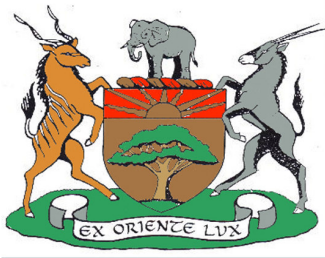
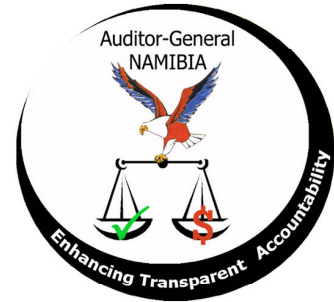




REPUBLIC OF NAMIBIA



REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE

MUNICIPALITY OF GOBABIS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

Published by authority

Price (Vat excluded) N\$ 29.06
Report no 854

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 Gobabis for the financial year ended 30 June 2009, in terms of Article 127(2) of the Namibian Constitution. The report is transmitted to the Honourable Minister of Finance in terms of Section 27(1) of the State Finance Act, 1991, (Act 31 of 1991) to be laid upon the Table of the National Assembly in terms of Section 27(4) of the Act.

WINDHOEK, June 2010

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

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

1. INTRODUCTION

The accounts of the Municipality of Gobabis 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 during January 2010 instead of three months after year-end as required by the Act.** The audited financial statements are in agreement with the general ledger and are filed in the Office of the Auditor-General. The abridged balance sheet, Annexure A, is a true reflection of the original.

The following annexure 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

4.1 Payroll related expenses

The auditors' review of the vacation leave provision indicates that the current year's provision was not updated in accordance with the leave reports. This resulted in an understatement of the municipality's liabilities and expenses by an amount of N\$ 823 279.

The Municipality's conditions of employment rules, applied during the year under review, and dated February 1998, states that an employee shall not accrue vacation leave days beyond 65 leave days. However numerous employees leave days exceeded this threshold. Admittedly, as a result of staff shortages, employees were not be able to take leave during the annual leave cycles, but the practice of taking leave should be encouraged in line with the conditions of Section 23(5) of the Labour Act, 2007 (Act no. 11 of 2007).

It is a proven fact that fraud risk increases significantly under circumstances when employees are not encouraged to take leave appropriately or are unwilling to take leave.

The Municipality should review and ensure that proper and adequate provision for vacation leave is made. Conditions of employment should be strictly adhered to.

Due to the above, the auditors could not satisfy themselves in regard of the accuracy or the valuation of the provision for vacation leave.

4.2 Inventory control

The auditors noted that only fuel stocks from the Municipality are carried as inventory in its accounting records while other inventory items such as electrical, water and vehicle spare parts are expensed to the revenue fund.

The Municipality, bearing in mind the nature of items kept at the stores, exposes itself to the risk of financial loss through stock theft and misappropriation of funds.

4.3 Value Added Tax

The auditors' reconciliation on VAT returns against the ledger amounts reflected an immaterial difference of N\$ 10 500.

As reported in prior years, the Municipality have a recoverability problem on VAT refunds due and reflected at a receivable amount of N\$ 2 428 016 in the financial statements. Contrary to this, reports from the Inland Revenue reflected a collective debt payable of an amount of N\$ 9 840 505. Consequently, this resulted in the understatement of the actual liability by an amount of N\$ 12 268 521.

The Council should ensure that the debt payable is corrected in its financial statements as to portray the true financial position of the Council.

4.4 Consumer deposits

Consumer deposits for 2009: N\$ 749 104 (2008: N\$ 725 554) were recorded in the annual financial statements. The auditors were unable to satisfy themselves to the adequacy of consumer deposits as the recorded amounts only represents a coverage of 4% of consume debt outstanding for the year under review.

4.5 Fixed asset register

The auditors were unable to obtain the updated fixed assets register for the year under review and as such prevented the auditors from performing physical verification as well as depreciation recalculations on individual items.

4.6 Going concern

Although the accumulated deficit decreased to an amount of N\$ 14 944 619 (2008: N\$ 15 630 168) the Council attention is drawn to the fact that the financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the Municipality to continue as a going concern is dependent, amongst others, on the ability of the Council to recover outstanding debts.

