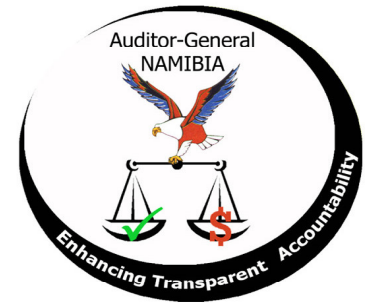


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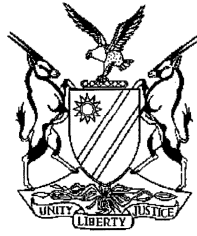


**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE
MUNICIPALITY OF OUTJO
FOR THE FINANCIAL YEARS ENDED 30 JUNE 2009**

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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 Outjo for the financial years ended 30 June 2009, 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 2011

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE
MUNICIPALITY OF OUTJO FOR THE FINANCIAL YEAR ENDED
30 JUNE 2009**

1. INTRODUCTION

The accounts of the Municipality of Outjo for the year ended 30 June 2009 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 Saunderson & Co of Windhoek has been appointed by the Auditor-General in terms of Section 26 (2) of the State Finance Act, 1991, to audit the accounts of the Municipality on his behalf and under his supervision.

2. FINANCIAL STATEMENTS

The Municipality's financial statements were submitted to me by the Accounting Officer in compliance with Section 87 (1) of the Local Authorities Act, 1992. **As in the previous financial year the Municipality was again unable to finalize their financial statements within the period of 3 months as required by the Act. The signed financial statements for the 2008/2009 financial year were submitted on 20 September 2010.** 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 2009, Annexure A, is a true reflection of the original.

The following annexures are also attached to this report :

- Annexure A : Balance sheet
- 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 the 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 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 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 OBSERVATIONS AND COMMENTS

4.1 Accounting records

A fire broke during August 2009 at the offices of the Municipality and destroyed most of the supporting accounting documents. When the audit was carried out during November 2010, reconstruction of records was still in progress. This caused a limitation on the scope of the audit. The limitations are noted in detail in the different sections of this report.

4.2 Property, Plant and Equipment

The auditors also concluded that:

- The values of fixed assets on the reconstructed asset register could not be confirmed because purchase documents were not available.
- The existence of fixed assets could not be fully confirmed as the reconstructed asset register was not fully descriptive.
- The correct classification of fixed assets could not be confirmed as payment vouchers were not available.

Due to the above-mentioned, the auditors were unable to satisfy themselves that assets are fairly stated in the financial statements.

4.3 Current bank account

The cash-book balances as at year end consisted of stale cheques of N\$ 451 983 which had not been reversed. The cash-book balances reported of N\$ 17 444 are thus understated with the stale cheques amount.

4.4 Accounts Receivable

Once again, as reported in the prior year, the controls regarding consumer debtors have not improved. The controls over accounts receivables are still inadequate. No evidence was obtained that any attempt was made by the Council to rectify the situation. It is therefore once again strongly recommended that the Municipality implement measures to control the debtors in a more efficient and effective manner.

	2009	2008
	N\$	N\$
Consumer debtors	11 153 380	9 287 884
General and other	382 216	715 306
	11 535 596	10 003 190
Provision for bad debts	(8 065 893)	(1 294 416)
	3 469 703	8 708 774
Percentage increase in outstanding debtors	15.32%	19.45%
Percentage increase in the percentage for provision for bad debts	523.13%	7.03%
Percentage provision against consumer debts	72.32%	14.93%

Audit tests revealed that the recoverability of debtors is approximately 12% (2008:5%) of total debtors. This indicates that the provision for bad debts is inadequate and is understated with N\$ 1 749 082 (2008: N\$ 3 998 952).

4.5 Creditors records

A search for unrecorded liabilities was once again conducted by the auditors but due to missing documentation, it was impossible to determine an amount.

