



REPUBLIC OF NAMIBIA



REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE

MUNICIPALITY OF SWAKOPMUND

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

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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 2011, 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, February 2012

**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 2011**

1. INTRODUCTION

The accounts of the Municipality of Swakopmund for the year ended 30 June 2011 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 Namibia 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 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 Financial results

The Municipality made a profit of N\$ 16 932 717 (2010: N\$ 10 144 603), before any transfers to funds and appropriations during the financial year. The net profit after transfers to funds and reserves, and appropriations amounted to N\$ 9 867 682 (2010: N\$ 6 044 704). The accumulated surplus as at year-end amounted to N\$ 124 775 582 (2010: N\$ 107 433 121), thus indicating that the Municipality is in a sound financial position. The current year accumulated surplus includes N\$ 89 287 108 (2010: N\$ 81 812 329) 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 01/07/2010 | | | | 25 620 792 |
| General accounts | | | | |
| - Community services | 54 961 616 | 40 412 129 | 14 549 487 | |
| - Subsidized services | 7 091 447 | 27 580 922 | (20 489 475) | |
| - Economic services | 38 680 580 | 27 636 721 | 11 043 859 | |
| - Housing | 1 003 751 | 5 277 367 | (4 273 616) | |
| Trade accounts | | | | |
| - Electricity | 13 873 702 | 7 901 154 | 5 972 548 | |
| - Water | 37 092 664 | 31 625 552 | 5 467 112 | |
| - Tourism, bungalows | 12 228 078 | 9 654 794 | 2 573 284 | |
| Surplus for the year | 164 931 838 | 150 088 639 | 14 843 199 | 14 843 199 |
| Adjustments and utilisations (Note 14, Annexure D) | | | | 40 463 991 (4 975 517) |
| Accumulated surplus on 30/06/2011 | | | | 35 488 474 |

7. CURRENT BANK ACCOUNT

| | 2011 | 2010 |
|--|-------------------|-------------------|
| | N\$ | N\$ |
| Cash-book balance at 30 June - Balance sheet | 21 057 745 | 10 052 588 |
| Outstanding cheques | 2 179 780 | 2 795 120 |
| Deposits on bank statement not in cash-book | 325 120 | 253 049 |
| Balance as per bank statement | 23 562 645 | 13 100 757 |

8. INVESTMENTS

The investments as at 30 June were as follows:

| Institution | 2011 | | 2010 | |
|------------------|--------------------|-------------------|--------------------|-------------------|
| | Investment | Interest | Investment | Interest |
| | N\$ | N\$ | N\$ | N\$ |
| Commercial banks | 110 000 000 | 9 450 596 | 127 000 000 | 10 344 301 |
| Nampost | 67 000 000 | 4 361 968 | 65 000 000 | 4 964 673 |
| Erongo Red | 124 129 033 | - | 118 388 492 | - |
| | 301 129 033 | 13 812 564 | 310 388 492 | 15 308 974 |

The investments were allocated as follows:

| Allocation | 2011 | 2010 |
|---------------------------|--------------------|--------------------|
| | N\$ | N\$ |
| Capital Development Fund | 19 098 959 | 22 522 856 |
| Property Development Fund | 82 981 544 | 94 486 530 |
| Renewal Fund | 10 832 567 | 9 329 055 |
| Insurance Fund | 542 147 | 508 375 |
| Housing Fund | 3 575 269 | 3 231 727 |
| Meduletu Fund (Revolving) | 11 399 684 | 11 676 214 |
| Bond Protection Fund | 678 351 | 591 286 |
| Sundry Funds and Reserves | 30 801 697 | 39 736 512 |
| Erongo-RED Investment | 124 129 033 | 118 388 492 |
| Revenue | 17 089 782 | 9 917 445 |
| | 301 129 033 | 310 388 492 |