4.7 Provision for doubtful debts

Provision made by the Municipality for bad and doubtful debts as per the financial statements were N\$ 9 375 192. The auditors review and considering the poor debt collection on consumer accounts indicate an under-provision of N\$ 2 364 044. It is acknowledge that a significant portion of debt has been handed over to lawyers for collection but to date, no fruitful recoveries have been made. It is recommended that the Municipality should take steps by getting judgments against the listed debtors.

The Municipality should review its provision for bad and doubtful debts at year-end and ensure that it's adequate.

5. ACKNOWLEDGEMENT

The assistance and co-operation given by the management and staff of the Municipality during the audit is appreciated. The efforts made by management to implement the previous year's 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 (deficit) as at 01/07/2008				(15 630 168)
General services				
Rate and general	5 260 756	1 991 016	3 269 740	
Non-profitable	10 881 044	21 054 907	(10 173 863)	
Self-supporting	929 604	835 808	93 796	
Non-trading accounts				
Sewerage	1 973 505	1 845 289	128 216	
Sanitation	3 157 165	3 126 088	31 077	
Ongulumbashe quarters	12 960	31 948	(18 988)	
Trade accounts				
Electricity supply	20 660 982	13 962 185	6 698 797	
Water supply	7 897 561	7 160 624	736 937	
	50 773 577	50 007 865	765 712	
Surplus for the year				765 712
(Adjustments and utilizations detailed in Note 7 of the financial statements.)				(80 162)
Accumulated (deficit) as at 30/06/2009				(14 944 618)

7. CURRENT BANK ACCOUNT

7.1 Operational current account

The cash-book balance reflected a favourable balance of N\$ 1 598 488 (2008: N\$ 1 290 178) while the bank statements reflected a favourable balance of N\$ 1 578 530 (2008: N\$ 1 206 729). Cheques not presented for payment totaling N\$ 54 453 (2008: N\$ 50 376) and deposits not banked totaled N\$ 140 216 (2008: N\$ 98 804). Unknown deposits of N\$ 66 804 are also reflected on the bank reconciliation.

7.2 Smallerland bank account

This account closed with a favorable cash-book balance of N\$ 150 566 (2008: N\$ 1 089 400) which was satisfactorily reconciled with the bank statement balance of N\$ 150 566 (2008: N\$ 1 089 400).

7.3 Build Together bank account

This account closed with a favourable cash-book balance of N\$ 1 118 300 (2008: N\$ 1 460 357) which was satisfactorily reconciled with the bank statement balance of N\$ 1 118 300 (2008: N\$ 1 430 357).

8. INVESTMENTS AND INTEREST PROCEEDS

On 30 June 2009 there was N\$ 4 125 428 (2008: N\$ 4 384 766) invested at financial institutions, as follows:

	2009	2008
	N\$	N\$
Sanlam policy	96 507	101 121
Old Mutual policy	72 864	108 720
Bank Windhoek	4 033 709	4 174 925
	*4 203 080	4 384 766
Capital Development Fund	203 805	65 005
Tariff Stabilization Fund	204 863	198 350
Renewal Fund	253 875	204 493
Betterment Fund	-	136 013
Fixed Property Fund	307 847	378 503
Capital Reserve Fund	-	446 009
Sanitation Revolving Fund	-	54 366
Study Loan Fund	-	61 154
HIV/AIDS Small Grant Fund	-	1 105
Housing Fund	-	833 048
Smallerland Fund	1 503 360	1 003 360
Revenue Section – Accrued interest	148 318	-
Build Together Fund	1 503 360	1 003 360
	4 125 428	4 384 766

Investment interest of N\$ 20 213 (2008: N\$ 45 174) was accounted for in the Revenue account for the year.

* The actual money invested is N\$ 77 652 more than allocated to the different Funds. Council should investigate and rectify this error.

9. FUND ACCOUNTS

The position of the Fund accounts at the end of the year is shown in Note 2 of Annexure D.

10. TRADE ACCOUNTS

10.1 The results of operations of electricity were as follows:

	2009	2008
	N\$	N\$
Sales	18 291 058	15 795 216
Cost of bulk purchases	(10 175 412)	(8 361 803)
Gross profit	8 115 646	7 433 413
Expenses (net)	(1 416 849)	(2 341 929)
Net surplus	6 698 797	5 091 484
Gross profit % on bulk purchases	79.76%	88.90%
Net profit % on bulk purchases	65.83%	60.89%

10.2 Distribution losses for electricity were:

	2009	2008
	kw	kw
Units sold for the year	17 776 459	17 308 157
Units purchased during the year	(20 602 500)	(20 086 670)
Distribution (loss)profit	(2 826 041)	(2 778 513)
Distribution (loss)/profit percentage	(13.7%)	(13.8%)

