



REPUBLIC OF NAMIBIA



REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE

MUNICIPALITY OF SWAKOPMUND

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

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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 2012, in terms of Article 127(2) of the Namibian Constitution. The report is transmitted to the Honourable Minister of Finance in terms of Section 27(1) of the State Finance Act, 1991, (Act 31 of 1991) to be laid upon the Table of the National Assembly in terms of Section 27(4) of the Act.

WINDHOEK, June 2013

**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 2012**

1. INTRODUCTION

The accounts of the Municipality of Swakopmund for the year ended 30 June 2012 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. 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 the opinion of the Auditor-General 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\$ 10 523 426 (2011: N\$ 16 932 717), 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\$ 6 428 452 (2011: N\$ 9 867 682). The accumulated surplus as at year-end amounted to N\$ 140 342 708 (2011: N\$ 124 775 582), thus indicating that the Municipality is in a sound financial position. The current year accumulated surplus includes N\$ 98 425 782 (2011: N\$ 89 287 108) 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 01/07/2011				35 488 474
General accounts				
- Community services	62 699 890	46 617 032	16 082 858	
- Subsidized services	8 282 729	30 774 761	(22 492 032)	
- Economic services	39 631 401	31 871 692	7 759 709	
- Housing	324 721	6 080 832	(5 756 111)	
Trade accounts				
- Electricity	13 873 702	7 249 878	6 623 824	
- Water	40 164 159	36 208 606	3 955 553	
- Tourism, bungalows	11 723 002	9 394 377	2 328 625	
Surplus for the year	176 699 604	168 197 178	8 502 426	8 502 426
Adjustments and utilisations				43 990 900 (2 073 974)
Accumulated surplus on 30/06/2012				41 916 926

7. CURRENT BANK ACCOUNT

	2012	2011
	N\$	N\$
Cash-book balance at 30 June - Balance sheet	26 750 337	21 057 745
Outstanding cheques	2 116 426	2 179 780
Deposits on bank statement not in cashbook	345 531	325 120
Balance as per bank statement	29 212 294	23 562 645

8. INVESTMENTS

The investments as at 30 June were as follows:

Institution	2012		2011	
	Investment	Interest	Investment	Interest
	N\$	N\$	N\$	N\$
Commercial banks	67 500 000	5 495 552	110 000 000	9 450 596
Nampost	40 500 000	3 126 951	67 000 000	4 361 968
Erongo Red	132 432 963	-	124 129 033	-
	240 432 963	8 622 503	301 129 033	13 812 564

The investments were allocated as follows:

Allocation	2012	2011
	N\$	N\$
Capital Development Fund	16 451 206	19 098 959
Property Development	766 817	82 981 544
Renewal Fund	11 896 468	10 832 567
Insurance Fund	633 218	542 147
Housing Fund	4 054 137	3 575 269
Meduletu	11 683 809	11 399 684
Bond Protection Fund	773 328	678 351
Sundry Funds and Reserves	38 289 458	30 801 697
Erongo-RED Investment	132 432 963	124 129 033
Revenue	23 451 559	17 089 782
	240 432 963	301 129 033

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	
	2012	2011	2012	2011
	N\$	N\$	N\$	N\$
Sales	13 873 702	13 873 702	39 215 313	36 326 985
Cost of sales	-	-	(26 415 143)	(22 786 565)
Gross surplus	13 873 702	13 873 702	12 800 170	13 540 420
Other income/(expenses)	(7 249 878)	(7 901 154)	(8 844 617)	(8 073 308)
Net (deficit)/surplus	6 623 824	5 972 548	3 955 553	5 467 112
Gross surplus percentages on purchases	-	-	48.5%	59.4%
Net surplus percentage on purchases	-	-	15.0%	24.0%
Gross surplus percentages on sales	-	-	32.6%	37.3%
Net surplus percentage on sales	-	-	10.1%	15.0%

10.2 The results of tourism and bungalows were as follows:

	Tourism, Bungalows	
	2012	2011
	N\$	N\$
Bungalows	11 585 854	11 787 064
Tourism Fund	50 000	50 000
Cancellation fees	810	2 800
Sundry income	42 890	337 667
Interest on invested money	43 448	50 547
Expenses	11 723 002 (9 394 377)	12 228 078 (9 654 794)
Net surplus	2 328 625	2 573 284
Net surplus percentage on sales	19.9%	21.8%

