



**REPUBLIC OF NAMIBIA**



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

# **MUNICIPALITY OF SWAKOPMUND**

**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013**

Published by authority

Price (Vat excluded) N\$ 35.48  
Report no 41/2014

**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 2013, 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, May 2014**

**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 2013**

---

**1. INTRODUCTION**

The accounts of the Municipality of Swakopmund for the year ended 30 June 2013 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 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\$ 4 881 204 (2012: N\$ 10 523 426), before any transfers to funds and appropriations during the financial year. The net loss after transfers to funds and reserves, and appropriations amounted to N\$ 2 448 401 (2012, net profit: N\$ 6 428 452). The accumulated surplus as at year-end amounted to N\$ 140 600 311 (2012: N\$ 140 342 708), thus indicating that the Municipality is in a sound financial position. The current year accumulated surplus includes N\$ 101 131 786 (2012: N\$ 98 425 782) 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.

##### 4.2 Provision for bad debts

Based on an average age of 30 days, the provision for bad debts is overstated by N\$ 4 527 877.

##### 4.3 Inventories

As the auditors were not involved in the inventory count, and no alternative procedures could be performed, the completeness and existence of inventory items could not be verified.

#### 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:

	<b>Revenue</b>	<b>Expenditure</b>	<b>Deficit</b>	<b>Balance</b>
	N\$	N\$	N\$	N\$
Accumulated surplus on 01/07/2012				41 916 926
General accounts				
- Community services	64 802 484	54 693 685	10 108 799	
- Subsidised services	8 164 229	31 804 759	(23 640 530)	
- Economic services	51 403 764	37 498 839	13 904 925	
- Housing	275 968	6 877 051	(6 601 083)	
Trade accounts				
- Electricity	13 873 700	7 169 654	6 704 046	
- Water	43 234 199	41 007 655	2 226 544	
- Tourism, bungalows	9 193 237	9 674 734	(481 497)	
	190 947 581	188 726 377	2 221 204	2 221 204
Surplus for the year				44 138 130
Adjustments and utilisations				(4 669 605)
Accumulated surplus on 30/06/2013				<b>39 468 525</b>

## 7. CURRENT BANK ACCOUNT

	2013	2012
	N\$	N\$
Cash-book balance at 30 June - Balance sheet	26 068 118	26 750 337
Outstanding cheques	2 543 539	2 116 426
Outstanding transfers	67 090	-
Deposits on bank statement not in cash-book	807 519	345 531
<b>Balance as per bank statement</b>	<b>29 486 266</b>	<b>29 212 294</b>

## 8. INVESTMENTS

The investments as at 30 June were as follows:

Institution	2013		2012	
	Investment	Interest	Investment	Interest
	N\$	N\$	N\$	N\$
Commercial banks	34 000 000	3 111 206	67 500 000	5 495 552
Nampost	25 000 000	1 662 261	40 500 000	3 126 951
Erongo Red	135 101 296	-	132 432 963	-
	<b>194 101 296</b>	<b>4 773 467</b>	<b>240 432 963</b>	<b>8 622 503</b>

The investments were allocated as follows:

Allocation	2013	2012
	N\$	N\$
Sundry Funds and Reserves	25 571 439	84 548 441
Erongo-RED Investment	135 101 296	132 432 963
Revenue	33 428 561	23 451 559
	<b>194 101 296</b>	<b>240 432 963</b>

## 9. FUND ACCOUNTS

The position of the Funds and accounts at year-end was as shown in note 9 in Annexure D.

