



REPUBLIC OF NAMIBIA



REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE

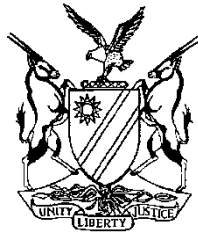
MUNICIPALITY OF WALVIS BAY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

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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 Walvis Bay 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
MUNICIPALITY OF WALVIS BAY
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013**

1. INTRODUCTION

The accounts of the Municipality of Walvis Bay 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 Provision for bad debts

	2013	2012	2011
	N\$	N\$	N\$
Service debtors - Excluding Erongo Red	89 282 845	70 308 947	56 611 592
Provision for bad debts	22 927 927	21 453 132	18 453 132
Percentage increase in service debts	27%	24%	16%
Percentage increase in provision for bad debts	7%	16%	23%
Percentage provision vs debt	26%	31%	33%

Based on the age analyses, taking into account all debts older than 60 days, the auditors are of the opinion that the provision for bad debts is understated by N\$ 37 989 027.

4.2 Recoverability of sundry debtors and subsidies

It was noted that sundry debtors and subsidies remained high in value, with little prospects of being recovered.

4.3 Special accounts/funds

As also reported in my previous report, the auditors found that numerous loans on the Build Together and Housing Funds are poorly repaid, and debt at 120 days and more constitute a significant percentage of the total debt due.

4.4 Bank reconciliation

The bank reconciliation show an amount of N\$ 3 765 601 more than the cash-book balance and the balance sheet.

4.5 Electrical assets - Erongo Red

Electrical assets was not yet transferred to Erongo Red. This mean that the fixed assets is overstated and the investment in Erongo Red is understated.

5. ACKNOWLEDGEMENT

The assistance and co-operation by the staff of the 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	Surplus/ (Deficit)	Balance
	N\$	N\$	N\$	N\$
Accumulated surplus 01/07/2012				89 542 270
General accounts				
- Rates and general	79 111 104	120 860 019	(41 748 915)	
- Housing	3 288 174	8 913 347	(5 625 173)	
Self-supporting services				
- Cleansing and sanitation	21 870 872	23 284 176	(1 413 304)	
- Sewerage reticulation	24 381 004	23 065 674	1 315 330	
Trade accounts				
- Water	88 113 008	62 820 889	25 292 119	
- Resorts	2 137 725	8 228 571	(6 090 846)	
- Markets	540 902	781 554	(240 652)	
Contribution from ERED	35 883 250	1 672 776	34 210 474	
	255 326 039	249 627 006	5 699 033	5 699 033
Surplus for the year				95 241 303
Adjustments and utilisations				15 536 926
Transfer from Funds				5 517 015
Accumulate surplus 30/06/2013				116 295 244

7. CURRENT BANK ACCOUNT

	2013	2012
	N\$	N\$
Cash-book balance at 30 June - Balance sheet	16 652 749	3 458 636
Outstanding deposits	(279 488)	(211 319)
Outstanding cheques	608 893	960 166
Wrong allocations - Suspence control account	-	(583)
Outstanding EFT payments	3 640 436	11 008 965
Unexplained differences - Current account	3 765 601	1 796 986
Unexplained differences - Hp account	-	33 862
Balance as per bank statement	24 388 191	17 046 713

8. INVESTMENTS AND INTEREST PROCEEDS

The investments as at 30 June and the interest thereon were as follows:

Institution	2013 Investment	2012 Investments
	N\$	N\$
Commercial banks	105 564 196	60 400 310
Nampost	31 269 873	68 161 029
Shares in subsidiary company - EPZMC (Pty) Ltd	25 542 779	8 479 336
Shares in Erongo Regional Distributor Company (Pty) Ltd	6 233 750	6 233 750
Totals	168 610 598	143 274 425

The investments and interest earned were allocated as follows between the Funds:

Allocation	2013		2012	
	Investments	Interest	Investment	Interest
	N\$	N\$	N\$	N\$
Capital Development Fund	-	-	648 654	35 532
Build Together Fund	36 381 338	2 150 670	31 061 108	1 683 520
Environmental Fund	-	-	757 672	41 491
Housing Fund	62 382 991	3 542 828	55 332 326	3 111 792
Insurance Fund	7 220 000	426 808	8 627 468	472 449
Parking Areas Fund	11 982	708	(2 098 873)	-
Revolving Fund	3 689 305	363 013	6 756 070	4 545 391
Fixed Assets Replacement Reserve	-	317 064	-	-
Unappropriated Surplus Fund	6 648 801	-	-	-
Mayoral Relief Fund	132 008	7 804	280 805	15 377
Surplus Fund	-	-	190 112	4 563 281
Revenue - Subsidiaries	31 776 529	-	14 713 086	-
Provisions	5 046 422	-	4 288 750	-
Assets - Unspent fund loans	8 346 233	-	13 334 152	-
Twahangana Fund	6 974 989	557 245	9 383 095	513 828
	168 610 598	7 366 140	143 274 425	14 982 661

9. FUND ACCOUNTS

The position of the Funds and reserves at year-end was as shown in note 7 in Annexure D.

10. TRADE ACCOUNTS

10.1 The results of operations were as follows:

	Resorts		Water	
	2013	2012	2013	2012
	N\$	N\$	N\$	N\$
Sales	2 137 725	2 548 696	81 368 062	71 801 089
Cost of sales	-	3 663 238	39 889 761	31 705 373
Gross profit	2 137 725	(1 114 542)	41 478 301	40 095 716
Net expenditure	8 228 571	2 844 657	16 186 182	16 609 534
Net profit/deficit	(6 090 846)	(3 959 199)	25 292 119	23 486 182
Gross profit/(loss) percentages on sales	100.0%	(43.7%)	51.0%	55.8%
Net profit/(loss) percentage sales	(284.9%)	(155.3%)	31.1%	32.7%

TRADE ACCOUNTS (continued)

	Total trading results		Markets	
	2013	2012	2013	2012
	N\$	N\$	N\$	N\$
Sales	84 046 689	74 822 778	540 902	472 993
Cost of sales	39 889 761	35 368 611	-	-
Gross profit/(loss)	44 156 928	39 454 167	540 902	472 993
Net expenditure	25 196 307	20 102 848	781 554	648 657
Net profit/(loss)	18 960 621	19 351 319	(240 652)	(175 664)
Gross profit/(loss) percentages on sales	52.5%	52.7%	100.0%	100.0%
Net profit/(loss) percentage sales	22.6%	25.9%	(44.5%)	(37.1%)

10.2 Distribution results in units were as follows:

	Water	
	2013	2012
	Units	Units
Sales	4 841 030	4 563 926
Purchases	5 693 903	5 305 939
Gross profit/(loss)	(852 873)	(742 013)
Percentage gain/(loss) in units	(15.0%)	(14.0%)

11. SELF-SUPPORTING SERVICES

The net results for the year under review, compared with the previous year, are as follows:

	Surplus/ (deficit) 2013	Surplus/ (deficit) 2012
	N\$	N\$
- Cleansing and sanitation	(1 413 304)	1 159 800
- Sewerage reticulation	1 315 330	3 377 973
	(97 974)	4 537 773

12. FRUITLESS, UNAUTHORIZED OR AVOIDABLE EXPENDITURE

No such expenses was revealed during the audit.

13. SUSPENSE ACCOUNTS

The suspense accounts were cleared on a regular basis.

14. IRREGULARITIES AND LOSSES

No such expenses was revealed during the audit.

15. CAPITAL PROJECTS

Expenditure on additions and improvements (excluding land and development projects) were as follows:

	2013	2012
	N\$	N\$
Building management - Community Halls	42 810	58 926
Building management - Municipal offices	489 137	297 063
Building management - Town halls and civic centre	23 068	120 320
CEO - Customer Services	-	124 380
CEO - Public relations	688 612	96 007
CEO - Information Technology	440 371	157 337
Community services management	3 672	-
Corporate services - Admin management	-	2 046
Corporate services - Councils general expenses	-	536 101
Corporate Services - HR administration and training	-	4 911
Economic development - Kuisebmond market mall	511 572	525 746
Economic development - Tourism	219 944	21 066
Environmental management	2 915	-
Finance and administration	12 342	399 501
Health inspectorate	-	466 863
Library	45 906	429 110
Maintenance services management	17 903	11 282
Parks and recreation - Cemeteries	27 793	722 571
Parks and recreation - Parks	78 456	957 930
Protection services - Fire protection	77 131	4 351 362
Protection services - Security	-	4 376
Public works - Labour resources	-	349 501
Public works - Roads and engineers	-	858 951
Public works - Streets	19 783 706	13 000 487
Residential administration - Flats and single quarters	-	28 300
Residential administration - Old age home	1 908 192	11 438
Roads and building control - Administration management draw office	1 803	-
Roads and building control - Administration management	226 819	299 264
Roads and building control - Administration management buildings	259 736	-
Sanitation and hazardous - Waste inspectorate	151 918	172 066
Sanitation management	735 104	2 759 746
Sewerage services - Reticulation	6 136 811	3 254 146
Sewerage services - Treatment work	13 649 556	6 220 081
Sports and resorts - Esplanade park	1 308 531	332 899
Sports and resorts - Dolphin park	224 048	224 804
Sports and resorts - Long beach	229 353	3 395
Sports and resorts - Sport facilities	2 320 144	760 402
Stores	14 541	624 444
Town development - Infrastructure	147 131	82 836 423
Town planning	1 736	132 443
Town development projects - WIP	17 228 210	101 834 875
Traffic inspectorate management	2 128 968	4 688 757
Water distribution	962 017	1 514 269
Water supply	16 004	4 995
Water waste and environmental management	166 323	3 882
Write-off	(5 952 457)	(88 614 216)
	64 329 826	140 588 250

Expenditure was financed as follows:

	2013	2012
	N\$	N\$
External loans	3 988 750	7 758 581
Revolving Fund	14 968 778	20 162 624
Internal loans	28 875 557	4 731 156
Parking Facilities Fund	-	2 971 165
Revenue	(2 047 739)	13 708 857
Grants and subsidies	-	3 951 360
Contributions by public	10 354 730	87 036 423
Internal Funds	8 189 750	-
	64 329 826	140 320 166

16. BURSARIES

No bursaries were granted.

17. CONTRIBUTIONS, GRANTS AND FINANCIAL AID

The following financial assistance was rendered during the year:

Nature of assistance	Beneficiary	2013	2012
		N\$	N\$
Free services	Staff	347 066	339 509
Exemptions on assessment rates	Churches and welfare organisations	837 458	1 520 480
		1 184 524	1 859 989

18. COMPENSATION PAYMENTS

No compensation payments were made.

19. VISITS TO FOREIGN COUNTRIES

The following visits were made:

Destination	Purpose	Travelling and subsistence	Other	Total
		N\$	N\$	N\$
Switzerland	Swiss International Holiday Expo	14 996	1 794	16 790
Senegal	Africities 6th Summit 2012	63 801	-	63 801
South Africa	Site visit to Housing Development Company	54 709	6 110	60 819
South Africa	Premier International Planning conference	9 295	5 323	14 618
South Africa	Inspection & training new combination truck	16 020	-	16 020
South Africa	Cities at risk workshop - Africa	2 798	-	2 798
Germany	4th Global forum urban resilience & adaption	5 335	-	5 335
South Africa	SARPA Convention	7 172	-	7 172
Germany	1st Africa Congress Bremerhaven	4 939	-	4 939
Nigeria	5th Lagos state summit on climate change	5 496	-	5 496
Norway	Visit Kristiansand - 8th Steering Committee meeting	16 126	-	16 126
Angola	3rd Annual Shop Steward SADC conference	76 225	212	76 437
South Africa	ICLEI Africa 5 City workshop	2 464	-	2 464
India	Cities for Life Summit	26 057	3 722	29 779
Norway	Visit Kriansand	32 252	-	32 252
South Africa	SARPA Convention Drakenstein	6 157	2 400	8 557
South Africa	Sebata user group meeting	76 892	4 848	81 740
South Africa	SARPA Convention	7 172	-	7 172
		427 906	24 409	452 315

20. CLAIMS AGAINST THE LOCAL AUTHORITY

There were no claims against the Local Authority.

21. GIFTS/DONATIONS BY THE LOCAL AUTHORITY

Description	2013	2012
	N\$	N\$
<i>Gifts and donations</i>		
Corporate gifts	450	15 395
Total	450	15 395

22. TRANSFER OF PROPERTY

No property was transferred to or from the Government.

