

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 Town Council of Outapi for the financial year 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, June 2010

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

**REPORT OF THE AUDITOR - GENERAL
ON THE ACCOUNT OF THE TOWN COUNCIL OF OUTAPI
FOR THE FINANCIAL YEAR ENDED
30 JUNE 2009**

1. INTRODUCTION

The accounts of Town Council of Outapi 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 EDB & Associates has been appointed in terms of Section 26 (2) of the State Finance Act, 1991, to audit the accounts of the Town Council on behalf of the Auditor-General and under his supervision.

Figures in the report are rounded off to the nearest Namibian Dollar.

2. FINANCIAL STATEMENTS

The Town Council's financial statements were submitted to the Auditor-General by the Town Clerk 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 Annexure A is a true reflection of the original signed by the Accounting Officer:

Annexure B: Abridged income statements
Annexure C: Cash flow statements
Annexure D: Notes to the financial statements

3. SCOPE OF THE AUDIT

Management's responsibility for the financial statements

The Accounting Officer of the Town Council 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 controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

It is the responsibility of the Auditor-General to form an independent opinion, based on the audit, on those statements and on the regularity of the financial transactions included in them and to report his opinion to the National Assembly. The said firm conducted the audit in accordance with International Standards on Auditing. Those standards require that the firm complies with ethical requirements and plans and performs the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit

procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

4. AUDIT OBSERVATIONS AND COMMENTS

4.1 Value Added Tax receivable (*)

The auditors calculation of the recoverability on VAT refunds revealed that its probable that the Council might not be able to recover 88% of the total debt receivable which equals an amount of N\$ 261 611. This is mainly due to refunds not followed-up with the Receiver of Revenue.

The Council should ensure that all VAT returns are timeously submitted when due and information declared should correspond with the ledger. The town treasurer should then ensure that refunds due are followed up regularly.

4.2 Recoverability of debtors - Bad and doubtful debts (*)

During the year under review, the Council's debt outstanding has increased by 34% whilst provision for bad debts has increased by 53%. It is notable that a great portion of the long outstanding debtors have been inherited by the Council during its establishment phase. The huge increase in provision for bad debts was due to inadequate provision made in prior years. The Council's effectiveness on debt recovery policies should be reviewed and improved on.

| | 2009 | 2008 |
|--|------------------|------------------|
| | N\$ | N\$ |
| Consumer accounts debt outstanding | 5 817 505 | 4 344 408 |
| Provision for bad debts | 4 462 081 | 2 909 784 |
| Percentage increase in outstanding debts | 34% | 23% |
| Percentage increase in provision for bad debts | 53% | 383% |
| Percentage provision vs. debt | 77% | 67% |

It should be a concern for the Council, that debtors outstanding for 120 days and above have increased out of proportion as at 30 June 2009 consisted of 77% of total debt. It's however notable that, the auditors reasonability analysis revealed that provision for doubtful debts, as at year-end, was correctly provided for by the Council.

4.3 Consumer deposits (*)

The consumer deposits balance as stated on 30 June 2009 represents only 3% of total debt which should be alarming bearing in mind that debt at 120 days and above has increased. In addition, numerous debtor accounts still reflected deposits of prior years and were not updated to the new rates.

4.4 Stock control (*)

A physical stocktaking was conducted, but numerous stock items on the rough count sheets do not agree to the final stock verification sheet. In addition, no provision has been made for slow-moving and obsolete stock. The auditors observed and discussed this issue with management and explained the need for such provision.

Due to the significance of this matter, the Auditor-General has to qualify his opinion on stock.

4.5 Fixed assets

4.5.1 Depreciation and long-term loans (*)

As reported in prior years, the accounting system was not able to calculate depreciation on a pro-rata basis, on all fixed assets bought during the year.

VAT amounting to N\$ 24 130 was not excluded from the additions on the assets and the finance charges of N\$ 81 236 was not posted to the relevant account and no depreciation charges was calculated on this fixed asset.

The long-term loans were overstated in the annual financial statements with an amount of N\$ 105 645, which is material and therefore the audit opinion has to be qualified.

5. ACKNOWLEDGEMENT

The assistance and co-operation given by the management and staff of the Town Council during the audit is appreciated.

