



Draft Report

SA Cities Network

Analysis of Cities Finances

2003: 2008



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Analysis of City Finances for the 2003 – 2008 financial years

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STATE OF THE CITIES FINANCES: 2003 – 2008

SECTION ONE: OVERVIEW OF THE WORK DONE

1 Introduction

The SA Cities Network commissioned a “State of Cities Finances Report 2006” that contained an analysis of the finances of the 9 cities covering the period 2003 to 2006. The data used in that report has now been updated and has been used in this report to identify any major changes in the financial position and performance of the cities.

Data sheets have been prepared in excel format and have been submitted separately in an Excel Microsoft format. Information from these data sheets have been used to prepare this report.

It should be noted that the findings in this report have not been discussed with the financial officials from any of the 9 cities.

2 Information constraints

There was difficulty in obtaining official annual financial statements and audit report information on the 9 cities. The information was obtained from the annual reports that were published on municipal websites at the date of preparing the data sheets. Where annual financial statement information had not been published or was not included on the website, information was obtained from officials in the municipalities. In certain instances, these annual financial statements were in electronic format, were not signed and dated and no assurance was given that these were the final audited version. There is a risk that the information used was not the final audited annual financial statement.

The only consolidated municipal information that was used related to the City of Johannesburg. The reason is that the major municipal functions are done through municipal entities and the analysis would be incomplete if unconsolidated information was used. It should be noted that all information relating to the City of Johannesburg from 2003 to 2008 is consolidated. In the remaining cities, unconsolidated information has been used. The reason is for consistency purposes to improve the comparability of trends and finances over the period 2003 to 2008. Furthermore, the municipal entities of the cities other than the City of Johannesburg house typical non-municipal function information. Lastly, it was only a requirement that consolidated annual financial statements be prepared for the year ended 30 June 2006 and thereafter.

Mangaung has recently transferred its electricity function to a municipal entity (it appears that this was done in 2007). It was not possible to obtain consolidated annual financial statements for this municipality. The comparability of Mangaung’s financial information over the period 2003 to 2008 is compromised.

Despite the challenge relating to the inaccessibility of Mangaung’s consolidated annual financial statements, the matters raised in this section of our report do not detract from the analysis that has been done.

3 Differing interpretations of accounting standards

When preparing annual financial statements for the year ended 30 June 2008, differing interpretations of accounting standards and the reserving model developed by National Treasury have arisen. The 2007 comparative amounts have been restated, and we have updated our data sheets accordingly. However, these different interpretations impact on the classification of transactions between “Net Assets” and “Liabilities”. It has also impacted on revenue recognition, specifically government grants. The net effect is that government grants are greater overall than what has been disclosed in the annual financial statements.

This differing interpretation reduces the comparability of information and trends and reduces the usefulness of the analysis included in this report. Unfortunately, there is insufficient information to enable us to restate amounts included in the annual financial statements to improve comparability.

SECTION TWO: ASSESSMENT OF FINANCE PERFORMANCE

4 Trends in operating revenue

Figure 1 sets out the annual changes in the various revenue sources for the metropolitan municipalities. The reason for distinguishing between metropolitan and non-metropolitan municipalities (see Figure 3) is because metropolitan municipalities were able to raise RSC levies whilst the three non-metropolitan municipalities did not have access to this revenue source. It should be noted that RSC levy income was discontinued at the end of the 2006 year although there was a grace period of two years to pursue non-payers for the period up to 30 June 2006. The RSC levies were replaced by an additional government grant.

Figure 1: Annual changes in revenue: Metropolitan Municipalities

	Percentage Changes				
	2004	2005	2006	2007	2008
	%	%	%	%	%
Property rates	42	11	8	6	16
Service charges	30	8	5	13	10
Electricity	34	9	4	10	10
Water	32	10	10	13	9
Sewerage	119	8	10	12	15
Cleansing	153	5	5	11	13
Other	-81	-80	-379	-267	29
Interest earned					
Investments	14	18	11	28	21
Outstanding debtors	375	-18	21	46	23
Government grants and subsidies	146	57	23	116	28
Fines	340	35	15	8	15
Public contributions		62	115	9	102
RSC levies	38	39	16	-97	-87
Other	53	5	18	1	
TOTAL	41	14	10	10	15

The annual growth in property rates declined to 6% in 2007, which is a reflection of an inflationary increase in tariffs rather than a substantial increase in property developments. Good growth in service charges was also noted in the 2007 financial year particularly water, sewerage and cleansing charges. How much of this is an indicator of economic growth versus an increase in tariffs is not easily discernible from the annual financial statements. Electricity, which is usually a good indicator of economic growth has only grown by 10% in the 2007 and 2008 financial years. There were significant power outages in January/February 2008 and substantial tariff increases by Eskom in April 2008. The effect on electricity revenue or demand is not quantifiable but does indicate that some of the growth in electricity revenue can be attributable to economic growth.

Interest earned on investments has continued to grow and this can be attributable to higher interest rates in the 2007 and 2008 financial years as well as the improved cash and investment

holdings. Interest on outstanding debtors also shows high annual growth in the 2007 and 2008 years and is possibly a reflection of the challenges faced in collecting debtors' balances outstanding.

Government grants show a significant increase in 2007. This is due to the RSC replacement grant as well as improvements in spending capital expenditure budgets. Where government grants are used to finance part of the capital budgets, the higher the spending against these grants, the higher is the revenue that will be recognised (government grants will be recognised as revenue when the conditions attached to such grants are met). If the accounting principles regarding government grants had been applied consistently across all the cities, government grants would have increased by a bigger percentage in 2007 and 2008.

RSC levies declined in the 2007 and 2008 year due to the abolishment of this source of revenue.

Fines, public contributions show big annual percentage changes but these are insignificant sources of revenue from a monetary perspective.

Figure 2: Proportionate share of revenue by major source

METROPOLITON	Proportionate Allocations					
	2003	2004	2005	2006	2007	2008
	%	%	%	%	%	%
Property rates	23	23	22	22	21	21
Service charges	55	51	48	46	47	45
Electricity	32	31	29	28	28	26
Water	13	12	11	11	12	11
Sewerage	3	4	4	4	4	4
Cleansing	2	3	3	3	3	3
Other	6	1			1	1
Interest earned						
Investments	3	2	2	2	3	3
Outstanding debtors		1	1	1	1	2
Government grants and subsidies	3	6	8	9	18	20
Fines		1	1	1	1	1
Public contributions				1	1	2
RSC levies	8	8	9	10		
Other	8	7	7	7	7	6
TOTAL	100	100	99	100	100	100

Property rates have slightly declined from 23% of total revenue in 2003 to 21% in 2007 and 2008. The biggest change relates to service charges, which have declined from 55% of total revenue in 2003 to 45% in 2008. The major change relates to electricity (over the 6-year period covered in Figure 2, its share of total revenue has declined by 6%).