10.3 The results of operations of water were as follows:

	2009	2008
	N\$	N\$
Sales	7 202 782	7 050 725
Cost of bulk purchases	(4 937 094)	(5 175 681)
Gross profit	2 265 688	1 875 044
Expenses (net)	(1 528 751)	(1 331 300)
Net surplus	736 937	543 744
Gross profit % on cost of bulk purchases	45.89%	36.23%
Net profit % on cost of bulk purchases	14.93%	10.51%

10.4 Distribution losses for water were:

	2009	2008
	m ³	m ³
Units sold for the year	602 223	641 240
Units purchased during the year	(716 702)	(751 347)
Distribution loss	(114 479)	(110 107)
Distribution loss percentage	(16.0%)	(14.7%)

The Municipality should reduce losses on water to acceptable levels to boost the billable water consumption.

11. NON-TRADING SERVICES

The net results of non-trading services were as follows:

	2009	2008
	N\$	N\$
Sewerage	128 217	202 398
Sanitation	31 077	199 429
Ongulumbashe quarters	(18 988)	(16 278)
	140 306	385 549

12. FRUITLESS, UNAUTHORIZED OR AVOIDABLE EXPENDITURE

No fruitless, unauthorized or avoidable expenditure was incurred during the year.

13. SUSPENSE ACCOUNTS

An amount of N\$ 73 748 (2008: N\$ 56 318) was disclosed as suspense accounts under current liabilities.

14. IRREGULARITIES AND LOSSES

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

15. CAPITAL PROJECTS

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

	2009			2008
	Total	Revenue account	Loans account	Total
	N\$	N\$	N\$	N\$
Sports and recreation	93 146	-	93 146	85 547
Council general expenses	-	-	-	67 086
Public building	149 827	-	149 827	2 172 969
Sewerage	136 050	-	136 050	12 109
Town treasurer	102 122	1 566	100 556	113 008
Town secretary	-	-	-	11 029
Town grounds	20 541	-	20 541	-
Streets	-	-	-	460 867
Workshop	44 975	-	44 975	-
Town engineer	16 656	16 656	-	63 092
Electricity	1 785 834	-	1 785 834	879 007
Cemetery	128 884	-	128 884	87 461
Sanitation	485 753	9 050	476 703	93 034
Water	121 274	-	121 274	-
Local economic development	11 118	11 118	-	70 198
Human resource	2 833	2 833	-	10 741
Total	3 099 013	41 223	3 057 790	4 126 148

16. BURSARIES

No bursaries were granted during the year under review.

17. CONTRIBUTIONS, GRANTS AND FINANCIAL AID

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

18. COMPENSATION PAYMENTS

No compensation payments were made during the year under review.

19. VISITS TO FOREIGN COUNTRIES

Officials of the Municipality did not visit foreign countries during the year.

20. CLAIMS AGAINST THE LOCAL AUTHORITY

No claims for losses were received during the year.

21. GIFTS / DONATIONS BY / TO THE LOCAL AUTHORITY

An amount of N\$ 3 125 (2008: N\$ 5 150) was paid as donations for the year under review.

22. TRANSFER OF PROPERTY TO / FROM THE LOCAL AUTHORITY

No properties were transferred to/from the Local Authority.

23. DEBTORS AND CREDITORS

23.1 Debtors at 30 June 2009 were:

	2009	2008
	N\$	N\$
Service debtors	9 939 797	8 873 469
Hand overs to attorneys	7 438 412	5 295 025
	17 378 209	14 168 494
Less:		
- Provision for doubtful debts	(9 375 192)	(9 402 993)
- Consumer deposits	(800 694)	(767 780)
Add:		
- Accrued interest	-	5 825
- Subsidies	2 958 809	2 958 884
- Prepaid debtors	334 139	-
- VAT	2 428 016	1 452 778
- General	99 164	197 835
	13 022 451	8 613 043

23.2 Creditors at 30 June 2009 were:

	2009	2008
	N\$	N\$
Trade creditors	4 947 650	3 801 295
Leave pay provision	1 126 225	2 091 047
Grant – Social housing – Ongulumbashe	4 956 960	2 754 050
Nossobville – Government loans	12 362	9 890
Mortgage insurance	33 275	33 635
Mini sub	208 696	-
Grant – Social housing	79 232	79 232
General	240 121	31 032
	11 604 521	8 800 181

24. ASSESSMENT RATES

Net proceeds from assessment rates, amounted to N\$ 3 269 739 (2008: N\$ 2 972 092). The tariffs for private and business properties of N\$ 0.04842 per dollar per year on site valuations plus N\$ 0.008364 per dollar per year on the valuation of improvements is in line with gazetted rates.