4.6 Value Added Tax

Included in the current assets is an amount equal to N\$ 1 187 950 (2008: N\$ 941 675) in respect of value added tax (VAT) claimable. Due to the limitation of scope no audit tests were performed to establish the accuracy and fairness to the account. It is important that the Municipality must update the VAT control account in the general ledger as to show a true reflection in the financial statements. Furthermore in the event that the VAT balances are accurate, the Municipality cannot claim the amounts owed by the Receiver of Revenue in the absence of adequate supporting documentation.

4.7 Expenditure

Due to a lack of supporting documentation which was destroyed by fire, expenditure could not be verified. This posed a limitation of scope on the audit work.

4.8 Improper segregation of duties

During the year under review, the duties in the finance department were not properly segregated among the staff. Incompatible functions of initiation, recording, checking and approval were being performed by the same individuals. There were no clear-cut duties for some staff members although they had job descriptions which must still be revised. The Town Treasurer was overwhelmed by clerical duties as opposed to only strategic issues.

There was no proper or well defined departmental structure at the Municipality. The accountant responsible for creditors, also performs the payroll function and executes transfers to the bank accounts irrespective of the fact that there is a human resources officer.

The Municipality should ensure proper segregation of duties within various departments. The Town Treasurer, for example, should be relieved of clerical duties and the payroll function should be handled by the human resources section. There is a need for a clear organizational structure with well delineated lines of reporting and responsibility assignments.

4.9 Going concern

The ability of the Municipality to continue as a going concern is dependent on a number of factors most notable of these are the continuation of profitable operations and the recovery of long outstanding debtors and the maintaining of existing levels of finance by major creditors.

5. ACKNOWLEDGEMENT

I thank the staff of the Municipality for the assistance and co-operation given to our representatives during the audit.

6. FINANCIAL RESULTS

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

	Revenue	Expenditure	Surplus / (Deficit)	Balance
	N\$	N\$	N\$	N\$
Accumulated deficit 01/07/2008				(3 210 518)
General services				
Rate and general	3 921 543	6 563 824	(2 642 281)	
Self-supporting	3 407 531	3 859 635	(452 104)	
Trade accounts				
Water *	4 495 801	1 804 306	2 691 495	
Electricity	1 300 884	960 548	340 336	
	13 125 759	13 188 313	(62 554)	(62 554)
(Deficit) for the year				3 273 072
Adjustments and utilization (Note 10, Annexure D)				(5 993 878)
Accumulated deficit 30/06/2009				(9 266 950)

* The water services are provided by the Municipality, as they have boreholes where water is pumped from. Expenses are for the maintenance of these boreholes.

7. CURRENT BANK ACCOUNT

The cash-book balance reflects a favourable balance of N\$ 17 744 and (2008: N\$ 306 938) but could not be confirmed by the auditors. The bank statement reflected an amount of N\$ 578 311. The difference could not be reconciled due to the fact that no bank reconciliations were not available.

8. INVESTMENTS

On 30 June 2009 there was N\$ 1 856 (2008: N\$ 1 757), invested at a financial institution on a call account and is disclosed under revenue.

9. FUND ACCOUNTS

The position of the Fund Accounts as at the end of the financial year is shown in Note 5 of Annexure D.

10. TRADE ACCOUNTS

10.1 The results of water operations were as follows:

	Water		Electricity	
	2009	2008	2009	2008
	N\$	N\$	N\$	N\$
Sales	4 478 489	4 050 453	* 1 300 884	1 069 179
Cost of bulk purchases	-	-	(695 127)	(104 454)
Gross profit	4 478 489	4 050 453	605 757	964 725
Expenses (net)	(1 786 994)	(1 307 690)	(265 421)	(283 079)
Net Surplus(Losses)	2 691 495	2 742 763	340 336	681 646
Gross profit on bulk purchases	-	-	-	924%
Net profit / (loss) on bulk purchases	-	-	-	653%

* Cenored surcharge

The current year's net profit of both trading accounts decreased. The huge increase in electricity costs could not be verified due to lack of supporting documents.

