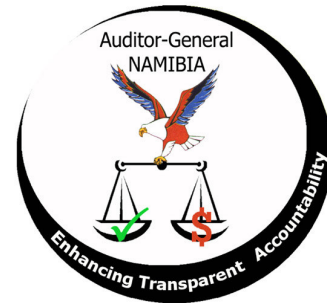




REPUBLIC OF NAMIBIA



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

Published by authority

Price (Vat excluded) N\$ 28.06
Report no 655

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 Mariental for the financial year ended 30 June 2007, 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, January 2009

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

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

1. INTRODUCTION

The above accounts of the Municipality of Mariental 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, 1992 (Act 23 of 1992).

The firm BDO Spencer Steward Namibia 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, but not within three months as required by the Act. The audited financial statements are in agreement with the general ledger and are filed in his Office. The abridged balance sheet at 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 the 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 of 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 irregularity;
- 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 Financial results

The Municipality made a deficit of N\$ 739 022 (2007: N\$ 531 889), after transfers to Funds during the financial year. The accumulated deficit as at year-end amounted to N\$ 1 849 323 (2007: N\$ 777 349).

4.2 Bad and doubtful debts(*)

A provision for bad and doubtful debts of N\$ 119 878 (2007: N\$ 93 576) was made in the financial statements. However, calculations made by the auditors revealed that the provision is understated by N\$ 1 665 008 (2006: N\$ 1 520 842). This has a negative impact on the Municipality's cash flow position. It appears that the Council's credit policy is not effective and should be urgently revised to ensure that debts are collected on a regular and timeous basis.

4.3 Going concern(*)

As noted in paragraph 4.1, the Municipality has an accumulated deficit of N\$ 1 849 323 which is an increase from the prior year. The Municipality's bank overdraft also increased significantly during the current year. Furthermore temporary advances from Fund accounts to revenue increased from N\$ 3 554 935 to N\$ 4 380 337.

Council should embark on new income generating projects or increase tariffs to control costs to be within the budget.

4.4 Existence of property, plant and equipment(*)

The auditors could not verify the existence of property, plant and equipment due to the inadequate descriptions in the asset registers. The assets also do not have identification numbers to enable identification.

4.5 Value Added Tax (*)

The Council has also not been submitting correct VAT returns as they have not been recording zero rated income and expenditure.

4.6 Unresolved matters from previous report(*)

The following issue which was raised in the report on the financial year ended 30 June 2005 remained unresolved:

Funds

Audit concern

- An amount of N\$ 2 089 849 including a pension amount of N\$ 211 801, was paid out of the following Funds for settlement of a claim lodged against the Municipality by the previous Town Clerk for unfair dismissal:

	N\$
Fixed Property Fund	631 502
Betterment Fund	427 206
Housing Service Fund	1 031 141
	<u>2 089 849</u>

- No budgetary provision was made in the approved budget.
- No Ministerial approval was obtained.
- No approval from Council could be submitted authorizing the amounts to be paid out of each Fund. A recommendation was made by the management meeting to the Council to accept the settlement agreement as its meeting to be held on 5 July 2004.

Reason for concern

- Funds should not be used for purposes other than the purpose as stated in the accounting policies as per annexure D. The payment contradicts Section 84(50a and (b) of the Local Authorities Act and is therefore regarded as unauthorized. The sections read as follows:
 - A local authority council may, with approval of the Minister, apply an amount for purpose of which no provision was made in a statement or supplementary statement referred to in section 83(1) or for the purpose of a programme or project for which insufficient provision was made in such a statement or supplementary statement .*
 - An amount referred to in paragraph (a) shall be appropriated by the local authority council concerned before the end of the financial year in which its application has been approved ”*

Recommendation

- It is recommended that *ex post facto* approval be obtained from Council and also from the Minister for the payment out of the Fund accounts or out of the accumulated funds.

