



**REPUBLIC OF NAMIBIA**



**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE**  
**MUNICIPALITY OF WALVIS BAY**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015**

Published by authority

Price (Vat excluded) N\$ 40.00

Report no: 2016/28

**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 2015, 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, April 2016**

**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 2015**

---

**1. REPORT ON THE FINANCIAL STATEMENTS**

**1.1 INTRODUCTION**

The accounts of the Municipality of Walvis Bay for the year ended 30 June 2015 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 by the Auditor-General 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).

I certify that I have audited the accompanying financial statements of the Municipality of Walvis Bay for the year ended 30 June 2015. The financial statements comprise the following statements submitted for the year then ended:

Annexure A: Abridged balance sheet  
Annexure B: Abridged income statement  
Annexure C: Cash flow statement  
Annexure D: Notes to the financial statements

The financial statements were submitted by the Accounting Officer to the Auditor-General in compliance with section 87(1) of the Local Authorities Act 1992, except that they were only submitted on 07 December 2015 instead of three months (3 months) after the year end as required by the Act

Accounting Officer are attached as Annexure A-D.

**1.2 MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Section 86 of the Local Authorities Act, 1992 and relevant legislation, and for such internal control as management determines it necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

### **1.3 AUDITOR'S RESPONSIBILITY**

My responsibility is to express an opinion on these financial statements based on the audit. I conducted the audit in accordance with International Standards for Supreme Audit Institutions (ISSAIs). These standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

#### **Powers and duties**

Section 25(1) (c) of the State Finance Act, 1991, provides that the Auditor-General should satisfy himself that:

- (a) All reasonable precautions have been taken to ensure that all monies due to the State are collected, and that the laws relating to the collection of such monies have been complied with;
- (b) All reasonable precautions have been taken to safeguard the receipt, custody and issue of and accounting for, the State's assets, such as stores, equipment, securities and movable goods; and
- (c) The expenditure has taken place under proper authority and is supported by adequate vouchers or other proof.

In addition, Section 26(1) (b)(iv) of the State Finance Act, 1991, empowers the Auditor-General to investigate and report on the economy, efficiency and effectiveness of the use of the State's resources.

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 statement 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for the audit opinion.

## 1.4 ACKNOWLEDGEMENT

The assistance and co-operation by the staff of the Walvis Bay Municipality during the audit is appreciated.

## 1.5 KEY AUDIT FINDINGS

### 1.5.1 Provision for bad debts

	<b>2015</b>	<b>2014</b>	<b>2013</b>
	N\$	N\$	N\$
Service debtors - Excluding Erongo Red	135 137 562	124 222 486	89 282 845
Provision for bad debts	28 927 927	25 927 927	22 927 927
Percentage increase in service debts	9%	39%	27%
Percentage increase in provision for bad debts	12%	13%	7%
Percentage provision vs. debt	21%	21%	26%

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\$ 68 597 347 (2014 - N\$ 53 960 326).

### 1.5.2 Recoverability of sundry debtors and subsidies

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

### 1.5.3 Bank reconciliation

The bank reconciliation show an amount of N\$ 14 086 429 (2014 - N\$ 11 163 033) more than the cash-book balance and the balance sheet.

### 1.5.4 Electrical assets - Erongo Red

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

## 1.6 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>Surplus/ (Deficit)</b>	<b>Balance</b>
	N\$	N\$	N\$	N\$
Accumulated deficit 01/07/2014				112 691 874
General accounts				
- Rates and general	89 795 680	156 623 554	(66 827 874)	
- Housing	4 888 438	10 287 404	(5 398 966)	
Self-supporting services				
- Cleansing and sanitation	29 774 590	28 244 003	1 530 587	
- Sewerage reticulation	34 991 398	32 766 508	2 224 890	
Trade accounts				
- Water	112 501 649	79 880 222	32 621 427	
- Resorts	4 393 329	12 781 793	(8 388 464)	
- Markets	571 970	860 909	(288 939)	
Contribution from ERED	31 893 650	1 393 067	30 500 583	
Deficit for the year	308 810 704	322 837 460	(14 026 756)	(14 026 756)
Adjustments and utilizations				98 665 118
Transfer for Funds				8 221 098
				6 259 074
Accumulated Surplus 30/06/2015				113 145 290