The reduction in RSC levies in 2007 is offset by a corresponding increase in government grants as a proportion of total operating revenue. As mentioned earlier, government grants would be a greater portion of revenue if consistent accounting principles had been applied across all cities.

Figure 3: Annual changes in revenue: Non-Metropolitan Municipalities

NON-METROPOLITAN	Percentage Changes				
	2004	2005	2006	2007	2008
	%	%	%	%	%
Property rates	11	19	8	8	-1
Service charges	23	14	-17	7	5
Electricity	10	6	-21	7	
Water	14	3	10	9	7
Sewerage		135	15	6	6
Cleansing		50	12	8	12
Other			-10,218	15	-3
Interest earned					
Investments	8	-42	18	141	22
Outstanding debtors		75	-28	62	19
Government grants and subsidies	33	66	15	6	41
Fines		279	35	-7	-2
Public contributions			-72	60	16
Other	-20	-41	320	-74	73
TOTAL	15	15	17	-10	18

There are some unusual trends in the annual changes of service charges. This is due to the inflating of the service charges revenue components by one of the non-metropolitan cities, which are deducted in the “other” classification within service charges.

The high levels of revenue increases in 2004 and 2005, specifically in terms of rates and service charges, have reduced in 2006-2008 and in one year there is even “negative” growth in these revenue sources. There is no obvious explanation as it would be expected that revenue trends in non-metropolitan municipalities would mirror those in metropolitan municipalities (see Figure 1). This has not occurred. An explanation could be that the package of free basic services has increased, meaning that a higher proportion of municipal services are no longer billed. Alternatively, the low growth in revenue could be due to less emphasis on growing own revenue sources due to the increase in government grants.

Government grants and subsidies show significant annual increases across the period included in this review, except in 2007 where the increase is only 6%. This could be a reflection of capital expenditure in this year, where projects funded by government grants were substantially incomplete at year-end and therefore the conditions were not met.

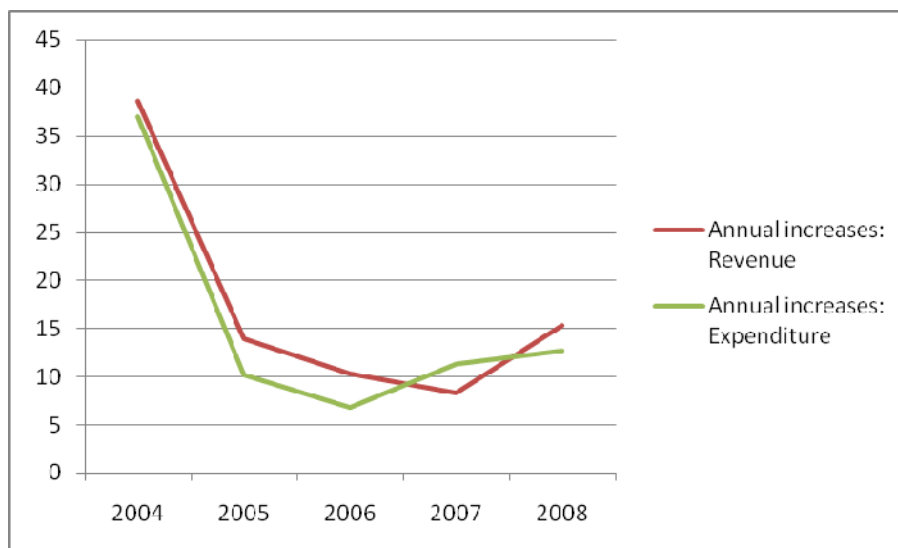
The same trends in property rates and service charges identified for metropolitan municipalities have also occurred in non-metropolitan municipalities. The major reason is the increased proportionate share of government grants which has increased from 12% in 2003 to 27% in 2008. Government grants now account for a greater share of revenue than property rates.

Figure 4: Proportionate share of operating revenue by major source: Non-Metropolitan Municipalities

NON-METROPOLITAN	Proportionate Allocations					
	2003	2004	2005	2006	2007	2008
	%	%	%	%	%	%
Property rates	20	19	20	18	22	18
Service charges	46	50	49	35	41	37
Electricity	34	32	30	20	24	21
Water	13	13	11	11	13	12
Sewerage		3	5	5	6	6
Cleansing		2	3	3	3	3
Other				-4	-5	-4
Interest earned						
Investments	3	3	2	2	4	4
Outstanding debtors	0	1	1	1	2	2
Government grants and subsidies	12	14	20	19	23	27
Fines			1	1	1	1
Public contributions			1			
RSC levies						
Other	19	13	7	24	7	10
TOTAL	100	100	100	100	100	100

The annual increases in revenue are marginally higher than the annual increases in expenditure, except in 2007 where expenditures marginally increased by more than revenue. The analysis of revenue indicates that there has been high overall annual revenue growth over the period covered in the review (see Figure 5). This correlates with the annual increases in expenditure, which are also shown in Figure 5.

Figure 5: Annual percentage increases in operating revenue and expenditure



5 Trends in operating expenditure

Figure 6 shows the annual increase in operating expenditure from 2004 to 2008. The 2004 annual increase is distorted by the inclusion of Cape Town data which was excluded from the 2003 operating expenditure. Expenditure growth in 2005 to 2007 has been contained to relatively low percentage increases. In the 2008 year expenses have increased by 13%, which can be attributed to higher inflation.

Figure 6: Annual changes in operating expenditure

	Percentage Changes				
	2004	2005	2006	2007	2008
	%	%	%	%	%
Employee related costs	40	5	6	15	8
Remuneration of Councillors	35	6	10	24	4
Bad debts	194	33	-17	6	12
Depreciation	44	-24	-4	34	1
Repairs and maintenance	28	8	2	14	28
Interest	21	10	8	11	5
Bulk purchases	36	30	5	12	8
Other	22	6	22	1	26
Total	37	10	7	11	13

After increasing by 15% in 2007, employee related costs only increased by 8% in 2008. Bad debts show an erratic increase; this is probably due to the relatively high level of provisioning that has occurred over the period included in Figure 6.

Depreciation also shows erratic increases and this could be attributable to the refinement of fixed asset registers emanating from the new accounting standards. The cities have had a three year transitional period to fully implement some of the new accounting standards dealing with property, plant and equipment.

There is a greater allocation of resources to repairs and maintenance and this is reflected in the significant increases that have occurred in the 2007 and 2008 financial years. Other expenditure has increased by 26% in 2008; marginally increased in 2007 and again had increased significantly in 2006. There is no obvious explanation regarding this expenditure category.