6. FINANCIAL RESULTS

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

| | Revenue | Expenditure | Surplus/ (deficit) | Balance |
|---|------------|-------------|-----------------------|--------------------|
| | N\$ | N\$ | N\$ | N\$ |
| Accumulated (Deficit) as at 01/07/2008 | | | | (2 305 070) |
| General services | | | | |
| Rate and general | 220 977 | 4 058 108 | (3 837 131) | |
| Non-profitable | 5 547 914 | 1 807 848 | 3 740 066 | |
| Self-supporting | 2 088 461 | 1 444 266 | 644 195 | |
| Trade accounts | | | | |
| Water supply | 2 349 838 | 1 405 421 | 944 417 | |
| Electricity supply | 650 922 | - | 650 922 | |
| | 10 858 112 | 8 715 643 | 2 142 469 | |
| Surplus for the year | | | | 2 142 469 |
| (Adjustments and utilizations detailed in Note 10 of the financial statements.) | | | | (1 291 841) |
| Accumulated (deficit) as at 31/03/2009 | | | | (1 454 442) |

7. CURRENT BANK ACCOUNT

The cash-book balance reflected an unfavorable balance of N\$ 172 519 (unfavorable 2008: N\$ 766 952) while the bank statements reflected a favorable balance of N\$ 46 838 (2008: N\$ 226 010). Cheques not presented for payment totaling N\$ 678 557 (2008: 1 014 422) were outstanding at year-end.

The auditors reperformed the bank reconciliation and a difference of N\$ 3 012, was discovered which is due to the cheque number 05714 of N\$ 660 which was not recorded on the system and N\$ 2 352 that was explained by the financial manager as a system error.

8. INVESTMENTS AND INTEREST PROCEEDS

On 30 June 2009 there was N\$ 1 653 125 (2008: N\$ 1 781 981) invested at financial institutions, as follows:

| | 2009 | 2008 |
|--|------------------|------------------|
| | N\$ | N\$ |
| Fixed deposits and money on call | 1 653 125 | 1 781 981 |
| | 1 653 125 | 1 781 981 |
| Investments were allocated to the following Funds: | | |
| Capital Reserve Fund | 329 454 | 345 200 |
| Build Together Fund | 1 278 814 | 1 325 066 |
| Road Fund administration | - | 111 715 |
| Government Continuation Fund | 44 857 | - |
| | 1 653 125 | 1 781 981 |

Investment interest of N\$ 20 096 (2008: N\$ 56 464) was accounted for in the income and expenditure account for the year.

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 water distribution were as follows:

| | 2009 | 2008 |
|---|----------------|------------------|
| | N\$ | N\$ |
| Sales | 2 190 217 | 1 705 047 |
| Cost of bulk purchases | (1 184 282) | (1 718 960) |
| Gross profit / (loss) | 1 005 935 | (13 913) |
| Expenses (net) | (61 519) | (194 692) |
| Net surplus / (deficit) | 944 416 | (208 605) |
| Gross profit / (loss) % on bulk purchases | 85% | (1%) |
| Net profit / (loss) % on bulk purchases | 80% | (12%) |

10.2 Distribution losses for water were:

| | 2009 | 2008 |
|---------------------------------|----------------|------------------|
| | m ³ | m ³ |
| Units sold for the year | 187 100 | 166 158 |
| Units purchased during the year | 171 900 | 271 361 |
| Distribution gain/(loss) | 15 200 | (105 203) |
| Distribution gain/(loss) | 8.8% | (38.8%) |

11. SELF-SUPPORTING SERVICES

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

| | 2009 | 2008 |
|-----------------------------------|----------------|----------------|
| | N\$ | N\$ |
| Open market | (234 540) | (38 488) |
| Licenses and vehicle registration | 72 279 | 89 001 |
| Cleaning services | 388 536 | 186 524 |
| Sewerage | 417 920 | 301 901 |
| | 644 195 | 538 938 |

12. FRUITLESS, UNAUTHORIZED OR AVOIDABLE EXPENDITURE

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

13. SUSPENSE ACCOUNTS

No money was accounted for in suspense accounts during the year under review.

