



REPUBLIC OF NAMIBIA



REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE

# MUNICIPALITY OF OTJIWARONGO

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 Otjiwarongo 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, November 2011**

**JUNIAS ETUNA KANDJEKE  
AUDITOR-GENERAL**

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

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**1. INTRODUCTION**

The accounts of the Municipality of Otjiwarongo 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 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. 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 30 June 2011, Annexure A, is a true reflection of the original.

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 Bad and doubtful debts

The average collection period of trade receivables, before taking the provision for bad debts into account, is 241 days (2010: 230 days). The average collection period of trade receivables, after taking the provision for bad debts into account, is 197 days. Based on an average collection period of 60 days, the auditors are of the opinion that the debtors provision is understated by at least N\$ 14 588 931 (2010: N\$ 10 896 906).

##### 4.2 Inventories

The auditors did not observe the counting of inventories on 30 June 2011, as they were not appointed at that time. There were no alternative practical audit procedures that the auditors could perform to confirm the existence and value of inventories on hand at year-end.

#### 5. ACKNOWLEDGEMENT

The assistance and co-operation by the staff of the Municipality of Otjiwarongo 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 surplus 01/07/2010				25 318 048
General accounts				
- Non-profitable	16 052 170	33 389 424	(17 337 254)	
- Self-supporting	10 022 464	6 323 585	3 698 879	
Trade accounts				
- Water	18 891 244	12 627 623	6 263 621	
- Electricity	7 024 548	43 313	6 981 235	
Surplus for the year	51 990 426	52 383 945	(393 519)	(393 519)
Adjustments and utilisations (See Note 12, Annexure D)				24 924 529
Accumulated surplus 30/06/2011				*(1 406 381)
				<b>23 518 148</b>

\* It was noticed that material adjustments of N\$ 1 649 636 was passed in the appropriation statement only indicating "adjustment – expenditure". This Office is of the opinion that adjustments of this nature should be broken down into smaller detail.

#### 7. CURRENT BANK ACCOUNT

	2011	2010
	N\$	N\$
Favourable/(unfavourable) cash-book balance on 30 June	16 481	536 891
Unexplained difference	*(1 557)	-
Items not recorded in cash-book	-	23 877
Outstanding cheques	566 875	296 020
Bank balance at 30 June	<b>581 799</b>	<b>856 788</b>

\* The unexplained difference should be investigated and cleared.

## 8. INVESTMENTS AND INTEREST PROCEEDS

On 30 June the investments were as follows:

	2011	2010
	N\$	N\$
Insurance companies	2 796 053	2 647 501
Commercial banks	15 728 369	12 652 693
CENORED (Pty) Ltd	40 518 805	40 518 805
	<b>59 043 227</b>	<b>55 818 999</b>

The investments were allocated as follows between the Funds:

	2011		2010	
	Interest	Investment	Interest	Investment
	N\$	N\$	N\$	N\$
Fixed Property Fund	188 058	3 704 884	227 119	3 060 039
Capital Reserve Fund	88 752	1 748 706	81 720	1 101 033
Betterment Fund	94 017	1 852 905	113 560	1 530 019
Capital Development Fund	498 292	9 817 944	601 866	8 109 103
Build Together Fund	71 054	1 399 983	111 332	1 500 000
Revenue - Cenored	-	40 518 805	-	40 518 805
	<b>940 173</b>	<b>59 043 227</b>	<b>1 135 597</b>	<b>55 818 999</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 operations were as follows:

	Electricity		Water	
	2011	2010	2011	2010
	N\$	N\$	N\$	N\$
Royalty/Sales	7 024 548	7 024 548	18 662 224	17 001 067
Cost of bulk purchases	-	-	(9 423 213)	(8 932 377)
Gross profit	7 024 548	7 024 548	9 239 011	8 068 690
Net expenditure	(43 313)	(43 313)	(2 975 390)	(2 884 968)
<b>Net surplus</b>	<b>6 981 235</b>	<b>6 981 235</b>	<b>6 263 621</b>	<b>5 183 722</b>
Gross profit percentages on cost of bulk purchases	N/A	N/A	98.0%	90.3%
Net profit percentage on cost of bulk purchases	N/A	N/A	66.5%	58.0%