Figure 7 shows the various components of operating expenditure on a proportionate basis. Employee related costs have declined marginally from 30% in 2003 to 28% in 2008. Bad debts have remained relatively constant at 5% of total operating expenditure. Although there have been significant increases in repairs and maintenance (see Figure 6) in 2007 and 2008, there is not a noticeable change in the proportion of operating expenditure allocated to this activity. Bulk purchases have increased marginally, and this trend is expected to continue due to price increases emanating from Eskom in particular.

Figure 7: Proportionate share of operating expenditure by major cost category

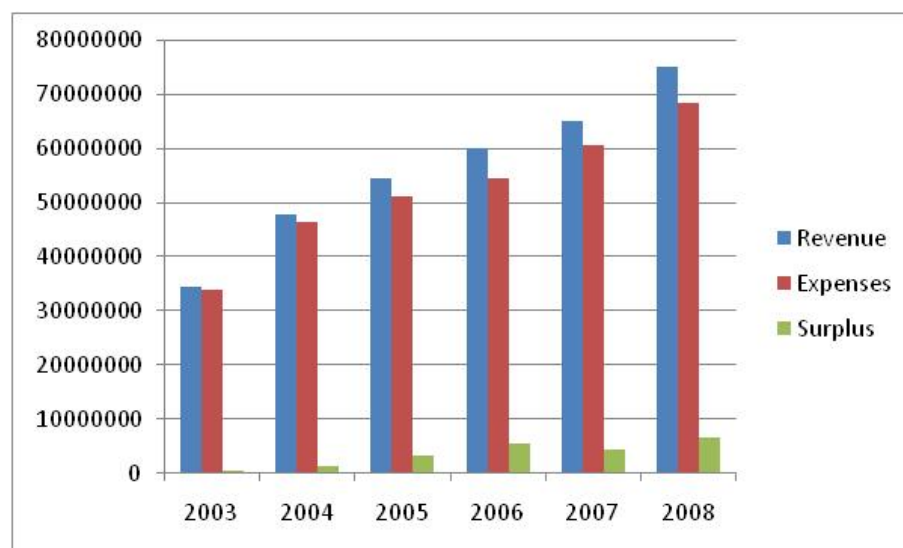
	Proportionate Allocations					
	2003	2004	2005	2006	2007	2008
	%	%	%	%	%	%
Employee related costs	30	30	29	28	29	28
Remuneration of Councillors	1	1	1	1	1	1
Bad debts	3	5	7	5	5	5
Depreciation	9	9	6	6	7	6
Repairs and maintenance	7	7	7	6	6	7
Interest	5	4	4	4	4	4
Bulk purchases	22	22	26	25	25	24
Other	25	22	21	25	22	25
Total	100	100	100	100	100	100

6 Operating Surpluses generated

Key indicators of the state of municipal finances are the operating surpluses generated and the extent to which net assets increase. Net assets represent the wealth of a community and indicate the extent to which the municipality has financed its assets relative to lenders and creditors.

Figure 8 shows the surpluses that have been generated over the past 5 years in R'000. The surpluses are growing in relation to revenue, having increased from approximately 2% of annual operating revenue in 2003 to approximately 9% of total annual operating expenditure in 2008. This indicates that expenditure growth has been contained and that a portion of the annual increases in revenue have not been spent.

Figure 8: Annual operating surpluses generated (R'000)



The operating surpluses have assisted municipalities increase net assets from 42% of total assets in 2003 to just over 50% of total assets in 2008. This means that the cities have less reliance on creditor financing and borrowings to finance assets.

7 Other adjustments to accumulated surpluses

The accumulated surplus, which is included in the Net Asset classification, has increased by approximately R44 billion from 2003 to 2008. Approximately half of this is attributable to operating surpluses that have been generated over the period 2003 to 2008. The following transactions have also been included in the accumulated surplus account, also in the period 2003 to 2008: -

<i>Accumulated surplus has been increased by the following transactions</i>	
Implementation of the new accounting standards	R9.7 billion
Re-instatement of property, plant and equipment	R15.1 billion
Correction of errors	R2.9 billion
Offsetting of depreciation from reserves	R6.9 billion
<i>Accumulated surplus has been reduced by the following transaction</i>	
Transfer to reserves	R12.3 billion

There is no doubt that accounting practices have had a significant positive impact on the accumulated surpluses. These will not have had an effect on cash flow; only that part of the accumulated surplus that is attributable to annual operating surpluses will have an impact on cash flow.

8 Overall conclusion on financial performance

The operating surpluses, if backed by strong cash flow, will increase the overall financial status of the cities. The cash-flow of the cities has been assessed elsewhere in this report.

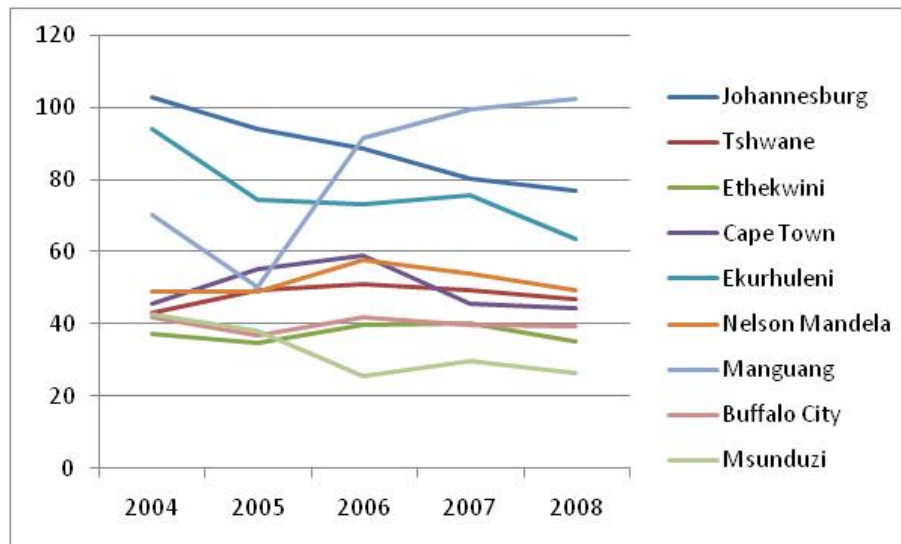
Overall, the financial performance of the cities has continued to be strong. There are no risks or threats evident from the analysis that has been done in this section of the report.

SECTION THREE: DEBTORS' COLLECTIONS AND DEBTORS' PROVISIONING

9 Trends in debtors' balances outstanding

Figure 9 sets out the gross debtors' balances relative to billed revenue for the period 2004 to 2008. There is a declining trend in 6 of the 9 cities; 1 city (Nelson Mandela) has remained unchanged whilst in 2 of the cities (Mangaung and Tshwane) gross debtors balances outstanding have increased.

