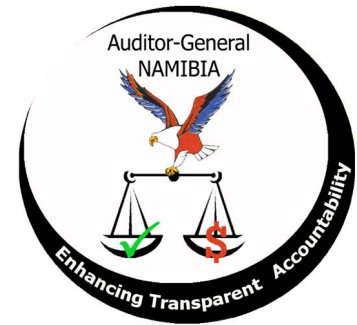




REPUBLIC OF NAMIBIA



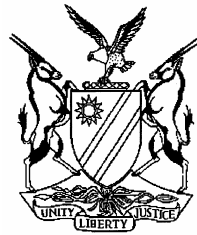
**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE
MUNICIPALITY OF SWAKOPMUND**

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 Swakopmund 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, December 2009

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

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

1. INTRODUCTION

The accounts of the Municipality of Swakopmund 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 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 Financial results

The Municipality generated a surplus of N\$ 5 507 243 (2008: N\$ 29 502 682), before any transfers to/from Funds during the financial year. The net profit after transfers to/from Funds and reserves amounted to N\$ 7 441 243 (2008: N\$ 3 464 646). The accumulated surplus as at year-end amounted to N\$ 95 848 655 (2008:N\$ 74 720 793), thus indicating that the Municipality is in a sound financial position. The current year accumulated surplus includes N\$ 76 272 567 in respect of the investment in Erongo Red (Proprietary) Limited. This amount represents the capital portion of the revenue and funds and grant assets transferred to Erongo Red Company (Pty) Ltd.

5. ACKNOWLEDGEMENT

The assistance and co-operation by the staff of the Swakopmund 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	Deficit	Balance
	N\$	N\$	N\$	N\$
Accumulated surplus on 01/07/2008				9 380 588
General accounts				
- Community services	40 451 040	30 000 320	10 450 720	
- Subsidized services	5 579 421	23 847 041	(18 267 620)	
- Economic services	28 784 569	22 600 826	6 183 743	
- Housing	581 819	3 575 795	(2 993 976)	
Trade accounts				
- Electricity	15 555 261	10 090 372	5 464 889	
- Water	32 022 501	26 531 137	5 491 364	
- Tourism, bungalows	9 187 538	8 075 415	1 112 123	
Surplus for the year	132 162 149	124 720 906	7 441 243	7 441 243
Adjustments and utilizations (See note 14, Annexure D)				16 821 831
				2 754 257
Accumulated surplus on 30/06/2009				19 576 088

7. CURRENT BANK ACCOUNT

	2009	2008
	N\$	N\$
Cash-book balance at 30 June - Balance sheet	6 256 788	13 708 526
Outstanding cheques	2 575 710	2 908 735
Deposits on bank statement not in cash-book	339 095	-
Balance as per bank statement	9 171 593	16 617 261

8. INVESTMENTS AND INTEREST EARNED

The investments as at 30 June were as follows:

Institution	2009		2008	
	Investment	Interest	Investment	Interest
	N\$	N\$	N\$	N\$
Commercial banks	100 069 509	12 790 392	175 295 304	16 079 920
Nampost	82 000 000	6 031 981	-	-
Erongo Red	114 475 018	-	107 320 173	-
	296 544 527	18 822 373	282 615 477	16 079 920

The investments were allocated as follows:

Allocation	2009	2008
	N\$	N\$
Capital Development Fund	20 715 845	22 349 557
Property Development	86 927 347	86 509 174
Renewal Fund	7 391 966	5 626 900
Insurance Fund	482 026	405 507
Housing Fund	4 365 440	4 052 374
Meduletu Housing Project	12 251 054	15 047 637
Bond Protection Fund	494 082	384 241
Sundry Funds and Reserves	36 515 530	30 366 162
Erongo-RED Investment	114 475 018	107 320 173
Revenue	12 926 219	10 553 752
	296 544 527	282 615 477

9. FUND ACCOUNTS

The position of the Funds and accounts at year-end was as shown in note 9 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	-	-	24 891 670	23 263 626
Cost of bulk purchases	-	-	(18 216 310)	(16 906 454)
Gross surplus	-	-	6 675 360	6 357 172
Other income/(expenses)	5 464 889	5 441 215	(1 183 996)	(2 053 351)
Net (deficit)/surplus	5 464 889	5 441 215	5 491 364	4 303 821
Gross surplus percentages on bulk purchases	-	-	36.6%	37.6%
Net surplus percentage on bulk purchases	-	-	30.1%	25.5%
Gross surplus percentages on sales	-	-	26.8%	27.3%
Net surplus percentage on sales	-	-	22.1%	18.5%