**10.2 Distribution results were as follows:**

	<b>Water</b>	
	<b>2011</b>	<b>2010</b>
	m <sup>3</sup>	m <sup>3</sup>
Sales	1 167 511	1 162 715
Purchases	1 272 355	1 315 642
Loss	<b>(104 844)</b>	<b>(152 927)</b>
Percentage loss in units purchased	(8.2%)	(1.6%)

**11. SELF-SUPPORTING SERVICES**

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

<b>Self-supporting</b>	<b>2011</b>	<b>2011</b>	<b>2011</b>	<b>2010</b>
	<b>Revenue</b>	<b>Expenditure</b>	<b>Total</b>	<b>Total</b>
	N\$	N\$	N\$	N\$
Sanitation	6 512 027	4 416 962	2 095 065	1 526 139
Sewerage	3 510 437	1 906 623	1 603 814	1 577 387
Surplus for the year	<b>10 022 464</b>	<b>6 323 585</b>	<b>3 698 879</b>	<b>3 103 526</b>

**12. FRUITLESS, UNAUTHORIZED OR AVOIDABLE EXPENDITURE**

No fruitless, unauthorized or avoidable expenditure was incurred during the year under review.

**13. SUSPENSE ACCOUNTS**

These accounts are properly maintained, controlled and reconciled on a regular basis.

**14. IRREGULARITIES AND LOSSES**

No irregularities and losses took place during the year under review.

**15. CAPITAL PROJECTS**

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

<b>Nature of projects/acquisitions</b>	<b>Financed by</b>	<b>Total expenditure 2011</b>	<b>Total expenditure 2010</b>
	<b>Revenue account</b>		
	N\$	N\$	N\$
Emergency services	-	-	14 562
Town planning	1 126 545	1 126 545	839 550
Public buildings	-	-	228 889
Roads and street works	284 179	284 179	1 338 578
Finance, admin and IT	577 132	577 132	257 424
Water	196 108	196 108	1 026 689
Sanitation	-	-	2 156 310
Workshop	-	-	96 764
Traffic	72 424	72 424	215 017
	<b>2 256 388</b>	<b>2 256 388</b>	<b>6 173 783</b>

**16. BURSARIES**

There were no bursaries granted for the year under review.

## 17. CONTRIBUTIONS, GRANTS AND FINANCIAL AID RECEIVED FROM GOVERNMENT

No contributions, grants or financial aid were granted during the year under review.

## 18. COMPENSATION PAYMENTS

There were no compensation payments.

## 19. VISITS TO FOREIGN COUNTRIES

The Mayor and the Chief Executive Officer undertook a trip to Ensisheim, France at a total cost of N\$ 27 750 to sign a twinning agreement.

## 20. CLAIMS AGAINST THE LOCAL AUTHORITY

There were no claims against the Local Authority.

## 21. GIFTS/DONATIONS BY THE LOCAL AUTHORITY

### 21.1 GIFTS BY THE LOCAL AUTHORITY

There were no gifts granted by the Local Authority.

### 21.2 DONATIONS BY THE LOCAL AUTHORITY

	<b>2011</b>
	N\$
E. Bedeker - Best academic achiever	2 000
Karundu Primary School	1 000
	<b>3 000</b>

## 22. TRANSFER OF PROPERTY

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

22.2 There was no transfer of property by the Local Authority to others.

## 23. TRADE AND OTHER RECEIVABLES/PAYABLES

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

	<b>2011</b>	<b>2010</b>
	N\$	N\$
Trade receivables	25 617 523	20 922 086
Value added tax	289 067	945 025
Sundry debtors	637 082	231 143
Provision for bad debts	(4 652 286)	(4 574 834)
<b>Total</b>	<b>21 891 386</b>	<b>17 523 420</b>
<b>Analyses of services and general debtors:</b>		
Average monthly levy	3 232 432	2 763 022
Rates and service debtors	25 617 523	20 922 086
Average credit terms in days - Before provision for bad debts	241	230
Average credit terms in days - After provision for bad debts	197	180
Consumer deposits	1 221 892	1 170 653