## 1.7 CURRENT BANK ACCOUNT

	<b>2015</b>	<b>2014</b>
	N\$	N\$
Cash-book balance at 30 June - Balance sheet	3 004 850	12 324 038
Outstanding deposits	(480 302)	(518 010)
Outstanding cheques	539 587	366 424
Outstanding EFT payments	2 398 839	4 048 882
Unallocated deposits	-	6 195 515
Unexplained differences - Current account	14 086 429	4 967 517
<b>Balance as per bank statement</b>	<b>19 549 403</b>	<b>27 384 366</b>

## 1.8 INVESTMENTS AND INTEREST PROCEEDS

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

	<b>2015</b>	<b>2014</b>
<b>Institution</b>	<b>Investment</b>	<b>Investments</b>
	N\$	N\$
Commercial banks	56 755 972	34 357 505
Insurance companies	4 973 242	-
Shares in subsidiary company - EPZMC (Pty) Ltd	25 542 779	25 542 779
Shares in Erongo Regional Distributor Company (Pty) Ltd	6 233 750	6 233 750
<b>Total</b>	<b>93 505 743</b>	<b>66 134 034</b>

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

Allocation	2015		2014	
	Investments	Interest	Investment	Interest
	N\$	N\$	N\$	N\$
Build Together Fund	20 942 288	2 675 159	21 140 976	2 491 215
Housing Fund	31 948 794	2 243 467	-	2 885 759
Insurance Fund	7 807 393	480 260	-	333 988
Parking Areas Fund	-	-	-	554
Revolving Fund	52 946	3 741	-	170 663
Fixed Assets Replacement Reserve	-	52 845	-	-
Unappropriated Surplus Fund	-	285 472	-	-
Mayoral Relief Fund	539 735	33 201	-	14 836
Athletic Track - Narraville	-	-	1 869	173
Revenue - Subsidiaries	31 776 529	-	31 776 529	-
Provisions	-	-	4 934 896	-
Assets - Unspent fund loans	423 981	-	8 346 233	-
Twahangana Fund	14 077	-	(66 469)	322 654
	<b>93 505 743</b>	<b>5 774 145</b>	<b>66 134 034</b>	<b>6 219 842</b>

## 1.9 FUND ACCOUNTS

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



## 1.10 TRADE ACCOUNTS

### 1.10.1 The results of operations were as follows:

	Resorts		Water	
	2015	2014	2015	2014
	N\$	N\$	N\$	N\$
Sales	4 393 329	3 633 155	102 144 908	85 801 483
Cost of sales	-	-	44 331 453	38 478 419
Gross profit	4 393 329	3 633 155	57 813 455	47 323 064
Net expenditure	12 781 793	11 255 759	25 192 028	19 315 409
<b>Net profit/(loss)</b>	(8 388 464)	(7 622 604)	32 621 427	28 007 655
Gross profit/(loss) percentages on sales	100.0%	100.0%	56.6%	55.2%
Net profit/(loss) percentage sales	-190.9%	-209.8%	31.9%	32.6%
	Total trading results		Markets	
	2015	2014	2015	2014
	N\$	N\$	N\$	N\$
Sales	107 087 895	89 984 296	549 658	549 658
Cost of sales	44 331 453	38 478 419	-	-
Gross profit/(loss)	62 756 442	51 505 877	549 658	549 658
Net expenditure	38 812 418	31 436 910	838 597	865 742
<b>Net profit/(loss)</b>	23 944 024	20 068 967	(288 939)	(316 084)
Gross profit/(loss) percentages on sales	58.6%	57.2%	100.0%	100.0%
Net profit/(loss) percentage sales	22.4%	22.3%	-52.6%	-57.5%

**1.10.2 Distribution results in units were as follows:**

	Water	
	2015	2014
	Units	Units
Sales	5 174 493	5 121 368
Purchases	6 060 181	5 717 061
Gross profit	(885 688)	(595 693)
Percentage gain/(loss) in units	-(14.6%)	-(10.4%)

**1.11 SELF SUPPORTING SERVICES**

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

	Surplus/ (deficit) 2015	Surplus/ (deficit) 2014
	N\$	N\$
Cleansing and sanitation	1 530 587	2 064 887
Sewerage reticulation	2 224 890	(38 211)
	3 755 477	2 026 676

**1.12 FRUITLESS UNAUTHORIZED OR AVOIDABLE EXPENDITURE**

No such expense was revealed during the audit.