10.3 Water distribution results, in cubic meters

	Water	
	2012	2011
	Units	Units
Sales	3 640 805	3 576 891
Purchases	4 384 736	4 316 372
Loss	(743 931)	(739 481)
Percentage loss in units purchased	(17.0%)	(17.1%)

11. SELF SUPPORTING SERVICES

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

Service	Income 2012	Expenses 2012	Surplus/ (deficit) 2012	Surplus/ (deficit) 2011
	N\$	N\$	N\$	N\$
Sewerage	14 591 617	9 737 744	4 853 873	5 509 322
Cleansing	14 613 688	12 276 871	2 336 817	3 455 365
Nursery	639 236	1 446 935	(807 699)	(588 452)
	29 844 541	23 461 550	6 382 991	8 376 235

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 expenditure 2012	Total expenditure 2011
	Revenue account	General capital	Loans		
	N\$	N\$	N\$	N\$	N\$
Cemetery	-	453 456	-	453 456	533 173
Cleansing Services	10 406	1 336 294	445 275	1 791 975	4 622 492
Community Services	18 370	744 567	56 424	819 361	98 989
Corporate services	-	-	-	-	15 973
Council's General Expenses	18 448	9 809	-	28 257	9 230
Fire Brigade	-	262 985	-	262 985	655 032
Health Department	8 325	61 988	73 548	143 861	256 830
Labour Pool Account	-	378 807	-	378 807	-
Parks and Gardens	-	1 100 819	390 726	1 491 545	848 758
Public Buildings	-	-	-	-	33 610 075
Sewage Effluent	-	143 836	-	143 836	-
Sewerage Works	-	81 882 370	950 060	82 832 430	40 372 346
Streets	19 819	10 060 552	-	10 080 371	6 170 093
Sundry Implements	-	587 341	580 562	1 167 903	175 200
Swimming pool	-	3 608 302	-	3 608 302	-
Tourism	-	2 059 184	308 764	2 367 948	697 893
Town Engineer	17 548	1 640 653	-	1 658 201	404 408
Town Treasurer	31 256	62 003	65 000	158 259	6 145
Traffic Control	-	193 049	90 802	283 851	884 824
Trucks	-	-	-	-	405 029
Water	-	3 961 528	69 072	4 030 600	1 927 485
Workshop	-	-	-	-	158 820
Graders	-	-	-	-	1 735 023
Stores	-	-	-	-	4 078
Shopping complex	-	120 880	-	120 880	7 008
	124 172	108 668 423	3 030 233	111 822 828	93 598 904

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 (2011: N\$ 26 445 423) of which unsold houses and erven amount to N\$ 3 953 322 (2011: N\$ 3 953 322).

16. BURSARIES

There were no bursaries for the year under review.

17. CONTRIBUTIONS, GRANTS AND FINANCIAL AID

Nature of gift	Value	Beneficiary
	N\$	
Student subsidies	203 553	Children of staff members

18. COMPENSATION PAYMENTS

There were no such expenses.

19. VISITS TO FOREIGN COUNTRIES

The following visits were made:

Destination	Purpose	Daily allowance	Subsistence
		N\$	N\$
Sweden	Municipal Partnership	35 000	1 500
South Africa	Sensus metering training	1 800	300
South Africa	2nd annual Mayors & Municipal Authorities summit	2 400	300
South Africa	Meeting on planning & upgrade of informal Settlement	6 727	600
South Africa	Woman in Leadership and Democracy conference	1 500	300
		47 427	3 000

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:

Beneficiary	Nature of gift/donation	Value
		N\$
Association for the Handicapped	Donation	750
Blood Transfusion Centre	Donation	750
Cancer Association	Donation	750
Central sport grounds	Purr sew.	30 000
Donations by Mayor	Donation	3 052
Erongo Regional Council	Donation	2 500
Independence celebrations	Donation	6 346
Johanniter Unfalhilfe	Donation	750
Music week	Donation	750
National Sea Rescue Institute	Donation	24 000
Reiterverein	Purr sew.	3 750
Rossmund golf club	Purr sew.	75 000
Soccer club	Purr sew.	7 500
S.P.C.A.	Donation	8 000
Sport association	Donation	2 000
Sport club	Donation	750
Various schools	Bookprizes	10 500
Youth Choir	Donation	1 000
		178 148