5. ACKNOWLEDGEMENT

The assistance and co-operation given by the staff of the Municipality 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 01/07/2007				(777 349)
General accounts				
Non-profitable services	3 087 488	6 668 735	(3 581 247)	
Self-supporting services	2 507 682	2 890 147	(382 465)	
Trade accounts				
Electricity	15 713 268	12 302 080	3 411 188	
Water	5 461 978	5 648 476	(186 498)	
	26 770 416	27 509 438	(739 022)	
Deficit for the year				(739 022)
Adjustments and appropriations (Note 10, Annexure D)				(332 952)
Accumulated deficit 30/06/2008				(1 849 323)

The favourable bank statement balance on the current bank account amounted to N\$ 136 178 (2007: favourable N\$ 620 197) and the unfavourable cash-book balance was N\$ 2 369 256 ((2007: N\$ 1 296 602). Outstanding cheques at 30 June 2008 amounted to N\$ 2 580 784 (2007: N\$ 2 042 688).

8. INVESTMENTS AND INTEREST PROCEEDS

The investments as at 30 June 2008 and the interest thereon were as follows:

Institution	2008		2007	
	Investment	Interest	Investment	Interest
	N\$	N\$	N\$	N\$
Invested at:				
Commercial banks	2 175 500	206 948	2 137 537	169 024
Insurance companies	60 000	3 607	92 963	-
	2 235 500	210 555	2 230 500	169 024
Distribution				
Capital Development Fund	268 491	21 566	228 462	4 690
Fixed Property Fund	500 890	33 379	353 599	54 015
Renewal Fund	468 136	28 854	305 657	43 533
Betterment Fund	103 443	51 626	546 899	40 927
Staff Housing Fund	29 892	7 077	74 973	-
Centenary Fund	92 344	7 155	75 791	6 208
Housing Services Fund	772 304	60 898	645 119	19 651
	2 235 500	210 555	2 230 500	169 024

9. FUND ACCOUNTS

The position of internal Funds and Reserves is shown in note 6 at annexure D.

10. TRADE ACCOUNTS

10.1 Operating results

The results for the financial year under review and the previous year were as follows:

	Electricity		Water	
	2008	2007	2008	2007
	N\$	N\$	N\$	N\$
Sales	15 630 839	13 884 287	5 454 395	5 921 653
Cost of bulk purchases	(9 917 988)	(8 440 825)	(4 885 368)	(5 014 657)
Gross profit on bulk purchases	5 712 851	5 443 462	569 027	906 996
Other income/ (expenses)	(2 301 663)	(2 070 910)	(755 525)	(731 046)
NET PROFIT	3 411 188	3 372 552	(186 498)	175 950
Gross profit percentage on bulk purchases	57.6%	64.49%	11.64%	18.09%
Net profit percentage on bulk purchases	34.39%	39.96%	3.82%	3.51%
Net profit percentage on total expenditure	27.92%	31.90%	3.30%	3.06%

The electricity service continued to be profitable as evidenced by the profit achieved. The water service made a loss compared to the small profit in the prior year. The loss is a result of distribution losses which increased from 14.5% to 23.8%. Council should investigate the losses and ensure that corrective action is taken.

10.2 Distribution losses were as follows:

Electricity and water distribution losses, in kilo watt hour (Kwh) and cubic metres (m³), were as follows:

	Electricity		Water	
	2008	2007	2008	2007
	Kw/h	Kw/h	m ³	m ³
Sold	21 087 118	20 373 432	634 064	717 750
Bought	24 760 920	23 662 819	832 141	839 835
Distribution loss	3 673 802	3 289 387	198 077	122 085
Loss as percentage of units bought	14.8%	13.9%	23.8%	14.5%

The distribution losses on electricity marginally increased compared to the prior year where as there was a huge increase on water losses. The losses for both water and electricity are too high and Council should put measures in place to ensure that they are reduced to acceptable levels.

