensation payments were made during the year.

19. VISITS TO FOREIGN COUNTRIES

No statistics in this regard could be provided by the Council.

20. CLAIMS AGAINST THE LOCAL AUTHORITY

No evidence was provided to prove that no claims for losses were received during the year.

21. GIFTS AND DONATIONS BY THE LOCAL AUTHORITY

The audit did not reveal any such expenses.

22. TRANSFER OF PROPERTY TO/FROM THE GOVERNMENT

No evidence in this regard could be provided by the Council.

23. DEBTORS/CREDITORS

23.1 Debtors on 30 June comprise the following:

	2011	2010
	N\$	N\$
Consumers	4 017 489	4 096 515
Other debtors	955 800	-
Value added tax	25 726	85 043
Provision for bad debts	(5 942 750)	(3 101 880)
	(943 735)	1 079 678

Provision for bad debts was over provided for by a calculated amount of N\$ 2 086 272.

(Also see Paragraph 4.2)

No support could be provided in respect of the other debtors. (Please also see Paragraph 4.7)

23.2 Creditors on 30 June comprise the following:

	2011	2010
	N\$	N\$
Trade creditors	5 899 457	8 542 447
Provision for leave	739 335	739 335
Other accruals	5 465 700	-
Provision for Regional Council	148 378	148 378
	12 252 870	9 430 160

No creditors listing for the year under review could be provided to the auditors. According to the financial statements of the Council, there are no consumer deposits at the Council. It is recommended that consumer deposits should be levied as required by the Act. (Also refer to paragraphs 4.6 and 4.7)

Included in other accruals is an amount of N\$ 1 644 000 received from Government which should have been recognised as a Fund.

24. ASSESSMENT RATES

Proceeds from assessment rates amounted to N\$ 928 858 (2010: N\$ 523 627). The tariffs determined during the year were N\$ 0.04782 (2010: N\$ 0.04158) per dollar per year on the site valuations and N\$ 0.01159 (2010: N\$ 0.01008) per dollar per year on the valuation of improvements. No provision was made for the contribution to the Regional Council as required by the Act.

25. LOANS

25.1 External loans

The balances due to the Government of Namibia were as follow:

	2011	2010
	N\$	N\$
Capital section	860 568	894 310
Housing Fund	34 824	34 824
	895 392	929 134

25.2 Due to the Town Council

	2011	2010
	N\$	N\$
Build Together Fund	1 985 543	1 985 543
	1 985 543	1 985 543

No listing could be provided for these advances. (Also refer to paragraph 4.4)

26. SALE OF ERVEN

No information in this regard could be provided by the Council.

27. PROPERTY SOLD ON AN INSTALMENT BASIS

No information in this regard could be provided by the Council.

28. TARIFF ADJUSTMENTS

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

29. APPROVALS

The following Votes were exceeded:

Vote	Budget	Actual	Amount exceeded
	N\$	N\$	N\$
Assessment rates	-	244 643	244 643
Caravan park	44 855	66 368	21 513
Civic buildings	624 190	276 844	347 346
Council's general expenses	260 783	348 954	88 171
Human resources	-	87 825	87 825
Sanitation	415 752	1 052 302	636 550
Water	413 147	2 074 195	1 661 048

No approval could be obtained.

30. STOCK AND EQUIPMENT

30.1 Motor vehicles

	Sedan vehicles		LDV and kombi's		Heavy vehicles (Lorries and busses)	
	Number	Value	Number	Value	Number	Value
		N\$		N\$		N\$
On hand 01/07/2010	1	126 000	4	344 500	12	1 861 441
Acquisitions	-	-	2	669 543	-	-
	1	126 000	6	1 014 043	12	1 861 441
Depreciation	-	(14 000)	-	(188 908)	-	(329 453)
On hand 30/06/2011	1	112 000	6	825 135	12	1 531 988

No proper records were obtained on fuel consumption during the year under review and therefore fuel consumption per litre could not be accurately calculated. The above information was obtained from the current year fixed asset register.

30.2 Inventory

As in prior financial years, no inventory was disclosed in the financial statements.

31. SPECIAL INVESTIGATIONS

No special investigations were carried out during the year.

32. GENERAL

There is no system of internal control and very limited accounting records at the Town Council. Proper segregation of duties is not possible due to the small number of staff employed. While increased management involvement does reduce risks, it gives rise to the risk that management and Council may override existing controls, a potentially dangerous practice, which the Council should vigilantly guard against.