	Tourism, Bungalows	
	2009	2008
	N\$	N\$
Bungalows	8 941 819	8 116 617
Tourism Fund	50 000	50 000
Cancellation fees	1 734	726
Sundry income	69 097	48 922
Interest on invested money	124 888	122 799
Expenses	9 187 538 (8 075 415)	8 339 064 (7 895 700)
Net surplus	1 112 123	443 364
Net surplus percentage on sales	12.1%	5.3%

10.2 Water distribution results, in cubic meters

	Water	
	2009	2008
	Units	Units
Sales	2 870 509	2 770 933
Purchases	3 848 347	3 573 242
Loss	(977 838)	(802 309)
Percentage loss in units	(25.4%)	(22.5%)

The distribution loss on water is 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\$
Sewerage	13 456 920	9 698 290	3 758 630	3 152 762
Cleansing	7 985 358	6 211 769	1 773 589	1 475 219
Nursery	690 245	1 007 435	(317 190)	(361 551)
	22 132 523	16 917 494	5 215 029	4 266 430

12. FRUITLESS, UNAUTHORIZED OR AVOIDABLE EXPENDITURE

There were no such expenses.

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 funds were spent on capital projects:

Nature of projects/ acquisitions	Revenue account	Financed by loan account	General capital	Total expenditure 2009	Total expenditure 2008
	N\$	N\$	N\$	N\$	N\$
Cemetery	4 556	-	112 166	116 722	128 560
Cleansing services	-	-	541 741	541 741	1 092 628
Community services	-	60 000	72 555	132 555	-
Corporate services	8 899	-	60 224	69 123	-
Council's general expenses	6 811	-	-	6 811	4 000
Fire Brigade	-	-	276 342	276 342	508 380
Health Department	6 649	-	5 291	11 940	16 711
Human resources	-	-	-	-	1 233 878
Labour Pool Account	-	77 159	15 000	92 159	166 701
Nursery	-	-	152 193	152 193	89 411
Parks and gardens	18 820	-	215 875	234 695	181 801
Public buildings	-	5 127 683	-	5 127 683	3 224 463
Sewage effluent	-	-	1 069	1 069	-

(continued)

15. CAPITAL PROJECTS (continue)

Nature of projects/ acquisitions	Financed by			Total expenditure 2009	Total expenditure 2008
	Revenue account	Loan account	General capital		
	N\$	N\$	N\$	N\$	N\$
Sewerage works	-	45 087	286 746	331 833	1 017 950
Streets	-	-	6 077 036	6 077 036	13 801 087
Sundry implements	-	-	20 577	20 577	-
Swimming pool	-	-	19 779 648	19 779 648	-
Tourism	-	-	127 135	127 135	88 413
Town Engineer	17 848	-	339 435	357 283	232 648
Town Secretary	-	-	-	-	7 818
Town Treasurer	9 702	-	-	9 702	9 543
Traffic control	-	-	-	-	125 656
Trucks	-	147 013	147 013	294 026	-
Water	11 284	54 833	601 916	668 033	113 430
Workshop	-	-	-	-	39 315
	84 569	5 511 775	28 831 962	34 428 306	22 082 393

Meduletu Project

Since the inception of the project, capital expenditure incurred on the improvement of land and buildings on the Meduletu Project, a joint effort between Council and the Kreditanstalt für Wiederaufbau, amounts to N\$ 26 445 423 (2008 - N\$ 21 065 488) of which unsold houses and erven amount to N\$ 5 728 358 (2008 - N\$ 6 017 810).

16. BURSARIES

Four bursaries were approved by Council during the year which amounted to N\$ 127 835.

17. CONTRIBUTIONS, GRANTS AND FINANCIAL AID.

Nature of gift	Value	Beneficiary
	N\$	
Student subsidies	71 824	Children of 14 staff members
Grants	152 533	Various clubs and associations

18. COMPENSATION PAYMENTS

There were no such expenses.

