



**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE  
MUNICIPALITY OF GROOTFONTEIN  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014**

Published by authority

Price (Vat excluded) N\$ 34.00  
Report no: 26/2015



**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 2014, 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.

A handwritten signature in black ink, appearing to read 'Junias Etuna Kandjeke'.

**JUNIAS ETUNA KANDJEKE**  
**AUDITOR-GENERAL**

**WINDHOEK, May 2015**



**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE  
MUNICIPALITY OF GROOTFONTEIN  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014**

---

**1. INTRODUCTION**

The accounts of the Municipality of Grootfontein for the year ended 30 June 2014 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 MAC & 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 Namibia Dollar. Deficits are indicated in brackets.

**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 on 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 these 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 these 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 comply with ethical requirements, plan and perform 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 judgment, 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 Misstatement of the appropriation account

- Insurance expenditure adjustments amounting to N\$ 403 003 relating to the 2012/13 financial year paid in the current year was processed in the financial statements as prior period income instead of prior period expenditure resulting in an overstatement of the appropriation account by N\$ 806 006.
- An amount of N\$ 2 400 000 relating to a withdrawal from one of the investment accounts was incorrectly debited to the appropriation account.
- There was no adequate explanation for an amount of N\$ 495 791 credited to the appropriation account as correction of an investment made.

##### 4.2 Overstatement of the Build Together Suspense Account

Build Together Suspense account (temporary advances) is overstated by N\$ 2 429 139 resulting in the overstatement of the Build Together loans receivable and the related Build Together Fund account.

##### 4.3 Inventories of petrol and diesel

The auditors did not observe the counting of the inventories at year-end. Fuel and oil expenditure could not be verified due to lack of supporting documents.

#### 5. ACKNOWLEDGEMENT

The assistance and co-operation by the staff of the Grootfontein 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:

	<b>Revenue</b>	<b>Expenditure</b>	<b>Surplus/ (deficit)</b>	<b>Balance</b>
	N\$	N\$	N\$	N\$
Accumulated deficit at 01/07/2013				<b>(4 828 079)</b>
<b>General accounts</b>				
- Non-profitable services	10 054 311	27 623 924	(17 569 613)	
- Self-supporting services	20 384 997	14 920 179	5 464 818	
<b>Trade accounts</b>				
- Electricity	7 860 841	36 540	7 824 301	
- Water	11 819 131	6 584 932	5 234 199	
	50 119 280	49 165 575	953 705	
Deficit for the year				953 705
				<b>(3 874 374)</b>
Adjustments and utilisations (See Note 11 of Annexure D)				(1 533 390)
Accumulated deficit at 30/06/2014				<b>(5 407 764)</b>

## 7. CURRENT BANK ACCOUNT

	2014	2013
	N\$	N\$
Cash-book balance at 30 June	2 161 567	1 341 772
Outstanding cheques	1 319 843	1 013 772
Outstanding deposits	(86 831)	-
<b>Balance as per bank statement</b>	<b>3 394 579</b>	<b>2 355 544</b>

## 8. INVESTMENTS

The investments as at 30 June are as follows:

Institution	2014	2013
	N\$	N\$
Commercial banks	26 444 514	30 710 615
CENORED	28 804 555	28 804 555
	<b>55 249 069</b>	<b>59 515 170</b>
<b>Distribution</b>		
Build Together Fund	26 444 514	29 584 422
Renewal Fund	-	1 126 193
Revenue	28 804 555	28 804 555
	<b>55 249 069</b>	<b>59 515 170</b>

## 9. FUND ACCOUNTS

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

## 10. TRADE ACCOUNT

### 10.1 The results of water operations are as follows:

	2014	2013
	N\$	N\$
Sales	11 625 194	10 879 481
Cost of sales	-	-
Gross surplus	11 625 194	10 879 481
Other net expenses	(6 390 996)	(4 780 640)
<b>Net surplus</b>	<b>5 234 198</b>	<b>6 098 841</b>
Gross surplus percentage	100.0%	100.0%
Net surplus percentage	45.0%	56.1%

## 11. SELF-SUPPORTING SERVICES

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

Service	Income 2014	Expenses 2014	Surplus/ (Deficit) 2014	Surplus/ (Deficit) 2013
	N\$	N\$	N\$	N\$
House rentals	857 505	247 181	610 324	569 241
Single quarters	10 094 490	1 651 964	8 442 526	609 418
Abattoir	263 716	2 424 747	(2 161 031)	(1 638 089)
Cleansing	6 162 217	8 859 836	(2 697 619)	(1 777 119)
Sewerage	3 007 069	1 736 451	1 270 618	1 083 522
	20 384 997	14 920 179	5 464 818	(1 153 027)

The 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

Suspense accounts were properly maintained, controlled and reconciled on a regular basis.

