



REPUBLIC OF NAMIBIA



REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE

MUNICIPALITY OF GROOTFONTEIN

FOR THE FINANCIAL YEAR 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 Grootfontein 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, 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 2009**

1. INTRODUCTION

The accounts of the Municipality of Grootfontein 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, (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 26 November 2009. The Act stipulates that the statements should be submitted within three months after year-end.** 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

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 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

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

4.1 Recoverability of consumer debtors - Bad and doubtful debts (*)

In the year under review, the Municipality's outstanding debts decreased by 2% while the provision for doubtful debts increased by 44%. Overall, the auditors viewed debt collection strategies and policies as ineffective.

	2009	2008
	N\$	N\$
Debt outstanding	38 681 440	39 582 518
Provision for bad debts	3 770 910	2 613 328
Percentage increase in outstanding debts	(2%)	17%
Percentage increase in provision for bad debts	44%	37%
Percentage provision vs. debt	10%	7%
Debtors at 120 days plus vs total debt	95%	90%

Furthermore the proportion of debtors at 120 days to total debt outstanding has remained at a high, 95% of total debt, raising concern of possible future cash flow difficulties. The auditors recalculation of the provision for doubtful debts reveal an under provision of N\$ 29 374 233.

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.

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

4.2 Fixed assets depreciation (*)

The computerized accounting system used by the Council, was not able to calculate depreciation on a pro-rata basis. This inability creates an incorrect valuation of Fixed Assets as stated in the annual financial statements.

4.3 Natis claims income (*)

The auditors reconciliation of Natis claims to the ledger amounts revealed a significant difference of N\$ 437 926. This is mainly as a result of current year income not fully accounted for as well as prior year income receipts allotted in the current year. As a result of the above incorrect cut-off and lack of reconciliations on Natis claims, income for the year under review has been materially misstated

Due to the significance of this matter, the Auditor-General has to qualify his opinion on the accuracy and measurement of Natis claims income.

4.4 Cenored (Pty) Ltd investment (*)

As reported in prior years, 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, resulting in a total CENORED investment balance of N\$ 5 646 864. The shareholding was valued in the 2007 financial year at N\$ 28 804 555 and 5 530 shares were allocated to the Municipality. The increased shareholding has not been accounted in the books of the Municipality, thus understating its investments by N\$ 23 157 691.

Correcting entries should have been passed in the next financial year to ensure that the balance sheet of the Municipality reflects a reliable and accurate view of its affairs.

Due to the significance of this matter, the Auditor-General has to qualify his opinion on the valuation of the CENORED investment balance.

4.5 VAT control receivable

The Municipality uses the turnover apportionment vat method as stated in the Act, as 13% of income are exempt. As such 87% of input may be claimed. However, during the year under review the accountant claimed only 13% of VAT input. This error plus the fact that the unclaimed portion is not removed from the VAT control account resulted in the amount receivable of N\$ 2 072 496.

Management should ensure all VAT return computations are correctly performed and reviewed by the Finance Manager for errors before being finalized.

4.6 Build Together advances / Advances to buyers

The auditors found that a substantial number of beneficiary debts exceeded their original the approved loan amount. This was mainly due to arrears and interest charges levied.

The auditors also found an unexplained material difference of N\$ 1 027 559 between the amount disclosed as Advances to Buyers in the annual financial statements and the computerized loan debtors trial balance.

Due to the significance of this matter, the Auditor-General has to qualify his opinion on the accuracy and completeness of Build Together Advances / Advances to Buyers.

4.7 Interest from investments

The Municipality currently disclosed N\$ 842 568 interest earned as an amount receivable instead of capitalizing it against the investment account balance. In addition, incorrect apportionment of interest from investments resulted in an overstatement of interest income by an amount of N\$ 137 835.

Due to the significance of this matter, the Auditor-General has to qualify his opinion on the disclosure of investments and accuracy of interest income.

4.8 Payroll reconciliation

The auditors' reconciliation of the annual financial statements payroll amounts to the earnings report revealed a material difference of N\$ 1 442 093, which remained unexplained as the Municipality did not perform any reconciliation itself on these expenses. Such lack of reconciliations of ledger accounts could raise doubt on the creditability of the Municipality's financial statements.