22. TRANSFER OF PROPERTY

There were no transfers 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:

	2012	2011
	N\$	N\$
Services rendered and assessment rates	11 931 231	10 360 859
Interest accrued on investments	27	585 726
Subsidies receivable from the Government	582 118	564 579
Erongo Red	1 156 142	1 156 142
VAT Provision	14 802 942	6 885 275
Tourism debtors	762 338	1 327 167
Build Together debtors	822 659	797 370
Sundries	2 851 399	2 801 358
	32 908 856	24 478 476
Provision for bad debts	(1 304 399)	(1 174 399)
Consumer deposits	(2 894 500)	(2 909 885)
Total	28 709 957	20 394 192
Analysis of services and general debtors:		
Average monthly levy	10 714 746	10 119 763
Debtors	11 931 231	10 360 859
Average credit terms in days	34	31
Consumer deposits	2 894 500	2 909 885
Percentage of deposits in relation to debtors	24.3%	28.1%

23.2 Trade and other payables at 30 June were:

	2012	2011
	N\$	N\$
Commitments by purchase and other obligations	17 460 516	9 728 391
Audit fees, provision	290 872	240 872
Retention monies	621 053	321 275
Leave provision	5 531 422	4 388 661
Sundries	6 464 129	7 054 900
Recoverables	(81 690)	(52 212)
Totals	30 286 302	21 681 887

24. ASSESSMENT RATES

	2012	2011
	N\$	N\$
Assessment rates	46 916 525	41 601 205
Paid to the Regional Council	2 345 826	2 080 060

25. LOANS

25.1 External loans

	2012	2011
	N\$	N\$
Capital outlay	11 385 208	13 041 033
Housing Fund	1 051 759	1 152 756
Totals	12 436 967	14 193 789

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

	2012	2011
	N\$	N\$
Total	59 864 128	64 354 568

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

	2012	2011
	N\$	N\$
Balance due to the Government on loans at interest rates from 1% to 16%.	1 051 759	1 152 756
Balance due to the Municipality, secured by mortgage bonds by house owners	(1 232 680)	(1 580 910)
Difference invested for the benefit of the Fund, together with monies in the Fund.	(180 921)	(428 154)

25.3 Other loans due to the Municipality

	2012	2011
	N\$	N\$
Property Development Fund:		
- Secured loans	299 481	429 297
Build Together Fund:		
- Secured loans	8 646 073	7 928 179
- Advances	(4 396)	611 415
Huidare Building Project:		
- Secured loans	401 226	434 669
	9 342 384	9 403 560

26. SALE OF ERVEN

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

	2012		2011	
	Number	Amount	Number	Amount
		N\$		N\$
Total	20	38 427 027	27	32 349 066

27. LOCAL AUTHORITY PROPERTY SOLD ON AN INSTALMENT BASIS

	Build Together	Housing Scheme loans	Huidare	Total
	N\$	N\$	N\$	N\$
Balance - 1 July 2011	8 539 594	1 580 910	434 669	10 555 173
Sales	1 679 594	-	-	1 679 594
Interest charged	488 362	150 186	19 703	658 251
Redemption received	(2 065 873)	(498 416)	(53 146)	(2 617 435)
Balance - 30 June 2012	8 641 677	1 232 680	401 226	10 275 583

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 - 01/07/2011	22	2 005 175	44	4 727 500	45	15 128 518
Additions	4	716 578	4	663 254	4	7 551 115
Sub-total	26	2 721 753	48	5 390 754	49	22 679 633
Withdrawals	-	-	(3)	(103 600)	(3)	(324 600)
Depreciation and sold	-	-	-	-	-	-
Balance - 30/06/2012	26	2 721 753	45	5 287 154	46	22 355 033

30.2 Motor vehicles accidents:

	Authorised use			Unauthorised use
	Number	Damage	Written off	
Pending - 01/07/2011	-	N\$ -	N\$ -	N\$ -
Accidents reported	11	112 581	-	-
Vehicles repaired	(10)	(98 715)	-	-
Pending - 30/06/2012	1	13 866	-	-

30.3 Claims arising from accidents

	Claims by the Municipality		
		Claimed	Excess
Outstanding 01/07/2011	Number -	N\$ -	N\$ -
Received 2010/2011	45	351 300	43 306
Claimed 2010/2011	(37)	(266 576)	(34 762)
Outstanding 30/06/2012	8	84 724	8 544

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 2012, 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 2012 and the results of its operations and cash flow for the year then ended.