23. DEBTORS/CREDITORS

23.1 Debtors at 30 June were:

	2013	2012
	N\$	N\$
Build Together loans	13 090 000	13 316 549
Interest accrued, not received	995 501	778 465
Services	89 282 845	70 303 947
Erongo Regional Distributor Company (Pty) Ltd	11 981 542	11 253 850
Subsidies	7 354 335	4 127 094
Sundries	11 980 622	29 670 455
VAT	3 385 267	11 305 831
Provision for bad debts	(22 927 927)	(21 453 132)
	115 142 185	119 308 059

23.2 Creditors at 30 June were:

	2013	2012
	N\$	N\$
Provisions and accruals	18 006 049	11 418 979
Consumer deposits	6 809 723	6 529 156
Sundry payables	8 385 265	7 159 419
Short-term portion of long-term borrowings	10 172 420	11 112 941
	43 373 457	36 220 495

24. ASSESSMENT RATES

	2013	2012
	N\$	N\$
The net proceeds from assessment rates were:	44 145 113	39 273 563
Tariffs per N\$1 valuation per annum (Residential properties)		
- Land	0.0185470	0.0225410
- Improvements	0.0046970	0.0052530
Tariffs per N\$1 valuation per annum (Business properties)		
- Land	0.0203030	0.0247950
- Improvements	0.0046970	0.0052530
Tariffs per N\$1 valuation per annum (Industrial properties)		
- Land	0.0193800	0.0236680
- Improvements	0.0046970	0.0052530
Valuations		
- Land	1 256 652 000	1 351 299 519
- Exempt	233 305 000	15 512 000
- Improvements	4 151 722 000	4 518 046 767
- Exempt	339 308 000	95 977 000

25. LOANS

25.1 External capital loans

	2013	2012
	N\$	N\$
From the Government of Namibia, Nedbank and NIB	47 008 465	54 624 750

The balances shown in the main ledger agree with the actuarial tables. Redemption payments are up to date. Loan assets were capitalised and no loan assets have been disposed off before the loan was redeemed. Loan monies were used for the purposes they were obtained for.

25.2 Internal loans

	2013	2012
	N\$	N\$
Internal loans	157 819 599	143 518 363

The balances shown in the main ledger agree with the actuarial tables. Redemption payments are up to date. Loan assets were capitalised and no loan assets have been disposed off before the loan was redeemed. Loan monies were used for the purposes they were obtained for.

25.3 Housing loans

	2013	2012
	N\$	N\$
Housing Fund	11 342 042	12 105 835

The balances shown in the main ledger agree with the actuarial tables. Redemption payments are up to date. Loan assets were capitalised and no loan assets have been disposed off before the loan was redeemed. Loan monies were used for the purposes they were obtained for.

25.4 Housing loans

	2013	2012
	N\$	N\$
Amounts due to the Municipality	4 584 613	5 104 095

25.5 Loans written off

No loans were written off during the year under review.

26. Property sold on an instalment basis

	2013	2012
	N\$	N\$
Balance - 1 July	5 104 095	5 840 458
Sales	292 443	410 146
Interest and insurance	290 201	320 661
Payments	(1 102 126)	(1 467 170)
Balance - 30 June	4 584 613	5 104 095

27. TARIFF ADJUSTMENTS

Tariff adjustments were duly approved and promulgated in the Government Gazette.

28. APPROVALS

All necessary approvals were obtained.

29. INVENTORY AND EQUIPMENT**29.1 Motor vehicle and values thereof were:**

	Sedan		LDV's, 4x4's and Combi's		Heavy vehicles	
	Number	Value	Number	Value	Number	Value
		N\$		N\$		N\$
Balance - 01/07	18	3 824 849	65	11 261 754	51	22 021 491
Adjustments	16	1 397 557	2	(637 981)	12	7 824 627
Additions	34	5 222 406	67	10 623 773	63	29 846 118
	4	517 620	7	1 132 477	1	2 351 857
Sub-total	38	5 740 026	74	11 756 250	64	32 197 975
Withdrawals	(2)	(197 441)	(11)	(1 099 303)	(8)	(1 762 491)
Balance - 30/06	36	5 542 585	63	10 656 947	56	30 435 484

29.2 Inventory

Inventory on hand amounted to N\$ 1 923 725 at 30 June 2013 (2012: N\$ 1 091 734). Record-keeping and stock control is exercised in an accurate way, except for difficulties experienced with the measurement of electrical cables. Internal control is sufficient. No provision for obsolete stock is necessary.