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 | |
|---|------------------|------------------|------------------|------------------|
| | 2011 | 2010 | 2011 | 2010 |
| | N\$ | N\$ | N\$ | N\$ |
| Sales | 13 873 702 | - | 36 326 985 | 28 303 584 |
| Cost of bulk purchases | - | - | (22 786 565) | (19 443 206) |
| Gross surplus | 13 873 702 | - | 13 540 420 | 8 860 378 |
| Other income/(expenses) | (7 901 154) | 5 154 912 | (8 073 308) | (1 458 771) |
| Net (deficit)/surplus | 5 972 548 | 5 154 912 | 5 467 112 | 7 401 607 |
| Gross surplus percentages on bulk purchases | - | - | 59.4% | 45.6% |
| Net surplus percentage on bulk purchases | - | - | 24.0% | 38.1% |
| Gross surplus percentages on sales | - | - | 37.3% | 31.3% |
| Net surplus percentage on sales | - | - | 15.0% | 26.2% |

10.2 The results of tourism and bungalows were as follows:

| | Tourism, bungalows | |
|---------------------------------|---------------------------|------------------|
| | 2011 | 2010 |
| | N\$ | N\$ |
| Bungalows | 11 787 064 | 9 694 749 |
| Tourism Fund | 50 000 | 50 000 |
| Cancellation fees | 2 800 | 1 408 |
| Sundry income | 337 667 | 37 552 |
| Interest on invested money | 50 547 | 73 606 |
| | 12 228 078 | 9 857 315 |
| Expenses | (9 654 794) | (8 772 307) |
| Net surplus | 2 573 284 | 1 085 008 |
| Net surplus percentage on sales | 21.8% | 11.2% |

10.3 Water distribution results, in cubic meters

| | Water | |
|------------------------------------|------------------|------------------|
| | 2011 | 2010 |
| | Units | Units |
| Sales | 3 576 891 | 3 521 326 |
| Purchases | 4 316 372 | 3 945 339 |
| Loss | (739 481) | (424 013) |
| Percentage loss in units purchased | (17.1%) | (10.7%) |

The Council is warned that the water losses are too high whereas in the previous year they were acceptable. The Council should investigate the reasons for the increase and put measures in place to bring the losses down to acceptable levels again.

11. SELF SUPPORTING SERVICES

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

| Service | Income 2011 | Expenses 2011 | Surplus/ (deficit) 2011 | Surplus/ (deficit) 2010 |
|----------------|------------------------|--------------------------|--|--|
| | N\$ | N\$ | N\$ | N\$ |
| Sewerage | 14 363 808 | 8 854 486 | 5 509 322 | 3 843 053 |
| Cleansing | 13 573 435 | 10 118 070 | 3 455 365 | 3 547 031 |
| Nursery | 777 665 | 1 366 117 | (588 452) | (414 829) |
| | 28 714 908 | 20 338 673 | 8 376 235 | 6 975 255 |

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 | Financed by | | | Total expenditure 2011 | Total expenditure 2010 |
|---------------------------------|-----------------|-------------------|-------------------|------------------------|------------------------|
| | Revenue account | General capital | Internal loans | | |
| | N\$ | N\$ | N\$ | N\$ | N\$ |
| Cemetery | - | 533 173 | - | 533 173 | 16 546 |
| Cleansing services | - | 3 217 586 | 1 404 906 | 4 622 492 | 114 171 |
| Community services | - | 85 378 | - | 85 378 | 429 702 |
| Corporate services | 4 031 | 11 942 | - | 15 973 | 117 686 |
| Council's general expenses | 8 274 | 956 | - | 9 230 | 113 404 |
| Fire Brigade | - | 330 953 | 324 079 | 655 032 | 328 460 |
| Housing | 13 611 | - | - | 13 611 | - |
| Health department | - | 130 592 | 126 238 | 256 830 | 102 755 |
| Labour pool account | - | - | - | - | 55 000 |
| Parks and gardens | - | 616 984 | 231 774 | 848 758 | 1 324 716 |
| Public buildings | - | 33 610 075 | - | 33 610 075 | - |
| Sewerage works | - | 30 375 610 | 9 996 736 | 40 372 346 | 2 619 715 |
| Streets | - | 6 170 093 | - | 6 170 093 | 3 394 829 |
| Sundry implements | - | 106 882 | 68 318 | 175 200 | - |
| Swimming pool | - | - | - | - | 8 911 247 |
| Tourism | 201 967 | 495 926 | - | 697 893 | 245 566 |
| Town Engineer | 9 399 | 120 865 | 274 144 | 404 408 | 63 160 |
| Town Treasurer | 6 145 | - | - | 6 145 | 74 222 |
| Traffic Control | 9 511 | 157 985 | 717 328 | 884 824 | 17 006 |
| Trucks | - | 45 515 | 359 514 | 405 029 | 387 047 |
| Water | - | 1 927 485 | - | 1 927 485 | 1 336 663 |
| Workshop | - | 84 613 | 74 207 | 158 820 | - |
| Graders | - | - | 1 735 023 | 1 735 023 | - |
| Stores | - | 4 078 | - | 4 078 | - |
| Shopping complex | - | 7 008 | - | 7 008 | - |
| | 252 938 | 78 033 699 | 15 312 267 | 93 598 904 | 19 651 895 |