11. SELF-SUPPORTING SERVICES

The net result of these services, compared with the previous year, is as follows:

	Revenue	Expenditure	Surplus/ (Deficit)	Surplus/ (Deficit)
	2008	2008	2008	2007
	N\$	N\$	N\$	N\$
Aerodrome	3 631	24 645	(21 014)	(12 014)
Abattoir	115 121	238 003	(122 882)	(92 025)
Housing lease units	26 568	385 692	(359 124)	(338 841)
Motor vehicle licensing department	453 349	459 941	(6 592)	13 710
Sanitation	970 513	927 302	43 211	83 031
Sewerage	923 187	727 607	195 580	170 870
Town grounds and pound	15 313	126 957	(111 644)	(92 417)
	2 507 682	2 890 147	(382 465)	(267 686)

The losses on housing lease units and town grounds and pound are due to administration costs being more than rental income. Council should come up with a rent structure which ensures that all costs are recovered.

The losses on aerodrome and abattoir are in line with expectations as the Council had budgeted for the losses on these votes.

12. FRUITLESS, UNAUTHORISED OR AVOIDABLE EXPENDITURE

No such expenditure was revealed.

13. SUSPENSE ACCOUNTS

The suspense accounts contain no long outstanding transactions. These accounts are properly maintained, controlled and reconciled on a regular basis.

14. IRREGULARITIES AND LOSSES

14.1 No irregularities by employees were reported.

14.2 No losses were reported.

15. CAPITAL PROJECTS

Capital expenditure for the 2008 financial year amounted to N\$ 772 982 (2007: N\$ 446 680) and comprises the following:

	FINANCED BY			TOTAL 2007 N\$
	TOTAL 2006	EXTERNAL/ INTERNAL LOANS	REVENUE	
	N\$	N\$	N\$	
Water supply	21 102	21 102	-	17 434
Electricity supply	568 217	568 217	-	342 846
Finance	14 432	14 432	-	-
Fire Brigade	18 198	18 198	-	-
Sanitation	46 728	46 728	-	-
Valuation roll	-	-	-	74 917
Cemetery	54 305	54 305	-	-
Municipal buildings	-	-	-	4 044
Sports fields	-	-	-	7 439
	722 982	722 982	-	446 680

16. STUDY LOANS/BURSARIES

At 30 June 2008, outstanding study loans amounted to N\$ 259 827 (2007: N\$ 254 307). The loans bear interest at 6% per annum and are repayable after studies have been completed.

17. CONTRIBUTIONS, GRANTS AND FINANCIAL AID

No contributions, grants and financial aid were made during the year.

18. COMPENSATION PAYMENTS

No compensation payments were made during the year.

19. VISITS TO FOREIGN COUNTRIES

No visits were made to foreign countries

20. CLAIMS AGAINST THE LOCAL AUTHORITY

No claims for losses were received during the year.

21. GIFTS AND DONATIONS BY THE LOCAL AUTHORITY

The Municipality made the following gifts/donations:

Nature of gifts/donation	Value	Beneficiary
	N\$	
Donation	3 000	Svetlana Kock
Donation	1 000	Mariental Aerodrome
Donation	1 000	S. Kisting
Donation	3 350	E.J De Lange
Donation	2 000	M Luiperdt
Donation	4 000	Mariental Chamber of Commerce
Donation	1 300	Laerskool Danie Joubert
Donation	1 000	Hardap Prison
Donation	1 000	Namibian Police
Donation	1 000	A Kaoseb
Donation	1 000	P. Abrahams
Donation	900	Empelheim Junior Secondary
Donation	2 000	ELCRN
Donation	2 000	C.O.P.E Trust Namibia
Donation	15 000	Sacred Heart Hospice
Donation	2 000	Cycling for Christ
Donation	1 878	Metro Mariental
Donation	3 390	Anandi Guest House
Donation	6 000	The Bridge
Donation	600	Die Sentra Mark
Donation	137	B.P Fortuin
Donation	3 000	SA Inter Municipal
	56 555	

22. TRANSFER OF PROPERTY TO/FROM THE GOVERNMENT

No property was transferred to/or from the Government.