30. SPECIAL INVESTIGATIONS

No material special investigations were carried out during the financial year.

31. GENERAL

The accounting and internal controls are satisfactory. Proper segregation of duties do exist.

32. FORMAL AND INFORMAL QUERIES

32.1 Formal queries are embodied in this report.

32.2 Informal queries was raised to management.

33. QUALIFIED AUDIT OPINION

The accounts of the Municipality of Walvis Bay 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.

The audit opinion has been qualified due to the following:

Provision for bad debts

Based on the age analysis, taking into account all debts older than 60 days, the provision for bad debts is understated by N\$ 37 989 027.

Recoverability of sundry debtors and subsidies

It was noted that sundry debtors and subsidies remained high in value, with little prospects of being recovered.

The Build Together loans

The Build Together loans are poorly repaid.

Bank reconciliation

The bank reconciliation showed an amount of N\$ 3 765 601 more than the cash-book balance and the balance sheet.

Electrical assets - Erongo Red

Electrical assets were not yet transferred to Erongo Red. This mean that the fixed assets is overstated and the investment in Erongo Red is understated.

Except for the effects of any adjustments which might have been necessary as referred to in the preceeding paragraphs, in my opinion, these financial statements fairly present the financial position of the Municipality at 30 June 2013 and the result of its operations and cash flows for the year then ended.

WINDHOEK, May 2014

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

MUNICIPALITY OF WALVIS BAY

BALANCE SHEET AT 30 JUNE

	Notes	2013	2012
		N\$	N\$
ASSETS			
NON-CURRENT ASSETS		1 001 693 615	912 547 098
Property, plant and equipment	2	828 498 404	764 168 578
Investments	3	168 610 598	143 274 425
Loans receivable	4	4 584 613	5 104 095
CURRENT ASSETS		133 724 559	126 720 987
Inventory		1 923 725	1 091 734
Trade and other receivables	5	115 142 185	122 165 315
Cash and bank balances		16 658 649	3 463 938
TOTAL ASSETS		1 135 418 174	1 039 268 085
FUNDS AND LIABILITIES			
FUNDS AND RESERVES		1 055 208 672	959 535 781
Capital outlay	6	661 308 899	614 168 958
Funds and accounts	7	393 899 773	345 366 823
LONG-TERM LIABILITIES	8	36 836 045	43 511 809
CURRENT LIABILITIES			
Trade and other payables	9	43 373 457	36 220 495
TOTAL FUNDS AND LIABILITIES		1 135 418 174	1 039 268 085

MUNICIPALITY OF WALVIS BAY

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE

	<u>Notes</u>	<u>2013</u> N\$	<u>2012</u> N\$
INCOME		255 144 459	216 407 249
EXPENDITURE		249 627 006	209 384 976
NET OPERATING LOSS		5 517 453	7 022 273
INTEREST ON INVESTMENTS		181 580	4 563 281
NET LOSS FOR THE YEAR		5 699 033	11 585 554
ADJUSTMENTS			
Appropriation account	10	15 536 926	843 922
Transfer to Funds	11	5 517 015	45 641 988
		26 752 974	58 071 464
ACCUMULATED FUNDS - Beginning of year		89 542 270	31 470 806
ACCUMULATED FUNDS - End of year		116 295 244	89 542 270