Due to the significance of this matter, the Auditor-General has to qualify his opinion on the accuracy and completeness of payroll expenses.

4.9 Bank reconciliation

The auditors comparison of the annual financial statements of the current bank account balance amount to the Municipality's year-end bank reconciliation differed with N\$ 164 003. Apparently the original bank reconciliation was misplaced. Again, such lack of reconciliations of ledger accounts could raise doubt on the creditability of the Municipality's financial statements.

4.10 Fixed assets additions during the year

The auditors found numerous errors, especially relating to VAT which resulted in misstatement of fixed asset values and as such depreciation has been wrongly calculated. The aggregated misstatement amounted to N\$ 82 589. In addition, fixed assets additions of N\$ 153 868 against the loan assets capital statements could not be substantiated with any supplier invoices or loan agreements.

4.11 Reconciliations

Notice is drawn to the absence of monthly reconciliations of control accounts and the need for a follow-up on reconciled items when reconciliations have been performed. The most important control for ensuring the accuracy of the general ledger is the monthly reconciliation process. In general, the audit revealed that monthly general ledger reconciliations are neither performed nor reviewed or are performed too late to constitute an effective control.

The reconciliations that are performed are often not reviewed by persons in senior positions. Also of concern are the significant numbers of reconciling items that are not cleared. This internal control measure will only be effective if reconciling items are identified and cleared. The fact that a significant number of reconciling items relate to transactions that have not been recorded in the general ledger indicates that the general ledger contains incomplete and inaccurate information.

The following reconciliations were affected:

- Bank
- Payroll
- Advances to buyers/Build Together.

4.12 Signatories

The auditors noted with great concern that the retired Chief Executive Officer is still reflected as a signatory on the Municipality's bank accounts.

4.13 Capital projects

The income and expenditure statements do not reflect the total capital expenditure of N\$ 2 020 015 as reflected by the Municipality in their capital statement "Assets ex Revenue". These statements only reflect N\$ 76 437. The assets financed with loans are overstated by N\$ 3 938 225 considering the current and past two years as fully redeemed loans have not been transferred to assets financed by Revenue. Similarly, the assets financed from revenue are understated.

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 year recommendations of the auditors are also 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 01/07/2008				10 780 850
General services				
Non-profitable	6 004 667	16 116 580	(10 111 913)	
Self-supporting	9 682 013	10 380 647	(698 634)	
Trade accounts				
Water supply	9 542 847	4 655 259	4 887 588	
Contributions from subsidiary				
Electricity supply	7 905 567	191 476	7 714 091	
	33 135 094	31 343 962	1 791 132	
Surplus for the year				1 791 132
(Adjustments and utilizations detailed in Note 10 of the financial statements.)				53 881
Accumulated surplus as at 30/06/2009				12 625 863

7. CURRENT BANK ACCOUNT

The cash-book balance reflected a favourable balance of N\$ 4 208 312 (2008: N\$ 629 604 unfavourable) while the bank statements reflected a favourable balance of N\$ 5 388 575 (2008: N\$ 1 810 026). Cheques not presented for payment totaling N\$ 1 024 088 (2008: 2 530 129) and deposits not banked amounting to N\$ 8 494 (2008: N\$ 89 470) were outstanding at year-end.

The auditors review of the June 2009 bank reconciliation revealed a cash-book balance of N\$ 4 372 315 compared to the financial statements balance of N\$ 4 208 312. This resulted in a difference of N\$ 164 003. The Finance Manager explained that the final bank reconciliation, which tied up to the financial statements, was misplaced.