Figure 9: Gross debtors' balances outstanding relative to billed revenue (%)



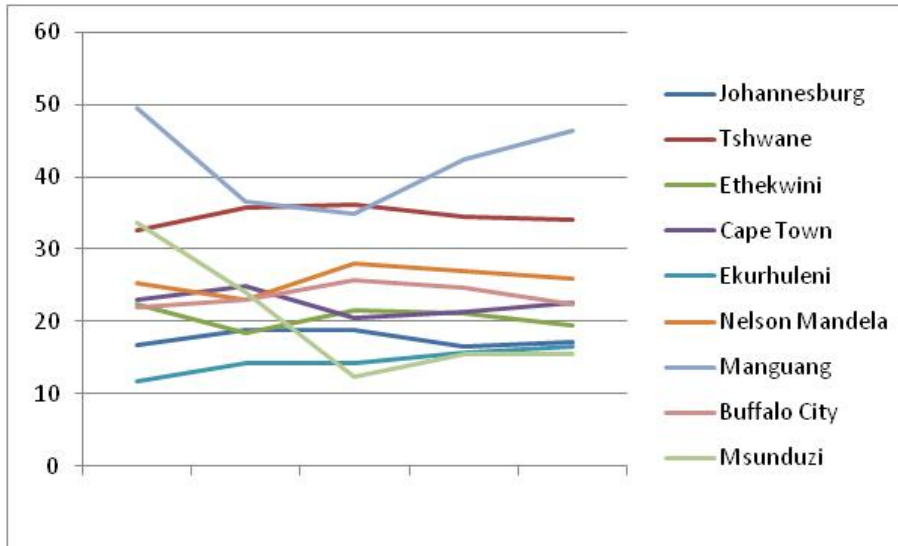
Johannesburg gross debtors' balances have declined from 103% of billed revenue in 2003 to 77% in 2008. This is probably due to the write-off of long outstanding debtors' balances than due to significant improvements in collections. Mangaung's gross debtors' days have increased from 71% of billed revenue in 2003 to 102% of billed revenue in 2008. This indicates that there are challenges collecting debtors' balances outstanding.

A more relevant and important indicator is net debtors; outstanding relative to revenue. Net debtors' are the amount that the cities expect to collect and is calculated as gross debtors' balances outstanding less the provision made for bad debts. A percentage of 17% of billed revenue is deemed to be a good indicator of the collectability of debtors' balances outstanding.

Figure 10 sets out the net debtors to billed revenue. Three of the cities (Msunduzi 16%, Johannesburg 17% and Ekurhuleni 17%) are within the indicator referred to above. Tshwane at 34% and Mangaung at 46% may not be adequately providing for non-payment. The implication is that the operating surpluses recorded by these municipalities may be overstated by the under-provisioning. There is a correlation between debtors' provisioning and cash flow, and there will be an expectation that these two municipalities will have adverse cash flow relative to the municipalities that have made conservative provisions.

The adverse impact of the under-provisioning is partially offset by the operating surpluses, which are relatively high. What this means is that the bad debt provision can be increased without converting surpluses into deficits.

Figure 10: Net debtors' balances outstanding relative to billed revenue (%)



However, in the longer-term, the under-provisioning is likely to have an adverse impact on the overall financial position of these municipalities.

10 Overall conclusion on debtors' collections and debtors' provisioning

The greater the proportion of government grants to total revenue, the less that is billed to consumers and which has to be subsequently collected. Government grants contribute to positive cash flows and there is a risk that as government grant revenue increases, there will be reduced pressure on municipalities to collect debtors' balances outstanding and to make adequate provisions. This unintended consequence of a high level of government grants may be influencing the trends in debtors' provisioning explained in this section of the report.

The overall reduction of gross debtors' balances outstanding is a positive trend. However, the fact that only 3 of the 9 cities have made adequate provision for potential bad debts is a matter for concern. The adverse cash flow effect of the under-provisioning would be more pronounced if government grants were not such a significant source of revenue.

SECTION FOUR: CAPITAL EXPENDITURE AND BORROWINGS

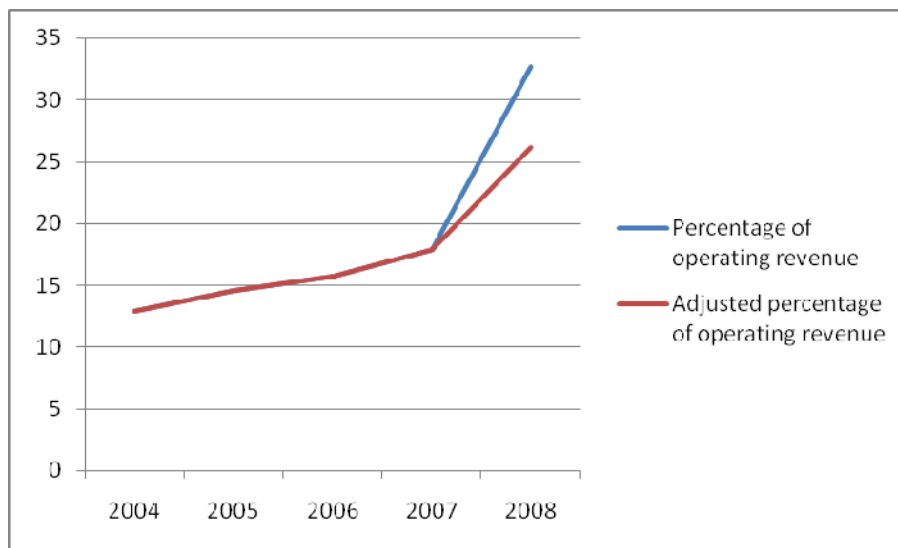
11 Trends in capital expenditure

Figure 11 sets out the capital expenditure as a percentage of operating revenue. There is a steady increase in the levels of capital expenditure from 2004 to 2007. In 2008, there is a significant increase from 18% of operating revenue to 33% of operating revenue. One of the major reasons is due to approximately R5.7 billion of capital expenditure attributable to Buffalo City Municipality; this amount appears to include the reinstatement of asset values, amounting to approximately R4.8 billion, arising from the implementation of the new accounting standards.

If the capital expenditure is adjusted accordingly, the adjusted percentage of capital expenditure to operating revenue reduces to 26% of total operating revenue. This indicates a high level of spending on capital expenditure.

The spending on the 2010 World Cup is also included in Figure 11 but is not separately identifiable.

Figure 11: Capital expenditure as a percentage of operating revenue



As the accounting standards relating to property, plant and equipment have been implemented, the extent of disclosure on capital expenditure has improved significantly. In the period 2006 to 2008 it is possible to obtain a more detailed analysis of the nature of capital expenditure.

