



REPUBLIC OF NAMIBIA



**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE
MUNICIPALITY OF OTJIWARONGO
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014**

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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 2014, 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, August 2015

A handwritten signature in black ink, appearing to read 'Junias Etuna Kandjeke'.

**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 2014**

1. INTRODUCTION

The accounts of the Municipality of Otjiwarongo for the year ended 30 June 2014 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, (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. Deficits are indicated in brackets.

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 letter of representation concerning the financial year is dated 09 February 2015. 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 originals.

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 my 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 judgments made by the Accounting Officer of the Municipality in preparation of the financial statements and whether the accounting policies are appropriate to the Municipality'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 irregularities;
- 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 Bad and doubtful debts

The average collection period of trade receivables, before taking the provision for bad debts into account is 227 days (2013: 231 days). The average collection period of trade receivables, after taking the provision for bad debts into account, is 68 days (2013: 78 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\$ 4 891 116 (2013: N\$ 3 474 124).

The magnitude of these under-provisions, highlight serious concerns on the debt collection controls and measures over these assets of the Municipality. As a result of the above the current valuation of accounts receivables are materially misstated in the annual financial statements.

4.2 Inventories

The auditors did not observe the counting of inventories on 30 June 2014. 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.

4.3 Provision for leave days

Auditors also noted that numerous employees leave days exceeded the threshold of 60 days, and this is in transgression with the Gazetted personnel rules of the municipality that states that vacation days with remuneration in excess of 60 days will be forfeited after a leave cycle.

4.4 Fixed assets

Although fixed assets register was available for the year ended 30 June 2014, it was incomplete. Also some repair expenses were capitalised. Invoices for additions of N\$ 187 600 were not found during the audit time.

4.5 Consumer deposits

	2014	2013
	N\$	N\$
Debt outstanding	33 971 651	32 121 518
Consumer deposits	1 467 417	1 423 511
Percentage of deposits against outstanding debts	4.32%	4.43%

When comparing the consumer deposits to the Municipality's total consumer debts outstanding its evident that the Municipality lacks control over the collection of deposits payable. An overall view, indicate that irrecoverable debts, would not be covered by these deposits.

4.6 Value added tax receivable

The annual financial statements of the Municipality portray a VAT receivable from the Inland Revenue. A material difference of N\$ 755 747 was found when compared between the annual financial statement and the Ministry of Finance statement.

4.7 Unknown and bank direct deposits

The following unknown bank direct deposits were found: These deposits were not allocated to their respective consumer accounts for the year under review. Account no: 100 002 78 amounted to N\$ 1 884 034, account no: 300 077 69 amounted to N\$ 711 518 and new account no:200 117 14 amounted to N\$ 112 060.

4.8 Payroll

A total amount of N\$ 966 874 was wrongly posted which resulted in the understatement of salaries for the year under review. Employees' files were found to be incomplete during the audit.

4.9 Funds

A material difference of N\$ 536 494 on VAT was wrongly interpreted as Residential instead of Business accounts. Hence the VAT was incorrectly treated.

5. ACKNOWLEDGEMENT

The assistance and co-operation given by the management and staff of the Municipality during the audit are appreciated. The efforts made by management to implement the previous years recommendations are also appreciated.

6. FINANCIAL RESULTS

2014	Revenue	Expenditure	Surplus/ (deficit)	Balance
	N\$	N\$	N\$	N\$
Accumulated surplus as at 01/07/2013				6 872 404
General Services				
Non-profitable	26 355 153	45 636 051	(19 280 899)	
Self-supporting(note11)	14 200 257	10 083 814	4 116 443	
Trade Accounts				
Electricity Supply	6 947 153	43 313	6 903 840	
Water Supply	26 270 577	17 440 642	8 829 935	
	73 773 140	73 203 820	569 319	569 319
Surplus for the year				7 441 724
Adjustments and utilizations detailed in Note 11 of the financial statements.				(2 173 242)
Accumulated surplus 30/06/2014				5 268 482

