



REPUBLIC OF NAMIBIA



**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE
MUNICIPALITY OF SWAKOPMUND
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010**

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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 2010, 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 2010

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE
MUNICIPALITY OF SWAKOPMUND
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010**

1. INTRODUCTION

The accounts of the Municipality of Swakopmund for the year ended 30 June 2010 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. 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 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 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 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 comply with ethical requirements and 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 OBSERVATION AND COMMENTS

4.1 4.1 Financial results

The Municipality made a profit of N\$ 5 872 603 (2009: N\$ 5 507 243), before any transfers to funds during the financial year. The net profit after transfers to funds and reserves amounted to N\$ 8 008 603 (2009: N\$ 7 441 243). The accumulated surplus as at year-end amounted to N\$ 107 433 121 (2009: N\$ 95 848 655), thus indicating that the Municipality is in a sound financial position. The current year accumulated surplus includes N\$ 81 812 329 (2009: 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 grants 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 01/07/2009				19 576 088
General accounts				
- Community services	43 623 403	34 046 617	9 576 786	
- Subsidized services	5 724 359	26 035 316	(20 310 957)	
- Economic services	34 734 022	26 187 042	8 546 980	
- Housing	706 736	4 152 469	(3 445 733)	
Trade accounts				
- Electricity	13 873 701	8 718 789	5 154 912	
- Water	35 209 345	27 807 738	7 401 607	
- Tourism, bungalows	9 857 315	8 772 307	1 085 008	
Surplus for the year	*143 728 881	135 720 278	8 008 603	8 008 603
				27 584 691
Adjustments and utilisations				(1 963 899)
Accumulated surplus on 30/06/2010				25 620 792

* Above-mentioned table includes interest earned on investments that were allocated to revenue. The transfers between Revenue and the Funds are also included (See Annexure B).

7. CURRENT BANK ACCOUNT

	2010	2009
	N\$	N\$
Cash-book balance at 30 June - Balance sheet	10 052 588	6 256 788
Outstanding cheques	2 795 120	2 575 710
Deposits on bank statement not in cashbook	253 049	339 095
Balance as per bank statement	13 100 757	9 171 593

8. INVESTMENTS

The investments as at 30 June were as follows:

Institution	2010		2009	
	Investment	Interest	Investment	Interest
	N\$	N\$	N\$	N\$
Commercial banks	127 000 000	10 344 301	100 069 509	12 790 392
Nampost	65 000 000	4 964 673	82 000 000	6 031 981
Erongo Red	118 388 492	-	114 475 018	-
	310 388 492	5 308 974	296 544 527	18 822 373

The investments were allocated as follows:

Allocation	2010	2009
	N\$	N\$
Capital Development Fund	22 522 856	20 715 845
Property Development	94 486 530	86 927 347
Renewal Fund	9 329 055	7 391 966
Insurance Fund	508 375	482 026
Housing Fund	3 231 727	4 365 440
Meduletu	11 676 214	12 251 054
Bond Protection Fund	591 286	494 082
Sundry Funds and Reserves	39 736 512	36 515 530
Erongo-RED Investment	118 388 492	114 475 018
Revenue	9 917 445	12 926 219
	310 388 492	296 544 527

9. FUND ACCOUNTS

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

10. TRADE ACCOUNT

10.1 The results of water operations were as follows:

	Electricity		Water	
	2010	2009	2010	2009
	N\$	N\$	N\$	N\$
Sales	-	-	28 303 584	24 891 670
Cost of bulk purchases	-	-	(19 443 206)	(18 216 310)
Gross surplus	-	-	8 860 378	6 675 360
Other income/(expenses)	5 154 912	5 464 889	(1 458 771)	(1 183 996)
Net surplus	5 154 912	5 464 889	7 401 607	5 491 364
Gross surplus percentages on purchases	-	-	45.6%	36.6%
Net surplus % on bulk purchases	-	-	38.1%	30.1%
Gross surplus % on sales	-	-	31.3%	26.8%
Net surplus % on sales	-	-	26.2%	22.1%

10.2 The results of tourism and bungalows were as follows:

	Tourism, Bungalows	
	2010	2009
	N\$	N\$
Bungalows	9 694 749	8 941 819
Tourism Fund	50 000	50 000
Cancellation fees	1 408	1 734
Sundry income	37 552	69 097
Interest on investment money	73 606	124 888
Expenses	9 857 315 (8 772 307)	9 187 538 (8 075 415)
Net surplus	1 085 008	1 112 123
Net surplus percentage on sales	11.2%	12.4%

10.3 Water distribution results, in cubic meters

	Water	
	2010	2009
	Units	Units
Sales	3 521 326	2 870 509
Purchases	3 945 339	3 848 347
Loss	(424 013)	(977 838)
Percentage loss in units purchased	(10.7%)	(25.4%)

Council should be congratulated with their efforts and achievements to get the water losses under control.