## 14. IRREGULARITIES AND LOSSES

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

## 15. CAPITAL PROJECTS

The following were spend on capital projects:

Nature of projects/acquisitions	Financed by		Total expenditure 2014	Total expenditure 2013
	Revenue account	Internal loans		
	N\$	N\$	N\$	N\$
Abattoir	4 515	-	4 515	34 369
Administration	37 576	-	37 576	-
Civic buildings	-	-	-	622 770
Streets and sidewalks	3 247 160	931 396	4 178 556	-
Health	27 410	-	27 410	-
Parks and gardens	-	-	-	40 158
Human resources	214 497	-	214 497	12 750
Sanitation	501 835	-	501 835	155 196
Sewerage	557 870	-	557 870	368 436
Show and sports grounds	125 260	-	125 260	-
Single quarters	770 107	-	770 107	53 536
Townlands	2 496 297	-	2 496 297	445 479
Town Clerk	122 840	-	122 840	11 972
Town Engineer	108 695	-	108 695	418 294
Town Treasurer	137 284	-	137 284	23 236
Water	-	-	-	3 299 826
	8 351 346	931 396	9 282 742	5 486 022



**16. STUDY LOANS/BURSARIES**

No bursaries were granted during the year under review.

**17. COMPENSATION PAYMENTS**

No compensation payments were made during the year under review.

**18. VISITS TO FOREIGN COUNTRIES**

There were no foreign trips during the year under review.

**19. CLAIMS AGAINST THE LOCAL AUTHORITY**

There were no claims against the local authority.

**20. GIFTS/DONATIONS BY THE LOCAL AUTHORITY**

The Municipality made the following gifts/donations:

<b>Nature of gift/donation</b>	<b>Beneficiary</b>	<b>Value</b>
		N\$
Cash donation	Ada Magagu-Elders Association	2 500
Cash donation	Disabled Association of Grootfontein	1 200
Cash donation	Independence Committee	2 500
Cash donation	Omulunga Project	500
Cash donation	Grootfontein College	500
Cash donation	8 schools at N\$ 500 each	4 000
<b>Total</b>		<b>11 200</b>

**21. TRANSFER OF PROPERTY**

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

**22. TRADE AND OTHER RECEIVABLES/PAYABLES**

**22.1** Trade and other receivables at 30 June are as follows:

	<b>2014</b>	<b>2013</b>
	N\$	N\$
Services rendered and assessment rates	50 168 061	48 637 421
VAT receivable	436 910	165 047
Sundries	-	72 747
	50 604 971	48 875 215
Provision for bad debts	(48 619 539)	(46 803 054)
<b>Total</b>	<b>1 985 432</b>	<b>2 072 161</b>

**22.2** Trade and other payables at 30 June are as follows:

	<b>2014</b>	<b>2013</b>
	N\$	N\$
Trade payables	218 908	225 324
Provisions and accruals	416 799	78 495
Suspense accounts	161 968	87 733
Consumer deposits	790 241	787 216
<b>Total</b>	<b>1 587 916</b>	<b>1 178 768</b>

**23. ASSESSMENT RATES**

	<b>2014</b>	<b>2013</b>
	N\$	N\$
The net proceeds from assessment rates	7 342 475	6 393 143
Tariffs per N\$1 valuation per month		
Private property: Town		
- Site	0.041502	0.040688
- Improvement	0.009371	0.008925
- Building clause	0.013310	0.011092
Luiperdheuwel		
- Site	0.040591	0.039795
- Improvement	0.009371	0.008925
- Building clause	0.013310	0.011092
Omulunga		
- Site	0.041514	0.040700
- Improvement	0.009371	0.008925
- Building clause	0.033100	0.011092
Central Authority - 90%		
- Site	0.045655	0.044760
- Improvement	0.012580	0.011981
Central Authority - 80%		
- Site	0.049807	0.048830
- Improvement	0.013705	0.013052
Agricultural - 25%		
- Site	0.0103730	0.010170
- Improvement	0.002844	0.002709
Interim valuations		
- Improvement	0.011437914	0.010893281

## 24. LOANS

### 24.1 External loans

	2014	2013
	N\$	N\$
Capital outlay	2 599 703	2 844 832
Housing Fund	459 431	459 431
	<b>3 059 134</b>	<b>3 304 263</b>

Loan assets have been capitalised and no loan assets were disposed off before the loan was redeemed. Loan monies were used for the purpose they were obtained for.

