



**REPUBLIC OF NAMIBIA**



**AUDIT REPORT ON THE ACCOUNTS OF THE**

# **MUNICIPALITY OF OKAHANDJA**

**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 Municipality of Okahandja 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, October 2011**

**JUNIAS ETUNA KANDJEKE  
AUDITOR-GENERAL**

**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE  
THE MUNICIPALITY OF OKAHANDJA  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010**

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**1. INTRODUCTION**

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

The firm Mostert Landgrebe of Windhoek has been appointed in terms of Section 26 (2) of the State Finance Act, 1991, to audit the accounts of the 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, **except that they were only submitted on 21 April 2011 whereas the Act only allows for a period of three months after the end of the financial year.** 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 signed by the Accounting Officer.

The financial statements also include:

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 Municipality 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 OBSERVATION AND COMMENTS**

##### **4.1 Fund accounts**

Due to cash flow problems related to the revenue account, an amount of N\$ 10 133 449 (2009: N\$ 9 490 683) from investments of the Capital Reserve Fund had to be used to fund the shortfall on the revenue account. At year-end, the revenue account had a negative balance of N\$ 3 997 886 (2009: Positive balance of N\$ 4 583 920).

##### **4.2 Trade and other receivables**

The average collection period of trade receivables is 231 days (2009: 202 days). As previously reported, Council should attend to the arrears as a matter of urgency.

The Municipality's records reflect a bad debt provision of N\$ 4 000 000 (2009: N\$ 4 000 000), which in the opinion of the auditors is inadequate. Based on an average collection period of 60 days, they are of the opinion that the debtors provision is understated by at least N\$ 15 151 796 (2009: N\$ 13 039 536).

Included in trade receivables is an amount of N\$ 1 622 812 (2009: N\$ 2 014 212) for service loan receivables. No list for this amount was available for audit purposes, and the auditors were informed that this amount is bad debts which must be written off. This amount is not included in the above amount for the underprovision for bad debts.

The age analyses for trade receivables is N\$ 105 486 (2009: N\$ 358 529) more than the amount reflected in the balance sheet. The difference could not be explained by the council.

##### **4.3 Consumer deposits**

Consumer deposits increased during the current financial year from N\$ 767 916 to N\$ 822 781. Consumer deposits are still not in line with monthly charges and the auditors are of the opinion that the deposits are not adequate to cover one month's consumer services.

##### **4.4 Leave provision**

Council provided an amount of N\$ 800 000 (2009: N\$ 800 000) for the provision for leave. The leave provision calculated by the auditors amounted to N\$ 2 093 198 (2009: N\$ 1 807 781). The leave provision is thus understated by N\$ 1 293 198 (2009: N\$ 1 007 781).

##### **4.5 Distribution results of water and electricity**

Accurate statistics regarding the purchase and distribution of water and electricity units are not available. Furthermore, the Municipality did not perform a monthly reconciliation of distribution losses/surpluses, and as a result also did not follow up variances.

##### **4.6 Build Together Programme**

Council never accounted for transactions related to this programme in its financial statements since inception. Bank accounts, debtors, income and expenses of the Fund are thus not reflected in the accounts of the Municipality.

As previously reported, it is recommended that Council should reflect all transactions pertaining to the Build Together Programme in the accounting records of the Municipality.

##### **4.7 Inventories**

The auditors did not observe the counting of the inventories on 30 June 2010, as they were not appointed at that stage. There were no alternative practical audit procedures that they could perform to confirm the existence of the inventories on hand at year-end.

#### 4.8 Loans in arrears

External Government loans are, as in previous years, not repaid but the repayments are provided for as arrear loan instalments. The total instalments in arrears amount to N\$ 2 981 874 (2009: N\$ 2 454 982). (See paragraphs 23.2, 25.1 and note 11 of Annexure D).

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

#### 5. ACKNOWLEDGEMENT

The assistance and co-operation by the staff of the Municipality during the audit is appreciated.

