



**REPUBLIC OF NAMIBIA**



**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE**  
**MUNICIPALITY OF OMARURU**  
**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 Municipality of Omaruru 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, September 2012**

**JUNIAS ETUNA KANDJEKE  
AUDITOR-GENERAL**

**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE  
MUNICIPALITY OF OMARURU FOR THE FINANCIAL YEAR ENDED  
30 JUNE 2011**

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**1. INTRODUCTION**

The accounts of the Municipality of Omaruru for the year ended 30 June 2011 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 Unrecorded liabilities**

Unrecorded liabilities to the amount of N\$ 199 874.11 were detected by the auditors.

As a result of the above the Council's liabilities at year-end has been understated.

##### **4.2 VAT Control Account**

During the audit procedures it become evident that a journal of N\$ 1 987 414 was posted against the VAT control account to adjust it to N\$ 11 113 and the Revenue Account were used as the contra account. As explained by the Accountant the refunds due were set-off against the interest and penalties charged by the Inland Revenue. The accountant also stated that the VAT control account of N\$ 11 113 is thus a true reflection of the balance at year-end. The auditors could not confirm the balance from the Inland Revenue at year-end, during the time of the audit.

##### **4.3 Investment – Erongo RED**

The Municipal's financial statements do not reflect its 2.5% shareholding in Erongo RED as well as capital contributions e.g. cash and electrical assets etc made.

##### **4.4 Contribution NATIS**

The audit procedures revealed that the claims from Natis expenditure are being overstated by N\$ 70 567.

The Council does not process invoices of Road Authority on the system and only cash receipts are allocated to the general ledger upon receipt.

The VAT was also not allocated in the appropriate periods because of the bulk allocation of receipts to income.

##### **4.5 Royalties**

During the audit procedure, the auditors detected a difference of N\$ 166 789, which is due to dividends received of N\$ 211 791 wrongly disclosed under Royalties and N\$ 88 347 which could not be explained at the time of the audit. Thus royalties were overstated by N\$ 166 799 and dividends received were understated by N\$ 211 791 for the year under review.

##### **4.6 Road Fund Administration (RFA) subsidies**

During our audit procedures we detected that RFA subsidies posted to the ledger were VAT inclusive, VAT not accounted for amount to N\$ 155 812, it also become evident that direct expenditure amounting to N\$ 113 616 were posted against the RFA subsidies income vote and a journal was posted to the RFA subsidies account to adjust end balance to the budgeted amount of N\$ 1 250 000 for the 2010/2011 financial year. Thus resulting in a material overstatement of N\$ 211 923 for the year under review.

#### **4.7 Capital expenditure**

Expenditure amounting to N\$ 529 058, for respective suppliers or service providers were wrongly allocated to repairs and maintenance instead of capital expenditure.

This resulted in an understatement of the Council's fixed assets.

#### **4.8 Recoverability of debtors**

Debt at 120 days is reduced by almost 50% compared to prior year. Proper implementation of the credit control policies and financial regulations are the result of the reduction. An immaterial difference of N\$ 30 926 was detected during the reconciliation between the balance as per annual financial statements and the balance of the Age Analysis at year-end.

The Council's debtors balance at 120 days and more constitute 42% (2010: 81%) of total debt outstanding. The Council provision is the same as prior year, no adjustments were made for the year under review. This resulted into a under provision of N\$ 440 467.

#### **4.9 Debtors with credit balances**

During the audit the auditors noted that the sample tested of N\$ 36 887 on debtors with credit balances revealed that N\$ 13 624 of this reflect incorrect balances mainly due to unallocated deposits. This represented a sample error rate of 37%.

#### **4.10 Provision of vacation leave**

The auditors' review of the vacation leave provision indicates that the current year's provision was not updated in accordance with the leave reports. This resulted in an understatement of the municipality's liabilities and expenses by an amount of N\$ 299 446.

#### **4.11 Assets**

##### Asset additions

Additions on sewerage reticulation amounting to N\$ 3 765 558 of which N\$ 1 683 797 could not be verified against supporting documentation at the time of the audit. VAT not accounted for amounted to N\$ 358 486.

##### Asset verification

The auditors experienced some difficulties with asset descriptions especially computers and other electronic related assets which should be able to indicate exact details of the asset. The Bolt cutter 600 mm and a trailer N231OM should not have been on the asset register, because the bolt cutter was transferred to Erongo Red and the trailer was auctioned.

##### Adjustments

Unexplained adjustments were made for (5): 2011, (2): 2010 sedans, LDV's and (2): 2011, (5): 2010 heavy vehicles. The Council should explain these adjustments in detail.