11. SELF SUPPORTING SERVICES

11.1 The result for the year under review is as follows:

Service	Income 2010	Expenses 2010	Surplus/ (deficit) 2010	Surplus/ (deficit) 2009
	N\$	N\$	N\$	N\$
Sewerage	13 613 263	9 770 210	3 843 053	3 758 630
Cleansing	12 513 687	8 966 656	3 547 031	1 773 589
Nursery	732 757	1 147 586	(414 829)	(317 190)
	26 859 707	19 884 452	6 975 255	5 215 029

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 were spend on capital projects:

Nature of projects/ acquisitions	Financial by			Total	Total
	Revenue account	General capital	Internal loans	expenditure 2010	expenditure 2009
	N\$	N\$	N\$	N\$	N\$
Health Department	-	-	50 650	50 650	-
Cemetery	-	16 546	-	16 546	116 722
Cleansing services	-	-	114 171	114 171	541 741
Community services	-	429 702	-	429 702	132 555
Corporate services	7 440	59 596	50 650	117 686	69 123
Council's general expenses	22 457	90 947	-	113 404	6 811
Fire brigade	-	328 460	-	328 460	276 342
Health department	-	52 105	-	52 105	11 940
Labour pool account	-	55 000	-	55 000	92 159
Nursery	-	-	-	-	152 193
Parks and gardens	-	1 122 324	202 392	1 324 716	234 695
Public buildings	-	-	-	-	5 127 683
Sewage effluent	-	-	-	-	1 069
Sewerage works	2 521	2 282 741	334 453	2 619 715	331 833
Streets	-	3 394 829	-	3 394 829	6 077 036
Sundry implements	-	-	-	-	20 577
Swimming pool	-	8 911 247	-	8 911 247	19 779 648
Tourism	-	245 566	-	245 566	127 135
Town engineer	-	63 160	-	63 160	357 283
Town treasurer	9 959	-	64 263	74 222	9 702
Traffic control	3 220	13 786	-	17 006	-
Trucks	-	118 923	268 124	387 047	294 026
Water	-	1 336 663	-	1 336 663	668 033
	45 597	18 521 595	1 084 703	19 651 895	34 428 306

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 (2009: N\$ 26 445 423) of which unsold houses and erven amount to N\$ 3 953 322 (2009: N\$ 5 728 358).

16. BURSARIES

Three bursaries were approved by Council during the year which amounted to N\$ 112 945 (2009: N\$ 127 835).

17. CONTRIBUTIONS, GRANTS AND FINANCIAL AID.

Nature of gift	Value	Beneficiary
	N\$	
Student subsidies	115 374	Children of staff members
Grants	243 294	Various clubs and associations

18. COMPENSATION PAYMENTS

There were no such expenses.

19. VISITS TO FOREIGN COUNTRIES

The following visits were made:

Purpose	Purpose	Travelling	Daily allowance	Subsistence	Other
		N\$	N\$	N\$	N\$
Mozambique	Inter Municipal games	-	3 000	-	-
Sweden	Municipal Partnership	-	-	31 680	783
China	Official visit	-	6 000	-	388
South Africa	Official visit to training facilities	3 087	2 400	1 580	-
South Africa	Traffic safety course	1 653	-	2 520	-
		4 740	11 400	35 780	1 171

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\$
Bookprizes	Various schools	10 500
Donation	Art association	1 000
Donation	Association for the Handicapped	750
Donation	Blood Transfusion Centre	750
Donation	Cancer Association	750
Donation	Donations by Mayor	6 730
Donation	Erongo: PRO Child : House of Safety	24 000
Donation	Independence celebrations	5 537
Donation	Johanniter Unfalhilfe	750
Donation	Music week	750
Donation	S.P.C.A.	5 000
Donation	Sports club	750
Donation	Youth organisations	2 132
Donation	Youth Choir	1 000
		60 399

22. TRANSFER OF PROPERTY

There was no transfer of property to or from Government during the year under review.