19. VISITS TO FOREIGN COUNTRIES

The following visits were made:

Destination	Purpose	Travelling	Subsistence	Other
		N\$	N\$	N\$
Botswana	Visit Gaborone City Council	16 000	12 100	7 000
South Africa	Inter Municipal games	4 156	5 400	2 800
Sweden	Municipal partnership (ALAN)	3 600	8 240	-
		23 756	25 740	9 800

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	Association for the Handicapped	750
Donation	Atlantic Primary School	750
Donation	Blood Transfusion Centre	750
Donation	Cancer Association	750
Donation	Donations by Mayor	3 333
Donation	Erongo: PRO Child : House of Safety	24 000
Donation	Festus Gonteb Primary School	750
Donation	Hanganeni Primary School	750
Donation	Herman Gemeiner Secondary School	750
Donation	Music Week	750
Donation	Namib High School	750
Donation	Namib Primary School	750
Donation	Pro-Ed Academy	750
Donation	S.P.C.A.	5 000
Donation	Sports club	750
Donation	Swakopmund Christian Academy	750
Donation	Swakopmund Primary School	750
Donation	Swakopmund Private School	750
Donation	Swakopmund Secondary School	750
Donation	Tamariskia Primary School	750
Donation	Vrede Rede Primary School	750
Donation	Westside High School	750
Donation	Youth Choir	1 000
		47 583

22. TRANSFER OF PROPERTY

22.1 From the Government to the Municipality

Property	Square meters	Value
		N\$
Erf 628 Tamariskia	4 027	160 000
Erf 3342 Extention 9	56 020	670 000
7 Erven (1901, 2272, 2329, 2468, 2507, 2623 and 2669)	8 136	840 000
		1 670 000

22.2 From the Municipality to the Government

Property	Square meters	Value
Northern portion of erf 2827	80 070	N\$ 1 600 000
Portion of remainder of Farm 163	14 244	60 000
		1 660 000

23. TRADE AND OTHER RECEIVABLES/TRADE AND OTHER PAYABLES

23.1 Trade and other receivables at 30 June were:

	2009	2008
	N\$	N\$
Services rendered and assessment rates	8 089 412	7 236 651
Interest accrued on investments	731 084	549 300
Subsidies receivable from the Government	519 751	3 183 050
Erongo Red	2 355 397	2 355 439
VAT Provision	4 579 277	956 250
Tourism debtors	833 095	345 197
NHE-Meduletu loans	-	2 067 637
Build Together debtors	744 935	703 063
Sundries	1 635 083	918 934
	19 488 034	18 315 521
Provision for bad debts	(917 487)	(789 257)
Consumer deposits	(2 465 715)	(2 366 683)
Total	16 104 832	15 159 581
Analysis of services and general debtors:		
Average monthly levy	7 943 316	7 519 369
Debtors	8 089 412	7 236 651
Average credit terms in days	31	29
Consumer deposits	2 465 715	2 366 683
Percentage of deposits in relation to debtors	30.5%	32.7%

23.2 Trade and other payables at 30 June were:

	2009	2008
	N\$	N\$
Commitments by purchase and other obligations	5 291 559	4 869 390
Audit fees, provision	224 872	201 891
Retention monies	7 277 769	914 360
Leave provision	2 713 437	2 528 098
Sundries	3 913 769	6 240 943
Totals	19 421 406	14 754 682

24. ASSESSMENT RATES

Proceeds from assessment rates amounted to N\$ 31 547 580 (2008: N\$ 27 821 119), of which an amount of N\$ 1 571 201 (2008: N\$ 1 384 186) was paid to the Regional Council.

25. LOANS

25.1 External loans

External loan balances, excluding the Housing Fund, due by the Municipality totalled N\$ 21 816 786 at 30 June 2009 (2008: N\$ 31 396 517). (See Note 9 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. There were no arrear loan instalments (2008: N\$ 4 516 052) as at year-end.

25.2 Internal loans

Internal loans as at 30 June 2009, being N\$ 62 821 518 (2008: N\$ 64 768 629), 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 Due to the Municipality

	2009	2008
	N\$	N\$
Balance due to the Government on loans at interest rates from 1% to 16%.	1 412 246	2 719 410
Balance due to the Municipality, secured by mortgage bonds by house owners	(677 513)	(774 078)
Difference invested for the benefit of the Fund, together with monies in the Fund.	734 733	1 945 332

25.4 Other loans due to the Municipality

	2009	2008
	N\$	N\$
Property Development Fund:		
- Secured loans	144 000	160 950
Build Together Fund:		
- Secured loans	4 566 609	4 797 196
- Advances	779 656	789 618
Huidare Building Project:		
- Secured loans	502 361	536 533
Housing Fund:		
- Secured loans	677 512	774 078
	6 670 138	7 058 375

26. SALE OF ERVEN

The following erven were sold during the year of which the proceeds were allocated to the Property Development Fund.