2013	Revenue	Expenditure	Surplus/ (deficit)	Balance
	N\$	N\$	N\$	N\$
Accumulated surplus as at 01/07/2013				23 917 806
General Services				
Rate and general	-	-	-	
Non-profitable	22 882 803	41 960 804	(19 078 001)	
Self-supporting(note11)	12 711 930	8 331 399	4 380 531	
Trade Accounts				
Electricity Supply	6 995 129	43 313	6 951 816	
Water Supply	24 904 560	17 467 383	7 437 177	
	67 494 422	67 802 899	(308 477)	(308 477)
Surplus for the year (Adjustments and utilizations detailed in Note 11 of the financial statements.)				23 609 329 (16 736 925)
Accumulated surplus 30/06/2014				6 872 404

7. CURRENT BANK ACCOUNT

	2014	2013
	N\$	N\$
Cash-book balance at 30 June		
- Favourable cashbook balance on 30 June	1 183 732	2 631 097
- Outstanding cheques	(1 307 277)	(6 049 468)
Petty cash	5 400	5 400
Balance as per bank statements	(118 145)	(3 412 971)

8. INVESTMENTS AND INTEREST PROCEEDS

The investments as at 30 June 2012 and the interest thereon were as follows:

Institution	2014	2013
	Investment	Investment
	N\$	N\$
Invested at:		
Insurance companies	-	3 069 907
Commercial banks	19 843 384	16 248 172
Cenored (Pty) Ltd	43 066 969	43 066 969
	62 910 353	62 385 048
Distribution:		
Fixed Property Fund	992 169	2 897 712
Capital Reserve Fund	1 587 471	2 017 243
Betterment Fund	992 169	2 016 807
Capital Development Fund	1 071 543	2 427 433
Built Together Fund	1 706 531	1 629 364
Cenored investment	43 066 969	43 066 969
Erven Trust Fund	9 028 740	4 829 520
TIPEEG Project Fund	4 464 761	3 500 000
	62 910 353	62 385 048

9. FUND ACCOUNTS

The position of the Fund accounts at the end of the year is shown in Note 2 of Annexure D.

10. TRADE ACCOUNTS

10.1 The results of operations of electricity were as follows:

	2014		2013
	N\$		N\$
Royalty	6 947 153		6 995 129
Gross profit / (loss)	6 947 153		6 995 129
Expenses (net)	(43 313)		(43 313)
Net surplus	6 903 840		6 951 816

10.2 The distribution losses for electricity could not be determined due to inadequate record keeping.

10.3 The results of operations of water were as follows:

	2014		2013
	N\$		N\$
Sales	24 981 731		24 313 879
Cost of Sales	(13 666 609)		(13 600 364)
Gross profit	11 315 122		10 713 515
Expenses (net)	(2 485 187)		(3 276 339)
Net surplus	8 829 935		7 437 176
Gross profit % on cost of sales	82.8%		79%
Net profit % on cost of sales	64.6%		55%

10.4 The distribution losses for water could not be determined due to inadequate record keeping.

	2014	2013
	m3	m3
Total cubic meters sold for the year	1 590 161	1 073 554
Total cubic meters bought for the year	1 428 018	1 467 424
Loss (cubic meters)	162 143	(393 870)
Percentage loss on sales	0.0%	0.0%
Percentage profit / (loss) on purchases	11.4%	(-26.8%)

11. SELF SUPPORTING SERVICES

The results of self-supporting services are as follows:

	Income 2014	Expenses 2014	Surplus/(Loss) 2014	Surplus/(Loss) 2013
	N\$	N\$	N\$	N\$
Sanitation	9 626 990	6 895 469	2 731 521	2 576 565
Sewerage	4 573 267	3 188 345	1 384 922	1 803 966
	14 200 257	10 083 814	4 116 443	4 380 531

	Income 2013	Expenses 2013	Surplus/(Loss) 2013	Surplus/(Loss) 2013
	N\$	N\$	N\$	N\$
Sanitation	8 415 366	5 838 801	2 576 565	2 530 885
Sewerage	4 296 564	2 492 598	1 803 966	1 535 876
	12 711 930	8 331 399	4 380 531	4 066 761

12. FRUITLESS, UNAUTHORIZED OR AVOIDABLE EXPENDITURE

No fruitless, unauthorized and avoidable expenditure was revealed during the audit.

