



REPUBLIC OF NAMIBIA



**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE
MUNICIPALITY OF SWAKOPMUND
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014**

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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 2014, 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, November 2015

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF
THE MUNICIPALITY OF SWAKOPMUND
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014**

1. INTRODUCTION

The accounts of the Municipality of Swakopmund for the year ended 30 June 2014 are being reported on in accordance with the provisions set out in the State Finance Act, 1991 (Act 31 of 1991) read with the Local Authorities Act, 1992 (Act 23 of 1992).

The firm EDB & Associates 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. KEY AUDIT FINDINGS

4.1 Financial results

The Municipality made a loss of N\$ 592 755 (2013: N\$ 4 881 204), 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\$ 5 748 697 (2013: 2 448 401). The accumulated surplus as at year-end amounted to N\$ 33 719 828 (2013: N\$ 39 468 525), thus indicating that the Municipality is in a sound financial position.

4.2 Provision for bad debts

Based on an average age of 30 days, the provision for bad debts is understated by N\$ 2 586 161 (2014) and 2013: overstated by N\$ 4 527 877.

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 01/07/2013				39 468 525
General accounts				
- Community services	67 972 114	59 734 306	8 237 808	
- Subsidised services	8 085 590	35 035 089	(26 949 499)	
- Economic services	54 974 171	45 324 162	9 650 009	
- Housing	23 322	7 902 696	(7 879 374)	
Trade accounts				
- Electricity	13 873 702	7 165 977	6 707 725	
- Water	50 229 326	44 160 253	6 069 073	
- Tourism, bungalows	10 805 498	10 243 997	(561 502)	
	205 963 724	209 566 480	(3 602 756)	(3 602 756)
Surplus for the year				35 865 769
Adjustments and utilisations				(2 145 941)
Accumulated surplus on 30/06/2014				33 719 828

7. CURRENT BANK ACCOUNT

	2014	2013
	N\$	N\$
Cash-book balance at 30 June - Balance sheet	89 666 746	26 068 118
Outstanding cheques	1 462 086	2 543 539
Outstanding transfers	3 150	67 090
Deposits on bank statement not in cash-book	1 024 641	807 519
Balance as per bank statement	92 156 624	29 486 266

8. INVESTMENTS

The investments as at 30 June were as follows:

Institution	2014		2013	
	Investment	Interest	Investment	Interest
	N\$	N\$	N\$	N\$
Commercial banks	22 500 000	2 991 191	34 000 000	3 111 206
Nampost	17 000 000	1 177 163	25 000 000	1 662 261
Erongo Red	135 301 083	-	135 101 296	-
	174 801 083	4 168 354	194 101 296	4 773 467

The investments were allocated as follows:

Allocation	2014	2013
	N\$	N\$
Sundry Funds and Reserves	79 635 859	25 571 439
Erongo-RED Investment	135 301 083	135 101 296
Revenue - current account	(40 135 859)	33 428 561
	174 801 083	194 101 296

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	
	2014	2013	2014	2013
	N\$	N\$	N\$	N\$
Sales	13 873 702	13 873 700	50 229 326	41 964 108
Cost of sales	-	-	(31 129 247)	(29 973 056)
Gross surplus	13 873 702	13 873 700	19 100 079	11 991 052
Other income/(expenses)	(7 165 977)	(7 169 654)	(13 031 006)	(9 764 508)
Net surplus	6 707 725	6 704 046	6 069 073	2 226 544
Gross surplus percentages on purchases	-	-	61.36%	40.0%
Net surplus percentage on purchases	-	-	19.5%	7.4%
Gross surplus percentages on sales	-	-	38.03%	28.6%
Net surplus percentage on sales	-	-	12.08%	5.3%

10.2 The results of tourism and bungalows were as follows:

	Tourism, Bungalows	
	2014	2013
	N\$	N\$
Bungalows	10 600 765	9 075 267
Tourism Fund	119 110	50 000
Cancellation fees	2 868	1 625
Sundry income	28 283	32 591
Interest on invested money	52 472	33 755
	10 805 498	9 193 238
Expenses	(10 243 997)	(9 674 735)
Net surplus	561 502	(481 497)
Net surplus percentage on sales	5.2%	(5.2%)