## 10. TRADE ACCOUNT

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

	Electricity		Water	
	2013	2012	2013	2012
	N\$	N\$	N\$	N\$
Sales	13 873 700	13 873 702	41 964 108	39 215 313
Cost of sales	-	-	(29 973 056)	(26 415 143)
Gross surplus	13 873 700	13 873 702	11 991 052	12 800 170
Other income/(expenses)	(7 169 654)	(7 249 878)	(9 764 508)	(8 844 617)
<b>Net (deficit)/surplus</b>	<b>6 704 046</b>	<b>6 623 824</b>	<b>2 226 544</b>	<b>3 955 553</b>
Gross surplus percentages on purchases	-	-	40.0%	48.5%
Net surplus percentage on purchases	-	-	7.4%	15.0%
Gross surplus percentages on sales	-	-	28.6%	32.6%
Net surplus percentage on sales	-	-	5.3%	10.1%

**10.2 The results of tourism and bungalows were as follows:**

	<b>Tourism, Bungalows</b>	
	<b>2013</b>	<b>2012</b>
	N\$	N\$
Bungalows	9 075 267	11 585 854
Tourism Fund	50 000	50 000
Cancellation fees	1 625	810
Sundry income	32 591	42 890
Interest on invested money	33 755	43 448
Expenses	9 193 238 (9 674 735)	11 723 002 (9 394 377)
Net surplus	<b>(481 497)</b>	<b>2 328 625</b>
Net surplus percentage on sales	(5.2%)	19.9%

**10.3 Water distribution results, in cubic meters**

	<b>Water</b>	
	<b>2013</b>	<b>2012</b>
	Units	Units
Sales	3 626 026	3 640 805
Purchases	4 542 288	4 384 736
Loss	<b>(916 262)</b>	<b>(743 931)</b>
Percentage loss in units purchased	(20.2%)	(17.0%)

**11. SELF-SUPPORTING SERVICES**

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

<b>Service</b>	<b>Income 2013</b>	<b>Expenses 2013</b>	<b>Surplus/ (deficit) 2013</b>	<b>Surplus/ (deficit) 2012</b>
	N\$	N\$	N\$	N\$
Sewerage	22 514 632	11 516 692	10 997 940	4 853 873
Cleansing	16 740 752	14 280 568	2 460 184	2 336 817
Nursery	772 995	1 370 529	(597 534)	(807 699)
	<b>40 028 379</b>	<b>27 167 789</b>	<b>12 860 590</b>	<b>6 382 991</b>

**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 2013	Total expenditure 2012
	Revenue account	General capital	Loans		
	N\$	N\$	N\$	N\$	N\$
Cemetery	-	-	-	-	453 456
Cleansing services	-	2 360 981	-	2 360 981	1 791 975
Community services	-	4 167 073	-	4 167 073	819 361
Corporate services	-	347 827	326 198	674 025	-
Council's general expenses	-	192 767	248 154	440 921	28 257
Fire Brigade	-	435 364	-	435 364	262 985
Health department	32 086	28 548	-	60 634	143 861
Labour Pool Account	-	69 002	76 717	145 719	378 807
Parks and gardens	-	412 916	78 513	491 429	1 491 545
Public buildings	-	4 357 130	-	4 357 130	-
Sewage effluent	-	2 284 204	-	2 284 204	143 836
Sewerage 2orks	-	62 012 220	-	62 012 220	82 832 430
Streets	-	22 372 193	-	22 372 193	10 080 371
Sundry implements	-	347 615	-	347 615	1 167 903
Swimming pool	-	-	-	-	3 608 302
Tourism	-	791 669	-	791 669	2 367 948
Town Engineer	34 191	587 920	-	622 111	1 658 201
Town Treasurer	30 191	78 876	71 172	180 239	158 259
Traffic Control	-	74 318	-	74 318	283 851
Trucks	-	534 725	648 923	1 183 648	-
Water	-	13 698 683	141 687	13 840 370	4 030 600
Workshop	-	31 028	-	31 028	-
Shopping complex	-	1 508 947	-	1 508 947	120 880
	<b>96 468</b>	<b>116 694 006</b>	<b>1 591 364</b>	<b>118 381 838</b>	<b>111 822 828</b>

#### 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 (2012: N\$ 26 445 423) of which unsold houses and erven amount to N\$ 3 953 322 (2012: N\$ 3 953 322).

#### 16. BURSARIES

There were no burseries for the year under review.

#### 17. CONTRIBUTIONS, GRANTS AND FINANCIAL AI

Nature of gift	Value	Beneficiary
	N\$	
Student subsidies	191 900	Children of staff members

## 18. COMPENSATION PAYMENTS

There were no such expenses.