10.2 Water distribution results in cubic meters

No information could be obtained with regard to the units sold. The Municipality should implement such a control system in order to detect material distribution losses at an early stage.

11. SELF-SUPPORTING SERVICE

The net results on self-supporting services were as follows:

	2009	2008
	N\$	N\$
Abattoir	4 499	4 589
Cleansing services	(913 336)	(581 135)
Sewerage and plunger	469 974	709 585
Sidings and industrial plots	(13 241)	(8 496)
Net (deficit)/ surplus	(452 104)	124 543

The above table clearly indicates that these services are not self-supportive anymore except for the abattoir. The municipality should review and enforce operational policies to change the situation.

12. FRUITLESS, UNAUTHORIZED OR AVOIDABLE EXPENDITURE

No evidence of fruitless, unauthorized or avoidable expenditure was provided during the audit.

13. SUSPENSE ACCOUNTS

Suspense account balances amounted to N\$ 1 316 471 (Debit) N\$ 602 041 (Credit) for 2009 and N\$ 140 469 (Debit) and N\$ 586 524 (Credit) for 2008. The 2009 debit balance of N\$ 1 316 471 mainly consists of N\$ 939 748 related to cash not deposited which is still under investigation.

14. IRREGULARITIES AND LOSSES

14.1 Cash received but not deposited

Total Municipality received cash to the amount of approximately N\$ 1 645 580 which were not banked. This issue is currently under investigation by the Namibian Police.

The accounting records however only revealed the total under bankings of N\$ 939 748 due to an omission of the 2008 under banking of N\$ 705 832.

It is strongly recommended that the Municipality puts procedures, control measures and policies in place to ensure that losses do not occur in future.

14.2 Fire outbreak

A fire burned down the offices of the Municipality, during August 2009 and destroyed most of the supporting accounting documents. At the time of the audit, the Council was still in a process to reconstruct their records. This caused a serious limitation of scope on the audit.

15. CAPITAL PROJECTS

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

Nature of projects	Revenue account	Internal loans	Capital account	Total
	N\$	N\$	N\$	N\$
Town - Clerk / Treasurer	6 340	-	-	6 340
General Council expenses	16 343	55 933	-	72 276
Fire Brigade	-	14 122	-	14 122
Workshop	-	-	-	-
Public buildings	-	-	-	-
Streets, roads and storm water	-	66 495	-	66 495
Natis - Decentralised - MWTC	80 715	-	-	80 715
Housing	-	-	72 100	72 100
Single quarters	-	-	200 653	200 653
Cleansing Services	-	124 348	-	124 348
Sewerage and Plunger	18 062	27 321	-	45 383
Water supply	35 304	62 957	-	98 261
	156 764	351 176	272 753	780 693

According to the financial statements of the Council, capital expenditure incurred for the year under review amounted to N\$ 780 693 (2008: N\$ 1 280 034). However, no supporting documentation was available to ensure the validity, accuracy of these expenditures.

16. BURSARIES

No evidence of bursaries was provided during the audit.

17. CONTRIBUTIONS, GRANTS AND FINANCIAL AID

No evidence of amount that was received as contributions or grants during the audit was provided.

18. COMPENSATION PAYMENTS

No evidence of compensation payments were provided during the audit.

19. VISITS TO FOREIGN COUNTRIES

No evidence was provided that staff member of the Council visited a foreign country.

20. CLAIMS AGAINST THE LOCAL AUTHORITY

No evidence of claims for losses were received during the audit.

21. GIFTS / DONATIONS BY / TO THE LOCAL AUTHORITY

21.1 An amount of N\$ 2 800 (2008: N\$ 2 700) was given as gifts/donations by the Municipality, during the year under review.

21.2 An amount of N\$ 14 000 (2008: N\$ 15 600) was given as free services by the Municipality, during the year under review.