10.3 Water distribution results, in cubic meters

	Water	
	2014	2013
	Units	Units
Sales	4 051 855	3 626 026
Purchases	4 476 712	4 542 288
Loss	(424 857)	(916 262)
Percentage loss in units purchased	(10.49%)	(20.2%)

11. SELF-SUPPORTING SERVICES

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

Service	Income 2014	Expenses 2014	Surplus/ (deficit) 2014	Surplus/ (deficit) 2013
	N\$	N\$	N\$	N\$
Sewerage	22 826 511	19 097 750	3 728 761	10 997 940
Cleansing	19 463 952	14 901 932	4 562 020	2 460 184
Nursery	662 587	1 405 681	(743 094)	(597 534)
	42 953 050	35 405 363	7 547 687	12 860 590

Council should put measures in place to make the Nursery self-supporting

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 were reported.

14.2 No losses were reported.

15. CAPITAL PROJECTS

The following were spent on capital projects:

Nature of projects/ Acquisitions	Financed by			Total expenditure 2014	Total expenditure 2013
	Revenue account	General capital	Loans		
	N\$	N\$	N\$	N\$	N\$
Cemetery	-	23 723	-	23 723	-
Cleansing services	-	3 309 194	-	3 309 194	2 360 981
Community services	27 171	2 816 671	-	2 843 842	4 167 073
Corporate services	44 883	44 520	-	89 403	674 025
Council's general expenses	109 163	42 250	-	151 413	440 921
Finance	25 340	-	-	25 340	-
Fire Brigade	-	198 070	-	198 070	435 364
Human Resource	55 386	-	-	55 386	-
Health department	4 057	-	-	4 057	60 634
Labour Pool Account	195 304	-	-	195 304	145 719
Mole, Pier, Strand	841 910	-	-	841 910	-
Parks and gardens	250 000	1 317 329	-	1 567 329	491 429
Public buildings	103 023	1 183 107	-	1 286 130	4 357 130
Rates and general	-	-	19 283 489	19 283 489	-
Sewage effluent	-	9 596 765	-	9 596 765	2 284 204
Sewerage Works	2 052 963	11 410 135	-	13 463 098	62 012 220
Streets	3 220 276	9 279 771	-	12 500 047	22 372 193
Sundry implements	-	-	-	-	347 615
Swimming pool	-	-	-	-	-
Tourism	3 362 634	769 199	1 525 483	5 657 316	791 669
Town Engineer	117 915	1 225 267	-	1 343 182	622 111
Town Treasurer	-	-	-	-	180 239
Traffic Control	13 044	471 887	-	484 931	74 318
Trucks	-	666 792	-	666 792	1 183 648
Water supply	637 507	12 527 936	109 136	13 274 579	13 840 370
Water tankers	348 831	-	-	348 831	-
Workshop	-	-	-	-	31 028
Shopping complex	-	52 704	-	52 704	1 508 947
	11 409 408	54 935 320	20 918 108	87 262 836	118 381 838

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 (2013: N\$ 26 445 423) of which unsold houses and erven amounts to N\$ 3 953 322 (2013: 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	195 845	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	Other
		N\$	N\$
France	World's mayor's summit on climate change	4 000	35 424
Sweden	North South Municipal partnership Malmo	33 000	2 400
		37 000	37 824

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	Value
	N\$
Presidents - children christmas party	27 820
S.P.C.A water	3 000
Art Association	1 000
Independence Celebration	10 000
Students subsidy	195 845
Purified Sewerage: Rossmund Golf club	95 000
Purified Sewerage: Sounds Club	7 500
Purified Sewerage: Reiterverein	3 750
Purified Sewerage: Central sports grounds	30 000
	353 915

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:

	2014	2013
	N\$	N\$
Services rendered and assessment rates	17 763 350	8 560 512
Interest accrued on investments	30 452	92 981
Subsidies receivable from the Government	1 269 690	1 117 837
Erongo Red	1 156 140	1 156 140
VAT Provision	3 359 140	11 587 675
Tourism debtors	1 223 502	727 566
Build Together debtors	699 220	865 127
Sundries	2 872 018	2 906 334
	28 373 512	27 014 172
Provision for bad debts	(1 558 204)	(1 428 204)
Consumer deposits	(3 163 873)	(2 967 287)
Total	23 651 435	22 618 681
Analysis of services and general debtors:		
Average monthly levy	13 808 137	11 822 131
Debtors	17 763 350	8 560 512
Average credit terms in days	39	22
Consumer deposits	3 163 873	2 967 287
Percentage of deposits in relation to debtors	17.81%	34.7%

23.2 Trade and other payables at 30 June were:

	2014	2013
	N\$	N\$
Commitments by purchase and other obligations	16 685 883	13 099 803
Audit fees, provision	374 244	271 963
Retention monies	1 389 789	4 740 815
Leave provision	4 569 567	5 838 088
Sundries	7 109 772	6 807 999
Recoverables	(836 030)	(139 906)
Totals	29 293 225	30 618 762

24. ASSESSMENT RATES

	2014	2013
	N\$	N\$
Assesment rates	61 899 507	54 142 332
Paid to the Regional Council	3 094 975	2 707 117

25. LOANS

25.1 External loans

	2014	2013
	N\$	N\$
Capital outlay	7 724 998	9 709 200
Housing Fund	826 530	948 801
Totals	8 551 528	10 658 001

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

	2014	2013
	N\$	N\$
Total	68 078 656	54 303 334

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

	2014	2013
	N\$	N\$
Balance due to the Government on loans at interest rates from 1% to 16%.	826 530	948 801
Balance due to the Municipality, secured by mortgage bonds by house owners	(625 472)	(939 141)
Difference invested for the benefit of the Fund, together with monies in the Fund.	201 058	9 660

25.3 Other loans due to the Municipality

	2014	2013
	N\$	N\$
Property Development Fund:		
- Secured loans	3 039 183	1 274 904
Build Together Fund:		
- Secured loans	9 274 198	9 506 459
- Advances	(577 589)	(630 013)
Huidare Building Project:		
- Secured loans	346 696	380 604
Housing Loans - Secured	625 472	939 141
	12 707 960	11 471 095

26. SALE OF ERVEN

The following erven were sold during the year. The proceeds were allocated to the Property Development Fund 2013: To Property Development Fund.

	2014	2013
	Amount	Amount
	N\$	N\$
Total	112 843 101	56 996 155

27. LOCAL AUTHORITY PROPERTY SOLD ON AN INSTALMENT BASIS

	Build Together	Housing scheme loans	Huidare	Total
	N\$	N\$	N\$	N\$
Balance - 1 July 2013	9 506 459	939 140	380 604	10 826 203
Sales	-	-	-	-
Interest charged	969 440	82 765	17 085	1 069 290
Redemption received	(1 201 701)	(396 433)	(50 993)	(1 649 127)
Balance - 30 June 2014	9 274 198	625 472	346 696	10 246 366

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 - 01/07/2013	26	3 160 353	48	5 734 528	48	25 234 223
Additions	4	1 020 000	3	665 979	8	7 459 801
Sub-total	30	4 180 353	51	6 400 507	56	32 694 024
Withdrawals	(3)	(107 600)	(2)	(110 100)	(1)	(165 600)
Depreciation and sold	-	-	-	-	-	-
Balance - 30/06/2014	27	4 072 753	49	6 290 407	55	32 528 424

30.2 Motor vehicle accidents

	Authorised use			Unauthorised use
	Number	Damage	Written off	
		N\$	N\$	
Pending - 01/07/2013	6	31 363	-	-
Accidents reported	21	268 865	-	-
Vehicles repaired	(17)	(273 436)	-	-
Pending - 30/06/2014	4	95 429	-	-

30.3 Claims arising from accidents

	Claims by the Municipality		
	Number	Claimed	Excess
		N\$	N\$
Outstanding 01/07/2013	7	68 725	2 000
Received	37	288 820	24 150
Claimed	(38)	(304 819)	(30 694)
Outstanding 30/06/2014	7	68 725	2 000

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 All formal queries are embodied in this report.