**1.13 SUSPENSE ACCOUNTS**

The suspense accounts were cleared on a regular basis.

**1.14 IRREGULARITIES AND LOSSES**

No such expense was revealed during the audit.

## 1.15 CAPITAL PROJECTS

Expenditure on additions and improvements were as follows:

	2015	2014
	N\$	N\$
Building management - Community Halls	897 309	219 190
Building management - Municipal offices	2 274 155	390 959
Building management - Town halls and civic centre	26 096	-
CEO - Administration management	12 520	4 471
CEO - Customer services	5 317	-
CEO - Information Technology	149 788	343 650
CEO - Public Relations	-	(17 600)
Community services management	521 222	-
Corporate services - Admin management	-	19 472
Corporate Services - HR administration and training	31 842	187 488
Economic development - Kuisebmond market mall	2 753 823	636 922
Economic development - Tourism	319 954	134 834
Environmental management	-	300 737
Finance and administration	177 771	290 517
Graders	-	1 324 994
Health inspectorate	-	126 838
Library	246 424	17 499
Maintenance services management	17 319	204 095
Parks and recreation - Cemeteries	-	523 462
Parks and recreation - Parks	1 196 532	1 600 816
Protection services - Fire protection	394 871	2 029 674
Protection services - Security	3 346	-
Public works - Roads & engineers	444 292	282 168
Public works - Streets	6 153 693	12 435 820
Public works - Workshop	-	137 646
Residential administration	366 959	3 234
Residential administration - Flats and single quarters	2 713 082	-
Roads and building control - Administration management	275 449	10 204
Roads and building control - Administration management buildings	-	143 707
Sanitation and hazardous - Waste inspectorate	438 880	289 096
Sanitation management	7 340 923	1 516 691
Sewerage services - Reticulation	9 309 034	7 265 266
Sewerage services - Treatment work	1 764 447	975 513
Sports and resorts - Dolphin park	812 183	12 037 942
Sports and resorts - Esplanade park	567 750	239 334
Sports and resorts - Long beach	-	7 003
Sports and resorts - Sport facilities	2 439 030	2 840 730

### 1.15 CAPITAL PROJECTS (continued)

Expenditure on additions and improvements were as follows:

Town development projects - WIP	45 867 764	115 540 257
Tractors and trailers	-	208 856
Traffic inspectorate management	2 534 509	1 937 171
Vehicles and implements - Loaders	-	160
Vehicles and implements - Tankers	-	963 465
Vehicles and implements - Trucks	892 965	-
Water distribution	2 011 034	1 488 120
Water supply	-	2 734
Water waste and environmental management	751 051	652 611
Write-off	(1 327 801)	(2 130 504)
	92 383 533	165 185 242

Expenditure was financed as follows:

	<b>2015</b>	<b>2014</b>
	N\$	N\$
External loans	13 420 817	16 541 646
Revolving Fund	-	-
Internal loans	31 400 425	32 940 058
Parking Facilities Fund	-	-
Revenue	(305 473)	(1 539 389)
Grants and subsidies	29 612 431	18 169 165
Contributions by public	-	15 668 672
Internal Funds	18 255 333	83 405 090
	92 383 533	165 185 242

### 1.16 BURSARIES

No bursaries were granted.

### 1.17 CONTRIBUTIONS GRANTS AND FINANCIAL AID.

The following financial assistance was rendered during the year:

<b>Nature of assistance</b>	<b>Beneficiary</b>	<b>2015</b>	<b>2014</b>
		N\$	N\$
Free services	Staff	425 516	414 505
Exemptions on assessment rates	Churches and welfare organisations	1 034 851	788 539
		<b>1 460 367</b>	<b>1 203 044</b>

### 1.18 COMPENSATION PAYMENTS

No compensation payments were made.