21.2 An amount of N\$ 368 748 (2008: N\$ 312 922) was paid as subsidies to pensioners and indigent people by the Municipality, during the year under review.

22. TRANSFER OF PROPERTY TO / FROM GOVERNMENT

No evidence of transfer of property that has been made to/from Government was provided for audit purposes.

23. TRADE AND OTHER RECEIVABLES AND PAYABLES

23.1 Debtors at 30 June 2009

	2009	2008
	N\$	N\$
Consumers	11 153 380	9 287 884
General and other	1 321 964	715 305
VAT Control account	1 187 950	2 331 384
Advances: Housing Fund	-	941 675
	13 663 294	13 276 248
Less: Provision for bad debts	(8 065 893)	(1 294 416)
	5 597 401	11 981 832

23.2 Creditors at 30 June 2009

	2009	2008
	N\$	N\$
Trade creditors	1 303 255	1 251 251
Provision for audit fees	-	338 330
External loan repayments in arrears	2 516 337	2 308 890
Other	2 038 317	1 276 474
Less: Unexplained investment duplication	-	(1 713)
	5 857 909	5 173 232

24. ASSESSMENT RATES

Net proceeds from assessment rates, amounted to N\$ 1 280 297 (2008: N\$ 1 235 427). The tariffs for properties were 0.10 (2008: 0.09) on land value and 0.014 (2008: 0.012) on improvement value. The rates changed as shown in the year under review.

25. LOANS

25.1 External loans

Loan Assets	Balance at 01/07/2008	Repayments	Balance at 30/06/2009
Capital accounts	N\$ 1 586 169	N\$ 44 013	N\$ 1 542 156

26. SALE OF ERVEN

There were no records for sale of erven during 2009 (2008: N\$ 235 213).

27. PROPERTY SOLD ON AN INSTALLMENT BASIS

No properties were sold on installment basis during the year under review.

28. TARIFF ADJUSTMENTS

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

29. APPROVALS

29.1 Revenue written off

No revenue was written off during the year under review.

30. STOCK AND EQUIPMENT

30.1 Motor vehicles and equipment

The auditors could not obtain any information regarding the movement of the motor vehicles and equipment.

30.2 Inventory

Inventory control was maintained during the year. Due to fire outbreak no stock sheets were availed to auditors, therefore quantities and values of stock could not be verified.

31. SPECIAL INVESTIGATIONS

31.1 I am aware of the fire that destroyed almost all audit evidence of the Municipality, and that a formal criminal case was opened at the Namibian Police.

31.2 An internal investigation was carried out on the receipts and banking system for the years 2006/7 to 2008/9. The results were reviewed and certified by me and indicated that cash received at the Municipality to the amount of N\$ 1 645 580 was not banked. This issue is currently under investigation.

At the time of finalizing this report, this matter was still pending.

32. GENERAL

32.1 Internal controls

Due to the impact of the fire, accounting records could not be verified by the auditors. Therefore, the correctness of the submitted financial statements could not be determined.

33. FORMAL AND INFORMAL QUERIES

The following matters were brought to the attention of the Chief Executive Officer by way of a report to management:

- State of accounting records
- Debt collecting
- Expenditure and accounts payable
- Cash and bank
- Fund accounts
- V.A.T
- Property, plant and equipment

Most of the above queries are similar to the previous years' reports. The Municipality should ensure that improvements on audit queries are evident in the next financial year.

35. DISCLAIMED AUDIT OPINION

The accounts of the Municipality of Outjo for the financial year ended 30 June 2009, summarised in Annexure 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.

I am unable to express an opinion on the financial statements, results of operations and the cash flows of the Municipality for the year ended 30 June 2009 due to the following reasons:

- The fire that took place during August 2009 at the offices of the Municipality destroyed almost all accounting and related audit documents. The auditors were therefore unable to carry out relevant audit tests.