13. SUSPENSE ACCOUNTS

No money was accounted for in suspense accounts during the year, but a balance was recorded under sundry creditors in the annual financial statements.

14. IRREGULARITIES AND LOSSES

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

15. CAPITAL PROJECTS

The capital statement reflects an amount of N\$ 23 987 710 for capital expenditure, which N\$ 23 987 710 was spend from the funds of the Municipality for the year under review.

16. BURSARIES

No bursaries were granted during the year under review.

17. CONTRIBUTIONS, GRANTS AND FINANCIAL AID

	2014		2013
	N\$		N\$
Contribution from Government - TIPEEG Project Fund	7 700 000		3 500 000
	7 700 000		3 500 000

N\$ 7 700 000 for the TIPEEG Project Fund was made during the year under review.

18. COMPENSATION PAYMENTS

No compensation payments were made during the year under review.

19. VISITS TO FOREIGN COUNTRIES

The Municipality confirmed that there were no foreign visits during the year under review.

20. CLAIMS AGAINST THE LOCAL AUTHORITY

No claims against the Local Authority payments were made during the year under review.

21. GIFTS / DONATIONS BY / TO THE LOCAL AUTHORITY

Donation of N\$ 0.00 for 2014 and for 2013: N\$ 38 215 was made.

22. TRANSFER OF PROPERTY TO / FROM GOVERNMENT

No properties were transferred to and from the Ministry of Local Government and Housing for the year under review.

23. DEBTORS AND CREDITORS

23.1 Debtors at 30 June were:

	2014	2013
	N\$	N\$
Trade receivables	33 971 651	32 121 518
Value added tax	1 742 213	3 246 007
Sundry debtors	1 832 169	546 127
	(21 289 003)	
Less: Provision for bad debts	003)	(21 289 003)
	16 257 030	14 624 649
Analyses of services and general debtors:		
Average monthly levy	4 547 895	4 223 570
Rates and service debtors	33 971 651	32 121 518
Average credit terms in days - Before provision for bad debts	227	231
Average credit terms in days - After provision for bad debts	68	78
Consumer deposits	1 467 417	1 423 511

23.2 Creditors at 30 June were:

	2014	2013
	N\$	N\$
Trade payables	1 730 711	1 394 272
Provisions for staff leave	3 227 043	2 938 920
Loan instalments in arrear	2 075 341	868 549
	7 033 095	5 201 741

24. ASSESSMENT RATES

	2014	2013
	N\$	N\$
Net proceeds from assessment rates were	18 984 537	16 515 777
Tariffs per N\$ 1 valuation per annum - Residential Valuation per annum		
- Land	0.0730	0.0650
- Improvements	0.0090	0.0083
Tariffs per N\$ 1 valuation per annum - Business/Industrial etc Valuation per annum		
- Land	0.0750	0.0661
- Improvements	0.0100	0.0085

25. LOANS

25.1 External loans

The balances due to third parties were as follows:

	2014	2013
	N\$	N\$
CAPITAL FUNDS SECTION AND FUNDS		
Capital section	2 262 667	2 364 677
	2 262 667	2 364 677

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

25.2 Internal loans

Internal loans were advanced or received are reflected at N\$ 14 297 371 for 2014 and (2013: 17 594 694) in the annual financial statements.

25.3 Loans written off

Internal loans of N\$ 2 333 936 was written off, but no signed copy of the approval by management were provided by the client for the year under review.

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:

	2014		2013
	N\$		N\$
Ervin Trust Fund	3 729 215		4 300 376
Single Quarter Housing Scheme	2 820 597		3 113 884
Build Together	5 418 202		5 782 817
Personnel Housing Scheme	1 192 185		1 017 930
Other	796 052		846 013
	13 956 251		15 061 019

26. SALE OF ERVEN

During the current financial year erven to the value of N\$ 158 317 (2013: N\$ 321 213) were sold. The proceeds were allocated to the Fixed Property Fund.

