

**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE
MUNICIPALITY OF OTAVI
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2002**

1. INTRODUCTION

The accounts of the Municipality of Otavi for the year ended 30 June 2002 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) as amended. The submission of this report has been considerably delayed due to the inability of the Council to submit financial statements timeously.

The firm PricewaterhouseCoopers has been appointed in terms of Section 26 (2) of the State Finance Act, 1991, to audit the accounts of the Municipality of Otavi 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 as amended except that the financial statements were only submitted to the Auditor-General during February 2004 due to the inability of the Council to finalize them timeously. 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 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

The Accounting Officer of the Municipality is responsible for the preparation of the financial statements and for ensuring the regularity of the financial transactions. 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 audit as carried out by the said firm, included:

- (a) examination on a test basis of the evidence relevant to the amounts, disclosure and regularity of financial transactions included in the financial statements;
- (b) assessment of the significant estimates and judgements made by the Accounting Officer of the Municipality in the preparation of the financial statements and of whether the accounting policies are appropriate to the Council's circumstances, consistently applied and adequately disclosed; and
- (c) evaluation of the overall adequacy of the presentation of information in the financial statements.

The audit was planned and performed so as to obtain all the information and explanations considered necessary to provide sufficient evidence to give reasonable assurance that:

- the financial statements are free from material misstatement, whether caused by error, fraud or other irregularity;
- in all material respects, the expenditure and income have been applied to the purposes intended; and
- the financial transactions conform to the authorities which govern them.

4. AUDIT OBSERVATIONS AND COMMENTS

4.1 Accounting and internal control weaknesses

Yet again it has to be reported that proper financial records were not maintained during the year under review. The general ledger was only signed about 20 months after year-end. No budget, as required by Section 83(1), could be provided to the auditors and therefore Section 84 of the Act was also breached. The auditors could therefore not confirm that all financial transactions were made for the purpose intended. Financial information was not available on a monthly basis for control purposes. The auditors were unable to place reliance on internal controls, which are discussed in detail in the formal and informal report. Cash expenses were not appropriately recorded.

4.2 Fire during the year

A fire that occurred during May 2003 has destroyed the Municipal building and other assets in the building along with most of the accounting and supporting documentation for the year under review. This has caused that the auditors were unable to support transactions with source documentation. The total value of the assets destroyed is N\$ 760 000. Due to afore-mentioned the following information could not be obtained for disclosure in this report:

- Services debtors (refer paragraph 4.3)
- Loan repayments (refer paragraph 4.5)
- Current bank account (refer paragraph 7)
- Loans (refer paragraph 24)
- Sale of erven (refer paragraph 25)

4.3 Services debtors

Receipts are allocated directly to the current period when received, with the result that no accurate ageing could be obtained.

As reported in the previous report, the ambulance, fire brigade and street subsidies outstanding since 1988 appear to be doubtful. Detail on the percentage and value of service debtors outstanding for more than 90 days could not be obtained due to the fire (refer paragraph 4.2).

4.4 Temporary advances

Temporary advances amounting to N\$ 1 740 667 (2001: N\$ 1 506 313) were made from the several Fund accounts to supplement revenue due to a lack of adequate cash resources available. The Municipality operates on a continuous negative cash flow and is therefore dependent on advances from Government, bank and creditors.

4.5 Loan repayments

The balance of the external loan repayments to the Government of Namibia which were in arrears could not be obtained due to the fire (refer paragraph 4.2).

4.6 Creditors

In general, creditors are 8 months (2001: 6 months) in arrear with N\$ 963 285 (2001: N\$ 967 511) and N\$ 736 083 (2001: N\$ 87 138) being owed to NamPower and NamWater respectively.

4.7 Staff leave

The auditors were unable to obtain a detailed list of staff leave outstanding at year-end and it was not possible to obtain the necessary information from the staff records. As such the adequacy of the provision for leave pay could not be confirmed.