8. INVESTMENTS AND INTEREST PROCEEDS

At 30 June 2009, N\$ 21 207 670 (2008: N\$ 14 060 806) was invested at approved financial institutions, as follows:

	Interest allocation	Investments	
	2009	2009	2008
	N\$	N\$	N\$
Banking institutions	1 585 337	15 560 806	14 060 806
CENORED	-	5 646 864	5 646 864
	1 585 337	21 207 670	19 707 670
Investments and interest were allocated to the following Funds:			
Fixed Property Fund	131 424	-	-
Betterment Fund	98 132	-	-
Capital Development fund	36 621	-	-
Renewal Fund	304 226	-	-
Housing Fund - Town	9 671	-	-
Housing Fund - Luiperdheuwel	16 963	-	-
Housing Fund - Omulunga	17 914	-	-
Bonus and leave reserve fund	47 243	-	-
Insurance reserve	9 353	-	-
Build Together Fund	627 794	15 560 806	14 060 806
Motor loan scheme	31 707	-	-
Personnel Housing	58 182	-	-
Revenue	196 106	5 646 864	5 646 864
	1 585 336	21 207 670	19 707 670

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\$ 15 560 806, 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\$ 35 301 685.

10. TRADE ACCOUNTS

10.1 The results of operations of water were as follows:

	2009	2008
	N\$	N\$
Sales	9 363 864	8 321 391
Cost of bulk purchases	-	-
Gross profit	9 363 864	8 321 391
Expenses (net)	(4 476 276)	(4 093 797)
Net surplus	4 887 588	4 227 594
Gross profit % on bulk purchases	100.00%	100%
Net surplus % on sales	52.2%	50.80%

The trading results showed an increase in profitability compared to the prior year. The Municipality uses reservoirs to store its own water.

11. SELF-SUPPORTING SERVICES

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

	2009	2009
	N\$	N\$
House rental	753 318	641 214
Single Quarters	339 167	193 826
Abattoir	(1 207 133)	(737 870)
Cleansing	(1 544 509)	(1 663 796)
Sewerage	960 524	559 445
	(698 633)	(1 007 181)

Council should address the loss making services to make them self-supporting.

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:

	2009	2008
	N\$	N\$
<u>Debtors</u>		
Suspense - insurance	-	23 014
Suspense - refuse bags	3 186	845
Suspense - salary advances	48 979	-
<u>Creditors</u>		
Suspense - insurance	-	(952)
	52 165	22 907

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		2009 Total
	2009 Revenue	2009 Internal loans	
	N\$	N\$	N\$
Council general expenses	554 888	-	554 888
Parks and gardens	12 396	-	12 396
Single quarters	1 417 469	-	1 417 469
Street and storm waters	1 905	-	1 905
Water supply	1 905	-	1 905
Cemetery	26 185	-	26 185
Civic buildings	3 650	-	3 650
Adjustment	-	*153 868	153 868
Sewerage	1 617	-	1 617
Total	2 020 015	153 868	2 173 883

* The adjustment on additions of N\$ 153 868 could not be substantiated by any supplier invoices.

15.2 Loans amounting to N\$ 1 330 252 (2008: N\$ 2 341 104 and 2007: N\$ 266 869) were redeemed during the year, however, none of the related assets were transferred to revenue assets. This implies that assets ex-loans are overstated while assets ex-revenue are understated. The amounts reflected above could also not be reconciled with the expenses shown in the revenue and expenditure statements per vote which add up to N\$ 76 437. Council should indicate how the above-mentioned expenditure has been financed.

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

One of the councilors visited China on official Council business.

20. CLAIMS AGAINST THE TOWN COUNCIL

No claims for losses were received during the year.

21. GIFTS / DONATIONS BY / TO THE LOCAL AUTHORITY

The following donations were made with Council approval:

Beneficiary	Amount
	N\$
Takarani Crafts - for Japanese volunteer	200
Mayor Forum	250
Northern Show Society	8 000
Otjozondjupa Regional Council	3 000
Red Cross Society	2 000
Samalindi Primary School	500
Wilhelm Nortier Primary School	500
Grootfontein Secondary School	500
Friedrich Awaseb Secondary School	500
Makalani Primary School	500
St. Isidor RC Primary School	500
Luiperdheuwel Primary School	500
Kalenga Primary School	500
Omulunga Project School	500
Cycling for Christ	500
Aunns Primary School	500
Community People Living with Disabilities	1 000
Pensioners - Makalani Maize Meal	13 323
Pensioners - Christmas food	15 575
Das Alte Fort Museum	2 142
Das Alte Fort Museum	2 500
	53 490