Figure 12 shows an analysis of capital expenditure between the various classes of assets. There is not necessarily consistency in some of the classifications of assets into classes but Figure 12 does confirm that the majority of spending is on infrastructure in the period 2006 – 2009.

Other assets is also a significant category and will include vehicles, equipment, IT computer systems and office furniture and fittings.

Figure 12: Classification of capital expenditure (%)

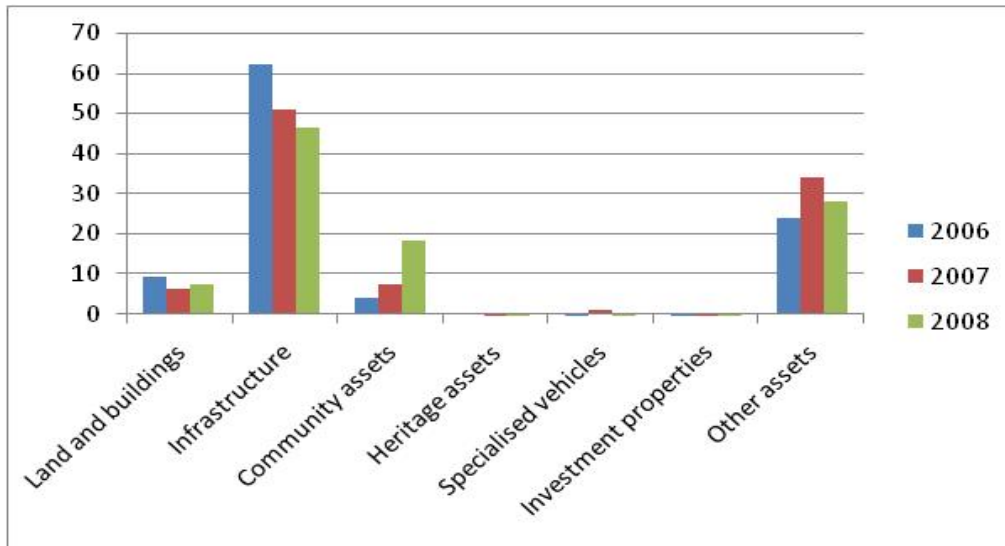
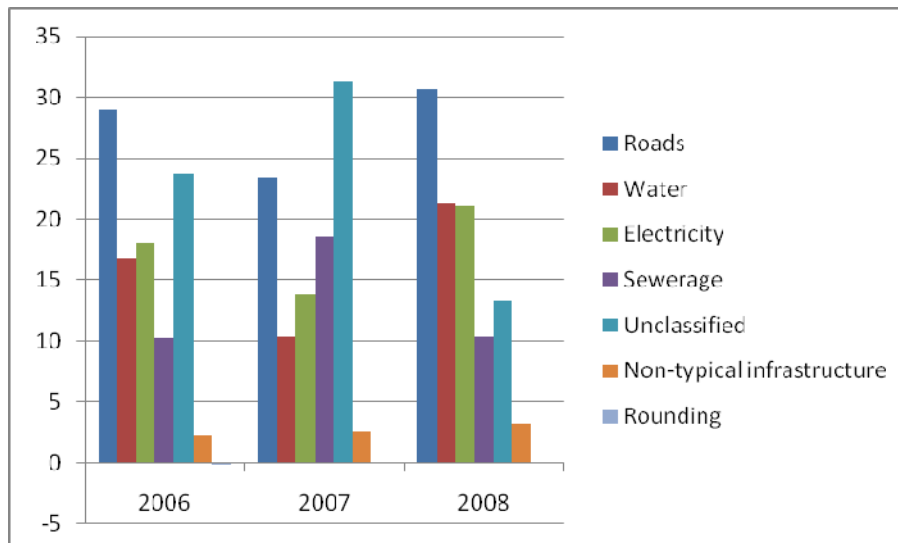


Figure 13 shows the percentage spent on each major class of infrastructure. The majority of spending is on roads (31%), water (21%) and electricity (21%), in that order. Roads do not generate revenue and therefore investment in this infrastructure will not increase revenue. However, investments in water and electricity should have a positive impact on revenue, even if the capital expenditure is targeted at backlog elimination in poor communities. The growth in revenue, will however, be limited. There is also the possibility that capital expenditure is spent on rehabilitation and renewal of existing infrastructure; this should also impact on operating results as such investments should reduce unaccounted for losses in respect of water and electricity in particular.

Figure 13: Analysis of infrastructure capital expenditure (%)



Unfortunately, it is not possible to determine how much of the capital expenditure is allocated to investment in economic growth and sustaining the economic sector; how much is spent on

rehabilitation and renewal of existing infrastructural investments and how much is spent on backlog elimination. If this information was available, it would enable a more informed assessment to be made of the financial implications of this high level of capital expenditure, and the sustainability thereof.

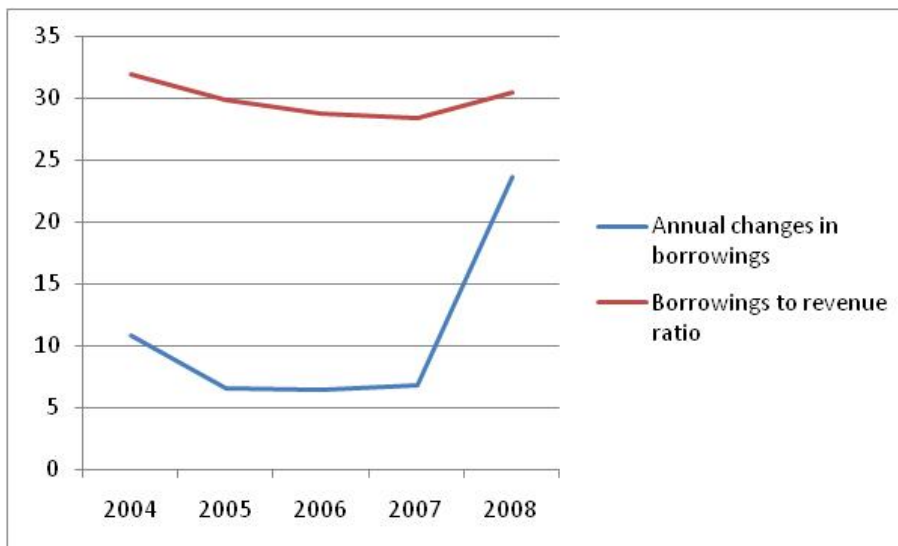
One of the disadvantages of the new accounting standards is that it is not possible to accurately determine how capital expenditure is financed. An analysis of borrowings is therefore necessary to ascertain whether capital expenditure has been financed from this source of financing (government grants and surplus cash will be the other major sources of financing).