33.2 Informal queries were addressed to the Chief Executive Officer.

34. UNQAULIFIED AUDIT OPINION

The accounts of the Municipality of Swakopmund for the financial year ended 30 June 2014, 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 2014 and the results of its operations and cash flow for the year then ended.

WINDHOEK, November 2015

**JUNIAS ETUNA KANDJEKE
AUDITOR- GENERAL**

THE MUNICIPALITY OF SWAKOPMUND

BALANCE SHEET AT 30 JUNE

	Notes	2014 N\$	2013 N\$
ASSETS			
NON CURRENT ASSETS			
		926 877 934	872 899 490
Property, plant and equipment	2	739 368 891	667 327 099
Loans receivable	3	12 707 960	11 471 095
Investments	4	174 801 083	194 101 296
CURRENT ASSETS			
		123 784 772	55 330 587
Trade and other receivables	5	25 385 849	22 618 681
Inventories	6	6 595 196	5 905 999
Bank and cash	7	91 803 727	26 805 907
TOTAL ASSETS		1 050 662 706	928 230 077
FUNDS AND LIABILITIES			
FUNDS AND RESERVES			
		1 009 874 686	884 801 342
Capital outlay	8	695 480 764	637 284 072
Funds and accounts	9	211 008 368	146 385 484
Equity Erongo Red		103 385 554	101 131 786
NON-CURRENT LIABILITIES			
Long-term loans	10	8 551 528	10 658 001
CURRENT LIABILITIES			
		32 236 492	32 770 734
Trade and other payables	11	29 293 225	30 618 762
Deposits	12	2 943 267	2 151 972
TOTAL FUNDS AND LIABILITIES		1 050 662 706	928 230 077

THE MUNICIPALITY OF SWAKOPMUND

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE

	<u>Notes</u>	<u>2014</u>	<u>2013</u>
		N\$	N\$
INCOME		203 495 647	187 675 619
EXPENDITURE		<u>206 556 480</u>	<u>185 716 377</u>
NET OPERATING SURPLUS		(3 060 833)	1 959 242
INTEREST ON INVESTMENTS		<u>2 468 078</u>	<u>2 921 962</u>
NET SURPLUS AFTER INTEREST		(592 755)	4 881 204
TRANSFER TO INTERNAL FUNDS	13	<u>(3 010 000)</u>	<u>(2 660 000)</u>
NET SURPLUS AFTER TRANSFERS		(3 602 756)	2 221 204
APPROPRIATION ACCOUNT	14	<u>(2 145 941)</u>	<u>(4 669 605)</u>
NET SURPLUS AFTER APPROPRIATIONS		(5 748 697)	(2 448 401)
REVENUE ACCOUNT - Beginning of year		<u>39 468 525</u>	<u>41 916 926</u>
REVENUE ACCOUNT - End of year		<u>33 719 828</u>	<u>39 468 525</u>

THE MUNICIPALITY OF SWAKOPMUND

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE

	Note	2014 N\$	2013 N\$
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from customers		203 495 647	187 675 619
Cash paid to suppliers		(215 703 029)	(186 186 767)
Cash generated by operations	15	(12 207 382)	1 488 852
Interest received		2 468 078	2 921 962
Decrease in Fund accounts		70 371 581	(58 584 844)
Increase in Capital outlay		58 196 692	121 354 307
Increase in Erongo Red equity		2 253 768	2 706 004
Net cash flow from operating activities		121 082 737	69 886 281
CASH FLOW FROM INVESTING ACTIVITIES			
Net capital expenditure		(72 041 792)	(114 155 180)
(Increase)/decrease in loans receivable		(1 236 865)	(896 031)
Decrease in investments		19 300 213	46 331 667
		(53 978 444)	(68 719 544)
CASH FLOW FROM FINANCING ACTIVITIES			
Decrease in long-term liabilities		(2 106 473)	(1 778 966)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		64 997 820	(612 229)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR		26 805 907	27 418 136
CASH AND CASH EQUIVALENTS - END OF YEAR		91 803 727	26 805 907

THE MUNICIPALITY OF SWAKOPMUND**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

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 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 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 dependent 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.