23. DEBTORS/CREDITORS

23.1 Debtors on 30 June 2008 comprise the following:

	2008	2007
	N\$	N\$
Services rendered and assessment rates	4 050 680	4 096 475
Interest accrued on investments	470 611	260 056
Subsidies receivable	397 719	362 860
Study loans	259 827	254 307
Electricity loans	23 275	74 980
VAT receivable	1 284 009	729 828
Sundries	110 549	308 704
	6 596 670	6 087 210
Less: Provision for bad debts	(119 878)	(93 576)
Less: Consumer deposits	(546 151)	(512 566)
	5 930 641	5 481 068

	2008	2007
	N\$	N\$
Analysis of services and general debtors:		
Average monthly levy	2 200 308	2 051 617
Debtors	4 050 680	4 096 475
Average credit terms in days	56 days	60 days
Consumer deposits	546 151	512 566
Percentage of deposits in relation to debtors	13.48%	12.51%

The provision for bad and doubtful debts is understated by a calculated amount of N\$ 1 665 008 (2007: N\$ 1 520 842). Council should revisit its credit policy to ensure that outstanding amounts are collected on a regular and timeous basis.

23.2 Creditors on 30 June 2008 comprise the following:

	2008	2007
	N\$	N\$
Commitments by purchase and other obligations	-	234 979
Audit fees provision	35 000	33 000
Special programs-Allocated funds	825 556	975 506
Leave provision	600 397	526 015
Sundries	11 410	5 610
	1 472 363	1 775 110

24. ASSESSMENT RATES

Proceeds from assessment rates amounted to N\$ 1 166 748 (2007: N\$ 1 083 352), of which an amount of N\$ 58 337 (2007: N\$ 54 167) was paid to the Regional Council.

The gazetted tariffs were as follows:

Mariental:

N\$ 0.0311 per dollar on site values per year and N\$ 0.0048 per dollar on improvements per year.

N\$ 0.957 per square metre per year on undeveloped erven west of the railway line.

N\$ 0.713 per square metre per year on undeveloped erven east of the railway line.

Aimablaagte

N\$ 0.864 per square metre per year on all land.

25. LOANS

25.1 External loan balances, excluding the Housing Fund, due by the Municipality totalled N\$ 4 972 423 at 30 June 2008 (2007: N\$ 5 053 287). (See Note 7 Annexure D). The balances agree with actuarial tables. Loan assets have been capitalised and no loan assets were disposed of before the loan was redeemed. Loan monies were used for the purpose they were obtained for.

25.2 Internal loans as at 30 June 2008, being N\$ 4 255 692 (2007: N\$ 4 317 599), are not disclosed in the abridged balance sheet. All new internal loans advanced during the year were authorised and all assets financed by internal loans were capitalised.

25.3 Housing Fund loans were as follows:

	2008	2007
	N\$	N\$
Balance due to the Government :		
-Housing service loans	360 502	360 502
-Staff housing loans	17 774	17 774
	378 276	378 276
Owing by borrowers to the Municipality on:		
- Housing service loans	3 003	2 929

26. SALE OF ERVEN

The proceeds of erven and plots sold, which were accounted to the Fixed Property Fund were:

	2008	2007
	N\$	N\$
22 Erven sold (2007 : 37): Mariental	181 274	223 820
1 Erven sold (2007 : 1) : Empelheim	1 646	3 253
2 Erven sold (2007 : 1) : Aimablaagte	3 160	1 240

27. PROPERTY SOLD ON AN INSTALMENT BASIS

No erven were sold on an instalment basis.

28. TARIFF ADJUSTMENTS

Tariff adjustments were applied in accordance with the relevant Official Government Notices.