25. LOANS

25.1 External loans

External loans for the year under review amounted to N\$ 5 221 921 (2008: N\$ 4 783 590).

25.2 Internal loans

Internal loans of N\$ 14 789 027 (2008: N\$ 13 245 881) were taken up during the year under review.

25.3 Housing loans

The amounts due to the Municipality of Gobabis were N\$ 45 410 (2008: N\$ 46 183). The balances due to the Municipality were up to date, interest calculations are correct and the securities held are in order.

26. SALE OF ERVEN

During the current financial year N\$ 75 938 were received, in cash, for erven sold and was allocated to the Fixed Property Fund.

27. PROPERTY SOLD ON INSTALMENT BASIS

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

28. TARIFF ADJUSTMENTS

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

29. STOCK AND EQUIPMENT

29.1 Motor vehicles

	Sedan vehicles		LDV's and Combi's		Heavy duty vehicles (Lorries and busses)	
	No	N\$	No	N\$	No	N\$
On hand as at 01/07/2008	2	111 722	14	301 210	48	3 632 200
Additions	-	-	-	-	-	-
Depreciation		111 722	14	301 210	48	3 632 200
		-		-		-
On hand 30/06/2009	2	111 722	14	301 210	48	3 632 200

The Municipality was unable to provide the auditors with the updated fixed assets register for the year under review. The Council is urged to keep proper records of all assets and provide accurate information to the Office of the Auditor-General. It is also noted that fuel consumption is not calculated. This may create an opportunity for the misuse of Council's assets.

29.2 Stock

According to the Municipality, the value of stock on hand at year-end was N\$ 297 920 (2008: N\$ 228 145).

30 SPECIAL INVESTIGATIONS

No special investigations were carried out during the year.

31 GENERAL

31.1 Internal controls

The accounting and internal controls are satisfactory, except where indicated otherwise in this report. Proper segregation of duties is feasible, but due to the small number of staff employed increased management involvement reduces risks, the risk arises that management and Municipality override existing controls, a potentially dangerous practice which Municipality should vigilantly guard against.

31.2 Temporary advances

Temporary advances made to revenue amounted to N\$ 18 431 904 (2008: N\$ 16 973 553) at year-end.

32. FORMAL AND INFORMAL QUERIES

Formal queries are embodied in this report.

Informal queries addressed to the Chief Executive Officer consist of:

- * Long overdue debtors accounts and monies long outstanding becoming doubtful;
- * Inadequate consumer deposits
- * Doubtfulness on VAT receivable
- * Lack of investment policy
- * Going concern

33. QUALIFIED AUDIT OPINION

The accounts of the Municipality of Gobabis 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

- * Understatement of provision for vacation leave by an amount of N\$ 823 279;
- * Current valuation of inventory not a true reflection;
- * The Inland Revenue debt payable is understated by an amount of N\$ 12 268 521;
- * Lack of an updated fixed assets register limited the scope for additional auditing procedures;
- * Provision for bad and doubtful debts is understated by an amount of N\$ 2 364 044;

Except for the effects of any adjustments which might have been necessary as mentioned 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.

WINDHOEK, June 2010

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

MUNICIPALITY OF GOBABIS

BALANCE SHEET ON 30 JUNE 2009

	Notes	2009 N\$	2008 N\$
ASSETS			
Non-current assets			
Property, plant and equipment	3	44 154 959	41 806 132
Investments	4	33 540 867	31 490 211
Secured loans	5	4 125 428	4 384 766
		6 488 664	5 931 155
Current assets			
Cash and bank balances		16 753 586	13 257 489
Inventory	6	2 867 916	3 810 495
Trade and other receivables	7	297 920	228 145
Loans receivable	8	13 022 451	8 613 043
		565 299	605 806
TOTAL ASSETS		60 908 545	55 063 621
EQUITY AND LIABILITIES			
Funds			
Capital outlay	2.1	44 082 103	41 479 849
Fund and accounts	2.2	15 733 723	15 525 744
		28 348 380	25 954 105
Non-current liabilities			
Long-term liabilities	9	5 221 921	4 783 591
Current Liabilities			
Trade and other payables	10	11 604 521	8 800 181
Suspense accounts	11	6 073 875	5 892 342
		5 530 646	2 907 839
TOTAL EQUITY AND LIABILITIES		60 908 545	55 063 621