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 the Council and the Kreditanstalt für Wiederaufbau, amounts to N\$ 26 445 423 (2010: N\$ 26 445 423) of which unsold houses and erven amount to N\$ 3 953 322 (2010: N\$ 3 953 322).

16. BURSARIES

Three bursaries were approved by the Council to an amount of N\$ 88 530 (2010: N\$ 112 945).

17. CONTRIBUTIONS, GRANTS AND FINANCIAL AID

| Nature of gift | Value | Beneficiary |
|-----------------------|--------------|--------------------------------|
| | N\$ | |
| Student subsidies | 140 977 | Children of staff members |
| Grants | 269 398 | 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 | Daily allowance | Subsistence | Other |
|--------------------|------------------------------------|-------------------|------------------------|--------------------|--------------|
| | | N\$ | N\$ | N\$ | N\$ |
| Sweden | Municipal Partnership | - | 37 460 | - | - |
| South Africa | 2nd Road Safety Summit 2010 | 5 053 | 1 262 | - | 7 574 |
| South Africa | Local climate solutions for Africa | - | 1 800 | 1 380 | - |
| | | 5 053 | 40 522 | 1 380 | 7 574 |

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\$ |
| Book prizes | Various schools | 10 500 |
| Donation | Association for the Handicapped | 750 |
| Donation | Blood Transfusion Centre | 750 |
| Donation | Cancer Association | 750 |
| Donation | Donations by Mayor | 450 |
| Donation | Erongo: PRO Child : House of Safety | 24 000 |
| Donation | Johanniter Unfalhilfe | 750 |
| Donation | S.P.C.A. | 5 000 |
| Donation | Sports Club | 750 |
| Donation | Youth Choir | 1 000 |
| Donation | National Sea Rescue Institute | 750 |
| | | 45 450 |

22. TRANSFER OF PROPERTY

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

23. TRADE AND OTHER RECEIVABLES/PAYABLES

23.1 Trade and other receivables at 30 June were:

| | 2011 | 2010 |
|--|-------------------|-------------------|
| | N\$ | N\$ |
| Services rendered and assessment rates | 10 360 859 | 8 533 974 |
| Interest accrued on investments | 585 726 | 708 434 |
| Subsidies receivable from the Government | 564 579 | 423 858 |
| Erongo Red | 1 156 142 | 1 156 142 |
| VAT provision | 6 885 275 | 3 705 877 |
| Tourism debtors | 1 327 167 | 316 196 |
| Build Together debtors | 797 370 | 982 068 |
| Sundries | 2 801 358 | 3 060 140 |
| | 24 478 476 | 18 886 689 |
| Provision for bad debts | (1 174 399) | (1 045 576) |
| Consumer deposits | (2 909 885) | (2 722 221) |
| Total | 20 394 192 | 15 118 892 |
| Analysis of services and general debtors: | | |
| Average monthly levy | 10 119 763 | 8 932 836 |
| Debtors | 10 360 859 | 8 533 974 |
| Average credit terms in days | 31 | 29 |
| Consumer deposits | 2 909 885 | 2 722 221 |
| Percentage of deposits in relation to debtors | 28.1% | 31.9% |