4.8 Unspent monies

During the prior year the Municipality received a loan of N\$ 1 200 000 for general services of which N\$ 153 756 (2001: N\$ 141 106) was used on such general services. The balance of N\$ 1 046 244 (2001: N\$ 1 058 894) was unspent at year-end.

4.9 Cash-flow

The auditors are of the opinion that the cash-flow of the Municipality could have been dealt with more economically.

The bank-overdraft at the bank increased with N\$ 27 257 from N\$ 164 958 to N\$ 192 215. On the other hand the total investments increased from N\$ 753 331 to N\$ 1 029 883 which is an increase of N\$ 276 552.

The auditors are further of the opinion that the short-term investments could have been utilized to maintain a favourable bank balance. The reason is that interest received on short-term investments is less than the interest paid on an over-draft.

However, total cash resources and investments amounted to only N\$ 765 075 (2001: N\$ 629 260). In practice this means that money allocated to capital projects has been used to finance the operating budget.

5. ACKNOWLEDGEMENT

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

6. FINANCIAL RESULTS

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

	Revenue	Expenditure	Surplus / (Deficit)	Balance
	N\$	N\$	N\$	N\$
Accumulated surplus 01/07/2001				72 943
General accounts				
Non-profitable	1 581 065	2 761 535	(1 180 470)	
Self-supporting	424 526	647 896	(223 370)	
Trade accounts				
Electricity	92 967	-	92 967	
Water	1 152 826	1 387 037	(234 211)	
Sub-total	3 251 384	4 796 468	(1 545 084)	
Total deficit for the year				(1 545 084)
Prior year adjustment detailed in note 9 to the financial statements				(18 700)
Accumulated deficit as at 30 June 2002				(1 490 841)

7. CURRENT BANK ACCOUNT

The 30 June 2002 bank reconciliation reflected an unfavourable bank statement balance of N\$ 192 215 (2001: N\$ 164 958) for the operational account, whereas the unfavourable cash book balance amounted to N\$ 264 815 (2001: N\$ 124 103). Due to the fire, the total outstanding cheques and deposits at year-end could not be obtained (refer paragraph 4.2).

8. INVESTMENTS AND INTEREST PROCEEDS

On 30 June 2002 there was N\$ 1 029 883 (2001: N\$ 753 331) invested at financial institutions. Total interest earned for the year was N\$ 33 034 (2001: N\$ 27 116).

	2002		2001	
	Investment	Interest	Investment	Interest
Building Society		-	200 000	24 000
Fedsure Insurance Namibia*	500 000	-	500 000	-
Commercial Banks	529 883	33 033	53 331	3 116
	1 029 883	33 033	753 331	27 116

* When finalizing this report, the market value of this investment was approximately N\$ 378 894. Included in this amount is a loan debt of N\$ 15 866. The investments are therefore over-stated by N\$ 121 106. Taking into consideration that the original capital investment of N\$ 500 000 which was made on 1 January 2000, the investment had a negative growth of N\$ 136 972. This calculation includes the loan that was made against the investment which will mature on 31 December 2005.

The negative cash-flow of the Municipality results therein that the Council is currently not in a position to do long-term investments. Afore-mentioned is also evident in the fact that Funds as created by Section 80(4) of the Act that were specifically ear-marked for a purpose as explained in annexure D of this report, are used for day-to-day administrative expenses. (See also paragraph 4.9.)

The investments and interest received were allocated to various Funds as follows:

Allocation	2002		2001	
	Investment	Interest	Investment	Interest
	N\$	N\$	N\$	N\$
Housing Fund	469 070	4 116	149 753	4 241
Renewal Fund	-	10 893	-	9 521
Capital Reserve Fund	83 844	7 386	240 181	5 797
Endowment Fund	-	620	-	564
Fixed Property Fund	476 969	9 988	363 397	6 993
	1 029 883	33 003	753 331	27 116

Allocation of interest earned was calculated on the balances of investments and on temporary advances to revenue at the beginning of the financial year.