29. APPROVALS

Management overspent on the following votes without Councils approval:

	N\$
Buildings	16 186
Town Ground and Pound	1 932
Electricity Supply	902 198
Finance and Economic Development	297 223
Staff Housing	25 222
Aerodrome	2 775

30. INVENTORY AND EQUIPMENT

30.1 Motor vehicles

	Sedan vehicles		LDV and combi's		Heavy vehicles (Lorries and busses)	
	Number	Value	Number	Value	Number	Value
On hand 01/07/2007	1	N\$ 186 272	5	N\$ 127 388	11	N\$ 553 411
Acquisitions	-	-	-	-	-	-
Less: Withdrawals from service	-	-	-	-	-	-
Depreciation	-	-	-	(5 207)	-	(11 060)
On hand 30/06/2008	1	186 272	5	122 181	11	542 351
Kilometers travelled	27 337		135 258		-	
Fuel consumption per 100km	14.16		11.60		*	

* These vehicles use hour meters thus consumption per litre could not be accurately calculated.

30.2 Inventory

Adequate systems of control over and recording of inventory were maintained.

Inventory counts are performed twice per annum.

Slow moving inventory was identified and adequate provision has been made for obsolete items.

Housekeeping is up to standard.

31. SPECIAL INVESTIGATIONS

No special investigations were carried out during the year.

32. GENERAL

The accounting and internal controls applied by the Council are satisfactory.

33. FORMAL AND INFORMAL QUERIES

33.1 Formal queries are embodied in this report.

33.2 Informal queries addressed to the Chief Executive Officer consist of:

- Bad and doubtful debts;
- Existence of fixed assets;
- Backup of information
- Value Added Taxation
- Unauthorized expenditure

34. QUALIFIED AUDIT OPINION

The accounts of the Municipality of Mariental for the financial year ended 30 June 2008, summarized in Annexures 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.

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

- Bad and doubtful debts are understated by N\$ 1 665 008.
- The existence of property, plant and equipment could not be confirmed due to inadequate recordkeeping.

Except for the above-mentioned remarks, I certify that in my opinion the financial statements fairly present the financial position of the Municipality at 30 June 2008 and the results of its operations and cash flow for the year then ended.

WINDHOEK, January 2009

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

ANNEXURE A

MUNICIPALITY OF MARIENTAL

BALANCE SHEET AS AT 30 JUNE

ASSETS	Notes	2008	2007
		N\$	N\$
Non-current assets		19 261 347	18 939 365
Property, plant and equipment	2	17 022 844	16 705 936
Investments	3	2 235 500	2 230 500
Loans		3 003	2 929
Current assets		6 372 634	5 849 300
Inventory	4	441 312	367 552
Accounts receivable	5	5 930 641	5 481 068
Cash and cash equivalents		680	680
TOTAL ASSETS		25 633 981	24 788 665
EQUITY AND LIABILITIES			
Equity		16 441 663	16 285 390
Capital outlay	6.1	7 794 729	7 335 050
Fund accounts and reserves	6.2	8 646 934	8 950 340
Non-current liabilities			
Long-term liabilities	7	5 350 699	5 431 563
Current liabilities		3 841 619	3 071 712
Accounts payable	8	1 472 363	1 775 110
Bank overdraft		2 369 256	1 296 602
TOTAL EQUITY AND LIABILITIES		25 633 981	24 788 665

MUNICIPALITY OF MARIENTAL

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE

	<u>Notes</u>	<u>2008</u>	<u>2007</u>
		N\$	N\$
INCOME		27 503 949	25 447 666
EXPENDITURE		<u>(27 684 959)</u>	<u>(25 252 021)</u>
OPERATING (LOSS)/SURPLUS FOR THE YEAR		(181 010)	195 645
INTEREST ON INVESTMENTS		210 555	169 024
Less transfer to Funds and Reserves	9	<u>(768 568)</u>	<u>(896 559)</u>
NET LOSS FOR THE YEAR		(739 023)	(531 890)
Add : Appropriation and adjustments	10	<u>(332 952)</u>	<u>32 374</u>
RETAINED LOSS FOR THE YEAR		(1 071 975)	(499 516)
30 June 2007		<u>(777 348)</u>	<u>(277 832)</u>
30 June 2008		<u>(1 849 323)</u>	<u>(777 348)</u>