#### 6. FINANCIAL RESULTS

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

	Revenue	Expenditure	Surplus/ (Deficit)	Balance
	N\$	N\$	N\$	N\$
Accumulated deficit on 01/07/2009				4 583 920
General accounts				
- Non-profitable	21 064 721	25 286 394	(4 221 673)	
- Self-supporting	7 178 850	7 141 247	37 603	
Trade accounts				
- Water	14 093 534	13 347 045	746 489	
- Electricity	27 369 487	32 887 150	(5 517 663)	
Profit for the year	69 706 592	78 661 836	(8 955 244)	(8 955 244)
Adjustments and utilisations (See note 11 of Annexure D)				(4 371 324)
				373 438
Accumulated deficit on 30/06/2010				<b>(3 997 886)</b>

#### 7. CURRENT BANK ACCOUNT

	2010	2009
	N\$	N\$
Cash-book balance at 30 June - Balance sheet	(2 365 045)	(1 904 741)
Outstanding cheques - Stated as trade payables	3 091 351	2 266 731
Balance per balance sheet	726 306	361 990
Outstanding deposits	(293 521)	(239 757)
Balance as per bank statement	<b>432 785</b>	<b>122 233</b>

## 8. INVESTMENTS

The investments as at 30 June were as follows:

<b>Institution</b>	<b>2010</b>	<b>2009</b>
	N\$	N\$
Commercial banks	<b>3 788 365</b>	<b>3 758 199</b>

The investments were allocated as follows:

<b>Allocation</b>	<b>2010</b>	<b>2009</b>
	N\$	N\$
Capital Reserve Fund	1 056 973	1 023 920
Housing Fund	2 731 392	2 734 279
	<b>3 788 365</b>	<b>3 758 199</b>

## 9. FUND ACCOUNTS

The position of the Funds and accounts at year-end was as shown in note 9 in Annexure D.

## 10. TRADE ACCOUNTS

### 10.1 The results of water and electricity operations were as follows:

	<b>Electricity</b>		<b>Water</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
	N\$	N\$	N\$	N\$
Sales	26 795 592	26 237 542	14 033 899	11 637 801
Cost of bulk purchases	(24 596 529)	(17 329 907)	(10 178 242)	(7 571 213)
Gross loss	2 199 063	8 907 635	3 855 657	4 066 588
Net expenditure	(7 716 726)	(6 267 952)	(3 109 168)	(2 739 678)
<b>Net deficit</b>	<b>(5 517 663)</b>	<b>2 639 683</b>	<b>746 489</b>	<b>1 326 910</b>
Gross profit percentages on bulk purchases	8.9%	51.4%	37.9%	53.7%
Net profit percentage on bulk purchases	(22.4%)	15.2%	7.3%	17.5%

### 10.2 Distribution results

No accurate statistics have been kept to determine the distribution results of the water and electricity accounts. Council is again advised to implement such control measures in order to address any large deviations between the units bought and distributed timeously.

## 11. SELF-SUPPORTING SERVICES

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

	<b>Income 2010</b>	<b>Expenses 2010</b>	<b>Surplus/ (deficit) 2010</b>	<b>Surplus/ (deficit) 2009</b>
	N\$	N\$	N\$	N\$
Single quarters	-	-	-	(3 007)
Cleansing services	3 530 631	3 741 319	(210 688)	(957 507)
Sewerage	3 591 423	2 650 458	940 965	516 907
Rental buildings	56 796	749 470	(692 674)	-
	<b>7 178 850</b>	<b>7 141 247</b>	<b>37 603</b>	<b>(443 607)</b>

Council should make the necessary adjustments to ensure that self-supporting services that are not self-supporting anymore became as such in future.

## 12. FRUITLESS, UNAUTHORIZED OR AVOIDABLE EXPENDITURE

No fruitless, unauthorized or avoidable expenditure was revealed by the Council or the audit during the year under review.

## 13. SUSPENSE ACCOUNTS

Suspense accounts are cleared on a regular basis.

## 14. IRREGULARITIES AND LOSSES

No irregularities or losses due to thefts, fire or accidents were revealed during the years under review.