22. TRANSFER OF PROPERTY TO/FROM GOVERNMENT

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

23. DEBTORS AND CREDITORS

23.1 Debtors at 30 June 2009 were:

	2009	2008
	N\$	N\$
Services, general and assessment rates accounts	38 681 440	39 582 518
Provision for bad debts	(3 770 910)	(2 613 328)
	34 910 530	36 969 190
Value added taxation	2 072 496	1 460 326
Interest accrued on investments	842 568	873 695
Other debtors	331 006	171 051
	38 156 600	39 474 262

23.2 Creditors at 30 June 2009 were:

	2009	2008
	N\$	N\$
Trade creditors	901 135	723 493
Provisions and accruals	78 495	108 913
Suspense accounts	-	233 823
	979 630	1 066 229

24. ASSESSMENT RATES

Net proceeds from assessment rates, amounted to N\$ 3 764 966 (2008: N\$ 3 403 196). An across the board tariff increase of 10% on improvements and site values was made during the year under review. The approved detailed values are set out in the government gazette dated 30 May 2008.

25. LOANS

25.1 External loans

External loan capital balances as at year end were N\$ 3 661 154 (2008: N\$ 4 572 837). Loan moneys were used for the purpose for which they were obtained.

25.2 Internal loans

Internal loan capital balances as at year end were N\$ 5 460 489 (2008: N\$ 5 879 453). All loan advances during the year were duly authorized.

25.3 Housing loans

The amounts advanced in favour of housing loans under the Housing and Build Together schemes are disclosed as N\$ 8 479 791 (2008: N\$ 7 134 380) in the financial statements whereas N\$ 459 430 (2008: N\$ 459 430) was owed to the Government.

26. SALE OF ERVEN

During the current financial year, cash proceeds to the value of N\$ 469 014 (2008: N\$ 83 459) were received for erven and houses sold and allocated to the Fixed Property Fund and Betterment Fund in a 25% to 75% ratio.

27. PROPERTY SOLD ON INSTALMENT BASIS

	Luiperd heuvel	Omulunga	Build Together	Total
	N\$	N\$	N\$	N\$
<i>Advances to buyers</i>				
Balance 01/07/2008	17 214	184 474	6 932 693	7 134 381
New advances	-	-	1 595 767	1 595 767
Receipts received	(1 218)	(44 438)	(740 449)	(786 105)
Levies / interest charged	-	15 813	536 359	552 172
Unexplained difference found	-	-	(16 424)	(16 424)
Balance 30/06/2009	15 996	155 849	8 307 946	8 479 791

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 01/07/2008	2	191 218	19	251 374	42	3 538 774
Additions	-	-	-	-	-	-
	2	191 218	19	251 374	42	3 538 774
Less: Depreciation		-		(1 821)		(42 604)
On hand 30/06/2008 *	2	191 218	19	249 553	42	3 496 170

* Agreed and verified to the Municipality's own reconciliation.

30.2 Stock

According to the municipality, stock comprising of stationery and consumables amounted to N\$ 708 780 (2008: N\$ 543 977).

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
- * Inadequate fixed assets descriptions
- * Cenored (Pty) Ltd investment
- * Incorrect computation on VAT returns
- * Lack of signed contracts with rental tenants
- * Recoverability of build together loans

34. QUALIFIED AUDIT OPINION

The accounts of the Municipality of Grootfontein 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 audit opinion has been qualified due to the following reasons:

- The provision for bad debts is understated by N\$ 29 374 233. The accumulated surplus is as such overstated by the same amount;
- the understatement of Natis claims income by an amount of N\$ 437 926;
- the understatement of the investment in CENORED by an amount of N\$ 23 157 691;
- unexplained material difference of N\$ 1 027 559 between the amount disclosed as Advances to Buyers in the financial statements and the computerized loan debtors trial balance;
- incorrect disclosure of investment interest earned of N\$ 842 568 as an account receivable instead of capitalizing it against the investment account balances;
- unexplained material differences of N\$ 1 442 093 between the amount disclosed as Payroll expenses in the financial statements and the computerized earnings reports total.
- Capital financing by way of loans is overstated by N\$ 3 938 225 considering the last two years and the current year as fully redeemed loans were not transferred to assets financed by revenue. The last mentioned statement is thus understated by the same amount.