14. IRREGULARITIES AND LOSSES

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

15. CAPITAL PROJECTS

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

| | 2009 | 2009 | 2008 |
|-------------------------------------|----------------|------------------|------------------|
| | External loans | Revenue account | Revenue account |
| | N\$ | N\$ | N\$ |
| Council general expenses | - | 2 348 | 4 289 |
| Town clerk | - | 10 246 | 770 |
| Town administration | 267 536 | - | - |
| Town treasurer | - | 5 041 | 16 791 |
| Health services | - | 10 256 | 39 127 |
| Town planning and development | - | 654 824 | 889 199 |
| Local economic and tourism services | - | 2 300 | 1 132 103 |
| Electricity services | - | - | 1 695 486 |
| Sewerage | - | 480 230 | - |
| Open market | - | 992 585 | 58 036 |
| Streets and stormwater | - | 158 161 | 142 848 |
| Water supply | - | 898 | - |
| Total | 267 536 | 2 316 889 | 3 978 648 |

| | 2009 | 2009 | 2008 |
|-------------------------------------|-------------------|------------------|------------------|
| | Capital statement | Income statement | Difference |
| | N\$ | N\$ | N\$ |
| Council general expenses | 2 348 | - | 2 348 |
| Town clerk | 10 246 | 10 246 | - |
| Town treasurer | 5 041 | 5 041 | - |
| Health services | 10 256 | 10 256 | - |
| Town planning and development | 654 824 | 371 551 | 283 273 |
| Local economic and tourism services | 2 300 | 2 300 | - |
| Waste management | - | 68 791 | (68 791) |
| Sewerage | 480 230 | - | 480 230 |
| Open market | 992 585 | 294 495 | 698 090 |
| Streets and stormwater | 158 161 | 158 161 | - |
| Water supply | 898 | 898 | - |
| Total | 2 316 889 | 921 739 | 1 395 150 |

A nett amount o N\$ 1 395 150 as expenditure: Contribution to capital outlay was thus excluded form the income statement.

16. BURSARIES

No bursaries were granted during the year under review.

17. CONTRIBUTIONS, GRANTS AND FINANCIAL AID

No donations were granted to the Council during the year under review. No Government subsidies or contributions were received by the Council during the year under review.

18. COMPENSATION PAYMENTS

No compensation payments on crop fields were paid during the year under review.

19. VISITS TO FOREIGN COUNTRIES

The Council spent N\$ 33 446 for visits by officials to China and France.

20. CLAIMS AGAINST THE LOCAL AUTHORITY

No claims for losses were received during the year.

21. GIFTS / DONATIONS BY / TO THE LOCAL AUTHORITY

An amount of N\$ 3 200 (2008: N\$ 2 050) as paid as donations for the year under review.

22. TRANSFER OF PROPERTY TO / FROM GOVERNMENT

No properties were transferred to / from the Ministry of Regional and Local Government, Housing and Rural Development.

23. DEBTORS AND CREDITORS**23.1 Debtors at 30 June were:**

| | 2009 | 2008 |
|-------------------------|------------------|------------------|
| | N\$ | N\$ |
| Build Together debtors | 1 318 656 | 1 286 604 |
| Consumers | 5 817 505 | 4 344 408 |
| Provision for bad debts | (4 462 081) | (2 909 784) |
| | 2 674 080 | 2 721 228 |
| Value added taxation | 297 807 | 702 987 |
| | 2 971 887 | 3 424 215 |

For the year under review, a debtors billings system was used on which assessment rates, water services and related were combined. No split was made between the relevant services rendered. However, upon receipt of cash, monies were accounted for in terms of different services rendered.

23.2 Creditors at 30 June were:

| | 2009 | 2008 |
|---|------------------|----------------|
| | N\$ | N\$ |
| Trade creditors and other accruals | 439 827 | 162 443 |
| Provision for leave pay and audit fees | 564 789 | 661 540 |
| Consumer deposits | 202 388 | 131 542 |
| Sundry receivables - (Incorrect disclosure by client) | (45 120) | (143 309) |
| | 1 161 884 | 812 216 |

Debtors receivable of N\$ 45 120 (2008: N\$ 143 309) were incorrectly disclosed under trade creditors.

24. ASSESSMENT RATES

Net proceeds from assessment rates, amounted to N\$ 1 503 194 (2008: N\$ 1 172 150). The tariffs for private and business properties of N\$ 0.4741 per dollar per year on site valuations plus N\$ 0.00581 per dollar per year on the valuation of improvements is in line with gazette rates.