#### **4.12 Budget recommendations and overspending**

It's with grave concern that the auditors noted that the Council did not comply with the Ministerial recommendations on its budget for the 2010/2011 financial year. No Council correspondence to validate its deviation from these recommendations could be provided to the auditors.

For example, the line Ministry recommended that *“the salary increases should be restricted to 5% for all staff members .....due to the fact that the wage bill has exceeded the maximum of 35%”*. Contrary to this, the Council approved an average salary increase of 12%.

The auditors also found that numerous expense votes were over-spend compared to the approved budget and no Council virement and Ministry approval was obtained.

#### 4.13 Capital projects

The Municipality budgeted N\$ 16 245 000 for capital projects of which a mere N\$ 4 514 450 was actually spent or implemented. This is a serious concern since capital projects are revenue generating and essential to the development of Omaruru as a town.

#### 4.14. Adjustments

An unknown adjustment to the amount of (N\$ 834 854) was made by the Council without any explanation.

### 5. ACKNOWLEDGEMENT

The assistance and co-operation given by the management and staff of the 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:

	<b>Revenue</b>	<b>Expenditure</b>	<b>(Deficit)/ Surplus</b>	<b>Balance</b>
	N\$	N\$	N\$	N\$
Accumulated deficit: 01/07/2010				(2 605 976)
<b>General accounts</b>				
Rates and general	4 891 164	8 731 000	(3 839 836)	
Self-supporting	3 459 053	2 383 594	1 075 459	
<b>Trade accounts</b>				
Water	1 108 091	582 377	525 714	
Electricity*	3 956 551	856 357	3 100 194	
Subtotal	13 414 859	12 823 328	861 532	
Deficit for the year				861 532
				(1 744 444)
Adjustments and utilization (See note, Annexure D)				(2 781 943)
Accumulated deficit 30/06/2011				<b>(4 526 387)</b>

\* See paragraph 10.1

## 7. CURRENT BANK ACCOUNT

The current bank account reflected a cash-book balance of N\$ 24 295 (2010: overdrawn balance of N\$ 1 396 068). Outstanding cheques and other transactions totalling N\$ 382 335 (2010: N\$ 1 201 063), resulted in the bank statement reflecting a favourable balance of N\$ 406 630 (2010: N\$ 195 004 unfavourable).

## 8. INVESTMENTS AND INTEREST PROCEEDS

On 30 June 2011 there was N\$ 15 704 655 (2010: N\$ 10 833 922) invested at a commercial bank on a call account. The Build Together Funds were invested in a separate call account, which had a balance of N\$ 3 624 898 at year-end (2010: N\$ 3 499 769). The Council's investment policy requires that more than N\$ 10 million should not be invested at one financial institution although this was not complied with.

The investments and interest earned were allocated as follows:

Allocation	2011		2010	
	Investment	Interest	Investment	Interest
	N\$	N\$	N\$	N\$
Build Together Fund	3 624 898	180 372	3 499 769	257 666
Revenue	-	391 008	-	-
Capital Development	7 232 727	400 000	8 899 458	658 700
Capital	6 536 863	-	-	-
Housing Fund	1 935 066	-	1 934 464	69 065
	<b>19 329 553</b>	<b>971 379</b>	<b>14 333 691</b>	<b>*985 431</b>

## 9. FUND ACCOUNTS

The Municipality had the following funds and reserves at the end of the year:

	2011	2010
	N\$	N\$
Build Together Fund	4 758 503	4 580 186
Capital Development Fund	23 119 532	21 726 862
Housing Fund	2 418 396	2 417 794
Revenue Account	(4 526 387)	(2 605 976)
Contribution from Revenue	1 852 575	1 351 922
General Capital	15 100 742	4 247 076
Loans Redeemed	3 095 273	3 200 898
	<b>45 818 634</b>	<b>34 918 762</b>

## 10. TRADE ACCOUNTS

10.1 The results of operations were as follows:

	Electricity		Water	
	2011	2010	2011	2010
	N\$	N\$	N\$	N\$
Surcharges/sales	3 956 551	941 302	1 108 091	2 623 851
Cost of bulk purchases	-	-	-	-
Gross profit	3 956 551	941 302	1 108 091	2 623 851
Other expenses (net)	(856 357)	(455 766)	(582 377)	(1 291 275)
<b>NET SURPLUS</b>	<b>3 100 194</b>	<b>485 536</b>	<b>525 714</b>	<b>1 332 576</b>
Gross profit % on sales	-	-	-	-
Net profit % on sales	78.36%	51.58%	47.44%	50.79%

As from 01 July 2005, the Council is no longer selling electricity as this function has been taken over by Erongo-RED.