MUNICIPALITY OF WALVIS BAY

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE

	<u>Note</u>	<u>2013</u>	<u>2012</u>
		N\$	N\$
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from customers		255 144 459	216 407 249
Cash paid to suppliers		(215 228 964)	(201 606 149)
Cash generated by operations	12	39 915 495	14 801 100
Investment income		181 580	4 563 281
Movement in Fund accounts			
- Fund accounts		21 779 976	(1 338 974)
- Capital outlay		47 139 941	136 718 069
Net cash flow from operating activities		109 016 992	154 743 476
CASH FLOW FROM INVESTING ACTIVITIES			
Net capital expenditure		(64 329 826)	(140 588 253)
Change in investments		(25 336 173)	(10 099 170)
Change in loans (Assets)		519 482	664 660
		(89 146 517)	(150 022 763)
CASH FLOW FROM FINANCING ACTIVITIES			
Change in long-term liabilities		(6 675 764)	(4 086 931)
		(6 675 764)	(4 086 931)
NET MOVEMENT IN CASH AND CASH EQUIVALENTS			
		13 194 711	633 782
CASH AND CASH EQUIVALENTS			
- BEGINNING OF YEAR		3 463 938	2 830 156
CASH AND CASH EQUIVALENTS			
- END OF YEAR		16 658 649	3 463 938

MUNICIPALITY OF WALVIS BAY

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

1. ACCOUNTING POLICIES**1.1 Basis of presentation**

- These financial statements have been prepared so as to conform to the standard laid down by the Auditor-General.
- The financial statements are prepared on the historical cost basis, adjusted for capital expenditure as more fully detailed in note 2. The accounting policies are consistent with those applied in the previous year, except if otherwise indicated.
- The financial statements are prepared on the accrual basis:
 - Income is accrued when collectable and measurable. Certain direct income is accrued when received.
 - Expenditure is accrued in the year it is incurred.

1.2 Consolidation

The balance sheet includes the Rate and General services. Housing service, Trading service and the different funds, reserves and provisions. All inter departmental charges are set-off against each other, with the exception of assessment rates, refuse removal, electricity and water, which are treated as income and expenditure in the respective departments.

In accordance with Council Resolution 12.12 of 31 May 2011, no consolidation statements are to be prepared for entities in which the Council has a significant shareholding.

1.3. Property, plant and equipment**1.3.1 Property, plant and equipment are stated:**

- at historical cost, or
- at valuation (based on the market price at date of acquisition), where assets have been acquired by grant or donation, while they are in existence and fit for use, except in the case of bulk assets which are written off at the end of their estimated life as determined by the General Manager Finance.

1.3.2 Depreciation

The balance shown against the heading “Loans Redeemed and Other Capital Receipts” in the notes to the balance sheet is tantamount to a provision for depreciation, however, certain structural differences do exist. By way of this “Provision” assets are written down over their estimated useful life. Apart from advances from the various Council funds, assets may be acquired through:

- appropriations from income, where the full cost of the assets forms an immediate and direct charge against the operating income, and therefore it is unnecessary to make any further provision for depreciation.
- Grant or donation, where the amount representing the value of such grant or donation is immediately credited to the “Loans Redeemed and Other Capital Receipts” account.

MUNICIPALITY OF WALVIS BAY

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

1.3.3 All net proceeds from the sale of erven are credited to the Revolving Fund. Proceeds from the sale of houses are credited to the Housing Fund. Net proceeds from the sale of all other assets are credited either to the Replacement Fund or the Walvis Bay Housing Fund.

1.3.4 Capital assets are financed from different sources, including external loans, operating income, endowments and internal advances. These loans and advances are repaid within the estimated lives of the assets acquired from such loans or advances. Interest is charged to the service concerned at the ruling interest rate applicable at the time that the advance is made.

1.4 Inventory

Inventory is valued at the lower of cost, determined on the weighted average basis, and net realisable value.

1.5 Funds and reserves**1.5.1 Revolving Fund**

This Fund is used for the purchase of land for housing development projects and the funding of subsequent development. The proceeds of the sale of developed erven, are credited to this Fund.

1.5.2 Insurance Fund

External insurance covers all major risks. Premiums are funded by this Fund and recovered from the various user departments. Lesser risks are carried by the Fund including comprehensive cover on trailers and vehicles older than five years.

1.5.3 Walvis Bay Housing Fund

This Fund is operated in accordance with the Council's housing policy. Development is undertaken on behalf of qualifying participants on conditions that financing be arranged from a financial institution, the loan of which is subsequently guaranteed by the Council for a limited period of time.

1.5.4 Parking Areas Fund

Revenue from this Fund is generated from contributions by developers for the provision of sufficient parking in business areas.