MUNICIPALITY OF MARIENTAL

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2008

	<u>Note</u>	<u>2008</u>	<u>2007</u>
		N\$	N\$
Cash flow from operating activities			
Cash generated by operations	11	(474 289)	1 204 973
Interest on investments		210 555	169 024
Net cash flow from operating activities		(263 734)	1 373 997
Cash flow from investing activities			
Purchases of property, plant and equipment		(722 982)	(446 680)
Decrease/(increase) in investments		(5 000)	221 000
(Increase)/decrease in secured loans		(74)	(72)
Net cash flow from investing activities		(728 056)	(225 752)
Cash flow from financing activities			
Change in net debt		(80 864)	(73 205)
Net cash flow from financing activities		(80 864)	(73 205)
Net increase/(decrease) in cash and cash equivalents		(1 072 654)	1 075 040
Cash and cash equivalents at the beginning of the year		(1 295 922)	(2 370 962)
Cash and cash equivalents at the end of the year		(2 368 576)	(1 295 922)

MUNICIPALITY OF MARIENTAL

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE

1. ACCOUNTING POLICIES

The financial statements set out in Annexures 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 previous year:

1.1 Property, plant and equipment

Property, plant and equipment acquired with loan funds are stated at cost and no depreciation is provided thereon until the loan is fully redeemed. All other items of property, plant and equipment are stated at cost or valuation, and except fixed property, the cost or valuation of these items of property, plant and equipment is depreciated on the reducing-balance basis over their expected useful lives.

1.2 Fund accounts

The following Funds were maintained:

Fixed Property Fund

Proceeds from the sale of land developed by the Municipality as well as interest earned on internal loans and investments accumulate in this Fund. Costs incurred on the development of land are charged to this account.

Betterment Fund

The purpose of this Fund is to provide for future municipal assets. Part of the proceeds from the sale of land, as well as interest earned on internal loans and investments accumulate in this Fund.

Renewal Fund

The purpose of this Fund is to provide for future replacement of assets and for additional depreciation on assets, which have permanently declined in value. Income for this account is derived from general revenue contributions as well as interest earned on investments.

Capital Development Fund

The purpose of this Fund is to build up a general capital reserve to ensure a stable financial position. Income for the Fund is derived from interest earned on investments, interest on internal loans as well as from general revenue contributions.

Staff Housing Fund

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

MUNICIPALITY OF MARIENTAL

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE

Housing Fund

The purpose of this Fund is to provide for housing loans. Income for the Fund is derived from interest earned on secured housing loans and investments as well as from profits made on the resale of Housing Scheme houses. Interest paid on external housing loans is charged to this Fund.

Centenary Fund

The purpose of this Fund is to provide for adequate funds to cover expenditures for the centenary celebrations. Income is derived from interest earned on investments.

1.3 Capital redemption on loans

Capital redemption on external and internal loans is charged against income. A similar amount is credited to the Loan Redemption account for the duration of the loans. As and when the loan is fully redeemed, the loan amount is to be transferred to the Revenue Contribution Capital Account.

1.4 Inventory

Fuel inventory is valued at cost on the first-in first-out basis. Consumables are valued at the average landed costs.

	<u>2008</u>	<u>2007</u>
	N\$	N\$
2. PROPERTY, PLANT AND EQUIPMENT		
Consists of :		
Property, plant and equipment	<u>17 022 844</u>	<u>16 705 936</u>
Financed by :		
External and internal loans	13 368 164	13 549 928
General capital	926 612	1 029 570
Revenue account	2 728 068	2 126 438
	<u>17 022 844</u>	<u>16 705 936</u>

MUNICIPALITY OF MARIENTAL

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE (continued)