MUNICIPALITY OF GOBABIS

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2009

	Note	2009 N\$	2008 N\$
INCOME		50 753 364	48 089 833
EXPENDITURE		(50 007 865)	(47 528 736)
NET OPERATING PROFIT		745 499	561 097
INVESTMENT INTEREST EARNED		20 213	45 174
NET INCOME for the year	2	765 712	606 271
ADJUSTMENTS/PROVISIONS		(80 162)	(1 825 205)
NET PROFIT / (LOSS) for the year		685 550	(1 218 934)
APPROPRIATION ACCOUNT			
- AT THE BEGINNING OF THE YEAR		(15 630 168)	(14 411 234)
- AT THE END OF THE YEAR		(14 944 618)	(15 630 168)

MUNICIPALITY OF GOBABIS

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2009

	Note	2009 N\$	2008 N\$
CASH GENERATED BY OPERATING ACTIVITIES			
Cash receipts from customers		50 753 364	48 089 833
Cash paid to suppliers		(51 722 363)	(50 474 473)
<i>Cash (utilized) by operating activities</i>	13	(968 999)	(2 384 640)
Investment income		20 213	45 174
Movement in Fund accounts			
Fund accounts		1 708 725	2 275 199
Capital outlay		207 979	2 869 858
Net cash flow from operating activities		967 918	5 190 231
CASH EFFECTS OF INVESTING ACTIVITIES			
Nett capital expenditure		(2 050 656)	(3 000 086)
Decrease in investments		259 338	923 288
(Increase) in secured loans		(557 509)	(365 094)
		(2 348 827)	(2 441 892)
CASH EFFECTS OF FINANCIAN ACTIVITIES			
Increase/(decrease) in long-term liabilities		438 330	(72 880)
		438 330	(72 880)
NET MOVEMENT IN CASH AND CASH EQUIVALENTS		(942 579)	290 819
CASH AND CASH EQUIVALENTS			
- At the beginning of the year		3 810 495	3 519 676
- At the end of the year		2 867 916	3 810 495

MUNICIPALITY OF GOBABIS

NOTES TO THE ANNUAL FINANCIAL STATEMENTS AT 30 JUNE 2009

1. ACCOUNTING POLICIES

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

The principal accounting policies of the Municipality, 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 Municipality 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.

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

	2009	2008
	N\$	N\$
2. OWN FUNDS		
2.1 Capital outlay		
Loans redeemed	5 594 699	5 042 322
Revenue contributions	3 501 230	3 108 087
General capital contributions	6 637 794	7 375 335
	15 733 723	15 525 744

MUNICIPALITY OF GOBABIS

NOTES TO THE ANNUAL FINANCIAL STATEMENTS AT 30 JUNE 2009

2. OWN FUNDS (continued)

	2009	2008
	N\$	N\$
2.2 Funds and accounts		
HIV/AIDS Small Grant Fund	1 105	1 105
Betterment Fund	767 689	708 977
Build Together Fund	5 267 981	4 959 678
Capital Reserve Fund	10 597 356	9 938 026
Fixed Property Fund	15 916 381	15 441 964
Housing Fund	2 769 265	2 653 208
Renewal Fund	1 747 559	1 688 806
Sanitation Revolving Fund	72 175	54 365
Smallerland Fund	5 451 383	5 452 293
Study Loan Fund	497 241	487 501
Tariff Stabilization Fund	204 863	198 350
Revenue account kept in compliance with Section 86(1) of the Local Authorities Act, 1992	(14 944 618)	(15 630 168)
	28 348 380	25 954 105
Total	44 082 103	41 479 849

3. FIXED ASSETS

Infrastructure, land and buildings, motor vehicles, office equipment, furniture and fittings and computer equipment.

	33 540 867	31 490 211
Financed from:		
Capital account	6 637 794	7 375 335
Revenue account	3 501 230	3 108 087
Loans	23 401 843	21 006 789
	33 540 867	31 490 211

A temporary advance of N\$ 2 000 000 was made to Revenue and N\$ 203 805 (2008: N\$ 65 005) has been invested. This is a clear indication that loan monies have not been utilized for the purpose of the loan.

