



REPUBLIC OF NAMIBIA

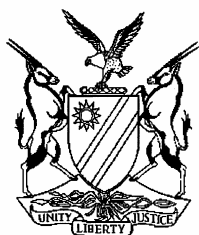


REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE
MUNICIPALITY OF MARIENTAL
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

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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 Mariental 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, January 2010

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

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

1. INTRODUCTION

The accounts of the Municipality of Mariental 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 Mostert Landgrebe 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. 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.

The financial statements also include:

Annexure B: Abridged income statement

Annexure C: Cash flow statement

Annexure D: Notes to the financial statements

3. SCOPE OF THE AUDIT

Management's responsibility for the financial statements

The Accounting Officer of the Municipality is responsible for the preparation and fair presentation of the financial statements and for ensuring the regularity of the financial transactions. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal

control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

4. AUDIT OBSERVATIONS AND COMMENTS

4.1 Financial results

The Municipality made a deficit of N\$ 480 256 (2008: N\$ 739 022), after transfers to Funds during the financial year. The accumulated deficit as at year-end amounted to N\$ 2 801 591 (2008: N\$ 1 849 323).

4.2 Trade and other receivables - Provision for bad debts

The average collection period of trade receivables is 64,4 days (2008: 56,0 days). A provision for bad and doubtful debts of N\$ 161 729 (2008: N\$ 119 878) was made in the financial statements. However, due to calculations based on the age analyses and collection periods, the auditors estimate that the provision is understated by N\$ 1 159 357 (2008: N\$ 1 665 008). This has a negative impact on the Municipality's cash flow position.

4.3 Going concern

As noted in paragraph 4.1, the Municipality has an accumulated deficit of N\$ 2 801 591 which is an increase from the prior year with N\$ 952 268. Furthermore temporary advances from Funds to revenue increased with N\$ 1 071 887 from N\$ 4 380 337 to N\$ 5 452 224.

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

4.5 Value Added Tax

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

4.6 Unresolved matters from the 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:

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

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 at 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(5)(a) and (b) of the Local Authorities Act and is therefore regarded as unauthorized. The sections read as follows:

- (a) *A local authority council may, with approval of the Minister, apply an amount for purpose for 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.*
- (b) *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.

5. ACKNOWLEDGEMENT

The assistance and co-operation by the staff of the Mariental Municipality during the audit is appreciated.

6. FINANCIAL RESULTS

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

	Revenue	Expenditure	Surplus/ (deficit)	Balance
	N\$	N\$	N\$	N\$
Accumulated deficit on 01/07/2008				(1 849 323)
General accounts				
- Non-profitable services	3 550 908	7 371 618	(3 820 710)	
- Self-supporting services	2 786 455	2 990 985	(204 530)	
Trade accounts				
- Electricity	18 931 070	15 757 497	3 173 573	
- Water	5 693 447	5 322 036	371 411	
Deficit for the year	30 961 880	31 442 136	(480 256)	(480 256)
				(2 329 579)
Adjustments and utilizations (See note 12, Annexure D)				(472 012)
Accumulated deficit on 30/06/2009				(2 801 591)

7. CURRENT BANK ACCOUNT

	2009	2008
	N\$	N\$
Cash-book balance at 30 June - Balance sheet	(3 228 832)	(2 369 256)
Outstanding cheques	4 051 341	2 580 784
Outstanding deposits	(168 426)	(75 350)
Balance as per bank statement	654 083	136 178

8. INVESTMENTS

The investments as at 30 June were as follows:

Institution	2009		2008	
	Investment N\$	Interest N\$	Investment N\$	Interest N\$
Commercial banks	1 459 400	157 658	2 175 500	206 948
Insurance companies	65 000	3 031	60 000	3 607
	1 524 400	160 689	2 235 500	210 555
Distribution				
Capital Development Fund	291 927	19 321	268 491	21 566
Fixed Property Fund	237 273	35 862	500 890	33 379
Renewal Fund	360 094	33 687	468 136	28 854
Betterment Fund	200 417	7 444	103 443	51 626
Staff Housing Fund	32 043	2 151	29 892	7 077
Centenary Fund	104 293	6 645	92 344	7 155
Housing Services Fund	298 353	55 579	772 304	60 898
	1 524 400	160 689	2 235 500	210 555

9. FUND ACCOUNTS

The position of the Funds and accounts at year-end was as shown in note 8 in Annexure D.