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

	<b>2011</b>	<b>2010</b>
	N\$	N\$
Trade creditors	1 176 903	1 023 357
Provision for audit fees	110 000	110 000
Provision for staff leave - Salary Reserve Fund	2 501 422	2 131 252
Sundry creditors	648 016	32 224
<b>Totals</b>	<b>4 436 341</b>	<b>3 296 833</b>

## 24. ASSESSMENT RATES

Proceeds from assessment rates were N\$ 11 803 758 (2010: N\$9 254 233). The tariffs private and business properties during the year were N\$0.072 (2010: N\$ 0.069) per dollar per year on the site valuations plus N\$ 0.0884 (2010: N\$ 0.085) per dollar per year on the valuation of improvements.

## 25. LOANS

### 25.1 External loans

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

	<b>2011</b>	<b>2010</b>
	N\$	N\$
Capital section	2 539 507	2 614 244
	<b>2 539 507</b>	<b>2 614 244</b>

The balances as detailed above correspond to the balances per actuarial tables.

### 25.2 Internal loan balances

Internal loans as at 30 June 2011, being N\$ 20 381 139 (2010: N\$ 22 029 034), are not disclosed in the abridged balance sheet. There were no new internal loans advanced during the year under review.

### 25.3 Loans written off

No loans were written off during the year.

### 25.4 Loans due to the municipality

On 30 June, the amounts outstanding in respect of loans made from the following Funds were as follows:

	<b>2011</b>	<b>2010</b>
	N\$	N\$
Ervin Trust Fund	3 406 820	1 649 095
Single Quarter Housing Scheme	3 628 350	3 918 595
Build Together	6 800 308	8 650 911
Personnel Housing Scheme	1 030 448	1 129 008
Other	750 559	1 068 181
	<b>15 616 485</b>	<b>16 415 790</b>

## 26. SALE OF ERVEN

During the current financial year erven to the value of N\$ 192 883 (2010: N\$ 202 120) were sold. The proceeds were allocated to the Fixed Property Fund.



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

No property was sold on an instalment basis during the year.

## 28. TARIFF ADJUSTMENTS

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

## 29. APPROVALS

All necessary approvals were obtained.

## 30. INVENTORY AND EQUIPMENT

### 30.1 Motor vehicle and values thereof:

	Sedan vehicles		LDV's and Combi's		Heavy duty vehicles (Lorries and busses)	
	No	N\$	No	N\$	No	N\$
On hand as at 01/07/2010	10	473 288	25	553 603	34	1 495 412
Acquisitions during the year	1	135 700	-	-	-	-
	11	608 988	25	553 603	34	1 495 412
Less: Depreciation	-	(66 571)	-	(62 000)	-	(174 920)
On hand 30/06/2011	<b>11</b>	<b>542 417</b>	<b>25</b>	<b>491 603</b>	<b>34</b>	<b>1 320 492</b>

### 30.2 Inventory

As at the end of the financial year, stock comprising fuel and lubricants amounted to N\$ 59 211 (2010: N\$1 229 147). Administrative and control measures were effectively applied, with all other items of stock directly expensed to the income statement once incurred.

## 31. SPECIAL INVESTIGATIONS

There were no special investigations carried out during the year.

## 32. GENERAL

There is a sufficient system of internal control at the Municipality. Proper segregation of duties is not possible due to the small number of staff employed. While increased management involvement does not reduce risks, it causes the risk that management and the Council could override existing controls, a potentially dangerous practice, which Council should vigilantly guard against.

## 33. FORMAL AND INFORMAL QUERIES

33.1 Formal queries are embodied in this report.

33.2 Informal queries

Deposit on services does not cover one month's service fees.

### **34. QUALIFIED AUDIT OPINION**

The accounts of the Municipality of Otjiwarongo for the financial year end 30 June 2011, summarised in Annexures A to D, were audited by me in terms 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 reason:

#### **Bad and doubtful debts**

Based on an average collection period of 60 days, I am of the opinion that the provision for bad and doubtful debts is understated by at least N\$ 14 588 931.