23. TRADE AND OTHER RECEIVABLES/TRADE AND OTHER PAYABLES

23.1 Trade and other receivables at 30 June were:

	2010	2009
	N\$	N\$
Services rendered and assessment rates	8 533 974	8 089 412
Interest accrued on investments	708 434	731 084
Subsidies receivable from the Government	423 858	519 751
Erongo Red	1 156 142	2 355 397
VAT Provision	3 705 877	4 579 277
Tourism debtors	316 196	833 095
Build Together debtors	982 068	744 935
Sundries	3 060 140	1 635 083
	18 886 689	19 488 034
Provision for bad debts	(1 045 576)	(917 487)
Consumer deposits	(2 722 221)	(2 465 715)
Total	15 118 892	16 104 832
Analysis of services and general debtors:		
Average monthly levy	8 932 836	7 943 316
Debtors	8 533 974	8 089 412
Average credit terms in days	29	31
Consumer deposits	2 722 221	2 465 715
Percentage of deposits in relation to debtors	31.9%	30.5%

23.2 Trade and other payables at 30 June were:

	2010	2009
	N\$	N\$
Commitments by purchase and other obligations	5 955 469	5 291 559
Audit fees, provision	190 872	224 872
Retention monies	1 213 327	7 277 769
Leave provision	2 832 168	2 713 437
Sundries	3 708 502	4 098 324
Recoverables	(6 439 824)	(184 555)
Totals	7 460 514	19 421 406

24. ASSESSMENT RATES

Proceeds from assessment rates amounted to N\$ 35 496 695 (2009: N\$ 31 547 580), of which an amount of N\$ 1 774 835 (2009: N\$ 1 571 201) 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\$ 15 210 261 at 30 June 2010 (2009 - N\$ 21 816 786). (See Note 10 Annexure D). The balances agree with actuarial tables. Loan assets have been capitalised and no loan assets were disposed of before the loan was redeemed. Loan monies were used for the purpose they were obtained for.

25.2 Internal loans

Internal loans as at 30 June 2010, being N\$ 56 411 160 (2009: N\$ 62 821 518), 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 by and to the Municipality

	2010	2009
	N\$	N\$
Balance due to the Government on loans at interest rates from 1% to 16%.	1 282 775	1 412 246
Balance due to the Municipality, secured by mortgage bonds by house owners	(1 857 777)	(677 513)
Difference invested for the benefit of the Fund, together with monies in the Fund.	(575 002)	734 733

25.3 Other loans due to the Municipality

	2010	2009
	N\$	N\$
Property Development Fund: - Secured loans	127 020	144 000
Build Together Fund: - Secured loans - Advances	4 739 689 37 103	4 566 609 779 656
Huidare Building Project: - Secured loans	468 395	502 361
Housing Fund: - Secured loans	1 857 777	677 512
	7 229 984	6 670 138

26. SALE OF ERVEN

The following erven were sold during the year. The proceeds were allocated to revenue.

	2010		2009	
	Number	Amount	Number	Amount
		N\$		N\$
Total	21	9 571 340	65	13 701 859

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 2009	5 346 265	144 000	677 512	502 361	6 670 138
Sales	662 436	-	1 320 953	-	1 983 389
Interest charged	295 337	19 210	97 472	22 988	435 007
Redemption received	(1 527 246)	(36 190)	(238 160)	(56 954)	(1 858 550)
Balance - 30 June 2010	4 776 792	127 020	1 857 777	468 395	7 229 984

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 - 01/07/2009	17	1 410 698	45	4 997 130	41	10 806 071
Additions	2	198 600	1	95 900	2	749 974
Sub-total	19	1 609 298	46	5 093 030	43	11 556 045
Depreciation	-	(427 398)	-	(726 230)	-	(1 161 275)
Balance - 30/06/2010	19	1 181 900	46	4 366 800	43	10 394 770

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\$ 16 106 720.