25. LOANS

25.1 External loans

External capital loan balances as at year end were N\$ 202 528 (2008: N\$ nil). Loan moneys were used for the purpose for which they were obtained. Redemption payments are up to date. Loan assets were capitalised and no loan assets have been disposed of before the loan was redeemed.

25.2 Internal loans

No internal loans were advanced or received during the year under review.

25.3 Housing loans

Housing loans advanced to buyers under the Build Together Housing Scheme are disclosed as N\$ 1 318 657 (2008: N\$ 1 286 604) in the financial statements.

26. SALE OF ERVEN

During the current financial year, cash proceeds to the value of N\$ 835 940 (2008: N\$ 2 151 969) were received for erven sold and allocated to the Revenue account.

27. PROPERTY SOLD ON INSTALMENT BASIS

During the current financial year, erven were sold on an instalment basis. Instalment received amounted to N\$ 2 408 337 (2008: N\$ 1 502 114) and were allocated to the Revenue account.

28. TARIFF ADJUSTMENTS

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

29. STOCK AND EQUIPMENT

29.1 Motor vehicles

| | No | Sedan vehicles | No | LDV & combi's | No | Heavy vehicles |
|--------------------|----------|----------------|----------|----------------|----------|----------------|
| On hand 01/07/2008 | 1 | N\$ 127 019 | 2 | N\$ 206 110 | 1 | N\$ - |
| Additions | | | 1 | 267 536 | | - |
| Less: Depreciation | | (25 404) | | (41 222) | | - |
| On hand 30/06/2009 | 1 | 101 615 | 3 | 432 424 | 1 | - |

No log books on vehicles could be provided by the Town Council at the time of the audit. This is a deterioration of the situation during the previous audit when logbooks were available. The Council is urged to rectify this situation.

29.2 Stock

According to the Council, stock comprising of stationery and consumables amounted to N\$ 359 607 (2008: N\$ 128 806).

30. SPECIAL INVESTIGATIONS

No special investigations were carried out during the year.

31. GENERAL

31.1 Internal controls

The accounting and internal controls are satisfactory, except where indicated otherwise in this report. Proper segregation of duties is feasible, but due to the small number of staff employed 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.

31.2 Temporary advances

There were temporary advances from the Funds to revenue were disclosed at N\$ 2 134 377 (2008: N\$ 2 993 819) for the year under review. The current financial position indicates that the Funds are no longer fully cash backed.

32. FORMAL AND INFORMAL QUERIES

Formal queries are embodied in this report.

Informal queries addressed to the Town Clerk consist of:

- * Deed of sale not on clients file.
- * Inadequate inventory control.
- * Inadequate provision for leave days.
- * Long overdue debtors' accounts and monies long outstanding becoming doubtful.
- * Recoverability of Value Added Tax receivable.
- * Payroll not reconciled.

33. QUALIFIED AUDIT OPINION

The accounts of the Town Council of Outapi for the financial year ended 30 June 2009, 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 statements have been prepared on the basis of accounting practices applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realization of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The opinion has been qualified due to the following reasons:

- VAT receivable to the amount of N\$ 261 611 may not be recovered from the Receiver of Revenue.
- Consumer deposits are inadequate.

- Physical stock does not correspond with the stock reification sheet.

Except for the above-mentioned issues, in my opinion, the financial statements fairly present the financial position of the Town Council at 30 June 2009 and the results of its operations and cash flows for the year then ended in the manner required by the Local Authorities Act, 1992, and the State Finance Act, 1991