### 1.19 VISITS TO FOREIGN COUNTRIES

The following visits were made:

<b>Destination</b>	<b>Purpose</b>	<b>Travelling and subsistence</b>	<b>Other</b>	<b>Total</b>
		N\$	N\$	N\$
South Africa	Annual Leadership for Whomen	13 980	-	13 980
South Africa	Business oppertuneties and franchise expo	8 071	-	8 071
Botswana and RSA	Study tour on public passenger transport	43 209	-	43 209
South Africa	Storm water infrastructure	8 222	2 753	10 975
South Africa	Saimsa	7 471	-	7 471
Brazil	Study tour to Belo Horizonte Brazil	32 144	-	32 144
South Africa	Sebata usergroup meeting	44 315	-	44 315
		<b>157 412</b>	<b>2 753</b>	<b>160 165</b>

## 1.20 CLAIMS AGAINST THE LOCAL AUTHORITY

There were no claims against the local authority.

## 1.21 GIFTS/DONATIONS BY THE LOCAL AUTHORITY

Description	2015	2014
	N\$	N\$
<i>Gifts and donations</i>		
Corporate gifts	1 820	3 800
Total	<b>1 820</b>	<b>3 800</b>

## 1.22 TRANSFER OF PROPERTY

No property was transferred to or from the Government.

## 1.23 DEBTORS/CREDITORS

### 1.23.1 Debtors at 30 June were:

	2015	2014
	N\$	N\$
Build Together loans	25 976 505	13 770 989
Interest accrued not received	1 430 213	657 973
Services	135 137 562	124 222 486
Erongo Regional Distributor Company (Pty) Ltd	16 385 622	15 469 157
Subsidies	11 611 688	9 698 699
Sundries	30 130 329	14 193 246
VAT	21 121 446	20 725 277
Provision for bad debts	(28 927 927)	(25 927 927)
	<b>212 865 438</b>	<b>172 809 900</b>

**1.23.2 Creditors at 30 June were:**

	<b>2015</b>	<b>2014</b>
	N\$	N\$
Trade payables	11 730 894	15 239 166
Provisions and accruals	12 033 706	11 406 214
Consumer deposits	9 372 119	7 683 182
Sundry payables	14 743 757	16 247 423
Short-term portion of long-term borrowings	16 578 575	10 855 707
	<b>64 459 051</b>	<b>61 431 692</b>

**1.24 ASSESSMENT RATES**

	<b>2015</b>	<b>2014</b>
	N\$	N\$
The net proceeds from assessment rates were	54 324 134	49 508 965
Tariffs per N\$1 valuation per annum (Residential properties)		
- Land	0 0209310	0 0209310
- Improvements	0 0053270	0 0053270
Tariffs per N\$1 valuation per annum (Business properties)		
- Land	0 0232400	0.0292400
- Improvements	0 0053270	0 0053270
Tariffs per N\$1 valuation per annum (Industrial properties)		
- Land	0 0219780	0 0219780
- Improvements	0 0053270	0 0053270
Valuations		
- Land	1 256 652 000	1 256 652 000
- Exempt	233 305 000	233 305 000
- Improvements	4 151 722 000	4 151 722 000
- Exempt	339 308 000	339 308 000

## 1.25 LOANS

### 1.25.1 External capital loans

	<b>2015</b>	<b>2014</b>
	N\$	N\$
From the Government of Namibia Ned Bank and NIB	49 245 441	50 896 056

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

### 1.25.2 Internal loans

	<b>2015</b>	<b>2014</b>
	N\$	N\$
Internal loans	187 414 681	173 994 593

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.

### 1.25.3 Housing loans

	<b>2015</b>	<b>2014</b>
	N\$	N\$
Housing Fund	10 554 308	10 594 909



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.

#### **1.25.4 Housing loans**

	<b>2015</b>	<b>2014</b>
	N\$	N\$
Amounts due to the Municipality	3 179 056	3 829 132

#### **1.25.5 Loans written off**

No loans were written off during the year under review.

#### **1.26. Property sold on an instalment basis**

	<b>2015</b>	<b>2014</b>
	N\$	N\$
Balance - 1 July	3 829 132	4 584 613
Interest and insurance	280 444	352 313
Payments	(930 520)	(1 107 794)
Balance - 30 June	3 179 056	3 829 132

#### **1.27 TARIFF ADJUSTMENTS**

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

#### **1.28 APPROVALS**

All necessary approvals were obtained.