### 24.2 Internal loans

	2014	2013
	N\$	N\$
Total	<b>7 567 354</b>	<b>7 545 391</b>

All new internal loans advanced during the year were authorised and all assets financed by internal loans were capitalised.

### 24.3 Due to the Municipality

	2014	2013
	N\$	N\$
Housing and Build Together loans	<b>14 639 346</b>	<b>12 421 341</b>

## 25. SALE OF ERVEN

During the current financial year, cash proceeds to the value of N\$ 872 260 (2013: N\$ 421 881) were received for erven and houses sold and allocated to the Fixed Property Fund and Betterment Fund.

## 26. LOCAL AUTHORITY PROPERTY SOLD ON AN INSTALMENT BASIS

	Luiperd Heuwel	Omulunga	Build Together	Total
	N\$	N\$	N\$	N\$
Balance - 01/07/2013	<b>5 732</b>	<b>53 921</b>	<b>12 361 688</b>	<b>12 421 341</b>
New advances	-	-	2 737 000	2 737 000
Receipts	(1 430)	(12 569)	(504 985)	(518 984)
Balance - 30/06/2014	<b>4 302</b>	<b>41 352</b>	<b>14 593 703</b>	<b>14 639 357</b>

## 27. TARIFF ADJUSTMENTS

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

## 28. APPROVALS

All overspending were approved by the Council.

## 29. INVENTORY AND EQUIPMENT

### 29.1 Motor vehicles and values thereof:

	Sedan		LDV's, 4x4's and Combi's		Other	
	Number	Value	Number	Value	Number	Value
		N\$		N\$		N\$
Balance - 01/07/2013	2	405 121	20	247 712	42	5 764 562
Additions	-	-	4	429 561	4	5 209 999
Sub-total	2	405 121	24	677 273	46	10 974 561
Depreciation	-	-	-	(1 821)	-	(28 428)
Balance - 30/06/2014	2	405 121	24	675 452	46	10 946 133

### 29.2 Inventories

Inventories comprise of stationery and other consumables amounting to N\$ 636 080 (2013: N\$ 1 123 144).

## 30. SPECIAL INVESTIGATIONS

There were no special investigations carried out during the year.

## 31. GENERAL

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

## 32. FORMAL AND INFORMAL QUERIES

32.1 Formal queries are embodied in this report.

32.2 Informal queries were discussed with the Acting Chief Executive Officer.

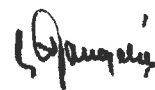
## 33. QUALIFIED AUDIT OPINION

The accounts of the Grootfontein Municipality for the financial year end 30 June 2014, 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 reasons:

- Misstatement of the appropriation account;
- Overstatement of the Build Together loans and the related Fund account; and
- Inadequate supporting documentation for physical quantities of diesel and petrol at year end and the related fuel and oil expenditure.

Except for the effects of any adjustments which might have been necessary as referred to in the preceding paragraph, in my opinion, these financial statements fairly present the financial position of the Municipality at 30 June 2014 and the results of its operations and cash flows for the year then ended and in the manner required by the Local Authorities Act, 1992 and the State Finance Act, 1991.



**JUNIAS ETUNA KANDJEKE**  
**AUDITOR- GENERAL**

**WINDHOEK, May 2015**

## MUNICIPALITY OF GROOTFONTEIN

## BALANCE SHEET AT 30 JUNE 2014

	Notes	2014 N\$	2013 N\$
<b>ASSETS</b>			
<b>Non-current assets</b>			
		135 926 335	129 549 888
Property, plant and equipment	2	56 104 464	46 770 499
Investments	3	55 249 069	59 515 170
Loans receivable	4	24 572 802	23 264 219
<b>Current assets</b>			
		4 783 609	4 537 607
Trade and other receivables	5	1 985 432	2 072 161
Inventories	6	636 080	1 123 144
Cash and cash equivalents		2 162 097	1 342 302
<b>TOTAL ASSETS</b>		<b>140 709 944</b>	<b>134 087 495</b>
<b>FUNDS AND LIABILITIES</b>			
<b>Funds and reserves</b>			
		128 495 542	122 059 073
Capital outlay	7	46 091 671	36 534 538
Funds and accounts	8	82 403 871	85 524 535
<b>Non-current liabilities</b>			
Long-term loans	9	10 626 486	10 849 654
<b>Current liabilities</b>			
Trade and other payables	10	1 587 916	1 178 768
<b>TOTAL FUNDS AND LIABILITIES</b>		<b>140 709 944</b>	<b>134 087 495</b>