MUNICIPALITY OF GOBABIS

NOTES TO THE ANNUAL FINANCIAL STATEMENTS AT 30 JUNE 2009

	2009	2008
	N\$	N\$
4. INVESTMENTS		
Deposits and policies	4 125 428	4 384 766
	4 125 428	4 384 766
Comprising of:		
Capital Development Fund	203 805	65 005
Tariff Stabilization Fund	204 863	198 350
Renewal Fund	253 875	204 493
Betterment Fund	-	136 013
Fixed Property Fund	307 847	378 503
Capital Reserve Fund	-	446 009
Sanitation Revolving Fund	-	54 366
Study Loan Fund	-	61 154
HIV/AIDS Small Grant Fund	-	1 105
Housing Fund	-	833 048
Smallerland Fund	1 503 360	1 003 360
Revenue Section – Accrued interest	148 318	-
Build Together Fund	1 503 360	1 003 360
	4 125 428	4 384 766
5. SECURED LOANS		
Smallerland Fund	3 797 195	3 359 272
Build Together Fund	2 646 059	2 525 700
Housing Fund	45 410	46 183
	6 488 664	5 931 155
6. INVENTORY		
Comprising of:		
Consumable stores	297 920	228 145
	297 920	228 145

MUNICIPALITY OF GOBABIS

NOTES TO THE ANNUAL FINANCIAL STATEMENTS AT 30 JUNE 2009

	2009	2008
	N\$	N\$
7. DEBTORS		
Service debtors	9 939 797	8 873 469
Hand over to attorney	7 438 412	5 295 025
	<u>17 378 209</u>	<u>14 168 494</u>
Less:		
Provision for doubtful debts	(9 375 192)	(9 402 993)
Consumer deposits	(800 694)	(767 780)
	<u>7 202 323</u>	<u>3 997 721</u>
Add:		
- Accrued interest	-	5 825
- Subsidies	2 958 809	2 958 884
- Prepaid debtors	334 139	-
- VAT	2 428 016	1 452 778
- General	99 164	197 835
	<u>13 022 451</u>	<u>8 613 043</u>
8. LOANS RECEIVABLE		
Study loans	429 466	426 347
Erf loans	111 241	167 297
Personnel loans	24 592	12 162
	<u>565 299</u>	<u>605 806</u>
9. LOANS		
External loans	<u>5 221 921</u>	<u>4 783 591</u>
10. ACCOUNTS PAYABLE		
Trade creditors	4 947 650	3 801 295
Leave pay provision	1 126 225	2 091 047
	<u>6 073 875</u>	<u>5 892 342</u>

MUNICIPALITY OF GOBABIS

NOTES TO THE ANNUAL FINANCIAL STATEMENTS AT 30 JUNE 2009

	2009	2008
	N\$	N\$
11. SUSPENSE ACCOUNTS AND DONATIONS		
Grant – Social housing – Ongulumbashe	4 956 960	2 754 050
Nossobville – Government loans	12 362	9 890
Mortgage insurance	33 275	33 635
Mini sub	208 696	-
Grant – Social housing	79 232	79 232
General	240 121	31 032
	5 530 646	2 907 839
12. ADJUSTMENTS AND PROVISIONS		
Provision for bad debts	-	(1 318 530)
Provision for leave pay	-	(502 314)
Debit corrections	(103 173)	-
Stale cheques written back	23 011	6 123
Audit fees overprovision 2008	-	39 516
Donated Funds	-	(50 000)
	(80 162)	(1 825 205)
13. CASH GENERATED BY OPERATIONS		
Net operating profit before transfers	765 712	606 271
Adjustments for:		
Adjustments to appropriation account	(80 162)	(1 825 205)
Investments income	(20 213)	(45 174)
	665 337	(1 264 108)
OPERATING INCOME BEFORE CHANGES IN WORKING CAPITAL		
	665 337	(1 264 108)
CHANGES IN WORKING CAPITAL		
Decrease in loans receivable	40 507	2 771
(Increase) in inventory	(69 775)	(83 661)
(Increase) in trade and other receivables	(4 409 408)	(3 287 090)
Increase in trade and other payables	181 533	1 202 949
Increase - Suspense accounts	2 622 807	1 044 499
	(1 634 336)	(1 120 532)
CASH (UTILISED IN) OPERATIONS	(968 999)	(2 384 640)