## 19. VISITS TO FOREIGN COUNTRIES

The following visits were made:

<b>Destination</b>	<b>Purpose</b>	<b>Daily allowance</b>	<b>Other</b>
		N\$	N\$
Sweden	Municipal Partnership	35 000	2 996
South Africa	Local Governance in the 21st century w/s	2 400	300
Botswana	NALASRA games 2012	3 000	2 300
South Africa	Workshop on Local Economic Development	-	5 400
Ghana	Workshop on housing	2 000	1 800
Botswana	Souther Africa Inter Municipal Games 2013	8 000	-
Switzerland	Atta Summit	6 000	24 101
South Africa	United Cities and Local Government	2 400	-
South Africa	North-South Municipal Partnership with Malmo	1 200	748
Germany	Irnex 2013 Politicians Forum	5 000	17 335
Malysia	Summit of Woman	17 000	34 620
		<b>82 000</b>	<b>89 600</b>

## 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:

<b>Beneficiary</b>	<b>Value</b>
	N\$
Association for the Handicap	750
Blood transfusion service	750
Bookprice (Schools)	10 500
Cancer Association	750
Erongo Regional Council	2 500
Independence Celebration	5 125
Johanniter Unfalilfe	750
Music Week / Cultural	750
National Sea Rescue Institute	22 000
President's Children Xmas party	5 000
Purr Sew: Central sports grounds	30 000
Purr Sew: Reiterverein	3 750
Purr Sew: Rossmund Golf Club	75 000
Purr Sew: Soccer Club	7 500
S.P.C.A	5 000
S.P.C.A: Water	3 000
Sport Club	750
Students subsidy	191 900
Youth Choir	1 000
	<b>366 775</b>



## 22. TRANSFER OF PROPERTY

There were 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:

	<b>2013</b>	<b>2012</b>
	N\$	N\$
Services rendered and assessment rates	8 560 512	11 931 231
Interest accrued on investments	92 981	27
Subsidies receivable from the Government	1 117 837	582 118
Erongo Red	1 156 140	1 156 142
VAT Provision	11 587 675	14 802 942
Tourism debtors	727 566	762 338
Build Together debtors	865 127	822 659
Sundries	2 906 334	2 851 399
	27 014 172	32 908 856
Provision for bad debts	(1 428 204)	(1 304 399)
Consumer deposits	(2 967 287)	(2 894 500)
<b>Total</b>	<b>22 618 681</b>	<b>28 709 957</b>
<b>Analysis of services and general debtors:</b>		
Average monthly levy	11 822 131	10 714 746
Debtors	8 560 512	11 931 231
Average credit terms in days	22	34
Consumer deposits	2 967 287	2 894 500
Percentage of deposits in relation to debtors	34.7%	24.3%

### 23.2 Trade and other payables at 30 June were:

	<b>2013</b>	<b>2012</b>
	N\$	N\$
Commitments by purchase and other obligations	13 099 803	17 460 516
Audit fees, provision	271 963	290 872
Retention monies	4 740 815	621 053
Leave provision	5 838 088	5 531 422
Sundries	6 807 999	6 464 129
Recoverables	(139 906)	(81 690)
<b>Totals</b>	<b>30 618 762</b>	<b>30 286 302</b>

## 24. ASSESSMENT RATES

	<b>2013</b>	<b>2012</b>
	N\$	N\$
Assesment rates	54 142 332	46 916 525
Paid to the Regional Council	2 707 117	2 345 826

## 25. LOANS

### 25.1 External loans

	<b>2013</b>	<b>2012</b>
	N\$	N\$
Capital outlay	9 709 200	11 385 208
Housing Fund	948 801	1 051 759
<b>Totals</b>	<b>10 658 001</b>	<b>12 436 967</b>

The balances agree with actuarial tables. Assets financed by loan have been capitalised and no assets financed by loan were disposed off before the loan was redeemed. Loan monies were used for the purpose they were obtained for.

### 25.2 Internal loans

	<b>2013</b>	<b>2012</b>
	N\$	N\$
<b>Total</b>	<b>54 303 334</b>	<b>59 864 128</b>

The balances agree with actuarial tables. Assets financed by loan have been capitalised and no assets were disposed off before the loan was redeemed. Loan monies were used for the purpose they were obtained for.