Except for the effects of any adjustments which might have been necessary as referred to in the preceding paragraph, in my opinion these financial statements fairly present the financial position of the Municipality at 30 June 2011 and the result of its operations and cash flows for the year then ended.

**WINDHOEK, November 2011**

**JUNIAS ETUNA KANDJEKE  
AUDITOR- GENERAL**

## MUNICIPALITY OF OTJIWARONGO

## BALANCE SHEET AT 30 JUNE

	<b>Notes</b>	<b>2011</b> N\$	<b>2010</b> N\$
<b>ASSETS</b>			
<b>Non-current assets</b>		125 032 700	123 940 062
Property, plant and equipment	2	50 372 988	51 705 273
Investments	3	59 043 227	55 818 999
Loans receivable	4	15 616 485	16 415 790
<b>Current assets</b>		21 972 478	19 294 858
Trade and other receivables	5	21 891 386	17 523 420
Inventories	6	59 211	1 229 147
Cash and bank balances	7	21 881	542 291
<b>TOTAL ASSETS</b>		<b>147 005 178</b>	<b>143 234 920</b>
<b>FUNDS AND LIABILITIES</b>			
<b>Funds and reserves</b>		138 807 438	136 153 190
Capital outlay	8	27 452 342	27 061 995
Funds and accounts	9	111 355 096	109 091 195
<b>Long-term liabilities</b>		3 686 663	3 699 926
Long-term loans	10	2 464 771	2 529 273
Consumer deposits		1 221 892	1 170 653
<b>Current liabilities</b>		4 511 077	3 381 804
Trade and other payables	11	4 436 341	3 296 833
Short-term portion of long-term loans	10	74 736	84 971
<b>TOTAL FUNDS AND LIABILITIES</b>		<b>147 005 178</b>	<b>143 234 920</b>

MUNICIPALITY OF OTJIWARONGO

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE

	Note	2011 N\$	2010 N\$
INCOME		51 990 426	46 257 628
EXPENDITURE		<u>(52 383 945)</u>	<u>(47 805 724)</u>
NET OPERATING DEFICIT		(393 519)	(1 548 096)
APPROPRIATION ACCOUNT	12	<u>(1 406 381)</u>	<u>(1 440 790)</u>
		(1 799 900)	(2 988 886)
ACCUMULATED FUNDS - Beginning of the year		<u>25 318 048</u>	<u>28 306 934</u>
ACCUMULATED FUNDS - End of the year		<u><b>23 518 148</b></u>	<u><b>25 318 048</b></u>

## MUNICIPALITY OF OTJIWARONGO

## CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE

	<u>Note</u>	<u>2011</u>	<u>2010</u>
		N\$	N\$
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Cash receipts from customers		51 990 426	46 257 628
Cash paid to suppliers		(55 848 848)	(52 863 333)
Cash utilised by operations	13	(3 858 422)	(6 605 705)
Movement in Fund accounts			
- Increase in Fund accounts		4 063 801	1 893 848
- Increase in capital outlay		390 347	4 814 699
Net cash flow from operating activities		595 726	102 842
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Net capital expenditure		1 332 285	(349 446)
(Increase)/decrease in investments		(3 224 228)	2 266 290
(Increase)/decrease in loans receivable		799 305	(679 964)
		(1 092 638)	1 236 880
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
(Decrease) in long-term liabilities		(74 737)	(67 402)
Increase in consumer deposits		51 239	105 503
		(23 498)	38 101
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(520 410)	1 377 823
<b>CASH AND CASH EQUIVALENTS</b>			
- BEGINNING OF THE YEAR		542 291	(835 532)
<b>CASH AND CASH EQUIVALENTS</b>			
- END OF THE YEAR		<b>21 881</b>	<b>542 291</b>

## MUNICIPALITY OF OTJIWARONGO

## 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 acquired with loan funds are stated at cost and no depreciation is provided thereon until the loan is fully redeemed. All other items of property, plant and equipment are stated at cost or valuation, and except for fixed property, the cost or valuation of these items of property, plant and equipment is depreciated on the straight line basis over their expected useful lives as follows:

Land and buildings	20 Years
Furniture and equipment	10 Years
Vehicles	5 Years
Tools and equipment	5 Years

**1.3 Internal Funds**

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

**1.3.1 Capital Development Fund**

The purpose of the Fund is to make provision for future capital development projects of the Council. Income is derived from the Revenue Account and donations from Government.