23.2 Trade and other payables at 30 June were:

| | 2011 | 2010 |
|---|-------------------|------------------|
| | N\$ | N\$ |
| Commitments by purchase and other obligations | 9 728 391 | 5 955 469 |
| Audit fees provision | 240 872 | 190 872 |
| Retention monies | 321 275 | 1 213 327 |
| Leave provision | 4 388 661 | 2 832 168 |
| Sundries | 7 054 900 | 3 708 502 |
| Recoverables | (52 212) | (6 439 824) |
| Total | 21 681 887 | 7 460 514 |

24. ASSESSMENT RATES

| | 2011 | 2010 |
|------------------------------|------------|------------|
| | N\$ | N\$ |
| Assessment rates | 41 601 205 | 35 496 695 |
| Paid to the Regional Council | 2 080 060 | 1 774 835 |

25. LOANS

25.1 External loans

| | 2011 | 2010 |
|----------------|-------------------|-------------------|
| | N\$ | N\$ |
| Capital outlay | 13 041 033 | 15 210 261 |
| Housing Fund | 1 152 756 | 1 282 775 |
| Total | 14 193 789 | 16 493 036 |

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

| | 2011 | 2010 |
|--------------|-------------------|-------------------|
| | N\$ | N\$ |
| Total | 64 354 568 | 56 411 160 |

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.

25.3 Due to the Municipality

| | 2011 | 2010 |
|--|------------------|------------------|
| | N\$ | N\$ |
| Housing Scheme Fund | | |
| Balance due to the Government on loans at interest rates from 1% to 16%. | 1 152 756 | 1 282 775 |
| Balance due to the Municipality, secured by mortgage bonds by house owners | (1 580 910) | (1 857 777) |
| Difference invested for the benefit of the Fund, together with monies in the Fund. | (428 154) | (575 002) |

25.4 Other loans due to the Municipality

| | 2011 | 2010 |
|----------------------------|------------------|------------------|
| | N\$ | N\$ |
| Property Development Fund: | | |
| - Secured loans | 429 297 | 127 020 |
| Build Together Fund: | | |
| - Secured loans | 7 928 179 | 4 739 689 |
| - Advances | 611 415 | 37 103 |
| Huidare Building Project: | | |
| - Secured loans | 434 669 | 468 395 |
| Total | 9 403 560 | 5 372 207 |

26. SALE OF ERVEN

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

| | 2011 | | 2010 | |
|-------|--------|------------|--------|-----------|
| | Number | Amount | Number | Amount |
| | | N\$ | | N\$ |
| Total | 27 | 32 349 066 | 21 | 9 571 340 |

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 2010 | 4 776 792 | 127 020 | 1 857 777 | 468 395 | 7 229 984 |
| Sales | 8 349 879 | 348 160 | - | - | 8 698 039 |
| Interest charged | 373 095 | 22 366 | 184 846 | 21 681 | 601 988 |
| Redemption received | (4 960 172) | (68 249) | (461 713) | (55 407) | (5 545 541) |
| Balance - 30 June 2011 | 8 539 594 | 429 297 | 1 580 910 | 434 669 | 10 984 470 |

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 - 01/07/2010 | 19 | 1 181 900 | 46 | 4 366 800 | 43 | 10 394 770 |
| Additions | 5 | 864 975 | 2 | 443 600 | 6 | 4 810 698 |
| Sub-total | 24 | 2 046 875 | 48 | 4 810 400 | 49 | 15 205 468 |
| Depreciation and sold | (2) | (41 700) | (4) | (82 900) | (4) | (76 950) |
| Balance - 30/06/2011 | 22 | 2 005 175 | 44 | 4 727 500 | 45 | 15 128 518 |

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\$ 21 861 193.