## 15. CAPITAL PROJECTS

<b>Nature of projects/acquisitions</b>	<b>Financed by</b>			<b>Total expenditure 2010</b>	<b>Total expenditure 2009</b>
	<b>Revenue account</b>	<b>General capital</b>	<b>Loans</b>		
	N\$	N\$	N\$	N\$	N\$
Electricity	-	-	1 304 550	1 304 550	3 172 256
General administration	-	237 185	3 661 797	3 898 982	1 122 116
Streets, storm water and sidewalks	2 784 162	-	1 235 870	4 020 032	334 591
Cemetery	-	-	99 308	99 308	158 785
Sport and recreation	-	-	485 154	485 154	-
Sewerage	-	-	122 000	122 000	-
	<b>2 784 162</b>	<b>237 185</b>	<b>6 908 679</b>	<b>9 930 026</b>	<b>4 787 748</b>

The capital statement does not reflect the N\$ 237 185 financed from general capital separately.

## 16. BURSARIES

No bursaries were granted during the years under review.

## 17. CONTRIBUTIONS, GRANTS AND FINANCIAL AID.

No contributions were made during the years under review.

## 18. COMPENSATION PAYMENTS

No compensation payments were made during the years under review.

**19. VISITS TO FOREIGN COUNTRIES**

The total expenditure amount to N\$ 254 189. No further detail could be provided.

**20. CLAIMS AGAINST THE LOCAL AUTHORITY**

There were no claims against the local authority.

**21. GIFTS/DONATIONS BY THE LOCAL AUTHORITY**

<b>Allocation</b>	<b>2010</b>	<b>2009</b>
	<b>N\$</b>	<b>N\$</b>
Nominal donations	79 052	81 784
	<b>79 052</b>	<b>81 784</b>

**22. TRANSFER OF PROPERTY**

**22.1** There were no transfers of property to the Local Authority.

**22.2** There were no transfers of property by the Local Authority to others.

**23. TRADE AND OTHER RECEIVABLES/TRADE AND OTHER PAYABLES**

**23.1 Trade and other receivables at 30 June were:**

	<b>2010</b>	<b>2009</b>
	<b>N\$</b>	<b>N\$</b>
Services, rates and taxes	27 504 667	26 255 137
Other receivables	2 753 049	353 029
Provision for bad debts	30 257 716 (4 000 000)	26 608 166 (4 000 000)
<b>Total</b>	<b>26 257 716</b>	<b>22 608 166</b>

The average collection period of trade receivables is 231 days (2009: 202 days). As previously reported, the Council should attend to the arrears as a matter of urgency.

The Municipality's records reflect a bad debt provision of N\$ 4 000 000 (2009: N\$ 4 000 000), which in the opinion of the auditors is inadequate. Based on an average collection period of 60 days, they are of the opinion that the debtors provision is understated by at least N\$ 15 151 796 (2009: N\$ 13 039 536).

Included in trade receivables is an amount of N\$ 1 622 812 (2009: N\$ 2 014 212) for service loan receivables. No list to verify the correctness of this amount was available for audit purposes, and the auditors were informed that this amount is bad debts which must be written off. This amount is not included in the above calculation related to the underprovision for bad debts.

The age analyses for trade receivables is N\$ 105 486 (2009: N\$ 358 529) more than the amount reflected in the balance sheet. The difference could not be explained by the council.



### 23.2 Trade and other payables at 30 June were:

	<b>2010</b>	<b>2009</b>
	N\$	N\$
Trade payables	13 442 028	2 750 263
Outstanding cheques	3 091 351	2 266 731
Loan instalments in arrear	2 981 874	2 454 982
Provision for leave	800 000	1 020 000
Consumer deposits	822 781	767 916
<b>Totals</b>	<b>21 138 034</b>	<b>9 259 892</b>

Council provided an amount of N\$ 800 000 (2009: N\$ 800 000) for the provision for leave. The leave provision calculated by the auditors amounted to N\$ 2 093 198 (2009: N\$ 1 807 781). The leave provision is thus understated by N\$ 1 293 198 (2009: N\$ 1 007 781).

