Ugu District Municipality

(Registration number DC21)
Consolidated Financial Statements for the year ended 30 June 2017

Appropriation Statement

Figures in Rand	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Economic entity - 2017											
Financial Performance											
Service charges	473 667 454	-	473 667 454	-		473 667 454	314 581 575		(159 085 879)	66 %	66 %
Investment revenue	19 370 069	864 378	20 234 447	-		20 234 447	28 297 098		8 062 651	140 %	146 %
Transfers recognised - operational	408 661 587	13 316 365	421 977 952	-		421 977 952	391 139 000		(30 838 952)	93 %	96 %
Other own revenue	12 807 127	3 658 098	16 465 225	-		16 465 225	15 799 192		(666 033)	96 %	123 %
Total revenue (excluding capital transfers and contributions)	**914 506 237**	**17 838 841**	**932 345 078**	**-**		**932 345 078**	**749 816 865**		**(182 528 213)**	**80 %**	**82 %**
Employee costs	(332 850 265)	(6 282 371)	(339 132 636)	-	-	(339 132 636)	(340 948 143)	69 889	(1 815 507)	101 %	102 %
Remuneration of councillors	(11 874 441)	820 000	(11 054 441)	-	-	(11 054 441)	(9 422 804)	-	1 631 637	85 %	79 %
Debt impairment	(17 740)	-	(17 740)			(17 740)	(17 731)	-	9	100 %	100 %
Depreciation and asset impairment	(161 763 125)	3 776 464	(157 986 661)			(157 986 661)	(239 953 063)	115 091 661	(81 966 402)	152 %	148 %
Finance charges	(15 775 660)	3 801 413	(11 974 247)	-	-	(11 974 247)	(10 627 915)	-	1 346 332	89 %	67 %
Materials and bulk purchases	(90 167 528)	10 295 237	(79 872 291)	-	-	(79 872 291)	(77 790 321)	-	2 081 970	97 %	86 %
Transfers and grants	(57 715 762)	17 438 226	(40 277 536)	-	-	(40 277 536)	(36 335 454)	-	3 942 082	90 %	63 %
Other expenditure	(242 098 745)	(53 387 982)	(295 486 727)	-	-	(295 486 727)	(268 852 822)	-	26 633 905	91 %	111 %
Total expenditure	**(912 263 266)**	**(23 539 013)**	**(935 802 279)**	**-**	**-**	**(935 802 279)**	**(983 948 253)**	**115 161 550**	**(48 145 974)**	**105 %**	**108 %**
Surplus/(Deficit)	**2 242 971**	**(5 700 172)**	**(3 457 201)**	**-**		**(3 457 201)**	**(234 131 388)**		**(230 674 187)**	**6 772 %**	**6 772 %**

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Figures in Rand	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	310 862 000	(11 399 687)	299 462 313	-		299 462 313	310 298 952		10 836 639	104 %	100 %
Contributions recognised - capital and contributed assets	-	-	-	-		-	7 377 878		7 377 878	DIV/0 %	DIV/0 %
Surplus (Deficit) after capital transfers and contributions	**313 104 971**	**(17 099 859)**	**296 005 112**	**-**		**296 005 112**	**83 545 442**		**(212 459 670)**	**28 %**	**27 %**
Surplus/(Deficit) for the year	**313 104 971**	**(17 099 859)**	**296 005 112**	**-**		**296 005 112**	**83 545 442**		**(212 459 670)**	**28 %**	**27 %**
Capital expenditure and funds sources											
Total capital expenditure	369 147 000	(19 913 707)	349 233 293	-		349 233 293	320 030 326		(29 202 967)	92 %	87 %
Sources of capital funds											
Transfers recognised - capital	310 862 000	(11 754 422)	299 107 578	-		299 107 578	299 107 578		-	100 %	96 %
Internally generated funds	58 285 000	(8 159 285)	50 125 715	-		50 125 715	29 528 124		(20 597 591)	59 %	51 %
Total sources of capital funds	**369 147 000**	**(19 913 707)**	**349 233 293**	**-**		**349 233 293**	**328 635 702**		**(20 597 591)**	**94 %**	**89 %**

Unauthorised expenditure has been disclosed separately in the notes to financial statements. Refer to note 50.