30.2 Motor vehicles accidents:

	Authorised use	
	Number	Damage
Pending - 01/07/2009	-	N\$ -
Accidents reported	6	14 116
Vehicles repaired	(4)	(6 622)
Pending - 30/06/2010	2	7 494

30.3 Claims arising from accidents

	Claims by the Municipality		
		Claimed	Settled
Outstanding 01/07/2009	Number 9	N\$ 160 877	N\$ -
Received 2009/2010	(40)	(687 024)	-
Claimed 2009/2010	43	783 961	-
Outstanding 30/06/2010	12	257 814	-

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 Swakopmund Municipality for the financial year ended 30 June 2010, summarised in Annexures A to D, were audited by me in terms of Section 85 of the Local Authority 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 2010 and the results of its operations and cash flow for the year then ended.

q

WINDHOEK, December 2010

JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL

THE MUNICIPALITY OF SWAKOPMUND

BALANCE SHEET AT 30 JUNE

	Notes	2010 N\$	2009 N\$
ASSETS			
Non-current assets			
Property, plant and equipment	2	352 352 714	338 597 254
Loans receivable	3	7 229 984	6 670 138
Investments	4	310 388 492	296 544 527
Current assets		31 053 993	33 305 617
Trade and other receivables	5	15 118 892	16 104 832
Inventories	6	5 361 203	6 836 127
Bank and cash	7	10 573 898	10 364 658
TOTAL ASSETS		701 025 183	675 117 536
FUNDS AND LIABILITIES			
Funds and reserves			
Capital outlay	8	317 307 456	292 161 401
Funds and accounts	9	276 398 044	262 192 599
Equity Erongo Red		81 812 329	76 272 567
NON-CURRENT LIABILITIES			
Long-term loans	10	16 493 036	23 229 032
Current liabilities		9 014 318	21 261 937
Trade and other payables	11	7 460 514	19 421 406
Deposits	12	1 553 804	1 840 531
TOTAL FUNDS AND LIABILITIES		701 025 183	675 117 536

THE MUNICIPALITY OF SWAKOPMUND

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE

	Note	2010 N\$	2009 N\$
INCOME		139 496 456	129 853 761
EXPENDITURE		(135 620 278)	(127 004 906)
NET OPERATING SURPLUS		3 876 178	2 848 855
INTEREST ON INVESTMENTS		1 996 425	2 658 388
NET SURPLUS AFTER INTEREST		5 872 603	5 507 243
TRANSFER FROM INTERNAL FUNDS	13	2 136 000	1 934 000
NET SURPLUS AFTER TRANSFERS		8 008 603	7 441 243
APPROPRIATION ACCOUNT	14	(1 963 899)	2 754 257
NET SURPLUS AFTER APPROPRIATIONS		6 044 704	10 195 500
REVENUE ACCOUNT - Beginning of the year		19 576 088	9 380 588
REVENUE ACCOUNT - End of the year		25 620 792	19 576 088

THE MUNICIPALITY OF SWAKOPMUND

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2009

	Note	2010 N\$	2009 N\$
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from customers		139 496 456	129 853 761
Cash paid to suppliers		(145 234 932)	(118 674 026)
Cash (utilised)/generated by operations	15	(5 738 476)	11 179 735
Interest received		1 996 425	2 658 388
Increase in Fund accounts		8 160 741	2 028 493
Increase in Capital outlay		25 146 055	37 259 067
Increase in Erongo Red equity		5 539 762	10 932 362
Net cash flow from operating activities		35 104 507	64 058 045
CASH FLOW FROM INVESTING ACTIVITIES			
Net capital expenditure		(13 755 460)	(29 504 840)
(Increase)/decrease in loans receivable		(559 846)	388 237
(Increase) in investments		(13 843 965)	(13 929 050)
		(28 159 271)	(43 045 653)
CASH FLOW FROM FINANCING ACTIVITIES			
Decrease in long-term liabilities		(6 735 996)	(10 891 796)
NET INCREASE IN CASH AND CASH EQUIVALENTS		209 240	10 120 596
CASH AND CASH EQUIVALENTS - BEGINNING OF THE YEAR		10 364 658	244 062
CASH AND CASH EQUIVALENTS - END OF THE YEAR		10 573 898	10 364 658

THE MUNICIPALITY OF SWAKOPMUND

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

1. ACCOUNTING POLICIES**1.1 Introduction**

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

1.2 Property, plant and equipment

Property, plant and equipment are stated at cost or valuation where assets have been acquired by grant or by donation. Assets are depreciated over their estimated useful life's.

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.

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.

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

ACCOUNTING POLICIES (continued)**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 to 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.

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.

THE MUNICIPALITY OF SWAKOPMUND

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

ACCOUNTING POLICIES (continued)**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.

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%

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

ACCOUNTING POLICIES (continued)**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.