30.2 Motor vehicles accidents:

| | Number | Authorised use | | Unauthorised use |
|----------------------|--------|----------------|-------------|------------------|
| | | Damage | Written off | |
| Pending - 01/07/2010 | 2 | N\$ 7 494 | - | - |
| Accidents reported | 5 | 21 303 | - | - |
| Vehicles repaired | (7) | (28 797) | - | - |
| Pending - 30/06/2011 | - | - | - | - |

30.3 Claims arising from accidents

| | Claims by the Municipality | | |
|------------------------|----------------------------|-----------|---------|
| | | Claimed | Settled |
| | Number | N\$ | N\$ |
| Outstanding 01/07/2010 | 12 | 257 814 | - |
| Received 2010/2011 | 45 | 321 948 | - |
| Claimed 2010/2011 | (57) | (579 762) | - |
| Outstanding 30/06/2011 | - | - | - |

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 2011, 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 2011 and the results of its operations and cash flow for the year then ended.

MUNICIPALITY OF SWAKOPMUND

BALANCE SHEET AT 30 JUNE

| | Note | 2011 | 2010 |
|------------------------------------|-------------|--------------------|--------------------|
| | | N\$ | N\$ |
| ASSETS | | | |
| Non-current assets | | 754 850 014 | 669 971 190 |
| Property, plant and equipment | 2 | 442 736 511 | 352 352 714 |
| Loans receivable | 3 | 10 984 470 | 7 229 984 |
| Investments | 4 | 301 129 033 | 310 388 492 |
| Current assets | | 52 490 803 | 31 053 993 |
| Trade and other receivables | 5 | 20 394 192 | 15 118 892 |
| Inventories | 6 | 5 777 241 | 5 361 203 |
| Bank and cash | 7 | 26 319 370 | 10 573 898 |
| TOTAL ASSETS | | 807 340 817 | 701 025 183 |
| FUNDS AND LIABILITIES | | | |
| Funds and reserves | | 769 938 306 | 675 517 829 |
| Capital outlay | 8 | 400 182 834 | 317 307 456 |
| Funds, accounts and reserves | 9 | 280 468 364 | 276 398 044 |
| Equity Erongo Red | | 89 287 108 | 81 812 329 |
| Non-current liabilities | | | |
| Long-term loans | 10 | 14 193 789 | 16 493 036 |
| Current liabilities | | 23 208 722 | 9 014 318 |
| Trade and other payables | 11 | 21 681 887 | 7 460 514 |
| Deposits | 12 | 1 526 835 | 1 553 804 |
| TOTAL FUNDS AND LIABILITIES | | 807 340 817 | 701 025 183 |

MUNICIPALITY OF SWAKOPMUND

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE

| | Notes | 2011 | 2010 |
|-------------------------------------|--------------|-------------------|-------------------|
| | | N\$ | N\$ |
| INCOME | | 162 236 641 | 139 496 456 |
| EXPENDITURE | | 147 649 121 | 131 348 278 |
| NET OPERATING SURPLUS | | 14 587 520 | 8 148 178 |
| INTEREST ON INVESTMENTS | | 2 345 197 | 1 996 425 |
| NET SURPLUS AFTER INTEREST | | 16 932 717 | 10 144 603 |
| TRANSFER TO INTERNAL FUNDS | 13 | (2 089 518) | (2 136 000) |
| NET SURPLUS AFTER TRANSFERS | | 14 843 199 | 8 008 603 |
| APPROPRIATION ACCOUNT | 14 | (4 975 517) | (1 963 899) |
| NET SURPLUS AFTER APPROPRIATIONS | | 9 867 682 | 6 044 704 |
| REVENUE ACCOUNT - Beginning of year | | 25 620 792 | 19 576 088 |
| REVENUE ACCOUNT - End of year | | 35 488 474 | 25 620 792 |