27. LOCAL AUTHORITY PROPERTY SOLD ON INSTALLMENT 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 Gazette, although some customers rates were not appropriately adjusted.

29. APPROVALS

29.1 Excess on approved budget

All necessary approvals were obtained.

30. INVENTORY AND EQUIPMENT

30.1 Motor vehicle and values thereof:

	Sedan Vehicles		LDV's and Combine's		Heavy duty vehicles (Lorries and busses)	
	No	N\$	No	N\$	No	N\$
On hand as at 01/07/13	10	473 287	25	553 603	34	1 495 412
Acquisitions during the year	-	-	-	-	-	-
Less: Depreciation	-	-	-	-	-	-
Less: Withdrawal	-	-	-	-	-	-
On hand 30/06/2014	10	473 287	25	553 603	34	1 495 412

Although fixed assets register was maintained during the year ended 30 June 2014, it was incomplete with regards to the above motor vehicles and values for the year under review.

31. SPECIAL INVESTIGATIONS

No special investigations were conducted for the year under review.

32. GENERAL

32.1 Internal controls

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

33. FORMAL AND INFORMAL QUERIES

Formal queries are embodied in this report.

33.1 Informal queries were addressed to the CEO:

34. QUALIFIED AUDIT OPINION

The accounts of the Municipality of Otjiwarongo for the financial year ended 30 June 2014, summarized in Annexure A to D, were audited by me in terms of provisions of Section 85 of the Local Authorities Act, 1992 read with Section 25(1) of the State Finance Act, 1991.

The audit opinion has been qualified due to the following reasons:

- * a material under provision of N\$ 4 891 116.
- * The auditors did not observe the counting of inventories on 30 June 2014, to confirm the existence and value of inventories on hand at year-end.
- * fixed assets register was incomplete.
- * Employees' files were incomplete during the audit.
- * A material difference of N\$ 536 494 on VAT which were wrongly interpreted as Residential instead of Business accounts.
- * Internal loans of N\$ 2 333 936 were written off, but no signed copy of the approval by management were provided by the client for the year under review.
- * Numerous supporting documents of expenditures filing incomplete could not found during the time of audit.

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 2014, and the results of operations and cash-flows for the year then ended in accordance with generally accepted accounting practice.

WINDHOEK, August 2015



**JUNIAS ETUNA KANDJEKE
AUDITOR GENERAL**

ANNEXURE A

	Notes	2014 N\$	2013 N\$
ASSETS			
Non-Current Assets			
Property, Plant and Equipment	3	75 819 695	58 365 750
Investments	4	62 910 353	62 385 048
Loans receivables	9	13 956 251	15 061 019
Current Assets			
Trade and other receivables	5	16 257 030	14 624 649
Inventories	8	123 156	78 166
Cash and cash equivalents	10	5 400	5 400
TOTAL ASSETS		169 071 885	150 520 033
EQUITY AND LIABILITIES			
Funds			
Capital outlay	2	59 259 657	38 406 379
Fund and accounts	2	98 930 904	99 705 354
NON-CURRENT LIABILITIES			
Long-term loans	7	2 262 667	2 364 677
Consumer deposits		1 467 417	1 423 511
Current Liabilities			
Trade and other payables	6	7 033 095	5 201 741
Bank overdraft	10	118 145	3 418 371
TOTAL EQUITY AND LIABILITIES		169 071 885	150 520 033

MUNICIPALITY OF OTJIWARONGO

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE

	Notes	2014 N\$	2013 N\$
INCOME		73 773 141	67 494 423
EXPENDITURE		(73 203 820)	(67 802 899)
NET OPERATING PROFIT / (LOSS)		569 320	(308 476)
NET PROFIT / (LOSS)		569 320	(308 476)
ADJUSTMENTS	11	(2 173 242)	(16 736 925)
NET LOSS for the year		(1 603 921)	(17 045 400)
APPROPRIATION ACCOUNT AT BEGINNING OF THE YEAR		6 872 406	23 917 806
APPROPRIATION ACCOUNT AT END OF YEAR		5 268 485	6 872 406