	2014	2013
	N\$	N\$
2. PROPERTY, PLANT AND EQUIPMENT		
Income assets	57 800 850	48 454 856
Loan assets	101 892 204	92 077 583
Funds and grants	579 675 837	526 794 660
	739 368 891	667 327 099
3. LOANS RECEIVABLE		
Property Development Fund:		
- Secured loans	3 039 183	1 274 904
Build Together Fund:		
- Secured loans	9 274 198	9 506 459
- Advances	(577 589)	(630 013)
Huidare Building Project:		
- Secured loans	346 696	380 604
Housing loans:		
- Secured loans	625 472	939 141
	12 707 960	11 471 095

THE MUNICIPALITY OF SWAKOPMUND

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

	2014	2013
	N\$	N\$
4. INVESTMENTS		
INVESTMENTS		
Commercial banks	22 500 000	34 000 000
Nampost	17 000 000	25 000 000
Erongo Red	135 301 083	135 101 296
	174 801 083	194 101 296
ALLOCATED AS FOLLOWS		
Sundry Funds and Reserves	79 635 859	25 571 439
Erongo-RED Investment	135 301 083	135 101 296
Revenue	(40 135 859)	33 428 561
	174 801 083	194 101 296
5. TRADE AND OTHER RECEIVABLES		
Services rendered and assessment rates	17 763 350	8 560 512
Interest accrued on investments	30 452	92 981
Subsidies receivable from the Government	1 269 690	1 117 837
Erongo Red	1 156 140	1 156 140
VAT provision	3 359 140	11 587 675
Tourism debtors	1 223 502	727 566
Build Together debtors	855 437	865 127
Sundries	4 606 431	2 906 334
	30 264 143	27 014 172
Provision for bad debts	(1 558 204)	(1 428 204)
Consumer deposits	(3 163 873)	(2 967 287)
	25 542 066	22 618 681
6. INVENTORIES		
Stores	2 653 687	1 989 668
Oil – Workshop	37 903	7 723
Revolving Fund – Stock houses	3 953 322	3 953 322
DVD stock	942	942
Less: Redundant Stock	(50 657)	(45 656)
	6 595 197	5 905 999

THE MUNICIPALITY OF SWAKOPMUND

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

	2014	2013
	N\$	N\$
7. BANK AND CASH		
Current account – Municipality operating account	89 775 865	26 068 118
Current account – Build Together Fund	2 023 162	733 089
Petty cash	4 700	4 700
	91 803 727	26 805 907
8. CAPITAL OUTLAY		
Loans redeemed	58 004 077	62 034 556
Revenue contributions	57 800 850	48 454 856
General capital contributions	579 675 837	526 794 660
	695 480 764	637 284 072
9. FUNDS, ACCOUNTS AND RESERVES		
Anti Crime Fund	2 425	2 320
Betterment Fund	6 020 363	5 913 138
Bond Protection Fund	978 179	876 454
Build Together Fund	30 992 157	29 411 760
Bursary Fund	335 365	372 486
Capital Development Fund	28 118 356	34 729 427
Chairs Replacement Fund	119 635	114 444
Employees Sport Club	(7 346)	3 045
Erongo Regional Donations Fund	708 231	677 500
Housing Fund	5 242 517	5 384 872
Huidare Project	949 916	907 314
Indoor Sport Complex Fund	1 770 559	2 008 651
Insurance Fund	686 168	658 846
Maintenance Reserve Fund	5 663 147	5 412 202
Mayoral Development Fund	257 418	321 397
Pavement Reserve Fund	84 962	81 275
Property Development Fund	52 372 492	(24 123 692)
Quarry Ventures Fund	993 401	358 665
Relocation Rubbish Dump Fund	910 922	845 933
Renewal Fund	17 206 462	16 122 032
Revolving Fund	11 483 719	12 729 580
Save The Jetty Fund	641 993	613 487
Sewerage Fund	896 758	2 048 352
Study Aid Fund	478 098	526 951
Swakop Emergency Fund	192 672	174 519
Tourism Fund	223 263	69 741
Erongo Red Dividends	210 826	847 210
Water Supply Fund	9 829 050	9 829 050
Revenue account kept in compliance with Section 86(1) of the Local Authorities Act, 1992.	33 719 828	39 468 525
	211 081 534	146 385 484

