



REPUBLIC OF NAMIBIA



REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE

MUNICIPALITY OF GROOTFONTEIN

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

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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 Grootfontein for the financial year ended 30 June 2008, 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, April 2010

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

**REPORT OF THE AUDITOR-GENERAL
ON THE ACCOUNTS OF THE MUNICIPALITY OF GROOTFONTEIN
FOR THE FINANCIAL YEAR ENDED
30 JUNE 2008**

1. INTRODUCTION

The accounts of the Municipality of Grootfontein for the year ended 30 June 2008 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 Namibian 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, **except that they were only submitted on 10 December 2008 and not within three months as required by the Act.** 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 original.

The following annexures are also attached to this report:

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

3. SCOPE OF THE AUDIT

The Accounting Officer of the Municipality is responsible for the preparation of the financial statements and for ensuring the regularity of the financial transactions. It is the responsibility of the Auditor-General to form an independent opinion, based on the audit, on those statements and on the regularity of the financial transactions included in them and to report his opinion to the National Assembly.

The audit as carried out by the said firm, included:

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

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

- The financial statements are free from material misstatement, whether caused by error, fraud or other 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

Items that were also reported in the previous financial year are indicated by way of an asterisk (*)

4.1 Recoverability of debtors - Bad and doubtful debts

In the year under review, the Municipality's debts outstanding increased by 17% which is a relatively high increase while the provision for doubtful debts increased with 37%. In the light of this situation, the auditors concluded that debt collection strategies and policies implemented are not effective.

	2008	2007	2006
	N\$	N\$	N\$
Debt outstanding	39 582 518	33 732 414	26 767 088
Provision for bad debts	2 613 328	1 901 489	1 569 299
Percentage increase in outstanding debts	17%	26%	(6%)
Percentage increase in provision for bad debts	37%	21%	20%
Percentage provision vs. debt	7%	6%	6%

Furthermore the proportion of debtors at 120 days and longer were N\$ 34 642 348 compared with the total debt outstanding of N\$ 39 582 518, raising concern of possible future cash flow difficulties. The auditors calculated that the provision for bad debts is understated by N\$ 20 939 024.

Although credit control policies are in place and the Municipality has submitted numerous debtors accounts to professional debt collectors, the effectiveness of these measures should be reviewed constantly by the management committee and town treasurer department.

4.2 Collection of debts (*)

As also reported previously, the Municipality's uncollected service debtors has continued to increase out of proportion over the past financial years. In addition, debtors days outstanding have increased to 692 days (2007: 672 days) thus increasing the existing concern of future cash flow difficulties.

4.3 Fixed assets

4.3.1 Depreciation

The accounting system used by the Council was not able to calculate depreciation on a pro-rata basis on all fixed assets bought during the year. This creates an incorrect valuation of fixed assets as stated in the annual financial statements.

4.3.2 Updating of fixed asset register

During the year under review the Municipality has transferred electrical assets to Cenored (Pty)Ltd, a company in which the investment is being held. These assets were not removed from the Municipality's fixed asset register thus overstating fixed assets and understating investments. No list with adequate description and values of assets transferred could be obtained from the Municipality.

The auditors advised the Council to update its fixed asset register when assets are disposed of or replaced.

4.4 Natis claims income

The Municipality incorrectly disclosed income received from Natis as a subsidy instead of claim income received. The net difference of the incorrect disclosure amounted to N\$ 52 022. Claims not processed amount to N\$ 232 272. Entries should be passed during the next financial year to reflect the correct balances.

4.5 Cenored (Pty) Ltd investment

The Municipality has a 10.3% shareholding in Cenored (Pty) Ltd and made cash contributions to the value of N\$ 1 371 704. Electricity assets to the value of N\$ 4 275 160 were transferred, but the assets were not removed from the Municipality's fixed asset register. The value as listed in the records of Cenored (Pty) Ltd was not correctly reflected in the Municipality's financial statements. The shareholding was valued at N\$ 28 804 555 and 5 530 shares were allocated to the Municipality. All the above transactions were not accounted for by the Municipality thus understating its investments, overstating fixed assets and expenses (as the initial cash contributions were allocated thereto).

As recommended in the previous report, correcting entries should be passed in the next financial year to ensure that the balance sheet of the Municipality reflects a reliable and accurate view of its affairs.

5. ACKNOWLEDGEMENT

The assistance and co-operation given by the management and staff of the Municipality during the audit are appreciated.