MUNICIPALITY OF OTJIWARONGO

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE

	Notes	2014 N\$	2013 N\$
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from customers		73 773 141	67 494 423
Cash paid to suppliers		<u>(75 223 080)</u>	<u>(74 771 348)</u>
<i>Cash utilised by operations</i>	12	(1 449 940)	(7 276 925)
Investment income		-	-
<i>Movement in Fund accounts</i>		21 682 748	9 679 316
Increase in funds accounts		829 470	1 253 231
Increase in capital outlay		<u>20 853 278</u>	<u>8 426 085</u>
<i>Net cash inflow in operating activities</i>		<u>20 232 808</u>	<u>2 402 391</u>
CASH FLOW FROM INVESTING ACTIVITIES			
		(16 874 481)	(6 394 028)
Net increase in capital value		(17 453 945)	(6 717 141)
Increase in investments		(525 305)	(903 426)
Decrease / (Increase) in loans receivables		<u>1 104 769</u>	<u>1 226 539</u>
CASH FLOW FROM FINANCING ACTIVITIES			
		(58 104)	10 626
Decrease in long-term loans		(102 010)	(91 943)
Decrease in consumer deposits		<u>43 906</u>	<u>102 569</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS			
		3 300 226	(3 981 016)
Cash and cash equivalents at beginning of year		(3 412 971)	568 045
Cash and cash equivalents at end of year		<u><u>(112 745)</u></u>	<u><u>(3 412 971)</u></u>

MUNICIPALITY OF OTJIWARONGO

NOTES TO THE ANNUAL FINANCIAL STATEMENTS AT 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 and depreciation

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
Motor 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 investment.

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 the 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 Housing Levy Fund

The purpose of this Fund is to build up a reserve to undertake improvements of the Municipality's infrastructure. The Municipality levies charges to consumers to build up this Fund.

1.3.7 Tariff Stabilisation fund

The purpose of this Fund is to build up a reserve to prevent unnecessary fluctuation in tariffs for electricity and water during a financial year. Unforeseen increases in electricity and water tariffs and surcharges levied on the electricity accounts of Nampower will be partly subsidised from this account.

1.3.8 Fixed Property Fund

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

1.3.9 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.

1.3.10 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.

1.3.11 Housing Fund (Government)

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

1.3.12 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.

1.3.13 Municipal Study Loan Fund

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

1.3.14 Disaster Fund

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

1.3.15 Social Upliftment Fund

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

1.3.16 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.

1.3.17 Capacity Building Fund and Marketing Promotion Fund

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

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.

ANNEXURE D

MUNICIPALITY OF OTJIWARONGO

NOTES TO THE ANNUAL FINANCIAL STATEMENTS AT 30 JUNE (continued)

2 OWN FUNDS	2014	2013
	N\$	N\$
2.1 Financing of capital:		
Internal Funds		
Contribution from:	98 930 904	99 705 354
Fixed Property Fund	5 466 626	6 250 444
Betterment Fund	1 110 782	3 032 807
Capital Reserve Fund	3 342 739	7 640 343
Capital Development Fund	15 545 784	22 881 853
Renewal Fund	1 267 126	1 224 445
Personnel Housing Fund	2 008 999	1 905 552
Erven Trust Fund	42 158 706	28 236 557
Municipal Study Loan Fund	261 641	257 792
Housing Fund (GRN)	1 550 551	1 545 970
Built Together Fund	11 243 310	10 971 725
BT - Informal Settlement Fund	208 546	204 628
Single Quarters Housing Scheme	4 271 751	4 270 126
Social Upliftment Fund	469 184	485 793
Disaster Fund	221 764	221 764
TIPEEG Project Fund	4 534 912	3 703 153
Revenue account kept in compliance with Section 86(1) of the Local Authority Act, 1992.	5 268 482	6 872 402
2.2 Capital Outlay		
Loans redeemed	10 272 164	10 061 070
Revenue contributions	48 987 493	28 345 309
TOTAL FUNDS	59 259 657	38 406 379
3 FIXED ASSETS	75 819 695	58 365 750
Financed from:		
Loan assets	26 832 202	30 020 441
Income assets	48 987 493	28 345 309
	75 819 695	58 365 750