1.5.5 Tariff Stabilisation Reserves

These reserves are funded by annual surpluses on sanitation and water services. The reserves are utilised towards stabilisation of tariffs in order to negate frequent adjustment of tariffs on the short-term.

1.5.6 Maintenance Reserves

Annual contributions of a fixed percentage on the replacement value of buildings are made to this reserve. The net operating expenditure on the maintenance vote are annually set off against this reserve.

MUNICIPALITY OF WALVIS BAY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE
(continued)**1. ACCOUNTING POLICIES (continued)****1.5.7 Hostel Loan Redemption Reserve**

This Reserve was initially established to accommodate loan redemption, the loan of which has subsequently been written off.

1.5.8 Replacement of Assets Reserve

Contributions towards the replacement of assets are made to such an extent that adequate funds should be available on the date of replacement of the specific assets.

1.5.9 Mayoral Relief Fund

A Trust administered on behalf of the Mayor and Councillors for application towards charitable and other identified deserving causes.

1.5.10 Major Repair Reserve

Annual contributions of a fixed percentage based on the budgeted contribution of the individual votes of heavy vehicles for maintenance is made to this reserve. The reserve is established to finance any unforeseen major repair expenditure.

1.6 Provisions

Provisions are established to meet liabilities or contingencies which are known at the date of the balance sheet, but for which the amounts cannot be determined with substantial accuracy. Provision for bad debts is calculated at 10% of debtor balances, which are outstanding for more than 120 days.

1.7 Retirement benefits

Council and its members contribute to two pension funds namely:

- a) Walvis Bay Retirement Fund, which is a provident fund with fixed contributions and benefits.
- b) Retirement Fund for Local Authorities, which is a pension fund with fixed retirement benefits.

All permanent staff members participates in either of the funds, and contributions are calculated on the basic salaries. Current contributions are charged against operating income on the basis of current service costs.

Unfavourable experience adjustments may be written off over the lesser of the remaining period of service of employees or five years, whilst favourable adjustments are retained in the pension fund. Full actuarial valuations of the pension fund are performed at least every three years.

1.8 Surpluses and deficits

Any surpluses arising from the operation of the Electricity service are transferred to Rate and General services.

MUNICIPALITY OF WALVIS BAY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE
(continued)**1. ACCOUNTING POLICIES (continued)****1.9 Treatment of administration and other overhead expenses**

The cost of internal support services is transferred to the different services at a differential levy based on budgeted revenue and expenditure. Office and garage rental are allocated according to floor space utilised.

1.10 Leased assets

All leases are finance leases. The finance leases are capitalised and disclosed under “Property, plant and equipment”.

1.11 Investments and interest

Investments are shown at the lower of cost or market value. If a permanent decline in value occurred, the investment is written down. Investments are made in accordance with the provision of the Financial rules of the Council.

Interests on investments are allocated to Funds, Reserves and the Appropriation account on the average balance method.

1.12 Income recognition**1.12.1 Electricity and water billing**

Water and electricity meters are read and billed monthly. Meters that cannot be read for a month are billed on average consumption. Income is recognised at the date meters are read and levies are made. Queries on readings are dealt with immediately. Electricity services are being done by Erongo Red.

1.12.2 Assessment rates

The Council applies a standard site rating system, where no exception is made on the type of property used. In terms of this system, assessment rates are levied on the land and improvements value of properties, and rebates are granted, in terms of the provisions of the Local Authorities Act.

Rebates are granted to property belonging to the State, and ecclesiastical institutions, as per the Local Authorities Act, Section 73(4). Income is recognised as the monthly levies are debited against the debtors' accounts.

12.3 Other services

Income from services, rental and accommodation recovered by way of debtors, is recognised when such levies are debited against the accounts. Subsidies are recognised at the end of the financial year. All other income is recognised as soon as it is received.

Established from contributions by developers for providing of sufficient parking areas in business areas.