According to a statement received from the local Standard Bank at Otavi, the bank holds a cheque account with a favourable balance of N\$ 13 542 (2001: N\$ 13 115) on behalf of the Council. These funds are not recorded in the financial statements of the Council. The Council is yet again requested to forward clarification details to the Office of the Auditor-General.

9. FUND ACCOUNTS

The position of the Fund Accounts at year-end was as shown in note 2 in Annexure D. Temporary advances to revenue amounting to N\$ 1 740 667 (2001: N\$ 1 506 313) were made to finance the operating expenses.

10. TRADE ACCOUNTS

10.1 The results of operations were as follows:

	Electricity		Water	
	2002	2001	2002	2001
	N\$	N\$	N\$	N\$
Sales	92 967	351 487	1 152 826	784 622
Cost of sales	-	-	(1 099 240)	(735 941)
Gross profit	92 967	351 487	53 586	48 681
Net expenditure	-	(14 191)	(287 797)	(615 754)
Net surplus / (deficit)	92 967	337 296	(234 211)	664 435
Gross profit % on cost of sales			4,9%	6,6%
Net profit % on cost of sales			(21%)	(90,3%)

As predicted in the previous report the water account did close with a deficit because the Government did not contribute toward this account as was the case in the previous report.

Electricity services have been privatized and the revenue consists of N\$ 90 129 for royalties and N\$ 2 839 for administrative fees.

10.2 Distribution losses

As also reported in the previous report, the Municipality was once again unable to calculate the units sold as the necessary records were not available due to the fire.

11. SELF SUPPORTING SERVICES

The net results for the financial year ending 30 June 2002 were as follows:

	2002	2001
	N\$	N\$
Caravan park	(19 478)	(14 722)
Sanitation	(203 892)	(231 599)
Deficit	(223 370)	(246 321)

The reason for the negative results is mainly due to ever-increasing costs with no related increase in tariffs.

Tariffs should be reviewed and amended on an annual basis. No activity occurred at the abattoir during the year under review. It was also noted that gross income from letting of bungalows amounted to only N\$ 5 253 (2001: N\$ 10 065) while no staff expenses were recorded during the year (2001: N\$ nil) for the caravan department.

12. FRUITLESS, UNAUTHORISED OR AVOIDABLE EXPENDITURE

No documentation to verify the income statement items could be obtained by the auditors. A review of daily receipts and the subsequent deposits revealed that they hardly ever agree. The investigation revealed that due to the limited banking facilities, cash was used to pay accounts. Appropriate records were not kept of these cash expenses.

This situation holds a serious risk for the Municipality, as cash could easily be misappropriated, but due to the fire it is impossible to prove this possibility.

13. SUSPENSE ACCOUNTS

No such accounts existed during the year under review.

14. IRREGULARITIES AND LOSSES

A material loss could have been incurred due to the facts mentioned in paragraph 12 but again it can not be proven.

15. CAPITAL PROJECTS

During the current year capital expenditure amounted to N\$ 100 132 (2001: N\$ 460 133).

These expenses were financed as follows:

	Revenue	External loans	General Capital
	N\$	N\$	N\$
General administration	41 303		
Sanitation		12 650	
Water			*46 178
	41 303	12 650	46 178

* The source of financing could not be confirmed because the relevant documentation was destroyed by the fire.

16. BURSARIES

The auditors were informed that no bursaries were granted during the year.

17. CONTRIBUTIONS, GRANTS AND FINANCIAL AID

The auditors were informed that there were no contributions or grants made or financial aid rendered by the Local Authority.

18. COMPENSATION PAYMENTS

The auditors were informed that no compensation payments were made during the year.

19. VISITS TO FOREIGN COUNTRIES

The auditors were informed that no expenditure was incurred on visits to other countries.

20. CLAIMS AGAINST THE LOCAL AUTHORITY

Otavi fountain

The owner of the farm on which the Otavi fountain is situated filed a claim against the Municipality for a servitude registered in favour of the Local Authority of Otavi whereby the Municipality has a right to 12.5% of the water yield from the Otavi fountain. The claim has gone to the Appeal Court during 1986 which ruled in favour of the Municipality's 12,5% utilisation.