### 24. ASSESSMENT RATES

	<b>2010</b>	<b>2009</b>
	N\$	N\$
The proceeds from assessment rates were	5 047 738	4 126 677
Tariffs per N\$1 valuation per annum		
- Land	0.05506	0.04916
- Improvements	0.00584	0.00521

### 25. LOANS

#### 25.1 External loans

	<b>2010</b>	<b>2009</b>
	N\$	N\$
The Government of Namibia	3 189 678	3 423 989
National Housing Enterprises	36 563	45 036
Commercial banks	1 394 425	-
	<b>4 620 666</b>	<b>3 469 025</b>

External Government loans are, as in previous years, not repaid but the repayments are provided for as arrear loan instalments. The total instalments in arrears amount to N\$ 2 981 874 (2009: N\$ 2 454 982). (See paragraphs 23.2, 25.1 and note 11 of Annexure D).

#### 25.2 Due to the Municipality

	<b>2010</b>	<b>2009</b>
	N\$	N\$
Ervin and housing loans (Personnel)	<b>249 670</b>	<b>319 368</b>

#### 25.3 Loans written off

No loans were written off by the Council.

## **26. SALE OF ERVEN**

The management could not provide the auditors with a complete list of erven sold, nor could they provide them with a list of erven debtors. An amount of N\$4 342 565 was allocated to the Capital Reserve Fund, which include erven sales, but due to the fact that the property manager was not available, the auditors could not verify the number of even sold or the income thereof. Council should, as a matter of urgency, implement an erf and/or township development management system.

## **27. LOCAL AUTHORITY PROPERTY SOLD ON AN INSTALMENT BASIS**

No erven were sold on an installment basis for the year under review.

## **28. TARIFF ADJUSTMENTS**

Tariff adjustments were duly approved and promulgated in the Government Gazette. These adjustments were only published on 3 November 2008 and were thus only implemented on the said date.

## **29. APPROVALS**

### **29.1 Excess on approved budget**

All budget excesses were approved.

### **29.2 Internal loans**

Internal loan balances at year-end amounted to N\$ 21 015 729 (2009: N\$ 17 348 982). Internal loans of N\$ 4 584 495 (2009: N\$ 3 508 328) funded from the Capital Reserve Fund were added during the year under review.

### **29.3 Revenue written off**

No debtors accounts were written off during the financial year (2009: Nil).

## **30. INVENTORY AND EQUIPMENT**

### **30.1 Motor vehicle and values thereof:**

No asset register was available for audit purposes, thus this information is not available.

### **30.2 Inventory**

Council only accounts for fuel stock. Inventory of items utilised in repairs were not accounted for at year-end. Council should compile a complete list of all its inventories at year-end and disclose them as such in the financial systems.

## **31. SPECIAL INVESTIGATIONS**

All special investigations were completed and reported upon.

## **32. GENERAL**

The accounting and internal controls are insufficient and unsatisfactory. Proper segregation of duties is not possible due to the small number of staff employed. While increased management involvement does reduce risks, it causes the risk that management and Council override existing controls, a potentially dangerous practice, which Council should vigilantly guard against.

## **33. FORMAL AND INFORMAL QUERIES**

### **33.1 Formal queries**

Formal queries are embodied in this report. Audit differences and other comments are addressed in paragraph 4 of this report.

### **33.2 Informal queries**

The following issues were raised with the Town Clerk by way of a report to management:

- Trade and other receivables
- Consumer deposits
- Distribution results of water and electricity
- Build Together programme
- Inventories
- Loans in arrears
- Leave provision
- Payroll

### **34. DISCLAIMED AUDIT OPINION**

The accounts of the Okahandja Municipality for the financial year end 30 June 2010, summarised in Annexures A to D, were audited by me in terms of Section 85 of the Local Authority act, 1992, read with Section 25 (1) (b) of the State Finance Act, 1991.

I am unable to express an opinion due to the following reasons:

- Provision for bad debts is understated by at least N\$ 13 039 536.
- No list related to service loans debtors to the amount of N\$ 1 622 812 could be provided.
- The age analysis of trade debtors is understated by N\$ 105 486 in the balance sheet.
- Leave provision is understated by N\$ 1 007 781.
- No transactions of the Build Together programme are disclosed in the financial statements of the Council.
- Inventories are not fully disclosed in the financial statements of the Council.
- Instalments in arrears related to external loans amounts to N\$ 2 981 874 and no interest on these arrears is provided for.