- The auditors were also unable to conclude that the value of the assets were N\$ 16 992 181 as stated in the financial statements.
- Stale cheques to the amount of N\$ 451 983 were not reversed at year end.
- Provision for bad debts is understated by N\$ 1 748 082.
- The auditors were unable to determine the unrecorded liabilities.
- The auditors were unable to determine that the VAT amount of N\$ 1 187 950 receivable from the Receiver of Revenue is correct.

WINDHOEK, August 2011

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

MUNICIPALITY OF OUTJO

BALANCE SHEET AT 30 JUNE 2009

	Notes	2009 N\$	2008 N\$
ASSETS			
Non-current assets			
Property, plant and equipment	2	16 992 181	17 011 666
Investments	3	1 856	1 757
Current assets			
Accounts receivable	4	8 383 998	11 981 832
Inventory	8	322 447	127 709
Bank and cash	9	18 209	465
Suspense Accounts (net)	10	714 427	
Total assets		26 433 118	29 123 429
EQUITY AND LIABILITIES			
Funds and reserves			
Financing of Capital	5.1	10 959 120	10 910 980
Accumulated (deficit)	5.2	(9 266 950)	(3 210 518)
Internal Funds	5.3	17 504 371	12 578 247
Non-current liabilities			
Interest bearing borrowings	6	1 887 110	3 364 550
Current liabilities			
Accounts payables and other payables	7	5 091 912	5 173 232
Bank overdraft	9	-	306 938
Consumers – camp rent		257 555	-
Total liabilities		26 433 118	29 123 429

ANNEXURE B

MUNICIPALITY OF OUTJO

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2009

	Notes	2009 N\$	2008 N\$
INCOME		13 125 691	12 297 598
EXPENDITURE		13 188 313	10 537 706
NET OPERATING (DEFICIT) / SURPLUS		(62 622)	1 759 892
Donations and grants received		-	-
Interest earned		68	-
NET (DEFICIT)/SURPLUS for the year		(62 554)	1 759 892
Difference in opening accumulated fund		-	78 429
Less net adjustments	11	(5 993 878)	(1 401 962)
ACCUMULATED (DEFICIT)/SURPLUS FOR THE YEAR		(6 056 432)	436 359
ACCUMULATED FUNDS at the beginning of the year		(3 210 518)	(3 646 877)
ACCUMULATED FUNDS at end of year		(9 266 950)	(3 210 518)

MUNICIPALITY OF OUTJO

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2009

	Notes	2009 N\$	2008 N\$
CASH FROM OPERATING ACTIVITIES			
Cash receipt from Customers		13 125 691	436 359
Cash paid to suppliers		(16 317 287)	(1 189 610)
Cash utilized by operations	12	(3 191 596)	(753 251)
Interest received		68	-
Increase in Fund Accounts		4 926 124	1 984 208
Increase in Capital Outlay		48 140	414 235
Net cash flow from operating activities		1 782 736	1 645 192
CASH FLOW FROM INVESTING ACTIVITIES			
Net decrease in capital expenditure		19 485	(670 913)
(Increase)/decrease in investments		(99)	(89)
Interest bearing borrowings		(1 477 440)	(517 080)
		(1 458 054)	(1 188 082)
NETT INCREASE IN CASH AND CASH EQUIVALENT		324 682	457 110
CASH AND CASH EQUIVALENTS - BEGINNING OF THE YEAR		(306 473)	(763 583)
CASH AND CASH EQUIVALENTS - END OF THE YEAR		18 209	(306 473)

MUNICIPALITY OF OUTJO**NOTES TO THE ANNUAL FINANCIAL STATEMENTS AS AT 30 JUNE**

1. ACCOUNTING POLICIES**1.1 Introduction**

The annual financial statements set out in Annexure A, B and C are prepared on the historical cost basis and incorporate the following principal accounting policies, which are consistent with those applied in the prior year.