### 1.30 INVENTORY AND EQUIPMENT

#### 1.30.1 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	32	5 360 895	63	11 145 541	56	35 458 833
Additions	8	2 741 572	8	2 151 977	7	8 560 929
Sub-total	40	8 102 467	71	13 297 518	63	44 019 762
Withdrawals	(3)	(225 927)	(4)	(316 506)	(3)	(647 722)
Balance - 30/06	37	7 876 540	67	12 981 012	60	43 372 040

#### 1.30.2 Inventory

Inventory on hand amounted to N\$ 2 715 776 at 30 June 2015 (2014 - N\$ 2 493 340). 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.

### 1.31 SPECIAL INVESTIGATIONS

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

### 1.32 GENERAL

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

### 1.33 FORMAL AND INFORMAL QUERIES

1.33.1 Formal queries are embodied in this report.

1.33.2 Informal queries were raised to management.

### **1.34 BASIS FOR QUALIFIED AUDIT OPINION**

My opinion has been qualified due to the following.

- The provision for bad debts is understated by N\$ 68 597 347.
- It was noted that sundry debtors and subsidies remained high in value with little prospects of being recovered.
- The bank reconciliation show an amount of N\$14 086 429 more than the cash-book balance and the balance sheet.
- Electrical assets were not yet transferred to Erongo Red. This means that the fixed asset is overstated and the investment in Erongo Red is understated.

### **1.35 QUALIFIED AUDIT OPINION**

The accounts of the Municipality of Walvis Bay for the financial year ended 30 June 2015 summarised in Annexures A to D were audited by me in terms of Section 85 of the Local Authority Act 1992 read with Section 25 (1) (b) of the State Finance Act 1991.

I certify that in my opinion, except for the remarks made in the basis for Qualified Audit Opinion the financial statements present fairly, in all material respects, the financial position for the Municipality of Walvis Bay as at 30 June 2015 financial year, and their financial performance and cash flows for the year ended in accordance with the provision of section 87 (1) of the Local Authority Act No 23 of 1992.

**WINDHOEK April 2016**

**JUNIAS ETUNA KANDJEKE  
AUDITOR-GENERAL**

**MUNICIPALITY OF WALVIS BAY**  
**STATEMENT OF FINANCIAL POSITION AT 30 JUNE**

	<b>Note</b>	<b>2015</b>	<b>2014</b>
		N\$	N\$
<b>ASSETS</b>			
NON-CURRENT ASSETS			
Property plant and equipment	<b>2</b>	1 086 067 177	993 683 645
Investments	<b>3</b>	93 505 743	66 134 034
Loans receivable	<b>4</b>	3 179 056	3 829 132
		<b>1 182 751 976</b>	<b>1 063 646 811</b>
CURRENT ASSETS			
Inventory		2 715 776	2 493 340
Trade and other receivables	<b>5</b>	212 865 438	172 809 900
Cash and bank balances		3 012 332	12 329 936
		218 593 546	187 633 176
<b>TOTAL ASSETS</b>		<b>1 401 345 522</b>	<b>1 251 279 987</b>
<b>FUNDS AND LIABILITIES</b>			
FUNDS AND RESERVES			
Capital outlay	<b>6</b>	866 788 038	799 715 673
Funds and accounts	<b>7</b>	437 431 567	350 092 273
		1 304 219 605	1 149 807 946
<b>LONG-TERM LIABILITIES</b>	<b>8</b>	32 666 866	40 040 349
<b>CURRENT LIABILITIES</b>			
Trade and other payables	<b>9</b>	64 459 051	61 431 692
		64 459 051	61 431 692
<b>TOTAL FUNDS AND LIABILITIES</b>		<b>1 401 345 522</b>	<b>1 251 279 987</b>

**MUNICIPALITY OF WALVIS BAY**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 30 JUNE**

	<b>Note</b>	<b>2015</b>	<b>2014</b>
		N\$	N\$
INCOME		308 525 231	274 374 461
EXPENDITURE		322 837 460	284 874 220
NET OPERATING LOSS BEFORE INTEREST		(14 312 229)	(10 499 759)
INTEREST ON INVESTMENTS		285 473	541 004
NET LOSS FOR THE YEAR		(14 026 756)	(9 958 755)
ADJUSTMENTS			
Appropriation account	<b>10</b>	8 221 098	(265 644)
Transfer to Funds	<b>11</b>	6 259 074	6 621 029
		453 416	(3 603 370)
ACCUMULATED FUNDS - Beginning of year		112 691 874	116 295 244
ACCUMULATED FUNDS - End of year		<b>113 145 290</b>	<b>112 691 874</b>