Ugu District Municipality
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Appropriation Statement

Figures in Rand

	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome
Economic entity - 2016				
Financial Performance				
Service charges				319 927 885
Investment revenue				30 628 193
Transfers recognised - operational				377 267 137
Other own revenue				19 240 559
Total revenue (excluding capital transfers and contributions)				**747 063 774**
Employee costs	-	-	-	(302 627 815)
Remuneration of councillors	-	-	-	(9 549 402)
Debt impairment	172 017	-	172 017	(196 710)
Depreciation and asset impairment	112 677 428	-	112 677 428	(439 774 063)
Finance charges	-	-	-	(13 556 116)
Materials and bulk purchases	-	-	-	(66 091 136)
Transfers and grants	-	-	-	(20 327 058)
Other expenditure	1 100 086	-	1 100 086	(232 711 703)
Total expenditure	**113 949 531**	**-**	**113 949 531**	**(1 084 834 003)**
Surplus/(Deficit)				**(337 770 229)**
Transfers recognised - capital				356 114 628
Contributions recognised - capital and contributed assets				4 961 650
Surplus (Deficit) after capital transfers and contributions				**23 306 049**
Surplus/(Deficit) for the year				**23 306 049**

Ugu District Municipality

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Appropriation Statement

Figures in Rand	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome
Capital expenditure and funds sources				
Total capital expenditure				364 250 690
Sources of capital funds				
Transfers recognised - capital				355 430 178
Internally generated funds				8 820 512
Total sources of capital funds				**364 250 690**

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Appropriation Statement

Figures in Rand	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Controlling entity - 2017											
Financial Performance											
Service charges	473 667 454	1 309 958	474 977 412	-		474 977 412	314 581 575		(160 395 837)	66 %	66 %
Investment revenue	18 801 593	600 000	19 401 593	-		19 401 593	27 447 517		8 045 924	141 %	146 %
Transfers recognised - operational	400 438 000	7 601 423	408 039 423	-		408 039 423	391 139 000		(16 900 423)	96 %	98 %
Other own revenue	7 371 988	3 629 952	11 001 940	-		11 001 940	13 241 563		2 239 623	120 %	180 %
Total revenue (excluding capital transfers and contributions)	**900 279 035**	**13 141 333**	**913 420 368**	**-**		**913 420 368**	**746 409 655**		**(167 010 713)**	**82 %**	**83 %**
Employee costs	(321 908 513)	(7 106 610)	(329 015 123)	-	-	(329 015 123)	(330 968 190)	19 532	(1 953 067)	101 %	103 %
Remuneration of councillors	(11 200 371)	1 000 000	(10 200 371)	-	-	(10 200 371)	(8 323 243)	-	1 877 128	82 %	74 %
Debt impairment	(38 108 786)	8 767 461	(29 341 325)			(29 341 325)	-	-	29 341 325	- %	- %
Depreciation and asset impairment	(123 385 336)	(5 000 000)	(128 385 336)			(128 385 336)	(239 691 405)	144 436 679	(111 306 069)	187 %	194 %
Finance charges	(15 774 160)	3 800 413	(11 973 747)	-	-	(11 973 747)	(10 625 404)	-	1 348 343	89 %	67 %
Materials and bulk purchases	(90 167 528)	10 295 237	(79 872 291)	-	-	(79 872 291)	(77 790 321)	-	2 081 970	97 %	86 %
Transfers and grants	(21 780 890)	4 342 664	(17 438 226)	-	-	(17 438 226)	(53 773 680)	36 335 454	(36 335 454)	308 %	247 %
Other expenditure	(240 871 008)	(64 113 036)	(304 984 044)	-	-	(304 984 044)	(250 900 902)	-	54 083 142	82 %	104 %
Total expenditure	**(863 196 592)**	**(48 013 871)**	**(911 210 463)**	**-**	**-**	**(911 210 463)**	**(972 073 145)**	**180 791 665**	**(60 862 682)**	**107 %**	**113 %**
Surplus/(Deficit)	**37 082 443**	**(34 872 538)**	**2 209 905**	**-**		**2 209 905**	**(225 663 490)**		**(227 873 395)**	**(10 211)%**	**(609)%**

Appropriation Statement

Figures in Rand	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	310 272 000	(11 164 423)	299 107 577	-		299 107 577	310 298 952		11 191 375	104 %	100 %
Surplus (Deficit) after capital transfers and contributions	**347 354 443**	**(46 036 961)**	**301 317 482**	**-**		**301 317 482**	**84 635 462**		**(216 682 020)**	**28 %**	**24 %**
Surplus/(Deficit) for the year	**347 354 443**	**(46 036 961)**	**301 317 482**	**-**		**301 317 482**	**84 635 462**		**(216 682 020)**	**28 %**	**24 %**
Capital expenditure and funds sources											
Total capital expenditure	368 557 000	(19 678 707)	348 878 293	-		348 878 293	320 030 326		(28 847 967)	92 %	87 %
Sources of capital funds											
Transfers recognised - capital	310 862 000	(11 754 422)	299 107 578	-		299 107 578	299 107 578		-	100 %	96 %
Internally generated funds	57 695 000	(7 924 285)	49 770 715	-		49 770 715	18 811 324		(30 959 391)	38 %	33 %
Total sources of capital funds	**368 557 000**	**(19 678 707)**	**348 878 293**	**-**		**348 878 293**	**317 918 902**		**(30 959 391)**	**91 %**	**86 %**

Unauthorised expenditure has been disclosed separately in the notes to financial statements. Refer to note 50.