WINDHOEK, June 2013

JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL

MUNICIPALITY OF SWAKOPMUND

BALANCE SHEET AT 30 JUNE

	Notes	2012 N\$	2011 N\$
ASSETS			
Non-current assets			
		804 179 946	754 850 014
Property, plant and equipment	2	553 171 919	442 736 511
Loans receivable	3	10 575 064	10 984 470
Investments	4	240 432 963	301 129 033
Current assets			
		61 964 007	52 490 803
Trade and other receivables	5	28 709 957	20 394 192
Inventories	6	5 835 914	5 777 241
Bank and cash	7	27 418 136	26 319 370
TOTAL ASSETS		866 143 953	807 340 817
FUNDS AND LIABILITIES			
Funds and reserves			
		821 774 276	769 938 306
Capital outlay	8	515 929 765	400 182 834
Funds and accounts	9	207 418 729	280 468 364
Equity Erongo Red		98 425 782	89 287 108
Non-current liabilities			
Long-term loans	10	12 436 967	14 193 789
Current liabilities			
		31 932 710	23 208 722
Trade and other payables	11	30 286 302	21 681 887
Deposits	12	1 646 408	1 526 835
TOTAL FUNDS AND LIABILITIES		866 143 953	807 340 817

MUNICIPALITY OF SWAKOPMUND

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE

	<u>Notes</u>	<u>2012</u>	<u>2011</u>
		N\$	N\$
INCOME		173 407 797	162 236 641
EXPENDITURE		<u>165 826 178</u>	<u>147 649 121</u>
NET OPERATING SURPLUS		7 581 619	14 587 520
INTEREST ON INVESTMENTS		<u>2 941 807</u>	<u>2 345 197</u>
NET SURPLUS AFTER INTEREST		10 523 426	16 932 717
TRANSFER TO INTERNAL FUNDS	13	<u>(2 021 000)</u>	<u>(2 089 518)</u>
NET SURPLUS AFTER TRANSFERS		8 502 426	14 843 199
APPROPRIATION ACCOUNT	14	<u>(2 073 974)</u>	<u>(4 975 517)</u>
NET SURPLUS AFTER APPROPRIATIONS		6 428 452	9 867 682
REVENUE ACCOUNT - Beginning of year		<u>35 488 474</u>	<u>25 620 792</u>
REVENUE ACCOUNT - End of year		<u>41 916 926</u>	<u>35 488 474</u>

MUNICIPALITY OF SWAKOPMUND

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE

	<u>Note</u>	<u>2012</u>	<u>2011</u>
		N\$	N\$
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from customers		173 407 797	162 236 641
Cash paid to suppliers		<u>(169 571 602)</u>	<u>(146 211 090)</u>
Cash generated by operations	15	3 836 195	16 025 551
Interest received		2 941 807	2 345 197
Decrease in Fund accounts		(79 478 087)	(5 797 362)
Increase in Capital outlay		115 746 931	82 875 378
Increase in Erongo Red equity		<u>9 138 674</u>	<u>7 474 779</u>
Net cash flow from operating activities		52 185 520	102 923 543
CASH FLOW FROM INVESTING ACTIVITIES			
Net capital expenditure		(110 435 408)	(90 383 797)
Decrease/(increase) in loans receivable		409 406	(3 754 486)
Decrease in investments		<u>60 696 070</u>	<u>9 259 459</u>
		<u>(49 329 932)</u>	<u>(84 878 824)</u>
CASH FLOW FROM FINANCING ACTIVITIES			
Decrease in long-term liabilities		<u>(1 756 822)</u>	<u>(2 299 247)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS		1 098 766	15 745 472
CASH AND CASH EQUIVALENTS			
- BEGINNING OF YEAR		<u>26 319 370</u>	<u>10 573 898</u>
CASH AND CASH EQUIVALENTS - END OF YEAR		<u>27 418 136</u>	<u>26 319 370</u>

THE MUNICIPALITY OF SWAKOPMUND**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

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 lives.