1.2 Property, plant and equipment

Property, plant and equipment are stated at cost or at valuation where assets have been acquired by grant or by donations, less depreciation written off over the expected useful lives as determined by the Municipality from time to time. Property, plant and equipment acquired with loan funds are not depreciated until the loan is repaid, unless the expected lifetime of the asset is less than the repayment period of the loan in which case depreciation is calculated on the shortfall.

1.3 Inventory

Inventory is valued at the lower of landed cost or net realizable value on a first-in-first-out basis.

1.4 Fund Accounts

The following Funds were created by the Municipality in terms of Sections 58(1) and 80(4) of the Local Authorities Act (Act 23 of 1992).

1.4.1 Capital Reserve Fund

The purpose of this Fund is to built up a general capital reserve to ensure a stable financial position. Income from this Fund is derived from general revenue contributions and interest earned on internal loans and investments.

1.4.2 Water Tower Restoration Fund

The purpose of this fund is to accumulate reserves to restore the water tower.

1.4.3 Provision for Leave

The purpose of this fund is to pay leave due to staff.

1.4.4 M-Net Fund

The purpose of this Fund is to provide television services to the Public of Outjo but according to the financial statement provided by the Council there are no funds available.

MUNICIPALITY OF OUTJO

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

ACCOUNTING POLICIES (continued)

1.4.5 Sport and Social Fund

The purpose of this fund is to utilize available funds for sport recreational purposes for staff employed by the Municipality.

1.4.6 Fund for Office Upgrading

The purpose of this fund is to upgrade a new office block utilized by technical staff but according to the financial statements of the Council there are no funds available.

1.4.7 Decentralised Single Quarter Fund

The purpose of this fund is to upgrade the Single Quarters in Etoshapoort. Income is derived from Government grants.

1.4.8 Housing Fund

The purpose of this fund is to provide for housing loans. Income for this Fund is derived from interest earned on secured housing loans and investments.

1.4.9 Holland Somo-ablutions Fund

The purpose of this Fund is to provide ablution units in Etoshapoort. Income is derived from donations received from the town of Maarssen in the Netherlands.

1.4.10 Museum Fund

The purpose of this Fund is to build a reserve to upgrade the museum facilities. Income is derived from donations but according to the financial statements of the Council there are no funds available.

Notes to the Annual Financial Statements

	2009	2008
	N\$	N\$
2. PROPERTY, PLANT AND EQUIPMENT		
Infrastructure, land and buildings, motor vehicles, office equipment, furniture and fittings and computer equipment.	16 992 181	17 011 666
Financed from :	16 992 181	17 011 666
- Revenue account	399 176	336 456
- Loan assets	9 116 668	9 041 058
- General capital	7 476 337	7 634 152
3. Investments	1 856	1 757
Fixed deposits and money on call	1 856	1 757
4. Trade and other receivables		
- Consumers	11 153 380	9 287 884
- VAT Control Account	1 187 950	941 675
- Advances Housing Fund	4 103 068	2 331 384
- NATIS refund		569 748
- Other	5 493	145 557
Sub Total	16 449 891	13 276 248
Less: Provision for doubtful debt	(8 065 893)	(1 294 416)
Grand Total	8 383 998	11 981 832

MUNICIPALITY OF OUTJO

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

	2009	2008
	N\$	N\$
5. FUNDS AND ACCOUNTS		
5.1 Financing of capital	10 959 120	10 910 980
Current loans redeemed		
Contribution from:		
- Revenue	399 176	336 455
- Loans	3 083 607	2 940 373
- General capital	7 476 337	7 634 152
5.2 Accumulated (deficit)	(9 266 950)	(3 210 518)
5.3 INTERNAL FUNDS	17 504 371	12 578 247
Capital Reserve Fund	11 286 765	10 165 066
Water Tower Restoration Fund	7 946	7 946
Provision for Leave Pay Fund	-	483 851
M-Net Fund	-	96 415
Decentralised Single Quarter Fund	366 400	366 400
Sport and Social Fund	28 425	1 742
Holland Somo-ablutions Fund	89 776	120 834
Office Upgrading Fund	-	14 057
Housing Fund	5 725 059	1 309 312
Museum Fund	-	12 624
Total	19 196 541	20 278 709