### 25.3 Due to the Municipality

	<b>2013</b>	<b>2012</b>
	N\$	N\$
Balance due to the Government on loans at interest rates from 1% to 16%.	948 801	1 051 759
Balance due to the Municipality, secured by mortgage bonds by house owners	(939 141)	(1 232 680)
Difference invested for the benefit of the Fund, together with monies in the Fund.	<b>9 660</b>	<b>(180 921)</b>

### 25.3 Other loans due to the Municipality

	<b>2013</b>	<b>2012</b>
	N\$	N\$
Property Development Fund:		
- Secured loans	1 274 904	299 481
Build Together Fund:		
- Secured loans	9 506 459	8 646 073
- Advances	(630 013)	(4 396)
Huidare Building Project:		
- Secured loans	380 604	401 226
	<b>10 531 954</b>	<b>9 342 384</b>

## 26. SALE OF ERVEN

The following erven were sold during the year. The proceeds were allocated to the Property Development Fund (2012: To revenue).

	2013		2012	
	Number	Amount	Number	Amount
		N\$		N\$
Total	120	56 996 155	20	38 427 027

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

	Build Together	Housing scheme loans	Huidare	Total
	N\$	N\$	N\$	N\$
Balance - 1 July 2012	8 641 677	1 232 680	401 226	10 275 583
Sales	1 760 359	-	-	1 760 359
Interest charged	526 920	115 426	18 596	660 942
Redemption received	(1 422 497)	(408 966)	(39 218)	(1 870 681)
Balance - 30 June 2013	<b>9 506 459</b>	<b>939 140</b>	<b>380 604</b>	<b>10 826 203</b>

## 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 - 01/07/2012	26	2 721 753	45	5 287 154	44	22 355 033
Additions	2	547 500	3	447 374	4	2 879 190
Sub-total	28	3 269 253	48	5 734 528	48	25 234 223
Withdrawals	(2)	(108 900)	-	-	-	-
Depreciation and sold	-	-	-	-	-	-
Balance - 30/06/2013	<b>26</b>	<b>3 160 353</b>	<b>48</b>	<b>5 734 528</b>	<b>48</b>	<b>25 234 223</b>

### 30.2 Motor vehicles accidents

	Authorised use			Unauthorised use
	Number	Damage	Written off	
		N\$	N\$	N\$
Pending - 01/07/2012	1	13 866	-	-
Accidents reported	21	174 727	-	-
Vehicles repaired	(16)	(157 230)	-	-
Pending - 30/06/2013	<b>6</b>	<b>31 363</b>	-	-

### 30.3 Claims arising from accidents

	Claims by the Municipality		
	Number	Claimed	Excess
		N\$	N\$
Outstanding 01/07/2012	8	84 724	8 544
Received	37	288 820	24 150
Claimed	(38)	(304 819)	(30 694)
Outstanding 30/06/2013	<b>7</b>	<b>68 725</b>	<b>2 000</b>

### 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 2013, 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 2013 and the results of its operations and cash flow for the year then ended.

WINDHOEK, May 2014

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

## THE MUNICIPALITY OF SWAKOPMUND

## BALANCE SHEET AT 30 JUNE

	Notes	2013 N\$	2012 N\$
<b>ASSETS</b>			
NON CURRENT ASSETS			
		872 899 490	804 179 946
Property, plant and equipment	2	667 327 099	553 171 919
Loans receivable	3	11 471 095	10 575 064
Investments	4	194 101 296	240 432 963
CURRENT ASSETS			
		55 330 587	61 964 007
Trade and other receivables	5	22 618 681	28 709 957
Inventories	6	5 905 999	5 835 914
Bank and cash	7	26 805 907	27 418 136
TOTAL ASSETS		<b>928 230 077</b>	<b>866 143 953</b>
<b>FUNDS AND LIABILITIES</b>			
FUNDS AND RESERVES			
		884 801 342	821 774 276
Capital outlay	8	637 284 072	515 929 765
Funds and accounts	9	146 385 484	207 418 729
Equity Erongo Red		101 131 786	98 425 782
NON-CURRENT LIABILITIES			
Long-term loans	10	10 658 001	12 436 967
CURRENT LIABILITIES			
		32 770 734	31 932 710
Trade and other payables	11	30 618 762	30 286 302
Deposits	12	2 151 972	1 646 408
TOTAL FUNDS AND LIABILITIES		<b>928 230 077</b>	<b>866 143 953</b>