33. FORMAL AND INFORMAL QUERIES

33.1 Formal queries are embodied in this report.

33.2 The following matters were brought to the attention of the Chief Executive Officer by way of a report to management:

- Value Added Tax
- Stock account
- Accounts receivable
- Cash and bank
- Accounts payable
- Insurance
- Property, plant and equipment
- Supporting documentation
- Internal control
- Consumer deposits
- Appropriation adjustments

34. DISCLAIMED AUDIT OPINION

The accounts of the Town Council for the financial year ended 30 June 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) (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 year ended 30 June 2011 due to the following reasons:

- The general ledger balance related to VAT and the statements of the Receiver of Revenue differs with a calculated amount of N\$ 196 288.
The reconciliation between the general ledger balance and the VAT returns submitted, payments made, and refunds received, revealed a difference of N\$ 135 035.
- The Council has over provided for its bad debts by a calculated amount of N\$ 2 086 272.
- The balance per financial statements and the reconciled bank statement balance differ by an amount of N\$ 702 734.
- The Council could not provide a list of Housing Fund debtors.
- There was a difference between the fixed asset register and the financial statements of N\$ 317 911 and impaired assets were noted which were not removed from the records of the Council.
- Trade creditors for 2011 could not be verified because no list was available. No provision for the Regional Council contribution was made for 2011. An amount received from Government of N\$ 1 644 000 should have been recorded as a Fund. A debit balance relating to the single quarters of N\$ 955 000 could not be substantiated.
- Various income and expenditure accounts could not be verified due to incomplete record keeping.
- No stock balance was accounted for.
- The adjustments to the appropriation account could not be substantiated.
- Inadequate system of control at the Council in current year as in prior year.
- An amount of N\$ 3 821 699 related to outstanding Government loans was transferred to provisions (accounts payable). No ministerial approval could be obtained to substantiate this transaction.
- The going concern status of the Council is dependent on a number of significant factors.

TOWN COUNCIL OF OTAVI

BALANC SHEET AS AT 30 JUNE

ASSETS	Notes	2011 N\$	2010 N\$
Non-current assets		22 129 091	21 829 902
Property, plant and equipment	2	11 714 752	12 397 373
Investments	3	8 428 796	7 446 986
Loans	4	1 985 543	1 985 543
Current assets		(237 747)	1 079 678
Cash and bank balances		705 988	-
Accounts receivable	5	(943 735)	1 079 678
TOTAL ASSETS		21 891 344	22 909 580
EQUITY AND LIABILITIES			
Funds and reserves		8 743 082	12 353 362
Capital outlay	6.1	12 885 923	13 534 802
Funds and accounts	6.2	(4 142 841)	(1 181 440)
Long-term liabilities	7	895 392	929 134
Current liabilities		12 252 870	9 627 084
Accounts payable	8	12 252 870	9 430 160
Cash and bank balances	9	-	196 924
TOTAL EQUITY AND LIABILITIES		21 891 344	22 909 580

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2010

	<u>Note</u>	<u>2011</u>	<u>2010</u>
		N\$	N\$
INCOME		7 899 019	5 709 115
EXPENDITURE		<u>(8 536 116)</u>	<u>(7 534 957)</u>
NET LOSS FOR THE YEAR			(1 825 842)
Add : Appropriation and adjustments	10	<u>(2 543 508)</u>	<u>3 676 275</u>
RETAINED LOSS FOR THE YEAR		(3 180 605)	1 850 433
Accumulated Funds - Beginning of the year		<u>(6 665 948)</u>	<u>(8 516 381)</u>
Accumulated Funds - End of the year		<u>(9 846 553)</u>	<u>(6 665 948)</u>

TOWN COUNCIL OF OTAVI

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2011

	Note	2011 N\$	2010 N\$
Cash flow from operating activities			
Cash receipts from customers		7 899 019	5 709 115
Cash paid to suppliers		(6 233 501)	(196 234)
Cash generated from operations	10	1 665 518	5 512 881
Movement in Fund accounts			
- Fund accounts		219 204	106 176
- Capital outlay		(648 879)	679 413
Net cash flow from operating activities		1 235 843	6 298 470
Cash flow from investing activities			
Net capital expenditure		682 621	1 028 765
Increase in investment		(981 810)	(5 957 212)
Net cash flow from investing activities		(299 189)	(4 928 447)
Cash flow from financing activities			
Decrease in long-term liabilities		(33 742)	(1 138 730)
Net cash flow from financing activities		(33 742)	(1 138 730)
Net increase in cash and cash equivalents		902 912	231 293
Cash and cash equivalents at the beginning of the year		(196 924)	(428 217)
Cash and cash equivalents at the end of the year		705 988	(196 924)

TOWN COUNCIL OF OTAVI

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE

1. ACCOUNTING POLICIES**1.2 Introduction**

The annual financial statements as 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.

1.3 Property, plant and equipment

Property, plant and equipment are stated at cost or valuation where assets have been acquired through purchases by grant or by donation less depreciation written off over the expected useful lives as determined by 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 the depreciation is calculated on the shortfall.