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Appropriation Statement

Figures in Rand

	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome
Controlling entity - 2016				
Financial Performance				
Service charges				319 927 885
Investment revenue				29 874 150
Transfers recognised - operational				377 267 137
Other own revenue				18 630 501
Total revenue (excluding capital transfers and contributions)				**745 699 673**
Employee costs	-	-	-	(294 667 945)
Remuneration of councillors	-	-	-	(8 957 246)
Debt impairment	172 017	-	172 017	(172 017)
Depreciation and asset impairment	112 677 428	-	112 677 428	(439 615 675)
Finance charges	-	-	-	(13 556 084)
Materials and bulk purchases	-	-	-	(66 091 136)
Transfers and grants	-	-	-	(37 172 994)
Other expenditure	1 100 086	-	1 100 086	(222 353 278)
Total expenditure	**113 949 531**	**-**	**113 949 531**	**(1 082 586 375)**
Surplus/(Deficit)				**(336 886 702)**
Transfers recognised - capital				356 114 628
Surplus (Deficit) after capital transfers and contributions				**19 227 926**
Surplus/(Deficit) for the year				**19 227 926**

Ugu District Municipality
(Registration number DC21)
Consolidated Financial Statements for the year ended 30 June 2017

Appropriation Statement

Figures in Rand	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome
Capital expenditure and funds sources				
Total capital expenditure				366 315 168
Sources of capital funds				
Transfers recognised - capital				370 470 115
Internally generated funds				46 430 475
Total sources of capital funds				**416 900 590**

Accounting Policies

1. Presentation of Consolidated Financial Statements

The consolidated financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These consolidated financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

In the absence of an issued and effective Standard of GRAP, accounting policies for material transactions, events or conditions were developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 as read with Directive 5.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these consolidated financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Presentation currency

These consolidated financial statements are presented in South African Rand, which is the functional currency of the economic entity.

1.2 Going concern assumption

These consolidated financial statements have been prepared based on the expectation that the economic entity will continue to operate as a going concern for at least the next 12 months.

1.3 Transfer of functions between entities not under common control

Definitions

An acquiree is the entity and/or the functions that the acquirer obtains control of in a transfer of functions.

An acquirer is the entity that obtains control of the acquiree or transferor.

Acquisition date is the date on which the acquirer obtains control of the acquiree.

Contingent consideration is usually, an obligation of the acquirer to transfer additional assets or a residual interest to the former owners of an acquiree as part of the exchange for control of the acquiree if specified future events occur or conditions are met. However, contingent consideration also may give the acquirer the right to the return of previously transferred consideration if specified conditions are met.

Control is the power to govern the financial and operating policies of another entity so as to obtain benefit from its activities.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s length transaction.

A function is an integrated set of activities that is capable of being conducted and managed for purposes of achieving an entity’s objectives, either by providing economic benefits or service potential.

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability; or
- arises from contractual rights (including rights arising from binding arrangements) or other legal rights (excluding rights granted by statute), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

A merger is the establishment of a new combined entity in which none of the former entities obtain control over any other and no acquirer can be identified.

1.3 Transfer of functions between entities not under common control (continued)

Non-controlling interest is the interest in the net assets of a controlled entity not attributable, directly or indirectly, to a controlling entity.

Owners (for the purposes of this Standard), is used broadly to include holders of residual interests.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

A transfer of functions is the reorganisation and/or the re-allocation of functions between entities by transferring functions between entities or into another entity.

The acquisition method

The economic entity accounts for each transfer of functions between entities not under common control by applying the acquisition method.

Applying the acquisition method requires:
(a) identifying the acquirer;
(b) determining the acquisition date;
(c) recognising and measuring the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree; and
(d) recognising the difference between (c) and the consideration transferred to the seller.

Identifying the acquirer

For each transfer of functions between entities not under common control, one of the combining entities is identified as the acquirer.

The terms and conditions of a transfer of functions undertaken between entities not under common control are set out in a binding arrangement.

Determining the acquirer includes a consideration of, amongst other things, which of the combining entities initiated the transaction or event, the relative size of the combining entities, as well as whether the assets or revenue of one of the entities involved in the transaction or event significantly exceed those of the other entities. If no acquirer can be identified, the transaction or event is accounted for in terms of the Standard of GRAP on Mergers.

Determining the acquisition date

The acquirer identifies the acquisition date, which is the date on which it obtains control of the acquiree.

All relevant facts and circumstances are considered in identifying the transfer date.

Recognising and measuring the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree

Recognition principle

As of the acquisition date, the municipality as acquirer recognises, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree.

Recognition conditions:

To qualify for recognition as part of applying the acquisition method, the identifiable assets acquired and liabilities assumed must meet the definitions of assets and liabilities in the Framework for the Preparation and Presentation of Financial Statements and the recognition criteria in the applicable Standards of GRAP at the acquisition date.