## THE MUNICIPALITY OF SWAKOPMUND

## INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE

	<b>Notes</b>	<b>2013</b>	<b>2012</b>
		N\$	N\$
INCOME		187 675 619	173 407 797
EXPENDITURE		<u>185 716 377</u>	<u>165 826 178</u>
NET OPERATING SURPLUS		1 959 242	7 581 619
INTEREST ON INVESTMENTS		<u>2 921 962</u>	<u>2 941 807</u>
NET SURPLUS AFTER INTEREST		4 881 204	10 523 426
TRANSFER TO INTERNAL FUNDS	13	<u>(2 660 000)</u>	<u>(2 021 000)</u>
NET SURPLUS AFTER TRANSFERS		2 221 204	8 502 426
APPROPRIATION ACCOUNT	14	<u>(4 669 605)</u>	<u>(2 073 974)</u>
NET SURPLUS AFTER APPROPRIATIONS		(2 448 401)	6 428 452
REVENUE ACCOUNT - Beginning of year		<u>41 916 926</u>	<u>35 488 474</u>
REVENUE ACCOUNT - End of year		<u><b>39 468 525</b></u>	<u><b>41 916 926</b></u>

## THE MUNICIPALITY OF SWAKOPMUND

## CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE

	Note	2013 N\$	2012 N\$
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Cash receipts from customers		187 675 619	173 407 797
Cash paid to suppliers		(186 186 767)	(169 571 602)
Cash generated by operations	15	1 488 852	3 836 195
Interest received		2 921 962	2 941 807
Decrease in Fund accounts		(58 584 844)	(79 478 087)
Increase in Capital outlay		121 354 307	115 746 931
Increase in Erongo Red equity		2 706 004	9 138 674
Net cash flow from operating activities		69 886 281	52 185 520
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Net capital expenditure		(114 155 180)	(110 435 408)
(Increase)/decrease in loans receivable		(896 031)	409 406
Decrease in investments		46 331 667	60 696 070
		(68 719 544)	(49 329 932)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Decrease in long-term liabilities		(1 778 966)	(1 756 822)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(612 229)	1 098 766
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR		27 418 136	26 319 370
CASH AND CASH EQUIVALENTS - END OF YEAR		<b>26 805 907</b>	<b>27 418 136</b>

**THE MUNICIPALITY OF SWAKOPMUND****NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

---

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

The annual financial statements set out in Annexures A to D were prepared on the historical cost basis and incorporate the following principle 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.



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

---

**1. ACCOUNTING POLICIES (continued)****1.3.5 Water Supply Fund**

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

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

**1.3.6 Pavement Reserve Fund**

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

**1.3.7 Bursary Fund**

The purpose of this Fund is to enable selected candidates from Namibia 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.

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

---

**1. ACCOUNTING POLICIES (continued)****1.3.12 Sewerage Reserve**

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

**1.3.13 Chairs Replacement Reserve**

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

**1.3.14 Indoor Sport Complex Reserve**

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

**1.4 Internal loans**

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

**1.5 Capital outlay**

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

**1.6 Stores – Inventory**

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

**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.

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

---

**1. ACCOUNTING POLICIES (continued)**

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

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

**1.9 Funds****1.9.1 Capital Development Fund**

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

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

**1.9.2 Property Development Fund**

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

**1.9.3 Renewal Fund**

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

**1.9.4 Housing Fund**

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

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

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

**1.9.5 Insurance Fund**

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

**1.9.6 Revolving Fund**

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

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

## THE MUNICIPALITY OF SWAKOPMUND

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE  
(continued)**1. ACCOUNTING POLICIES (continued)****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.