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.

1.6 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.

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.

THE MUNICIPALITY OF SWAKOPMUND

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

ACCOUNTING POLICIES (continued)

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.

	2010	2009
	N\$	N\$
2. PROPERTY, PLANT AND EQUIPMENT		
Income assets	34 526 633	18 143 945
Loan assets	87 714 163	106 400 324
Funds and Grants	230 111 918	214 052 985
Total	352 352 714	338 597 254

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

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

3. LOANS RECEIVABLE

Property Development Fund:

- Secured loans	127 020	144 000
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Build Together Fund:

- Secured loans	4 739 689	4 566 609
- Advances	37 103	779 656

Huidare Building Project:

- Secured loans	468 395	502 361
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Housing loans:

- Secured loans	1 857 777	677 512
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	7 229 984	6 670 138
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4. INVESTMENTS

Commercial banks	127 000 000	100 069 509
Nampost	65 000 000	82 000 000
Erongo Red	118 388 492	114 475 018
	310 388 492	296 544 527

THE MUNICIPALITY OF SWAKOPMUND

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

	2010	2009
	N\$	N\$
ALLOCATED AS FOLLOWS		
Capital Development Fund	22 522 856	20 715 845
Property Development Fund	94 486 530	86 927 347
Renewal Fund	9 329 055	7 391 966
Insurance Fund	508 375	482 026
Housing Fund	3 231 727	4 365 440
Meduletu Fund	11 676 214	12 251 054
Bond Protection Fund	591 286	494 082
Sundry Funds and Reserves	39 736 512	36 515 530
Erongo-RED Investment	118 388 492	114 475 018
Revenue	9 917 445	12 926 219
	310 388 492	296 544 527

The Council is a shareholder in Erongo Regional Distributor Company (Private) Limited. The Council contributed fixed assets worth N\$5 539 762 during the year under review.

5. TRADE AND OTHER RECEIVABLES

Services rendered and assessment rates	8 533 974	8 089 412
Interest accrued on investments	708 434	731 084
Subsidies receivable from the Government	423 858	519 751
Erongo Red	1 156 142	2 355 397
VAT Provision	3 705 877	4 579 277
Tourism debtors	316 196	833 095
Build Together debtors	982 068	744 935
Sundries	3 060 140	1 635 083
	18 886 689	19 488 034
Provision for bad debts	(1 045 576)	(917 487)
Consumer deposits	(2 722 221)	(2 465 715)
	15 118 892	16 104 832

THE MUNICIPALITY OF SWAKOPMUND

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

	2010	2009
	N\$	N\$
6. INVENTORIES		
Stores	1 440 215	1 134 987
Oil - Workshop	10 192	11 250
Revolving Fund - Stock houses	3 953 322	5 728 358
DVD stock	942	-
Less: Redundant Stock	(43 468)	(38 468)
	5 361 203	6 836 127
7. BANK AND CASH		
Current account - Municipality operating account	10 052 588	6 256 788
Current account - Build Together Fund	518 610	4 104 850
Petty cash	2 700	3 020
	10 573 898	10 364 658
8. CAPITAL OUTLAY		
Loans redeemed	52 668 904	59 964 471
Revenue contributions	34 526 633	18 143 945
General capital contributions	230 111 919	214 052 985
	317 307 456	292 161 401

THE MUNICIPALITY OF SWAKOPMUND

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

	2010	2009
	N\$	N\$
9. FUNDS, ACCOUNTS AND RESERVES		
Anti Crime Fund	7 976	5 951
Betterment Fund	4 420 875	3 329 444
Bond Protection Fund	591 286	494 082
Build Together Fund	26 785 213	24 991 393
Bursary Fund	423 521	453 379
Capital Development Fund	53 457 815	54 978 038
Chairs Replacement fund	96 716	89 683
Employees Sport Club	7 839	57 746
Erongo Regional Donations Fund	572 550	-
Housing Fund	5 089 504	3 630 707
Huidare Project	776 926	733 573
Indoor Sport Complex Fund	1 697 493	1 766 782
Insurance Fund	508 375	482 026
Maintenance Reserve Fund	4 478 379	4 205 791
Mayoral Dev. Fund	249 014	237 386
Pavement Reserve Fund	68 685	178 537
Property Development Fund	115 834 346	110 332 607
Quarry Ventures Fund	116 829	108 333
Relocation Rubbish Dump Fund	643 433	571 589
Renewal Fund	13 582 458	12 639 879
Revolving Fund	15 629 536	17 979 411
Save The Jetty Fund	699 908	649 012
Sewerage Fund	1 871 898	1 881 874
Study Aid Fund	435 710	358 562
Swakop Emergency Fund	113 970	-
Tourism Fund	1 056 681	1 432 091
Water Supply Fund	1 560 315	1 028 635
Revenue account kept in compliance with Section 86(1) of the Local Authority Act, 1992.	25 620 792	19 576 088
	276 398 044	262 192 599