Except for the effects 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 2009, and the results of operations and cash flows for the year then ended in accordance with generally accepted accounting practice.

WINDHOEK, April 2010

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

MUNICIPALITY OF GROOTFONTEIN

BALANCE SHEET ON 30 JUNE 2009

	Notes	2009 N\$	2008 N\$
ASSETS			
Non-current assets			
Property, plant and equipment	3	34 675 532	32 999 760
Loans receivable	9	14 182 837	13 610 739
Investments	4	21 207 670	19 707 670
Current assets			
Inventory	5	708 780	543 977
Accounts receivable	7	38 156 600	39 474 263
Cash and cash equivalents		4 208 843	531
TOTAL ASSETS		113 140 262	106 336 940
FUNDS AND LIABILITIES			
Funds and reserves	2	102 579 559	93 729 387
Non-current liabilities			
Long-term loans	6	9 581 073	10 911 720
Current liabilities			
Accounts payable	8	979 630	1 066 228
Bank overdraft		-	629 605
TOTAL FUNDS AND LIABILITIES		113 140 262	106 336 940

MUNICIPALITY OF GROOTFONTEIN

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2009

	<u>Notes</u>	<u>2009</u>	<u>2008</u>
		N\$	N\$
INCOME		32 938 988	31 154 190
EXPENDITURE		<u>(31 343 962)</u>	<u>(30 489 490)</u>
NET OPERATING SURPLUS		1 595 026	664 700
INVESTMENT INTEREST TO REVENUE		<u>196 106</u>	<u>191 216</u>
NET SURPLUS FOR THE YEAR		1 791 132	855 916
ADJUSTMENTS	10	53 881	3 925 125
NET SURPLUS FOR THE YEAR		<u>1 845 013</u>	<u>4 781 041</u>
ACCUMULATED SURPLUS			
- AT THE BEGINNING OF THE YEAR		<u>10 780 850</u>	<u>5 999 809</u>
ACCUMULATED SURPLUS			
- AT THE END OF THE YEAR		<u>12 625 863</u>	<u>10 780 850</u>

MUNICIPALITY OF GROOTFONTEIN

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2009

	<u>Note</u>	<u>2009</u>	<u>2008</u>
		N\$	N\$
CASH GENERATED BY OPERATIONS			
Cash receipts from customers		32 938 988	31 154 190
Cash paid to suppliers and employees		(29 879 576)	(22 966 632)
Cash generated by operating activities	11	3 059 412	8 187 558
Investment income		196 106	191 216
<i>Cash generated by operating activities</i>		3 255 518	8 378 774
CASH FLOW FROM INVESTING ACTIVITIES			
Additions to fixed assets		(2 020 015)	(3 068 493)
Increase in loans		(572 098)	(2 535 412)
Increase in investments		(1 500 000)	(6 875 332)
		(4 092 113)	(12 479 237)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in Funds		7 005 159	6 120 327
(Decrease) in long-term liabilities		(1 330 647)	(1 981 914)
		5 674 512	4 138 413
Net change in cash and cash equivalents		4 837 917	37 950
Cash and cash equivalents			
- At the beginning of the year		(629 074)	(667 024)
Cash and cash equivalents			
- At the end of the year		4 208 843	(629 074)

MUNICIPALITY OF GROOTFONTEIN

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 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 AND RESERVES		
- Capital section	20 791 172	19 115 399
- Contribution	-	854 877
- Revenue section - Accumulated surplus	12 625 863	10 780 850
- Loans redeemed	4 916 586	2 731 457
- Leave Reserve Fund	1 023 937	1 169 961
- Capital Development Fund	2 380 258	2 190 016
- Housing Funds	25 664 279	23 373 339
- Bonus Reserve Fund	1 119 817	1 367 708
- Insurance Reserve Fund	537 026	520 684
- Personnel Housing Fund	2 753 435	2 695 253
- Motor Loan Scheme Fund	1 705 537	1 636 380
- Loans to clubs and societies	84 186	81 151
- Fixed Property Fund	7 236 352	6 998 552
- Betterment Fund	5 745 073	5 097 749
- Renewal Fund	15 996 038	15 116 011
Total Funds	102 579 559	93 729 387