10.2 Distribution losses were:

	Water	
	2011	2010
	m <sup>3</sup>	m <sup>3</sup>
Units bought/pumped*		621 760
Units sold	3 068 788	504 889
Profit / (Loss)	<b>3 068 788</b>	<b>(116 871)</b>
Percentage	100%	(18.80%)

\* The units pumped could not be determined during the time of the audit.

## 11. SELF-SUPPORTING SERVICES

The net results were as follows:

	2011	2010
	N\$	N\$
Commonage	112 636	88 885
Waste management	131 930	(522 575)
Sewerage	657 516	(110 152)
Natis Agency	173 378	(5 179)
Net (deficit) surplus	<b>1 075 460</b>	<b>(549 022)</b>

## 12. FRUITLESS/UNAUTHORISED OR AVOIDABLE EXPENDITURE

No fruitless or unauthorized expenditure was revealed during the year.



**13. SUSPENSE ACCOUNTS**

The Council maintained the following suspense accounts in its general ledger:

	<b>2011</b>	<b>2010</b>
	<b>Balance Dr/(Cr)</b>	<b>Balance Dr/(Cr)</b>
	N\$	N\$
Receipts not on bank statement	-	-
Direct deposits – no receipts	-	-
Creditors suspense account	-	-
Debtors suspense accounts	-	974 454

**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:

<b>Nature of project/ acquisitions</b>	<b>Financed by Internal loans</b>	<b>Total expenditure 2011</b>	<b>Total expenditure 2010</b>
	N\$	N\$	
Infrastructure	3 840 235	3 840 235	1 311 960
Buildings	-	-	248 066
Vehicles	449 091	449 091	-
Plant and equipment	225 124	225 124	27 340
	<b>4 514 450</b>	<b>4 514 450</b>	<b>1 587 366</b>

**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 2011 financial year, one Councilor (2010: two) and one employee of the Municipality visited Durban in South Africa at a cost of N\$ 10 452 (2010: N\$ 23 379).

**20. CLAIMS AGAINST THE LOCAL AUTHORITY**

No claims for losses were received during the year.

## 21. TRANSFER OF PROPERTY

No Government property was transferred to or from the Municipality during the year. However, the property and equity swap with the Ministry should still be done. (See paragraph 25)

## 22. DEBTORS/CREDITORS

### 22.1 Debtors at 30 June were:

	2011	2010
	N\$	N\$
Consumers, combined billing	4 018 849	2 660 637
- Build Together debtors	1 133 606	1 080 417
- VAT	11 113	1 358 776
- Sundry debtors	-	974 454
	5 163 568	6 074 284
Current portion of housing loan Installments	-	1 875
		6 076 159
Less: Provision for doubtful debts	(2 156 454)	(2 156 454)
	<b>3 007 114</b>	<b>3 919 705</b>

### 22.2 Creditors at 30 June were:

	2011	2010
	N\$	N\$
Trade creditors	181 824	340 346
Provisions	325 438	430 573
Consumer deposits	233 926	217 131
Current portion of long-term liabilities	92 412	83 955
	<b>833 600</b>	<b>1 072 005</b>

## 23. ASSESSMENT RATES

Net proceeds from assessment rates were N\$ 2 100 073 (2010: N\$ 1 246 833).

The Council provided for the Regional Council levy of N\$ 95 458 (2010: N\$ 90 701), which is payable to the Regional Council in terms of Section 77(1) of the Act.

## 24. LOANS

**24.1 External capital loan** balances at 30 June 2011 were N\$ 2 335 731 (2010: N\$ 2 241 784). The balances correspond with the balances as per actuarial tables and the general ledger. The Municipality has identified loans amounting to N\$ Nil (2010: N\$ 473 340) as pre-independence loans. Government has offered the write-off of these loans in return for land. During the 2009 financial year loans amounting to N\$ 326 628 were written off by the Council, without the Government conditions being fulfilled.

Loan assets were correctly 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.

**24.2 Internal loan balances** at 30 June 2011 were N\$ 10 580 705 (2010: N\$ 10 439 094). All loans advanced during the year were provided for in the Council's Capital Budget.

**24.3** The **Housing Fund loans** were as follows at 30 June:

	<b>2011</b>	<b>2010</b>
	N\$	N\$
Owing by the Municipality to the Government on 35 loans:	270 314	270 314
Owing by three (2010: three) borrowers to the Municipality	-	1 875

It has been noted with concern that the Housing Fund activities are not reflecting any movement during the past four years.