**MUNICIPALITY OF WALVIS BAY**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 30 JUNE**

	<b>Note</b>	<b>2015</b>	<b>2014</b>
		N\$	N\$
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Cash receipts from customers		308 525 231	274 374 461
Cash paid to suppliers		(345 607 903)	(318 697 930)
Cash utilised by operations	<b>12</b>	(37 082 672)	(44 323 469)
Investment income		285 473	541 004
Movement in Fund accounts			
- Fund accounts		86 885 878	(40 204 130)
- Capital outlay		67 072 365	138 406 774
Net cash flow from operating activities		117 161 044	54 420 179
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Net capital expenditure		(92 383 532)	(165 185 241)
Change in investments		(27 371 709)	102 476 564
Change in loans (Assets)		650 076	755 481
		(119 105 165)	(61 953 196)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Change in long-term liabilities		(7 373 483)	3 204 304
		(7 373 483)	3 204 304
<b>NET MOVEMENT IN CASH AND CASH EQUIVALENTS</b>			
		(9 317 604)	(4 328 713)
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>			
		12 329 936	16 658 649
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>			
		<b>3 012 332</b>	<b>12 329 936</b>

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

---

**1. ACCOUNTING POLICIES**

**1. BASIS OF PRESENTATION**

**1.1** These financial statements have been prepared so as to conform to the standard laid down by the Auditor-General.

**1.2** The financial statements are prepared on the historical cost basis adjusted for capital expenditure as more fully detailed in note two. The accounting policies are consistent with those applied in the previous year except if otherwise indicated.

**1.3** 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.

**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 Council has a significant shareholding.

**3. PROPERTY PLANT AND EQUIPMENT**

**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.

### **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.

**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.

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.

**3.4**



**MUNICIPALITY OF WALVIS BAY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED 30 JUNE**

---

**1. ACCOUNTING POLICIES (Continued)**

**4. INVENTORY**

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

**5. FUNDS AND RESERVES**

**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.

**5.2 Insurance Fund**

External insurance cover 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.

**5.3 Walvis Bay Housing Fund**

This fund is operated in accordance with 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 Council for a limited period of time.

**5.4 Parking Areas Fund**

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

**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.

### **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.

### **5.7 Hostel Loan Redemption Reserve**

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

### **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.

### **5.9 Mayoral Relief Fund**

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

**MUNICIPALITY OF WALVIS BAY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED 30 JUNE**

---

**1. ACCOUNTING POLICIES (Continued)**

**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.

**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.

**7. RETIREMENT BENEFITS**

The 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 participate 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.

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

**8. SURPLUSES AND DEFICITS**

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

## **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.

## **10. LEASED ASSETS**

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

## **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.

**MUNICIPALITY OF WALVIS BAY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED 30 JUNE**

---

**1. ACCOUNTING POLICIES (Continued)**

**12. INCOME RECOGNITION**

**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.

**12.2 Assessment Rates**

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.

**2. PROPERTY PLANT AND EQUIPMENT**

	<b>2015</b>	<b>2014</b>
	N\$	N\$
Property plant and equipment	819 365 073	772 849 304
Town development projects	266 702 104	220 834 341
Property development and equipment at bookvalue	<b>1 086 067 177</b>	<b>993 683 645</b>

## MUNICIPALITY OF WALVIS BAY

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (Continued)

## FOR THE YEAR ENDED 30 JUNE

**3. INVESTMENTS**

	<b>2015</b>	<b>2014</b>
	N\$	N\$
Commercial banks	56 755 972	34 357 505
Insurance companies	4 973 242	-
Shares in subsidiary company - EPZMC (Pty) Ltd	25 542 779	25 542 779
Shares in Erongo Regional Distributor Company (Pty) Ltd	6 233 750	6 233 750
	<u>93 505 743</u>	<u>66 134 034</u>

**4. LOANS RECEIVABLE**

Personnel loans	32 454	51 410
NBF loans	1 746	2 344
CDF loans	262 609	328 400
CLB loans	244 441	270 164
LCR Loans	1 007 943	1 092 495
Leasehold loans	102 033	120 125
Staff Economic Housing loans	1 527 830	1 964 194
	<u>3 179 056</u>	<u>3 829 132</u>