	2009		2008	
	Number	Amount	Number	Amount
		N\$		N\$
Total	65	13 701 859	174	23 975 612

27. LOCAL AUTHORITY PROPERTY SOLD ON AN INSTALMENT BASIS

	Build Together	Erven loans	Housing scheme loans	Huidare	Total
	N\$	N\$	N\$	N\$	N\$
Balance - 1 July 2008	5 586 813	160 950	774 079	536 533	7 058 375
Sales - 2009	64 000	119 892	-	-	183 892
Interest charged	300 419	22 123	71 793	24 845	419 180
Redemption received	(604 967)	(158 965)	(168 360)	(59 017)	(991 309)
Balance - 30 June 2009	5 346 265	144 000	677 512	502 361	6 670 138

28. TARIFF ADJUSTMENTS

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

29. APPROVALS

29.1 Excess on approved budget

All budget excesses were approved.

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	17	1 410 698	41	4 506 268	40	10 477 630
Additions	-	-	4	490 862	1	328 441
Sub-total	17	1 410 698	45	4 997 130	41	10 806 071
Depreciation	-	-	-	-	-	-
Balance - 30/06/2009	17	1 410 698	45	4 997 130	41	10 806 071

The above values are based on the values as reflected in the fixed asset register. The total insured value of the vehicles amounts to N\$ 17 128 279.

30.2 Motor vehicle accidents:

	Authorised use			Unauthorised use
	Number	Damage	Written off	
Pending - 01/07/2008	2	N\$ 5 900	N\$ -	N\$ -
Accidents reported	5	17 787	-	-
Vehicles repaired	(7)	(23 687)	-	-
Pending - 30/06/2009	-	-	-	-

30.3 Claims arising from accidents

	Claims against the Municipality		Claims by the Municipality		
	Number	Claimed	Number	Claimed	Settled
Outstanding 01/07/2008	-	N\$ -	3	N\$ 10 081	N\$ -
Received 2008/2009	-	-	-	-	-
Claimed 2008/2009	-	-	24	227 626	66 749
Finalised	-	-	(18)	(76 830)	(66 749)
Outstanding 30/06/2009	-	-	9	160 877	-

30.4 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 No formal queries are embodied in this report.

33.2 Informal queries - None

34. AUDIT OPINION

The accounts of the Municipality of Swakopmund 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.

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, December 2009

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

THE MUNICIPALITY OF SWAKOPMUND

BALANCE SHEET AT 30 JUNE

	Note	2009 N\$	2008 N\$
ASSETS			
Non-current assets			
Property, plant and equipment	2	338 597 254	309 092 414
Loans receivable	3	6 670 138	7 058 375
Investments	4	296 544 527	282 615 477
Current assets			
Trade and other receivables	5	16 104 832	15 159 581
Inventories	6	6 836 127	6 791 054
Bank and cash	7	10 364 658	244 062
TOTAL ASSETS		675 117 536	620 960 963
FUNDS AND LIABILITIES			
Funds and reserves			
Capital outlay	8	292 161 401	254 902 334
Funds and accounts	9	262 192 599	249 968 606
Equity Erongo Red		76 272 567	65 340 205
Non-current liabilities			
Long-term loans	10	23 229 032	34 120 828
Current liabilities			
Trade and other payables	11	19 421 406	14 754 682
Deposits	12	1 840 531	1 874 308
TOTAL FUNDS AND LIABILITIES		675 117 536	620 960 963

THE MUNICIPALITY OF SWAKOPMUND

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE

	<u>Note</u>	<u>2009</u> N\$	<u>2008</u> N\$
INCOME		129 853 761	218 926 930
EXPENDITURE		127 004 906	205 504 168
NET OPERATING SURPLUS		2 848 855	13 422 762
INTEREST ON INVESTMENTS		2 658 388	16 079 920
NET SURPLUS AFTER INTEREST		5 507 243	29 502 682
TRANSFER FROM/(TO) INTERNAL FUNDS	13	1 934 000	(26 038 036)
NET SURPLUS AFTER TRANSFERS		7 441 243	3 464 646
APPROPRIATION ACCOUNT	14	2 754 257	(156 839)
NET SURPLUS AFTER APPROPRIATIONS		10 195 500	3 307 807
REVENUE ACCOUNT - Beginning of year		9 380 588	6 072 781
REVENUE ACCOUNT - End of year		19 576 088	9 380 588