ANNEXURE D

MUNICIPALITY OF OTJIWARONGO

NOTES TO THE ANNUAL FINANCIAL STATEMENTS AT 30 JUNE (continued)

	2014 N\$	2013 N\$
4 INVESTMENTS		
Insurance companies	-	3 069 907
Commercial banks	19 843 384	16 248 172
CENORED (Pty) Ltd	43 066 969	43 066 969
	<u>62 910 353</u>	<u>62 385 048</u>
Allocated to:		
Fixed Property Fund	992 169	2 897 712
Capital Reserve Fund	1 587 471	2 017 243
Betterment Fund	992 169	2 016 807
Capital Development Fund	1 071 543	2 427 433
Build Together Fund	1 706 531	1 629 364
Revenue	43 066 969	43 066 969
Erven Trust Fund	9 028 740	4 829 520
TIPEEG Project Fund	4 464 761	3 500 000
	<u>62 910 353</u>	<u>62 385 048</u>
5 ACCOUNTS RECEIVABLE		
Trade debtors	33 971 651	32 121 518
Value Added Tax	1 742 213	3 246 007
Sundry debtors	1 832 169	546 127
Less: Provision for bad debts	(21 289 003)	(21 289 003)
	<u>16 257 030</u>	<u>14 624 649</u>
6 ACCOUNTS PAYABLES		
Trade payables	1 730 711	1 394 272
Provisions for staff leave	3 227 043	2 938 920
Other payables	2 075 341	868 549
	<u>7 033 095</u>	<u>5 201 741</u>
7 LONG-TERM LIABILITIES		
The Government of Namibia :		
Capital section	2 262 667	2 364 677
	<u>2 262 667</u>	<u>2 364 677</u>

MUNICIPALITY OF OTJIWARONGO

NOTES TO THE ANNUAL FINANCIAL STATEMENTS AT 30 JUNE (continued)

	2014	2013
	N\$	N\$
8 INVENTORIES		
Inventory consists of:		
Stores	123 156	78 166
	123 156	78 166
9 SECURED LOANS		
Secured by mortgage bonds over fixed property:		
Erven Trust Fund	3 729 215	4 300 376
Single Quarters Housing Scheme	2 820 597	3 113 884
Build Together	5 418 202	5 782 817
Personnel Housing Scheme	1 192 185	1 017 930
Other	796 052	846 013
	13 956 251	15 061 019
10 CASH AND BANK BALANCES		
Current bank account	(118 145)	(3 418 371)
Petty cash	5 400	5 400
	(112 745)	(3 412 971)
11 ADJUSTMENTS AND UTILIZATIONS		
Prior year adjustments - Expenditure	(2 593 000)	(17 085 878)
Prior year adjustments - Revenue	227 697	541 014
Interloans not accounted for in prior **	192 060	(192 060)
	(2 173 242)	(16 736 925)

Note:

The prior, difference of N\$ 192 061 found on the balance sheet is due to the Municipality's internal loans that were not corrected in the Municipality ledger for the year under review.

MUNICIPALITY OF OTJIWARONGO

NOTES TO THE ANNUAL FINANCIAL STATEMENTS AT 30 JUNE (continued)

	<u>2014</u>	<u>2013</u>
	N\$	N\$
12 CASH UTILISED BY OPERATIONS		
Cash generated / (absorbed) by operations		
Net profit / (loss) before investment interest and adjustments.	569 320	(308 476)
Adjustment on appropriation account	(2 173 242)	(16 736 925)
OPERATING INCOME BEFORE CHANGES IN WORKING CAPITAL	<u>(1 603 922)</u>	<u>(17 045 400)</u>
Utilized to increase working capital		
(Increase) / decrease in trade and other receivable	(1 632 381)	10 659 617
Increase in inventories	(44 990)	(15 767)
Increase / (decrease) in trade and other payable	<u>1 831 353</u>	<u>(875 375)</u>
	<u>153 982</u>	<u>9 768 475</u>
CASH UTILISED BY OPERATIONS	<u>(1 449 940)</u>	<u>(7 276 925)</u>