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 the 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 the 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 2012
(continued)**1. 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

The 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

The 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 2012
(continued)**1. 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 the 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 2012
(continued)**1. 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 the 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 the 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.

MUNICIPALITY OF SWAKOPMUND

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012
(continued)

	2012	2011
	N\$	N\$
2. PROPERTY, PLANT AND EQUIPMENT		
Income assets	44 594 284	38 573 657
Loan assets	95 456 708	98 390 727
Funds and Grants	413 120 927	305 772 127
	553 171 919	442 736 511
3. LOANS RECEIVABLE		
Property Development Fund:		
- Secured loans	299 481	429 297
Build Together Fund:		
- Secured loans	8 646 073	7 928 179
- Advances	(4 396)	611 415
Huidare Building Project:		
- Secured loans	401 226	434 669
Housing loans:		
- Secured loans	1 232 680	1 580 910
	10 575 064	10 984 470
4. INVESTMENTS		
INVESTMENTS		
Commercial banks	67 500 000	110 000 000
Nampost	40 500 000	67 000 000
Erongo Red	132 432 963	124 129 033
	240 432 963	301 129 033
ALLOCATED AS FOLLOWS		
Capital Development Fund	16 451 206	19 098 959
Property Development Fund	766 817	82 981 544
Renewal Fund	11 896 468	10 832 567
Insurance Fund	633 218	542 147
Housing Fund	4 054 137	3 575 269
Meduletu Fund	11 683 809	11 399 684
Bond Protection Fund	773 328	678 351
Sundry Funds and Reserves	38 289 458	30 801 697
Erongo-RED Investment	132 432 963	124 129 033
Revenue	23 451 559	17 089 782
	240 432 963	301 129 033

MUNICIPALITY OF SWAKOPMUND

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012
(continued)

	2012	2011
	N\$	N\$
5. TRADE AND OTHER RECEIVABLES		
Services rendered and assessment rates	11 931 231	10 360 859
Interest accrued on investments	27	585 726
Subsidies receivable from the Government	582 118	564 579
Erongo Red	1 156 142	1 156 142
VAT Provision	14 802 942	6 885 275
Tourism debtors	762 338	1 327 167
Build Together debtors	822 659	797 370
Sundries	2 851 399	2 801 358
	32 908 856	24 478 476
Provision for bad debts	(1 304 399)	(1 174 399)
Consumer deposits	(2 894 500)	(2 909 885)
	28 709 957	20 394 192
6. INVENTORIES		
Stores	1 913 575	1 851 373
Oil - Workshop	8 732	7 261
Revolving Fund - Stock houses	3 953 322	3 953 322
DVD stock	942	942
Less: Redundant Stock	(40 657)	(35 657)
	5 835 914	5 777 241
7. BANK AND CASH		
Current account - Municipality operating account	26 750 337	21 057 745
Current account - Build Together Fund	663 299	5 257 625
Petty cash	4 500	4 000
	27 418 136	26 319 370
8. CAPITAL OUTLAY		
Loans redeemed	58 214 554	55 837 050
Revenue contributions	44 594 284	38 573 657
General capital contributions	413 120 927	305 772 127
	515 929 765	400 182 834

MUNICIPALITY OF SWAKOPMUND

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012
(continued)