THE MUNICIPALITY OF SWAKOPMUND

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2009

	<u>Note</u>	<u>2009</u>	<u>2008</u>
		N\$	N\$
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from customers		129 853 761	218 926 930
Cash paid to suppliers		(118 674 026)	(231 701 387)
Cash generated/(utilised) by operations	15	11 179 735	(12 774 457)
Interest received		2 658 388	16 079 920
Increase in Fund accounts		2 028 493	26 038 035
Increase in Capital outlay		37 259 067	25 672 964
Increase in Erongo Red equity		10 932 362	1 514 233
Net cash flow from operating activities		64 058 045	56 530 695
CASH FLOW FROM INVESTING ACTIVITIES			
Net capital expenditure		(29 504 840)	(19 751 915)
Decrease in loans receivable		388 237	2 796 120
Increase in investments		(13 929 050)	(37 578 269)
		(43 045 653)	(54 534 064)
CASH FLOW FROM FINANCING ACTIVITIES			
Decrease in long-term liabilities		(10 891 796)	(5 032 338)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		10 120 596	(3 035 707)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR		244 062	3 279 769
CASH AND CASH EQUIVALENTS - END OF YEAR		10 364 658	244 062

THE MUNICIPALITY OF SWAKOPMUND**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009**

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 are stated at cost or valuation where assets have been acquired by grant or by donation. Assets are depreciated over their estimated useful life.

1.3 Provisions and reserves

Provisions have been established where considered necessary and are reflected in the financial statements of which the more important ones are listed below:

1.3.1 Vacation Leave Reserve

This Reserve Fund is appropriated for payment of leave credits as needed and the policy is that the balances available on the Fund should meet the total leave credits as at 30 June each year. The leave reserve is disclosed as a creditor.

1.3.2 Maintenance Reserve

This Reserve Fund includes contributions from various sections as reflected in the financial statements, which are appropriated for major maintenance expenditure.

The Maintenance Reserve was also created for vehicles and machinery. The annual savings or over-expenditure on maintenance for vehicles and machinery on votes 10 to 52 are transferred to this Reserve Fund.

1.3.3 Tourism Fund

A special levy on bookings for rest houses is deposited in this Reserve Fund which is appropriated for tourism related projects or advertisements to promote Swakopmund as a tourist park.

1.3.4 Mayoral Anti-crime Fund

The objective of the Fund is to keep Swakopmund free of crime for its inhabitants and visitors/tourists through support, financially or otherwise, to institutions which subscribe to Council's objectives of eradicating crime in the Municipal area of Swakopmund.

The relevant committee shall have the authority to approve applications for funds up to an amount of N\$ 1 000. Any amount in excess of N\$ 1 000 to a maximum of N\$ 2 500, must be approved by Council.

THE MUNICIPALITY OF SWAKOPMUND**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009
(continued)**

1.3.5 Water Supply Fund

The purpose of this Fund is to finance future water supply projects without unnecessarily increasing the water tariffs.

Contributions to the Fund will be provided for in the annual budget, while expenditure will be included in the annual capital budget.

1.3.6 Pavement Reserve Fund

With the selling of erven in Extention 9, a certain amount of the revenue was deposited into this Fund, which is earmarked for the surfacing of pavements once tarred roads in this area have been completed.

1.3.7 Bursary Fund

The purpose of this Fund is to enable selected candidates from Namibia who qualify for a bursary with the aim to be appointed within the Municipality of Swakopmund. Revenue will be generated from contributions from the operational budget and interest on investments, while study-related costs etc. will be financed from this Fund.

1.3.8 Study Aid Fund

The purpose of this Fund is to render financial support to employees who wish to improve their educational qualification.

Interest-free loans are granted from the Fund to employees, to be paid back on a monthly basis, and once the relevant course is successfully completed, the employee will be refunded from the Fund for all costs involved.

1.3.9 Relocation of Rubbish Dump Fund

Due to the expansion of the town, the existing rubbish dump will probably have to be shifted to another area. Contributions are made on an annual basis from the operational budget to this Fund, to assist with the costs once the "relocation" is necessary.

1.3.10 Save the Jetty Fund

Council has revived the "Save the Jetty" Fund after renovations to the jetty, one of the country's most important historic sites, became necessary. Contributions to the Fund from the public are made on a regular basis, which will be utilised to assist with the total renovation of the Jetty, once it is deemed necessary or affordable.

THE MUNICIPALITY OF SWAKOPMUND**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009
(continued)**

1.3.11 Redundant Stock Reserve

This Reserve was established to accommodate the losses due to obsolete or redundant stock items in the municipal store.