6. FINANCIAL RESULTS

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

	Revenue	Expenditure	Surplus/ (deficit)	Balance
	N\$	N\$	N\$	N\$
Accumulated surplus as at 01/07/2007				5 999 809
General services				
Non-profitable	6 254 251	15 995 377	(9 741 126)	
Self-supporting	8 758 107	9 765 288	(1 007 181)	
Trade accounts				
Water supply	8 417 106	4 189 512	4 227 594	
Contributions from subsidiary				
Electricity supply	7 915 942	539 313	7 376 629	
	31 345 406	30 489 490	855 916	
Surplus for the year				855 916
(Adjustments and utilizations detailed in Note 10 of the financial statements.)				3 925 125
Accumulated surplus as at 30/06/2008				10 780 850

7. CURRENT BANK ACCOUNT

The cash-book balance reflected an overdraft of N\$ 629 604 (2007: N\$ 667 554 unfavourable) while the bank statements reflected a favourable balance of N\$ 1 810 026 (2007: N\$ 552 429). Cheques not presented for payment totaling N\$ 2 530 129 (2007: 1 222 291) and deposits not banked amounting to N\$ 89 470 (2007: N\$ 1 709) were outstanding at year-end.

8. INVESTMENTS AND INTEREST PROCEEDS

At 30 June 2008, N\$ 14 060 806 (2007: N\$ 12 832 338) was invested at approved financial institutions, as follows:

	Interest allocation	Investments	
	2008	2008	2007
	N\$	N\$	N\$
Cenored	-	5 646 864	-
Banking institutions	1 545 808	14 060 806	12 082 338
Insurance companies	-	-	750 000
	1 545 808	19 707 670	12 832 338
Investments and interest were allocated to the following Funds:			
Fixed Property Fund	128 147	-	-
Betterment Fund	95 686	-	-
Capital Development Fund	35 708	-	-
Renewal Fund	296 641	-	-
Housing Fund - Town	9 429	-	-
Housing Fund - Luiperdheuwel	16 540	-	-
Housing Fund - Omulunga	17 468	-	-
Bonus and Leave Reserve Fund	46 065	-	-
Insurance Reserve	9 121	-	-
Build Together Fund	612 140	14 060 806	12 832 338
Motor loan scheme	30 916	-	-
Personnel housing	56 731	-	-
Revenue – Town Treasurer	191 216	5 646 864	-
	1 545 808	19 707 670	12 832 338

9. FUND ACCOUNTS

The position of the Fund accounts at the end of the year is shown in Note 2 of Annexure D. Except for the Build Together Fund which is partly backed by cash amounting to N\$ 14 060 806, none of the other Fund accounts are backed by cash as all resources have been utilized for operational costs. The accounts can as such not be utilized for the purpose for which they have been created. This situation underlines the extremely poor financial position of the Municipality. Temporary advances made from the Fund accounts to Revenue amounted to N\$ 33 188 952.

10. TRADE ACCOUNTS

10.1 The results of the operations of the water sales were as follows:

	2008	2007
	N\$	N\$
Sales	8 321 391	6 786 788
Cost of bulk purchases	-	-
Gross profit	8 321 391	6 786 788
Expenses (net)	(4 093 797)	(3 882 372)
Net surplus	4 227 594	2 904 416
Gross profit % on sales	(100%)	(100%)
Net surplus % on sales	(50.8%)	(42.8%)

The trading results showed an increase in profitability compared with the prior year.

11. SELF-SUPPORTING SERVICES

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

	2008	2007
	N\$	N\$
House rental	641 214	510 426
Single Quarters	193 826	117 345
Abattoir	(737 870)	(648 130)
Cleansing	(1 663 796)	(1 683 404)
Sewerage	559 445	499 055
	(1 007 181)	(1 204 708)

The continuous high losses on cleansing services should be investigated and corrective measures should be taken.