Since then an additional claim has been filed concerning the validity of the servitude and at the time of writing this report the case was still pending.

According to information obtained, the cost to defend this right already exceeds N\$ 1,5 million over the duration of this dispute which has carried on for over 27 years.

As mentioned in all previous reports, since independence, it is again recommended that the Department of Water Affairs intervenes in this case in terms of Article 100 of the Namibian Constitution, and by that regulates the utilisation of the fountain water in terms of the Water Act to end these futile money-absorbing court cases.

21. GIFTS/DONATIONS BY THE LOCAL AUTHORITY

The auditors were informed that there were no gifts/donations made by or received by the local Authority.

22. TRANSFER OF PROPERTY TO / FROM GOVERNMENT

The auditors were informed that no property was transferred to or from the Government.

23. DEBTORS/CREDITORS

23.1 Debtors at 30 June 2002 were:

	2002	2001
	N\$	N\$
Consumers	3 512 066	2 859 176
General	48 721	48 720
Provision for bad and doubtful debts	3 560 787 (250 000)	2 907 896 (250 000)
Subsidy debtors	3 310 787 851 391	2 657 896 1 403 680
	4 162 178	4 061 576

As also reported previously, the receipts from debtors are allocated directly to the current period when received, with the result that accurate ageing could not be obtained.

Potential bad and doubtful debts could also not be determined due to above reason.

The ambulance, fire brigade and street subsidies are outstanding since 1988. Council should take this matter up with the Ministry of Regional and Local Government and Housing in order to collect these subsidies.

Drastic measures will have to be introduced by the Municipality if they are to collect overdue accounts to recover from the current serious negative cash-flow crisis. The effect of an ever-increasing cash flow crisis can clearly be seen with creditors increasing from N\$ 795 614 in 1998 to N\$ 3 555 941 in 2002. Creditors are now in average eight months outstanding.

23.2 Creditors at 30 June 2002 were:

	2002	2001
	N\$	N\$
Trade creditors & External loan repayments in arrear	3 057 364	1 894 594
Provision for audit fees	158 451	128 451
Provision for staff leave	320 748	227 794
Long-term liabilities: Short-term portion	19 378	17 900
	3 555 941	2 268 739

The audit fees payable to this Office amount to N\$ 117 171. An amount of N\$ 17 390 has been paid for the 1996/97 financial year on 26 March 2003. The provision for audit fees as at 30 June 2002 is overstated by N\$ 41 280.

The Municipality was unable to supply the auditors with a detailed list of staff leave outstanding at year-end and it was not possible to extract the necessary information from the salary records.

External loan repayments to the value of N\$ 17 778 (2001: N\$ 16 100) were made to the Government of Namibia during the current year.

As mentioned in paragraphs 12 and 31 (in general) no documentation could be found to substantiate expenses which leaves doubt that the trade creditors as reported above are complete and accurate.

Due to the fire a split between trade creditors and external loan repayments in arrear could not be obtained from the Council.

24. ASSESSMENT RATES

Net proceeds from assessment rates were N\$ 509 356 (2001: N\$ 509 420). The tariffs for private and business property were N\$ 0,0733 (2001: N\$ 0,0605) per dollar per half year of the site valuation plus N\$ 0,0148 (2001: N\$ 0,0121) per dollar per half year of the improvement valuation.

Although the tariffs showed an increase from 2001 to 2002, the net proceeds showed a decrease which is an indication that the assessment rates received could be incomplete.