1.3.12 Sewerage Reserve

The purpose of the Fund is to generate funds for the upgrading of the existing sewerage works. Income is generated from an annual contribution from the operational budget as well as interest earned on money invested.

1.3.13 Chairs Replacement Reserve

Council has 300 chairs, which are available for rental to the public. The purpose of the Fund is to assist with replacement when necessary.

1.3.14 Indoor Sport Complex Reserve

This Reserve was created to cover the costs for the construction of the Indoor Sport Complex.

1.4 Internal loans

The interest rate for internal loans for the Capital Development Fund and Renewal Fund is determined by Council as deemed necessary.

1.5 Capital outlay

Fixed assets are stated at cost or valuation where assets have been acquired by grant or by donation, less depreciation written off over the expected useful lives as determined by the Council from time to time. Fixed assets acquired with loan funds are not depreciated until the loan is repaid, unless the expected lifetime of the asset is less than the repayment period of the loan in which case depreciation is calculated on the shortfall.

1.6 Stores – Inventory

The value of inventory items is reflected at cost plus transport charges. Store levies of 17% for inventory items and 7% for all other direct purchases with a maximum of N\$ 2 000 per capital item, have been charged to cover overheads.

THE MUNICIPALITY OF SWAKOPMUND**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009
(continued)**

1.7 Investments

Investments are made after quotations have been invited. Investments per individual financial institution are limited to one third of the total amount invested.

Interest earned from investments is allocated to the different Funds and surpluses. The basis used for this allocation is the average of the opening balances and movements during the financial year of relevant Funds and surpluses.

1.8 Administration charges

A differential percentage levy approach based on the actual income and expenditure of the previous financial year, as well as the involvement of the different departments have been adopted to spread the overhead charges.

On capital projects the levies or supervision fees are calculated as follows:

- General or normal capital projects - 6%
- Exceptionally big projects - 3 – 4%

1.9 Funds**1.9.1 Capital Development Fund**

Revenue generated from the sale of erven was originally deposited into this Fund. The purpose of this Fund is to finance capital projects by means of internal loans or appropriation.

Due to the fact that the income generated from sale of erven is now deposited into the Property Development Fund, the Capital Development Fund is dependant on interest earned on internal loans granted and money invested.

1.9.2 Property Development Fund

Revenue generated from the sale of erven is deposited into this Fund. The purpose of this Fund is to finance capital on property development by means of internal loans or appropriation.

1.9.3 Renewal Fund

The purpose of this Fund is mainly to replace assets i. e. vehicles, machines and equipment by means of internal loans and appropriation. This Fund can also be used for financing of other capital projects by means of internal loans.

THE MUNICIPALITY OF SWAKOPMUND

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009
(continued)**

1.9.4 Housing Fund

The main purpose of this Fund is to provide housing loans, especially low cost housing.

Income is derived from interest earned on investments, interest earned on secured loans and profits made on resale of housing scheme houses.

Interest paid on external loans for low cost housing is financed from this Fund.

1.9.5 Insurance Fund

All monies received in respect of insurance claims and not utilised by the relevant departments for replacements are transferred to the Insurance Fund for future use, as approved by Council.

1.9.6 Revolving Fund

This Fund was established in co-operation with Messrs. KfW from Germany in order to upgrade the Single Quarters and Compound into separate housing units, to be sold to the existing tenants.

Bank Windhoek will finance loans for the beneficiaries on condition that Council will be the guarantor.

1.9.7 Betterment Fund

When applications for the rezoning of erven are received where upgrading of services will be required, a "Betterment" fee is levied which is deposited into the Betterment Fund and will be utilised to finance the upgrading of such services.

1.9.8 Bond Protection Fund

The purpose of this Fund is to cover excess payments in respect of insurance claims as well as insurance premiums for low cost houses covered by the Annual Insurance Portfolio. Monthly contributions, as determined by Council, payable by home owners of these low cost houses are deposited into this Fund.

2. PROPERTY, PLANT AND EQUIPMENT

	2009	2008
	N\$	N\$
Income assets	18 143 945	16 502 346
Loan assets	106 400 324	109 890 806
Funds and Grants	214 052 985	182 699 262
	338 597 254	309 092 414

The tourism's land and buildings serves as surety for the NIB loans.

A investment of N\$ 10 000 000 was ceded to Nedbank as surety for an external loan from them.