	2008	2007
	N\$	N\$
3. INVESTMENTS		
Fixed deposits and insurance contracts	2 235 500	2 230 500
4. INVENTORY		
Inventories consist of :		
Fuel and oil	164 361	83 417
Other consumables	276 951	284 135
	441 312	367 552
5. ACCOUNTS RECEIVABLE		
Trade debtors	4 050 680	4 096 475
Subsidies receivable	397 719	362 860
Study loans	259 827	254 307
Electricity loans	23 275	74 980
VAT receivable	1 284 009	729 828
Interest receivable	470 611	260 056
Sundry debtors	110 549	308 704
	6 596 670	6 087 210
<i>Less :</i>		
Consumer deposits for services	(546 151)	(512 566)
Provision for doubtful debts	(119 878)	(93 576)
	5 930 641	5 481 068

MUNICIPALITY OF MARIENTAL

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE (continued)

	2008	2007
	N\$	N\$
6. FUNDS AND ACCOUNTS		
6.1 Capital outlay		
Loans redeemed from revenue	4 140 049	4 179 042
Revenue contributions	2 728 068	2 126 438
General capital contributions	926 612	1 029 570
	7 794 729	7 335 050
6.2 Funds, accounts and reserves		
Fixed Property Fund	3 632 794	3 314 348
Betterment Fund	781 535	713 318
Renewal Fund	1 432 353	1 297 019
Capital Development Fund	4 130 307	3 916 180
Housing Services Fund	414 805	353 833
Staff Housing Fund	12 118	57 199
Centenary Fund	92 344	75 791
Revenue Account kept in compliance with Section 86(1) of the Local Authorities Act, 1992	(1 849 322)	(777 348)
	8 646 934	8 950 340
7. LONG TERM LIABILITIES		
Loans from Government		
Capital account	4 972 423	5 053 287
Housing Fund	378 276	378 276
	5 350 699	5 431 563
8. ACCOUNTS PAYABLE		
Trade payables	-	234 979
Leave and audit fee provision	635 397	559 015
Special programs - Allocated funds	825 556	975 506
Sundries	11 410	5 610
	1 472 363	1 775 110

MUNICIPALITY OF MARIENTAL

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE (continued)

	2008	2007
	N\$	N\$
9. TRANSFER FROM / (TO) FUNDS		
Fixed Property Fund (Mariental)	303 099	386 413
Fixed Property Fund (Empelheim)	4 627	24 768
Fixed Property Fund (Aimablaagte)	10 720	5 534
Betterment Fund	68 217	65 468
Renewal Fund (Mariental)	133 352	122 460
Renewal Fund (Aimablaagte)	1 982	1 851
Capital Development Fund (Mariental)	189 524	232 702
Capital Development Fund (Aimablaagte)	24 603	23 207
Staff Housing Fund	(45 081)	(40 238)
Centenary Fund	16 553	11 592
Housing Service Fund	60 972	62 801
	768 568	896 559
10. ADJUSTMENTS AND APPROPRIATIONS		
Adjustments - Income relating to prior year	27 354	-
Bad debts	(2 277)	
Other income	74 069	8 886
Stale cheques	-	29 249
Surplus cash	2 260	3 825
Adjustments - Expenditure relating to prior year	(17 473)	(42 690)
Under provision for leave pay	(396 838)	(89 841)
Under provision for audit fees	(13 422)	(9 310)
Stock adjustment	(5 852)	66 427
Interest adjustment	2 866	49
Natis: Under provision	(3 663)	-
Unknown deposits	24	65 778
	(332 952)	32 373

MUNICIPALITY OF MARIENTAL

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE (continued)

	2008	2007
	N\$	N\$
11. CASH UTILISED IN OPERATIONS		
Net operating (deficit)/surplus	(181 010)	195 646
Adjustments (appropriations)	(332 952)	32 374
Fixed assets ex-revenue	-	-
Depreciation	-	-
Internal loans raised	-	-
Loans redeemed	865 754	756 323
	<u>351 792</u>	<u>984 343</u>
GENERATION OF WORKING CAPITAL		
Increase in inventory	(73 760)	(95 671)
Increase in accounts receivable	(449 573)	(364 208)
Increase/(decrease) in accounts payable	(302 748)	680 509
	<u>(474 289)</u>	<u>1 204 973</u>