MUNICIPALITY OF SWAKOPMUND

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2009

| | Note | 2011 N\$ | 2010 N\$ |
|--|------|-------------------|-------------------|
| CASH FLOW FROM OPERATING ACTIVITIES | | | |
| Cash receipts from customers | | 162 236 641 | 139 496 456 |
| Cash paid to suppliers | | (146 211 090) | (145 234 932) |
| Cash generated/(utilised) by operations | 15 | 16 025 551 | (5 738 476) |
| Interest received | | 2 345 197 | 1 996 425 |
| (Decrease)/increase in Fund accounts | | (5 797 362) | 8 160 741 |
| Increase in Capital outlay | | 82 875 378 | 25 146 055 |
| Increase in Erongo Red equity | | 7 474 779 | 5 539 762 |
| Net cash flow from operating activities | | 102 923 543 | 35 104 507 |
| CASH FLOW FROM INVESTING ACTIVITIES | | | |
| Net capital expenditure | | (90 383 797) | (13 755 460) |
| Increase in loans receivable | | (3 754 486) | (559 846) |
| Decrease/(increase) in investments | | 9 259 459 | (13 843 965) |
| | | (84 878 824) | (28 159 271) |
| CASH FLOW FROM FINANCING ACTIVITIES | | | |
| Decrease in long-term liabilities | | (2 299 247) | (6 735 996) |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | | 15 745 472 | 209 240 |
| CASH AND CASH EQUIVALENTS | | | |
| - BEGINNING OF THE YEAR | | 10 573 898 | 10 364 658 |
| CASH AND CASH EQUIVALENTS | | | |
| - END OF THE YEAR | | 26 319 370 | 10 573 898 |

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.

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.

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.

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

ACCOUNTING POLICIES (continued)**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%

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.

1.9.6 Meduletu 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.

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.

| | <u>2011</u> | <u>2010</u> |
|---|---------------------------|---------------------------|
| | N\$ | N\$ |
| 2. PROPERTY, PLANT AND EQUIPMENT | | |
| Income assets | 38 573 657 | 34 526 633 |
| Loan assets | 98 390 727 | 87 714 163 |
| Funds and Grants | 305 772 127 | 230 111 918 |
| Total | <u>442 736 511</u> | <u>352 352 714</u> |

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
 429 297 | 127 020 |

Build Together Fund:

- Secured loans
 7 928 179 | 4 739 689 |

- Advances
 611 415 | 37 103 |

Huidare Building Project:

- Secured loans
 434 669 | 468 395 |

Housing loans:

- Secured loans
 1 580 910 | 1 857 777 |

 10 984 470 | **7 229 984** |

4. INVESTMENTS

INVESTMENTS

Commercial banks
 110 000 000 | 127 000 000 |

Nampost
 67 000 000 | 65 000 000 |

Erongo Red
 124 129 033 | 118 388 492 |

 301 129 033 | **310 388 492** |

MUNICIPALITY OF SWAKOPMUND

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

INVESTMENTS (continued)

| | 2011 | 2010 |
|--|--------------------|--------------------|
| | N\$ | N\$ |
| ALLOCATED AS FOLLOWS | | |
| Capital Development Fund | 19 098 959 | 22 522 856 |
| Property Development Fund | 82 981 544 | 94 486 530 |
| Renewal Fund | 10 832 567 | 9 329 055 |
| Insurance Fund | 542 147 | 508 375 |
| Housing Fund | 3 575 269 | 3 231 727 |
| Meduletu Fund (Revolving) | 11 399 684 | 11 676 214 |
| Bond Protection Fund | 678 351 | 591 286 |
| Sundry Funds and Reserves | 30 801 697 | 39 736 512 |
| Erongo-RED Investment | 124 129 033 | 118 388 492 |
| Revenue | 17 089 782 | 9 917 445 |
| | 301 129 033 | 310 388 492 |
| 5. TRADE AND OTHER RECEIVABLES | | |
| Services rendered and assessment rates | 10 360 859 | 8 533 974 |
| Interest accrued on investments | 585 726 | 708 434 |
| Subsidies receivable from the Government | 564 579 | 423 858 |
| Erongo Red | 1 156 142 | 1 156 142 |
| VAT Provision | 6 885 275 | 3 705 877 |
| Tourism debtors | 1 327 167 | 316 196 |
| Build Together debtors | 797 370 | 982 068 |
| Sundries | 2 801 358 | 3 060 140 |
| | 24 478 476 | 18 886 689 |
| Provision for bad debts | (1 174 399) | (1 045 576) |
| Consumer deposits | (2 909 885) | (2 722 221) |
| | 20 394 192 | 15 118 892 |
| 6. INVENTORIES | | |
| Stores | 1 851 373 | 1 440 215 |
| Oil - Workshop | 7 261 | 10 192 |
| Meduletu Fund - Stock houses | 3 953 322 | 3 953 322 |
| DVD stock | 942 | 942 |
| Less: Redundant Stock | (35 657) | (43 468) |
| | 5 777 241 | 5 361 203 |