	2012	2011
	N\$	N\$
9. FUNDS, ACCOUNTS AND RESERVES		
Anti Crime Fund	2 213	8 524
Betterment Fund	5 532 040	5 042 945
Bond Protection Fund	773 328	678 352
Build Together Fund	27 829 339	26 286 986
Bursary Fund	274 989	412 730
Capital Development Fund	43 773 198	49 974 201
Chairs Replacement fund	108 992	103 352
Employees Sport Club	2 923	38 063
Erongo Regional Donations Fund	645 224	611 837
Housing Fund	5 286 817	5 156 179
Huidare Project	864 048	821 678
Indoor Sport Complex Fund	1 912 956	1 813 971
Insurance Fund	633 218	542 147
Maintenance Reserve Fund	5 009 563	4 462 391
Mayoral Dev. Fund	258 530	398 721
Pavement Reserve Fund	77 403	73 398
Property Development Fund	29 639 539	112 933 482
Quarry Ventures Fund	335 758	124 846
Relocation Rubbish Dump Fund	780 220	714 476
Renewal Fund	15 865 364	14 787 251
Revolving Fund	15 637 130	15 353 006
Save The Jetty Fund	584 323	657 897
Sewerage Fund	2 274 916	1 789 092
Study Aid Fund	545 446	483 871
Swakop Emergency Fund	156 406	99 582
Tourism Fund	248 729	528 674
Erongo Red Dividends	5 270 650	-
Water Supply Fund	1 178 541	1 082 238
Revenue account kept in compliance with Section 86(1) of the Local Authorities Act, 1992.	41 916 926	35 488 474
	207 418 729	280 468 364
10. LONG-TERM LIABILITIES		
Loans from the Government:		
Capital outlay	11 385 208	13 041 033
Housing Fund	1 051 759	1 152 756
	12 436 967	14 193 789

MUNICIPALITY OF SWAKOPMUND

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012
(continued)

	2012	2011
	N\$	N\$
11. TRADE AND OTHER PAYABLES		
Commitments by purchase and other obligations	17 460 516	9 728 391
Audit fees, provision	290 872	240 872
Retention monies	621 053	321 275
Leave provision	5 531 422	4 388 661
Sundries	6 464 129	7 054 900
Recoverables	(81 690)	(52 212)
	30 286 302	21 681 887
12. DEPOSITS		
Tourism - Reservations	474 443	477 729
Sundries (excluding consumers)	1 171 965	1 049 106
	1 646 408	1 526 835
13. TRANSFER (TO)/FROM INTERNAL FUNDS		
Bursary Fund	(50 000)	(50 000)
Maintenance Fund	-	(113 000)
Renewal Fund	(683 000)	(638 518)
Revolving Fund	250 000	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)
	(2 021 000)	(2 089 518)

MUNICIPALITY OF SWAKOPMUND

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012
(continued)

	2012	2011
	N\$	N\$
14. ADJUSTMENTS TO APPROPRIATION ACCOUNT		
Adjustment - Prior year VAT	-	(6 411)
Additional float	(200)	-
Bungalows - Linnen and mattresses	(88 183)	-
Contribution - Early retirement	-	(200 000)
Contribution - Severance pay	(1 000 000)	-
Court case - Airport	(425 358)	(253 719)
Court case - Village Hotel	-	(366 970)
Crack houses	(448 620)	-
Delfino	(4 152)	-
File layout on internet banking	-	(8 941)
Inauguration of new fire station	-	(26 957)
Inauguration of new office complex	(92 729)	-
Instellation - Pre-paid meters sportfields	(12 150)	-
Interest paid - Ministry of Finance	-	(7 431)
Job gradings	-	(4 500 000)
Legal advice - NIB loan	-	(76 608)
Monies - Recovered Mr. C Mbuuru	-	15 939
Refund - Trans Namib	-	1 319
Refund - WML	-	7 096
Refunds	-	(15 939)
Replacement of IT hardware	-	(137 905)
Retention claimed from Supplier	-	1 543
Salary Deductions - Employee	-	2 300
Sundry receipts	543	-
Unclaimed retention monies	-	596 642
VAT adjustments	(3 125)	525
	(2 073 974)	(4 975 517)

MUNICIPALITY OF SWAKOPMUND

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012
(continued)

	2012	2011
	N\$	N\$
15. CASH GENERATED BY OPERATIONS		
Net operating surplus before interest and transfers	7 581 619	14 587 520
Adjustments for:		
- Adjustments to appropriation account	(2 073 974)	(4 975 517)
- Transfer to Funds	(2 021 000)	(2 089 518)
OPERATING SURPLUS BEFORE CHANGES IN WORKING CAPITAL	3 486 645	7 522 485
CHANGES IN WORKING CAPITAL		
Increase in trade and other receivables	(8 315 765)	(5 275 300)
Increase in inventories	(58 673)	(416 038)
Increase in trade and other payables	8 604 415	14 221 373
Increase/(decrease) in deposits	119 573	(26 969)
	349 550	8 503 066
CASH GENERATED BY OPERATIONS	3 836 195	16 025 551