**5. TRADE AND OTHER RECEIVABLES**

Build Together loans	25 976 505	13 770 989
Interest accrued not received	1 430 213	657 973
Services	135 137 562	124 222 486
Erongo Regional Distributor Company (Pty) Ltd	16 385 622	15 469 157
Subsidies	11 611 688	9 698 699
Sundries	30 130 329	14 193 246
VAT	21 121 446	20 725 277
Provision for bad debts	(28 927 927)	(25 927 927)
	<u>212 865 438</u>	<u>172 809 900</u>

**ANNEXURE D**

**MUNICIPALITY OF WALVIS BAY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED 30 JUNE**

**6. CAPITAL OUTLAY**

Loans redeemed	103 897 453	97 553 046
General capital contributions	762 890 585	702 162 627
	866 788 038	799 715 673

**7. FUNDS AND RESERVES**

	<b>2015</b>	<b>2014</b>
	N\$	N\$
Capital Development Fund	1 031 677	1 024 734
Build Together Fund	46 918 793	36 204 207
Enviromental Fund	757 673	757 673
Housing Fund	99 974 803	94 794 176
Insurance Fund	7 807 393	7 086 040
Parking Areas Fund	82 766	21 386
Revolving Fund	127 033 776	59 019 690
Fixed Assets Replacement Reserve	34 741 651	33 418 946
Future Repairs and Maintenance Reserve	3 398 178	3 205 768
Major Repair Reserve	1 999 832	1 660 332
Mayoral Relief Fund	539 735	205 405
Athletic Track - Narraville	-	2 042
Revenue account kept in compliance with Section 86(1) of the Local Authority Act 1992.	113 145 290	112 691 874
	<b>437 431 567</b>	<b>350 092 273</b>

**MUNICIPALITY OF WALVIS BAY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED 30 JUNE**

**8. LONG-TERM LIABILITIES**

	<u>2015</u>	<u>2014</u>
	N\$	N\$
From the Government of Namibia Ned Bank and NIB	49 245 441	50 896 056
Short-term portion	(16 578 575)	(10 855 707)
	<b><u>32 666 866</u></b>	<b><u>40 040 349</u></b>

**9. TRADE AND OTHER PAYABLES**

Trade payables	11 730 894	15 239 166
Provisions and accruals	12 033 706	11 406 214
Consumer deposits	9 372 119	7 683 182
Sundry payables	14 743 757	16 247 423
Short-term portion of long-term borrowings	16 578 575	10 855 707
	<b><u>64 459 051</u></b>	<b><u>61 431 692</u></b>



## MUNICIPALITY OF WALVIS BAY

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (Continued)

## FOR THE YEAR ENDED 30 JUNE

**10. ADJUSTMENTS TO APPROPRIATION ACCOUNT**

	<b>2015</b>	<b>2014</b>
	N\$	N\$
Development Trust Conclusion	1 196 803	-
Prior year expenditure	(68 987)	(492 198)
Prior year income	5 804 801	11 008
Retention money written back	-	254 771
Stock adjustments	-	(39 225)
VAT adjustments	1 288 481	-
	<u>8 221 098</u>	<u>(265 644)</u>

**11. TRANSFERS TO INTERNAL FUNDS**

Revolving Fund	6 259 074	6 621 029
	<u>6 259 074</u>	<u>6 621 029</u>

**12. CASH UTILISED BY OPERATIONS**

Net operating loss before transfers	(14 026 756)	(9 958 755)
Adjustments for :		
- Adjustments to appropriation account	8 221 098	(265 644)
- Investment income	(285 473)	(541 004)
- Transfers to Funds	6 259 074	6 621 029
<b>OPERATING INCOME BEFORE CHANGES IN WORKING CAPITAL</b>	<u>167 943</u>	<u>(4 144 374)</u>
<b>CHANGES IN WORKING CAPITAL</b>		
Inventory	(222 436)	(569 615)
Trade and other receivables	(40 055 538)	(57 667 715)
Trade and other payables	3 027 359	18 058 235
	<u>(37 250 615)</u>	<u>(40 179 095)</u>
<b>CASH UTILISED BY OPERATIONS</b>	<u><b>(37 082 672)</b></u>	<u><b>(44 323 469)</b></u>