12 Trends in borrowings

Figure 14 shows that despite net annual increases in borrowings, albeit at a relatively low level in 2005 to 2007, there has not been a significant change in the borrowings to revenue ratio, which is also shown in Figure 14.

This indicates that there is not a demand for borrowings as a source of financing of capital expenditure. The reason for the low borrowings could indicate that the cities are not creditworthy or that lenders are not prepared to lend to the cities. The sound financial position of the cities, as described in this report, indicates that the cities are creditworthy and could access financing.

Figure 14: Trends in borrowings (%)



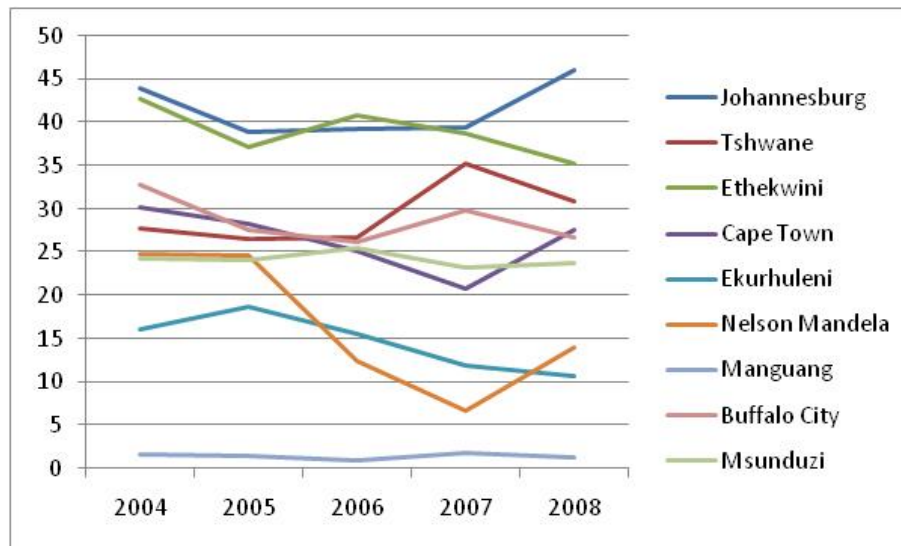
There is probably not a need by the cities to access borrowings as there is sufficient financing available from other sources. This could be expected to change if government funding reduces in the future.

There is no doubt that the cities are in a position to borrow substantial amounts if and when required. A borrowing to revenue ratio of between 40% to 50% of revenue could still be affordable and not have adverse implications on financial viability.

13 Existing levels of borrowing by individual cities

Figure 15 shows borrowings relative to revenue for each of the 9 cities.

Figure 15: Municipal borrowings relative to annual revenue (%)



Johannesburg and Ethekwini have relatively high borrowings whilst Manguang has an extremely low level of borrowings (1% of annual revenue). There has been a significant decline in the borrowings of Ekurhuleni in the period 2004 to 2008. Nelson Mandela reduced borrowings significantly in 2005 to 2007 but increased borrowings again in 2008. Buffalo city is also slowly reducing its borrowings outstanding. Cape Town borrowing levels have remained virtually unchanged, whilst Tshwane marginally increased its borrowings.

Johannesburg's borrowings have increased and its borrowing to revenue ratio is now the highest at 46%

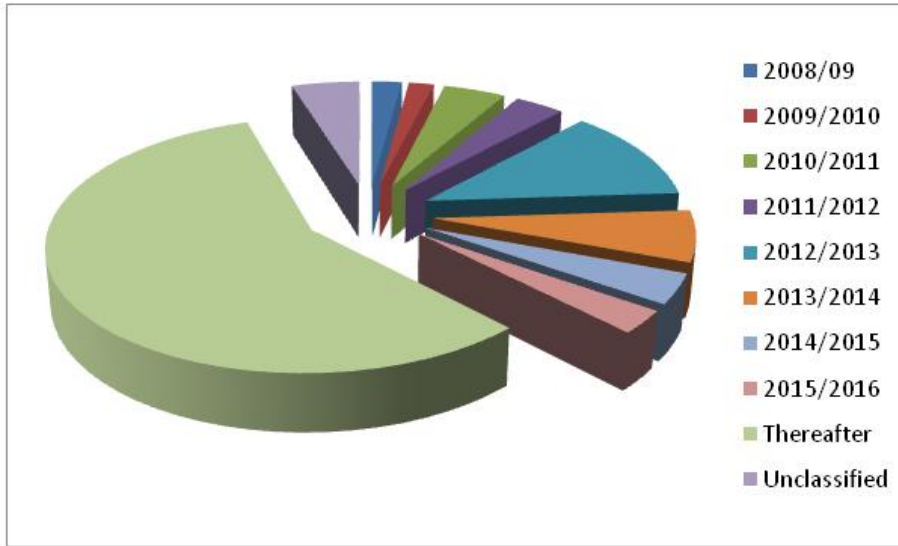
14 Profile of the repayments of existing borrowings

The repayment profile of existing borrowings is important to consider from a financial perspective as the timing of the repayment of loans could have an adverse impact on cash flow or will require existing borrowings to be rolled over for longer periods.

The loan repayments were therefore profiled up until 2016. This is illustrated in Figure 16. It should be noted that the information included in the Johannesburg's annual financial statements (Annexure A) could not be reconciled to the liabilities shown on the Statement of Financial Position for the year ended 30 June 2008.

In the year ending 30 June 2013, 12% (R2.2 billion) of the total borrowings will need to be repaid. A year later, a further 7% (R1.2 billion) will also need to be repaid. The major portion of existing borrowings (58%) will only need to be repaid after 30 June 2016. This analysis does not identify any major threats to the financial position of the cities.

Figure 16: Repayment profile of existing loans



15 Overall conclusion on capital expenditure and borrowings

Capital expenditure levels, measured against annual revenue are high and have increased significantly in 2008. The majority of the spend is on infrastructure, which provided it is balanced towards backlog elimination, maintaining existing infrastructure and encouraging economic development, should have favourable long-term financial benefits for the cities.

These high levels of capital expenditure can be maintained although there will likely need to be a greater reliance on borrowings to provide the necessary financing. The current level of borrowings is currently low and there is a significant capacity to borrow by most of the cities. Historically borrowing has been done incrementally and there should not be adverse financial implications when existing borrowings have to be repaid.