25. LOANS

25.1 External capital loans

On 30 June 2002 the Council owed the Government of Namibia an amount of N\$ 2 423 163 (2001: N\$ 2 441 294), which was made up as follows:

	2002	2001
	N\$	N\$
Capital loans	2 368 171	2 385 949
Revenue loans	20 168	20 521
Housing Fund loans	34 824	34 824
	2 423 163	2 441 294

The redemption of loans agreed with the actuarial tables, except for housing loans, which were not redeemed during the year. Loan assets were capitalised. No assets were sold or written off before the loan was fully redeemed. Loan funds were not used for the purpose for which they were requested. Unspent loan moneys at year-end amounted to N\$ 1 046 244 (2001: N\$ 1 058 894). Total cash resources and investments amounted to only N\$ 765 075 (2001: N\$ 629 260), which means in effect that the money received from the Government of Namibia for the upgrading of general services and sanitation were used to finance the operating budget.

External loan repayments payable to the Government could not be obtained due to the fire (refer to paragraph 4.2).

25.2 Internal loans

On 30 June 2002 an amount of N\$ 879 452 (2001: N\$ 912 183) was outstanding in respect of internal loans made from the following Funds:

	2002	2001
	N\$	N\$
Fixed Property Fund	471 369	487 234
Capital Reserve Fund	269 613	282 228
Renewal Fund	138 470	142 721
	879 452	912 183

All loans were approved and assets purchased were capitalised. Redemption of loans agreed with the actuarial tables.

25.3 Housing loans

	2002	2001
	N\$	N\$
Balance due to: The Government of Namibia	34 824	34 824
Balance due by: Residents of Otavi	316 166	179 264

No redemption payments were made for housing loans due to the Government of Namibia.

26. SALE OF ERVEN

The amount received for properties sold could not be obtained when finalizing this report due to the fire. The proceeds were allocated to the Fixed Property Fund. A detailed list of erven sold could not be obtained.

A list totalling the amount transferred to creditors could not be obtained due to the fire.

27. ERVEN SOLD ON AN INSTALLMENT BASIS

The auditors were informed that no properties were sold on an installment basis.

28. TARIFF ADJUSTMENTS

The auditors were unable to determine if all tariff adjustments were in accordance with the relevant Official Government Notices, as no copy of such notice could be made available. Council should provide the necessary details to this Office.

29. APPROVALS

29.1 Over-expenditure on approved budget posts

An approved budget could not be obtained.

29.2 Revenue written off

The auditors were informed that no revenue was written off during the year under review.

29.3 Internal loans

No internal loans were made during the year.

30. STOCK AND EQUIPMENT

30.1 Stock

The Council does not disclose any stock in their financial records. The Council does however have a certain amount of municipal inventory on hand. The value thereof could not be confirmed by the auditors as no records are kept thereof.

30.2 Motor vehicles

Motor vehicles and their values were:

	Sedan vehicles		LDV's and Combi's		Heavy vehicles (Lorries and busses)	
	Number	Value	Number	Value	Number	Value
On hand: 01/07/2001	1	N\$ 78 893	5	N\$ 2 000	10	N\$ 328 346
Acquisitions during the year	-	-	-	-	-	-
	1	78 893	5	2 000	10	328 346
Less: Withdrawal from service	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-
On hand as at 30 June 2002	1	78 893	5	2 000	10	328 346

The opening balance as well as the value regarding the heavy vehicles does not agree with the closing balance of the previous year. The auditors could not determine the reasons of the difference due to the fire. Depreciation has not been calculated as stipulated in the accounting policies of the Council. (See paragraph 1.1 of Annexure D.)

31. SPECIAL INVESTIGATIONS

No special investigations were performed during the financial year.

32. GENERAL

As reported in the previous year the accounting and internal controls are unsatisfactory and the auditors were unable to place any reliance on them. The general ledger was not kept up to date and there were no budgeting controls. There are signs of a total accounting breakdown and a serious effort should be made to utilise the computer system to its full potential and to ensure that the general accounting is maintained on a monthly basis.

33. INFORMAL REPORT

The informal query report includes the following items:

- Previous year informal report
- Financial state of affairs
- Fixed asset register
- Employee contracts
- Union fees
- PAYE
- Documents destroyed in fire
- Audit fees
- Build Together Housing Programme
- Provision for doubtful debts
- Subsidies receivable
- Temporary advances
- Internal and external loans

34. QUALIFIED AUDIT OPINION

As stated in paragraph 4.2 of this report, a fire at the municipality's main building destroyed many of the accounting records.