MUNICIPALITY OF GROOTFONTEIN

NOTES TO THE ANNUAL FINANCIAL STATEMENTS AT 30 JUNE 2009

	<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.		
	34 675 532	32 999 760
Financed from:		
Capital account	938 229	1 018 556
Loan account	13 884 361	13 884 361
Revenue account	19 852 942	18 096 843
	34 675 532	32 999 760
4. INVESTMENTS		
Commercial banks	15 560 806	14 060 806
Shares in Cenored	5 646 864	5 646 864
	21 207 670	19 707 670
5. INVENTORY		
Comprising of:		
Consumable stores and fuel	708 780	543 977
	708 780	543 977
6. LONG-TERM LIABILITIES		
Internal outstanding	5 460 489	5 879 453
External outstanding - Capital	3 661 154	4 572 837
- Housing	459 430	459 430
	9 581 073	10 911 720
These loans have various interest rates and repayment terms. Most of these loans are overdue and redemption adjustments are being passed without any actual repayments made.		
7. ACCOUNTS RECEIVABLE		
Debtors	38 681 440	39 582 519
Less: Provision for doubtful debts	(3 770 910)	(2 613 328)
VAT control account	2 072 496	1 460 326
Accrued interest	842 568	873 695
Sundry debtors	331 006	171 051
	38 156 600	39 474 263

MUNICIPALITY OF GROOTFONTEIN

NOTES TO THE ANNUAL FINANCIAL STATEMENTS AT 30 JUNE 2009

	2009	2008
	N\$	N\$
8. ACCOUNTS PAYABLE		
Trade and other payables	236 151	78 979
Provisions and accruals	78 495	108 914
Suspense accounts	-	233 822
Consumer deposits	664 984	644 514
	979 630	1 066 228
9. LOANS RECEIVABLE		
9.1 Loans given over fixed property:		
Luiperd heuwel	15 996	17 214
Omulunga	155 849	184 474
Build Together Housing	8 307 946	6 932 693
	8 479 791	7 134 381
9.2 Motor loans	171 349	519 058
9.3 Clubs and societies	70 418	77 847
9.4 Internal loans	5 461 279	5 879 453
	14 182 837	13 610 739
10. ADJUSTMENTS AND UTILIZATIONS		
Refund - Agri Hall	-	(900)
Correction of interest	(31 127)	(48)
Stale cheques written back	-	5 093
Correction of water over read	-	(330)
Traveling allowance adjustment	-	(4 790)
Cenored Assets Transferred	-	4 275 161
Cenored 10.3% shareholding	-	1 030 000
Rectification of levies on various debtors accounts	(164 918)	10 867
Adjustment of fees	-	7 315
Areas on payment adjustments	-	274
Correction of insurance premiums	238 657	28 600
Grant adjustments	-	(84 502)
Correction of accrued interest on investments	-	(1 268 897)
Surcharges overcharged	-	(124 604)
Refunds received	-	51 886
Unclaimed debtors refunds	10 163	-
Correction loan redeemed	789	-
Sale of redundant materials	317	-
	53 881	3 925 125

MUNICIPALITY OF GROOTFONTEIN

NOTES TO THE ANNUAL FINANCIAL STATEMENTS AT 30 JUNE 2009

	<u>2009</u>	<u>2008</u>
	N\$	N\$
11. CASH UTILISED BY OPERATIONS		
Reconciliation of net operating profit to cash utilized in operations:		
Net operating surplus before adjustments:	1 791 132	855 916
Adjusted for:		
- Depreciation	344 243	6 325 304
- Appropriation account expenses	53 881	3 925 125
- Investment income	(196 106)	(191 216)
	<u>1 993 150</u>	<u>10 915 129</u>
<i>Changes in working capital:</i>		
(Increase)/decrease in inventories	(164 803)	480 193
Decrease/(increase) in accounts receivable and prepayments	1 317 663	(3 077 597)
Decrease in trade and other payables	(86 598)	(130 167)
Cash generated from operations	<u>3 059 412</u>	<u>8 187 558</u>