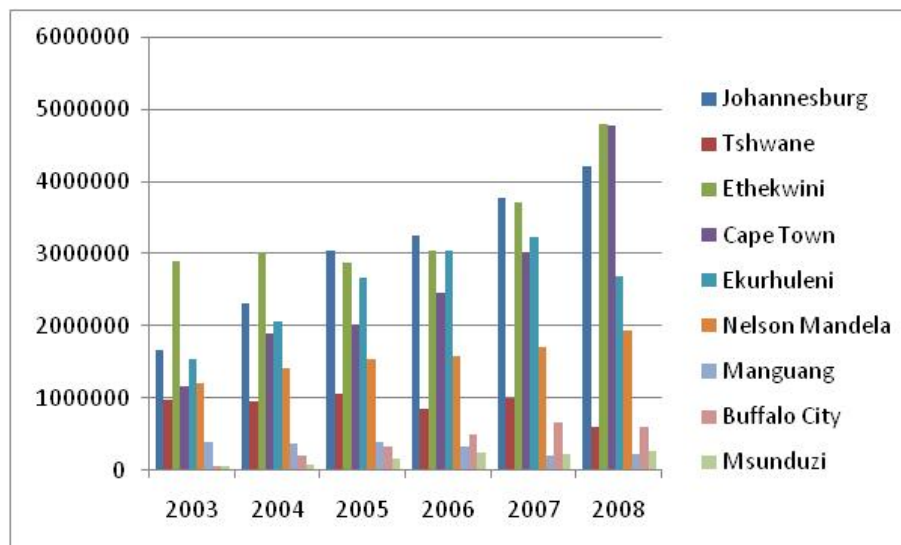
SECTION FIVE: CASH FLOW AND WORKING CAPITAL

16 Cash and investments

One of the best indicators of financial health is cash and investments, net of short-term borrowings and overdrafts. Figure 17 shows that overall there has been a gradual but steady increase in the net cash and investments of the cities.

None of the cities has accessed short-term borrowings (other than bank overdrafts which are less than the cash at bank amounts for those municipalities that have overdrafts).

Figure 17: Net cash and investments (R'000)



In the period 2003 to 2008, the aggregate net cash and investments have doubled from R10 billion in 2003 to R20 billion in 2008. What makes this achievement remarkable is that the cities have significantly increased capital expenditure without substantially increasing borrowings. Surplus cash will have been used to finance part of the capital expenditure referred to elsewhere in this report.

The high levels of cash will increase the creditworthiness of municipalities. The following factors have contributed to the improvement in cash flows: -

- The operating surpluses that have been generated;
- Increased government grant revenue; and
- Provisioning for doubtful debts.

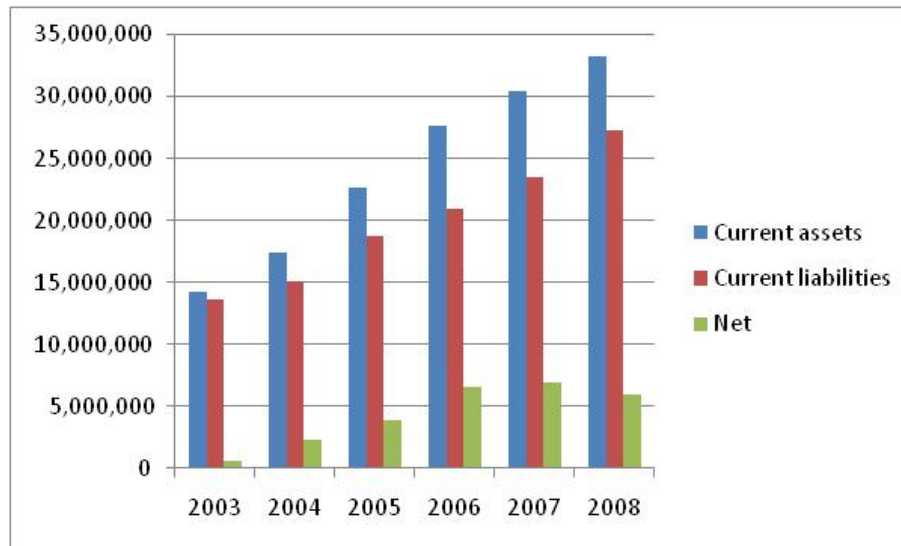
Of the R20 billion net cash and investments as at 30 June 2008, R4.7 billion relates to unspent conditional grants. These amounts will be used to mostly finance capital expenditure in the year ending 30 June 2009. Excluding the unspent grants, there is still strong cash flow.

Earlier in this report, comment was made that the inadequate provisioning of debtors by Mangaung and Tshwane in particular will have an adverse impact on net cash flow. The analysis of cash flows partially confirms this as these two cities have the two lowest net cash and investments balances as at 30 June 2009, and there has been a significant decline in their net cash and investments in the year ended 30 June 2008. It is noted that this may be coincidental and could be as a result of a number of factors such as the financing of capital expenditure and the unbundling of the electricity function in the case of Mangaung.

17 Working capital

In the “State of City Finances Report 2007” issued by the SA Cities Network, a narrow definition of working capital was used. The report showed that there was a substantial increase in working capital. In this report, a more conventional definition of working capital has been used (current assets less current liabilities) and the net working capital position is shown in Figure 18.

Figure 18: Working capital (R’000)



Working capital has continued to strengthen in 2007 but has reduced slightly in 2008. There is no worrying trend as the net position is still positive. Figure 18 confirms that the positive cash flows referred to earlier in this section of the report are not financed by short-term liabilities such as creditors. Instead, Figure 18 supports the strong net cash and investment position alluded to in this report.

18 Conclusion on the cash flow and working capital

Despite the significantly higher spend on capital expenditure, the cities have strengthened their cash flow. Working capital is also strong. The financial strength of the cities has continued to improve and confirms that the cities are in a healthy financial position.

SECTION SIX: AUDIT REPORTS

19 Audit findings

The audit opinions issued on the annual financial statements of the 9 cities are set out in Figure 19 below.

Figure 18: Summary of audit opinions: 30 June 2008

MUNICIPALITY	QUALIFIED	UNQUALIFIED	ADVERSE	DISCLAIMER
Buffalo City	YES			
Cape Town		YES		
Johannesburg		YES		
Ekurhuleni	YES			
Ethekwini		YES		
Mangaung				
Msunduzi		YES		
Nelson Mandela		YES		
Tshwane	YES			

It was not possible to obtain the audit report of Mangaung. 5 of the 9 cities received an unqualified audit report. This is a significant achievement and indicates that more accurate annual financial statements are being prepared.

The reasons for the qualified audit reports of Buffalo City, Ekurhuleni and Tshwane are set out below

Buffalo City
Reinstatement of corresponding figures, fruitless expenditure, amendment of the applicable basis of accounting

Ekurhuleni
Indigent write-offs, revenue and receivables not verified

Tshwane
Non-compliance with regulatory requirements; no correlation between performance targets in IDP; targets inconsistent between IDP and annual performance report; lack of sufficient appropriate audit evidence; evidence inconsistent with reported performance information; incomplete performance information submitted and investigations that cover a wide range of activities at the

municipality

20 Conclusion on audit reports

There has been a significant improvement in the audit opinions issued since 2006. In 2006, only 2 of the 9 cities received an unqualified audit report (Ethekwini and Cape Town). The fact that this has increased to 5 cities does indicate that there has been a strengthening of financial reporting systems and internal controls.