**WINDHOEK, October 2011**

**JUNIAS ETUNA KANDJEKE  
AUDITOR-GENERAL**

## THE MUNICIPALITY OF OKAHANDJA

## STATEMENT OF FINANCIAL POSITION AT 30 JUNE

	Notes	2010 N\$	2009 N\$
<b>ASSETS</b>			
NON CURRENT ASSETS			
		59 456 231	49 565 737
Property, plant and equipment		55 418 196	45 488 170
Investments	2	3 788 365	3 758 199
Loans	3	249 670	319 368
CURRENT ASSETS			
		27 023 926	23 015 128
Trade and other receivables	4	26 257 716	22 608 166
Inventories	5	39 744	44 812
Bank and cash	6	726 466	362 150
TOTAL ASSETS		<b>86 480 157</b>	<b>72 580 865</b>
<b>FUNDS AND LIABILITIES</b>			
FUNDS AND RESERVES			
		60 721 457	59 851 948
Capital outlay	7	29 883 602	24 801 280
Funds and accounts	8	30 837 855	35 050 668
NON-CURRENT LIABILITIES			
Long-term liabilities	9	4 620 666	3 469 025
CURRENT LIABILITIES			
Trade and other payables	10	21 138 034	9 259 892
TOTAL FUNDS AND LIABILITIES		<b>86 480 157</b>	<b>72 580 865</b>

## THE MUNICIPALITY OF OKAHANDJA

## INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE

	<u>Note</u>	<u>2010</u>	<u>2009</u>
		N\$	N\$
INCOME		69 704 722	60 749 338
EXPENDITURE		<u>(78 661 836)</u>	<u>(61 284 023)</u>
NET OPERATING DEFICIT		(8 957 114)	(534 685)
INVESTMENT INCOME EARNED FOR REVENUE ACCOUNTS		<u>1 870</u>	<u>80 464</u>
NET DEFICIT FOR THE YEAR		(8 955 244)	(454 221)
APPROPRIATION ACCOUNT	11	<u>373 438</u>	<u>(1 061 481)</u>
		(8 581 806)	(1 515 702)
REVENUE ACCOUNT - Beginning of year		<u>4 583 920</u>	<u>6 099 622</u>
REVENUE ACCOUNT - End of year		<u><b>(3 997 886)</b></u>	<u><b>4 583 920</b></u>

## ANNEXURE C

## THE MUNICIPALITY OF OKAHANDJA

## CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE

	<u>Note</u>	<u>2010</u>	<u>2009</u>
		N\$	N\$
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Cash receipts from customers		69 704 722	60 749 338
Cash paid to suppliers		(70 054 738)	(62 538 395)
Cash utilised by operations	12	(350 016)	(1 789 057)
Investment income		1 870	80 464
Increase in Fund accounts		4 368 993	2 674 954
Increase in Capital outlay		5 082 322	1 542 194
Net cash flow from operating activities		<u>9 103 169</u>	<u>2 508 555</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Net capital expenditure		(9 930 026)	(4 787 748)
(Increase)/decrease in investments		(30 166)	1 888 672
Decrease in loans receivable		69 698	70 778
		<u>(9 890 494)</u>	<u>(2 828 298)</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Decrease in long-term loans		<u>1 151 641</u>	<u>(243 106)</u>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		364 316	(562 849)
<b>CASH AND CASH EQUIVALENTS</b>			
- BEGINNING OF THE YEAR		<u>362 150</u>	<u>924 999</u>
CASH AND CASH EQUIVALENTS			
- END OF THE YEAR	6	<u><b>726 466</b></u>	<u><b>362 150</b></u>

## THE MUNICIPALITY OF OKAHANDJA

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE

**1. ACCOUNTING POLICIES****1.1 Introduction**

The annual financial statements set out in Annexures A to C were prepared on the historical cost basis and incorporate the following principal accounting policies, which are consistent in all material aspects with those applied in the previous year.

**1.2 Property, plant and equipment**

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

**1.3 Internal Funds**

The following Funds were created by the Town Council:

**1.3.1 Housing Fund**

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

**1.3.2 Capital Reserve Fund**

This Fund was created to make provision for unforeseen expenditures as approved by the Council.