	<u>2013</u>	<u>2012</u>
	N\$	N\$
<b>2. PROPERTY, PLANT AND EQUIPMENT</b>		
Income assets	48 454 856	44 594 284
Loan assets	92 077 583	95 456 708
Funds and grants	526 794 660	413 120 927
	<b><u>667 327 099</u></b>	<b><u>553 171 919</u></b>
<b>3. LOANS RECEIVABLE</b>		
Property Development Fund:		
- Secured loans	1 274 904	299 481
Build Together Fund:		
- Secured loans	9 506 459	8 646 073
- Advances	(630 013)	(4 396)
Huidare Building Project:		
- Secured loans	380 604	401 226
Housing loans:		
- Secured loans	939 141	1 232 680
	<b><u>11 471 095</u></b>	<b><u>10 575 064</u></b>

## THE MUNICIPALITY OF SWAKOPMUND

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

	2013	2012
	N\$	N\$
<b>4. INVESTMENTS</b>		
INVESTMENTS		
Commercial banks	34 000 000	67 500 000
Nampost	25 000 000	40 500 000
Erongo Red	135 101 296	132 432 963
	<b>194 101 296</b>	<b>240 432 963</b>
ALLOCATED AS FOLLOWS		
Sundry Funds and Reserves	25 571 439	84 548 441
Erongo-RED Investment	135 101 296	132 432 963
Revenue	33 428 561	23 451 559
	<b>194 101 296</b>	<b>240 432 963</b>
<b>5. TRADE AND OTHER RECEIVABLES</b>		
Services rendered and assessment rates	8 560 512	11 931 231
Interest accrued on investments	92 981	27
Subsidies receivable from the Government	1 117 837	582 118
Erongo Red	1 156 140	1 156 142
VAT provision	11 587 675	14 802 942
Tourism debtors	727 566	762 338
Build Together debtors	865 127	822 659
Sundries	2 906 334	2 851 399
	27 014 172	32 908 856
Provision for bad debts	(1 428 204)	(1 304 399)
Consumer deposits	(2 967 287)	(2 894 500)
	<b>22 618 681</b>	<b>28 709 957</b>
<b>6. INVENTORIES</b>		
Stores	1 989 668	1 913 575
Oil – Workshop	7 723	8 732
Revolving Fund – Stock houses	3 953 322	3 953 322
DVD stock	942	942
Less: Redundant Stock	(45 656)	(40 657)
	<b>5 905 999</b>	<b>5 835 914</b>

## THE MUNICIPALITY OF SWAKOPMUND

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

	2013	2012
	N\$	N\$
<b>7. BANK AND CASH</b>		
Current account – Municipality operating account	26 068 118	26 750 337
Current account – Build Together Fund	733 089	663 299
Petty cash	4 700	4 500
	<b>26 805 907</b>	<b>27 418 136</b>
<b>8. CAPITAL OUTLAY</b>		
Loans redeemed	62 034 556	58 214 554
Revenue contributions	48 454 856	44 594 284
General capital contributions	526 794 660	413 120 927
	<b>637 284 072</b>	<b>515 929 765</b>
<b>9. FUNDS, ACCOUNTS AND RESERVES</b>		
Anti Crime Fund	2 320	2 213
Betterment Fund	5 913 138	5 532 040
Bond Protection Fund	876 454	773 328
Build Together Fund	29 411 760	27 829 339
Bursary Fund	372 486	274 989
Capital Development Fund	34 729 427	43 773 198
Chairs Replacement Fund	114 444	108 992
Employees Sport Club	3 045	2 923
Erongo Regional Donations Fund	677 500	645 224
Housing Fund	5 384 872	5 286 817
Huidare Project	907 314	864 048
Indoor Sport Complex Fund	2 008 651	1 912 956
Insurance Fund	658 846	633 218
Maintenance Reserve Fund	5 412 202	5 009 563
Mayoral Development Fund	321 397	258 530
Pavement Reserve Fund	81 275	77 403
Property Development Fund	(24 123 692)	29 639 539
Quarry Ventures Fund	358 665	335 758
Relocation Rubbish Dump Fund	845 933	780 220
Renewal Fund	16 122 032	15 865 364
Revolving Fund	12 729 580	15 637 130
Save The Jetty Fund	613 487	584 323
Sewerage Fund	2 048 352	2 274 916
Study Aid Fund	526 951	545 446
Swakop Emergency Fund	174 519	156 406
Tourism Fund	69 741	248 729
Erongo Red Dividends	847 210	5 270 650
Water Supply Fund	9 829 050	1 178 541
Revenue account kept in compliance with Section 86(1) of the Local Authorities Act, 1992.	39 468 525	41 916 926
	<b>146 385 484</b>	<b>207 418 729</b>