12. FRUITLESS, UNAUTHORIZED OR AVOIDABLE EXPENDITURE

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

13. SUSPENSE ACCOUNTS

The balance sheet reflects the following suspense accounts, which are not reconciled on a regular basis:

	2008	2007
	N\$	N\$
Sundry debtors	143 206	143 206
Vehicle insurance	-	25 629
Insurance	23 014	(172 645)
Transfer costs - Omulunga	(64 580)	(62 143)
Advance to buyers suspense account (Build Together Fund)	47 023	16 443
	148 663	(49 510)

14. IRREGULARITIES AND LOSSES

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

15. CAPITAL PROJECTS

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

	Financed from		
	2008	2008	2007
	Revenue	Internal loans	Total
	N\$	N\$	N\$
Council general expenses	20 087	-	20 087
Town administration	82 962	-	82 962
Town Treasurer	8 046	-	8 046
Town engineer	25 800	-	25 800
Health services	1 100	-	1 100
Parks and gardens	19 467	49 318	68 785
Human resources	18 146	-	18 146
Single quarters	994 180	-	994 180
Street and storm waters	25 000	-	25 000
Water supply	24 245	-	24 245
Electricity	49 572	-	49 572
Fire brigade	14 500	-	14 500
Stores	27 413	-	27 413
Town lands	-	154 750	154 750
Civic buildings	3 785	-	3 785
Show and sport grounds	26 400	-	26 400
Caravan park	100 000	-	100 000
Sanitation	442 942	736 409	1 179 351
Abattoir	-	94 742	94 742
Total	1 883 645	1 035 219	2 918 864

Comparison between capital statement ex-revenue expenditure and allocations to votes:

Capital expenditure	Capital statement ex-revenue	Vote	Difference
	N\$	N\$	N\$
Administration	82 962	22 584	60 378
Human resources	18 146	18 146	-
Fire brigade	14 500	-	14 500
Town Engineer	25 800	25 800	-
Town Treasurer	8 046	8 046	-
Health	1 100	1 100	-
Stores	27 413	27 413	-
Civic building	3 785	-	3 785
Parks and gardens	19 467	19 467	-
Councils general expenses	20 087	14 250	5 837
Single quarters	994 180	-	994 180
Sanitation	469 342	9 500	459 842
Streets and sidewalks	25 000	340 714	(315 714)
Caravan park	100 000	-	100 000
Electricity	49 572	-	49 572
Water	24 245	-	24 245
Total	1 883 645	487 020	1 396 625

From the above comparison it is clear that all assets that were financed from revenue were not

allocated to the different votes. Council should ensure that capital expenditures financed from Revenue is allocated to their respective votes and also give an indication as to where the difference of N\$ 1 396 625 has been allocated.

- 15.2** Loans amounting to N\$ 2 341 104 (2007: N\$ 266 869) were fully redeemed during the year, however, the related assets were not transferred to revenue assets. This implies that assets ex-loans are overstated while assets ex-revenue are understated by N\$ 2 607 973. Corrections should be made in the forthcoming year.

16. BURSARIES

No bursaries were granted during the year under review.

17. CONTRIBUTIONS, GRANTS AND FINANCIAL AID

No contributions or grants were made during the year under review.

18. COMPENSATION PAYMENTS

No compensation payments were made during the year.

19. VISITS TO FOREIGN COUNTRIES

Two councilors and an official visited South Africa during the year. The Council did not provide the auditors with the cost involved.

20. CLAIMS AGAINST THE MUNICIPALITY

No claims for losses were received during the year. A prior year claim with a value of N\$ 1 885 is still pending.

21. GIFTS / DONATIONS BY / TO THE LOCAL AUTHORITY

The following donations were made with Council approval

Beneficiary	Amount
	N\$
Cancer Society of Namibia	2 000
Grootfontein museum	3 000
Karl Albrecht Old Age	8 000
Samalindi Primary School	500
Beeborage Primary School	500
Wilhelm Norteir Primary School	500
Grootfontein Secondary School	500
Friedrich Awaseb Secondary School	500
Makalani Primary School	500
St-RC Primary School	500
Luiperdheuwel Primary School	500
Kalenga Primary School	500
Omulunga Project School	500
Independence celebration	500
Dia Boroge/Aunns Primary School	2 500
Das Alte Fort Museum	2 120
Community People living with Disabilities	1 000
Bothat Trading-Christmas for Pensioners	14 705
	38 825

22. TRANSFER OF PROPERTY TO / FROM GOVERNMENT

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

23. DEBTORS AND CREDITORS

23.1 Debtors at 30 June 2008 were:

	2008	2007
	N\$	N\$
Services, general and assessment rates accounts	39 582 518	33 732 414
Provision for bad debts	(2 613 328)	(1 901 489)
	36 969 190	31 830 925
Value added taxation	1 460 326	1 260 789
Interest accrued on investments	873 695	3 164 409
Build Together advances	47 023	16 444
Other debtors	171 051	171 121
	39 521 285	36 443 688

23.2 Creditors at 30 June 2008 were:

	2008	2007
	N\$	N\$
Trade creditors	78 979	283 208
Provisions and accruals	108 914	-
Suspense accounts	233 822	268 677
	421 715	551 882

23.2.1 Liabilities to the amount of N\$ 22 855 (2007: N\$ 377 125) incurred before year end were not accounted for.

24. ASSESSMENT RATES

Net proceeds from assessment rates amounted to N\$ 3 403 196 (2007: N\$ 3 082 897). The tariffs on improvements and site values remained almost the same as for the prior year.