MUNICIPALITY OF WALVIS BAY

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

	2013	2012
	N\$	N\$
2. PROPERTY, PLANT AND EQUIPMENT		
Property, plant and equipment	723 204 320	673 696 141
Town development projects	105 294 084	90 472 437
Property development and equipment at bookvalue	828 498 404	764 168 578
3. INVESTMENTS		
Commercial banks	105 564 196	60 400 310
Nampost	31 269 873	68 161 029
Shares in subsidiary company - EPZMC (Pty) Ltd	25 542 779	8 479 336
Shares in Erongo Regional Distributor Company (Pty) Ltd	6 233 750	6 233 750
	168 610 598	143 274 425
4. LOANS RECEIVABLE		
Personnel loans	66 514	98 047
NBF loans	5 547	9 125
CDF loans	406 959	524 121
CLB loans	348 785	364 747
LCR Loans	1 232 649	1 138 717
Leasehold loans	140 590	169 835
Consumer loans	-	6 913
Staff Economic Housing loans	2 383 569	2 792 590
	4 584 613	5 104 095
5. TRADE AND OTHER RECEIVABLES		
Build Together loans	13 090 000	13 316 549
Interest accrued, not received	995 501	778 465
Services	89 282 845	73 166 203
Erongo Regional Distributor Company (Pty) Ltd	11 981 542	11 253 850
Subsidies	7 354 335	4 127 094
Sundries	11 980 622	29 670 455
VAT	3 385 267	11 305 831
Provision for bad debts	(22 927 927)	(21 453 132)
	115 142 185	122 165 315
6. CAPITAL OUTLAY		
Loans redeemed	99 610 167	78 924 531
General capital contributions	561 698 732	535 244 427
	661 308 899	614 168 958

MUNICIPALITY OF WALVIS BAY

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

	2013	2012
	N\$	N\$
7. FUNDS AND RESERVES		
Capital Development Fund	1 016 260	1 006 303
Build Together Fund	49 471 338	44 377 657
Build Together Fund - Difference calculated	-	1 495 975
Environmental Fund	757 673	757 672
Housing Fund	88 530 722	81 056 426
Insurance Fund	7 220 000	8 627 468
Parking Areas Fund	11 982	(2 098 873)
Revolving Fund	94 689 856	87 055 165
Fixed Assets Replacement Reserve	31 961 703	30 215 385
Future Repairs and Maintenance Reserve	2 446 655	1 998 238
Major Repair Reserve	1 366 332	1 052 332
Mayoral Relief Fund	130 139	279 046
Athletic Track - Narraville	1 869	1 759
Revenue account kept in compliance with Section 86(1) of the Local Authorities Act, 1992.	116 295 244	89 542 270
	393 899 773	345 366 823
8. LONG-TERM LIABILITIES		
From the Government of Namibia, Nedbank and NIB	47 008 465	54 624 750
Short-term portion	(10 172 420)	(11 112 941)
	36 836 045	43 511 809
9. TRADE AND OTHER PAYABLES		
Provisions and accruals	18 006 049	11 418 979
Consumer deposits	6 809 723	6 529 156
Sundry payables	8 385 265	7 159 419
Short-term portion of long-term borrowings	10 172 420	11 112 941
	43 373 457	36 220 495
10. ADJUSTMENTS TO APPROPRIATION ACCOUNT		
Current year transactions	506 406	18 983
Prior year expenditure	(2 470 892)	-
Prior year income	50 002	430 738
Revaluation of investment in subsidiary	17 063 443	-
Stock adjustments	(58 117)	(103 389)
VAT adjustments	446 084	497 590
	15 536 926	843 922

MUNICIPALITY OF WALVIS BAY

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

	2013	2012
	N\$	N\$
11. TRANSFERS TO INTERNAL FUNDS		
Revolving Fund	5 517 015	5 433 011
Rates and General Funds	-	40 208 977
	5 517 015	45 641 988
12. CASH GENERATED BY OPERATIONS		
Net operating (loss)/profit before transfers	5 699 033	11 585 554
Adjustments for :		
- Adjustments to appropriation account	15 536 926	843 922
- Investment income	(181 580)	(4 563 281)
- Transfers to Funds	5 517 015	45 641 988
OPERATING INCOME BEFORE CHANGES IN WORKING CAPITAL	26 571 394	53 508 183
CHANGES IN WORKING CAPITAL		
Inventory	(831 991)	54 272
Trade and other receivables	7 023 130	(42 310 529)
Trade and other payables	7 152 962	3 549 174
	13 344 101	(38 707 083)
CASH GENERATED BY OPERATIONS	39 915 495	14 801 100