**26. SALE OF ERVEN**

Erven were sold for N\$ 259 700 (2010: N\$ 795 378). The revenue was allocated to the Capital Development Fund.

No proper recordkeeping was instigated by the Council and the accuracy of this balance is doubtful.

**27. PROPERTY SOLD ON AN INSTALLMENT BASIS**

The balance at 30 June 2011 remaining of erven sold on an installment basis were N\$ 742 075 (2010: N\$ 542 644).

**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 Excess on approved budget**

No approval was obtained for overspending amounting to N\$ 0.00 (2010: N\$ 474 150) on votes.

**29.3 Internal loans**

All internal 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\$ 374 867 (2010: N\$ 80 807).

### 30.2 Motor Vehicles

	Sedans, LDV's, combi's and trailers		Heavy vehicles (Lorries and busses)	
	Number	Value	Number	Value
On hand 01/07/2010	11	N\$ 201 114	12	N\$ 626 048
Additions	2	449 091	-	-
Adjustment*	(5)	-	(2)	-
	8	650 205	10	626 048
Less: Depreciation	-	(4 586)	-	(2 281)
<b>On hand 30/06/2011</b>	<b>13</b>	<b>645 619</b>	<b>17</b>	<b>623 767</b>

### 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:

- External loans written off without Council approval and fulfilling Government conditions.
- Poor filing over Build Together Debtors.
- Asset descriptions on the Fixed Asset Register.
- Inadequate controls over inventory.
- Poor debt repayments.

### 33. GENERAL

The accounting and internal controls are satisfactory except for those cases specifically pointed out in the management letter to the 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 the Council should vigilantly guard against.

### 34. QUALIFIED AUDIT OPINION

The accounts of the Municipality of Omaruru for the financial year ended 30 June 2011, 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:

- Unrecorded liabilities amounting to N\$ 199 874;
- NATIS contribution overstatement by N\$ 70 567;
- Non-disclosure of the Erongo-RED investment;
- Royalties overstated by N\$ 166 789 and dividends received understated by N\$ 211 791;
- RFA subsidies overstated by N\$ 211 923;
- Provision for vacation leave understated by N\$ 299 446;
- VAT not accounted for on asset additions amount to N\$ 358 486;
- Capital expenditure N\$ 529 058 disclosed under repairs and maintenance; and

- Unknown adjustment to the amount of (N\$ 84 854).

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 Municipality at 30 June 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**

## BALANCE SHEET AT 30 JUNE

	Notes	2011 N\$	2010 N\$
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	4	45 579 813	35 814 465
Investments	5	26 250 260	21 480 774
		19 329 553	14 333 691
<b>Current assets</b>			
Inventories	6	3 406 276	4 000 512
Accounts receivable	7	374 867	80 807
Cash and cash equivalence		3 007 114	3 919 705
		24 295	-
<b>Total assets</b>		<b>48 986 089</b>	<b>39 814 977</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Funds and reserves	2	45 818 634	34 918 762
<b>Non-current liabilities</b>			
Long-term liabilities	3	2 333 855	2 428 143
<b>Current liabilities</b>			
Accounts payable	8	833 600	2 468 072
Bank overdraft		833 600	1 072 005
		-	1 396 067
<b>Total equity and liabilities</b>		<b>48 986 089</b>	<b>39 814 977</b>

## INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE

	<u>Notes</u>	<u>2011</u> N\$	<u>2010</u> N\$
INCOME		13 414 859	12 947 630
EXPENDITURE		<u>(12 553 328)</u>	<u>(13 701 784)</u>
NET OPERATING (LOSS)		861 532	(754 154)
Investment interest on revenue account		<u>-</u>	<u>-</u>
NET (LOSS) for the year		861 532	(754 154)
Adjustments to appropriation account	10	<u>(2 781 943)</u>	<u>(1 158 443)</u>
Accumulated (deficit) surplus for the year		(1 920 411)	(1 912 597)
ACCUMULATED (DEFICIT)			
– At the beginning of the year		<u>(2 605 976)</u>	<u>(693 379)</u>
– At the end of the year	2	<u><b>(4 526 387)</b></u>	<u><b>(2 605 976)</b></u>

## CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE

	Notes	2011 N\$	2010 N\$
<b>Cash generated (utilised) by operating activities</b>			
Cash receipts from customers		13 414 859	12 947 630
Cash paid to suppliers		(14 955 144)	(12 954 563)
Cash (utilized) by operating activities	11	(1 540 285)	(6 933)
Cash available for investment		(1 540 285)	(6 933)
<b>Cash effects on investing activities</b>			
Net capital expenditure		(4 769 486)	(1 049 637)
(Increase) in investments		(4 995 862)	(3 150 565)
<b>Cash effects on financing activities</b>			
Increase/(decrease) in capital funds		12 725 995	3 455 609
Net proceeds from statutory funds	9	11 248 694	(131 127)
Loans repaid		1 571 589	3 882 532
		(94 288)	(295 796)
Net change in cash and cash equivalents		1 420 362	(751 526)
Cash and cash equivalents			
- At the beginning of the year		(1 396 067)	(644 541)
Cash and cash equivalents			
- At the end of the year		<b>24 295</b>	<b>(1 396 067)</b>



NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE

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**1. ACCOUNTING POLICIES**

The 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 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 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.

**1.2 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.

	<b>2011</b>	<b>2010</b>
	N\$	N\$
<b>2. FUNDS AND RESERVES</b>		
Build Together Fund	4 758 503	4 580 186
Capital Development Fund	23 119 532	21 726 862
Housing Fund	2 418 396	2 417 794
Revenue Account	(4 526 387)	(2 605 976)
<b>Total</b>	<b>25 770 044</b>	<b>26 118 866</b>
<b>CAPITAL OUTLAY</b>		
Contribution from revenue	1 852 575	1 351 922
General capital	15 100 742	4 247 076
Loans redeemed	3 095 273	3 200 898
	<b>20 048 590</b>	<b>8 799 896</b>
<b>TOTAL FUNDS AND RESERVES</b>	<b>45 818 634</b>	<b>34 918 762</b>
<b>3. LONG TERM LIABILITIES</b>		
Loans from the Government of Namibia at interest rates of:		
- Lower than 5%	270 314	270 314
- 5% to 9%	1 096 177	1 139 817
- 12%	1 059 776	1 101 967
	2 426 267	2 512 098
Deposits held	-	-
Less: Current portion of liabilities included under current liabilities	(92 412)	(83 955)
	<b>2 333 855</b>	<b>2 428 143</b>
<b>4. PROPERTY, PLANT AND EQUIPMENT</b>		
At net book value:		
Infrastructure	18 496 783	14 801 728
Buildings	4 658 507	4 233 640
Vehicles	1 270 162	827 162
Plant and equipment	1 824 808	1 618 244
	<b>26 250 260</b>	<b>21 480 774</b>

## NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE

	<b>2011</b>	<b>2010</b>
	N\$	N\$
<b>5. INVESTMENTS</b>		
Moneys on call at a commercial bank	<b>19 329 553</b>	<b>14 333 691</b>
<b>6. INVENTORIES</b>		
Consumable goods in store	<b>374 867</b>	<b>80 807</b>
<b>7. ACCOUNTS RECEIVABLE</b>		
Sundry debtors	1 144 719	3 415 522
Consumers	4 018 849	2 660 637
	5 163 568	6 076 159
Less: Provision for doubtful debts	(2 156 454)	(2 156 454)
	<b>3 007 114</b>	<b>3 919 705</b>
<b>8. ACCOUNTS PAYABLE</b>		
Creditors	181 824	340 346
Provisions	325 438	430 573
Current portion of long-term liabilities	92 412	83 955
Consumer deposits	233 926	217 131
	<b>833 600</b>	<b>1 072 005</b>
<b>9. TRANSFER TO FUNDS</b>		
The following amounts were transferred to/(from) Funds:		
Build Together Fund	178 317	1 472 355
Capital Development Fund	1 392 670	2 237 857
Housing Fund	601	172 320
	<b>1 571 588</b>	<b>3 882 532</b>
<b>10. ADJUSTMENTS AND UTILISATIONS</b>		
<b>– REVENUE ACCOUNT</b>		
Correction of VAT control account	(1 987 414)	-
Various expenditures	25 890	(23 135)
Accrued leave adjustment	14 434	314 000
Provision for bad debts	-	(1 449 308)
Unknown adjustment	(834 854)	-
	<b>(2 781 943)</b>	<b>(1 158 443)</b>

## NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE

	<b>2011</b>	<b>2010</b>
	N\$	N\$
<b>11. CASH (UTILIZED)/GENERATED BY OPERATIONS</b>		
Operating (loss) before interest and adjustments	861 532	(754 154)
- Adjustments and utilizations	(2 781 943)	(1 158 443)
<b>Working capital changes</b>		
(Increase) / decrease in inventories	(294 060)	94 554
Decrease in accounts receivable	912 591	2 119 000
Decrease in accounts payable	(238 405)	(307 890)
	<b>1 540 285</b>	<b>(6 933)</b>