25. LOANS

25.1 External loans

External capital loan balances, excluding housing loans, as at year end were N\$ 4 572 837 (2007: N\$ 6 580 879). Loan moneys were used for the purpose for which they were obtained.

25.2 Internal loans

Internal capital loan balances as at year end were N\$ 5 879 453 (2007: N\$ 6 716 825). All loan advances during the year were duly authorized.

25.3 Housing loans

The amounts advanced in favour of housing loans under the different Housing schemes are disclosed as N\$ 7 087 358 (2007: N\$ 4 233 747) in the financial statements whereas N\$ 459 430 is being owed to the Government.

26. SALE OF ERVEN

During the current financial year, cash proceeds to the value of N\$ 12 021 097 (2007: N\$ 202 645) were received for erven sold and allocated to the Capital Development Fund, Fixed Property Fund and Betterment Fund.

27. PROPERTY SOLD ON INSTALMENT BASIS

No erven were sold on instalment basis for the year under review. The Council's policy is to sell all erven on a cash basis.

Other property sold on an instalment basis is accounted for as follows:

	Luiperd heuvel	Omulunga	Build together	Total
	N\$	N\$	N\$	N\$
Balance 01/07/2007 (Adjustment of opening balance)	247 620	422 702	4 034 055	4 704 377
Advances	*(226 114)	(205 097)	-	(431 211)
Less: Receipts	222 488	205 097	31 845	459 430
	-	-	(530 353)	(530 353)
Balance 30/06/2008	243 994	422 702	3 535 547	4 202 243

* These adjustments could not be explained by the Council. They should investigate the reasons for these and rectify the accounts of the Council.

28. TARIFF ADJUSTMENTS

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

29. APPROVALS

29.1 Excess on approved budget

The necessary approval on excess expenditure was obtained.

30. MOTOR VEHICLES

30.1 Motor vehicles and their values were:

	Sedan vehicles		LDV's, combi's and 4x4 vehicles		Heavy duty vehicles (Lorries and busses)	
	No	N\$	No	N\$	No	N\$
On hand as at 01/07/2007	2	191 218	14	266 360	22	1 675 691
Adjustment*				(13 165)		1 178 503
Additions	-	-	**5	-	***20	745 909
	2	191 218	19	253 195	42	3 600 103
Less: Depreciation		-		(1 821)		(61 329)
On hand 30/06/2008	2	191 218	19	251 374	42	3 538 774

* These are adjustments of the differences between the previous years closing balance and this years opening balances which could not be explained.

** The Council could also not provide a reasonable answer on how it is possible to acquire

five (5) new vehicles free of charge.

*** The Council could also not provide a reasonable answer how they managed to purchase twenty (20) heavy vehicles for a price of N\$ 745 909.

30.2 Stock

According to the Municipality, stock comprising of stationery and consumables amounting to N\$ 543 977 (2007: N\$ 1 024 169).

31 SPECIAL INVESTIGATIONS

No special investigations were carried out during the year.

32. GENERAL

32.1 Internal controls

The accounting and internal controls are satisfactory, except where indicated otherwise in this report. While increased management involvement reduces risks, the risk arises that management and Council override existing controls, a potentially dangerous practice, which the Municipality should vigilantly guard against.

33. FORMAL AND INFORMAL QUERIES

Formal queries are embodied in this report.

Informal queries addressed to the Town Clerk consist of:

- * Recoverability of debtors
- * Natis claim income
- * Existence and valuation of fixed assets
- * Incorrect slaughter fees charged
- * Cenored (Pty) Ltd investment

34. QUALIFIED AUDIT OPINION

The accounts of the Municipality of Grootfontein for the financial year ended 30 June 2008, 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 audit opinion has been qualified due to the following reasons:

- * The provision for bad debts is understated by N\$ 20 939 024. The accumulated surplus is as such overstated by the same amount.
- * The completeness of Natis income of N\$ 232 273 could not be confirmed.
- * The investment of CENORED to the value of N\$ 28 804 555 is understated by N\$ 23 157 691 in the financial statements.