THE MUNICIPALITY OF SWAKOPMUND

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

	2010	2009
	N\$	N\$
10. LONG-TERM LIABILITIES		
Loans from the Government:		
Capital outlay	15 210 261	21 816 786
Housing Fund	1 282 775	1 412 246
	16 493 036	23 229 032
11. TRADE AND OTHER PAYABLES		
Commitments by purchase and other obligations	5 955 469	5 291 559
Audit fees, provision	190 872	224 872
Retention monies	1 213 327	7 277 769
Leave provision	2 832 168	2 713 437
Sundries	3 708 502	4 098 324
Recoverables	(6 439 824)	(184 555)
	7 460 514	19 421 406
12. DEPOSITS		
Tourism - Reservations	568 493	845 162
Sundries (excluding consumers)	985 311	995 369
	1 553 804	1 840 531
13. TRANSFER (TO)/FROM INTERNAL FUNDS		
Bursary Fund	50 000	50 000
Maintenance Fund	-	409 000
Renewal Fund	548 000	548 000
Revolving Fund	-	(250 000)
Sewerage Fund	571 000	260 000
Study Aid Fund	67 000	67 000
Tourism Fund	(100 000)	(100 000)
Water Supply Fund	1 000 000	950 000
	2 136 000	1 934 000

THE MUNICIPALITY OF SWAKOPMUND

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

	2010	2009
	N\$	N\$
14. ADJUSTMENTS TO APPROPRIATION ACCOUNT		
Additional Funds - Evaluation	-	(17 052)
Contribution : Severance Pay	-	(2 500 000)
Contribution - Early retirement	(2 000 000)	-
Contribution - Salaries	-	(46 552)
Contribution - Telephone system	(75 000)	-
Contribution to capital	-	(13 155)
Counterfeit notes	-	(100)
Court case - Airport	(353 094)	-
Court case - Seagulls Cry	(274 232)	-
Court case - Village Hotel	-	(120 661)
Credit cards refunded	9 126	-
Credit water - Fire brigade	45 893	-
Donation Ekandjo Block - Namibia police	(65 000)	-
Job gradings	(66 019)	-
Order Payment : 2006-2008	-	(18 041)
PAYE penalty	(11 314)	-
Pre-indepanance loans written off	-	4 516 052
RD Cheque - Tourism	-	(6 712)
Refund : I Kajomo (Pre-paid meter)	-	(750)
Refund Ered - Single quarters	805 359	-
Refund on refuse levies	(7 518)	-
Road Fund Claim Rejected	-	(331 856)
Special audits	-	(642 985)
Subsidy terminated - Purified Effluent	37 500	-
Trip to Botswana	-	(14 025)
Unclaimed money written back	(200)	1 950 094
Vat claim rejected	(4 275)	-
Welcome dinner - Miss World cultural group	(5 125)	-
	(1 963 899)	2 754 257

THE MUNICIPALITY OF SWAKOPMUND

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

	2010	2009
	N\$	N\$
15. CASH (UTILISED)/GENERATED BY OPERATIONS		
Net operating surplus before interest and transfers	3 876 178	2 848 855
Adjustments for:		
- Adjustments to appropriation account	(1 963 899)	2 754 257
- Transfer to Funds	2 136 000	1 934 000
OPERATING SURPLUS BEFORE CHANGES IN WORKING CAPITAL	4 048 279	7 537 112
CHANGES IN WORKING CAPITAL		
Decrease/(increase) in trade and other receivables	985 940	(945 251)
Decrease/(increase) in inventories	1 474 924	(45 073)
(Decrease)/increase in trade and other payables	(11 960 892)	4 666 724
Increase in deposits	(286 727)	(33 777)
	(9 786 755)	3 642 623
CASH (UTILISED)/GENERATED BY OPERATIONS	(5 738 476)	11 179 735