WINDHOEK, June 2010

**JUNIAS ETUNA KANJEKE
AUDITOR-GENERAL**

THE TOWN COUNCIL OF OUTAPI

BALANCE SHEET ON 30 JUNE 2009

| | Notes | 2009 N\$ | 2008 N\$ |
|------------------------------------|-------|-------------------|-------------------|
| ASSETS | | | |
| Non-current accounts | | | |
| Property, plant and equipment | 3 | 13 643 322 | 12 130 436 |
| Investments | 4 | 1 653 125 | 1 781 981 |
| Current accounts | | | |
| Inventory | 5 | 359 607 | 128 806 |
| Accounts receivable | 6 | 2 971 887 | 3 424 215 |
| Cash and cash equivalents | | 1 500 | 1 500 |
| TOTAL ASSETS | | 18 629 441 | 17 466 938 |
| FUNDS AND LIABILITIES | | | |
| Funds | | | |
| Funds accounts and reserves | 2 | 18 546 951 | 18 192 840 |
| Accumulated Fund | | (1 454 442) | (2 305 070) |
| Non-current liabilities | | | |
| Long-term loan | 8 | 202 528 | - |
| Current liabilities | | | |
| Accounts payable | 7 | 1 161 884 | 812 216 |
| Bank overdraft | | 172 520 | 766 952 |
| TOTAL FUNDS AND LIABILITIES | | 18 629 441 | 17 466 938 |

THE TOWN COUNCIL OF OUTAPI

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2009

| | <u>Note</u> | <u>2009</u> | <u>2008</u> |
|---|-------------|--------------------|--------------------|
| | | N\$ | N\$ |
| INCOME | | 10 838 016 | 9 507 226 |
| EXPENDITURE | | (8 715 643) | (9 062 191) |
| NET OPERATING SURPLUS | | 2 122 372 | 445 035 |
| INVESTMENT INTEREST EARNED | | 20 096 | 56 464 |
| NET INCOME for the year | | 2 142 469 | 501 499 |
| ADJUSTMENTS | 9 | (1 291 841) | (3 193 992) |
| NET SURPLUS / (DEFICIT) for the year | | 850 628 | (2 692 493) |
| APPROPRIATION ACCOUNT - AT THE BEGINNING OF THE YEAR | | (2 305 070) | 387 423 |
| APPROPRIATION ACCOUNT - AT THE END OF YEAR | | <u>(1 454 442)</u> | <u>(2 305 070)</u> |

THE TOWN COUNCIL OF OUTAPI

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2009

| | Note | 2009 | 2008 |
|--|-------------|------------------|------------------|
| | | N\$ | N\$ |
| CASH FLOW FROM OPERATING ACTIVITIES | | | |
| Cash receipt from customers | | 10 838 016 | 9 507 226 |
| Cash paid to suppliers | | (8 144 449) | (6 447 448) |
| Cash generated / (utilised) by operating activities | 10 | 2 693 567 | 3 059 778 |
| Investment income | | 20 096 | 56 464 |
| | | 2 713 663 | 3 116 242 |
| CASH UTILIZED BY INVESTING ACTIVITIES | | | |
| (Increase)/decrease in investments | | 128 856 | 1 817 653 |
| (Increase) in property, plant & equipment | | (1 512 886) | (3 034 566) |
| Appropriation account | | (1 291 841) | (3 193 992) |
| CASH GENERATED FROM FINANCING ACTIVITIES | | | |
| Change in funds – Increase/(decrease) | | 354 112 | 611 525 |
| (Decrease)/increase in long-term liabilities | | 202 528 | (7 572) |
| Increase/(decrease) in cash and cash equivalents | | 594 432 | (690 710) |
| CASH AND CASH EQUIVALENTS - BEGINNING OF THE YEAR | | | |
| | | (765 452) | (74 742) |
| CASH AND CASH EQUIVALENTS - END OF THE YEAR | | | |
| | | (171 020) | (765 452) |

THE TOWN COUNCIL OF OUTAPI

NOTES TO THE ANNUAL FINANCIAL STATEMENTS AT 30 JUNE 2009

1. ACCOUNTING POLICIES

The annual financial statements are compiled in accordance with the historical convention method modified by the restatement of the financial instruments to fair value, except where otherwise stated.

The principal accounting policies of the Town Council, which are set out below, had been consistent and comply with Namibian Statements of Generally Accepted Accounting Practices. The financial statements have been prepared in accordance with the requirements of the Namibian Local Authorities Act.