**1.3.2 Renewal Fund**

Its purpose is to provide for replacement of assets and for additional depreciation on assets which abnormally decreased in value. Income for this account is derived from general revenue contributions as well as interest earned on investments.

**1.3.3 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.

**1.3.4 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 general income account.

**1.3.5 Erven Trust Fund**

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

**1.3.6 Fixed Property Fund**

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

## MUNICIPALITY OF OTJIWARONGO

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE  
(continued)**1. ACCOUNTING POLICIES (continued)****1.3.7 Betterment Fund**

The purpose of this Fund is to provide for future improvements of municipal assets. Income to this Fund is transferred from the general income account and a certain part of the proceeds of the sale of land.

**1.3.8 Housing Scheme Fund**

The purpose of this Fund is to provide housing loans to staff. Proceeds of staff houses sold to staff members accumulate in this Fund.

**1.3.9 Housing Fund (Government)**

The purpose of this Fund used to be to provide housing loans to inhabitants as an agent of the Government. Funds are obtained by way of loans granted and interest on investments.

**1.3.10 Single Quarter Housing Scheme**

The purpose of this Fund is to administer money received from the Government of Namibia to finance the building of houses to replace the single quarters.

**1.3.11 Municipal Study Loan Fund**

The purpose of this Fund is to provide capacity building and training of staff.

**1.3.12 Disaster Fund**

The purpose of this Fund is to build up reserves to assist with costs of disasters which may occur at the town.

**1.3.13 Social Upliftment Fund**

The purpose of this Fund is to build up enough reserves for social activities which will involve the town's community.

**1.3.14 Build Together Fund**

The purpose of this Fund is to provide housing loans to the low income group. Income to this Fund is derived from Government contributions, repayments, interest on investments and loans.

**1.3.15 Capacity Building Fund and Marketing Promotion Fund**

No purpose and sources of revenue for these Funds were submitted.

**1.3.16 Salary Reserve Fund**

The main purpose of the Salary Reserve Fund is to provide for all accumulated leave due at year-end 30 June.

## MUNICIPALITY OF OTJIWARONGO

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE  
(continued)**1. ACCOUNTING POLICIES (continued)****1.4 Capital redemption on loans**

Capital redemptions on external and internal loans are charged against income. A similar amount is credited to the Loan Redemption Fund for the duration of the loan. As and when the loan is fully redeemed the Loan Redemption Fund is transferred to the Revenue Contribution.

**1.5 Inventories**

Fuel inventory is valued at cost on the first-in-first-out basis.

	<b>2011</b>	<b>2010</b>
	N\$	N\$
<b>2. PROPERTY, PLANT AND EQUIPMENT</b>		
Loan assets	33 479 108	34 380 142
Income assets	16 893 880	17 325 131
	<b>50 372 988</b>	<b>51 705 273</b>

**3. INVESTMENTS**

## INVESTMENTS

Insurance companies	2 796 053	2 647 501
Commercial banks	15 728 369	12 652 693
CENORED (Pty) Ltd	40 518 805	40 518 805
	<b>59 043 227</b>	<b>55 818 999</b>

## ALLOCATED TO FUNDS

Fixed Property Fund	3 704 884	3 060 039
Capital Reserve Fund	1 748 706	1 101 033
Betterment Fund	1 852 905	1 530 019
Capital Development Fund	9 817 944	8 109 103
Build Together Fund	1 399 983	1 500 000
Revenue	40 518 805	40 518 805
	<b>59 043 227</b>	<b>55 818 999</b>

**4. SECURED LOANS**

Secured by mortgage bonds over fixed property.