## MUNICIPALITY OF GROOTFONTEIN

## INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2014

	<b>Note</b>	<b>2014</b>	<b>2013</b>
		N\$	N\$
INCOME		49 916 700	43 265 506
EXPENDITURE		<u>(49 165 575)</u>	<u>(43 487 233)</u>
NET OPERATING SURPLUS/(DEFICIT)		751 125	(221 727)
INTEREST ON INVESTMENTS		<u>202 580</u>	<u>155 642</u>
NET SURPLUS/(DEFICIT) AFTER INTEREST		953 705	(66 085)
APPROPRIATION ADJUSTMENTS	11	<u>(1 533 390)</u>	<u>(8 489 970)</u>
NET DEFICIT AFTER APPROPRIATIONS		(579 685)	(8 556 055)
REVENUE ACCOUNT - Beginning of year		<u>(4 828 079)</u>	<u>3 727 976</u>
REVENUE ACCOUNT - End of year		<u><b>(5 407 764)</b></u>	<u><b>(4 828 079)</b></u>

## MUNICIPALITY OF GROOTFONTEIN

## CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2014

	Note	2014 N\$	2013 N\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash receipts from customers		49 916 700	43 265 506
Cash paid to suppliers and employees		(49 716 024)	(46 602 118)
Cash generated/(utilised) by operations	12	200 676	(3 336 612)
Interest on investments		202 580	155 642
		403 256	(3 180 970)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Net capital expenditure		(9 333 965)	(4 472 617)
Decrease in investments		4 266 101	1 559 150
Increase in loans receivable		(1 308 583)	(3 521 285)
		(6 376 447)	(6 434 752)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
(Decrease)/Increase in Fund accounts		(2 540 979)	3 709 696
Increase in Capital Outlay		9 557 133	5 223 808
Decrease in long-term liabilities		(223 168)	(751 192)
		6 792 986	8 182 312
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>819 796</b>	<b>(1 433 410)</b>
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>		<b>1 342 302</b>	<b>2 775 712</b>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>		<b>2 162 097</b>	<b>1 342 302</b>



## MUNICIPALITY OF GROOTFONTEIN

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

**1. ACCOUNTING POLICIES****1.1 Introduction**

The annual financial statements set out in Annexures A to D 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, 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 Inventories**

Inventories are valued at the lower of cost and net realisable value on a first-in-first-out basis.

	<u>2014</u>	<u>2013</u>
	N\$	N\$
<b>2. PROPERTY, PLANT AND EQUIPMENT</b>		
Loan assets	19 027 602	18 096 206
Income assets	36 444 702	28 016 932
General capital assets	632 160	657 361
	<u>56 104 464</u>	<u>46 770 499</u>

**3. INVESTMENTS**

Commercial banks	26 444 514	30 710 615
CENORED	28 804 555	28 804 555
	<u>55 249 069</u>	<u>59 515 170</u>

## ALLOCATED AS FOLLOWS

Build Together Funds	26 444 514	29 584 422
Renewal Fund	-	1 126 193
Revenue	28 804 555	28 804 555
	<u>55 249 069</u>	<u>59 515 170</u>

## MUNICIPALITY OF GROOTFONTEIN

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014  
(continued)

	<b>2014</b>	<b>2013</b>
	N\$	N\$
<b>4. LOANS RECEIVABLE</b>		
Property loans		
Luiperd Heuwel	4 302	5 732
Omulunga	41 352	53 921
Build Together loans	14 593 703	12 361 688
	<u>14 639 357</u>	<u>12 421 341</u>
Vehicle loans	46 457	46 457
Clubs and societies	59 589	59 589
Internal loans	9 827 399	10 736 832
	<u><b>24 572 802</b></u>	<u><b>23 264 219</b></u>
<b>5. TRADE AND OTHER RECEIVABLES</b>		
Services rendered and assessment rates	50 168 061	48 637 421
VAT receivable	436 910	165 047
Sundries	-	72 747
	<u>50 604 971</u>	<u>48 875 215</u>
Provision for bad debts	<u>(48 619 539)</u>	<u>(46 803 054)</u>
	<u><b>1 985 432</b></u>	<u><b>2 072 161</b></u>
<b>6. INVENTORIES</b>		
Stationery and other consumables	<u><b>636 080</b></u>	<u><b>1 123 144</b></u>
<b>7. CAPITAL OUTLAY</b>		
Loans redeemed	9 014 809	7 860 245
Revenue contributions	36 444 702	28 016 932
General capital contributions	632 160	657 361
	<u><b>46 091 671</b></u>	<u><b>36 534 538</b></u>