THE MUNICIPALITY OF SWAKOPMUND

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009
(continued)

	2009	2008
	N\$	N\$
3. LOANS RECEIVABLE		
Property Development Fund:		
- Secured loans	144 000	160 950
Build Together Fund:		
- Secured loans	4 566 609	4 797 196
- Advances	779 656	789 618
Huidare Building Project:		
- Secured loans	502 361	536 533
Housing Fund:		
- Secured loans	677 512	774 078
	6 670 138	7 058 375
4. INVESTMENTS		
INVESTMENTS		
Commercial banks	100 069 509	175 295 304
Nampost	82 000 000	-
Erongo Red	114 475 018	107 320 173
	296 544 527	282 615 477
ALLOCATED AS FOLLOWS		
Capital Development Fund	20 715 845	22 349 557
Property Development	86 927 347	86 509 174
Renewal Fund	7 391 966	5 626 900
Insurance Fund	482 026	405 507
Housing Fund	4 365 440	4 052 374
Meduletu Housing Project	12 251 054	15 047 637
Bond Protection Fund	494 082	384 241
Sundry Funds and Reserves	36 515 530	30 366 162
Erongo-RED Investment	114 475 018	107 320 173
Revenue	12 926 219	10 553 752
	296 544 527	282 615 477

The Council holds a 28,49% shareholding in Erongo Regional Distributor Company (Private) Limited. The Council contributed fixed assets worth N\$ 7 154 845 during the year under review.

THE MUNICIPALITY OF SWAKOPMUND

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009
(continued)

	2009	2008
	N\$	N\$
5. TRADE AND OTHER RECEIVABLES		
Services rendered and assessment rates	8 089 412	7 236 651
Interest accrued on investments	731 084	549 300
Subsidies receivable from the Government	519 751	3 183 050
Erongo Red	2 355 397	2 355 439
VAT Provision	4 579 277	956 250
Tourism debtors	833 095	345 197
NHE-Meduletu loans	-	2 067 637
Build Together debtors	744 935	703 063
Sundries	1 635 083	918 934
	19 488 034	18 315 521
Provision for bad debts	(917 487)	(789 257)
Consumer deposits	(2 465 715)	(2 366 683)
	16 104 832	15 159 581
6. INVENTORIES		
Stores	1 134 987	799 437
Oil - Workshop	11 250	7 275
Revolving Fund - Stock houses	5 728 358	6 017 810
Less: Redundant Stock	(38 468)	(33 468)
	6 836 127	6 791 054
7. BANK AND CASH		
Current account - Municipality operating account	6 256 788	-
Current account - Build Together Fund	4 104 850	241 042
Petty cash	3 020	3 020
	10 364 658	244 062
8. CAPITAL OUTLAY		
Loans redeemed	59 964 471	55 705 627
Revenue contributions	18 143 945	16 497 445
General capital contributions	214 052 985	182 699 262
	292 161 401	254 902 334

THE MUNICIPALITY OF SWAKOPMUND

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009
(continued)

	2009	2008
	N\$	N\$
9. FUNDS, ACCOUNTS AND RESERVES		
Anti Crime	5 951	22 430
Betterment Fund	3 329 444	2 772 401
Bond Protection Fund	494 082	384 241
Build Together Fund	24 991 393	22 796 390
Bursary Fund	453 379	480 386
Capital Development Fund	54 978 038	55 581 636
Chairs Replacement Fund	89 683	80 423
Employees Sport Club	57 746	-
Housing Fund	3 630 707	2 107 042
Huidare Project	733 573	687 902
Indoor Sport Complex	1 766 782	1 726 624
Insurance Fund	482 026	405 507
Maintenance Reserve	4 205 791	3 590 376
Mayoral Dev. Fund	237 386	6 814
Pavement Reserve	178 537	283 357
Property Development Fund	110 332 607	111 975 695
Quarry Ventures	108 333	-
Relocation Rubbish Dump	571 589	487 916
Renewal Fund	12 639 879	11 807 728
Revolving Fund	17 979 411	21 065 448
Save The Jetty	649 012	551 371
Sewerage Fund	1 881 874	1 774 132
Study Aid	358 562	398 673
Tourism Fund	1 432 091	1 437 796
Water Supply Fund	1 028 635	163 730
Revenue account kept in compliance with Section 86(1) of the Local Authorities Act, 1992.	19 576 088	9 380 588
	262 192 599	249 968 606
10. LONG-TERM LIABILITIES		
Loans from the Government:		
Capital outlay	21 816 786	31 396 517
Deferred loss on demolished house	-	4 901
Housing Fund	1 412 246	2 719 410
	23 229 032	34 120 828