Erven Trust Fund	3 406 820	1 649 095
Single Quarter Housing Scheme	3 628 350	3 918 595
Build Together	6 800 308	8 650 911
Personnel Housing Scheme	1 030 448	1 129 008
Other	750 559	1 068 181
	<b>15 616 485</b>	<b>16 415 790</b>



## MUNICIPALITY OF OTJIWARONGO

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

	<b>2011</b>	<b>2010</b>
	N\$	N\$
<b>5. TRADE AND OTHER RECEIVABLES</b>		
Trade receivables	25 617 523	20 922 086
Value added tax	289 067	945 025
Sundry debtors	637 082	231 143
Provision for doubtful debts	(4 652 286)	(4 574 834)
	<b>21 891 386</b>	<b>17 523 420</b>
<b>6. INVENTORY</b>		
Total	<b>59 211</b>	<b>1 229 147</b>
<b>7. CASH AND BANK BALANCES</b>		
Current bank account	16 481	536 891
Petty cash	5 400	5 400
	<b>21 881</b>	<b>542 291</b>
<b>8. CAPITAL OUTLAY</b>		
Loans redeemed	10 558 462	9 736 864
Revenue contributions	16 893 880	17 325 131
	<b>27 452 342</b>	<b>27 061 995</b>
<b>9. FUNDS AND ACCOUNTS</b>		
Fixed Property Fund	7 410 920	7 029 979
Betterment Fund	3 036 963	3 693 281
Capital Reserve Fund	9 134 557	8 772 504
Capital Development Fund	27 556 569	26 396 197
Renewal Fund	2 940 415	3 540 048
Personnel Housing Fund	1 679 917	1 551 803
Erven Trust Fund	19 110 742	15 657 414
Municipal Study Loan Fund	225 381	86 924
Housing Fund (GRN)	1 533 693	1 526 080
Build Together Fund	10 332 982	9 814 255
Build Together - Informal Settlement Fund	-	473 311
Single Quarters Housing Scheme	4 266 678	4 265 143
Social Upliftment Fund	386 367	731 842
Disaster Fund	221 764	221 764
Capacity Building Fund	-	6 421
Marketing and Promotion Fund	-	6 181
Revenue account kept in compliance with Section 86(1) of the Local Authorities Act, 1992.	23 518 148	25 318 048
	<b>111 355 096</b>	<b>109 091 195</b>

## MUNICIPALITY OF OTJIWARONGO

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

	<u>2011</u>	<u>2010</u>
	N\$	N\$
<b>10. LONG-TERM LIABILITIES</b>		
The Government of Namibia		
Capital section	2 539 507	2 614 244
Short-term portion stated as current liabilities	(74 736)	(84 971)
	<b>2 464 771</b>	<b>2 529 273</b>
<b>11. TRADE AND OTHER PAYABLES</b>		
Trade creditors	1 176 903	1 023 357
Provision for audit fees	110 000	110 000
Provision for staff leave	2 501 422	2 131 252
Other payables	648 016	32 224
	<b>4 436 341</b>	<b>3 296 833</b>
<b>12. ADJUSTMENTS TO APPROPRIATION ACCOUNT</b>		
Prior year adjustments	(1 406 381)	(1 440 790)
	<b>(1 406 381)</b>	<b>(1 440 790)</b>
<b>13. CASH UTILISED BY OPERATIONS</b>		
NET OPERATING DEFICIT BEFORE TRANSFERS	(393 519)	(1 548 096)
ADJUSTMENT FOR:		
- Adjustments to appropriation account	(1 406 381)	(1 440 790)
OPERATING DEFICIT BEFORE CHANGES IN WORKING CAPITAL	(1 799 900)	(2 988 886)
CHANGES IN WORKING CAPITAL		
(Increase) in trade and other receivables	(4 367 966)	(1 721 287)
Decrease/(increase) in inventories	1 169 936	(1 229 147)
Increase/(decrease) in trade and other payables	1 139 508	(666 385)
	(2 058 522)	(3 616 819)
CASH UTILISED BY OPERATIONS	<b>(3 858 422)</b>	<b>(6 605 705)</b>