* Capital financing of loans is overstated by N\$ 2 607 973 as fully redeemed loans have not been transferred to “Contributions from Revenue”. The last mentioned account is understated by the same amount.

Except for the reasons mentioned above, in my opinion, these financial statements fairly present the financial position of the Municipality at 30 June 2008, and the results of operations and cash flows for the year then ended.

WINDHOEK, April 2010

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

MUNICIPALITY OF GROOTFONTEIN

BALANCE SHEET ON 30 JUNE

	Notes	2008 N\$	2007 N\$
ASSETS			
Non-current assets			
		60 391 693	54 237 761
Property, plant and equipment	3	32 999 760	36 256 572
Loans	9	7 684 263	5 148 851
Investments	4	19 707 670	12 832 338
Current assets			
		40 065 793	37 468 388
Inventory	5	543 977	1 024 170
Accounts receivable	7	39 521 285	36 443 688
Cash and cash equivalents		531	530
TOTAL ASSETS		100 457 486	91 706 149
FUNDS AND LIABILITIES			
		93 729 386	82 828 018
Funds and reserves	2	93 729 386	82 828 018
Non-current liabilities			
		5 676 781	7 658 695
Long-term loans	6	5 676 781	7 658 695
Current liabilities			
		1 051 319	1 219 436
Accounts payable	8	421 715	551 882
Bank overdraft		629 604	667 554
TOTAL FUNDS AND LIABILITIES		100 457 486	91 706 149

MUNICIPALITY OF GROOTFONTEIN

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE

	<u>Notes</u>	<u>2008</u>	<u>2007</u>
		N\$	N\$
INCOME		31 154 190	29 035 507
EXPENDITURE		(30 489 490)	(30 628 487)
NET OPERATING DEFICIT		664 700	(1 592 980)
INVESTMENT INTEREST TO REVENUE		191 216	208 547
NET SURPLUS/(DEFICIT) FOR THE YEAR		855 916	(1 384 433)
ADJUSTMENTS	10	3 925 125	(384 268)
NET SURPLUS/(DEFICIT) FOR THE YEAR		4 781 041	(1 768 701)
ACCUMULATED FUNDS AT THE BEGINNING OF THE YEAR		5 999 809	7 768 510
ACCUMULATED FUNDS AT THE END OF THE YEAR		10 780 850	5 999 809

MUNICIPALITY OF GROOTFONTEIN

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2008

	<u>Note</u>	<u>2008</u>	<u>2007</u>
		N\$	N\$
Cash generated by operations			
Cash receipts from customers		31 154 190	31 136 859
Cash paid to suppliers		(22 966 632)	(31 198 282)
Net cash flow from operating activities	11	8 187 558	(61 422)
Cash utilized/generated by investing activities			
Investment income		191 216	208 547
Additions to fixed assets		(3 068 493)	(14 777 043)
Decrease/(increase) in investments		(6 875 332)	7 668 768
(Increase)/decrease in loans		(2 535 412)	(141 634)
Net cash flow from investing activities		(12 288 021)	(7 041 362)
Cash generated in financing activities			
Increase/(decrease) in Funds		6 120 327	6 192 057
Decrease/(increase) in long-term liabilities		(1 981 914)	(55 746)
		4 138 413	6 136 311
Net change in cash and cash equivalents		37 950	(966 473)
Cash and cash equivalents at the beginning of the year		(667 024)	299 449
Cash and cash equivalents at the end of the year		(629 074)	(667 024)

MUNICIPALITY OF GROOTFONTEIN

NOTES TO THE ANNUAL FINANCIAL STATEMENTS AT 30 JUNE 2008

1. ACCOUNTING POLICIES

The annual financial statements are compiled in accordance with the historical convention 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.

2. OWN FUNDS AND RESERVES

	2008	2007
	N\$	N\$
- Capital section	19 970 276	19 287 209
- Revenue section	10 780 850	5 999 809
- Loans redeemed	2 731 457	4 526 536
- Accumulated Leave Reserve Fund	1 169 961	1 201 065
- Capital Development Fund	2 190 016	1 701 498
- Housing Funds	23 373 338	18 568 530
- Bonus Reserve Fund	1 367 708	1 233 031
- Insurance Reserve Fund	520 684	452 813
- Personnel Housing Fund	2 695 253	2 638 522
- Motor Loan Scheme Fund	1 636 380	1 533 171
- Loans to clubs and societies	81 151	81 150
- Fixed Property Fund	6 998 552	6 557 605
- Betterment Fund	5 097 749	4 738 874
- Renewal Fund	15 116 011	14 308 205
Total Funds	93 729 386	82 828 018