## THE MUNICIPALITY OF SWAKOPMUND

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

	<b>2013</b>	<b>2012</b>
	N\$	N\$
<b>10. LONG-TERM LIABILITIES</b>		
Loans from the Government:		
Capital outlay	9 709 200	11 385 208
Housing Fund	948 801	1 051 759
	<b>10 658 001</b>	<b>12 436 967</b>
<b>11. TRADE AND OTHER PAYABLES</b>		
Commitments by purchase and other obligations	13 099 803	17 460 516
Audit fees, provision	271 963	290 872
Retention monies	4 740 815	621 053
Leave provision	5 838 088	5 531 422
Sundries	6 807 999	6 464 129
Recoverables	(139 906)	(81 690)
	<b>30 618 762</b>	<b>30 286 302</b>
<b>12. DEPOSITS</b>		
Tourism – Reservations	431 015	474 443
Sundries (excluding consumers)	1 720 957	1 171 965
	<b>2 151 972</b>	<b>1 646 408</b>
<b>13. TRANSFER (TO)/FROM INTERNAL FUNDS</b>		
Bursary Fund	(50 000)	(50 000)
Employees Sport Club	(100 000)	-
Maintenance Fund	(539 000)	-
Renewal Fund	(683 000)	(683 000)
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)
	<b>(2 660 000)</b>	<b>(2 021 000)</b>

## THE MUNICIPALITY OF SWAKOPMUND

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

	2013	2012
	N\$	N\$
<b>14. ADJUSTMENTS TO APPROPRIATION ACCOUNT</b>		
Additional float	-	(200)
Advance payment – SAIMSA Exco	(250 000)	-
Automatic meter reading system	(179 215)	-
Bungalows – Linnen and mattresses	-	(88 183)
Contribution – Severance pay	-	(1 000 000)
Court case – Airport	(62 152)	(425 358)
Court case – DMA Holdings	(91 813)	-
Crack houses	(147 265)	(448 620)
Delfino	-	(4 152)
Donation – Southern Campus	(10 000)	-
Inauguration of new office complex	-	(92 729)
Instellation – Pre-paid meters sportfields	-	(12 150)
Marketing Namibia – SAIMSA Games	(70 791)	-
Operational costs new sewerage	(4 515 800)	-
Repairs – Swakopmund Airport	(240 135)	-
Sundry payments	(189)	-
Sundry receipts	917 089	543
VAT adjustments	-	(3 125)
Visions Consulting	(19 334)	-
	<b>(4 669 605)</b>	<b>(2 073 974)</b>
<b>15. CASH GENERATED BY OPERATIONS</b>		
Net operating surplus before interest and transfers	1 959 242	7 581 619
Adjustments for:		
- Adjustments to appropriation account	(4 669 605)	(2 073 974)
- Transfer to Funds	(2 660 000)	(2 021 000)
OPERATING (DEFICIT)/SURPLUS BEFORE CHANGES IN WORKING CAPITAL	<b>(5 370 363)</b>	<b>3 486 645</b>
CHANGES IN WORKING CAPITAL		
Decrease/(increase) in trade and other receivables	6 091 276	(8 315 765)
Increase in inventories	(70 085)	(58 673)
Increase in trade and other payables	332 460	8 604 415
Increase in deposits	505 564	119 573
	<b>6 859 215</b>	<b>349 550</b>
CASH GENERATED BY OPERATIONS	<b>1 488 852</b>	<b>3 836 195</b>