MUNICIPALITY OF OUTJO

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

	2009	2008
	N\$	N\$
6. LONG-TERM LIABILITIES		
The Government of Namibia		
Up to 5%	174 537	188 914
- 5% to 10%	168 201	176 062
- 10% to 12%	1 199 418	1 221 192
Housing Fund	180 999	180 999
Build Together Fund	-	1 356 089
	<u>1 723 155</u>	<u>3 123 256</u>
Consumer deposits	163 955	241 294
	<u>1 887 110</u>	<u>3 364 550</u>
7. TRADE AND OTHER PAYABLES		
Trade creditors	507 339	1 251 251
Provision for audit fees	-	338 330
Provision for regional council levies	516 332	453 304
Provision for leave	755 988	-
Amount received in advance (accrued)	795 916	236 916
Loan installments in arrears	2 516 337	2 308 890
Other	-	586 254
	<u>5 091 912</u>	<u>5 174 945</u>
Total	5 091 912	5 174 945
Less: Unexplained difference	-	(1 713)
	<u>5 091 912</u>	<u>5 173 232</u>
8. INVENTORIES		
Inventory comprises:		
- Fuel	322 447	88 796
- Stationery	-	38 913
	<u>322 447</u>	<u>127 709</u>
9. BANK AND CASH		
Current bank account	17 744	(306 938)
Petty cash	465	465
	<u>18 209</u>	<u>(306 473)</u>

MUNICIPALITY OF OUTJO

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

	<u>2009</u>	<u>2008</u>
	N\$	N\$
10. SUSPENSE ACCOUNTS		
- Inland Revenue – 3 rd party payments	270 836	-
- Cash not deposit	939 747	-
- Personnel recoverable	4 963	-
- CEO – laptop	17 062	-
- Salary advances	83 860	-
Sub Total – debtors	<u>1 316 468</u>	-
- Retirement Fund	(85 686)	-
- Home Trust Insurance	(42 117)	-
- Transfer Fees	(474 238)	-
Sub Total - creditors	<u>(602 041)</u>	-
Grand Total	<u><u>714 427</u></u>	<u><u>-</u></u>
11. ADJUSTMENT AND UTILIZATIONS ON THE APPROPRIATION ACCOUNT		
Provision for bad debts	(6 771 476)	(1 294 416)
Income	1 389 120	1 433 237
Bad debts written off	(1 435 849)	(1 389 758)
Other expenses/(income) (net)	7 374	(151 025)
Audit adjustment	264 972	-
Funds Consolidated	<u>551 981</u>	<u>-</u>
	<u>(5 993 878)</u>	<u>(1 401 962)</u>

12. CASH UTILIZED BY OPERATIONS

Net operating profit before transfers	(62 622)	1 759 892
Adjustments for :		
- Appropriation account	(5 993 878)	(1 401 962)
- Difference between opening balance	-	78 429
Operating deficit before changes in working capital	<u>(6 056 500)</u>	<u>436 359</u>

OPERATING INCOME BEFORE CHANGES IN WORKING CAPITAL

CHANGES IN WORKING CAPITAL

Increase/(decrease) in camp rent deposits	257 555	-
(Increase)/decrease in suspense accounts	(714 427)	-
(Increase)/decrease in trade and other receivables	3 597 834	(1 609 143)
(Increase)/decrease in inventarief s	(194 738)	(31 003)
Increase/(decrease) in trade and others payables	(81 320)	450 536
	<u>2 864 904</u>	<u>(1 189 610)</u>
	<u>(3 191 596)</u>	<u>(753 251)</u>