10. TRADE ACCOUNT

10.1 The results of water operations were as follows:

	Electricity		Water	
	2009	2008	2009	2008
	N\$	N\$	N\$	N\$
Sales	18 830 867	15 630 839	5 690 539	5 454 395
Cost of bulk purchases	(12 807 809)	(9 917 988)	(4 537 232)	(4 885 368)
Gross surplus	6 023 058	5 712 851	1 153 307	569 027
Other income/(expenses)	(2 849 485)	(2 301 663)	(781 896)	(755 525)
Net (deficit)/surplus	3 173 573	3 411 188	371 411	(186 498)
Gross surplus percentages on bulk purchases	47.0%	57.6%	25.4%	11.6%
Net surplus percentage on bulk purchases	24.8%	34.4%	8.2%	(3.8%)
Gross surplus percentages on sales	32.0%	36.5%	20.3%	10.4%
Net surplus percentage on sales	16.9%	21.8%	6.5%	(3.4%)

10.2 Distribution results were as follows:

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

	Electricity		Water	
	2009	2008	2009	2008
	Kw/h	Kw/h	m3	m3
Sales	21 407 089	21 087 118	665 193	634 064
Purchases	26 808 960	24 760 920	774 843	832 141
Loss	(5 401 871)	(3 673 802)	(109 650)	(198 077)
Percentage loss in units	(20.1%)	(14.8%)	(14.2%)	(23.8%)

The distribution losses on water and electricity are abnormally high. As reported previously, Council should investigate these losses and implement procedures to reduce such losses.

11. SELF-SUPPORTING SERVICES

11.1 The results for the year under review are as follows:

Service	Income 2009	Expenses 2009	Surplus/ (deficit) 2009	Surplus/ (deficit) 2008
	N\$	N\$	N\$	N\$
Aerodrome	1 447	74 782	(73 335)	(21 014)
Abattoir	146 974	296 215	(149 241)	(122 882)
Housing lease units	103 349	372 323	(268 974)	(359 124)
Motor vehicle licensing department	482 122	451 110	31 012	(6 592)
Sanitation	1 065 398	874 419	190 979	43 211
Sewerage	964 863	792 589	172 274	195 580
Town ground and pound	22 302	129 547	(107 245)	(111 644)
	2 786 455	2 990 985	(204 530)	(382 465)

The losses on housing lease units and town ground 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, UNAUTHORIZED OR AVOIDABLE EXPENDITURE

No such expenses were revealed by the audit.

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

The following were spend on capital projects:

Nature of projects/acquisitions	Financed by	Total expenditure 2009	Total expenditure 2008
	Internal loans		
	N\$	N\$	N\$
Water supply	87 088	87 088	21 102
Electricity supply	630 224	630 224	568 217
Finance	-	-	14 432
Fire brigade	16 955	16 955	18 198
Sanitation	-	-	46 728
Cemetery	-	-	54 305
Municipal buildings	33 715	33 715	-
Town ground and pound	190 869	190 869	-
Council's general expenses	44 844	44 844	-
	1 003 695	1 003 695	722 982

16. STUDY LOANS/BURSARIES

At 30 June 2009, outstanding study loans amounted to N\$224 038 (2008: N\$259 827). 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

There were no such expenses.

19. VISITS TO FOREIGN COUNTRIES

No visits were made to foreign countries.

20. CLAIMS AGAINST THE LOCAL AUTHORITY

There were no claims against the local authority.