THE MUNICIPALITY OF SWAKOPMUND

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

	2014	2013
	N\$	N\$
10. LONG-TERM LIABILITIES		
Loans from the Government:		
Capital outlay	7 724 998	9 709 200
Housing Fund	826 530	948 801
	8 551 528	10 658 001
11. TRADE AND OTHER PAYABLES		
Commitments by purchase and other obligations	16 685 883	13 099 803
Audit fees, provision	374 244	271 963
Retention monies	1 389 789	4 740 815
Leave provision	4 569 567	5 838 088
Sundries	7 109 772	6 807 999
Recoverables	(836 030)	(139 906)
	29 293 225	30 618 762
12. DEPOSITS		
Tourism – Reservations	1 239 392	431 015
Sundries (excluding consumers)	1 703 875	1 720 957
	2 943 267	2 151 972
13. TRANSFER (TO)/FROM INTERNAL FUNDS		
Bursary Fund	(50 000)	(50 000)
Employees Sport Club	(100 000)	(100 000)
Maintenance Fund	(539 000)	(539 000)
Renewal Fund	(683 000)	(683 000)
Revolving Fund	-	250 000
Sewerage Fund	(571 000)	(571 000)
Study Aid Fund	(67 000)	(67 000)
Tourism Fund	-	100 000
Water Supply Fund	(1 000 000)	(1 000 000)
	(3 010 000)	(2 660 000)

(continued)

	2014	2013
	N\$	N\$
14. ADJUSTMENTS TO APPROPRIATION ACCOUNT		
Advance payment – SAIMSA Exco	-	(250 000)
Audio Visual Equipment	(145 950)	-
Automatic meter reading system	(381 975)	(179 215)
Court case – Village Hotel	(183 916)	-
Court case – Airport	267 053	(62 152)
Court case – DMA Holdings	-	(91 813)
Crack houses	(17 629)	(147 265)
Cancellation of NIB Lease agreement	(383 000)	-
Donation – Southern Campus	-	(10 000)
Eviction orders DRC squatters	(35 700)	-
Early retirement cost	(671 826)	-
Hosting of NAMA music awards	(267 617)	-
Interest on VAT returns	54 740	-
Marketing Namibia – SAIMSA Games	(846 709)	(70 791)
Operational costs new sewerage	-	(4 515 800)
Repairs – Swakopmund Airport	(240 135)	(240 135)
Sport Club account	80 462	-
Sundry payments	-	(189)
Sundry receipts	142 380	917 089
VAT adjustments	(92 124)	-
Visions Consulting	-	(19 334)
Unclaimed monies	335 868	-
	(2 145 941)	(4 669 605)
15. CASH GENERATED BY OPERATIONS		
Net operating surplus before interest and transfers	(3 060 833)	1 959 242
Adjustments for:		
- Adjustments to appropriation account	(2 145 941)	(4 669 605)
- Transfer to Funds	(3 010 000)	(2 660 000)
OPERATING (DEFICIT)/SURPLUS BEFORE CHANGES IN WORKING CAPITAL	(8 216 774)	(5 370 363)
CHANGES IN WORKING CAPITAL		
Decrease/(increase) in trade and other receivables	(2 767 168)	6 091 276
Increase in inventories	(689 198)	(70 085)
Increase in trade and other payables	(1 325 537)	332 460
Increase in deposits	791 295	505 564
	(3 990 608)	6 859 215
CASH GENERATED BY OPERATIONS	(12 207 382)	1 488 852