	<u>2010</u>	<u>2009</u>
	N\$	N\$
<b>2. INVESTMENTS</b>		
INVESTMENTS INVESTED AT:		
Commercial Banks	3 788 365	3 758 199
Total	<u>3 788 365</u>	<u>3 758 199</u>
ALLOCATED AS FOLLOWS:		
Capital Reserve Fund	1 056 973	1 023 920
Housing Fund	2 731 392	2 734 279
	<u>3 788 365</u>	<u>3 758 199</u>
<b>3. LOANS</b>		
HOUSING FUND:		
Ervin and housing loans (Personnel)	<u>249 670</u>	<u>319 368</u>

## THE MUNICIPALITY OF OKAHANDJA

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

	<b>2010</b>	<b>2009</b>
	N\$	N\$
<b>4. TRADE AND OTHER RECEIVABLES</b>		
Services, rates and taxes	27 504 667	26 255 137
Other receivables	2 753 049	353 029
	<u>30 257 716</u>	<u>26 608 166</u>
Provision for bad debts	(4 000 000)	(4 000 000)
	<u><b>26 257 716</b></u>	<u><b>22 608 166</b></u>
<b>5. INVENTORIES</b>		
Fuel	<u><b>39 744</b></u>	<u><b>44 812</b></u>
<b>6. CASH AND BANK BALANCES</b>		
Current account	726 306	361 990
Petty cash	160	160
	<u><b>726 466</b></u>	<u><b>362 150</b></u>
<b>7. CAPITAL OUTLAY</b>		
Loans redeemed	6 883 098	7 939 496
Revenue contributions	15 412 810	9 274 091
General Capital contributions	7 587 694	7 587 693
	<u><b>29 883 602</b></u>	<u><b>24 801 280</b></u>
<b>8. FUNDS AND ACCOUNTS</b>		
Capital Reserve Fund	32 206 151	27 863 586
Housing Fund	2 629 590	2 603 162
Revenue account kept in compliance with Section 86(1) of the Local Authorities Act, 1992.	(3 997 886)	4 583 920
	<u><b>30 837 855</b></u>	<u><b>35 050 668</b></u>
<b>9. LONG-TERM LIABILITIES</b>		
The Government of Namibia	3 189 678	3 423 989
National Housing Enterprises	36 563	45 036
Commercial banks	1 394 425	-
	<u><b>4 620 666</b></u>	<u><b>3 469 025</b></u>



## THE MUNICIPALITY OF OKAHANDJA

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

	<b>2010</b>	<b>2009</b>
	N\$	N\$
<b>10. TRADE AND OTHER PAYABLES</b>		
Trade payables	13 442 028	2 750 263
Outstanding cheques	3 091 351	2 266 731
Loan instalments in arrear	2 981 874	2 454 982
Provisions	800 000	1 020 000
Consumer deposits	822 781	767 916
	<b>21 138 034</b>	<b>9 259 892</b>
<b>11. ADJUSTMENTS TO APPROPRIATION ACCOUNT</b>		
Correction of debtors	-	1 271 845
Correction of deposits	-	260
Overprovision of creditors	130 000	-
Previous year correction of journals	-	(66 864)
Prior year adjustments	240 168	-
Stale cheques reversed	-	162 427
Unclaimed deposits	3 270	-
VAT adjustment	-	(2 429 149)
	<b>373 438</b>	<b>(1 061 481)</b>
<b>12. CASH UTILISED BY OPERATIONS</b>		
Net operating profit before transfers	(8 955 244)	(454 221)
Adjustments for:		
- Adjustments to appropriation account	373 438	(1 061 481)
- Investment income	(1 870)	(80 464)
<b>OPERATING DEFICIT BEFORE CHANGES IN WORKING CAPITAL</b>	<b>(8 583 676)</b>	<b>(1 596 166)</b>
<b>CHANGES IN WORKING CAPITAL</b>		
Increase in trade and other receivables	(3 649 550)	(2 786 191)
Decrease in inventories	5 068	35 283
Increase in trade and other payables	11 878 142	2 558 017
	<b>8 233 660</b>	<b>(192 891)</b>
<b>CASH UTILISED BY OPERATIONS</b>	<b>(350 016)</b>	<b>(1 789 057)</b>