21. GIFTS/DONATIONS BY THE LOCAL AUTHORITY

The Municipality made the following gifts/donations:

Nature of gift/donation	Beneficiary	Value
		N\$
Donation	Anandi Guest House	300
Donation	Empelheim Junior Secondary	900
Donation	Mariental Chamber of Commerce	2 000
Donation	J.J. Kisting	3 000
Donation	Mariental Primary School	500
Donation	St James Church	2 500
Donation	W. Konjore	1 000
Donation	W. Awases	1 000
Donation	ELCAP New Start Centre	1 000
Donation	Michael Jacobs	1 300
Donation	A. Goagoseb	1 300
Donation	B. Topnaar	900
Donation	Dune Tannery	900
Donation	F. Boois	600
Donation	S. Jantze	600
Donation	Mariental Constituency	800
Donation	Witbooi's Traditional Festival	2 500
Donation	Euufees contribution	5 000
		26 100

22. TRANSFER OF PROPERTY

Erf 351 was sold for N\$ 525 000 to the Ministry of Youth. However, the Ministry has to date not made any payment for the purchase.

23. TRADE AND OTHER RECEIVABLES/PAYABLES

23.1 Trade and other receivables at 30 June were:

	2009	2008
	N\$	N\$
Services rendered and assessment rates	4 516 305	4 050 680
Interest accrued on investments	631 482	470 611
Subsidies receivable	704 796	397 719
Study loans	224 038	259 827
Electricity loans	765	23 275
VAT receivable	1 835 550	1 284 009
Sundries	13 580	110 549
	7 926 516	6 596 670
Provision for bad debts	(161 729)	(119 878)
Consumer deposits	(619 531)	(546 151)
Total	7 145 256	5 930 641

23.1 Trade and other receivables at 30 June (continued)

	2009	2008
	N\$	N\$
Analysis of services and general debtors:		
Average monthly levy	2 131 689	2 200 308
Debtors	4 516 305	4 050 680
Average credit terms in days	64.4	56.0
Consumer deposits	619 531	546 151
Percentage of deposits in relation to debtors	13.7%	13.5%

The average collection period of trade receivables is 64,4 days (2008: 56,0 days). A provision for bad and doubtful debts of N\$161 729 (2008 N\$119 878) was made in the financial statements. However, due to calculations based on the age analyses and collection periods, the auditors estimate that the provision is understated by N\$1 159 357 (2008: N\$1 665 008). This has a negative impact on the Municipality's cash flow position.

23.2 Trade and other payables at 30 June were:

	2009	2008
	N\$	N\$
Commitments by purchase and other obligations	73 001	-
Audit fees, provision	-	35 000
Special program - Allocated funds	797 369	825 556
Leave provision	822 480	600 397
Sundries	15 820	11 410
Totals	1 708 670	1 472 363

24. ASSESSMENT RATES

	2009	2008
	N\$	N\$
The net proceeds from assessment rates were	1 213 874	1 166 748
Paid to the Regional Council	60 694	58 337
Tariffs per N\$1 valuation per month		
- Land	0.032722	0.031164
- Admin: Land	0.025710	0.024486
- Outside town: Land	0.086478	0.008236
- Undeveloped: West of railway	0.749049	0.957180
- Undeveloped: East of railway	0.749049	0.713380
- Aimab: Land	0.908096	0.864854
- Improvements	0.005113	0.004876
- Admin: Improvements	0.004006	0.003816
- Outside town: Improvements	0.008647	0.008236

25. LOANS

25.1 External loans

	2009	2008
	N\$	N\$
Capital outlay	4 883 081	4 972 423
Housing Fund	378 276	378 276
	5 261 357	5 350 699

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

	2009	2008
	N\$	N\$
Total	4 428 779	4 255 692

Internal loans 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. The balances agree with actuarial tables. No loan assets were disposed of before the loan was redeemed. Loan monies were used for the purpose they were obtained for.