1.4 Fund accounts

The following Funds were maintained by the council in terms of Sections 58(1) and 80(4) of the Local Authorities Act (Act 23 of 1992):

1.4.1 Housing Fund

The purpose of this Fund is to provide for housing loans. Income for the Fund is transferred from the general income account, external loans from Government and interest on investments and loans.

1.4.2 Capital Reserve Fund

The purpose of this Fund is to make provision for unforeseen expenditures as approved by the Council.

1.4.3 Fixed Property Fund

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

1.4.4 Renewal Fund

The purpose of the fund is to provide for future replacement of assets and for additional depreciation on assets which have permanently declined in value. Income for this Fund is derived from general revenue contributions as well as interest on investments.

1.4.5 Build Together Fund

The purpose of this Fund is to provide loans to applicants who want to build or buy houses with the help of the community. The installments received for the payment of these loans are reinvested in this Fund.

TOWN COUNCIL OF OTAVI

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

1.4.6 Endowment Fund

The purpose of this Fund is to provide for the future sub-division of erven. Income is derived from the proceeds of sub-division of erven as well as interest earned on investments and internal loans.

	<u>2011</u>	<u>2010</u>
	N\$	N\$
2. PROPERTY, PLANT AND EQUIPMENT		
Consists of :		
Infrastructure, land and buildings, motor vehicles, office equipment, furniture and fittings and computer equipment	<u>11 714 752</u>	<u>12 397 373</u>
3. INVESTMENTS		
CENORED Equity	5 313 439	5 313 439
Fixed deposits and money on call	<u>3 115 357</u>	<u>2 133 547</u>
	<u>8 428 796</u>	<u>7 446 986</u>
Allocated to:		
Build Together Fund	104 360	101 809
Capital	2 031 738	2 031 738
Revenue	5 313 439	5 313 439
Capital Reserve Fund	<u>979 259</u>	<u>-</u>
	<u>8 428 796</u>	<u>7 446 986</u>
4. LOANS		
LOANS GIVEN AGAINST FIRST MORTGAGE BONDS:		
Housing Fund/Build Together Fund	<u>1 985 543</u>	<u>1 985 543</u>
	<u>1 985 543</u>	<u>1 985 543</u>
5. TRADE AND OTHER RECEIVABLES		
Consumers	4 017 489	4 096 515
Single quarters	955 800	-
VAT	<u>25 726</u>	<u>85 043</u>
	<u>4 999 015</u>	<u>4 181 558</u>
Less :		
Provision for doubtful debts	<u>(5 942 750)</u>	<u>(3 101 880)</u>
	<u>(943 735)</u>	<u>1 079 678</u>

TOWN COUNCIL OF OTAVI

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

	2011	2010
	N\$	N\$
6. FUNDS AND ACCOUNTS		
6.1 Financing of capital		
General capital	8 291 946	8 803 884
Revenue contributions	2 232 200	2 402 883
Loans redeemed	2 361 777	2 328 035
	12 885 923	13 534 802
6.2 Internal Funds		
Fixed Property Fund	1 589 287	1 589 287
Capital Reserve Fund	1 044 907	901 329
Renewal Fund	817 715	817 715
Endowment Fund	32 840	32 840
Build Together Fund	2 218 964	2 143 337
	5 703 712	5 484 508
Accumulated Funds	(9 846 553)	(6 665 948)
	(4 142 841)	(1 181 440)
7. LONG-TERM LIABILITIES		
THE GOVERNMENT OF NAMIBIA		
Capital section	860 568	894 310
Housing Fund/Build Together Fund	34 824	34 824
	895 392	929 134
8. TRADE AND OTHER PAYABLES		
Trade creditors	5 899 457	8 542 447
Single quarters	1 644 000	-
Other accruals	3 821 700	-
Provision for Regional Council	148 378	148 378
Provision for leave	739 335	739 335
	12 252 870	9 430 160
9. ADJUSTMENTS AND APPROPRIATIONS		
Revenue adjustments	325 018	1 511 045
Expenditure adjustments	(2 868 526)	(3 142 108)
Censored equity	-	5 307 338
	(2 543 508)	3 676 275

TOWN COUNCIL OF OTAVI

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

	<u>2011</u>	<u>2010</u>
	N\$	N\$
10. CASH UTILISED IN OPERATIONS		
Net operating profit before transfers	(637 097)	(1 825 842)
Adjustments (appropriations)	<u>(2 543 508)</u>	<u>3 676 275</u>
Operating income before changes in working capital	(3 180 605)	1 850 433
Changes in working capital		
Increase in trade and other payables	2 822 710	1 727 807
Decrease in trade and other receivables	<u>2 023 413</u>	<u>1 934 641</u>
	4 846 123	3 662 448
	<u>1 665 518</u>	<u>5 512 881</u>