THE MUNICIPALITY OF SWAKOPMUND

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009
(continued)

	2009	2008
	N\$	N\$
11. TRADE AND OTHER PAYABLES		
Commitments by purchase and other obligations	5 291 559	4 869 390
Audit fees, provision	224 872	201 891
Retention monies	7 277 769	914 360
Leave provision	2 713 437	2 528 098
Sundries	3 913 769	6 240 943
	19 421 406	14 754 682
12. DEPOSITS		
Tourism - Reservations	845 162	874 072
Sundries (excluding consumers)	995 369	1 000 236
	1 840 531	1 874 308
13. TRANSFER (TO)/FROM INTERNAL FUNDS		
Anti-Crime Fund	-	(7 118)
Betterment Fund	-	433 121
Bond Protection Fund	-	95 953
Build Together Fund	-	1 665 608
Bursary Fund	(50 000)	(16 415)
Capital Development Fund	-	2 429 585
Chairs Replacement Fund	-	7 492
Huidare Fund	-	37 976
Indoor Sport Complex	-	140 532
Insurance Fund	-	38 083
Maintenance Fund	(409 000)	(463 449)
Mayoral Development Fund	-	(38 064)
Pavement Fund	-	26 396
Property Development Fund	-	19 774 151
Re-location Refuse Fund	-	70 241
Renewal Fund	(548 000)	675 943
Revolving Fund	250 000	767 115
Save The Jetty Fund	-	51 363
Sewerage Fund	(260 000)	(168 831)
Staff Housing Fund	-	234 304
Study Aid Fund	(67 000)	74 203
Tourism Fund	100 000	50 637
Water Supply Fund	(950 000)	159 210
	(1 934 000)	26 038 036

THE MUNICIPALITY OF SWAKOPMUND

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009
(continued)

	2009	2008
	N\$	N\$
14. ADJUSTMENTS TO APPROPRIATION ACCOUNT		
Additional funds - Evaluation	(17 052)	-
Additional VAT Claim	-	888
Auction income	-	41 416
Bloomin Nice	-	(643)
Conference facilities	-	(16 323)
Contribution: Severance pay	(2 500 000)	-
Contribution to Capital	(13 155)	(13 059)
Contribution - Salaries	(46 552)	-
Counterfeit notes	(100)	-
Court case - Erf 109	-	(183 393)
Court case - Mr Piepmeier	-	(109 685)
Court case - Village Hotel	(120 661)	-
Garage rental	-	(20 654)
Instalments : Demolished House	-	(403)
Natis refund	-	1 664
Order payment : 2006-2008	(18 041)	-
Pre-independence loans written off	4 516 052	-
Pre-paid electricity meter	-	862
RD cheque - Tourism	(6 712)	-
Refund : I Kajomo (Pre-paid meter)	(750)	-
Refund for services Erf 1550	-	(596)
Road Fund claim rejected	(331 856)	-
Security costs	-	(12 690)
Special audits	(642 985)	-
Trip to Botswana	(14 025)	-
Unclaimed money written back	1 950 094	162 506
Unclaimed monies-tourism	-	19 871
Vat claim rejected	-	(26 600)
	2 754 257	(156 839)

THE MUNICIPALITY OF SWAKOPMUND

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009
(continued)

	<u>2009</u>	<u>2008</u>
	N\$	N\$
15. CASH GENERATED/(UTILISED) BY OPERATIONS		
Net operating profit before interest and transfers	2 848 855	13 422 762
Adjustments for:		
- Adjustments to appropriation account	2 754 257	(156 839)
- Transfer to Funds	1 934 000	(26 038 036)
OPERATING SURPLUS/(DEFICIT) BEFORE CHANGES IN WORKING CAPITAL	<u>7 537 112</u>	<u>(12 772 113)</u>
CHANGES IN WORKING CAPITAL		
Increase in trade and other receivables	(945 251)	(1 202 267)
(Increase)/Decrease in inventories	(45 073)	2 339 809
Increase/(Decrease) in trade and other payables	4 666 724	(660 685)
Decrease in deposits	(33 777)	(479 201)
	<u>3 642 623</u>	<u>(2 344)</u>
CASH GENERATED/(UTILISED) BY OPERATIONS	<u><u>11 179 735</u></u>	<u><u>(12 774 457)</u></u>