Under these circumstances, the auditors have been unable to carry out all the auditing procedures, or obtain all the information and explanations they considered necessary, or to satisfy themselves that proper accounting records have been kept.

Disclaimer of audit opinion

Because of the significance of the matters discussed in the preceding paragraphs, I do not express an opinion on the financial statements.

WINDHOEK, June 2004

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

ANNEXURE A

MUNICIPALITY OF OTAVI

BALANCE SHEET at 30 June 2001

	Notes	2002 N\$	2001 N\$
ASSETS			
Non-current assets			
Fixed assets	4	5 409 555	4 895 968
Investments	5	4 063 506	3 963 373
Loans	6	1 029 883	753 331
		316 166	179 264
Current assets			
Accounts receivable	7	4 162 184	4 061 607
Cash on hand		4 162 177	4 061 576
		7	31
		9 571 739	8 957 575
EQUITY AND LIABILITIES			
Funds	2	3 256 385	4 054 452
Loans	3	2 494 599	2 510 283
Current liabilities			
Accounts payable	8	3 820 755	2 392 840
Bank overdraft		3 555 941	2 268 738
		264 814	124 102
		9 571 739	8 957 575

ANNEXURE B

MUNICIPALITY OF OTAVI

INCOME STATEMENT for the year ended 30 June

	<u>Notes</u>	<u>2002</u>	<u>2001</u>
		N\$	N\$
Income		3 218 351	4 341 760
Expenditure		<u>(4 796 468)</u>	<u>(4 527 341)</u>
Net loss for the year before interest or investments		(1 578 117)	(185 581)
Interest on investments		<u>33 033</u>	<u>27 116</u>
		(1 545 084)	(158 465)
Prior year adjustments	9	(18 700)	1 025 252
Accumulated surplus/(loss) at beginning of the year		<u>72 943</u>	<u>(793 845)</u>
(Accumulated loss) / surplus at the end of the year	2.1	<u>(1 490 841)</u>	<u>72 942</u>

ANNEXURE C

MUNICIPALITY OF OTAVI

CASH FLOW STATEMENT for the year ended 30 June

	<u>Note</u>	<u>2002</u>	<u>2001</u>
		N\$	N\$
Net loss for the year		(1 545 084)	(158 465)
Movement in working capital	10	<u>1 186 602</u>	<u>(1 313 896)</u>
Cash utilised in operating activities		(358 482)	(1 472 361)
Investment in future operations		494 298	1 994 868
Capital expenditure		(100 132)	(460 132)
Movement in own Funds		747 016	1 289 946
Long-term liabilities (repaid) / raised		(15 684)	1 191 382
Increase in loans owed to the Municipality		(136 902)	(26 328)
CASH REQUIREMENT		<u>135 816</u>	<u>522 207</u>
Cash effect of financing activities:			
Increase in fund investments		(276 552)	(483 775)
Decrease / (increase) in cash resources		<u>140 736</u>	<u>(38 432)</u>
CASH GENERATED		<u>(135 816)</u>	<u>(522 207)</u>

MUNICIPALITY OF OTAVI**NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June**

1. ACCOUNTING POLICIES

The financial statements are 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 Fixed assets

Fixed assets are stated at cost or at valuation where assets have been acquired by grant or by donation, less depreciation. Fixed assets acquired with loan funds are not depreciated until the loan is repaid unless the expected life time of the asset is less than the repayment period of the loan, in which case depreciation is calculated on the shortfall. Depreciation on other assets is written off over their expected useful lives as determined by the Council from time to time.

1.2 Internal Funds

The Municipality has created the following Funds in compliance with Section 80(4) of the Local Authorities Act, 1992 as amended:

Endowment Fund

The purpose of this Fund is to provide for the future sub-division of erven. Income is derived from endowments received from owners who divide their land and from interest on investments.