MUNICIPALITY OF SWAKOPMUND

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

| | 2011 | 2010 |
|--|--------------------|--------------------|
| | N\$ | N\$ |
| 7. BANK AND CASH | | |
| Current account - Municipality operating account | 21 057 745 | 10 052 588 |
| Current account - Build Together Fund | 5 257 625 | 518 610 |
| Petty cash | 4 000 | 2 700 |
| | 26 319 370 | 10 573 898 |
| 8. CAPITAL OUTLAY | | |
| Loans redeemed | 55 837 050 | 52 668 904 |
| Revenue contributions | 38 573 657 | 34 526 633 |
| General capital contributions | 305 772 127 | 230 111 919 |
| | 400 182 834 | 317 307 456 |
| 9. FUNDS, ACCOUNTS AND RESERVES | | |
| Anti Crime Fund | 8 524 | 7 976 |
| Betterment Fund | 5 042 945 | 4 420 875 |
| Bond Protection Fund | 678 352 | 591 286 |
| Build Together Fund | 26 286 986 | 26 785 213 |
| Bursary Fund | 412 730 | 423 521 |
| Capital Development Fund | 49 974 201 | 53 457 815 |
| Chairs Replacement Fund | 103 352 | 96 716 |
| Employees Sport Club | 38 063 | 7 839 |
| Erongo Regional Donations Fund | 611 837 | 572 551 |
| Housing Fund | 5 156 179 | 5 089 504 |
| Huidare Project | 821 678 | 776 926 |
| Indoor Sport Complex Fund | 1 813 971 | 1 697 493 |
| Insurance Fund | 542 147 | 508 375 |
| Maintenance Reserve Fund | 4 462 391 | 4 478 379 |
| Mayoral Development Fund | 398 721 | 249 014 |
| Pavement Reserve Fund | 73 398 | 68 685 |
| Property Development Fund | 112 933 482 | 115 834 346 |
| Quarry Ventures Fund | 124 846 | 116 829 |
| Relocation Rubbish Dump Fund | 714 476 | 643 433 |
| Renewal Fund | 14 787 251 | 13 582 458 |
| Meduletu Revolving Fund | 15 353 006 | 15 629 536 |
| Save the Jetty Fund | 657 897 | 699 908 |
| Sewerage Fund | 1 789 092 | 1 871 898 |
| Study Aid Fund | 483 871 | 435 710 |
| Swakop Emergency Fund | 99 582 | 113 970 |
| Tourism Fund | 528 674 | 1 056 681 |
| Water Supply Fund | 1 082 238 | 1 560 315 |
| Revenue account kept in compliance with Section 86(1) of the Local Authorities Act, 1992. | 35 488 474 | 25 620 792 |
| | 280 468 364 | 276 398 044 |