1.1 Fixed assets and depreciation

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

1.2 Inventories

Inventories are measured at lower cost and net realizable value. The cost of inventories should comprise all cost of purchases, cost of conversion and other cost incurred in bringing the inventories to their present location and condition.

| | 2009 | 2008 |
|----------------------------------|-------------------|-------------------|
| | N\$ | N\$ |
| 2. OWN FUNDS | | |
| 2.1 Financing of capital: | | |
| Contribution from: | 13 440 794 | 12 130 436 |
| Loans redeemed | 65 008 | 416 413 |
| Revenue | 13 375 786 | 11 714 023 |
| 2.2 Funds | 5 106 157 | 6 062 404 |
| Capital Development Fund | 329 453 | 1 497 819 |
| Government Contributions Fund | 1 763 637 | 1 526 130 |
| Build Together Fund | 3 013 067 | 2 926 739 |
| Road Fund Administration | - | 111 716 |
| TOTAL FUNDS | 18 546 951 | 18 192 840 |

THE TOWN COUNCIL OF OUTAPI

NOTES TO THE ANNUAL FINANCIAL STATEMENTS AT 30 JUNE 2009 (continued)

| | <u>2009</u> | <u>2008</u> |
|--|-------------------|-------------------|
| | N\$ | N\$ |
| 3. FIXED ASSETS | | |
| Infrastructure, land and buildings, motor vehicles, office equipment, furniture and fittings and computer equipment. | 13 643 322 | 12 130 436 |
| Financed from: | | |
| Loans redeemed | 65 008 | 416 234 |
| Loan account | 202 528 | - |
| Revenue account | 13 375 786 | 11 714 202 |
| | 13 643 322 | 12 130 436 |
| 4. INVESTMENTS | | |
| Fixed deposits and money on call | 1 653 125 | 1 781 981 |
| | 1 653 125 | 1 781 981 |
| Comprising of: | | |
| Capital Reserve Fund | 329 454 | 345 200 |
| Build Together Fund | 1 278 814 | 1 325 066 |
| Road Fund Administration | - | 111 715 |
| Government Continuation Fund | 44 857 | - |
| | 1 653 125 | 1 781 981 |
| 5. INVENTORY | | |
| Comprising of: | | |
| Consumable stores | 359 607 | 128 806 |
| | 359 607 | 128 806 |
| 6. ACCOUNTS RECEIVABLE | | |
| Build Together debtors | 1 318 656 | 1 286 604 |
| Consumers | 5 817 505 | 4 344 408 |
| Provision for doubtful debts | (4 462 081) | (2 909 784) |
| | 2 674 080 | 2 721 228 |
| Value added taxation | 297 807 | 702 987 |
| | 2 971 887 | 3 424 215 |
| 7. ACCOUNTS PAYABLES | | |
| Trade creditors and other accruals | 439 827 | 162 443 |
| Provision for leave pay and audit fees | 564 789 | 661 540 |
| Consumer deposits | 202 388 | 131 542 |
| Sundry receivables - (Incorrect disclosure by client) | (45 120) | (143 309) |
| | 1 161 884 | 812 216 |

THE TOWN COUNCIL OF OUTAPI

NOTES TO THE ANNUAL FINANCIAL STATEMENTS AT 30 JUNE 2009 (continued)

| | 2009 | 2008 |
|--|--------------------|--------------------|
| | N\$ | N\$ |
| 8. LONG-TERM LOANS | | |
| Hire-purchase agreements | 202 528 | - |
| | 202 528 | - |
| 9. ADJUSTMENTS AND UTILIZATIONS | | |
| Adjustment of provision for bad debts | (1 552 298) | (2 307 565) |
| Adjustment of provision for personnel benefits | (135 032) | (154 456) |
| Unclaimed deposit | 322 | 186 |
| Unclaimed balances | 196 | - |
| Appropriations | (3 500) | (50 724) |
| Professional fees adjustment | - | (51 363) |
| Irrecoverable VAT written off | (37 118) | (628 063) |
| Adjustment bank reconciliation | (6 893) | (38 060) |
| Adjustment personnel benefit | (11 746) | - |
| Staled cheques | 200 | 300 |
| Income | 319 427 | 35 753 |
| Stock previous year adjustment | 134 601 | - |
| | (1 291 841) | (3 193 992) |
| 10. CASH UTILIZED BY OPERATIONS | | |
| Net operating profit before transfers | 2 122 372 | 445 035 |
| Operating income before changes in Working Capital | 2 122 372 | 445 035 |
| Changes in Working Capital | 571 195 | 2 614 743 |
| (Increase)/decrease in receivables | 452 328 | 2 291 633 |
| (Increase)/decrease in inventories | (230 801) | 67 301 |
| Increase/(decrease) in payables | 349 668 | 255 809 |
| | 2 693 567 | 3 059 778 |