25.3 Due to the Municipality

	2009	2008
	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
Balance due to the Municipality by house owners:		
- Housing service loans	3 077	3 004

26. SALE OF ERVEN

The following erven were sold during the year. The proceeds were allocated to the Fixed Property Fund.

	2009		2008	
	Number	Amount	Number	Amount
		N\$		N\$
Mariental	6	100 109	22	181 274
Empelheim	1	5 664	1	1 646
Aimablaagte	15	33 194	2	3 160
	22	138 967	25	186 080

27. LOCAL AUTHORITY PROPERTY SOLD ON AN INSTALMENT BASIS

No erven were sold on an instalment basis.

28. TARIFF ADJUSTMENTS

Tariff adjustments were duly approved and promulgated in the Government Gazette.

29. APPROVALS

Management overspent on the following votes without Council's approval:

	N\$
Cemeteries	12 344
Municipal buildings	140 234
Council general expenses	118 337
Workshop	28 519
Electricity supply	597 579

30. INVENTORY AND EQUIPMENT

30.1 Motor vehicles and values thereof:

	Sedan		LDV's, 4x4's and Combi's		Other	
	Number	Value	Number	Value	Number	Value
		N\$		N\$		N\$
Balance - 01/07/2008	1	186 272	5	122 181	11	542 351
Additions	-	-	-	-	-	-
Sub-total	1	186 272	5	122 181	11	542 351
Depreciation	-	-	-	(4 686)	-	(9 953)
Balance - 30/06/2009	1	186 272	5	117 495	11	532 398
Kilometres travelled	13 109		75 290		*	
Fuel consumption	1 279		4 269		*	
Fuel consumption per km	10.2		17.6	**	*	

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

** Included in these figures is the fire brigade with high idle time.

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

All special investigations were completed and reported upon.

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 - None

34. QUALIFIED AUDIT OPINION

The accounts of the Municipality of Mariental for the financial year ended 30 June 2009, summarised in Annexures A to D, were audited by me in terms 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 reason:

- The provision for bad debts is understated by a calculated amount of N\$ 1 159 357.

Except for the above-mentioned remark, I certify that, in my opinion, the financial statements fairly present the financial position of the Municipality at 30 June 2009 and the results of its operations and cash flow for the year then ended.

WINDHOEK, January 2010

**JUNIAS ETUNA KANDJEKE
AUDITOR- GENERAL**

THE MUNICIPALITY OF MARIENTAL

BALANCE SHEET AT 30 JUNE

	Note	2009 N\$	2008 N\$
ASSETS			
Non-current assets		19 157 578	19 261 348
Property, plant and equipment	2	17 630 101	17 022 844
Investments	3	1 524 400	2 235 500
Loans receivable		3 077	3 004
Current assets		7 588 135	6 372 633
Trade and other receivables	4	7 145 256	5 930 641
Inventories	5	442 319	441 312
Bank and cash	6	560	680
TOTAL ASSETS		26 745 713	25 633 981
FUNDS AND LIABILITIES			
Funds and reserves		16 546 854	16 441 663
Capital outlay	7	8 318 240	7 794 729
Funds and accounts	8	8 228 614	8 646 934
Non-current liabilities			
Long-term loans	9	5 261 357	5 350 699
Current liabilities		4 937 502	3 841 619
Trade and other payables	10	1 708 670	1 472 363
Bank overdraft	6	3 228 832	2 369 256
TOTAL FUNDS AND LIABILITIES		26 745 713	25 633 981