Capital Reserve Fund

The purpose of this Fund is to build up a general capital reserve to ensure that the Municipality's financial position is stable. Income to this Fund is transferred from the revenue account.

Fixed Property Fund

Proceeds on the sale of property developed by the Municipality accumulate in this Fund. Costs incurred in the development of new townships are charged to this account.

Renewal Fund

The purpose of this Fund is to provide for future replacement for assets and for additional depreciation on assets which have permanently decreased in value. Income to this account is transferred from the general income account.

Housing Fund

The Housing Fund was established in terms of Section 58 of the Local Authorities Act, 1992 as amended. The purpose of this Fund is to provide housing loans.

Revenue Account

This account is regulated by Section 86(1)(b) of the Local Authorities Act of 1992 as amended. All monies received, accrued to and expenses paid by the Local Authority, except for allocation to other Funds created by the Municipality, are reflected in this account.

ANNEXURE D

MUNICIPALITY OF OTAVI

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June (continued)

	2002	2001
	N\$	N\$
2. OWN FUNDS		
2.1 Internal Funds	1 394 258	2 330 314
Fixed Property Fund	948 338	850 631
Capital Reserve Fund	590 129	550 961
Endowment Fund	23 710	22 537
Renewal Fund	572 511	539 050
Housing Fund	750 411	294 192
Revenue Account	(1 490 841)	72 943
2.2 Fixed Assets related Funds	1 862 127	1 724 138
Loans redeemed	272 872	284 484
Contributions from revenue	1 275 197	1 171 774
General capital	314 058	267 880
Total Funds	3 256 385	4 054 452
3. LONG-TERM LIABILITIES		
3.1 The Government of Namibia		
Loans with interest rates:		
- up to 5%	1 245 001	1 250 043
- 5% to 10%	182 357	188 710
- 10% to 15%	995 806	1 002 542
	2 423 164	2 441 295
3.2 Deposits held	90 813	86 888
	2 513 977	2 528 183
Less: Capital portion repayable in one year transferred to current liabilities	(19 378)	(17 900)
	2 494 599	2 510 283

ANNEXURE D

MUNICIPALITY OF OTAVI

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June (continued)

	2002	2001
	N\$	N\$
4. FIXED ASSETS		
Infrastructure	3 654 267	1 920 248
Buildings (Bonded, see note 6)	-	1 134 078
Vehicles	409 239	341 292
Plant and equipment	-	567 755
Net Book Value	4 063 506	3 963 373
5. INVESTMENTS		
Fixed deposits and money on call with various financial institutions		
5 year fixed deposit	500 000	500 000
32 days Call	326 360	53 331
180 days Call	203 523	200 000
	1 029 883	753 331
6. LOANS		
Secured by a first bond over fixed property (See note 4)	316 166	179 264
The loans are repayable over 31 years and bear interest at the rate of 4.5% per annum.		
7. ACCOUNTS RECEIVABLE		
Consumers	3 512 065	2 859 176
General and subsidies	900 112	1 452 400
Provision for bad and doubtful debts	(250 000)	(250 000)
	4 162 177	4 061 576
8. ACCOUNTS PAYABLE		
Trading	3 057 364	1 894 594
Other	498 577	374 444
	3 555 941	2 268 738

ANNEXURE D

MUNICIPALITY OF OTAVI

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June (continued)

	<u>2002</u>	<u>2001</u>
	N\$	N\$
9. PRIOR YEAR ADJUSTMENTS		
Prior year adjustments	(18 700)	(36 820)
Prior year adjustments	-	389 794
Redemption loan	-	(1 871)
Insurance claim	-	237 500
Underprovision - Subsidy receivable	-	436 649
	<u>(18 700)</u>	<u>1 025 252</u>
10. MOVEMENT IN WORKING CAPITAL		
Increase in accounts receivable	(100 601)	(464 1586)
Increase / (decrease) in accounts payable	1 287 203	(849 740)
	<u>1 186 602</u>	<u>(1 313 896)</u>