MUNICIPALITY OF SWAKOPMUND

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

| | 2011 | 2010 |
|---|--------------------|--------------------|
| | N\$ | N\$ |
| 10. LONG-TERM LIABILITIES | | |
| Loans from the Government: | | |
| Capital outlay | 13 041 033 | 15 210 261 |
| Housing Fund | 1 152 756 | 1 282 775 |
| | 14 193 789 | 16 493 036 |
| 11. TRADE AND OTHER PAYABLES | | |
| Commitments by purchase and other obligations | 9 728 391 | 5 955 469 |
| Audit fees provision | 240 872 | 190 872 |
| Retention monies | 321 275 | 1 213 327 |
| Leave provision | 4 388 661 | 2 832 168 |
| Sundries | 7 054 900 | 3 708 502 |
| Recoverables | (52 212) | (6 439 824) |
| | 21 681 887 | 7 460 514 |
| 12. DEPOSITS | | |
| Tourism - Reservations | 477 729 | 568 493 |
| Sundries (excluding consumers) | 1 049 106 | 985 311 |
| | 1 526 835 | 1 553 804 |
| 13. TRANSFER (TO)/FROM INTERNAL FUNDS | | |
| Bursary Fund | (50 000) | (50 000) |
| Maintenance Fund | (113 000) | - |
| Renewal Fund | (638 518) | (548 000) |
| Revolving Fund | 250 000 | - |
| Sewerage Fund | (571 000) | (571 000) |
| Study Aid Fund | (67 000) | (67 000) |
| Tourism Fund | 100 000 | 100 000 |
| Water Supply Fund | (1 000 000) | (1 000 000) |
| | (2 089 518) | (2 136 000) |

MUNICIPALITY OF SWAKOPMUND

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

| | 2011 | 2010 |
|---|--------------------|--------------------|
| | N\$ | N\$ |
| 14. ADJUSTMENTS TO APPROPRIATION ACCOUNT | | |
| Adjustment - Prior year VAT | (6 411) | - |
| Contribution - Early retirement | (200 000) | (2 000 000) |
| Contribution - Telephone system | - | (75 000) |
| Court case - Airport | (253 719) | (353 094) |
| Court case - Seagulls Cry | - | (274 232) |
| Court case - Village Hotel | (366 970) | - |
| Credit cards refunded | - | 9 126 |
| Credit water - Fire brigade | - | 45 893 |
| Donation Ekandjo Block - Namibia police | - | (65 000) |
| File layout on internet banking | (8 941) | - |
| Inauguration of new fire station | (26 957) | - |
| Interest paid - Ministry of Finance | (7 431) | - |
| Job gradings | (4 500 000) | (66 019) |
| Legal advice - NIB loan | (76 608) | - |
| Monies - Recovered Mr. C Mbuuru | 15 939 | - |
| PAYE penalty | - | (11 314) |
| Refund - Trans Namib | 1 319 | - |
| Refund - WML | 7 096 | - |
| Refund E Red - Single quarters | - | 805 359 |
| Refund on refuse levies | - | (7 518) |
| Refunds | (15 939) | - |
| Replacement of IT hardware | (137 905) | - |
| Retention claimed from Supplier | 1 543 | - |
| Salary Deductions - Employee | 2 300 | - |
| Subsidy terminated - Purified effluent | - | 37 500 |
| Unclaimed money written back | - | (200) |
| Unclaimed retention monies | 596 642 | - |
| VAT adjustments | 525 | - |
| Vat claim rejected | - | (4 275) |
| Welcome dinner - Miss World cultural group | - | (5 125) |
| | (4 975 517) | (1 963 899) |

MUNICIPALITY OF SWAKOPMUND

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

| | 2011 | 2010 |
|--|-------------------|--------------------|
| | N\$ | N\$ |
| 15. CASH GENERATED/(UTILISED) BY OPERATIONS | | |
| Net operating surplus before interest and transfers | 14 587 520 | 8 148 178 |
| Adjustments for: | | |
| - Adjustments to appropriation account | (4 975 517) | (1 963 899) |
| - Transfer to Funds | (2 089 518) | (2 136 000) |
| OPERATING SURPLUS BEFORE CHANGES IN WORKING CAPITAL | 7 522 485 | 4 048 279 |
| CHANGES IN WORKING CAPITAL | | |
| (Increase)/decrease in trade and other receivables | (5 275 300) | 985 940 |
| (Increase)/decrease in inventories | (416 038) | 1 474 924 |
| Increase/(decrease) in trade and other payables | 14 221 373 | (11 960 892) |
| Increase in deposits | (26 969) | (286 727) |
| | 8 503 066 | (9 786 755) |
| CASH GENERATED/(UTILISED) BY OPERATIONS | 16 025 551 | (5 738 476) |