THE MUNICIPALITY OF MARIENTAL

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE

	Note	2009 N\$	2008 N\$
INCOME		30 924 852	27 503 949
EXPENDITURE		(31 442 136)	(27 684 959)
NET OPERATING DEFICIT		(517 284)	(181 010)
INTEREST ON INVESTMENTS		37 028	210 555
NET (DEFICIT)/SURPLUS AFTER INTEREST		(480 256)	29 545
TRANSFER FROM/(TO) INTERNAL FUNDS	11	-	(768 568)
NET DEFICIT AFTER TRANSFERS		(480 256)	(739 023)
APPROPRIATION ACCOUNT	12	(472 012)	(332 952)
NET DEFICIT AFTER APPROPRIATIONS		(952 268)	(1 071 975)
REVENUE ACCOUNT - Beginning of year		(1 849 323)	(777 348)
REVENUE ACCOUNT - End of year		(2 801 591)	(1 849 323)

THE MUNICIPALITY OF MARIENTAL

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2009

	Note	2009 N\$	2008 N\$
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from customers		30 924 852	27 503 949
Cash paid to suppliers		(32 893 463)	(29 612 559)
Cash utilised by operations	13	(1 968 611)	(2 108 611)
Interest received		37 028	210 555
Increase in Fund accounts		533 949	768 568
Increase in Capital outlay		523 511	459 679
Net cash flow from operating activities		(874 123)	(669 809)
CASH FLOW FROM INVESTING ACTIVITIES			
Net capital expenditure		(607 257)	(316 908)
Decrease/(increase) in investments		711 100	(5 000)
Increase in loans receivable		(73)	(74)
		103 770	(321 982)
CASH FLOW FROM FINANCING ACTIVITIES			
Decrease in long-term liabilities		(89 342)	(80 864)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(859 695)	(1 072 655)
CASH AND CASH EQUIVALENTS - BEGINNING OF THE YEAR		(2 368 577)	(1 295 922)
CASH AND CASH EQUIVALENTS - END OF THE YEAR		(3 228 272)	(2 368 577)

THE MUNICIPALITY OF MARIENTAL**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE**

1. ACCOUNTING POLICIES**1.1 Introduction**

The annual financial statements set out in Annexures A to C were prepared on the historical cost basis and incorporate the following principal accounting policies, which are consistent in all material aspects with those applied in the previous year.

1.2 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.

1.3 Fund accounts

The following Funds were maintained:

1.3.1 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.

1.3.2 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.

1.3.3 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.

1.3.4 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.

1.3.5 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.

THE MUNICIPALITY OF MARIENTAL

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

1. ACCOUNTING POLICIES (continued)

1.3.6 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.

1.3.7 Social Housing Service Fund

The purpose of this Fund is to construct houses for disabled, destitute and pensioners. Income for this Fund is derived from interest earned on secured housing loans and investments.

1.3.8 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.

1.4 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.

1.5 Inventory

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

	2009	2008
	N\$	N\$
2. PROPERTY, PLANT AND EQUIPMENT		
Income assets	2 733 933	2 728 068
Loan assets	14 062 219	13 368 164
Funds and grants	833 949	926 612
Total	17 630 101	17 022 844

THE MUNICIPALITY OF MARIENTAL

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

	2009	2008
	N\$	N\$
3. INVESTMENTS		
INVESTMENTS		
Commercial banks	1 459 400	2 175 500
Insurance companies	65 000	60 000
	1 524 400	2 235 500
ALLOCATED AS FOLLOWS		
Capital Development Fund	291 927	268 491
Fixed Property Fund	237 273	500 890
Renewal Fund	360 094	468 136
Betterment Fund	200 417	103 443
Staff Housing Fund	32 043	29 892
Centenary Fund	104 293	92 344
Housing Services Fund	298 353	772 304
	1 524 400	2 235 500
4. TRADE AND OTHER RECEIVABLES		
Services rendered and assessment rates	4 516 305	4 050 680
Interest accrued on investments	631 482	470 611
Subsidies receivable	704 796	397 719
Study loans	224 038	259 827
Electricity loans	765	23 275
VAT receivable	1 835 550	1 284 009
Sundries	13 580	110 549
	7 926 516	6 596 670
Provision for bad debts	(161 729)	(119 878)
Consumer deposits	(619 531)	(546 151)
	7 145 256	5 930 641