MUNICIPALITY OF GROOTFONTEIN

NOTES TO THE ANNUAL FINANCIAL STATEMENTS AT 30 JUNE 2008

	2008	2007
	N\$	N\$
3. FIXED ASSETS		
Infrastructure, land and buildings, motor vehicles, office equipment, furniture and fittings and computer equipment.	32 999 760	36 256 572
Financed from:		
Capital account	1 018 556	1 616 441
Loan account	13 884 361	17 824 240
Revenue account	18 096 843	16 815 891
	32 999 760	36 256 572
4. INVESTMENTS		
Commercial banks	1 406 806	12 082 338
Insurance policies	-	750 000
Shares in Cenored	5 646 864	-
	19 707 670	12 832 338
5. INVENTORY		
Comprising of:		
Consumable stores and fuel	543 977	1 024 170
	543 977	1 024 170
6. LONG-TERM LIABILITIES		
Government of Namibia (Including housing loans)	5 032 268	7 040 309
Consumer deposits and other	644 513	618 386
	5 676 781	7 658 695
7. ACCOUNTS RECEIVABLE		
Debtors	39 582 518	33 732 415
Less: Provision for doubtful debts	(2 613 328)	(1 901 489)
VAT control account	1 460 326	1 260 789
Accrued interest	873 695	3 164 409
Sundry debtors	171 051	171 121
Build Together advances	47 023	16 443
	39 521 285	36 443 688
8. ACCOUNTS PAYABLE		
Trade and other payables	78 979	283 205
Provisions and accruals	108 914	-
Suspense accounts	233 822	268 677
	421 715	551 882

MUNICIPALITY OF GROOTFONTEIN

NOTES TO THE ANNUAL FINANCIAL STATEMENTS AT 30 JUNE 2008 (continued)

	2008	2007
	N\$	N\$
9. LOANS		
9.1 Loans given over fixed property:		
Luiperdheuwel	17 214	21 506
Omulunga	184 474	208 205
Build Together Housing	6 885 670	4 004 038
	<u>7 087 358</u>	<u>4 233 749</u>
9.2 Motor loans	519 058	826 791
9.3 Clubs and societies	77 847	88 311
	<u>7 684 263</u>	<u>5 148 851</u>
10. ADJUSTMENTS AND UTILIZATIONS		
Refund - Agri Hall	(900)	-
Correction of interest	(48)	-
Stale cheques written back	5 093	(120)
Correction of water over read	(330)	-
Traveling allowance adjustment	(4 790)	-
Cenored assets transferred	4 275 161	-
Adjustment on bank reconciliation	-	113 777
Cenored 10.3% shareholding	1 030 000	-
Rectification on various accounts	10 867	-
Adjustment stores	-	(272 705)
Adjustment of fees	7 315	-
Areas on payment adjustment	274	-
Correction of short term premium	28 600	-
Grants adjustments	(84 502)	-
Correction of accrued interest on investments	(1 268 897)	-
Regional council fees	-	(25 976)
Surcharges overcharged	(124 604)	-
Sewerage income	-	219
House rental	-	528
Refunds received	51 886	40 156
Social security return 2005	-	(73 284)
Sundries	-	358
Suspense account cleared	-	(158 878)
Salaries adjustment	-	(8 343)
	<u>3 925 125</u>	<u>(384 268)</u>

MUNICIPALITY OF GROOTFONTEIN

NOTES TO THE ANNUAL FINANCIAL STATEMENTS AT 30 JUNE 2008 (continued)

	2008	2007
	N\$	N\$
11. CASH UTILIZED BY OPERATIONS		
Net operating profit/(loss) before transfers	855 916	(1 384 443)
Adjustments:		
- Appropriation account	3 925 125	(384 268)
- Interest earned	(191 216)	(208 547)
- Depreciation	6 325 304	629 276
Operating income before changes in working capital	10 915 129	(1 347 972)
Changes in working capital		
(Increase)/decrease in inventory	480 193	169 468
Decrease/(increase) in accounts receivable	(3 077 597)	1 097 969
Increase/(decrease) in accounts payable	(130 167)	19 113
	<u>(2 727 571)</u>	<u>1 286 550</u>
Cash utilized by operations	<u>8 187 558</u>	<u>(61 422)</u>