## MUNICIPALITY OF GROOTFONTEIN

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014  
(continued)

	2014	2013
	N\$	N\$
<b>8. FUNDS, ACCOUNTS AND RESERVES</b>		
Leave Reserve Fund	888 188	1 058 789
Capital Development Fund	2 375 674	2 489 552
Housing Funds	47 839 850	44 119 994
Bonus Reserve Fund	436 000	710 378
Insurance Reserve Fund	727 290	687 626
Personnel Housing Fund	3 003 865	2 943 763
Motor Loan Scheme Fund	2 031 569	1 969 896
Loans to clubs and societies	81 150	81 150
Fixed Property Fund	5 962 815	8 656 517
Betterment Fund	8 969 215	8 145 914
Renewal Fund	15 489 858	19 482 874
Temporary advance to Fixed Property Fund	6 161	6 161
Revenue account kept in compliance with Section 86(1) of the Local Authority Act, 1992.	(5 407 764)	(4 828 079)
	<b>82 403 871</b>	<b>85 524 535</b>
<b>9. LONG-TERM LIABILITIES</b>		
Capital outlay	2 599 702	2 844 832
Housing loans	459 431	459 431
Internal loans	7 567 353	7 545 391
	<b>10 626 486</b>	<b>10 849 654</b>
<b>10. TRADE AND OTHER PAYABLES</b>		
Trade payables	218 908	225 324
Provisions and accruals	416 799	78 495
Suspense accounts	161 968	87 733
Consumer deposits	790 241	787 216
	<b>1 587 916</b>	<b>1 178 768</b>

## MUNICIPALITY OF GROOTFONTEIN

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014  
(continued)

	2014	2013
	N\$	N\$
<b>11. ADJUSTMENTS TO THE APPROPRIATION ACCOUNT</b>		
Unclaimed debtors refunds	2 000	-
NTA accrued levy	(54 249)	-
Insurance for prior year	403 003	
Correction of CENORED account	-	(792 739)
Correction of insurance premiums	-	47 098
Meat levy	21 496	-
Correction of investment	-	(3 432)
Correction of overcharges	-	(67 562)
Reversal of municipal charges	79 129	-
Bad debts written off	(465 035)	(3 305 870)
Insurance claim	58 002	28 526
Inventory adjustment	(33 712)	(21 773)
Interest received	(66 860)	-
Employee deduction	3 600	-
Other prior year payments	-	(15 887)
Severance payments	(162 272)	-
Penalties	-	(2 000)
Prior year Regional Council levy	(657 961)	(240 832)
Prior year investment correction	1 500 000	(1 500 000)
Prior year membership fees -AMICAAL	-	(25 000)
Prior year severance pay paid	-	(578 288)
Provision for bad debts	465 982	(2 097 102)
Prior year water subsidy	-	(37 557)
Rectification of levies on various debtors accounts	-	30 756
Prior year services	(6 282)	-
Correction of investment made	(495 791)	-
Correction of investment	(2 400 000)	-
Stale cheques	-	510 151
Adjustment of interest received on investments	(65 494)	-
Unclaimed debtors refunds	-	(10 026)
VAT adjustment	341 054	(408 433)
	<b>(1 533 390)</b>	<b>(8 489 970)</b>

## MUNICIPALITY OF GROOTFONTEIN

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014  
(continued)

	<b>2014</b>	<b>2013</b>
	N\$	N\$
<b>12. CASH GENERATED/(UTILISED) BY OPERATIONS</b>		
Net operating surplus/(deficit) before interest and transfers	751 125	(221 727)
Adjustments for:		
- Adjustments to the appropriation account	(1 533 390)	(8 489 970)
<b>OPERATING DEFICIT BEFORE CHANGES IN WORKING CAPITAL</b>	<b>(782 265)</b>	<b>(8 711 697)</b>
<b>CHANGES IN WORKING CAPITAL</b>		
Decrease in trade and other receivables	86 729	5 942 214
Decrease/(Increase) in inventories	487 064	(652 337)
Increase in trade and other payables	409 148	85 208
	<b>982 941</b>	<b>5 375 085</b>
<b>CASH (UTILISED)/GENERATED BY OPERATIONS</b>	<b>200 676</b>	<b>(3 336 612)</b>