THE MUNICIPALITY OF MARIENTAL

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

	2009	2008
	N\$	N\$
5. INVENTORIES		
Stores	290 468	276 951
Fuel and oil	151 851	164 361
	442 319	441 312
6. BANK AND CASH		
Current account - Municipality operating account	(3 228 832)	(2 369 256)
Petty cash	560	680
	(3 228 272)	(2 368 576)
7. CAPITAL OUTLAY		
Loans redeemed	4 750 358	4 140 049
Revenue contributions	2 733 933	2 728 068
General capital contributions	833 949	926 612
	8 318 240	7 794 729
8. FUNDS, ACCOUNTS AND RESERVES		
Fixed Property Fund	3 709 542	3 632 794
Betterment Fund	861 860	781 535
Renewal Fund	1 570 680	1 432 353
Capital Development Fund	4 299 102	4 130 307
Housing Services Fund	470 459	414 805
Staff Housing Fund	14 269	12 118
Centenary Fund	104 293	92 344
Revenue account kept in compliance with Section 86(1) of the Local Authority Act, 1992.	(2 801 591)	(1 849 322)
	8 228 614	8 646 934

THE MUNICIPALITY OF MARIENTAL

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

	2009	2008
	N\$	N\$
9. LONG-TERM LIABILITIES		
Loans from the Government:		
Capital outlay	4 883 081	4 972 423
Housing Fund	378 276	378 276
	5 261 357	5 350 699
10. TRADE AND OTHER PAYABLES		
Commitments by purchase and other obligations	73 001	-
Audit fees, provision	-	35 000
Special program - Allocated funds	797 369	825 556
Leave provision	822 480	600 397
Sundries	15 820	11 410
	1 708 670	1 472 363
11. TRANSFER (TO)/FROM INTERNAL FUNDS		
Fixed Property Fund (Mariental)	-	(303 099)
Fixed property Fund (Empelheim)	-	(4 627)
Fixed Property Fund (Aimablaagte)	-	(10 720)
Betterment Fund	-	(68 217)
Renewal Fund (Mariental)	-	(133 352)
Renewal Fund (Aimablaagte)	-	(1 982)
Capital Development Fund (Mariental)	-	(189 524)
Capital Development Fund (Aimablaagte)	-	(24 603)
Staff Housing Fund	-	45 081
Centenary Fund	-	(16 553)
Housing Service Fund	-	(60 972)
	-	(768 568)

THE MUNICIPALITY OF MARIENTAL

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

	2009	2008
	N\$	N\$
12. ADJUSTMENTS TO APPROPRIATION ACCOUNT		
Adjustments- Expenditure relating to prior year	(90 371)	(17 474)
Adjustments- Income relating to prior year	-	27 354
Bad debts	-	(2 277)
Interest adjustment	3 232	2 866
Natis (over)/underprovision	-	(3 663)
Other income	-	74 069
Road Fund over-provision	(51 876)	-
Study loan	(35 219)	
Stock adjustment	1 229	(5 852)
Surplus cash	1 908	2 260
Over/(under) provision for audit fees	35 000	(13 422)
Under provision for leave pay	(354 368)	(396 836)
Unknown deposits	18 453	24
	(472 012)	(332 951)
13. CASH UTILISED BY OPERATIONS		
Net operating deficit before interest and transfers	(517 284)	(181 010)
Adjustments for:		
- Adjustments to appropriation account	(472 012)	(332 952)
- Transfer to Funds	-	(768 568)
OPERATING DEFICIT BEFORE CHANGES IN WORKING CAPITAL	(989 296)	(1 282 530)
CHANGES IN WORKING CAPITAL		
(Increase) in trade and other receivables	(1 214 615)	(449 573)
(Increase) in inventories	(1 007)	(73 760)
Increase/(decrease) in trade and other payables	236 307	(302 748)
	(979 315)	(826 081)
CASH UTILISED BY OPERATIONS	(1 968 611)	(2 108 611)