ANNEXURE A: SUMMARY STATEMENTS OF FINANCIAL POSITION

City of Johannesburg	Financial Years					
	2003	2004	2005	2006	2007	2008
	R'000	R'000	R'000	R'000	R'000	R'000
NET ASSETS	500,047	1,957,667	8,081,535	11,771,619	13,933,907	15,288,177
Capital Reserves	4,466,650	2,201,389	1,761,133	2,387,537	2,152,549	2,793,688
Revaluation Reserves		1198	226	5,942	32,904	33,262
Housing Development Fund	209,229	106178	0	0		
COID reserves	12,991	20,661	29,935	38,596	50,608	64,115
Accumulated (deficit)/surplus	-4,188,823	-371,759	6,290,241	9,339,544	11,697,846	12,397,112
NON-CURRENT LIABILITIES	6,180,131	6,899,905	6,419,100	8,217,602	8,076,774	10,227,000
Long-term liabilities	3,686,529	4,729,701	4,594,119	5,799,232	6,095,194	8,109,381
Non-current liabilities	1,595,205	1,677,074	1,824,981	2,034,743	1,823,880	1,817,614
Other liabilities	505,834				142,801	255,127
Deferred taxation	392,563	493,130		383,627	14,899	44,878
CURRENT LIABILITIES	3,869,135	4,364,107	4,943,876	4,640,941	5,750,364	6,626,549
Creditors	2,962,605	3,491,221	3,601,084	3,069,822	4,033,444	4,243,353
Conditional grants and receipts	223,660	303,800	286,344	307,233	670,773	961,324
Provisions	32,342	53,141	58,646	519,751	445,108	650,409
Consumer deposits	269,378	251,799	310,485	217,810	244,377	232,785
Current portion of long-term liabilities	370,977	244,717	672,743	115,133	170,533	224,988
VAT		15,095		301,894	168,463	241,815
Short-term loans						
Bank overdraft				96,492	15,197	51,887
Taxation	10,173	4,334	14,574	12,806	2,469	19,988
TOTAL	10,549,313	13,221,679	19,444,511	24,630,162	27,761,045	32,141,726
NON-CURRENT ASSETS	7,873,347	8,878,531	14,154,892	19,392,724	23,090,875	27,392,713
Property, plant and equipment	6,271,153	7,014,102	13,274,501	18,049,883	20,737,223	24,091,525
Intangible assets	382,375	363,204	82,314	242,630	265,810	227,676
Non-current receivables	151,371	136,100	152,997	138,437	44,960	74,776
Investments	822,959	1,036,332	562,828	955,379	2,024,156	2,865,208
Investments in Mun Entities/associates	0	0	0	1,859	13,253	18,381
Other		13,557				
Deferred taxation	245,489	315,236	82,252	4536	5473	115147
CURRENT ASSETS	2,675,966	4,343,148	5,289,619	5,237,438	4,670,170	4,749,013
Cash and cash equivalents	745,407	134,546	57,787	108,140	76,687	469,880
Current portion of non-current receivables						
Short-term investments	106,350	1,149,630	2,423,035	2,285,696	1,687,490	920,467
Consumer debtors	1,243,914	1,361,897	1,681,716	1,781,226	1,742,187	1,968,334
Housing rental debtors		345,397	31,280	86,414	-452	11,164
RSC levy debtors		148,789	154,610	218,780	977	
Other debtors	483,099	1,096,397	848,516	660,737	747,721	997,985
Inventory	82,446	73,619	85,619	87,900	122,859	117,568
Other	14,750	32,873	7,056	8,545	292,701	263,615
TOTAL	10,549,313	13,221,679	19,444,511	24,630,162	27,761,045	32,141,726

State of City Finances: 2009

Analysis of City Finances for the 2003 – 2008 financial years

Tshwane	Financial Years					
	2003 R'000	2004 R'000	2005 R'000	2006 R'000	2007 R'000	2008 R'000
NET ASSETS	2,423,277	5,547,204	6,186,278	6,757,199	7,047,148	7,904,591
Capital Reserves	2,264,471	5,350,845	5,711,710	6,012,656	6,081,987	6,232,398
Revaluation Reserves						
Housing Development Fund	108,350	110,520	115,770	150,464	141,152	128,920
COID reserves		56,193	64,980	70,051	62,695	68,873
Accumulated (deficit)/surplus	50,456	29,646	293,818	524,028	761,314	1,474,400
NON-CURRENT LIABILITIES	1,525,497	1,496,230	1,740,683	2,141,601	2,714,992	2,900,148
Long-term liabilities	1,525,497	1,496,230	1,740,683	2,138,732	2,709,729	2,812,937
Non-current liabilities					5,263	87,211
Other liabilities				2,869		
Deferred taxation						
CURRENT LIABILITIES	1,907,156	1,946,545	2,439,873	2,326,215	2,722,840	2,880,839
Creditors	1,245,732	1,138,376	1,697,091	1,657,716	1,820,360	1,740,376
Conditional grants and receipts		242,784	187,563	176,500	210,991	334,892
Provisions	163,922					
Consumer deposits	213,604	216,220	240,485	236,092	257,579	267,979
Current portion of long-term liabilities	248,047	140,397	180,259	59,410	329,694	326,804
VAT		120,260	95,513	166,782	58,214	104,381
Short-term loans						
Bank overdraft	35,851	88,508	38,962	29,715	46,002	106,407
Taxation						
TOTAL	5,855,930	8,989,979	10,366,834	11,225,015	12,484,980	13,685,578
NON-CURRENT ASSETS	3,377,287	6,341,358	7,233,974	8,246,420	9,184,118	10,457,273
Property, plant and equipment	2,500,853	5,614,524	6,415,334	7,271,074	8,355,447	9,743,922
Intangible assets				198,134	95,360	98,035
Non-current receivables	301,667	328,394	362,995	294,669	322,027	189,763
Investments	574,767	398,440	451,545	482,543	411,284	425,553
Investments in Mun Entities/associates			4,100			
Other						
Deferred taxation						
CURRENT ASSETS	2,478,643	2,648,621	3,132,860	2,978,595	3,300,862	3,228,305
Cash and cash equivalents	182	222	9,178	18,812	628,023	278,371
Current portion of non-current loans	66,810	89,148	29,898	16,321	27,840	103,377
Short-term investments	431,078	645,484	649,366	375,569		
Consumer debtors	1,607,978	1,509,465	1,853,543	1,985,934	2,044,387	2,393,172
Housing rental debtors		0	0	0		
RSC levy debtors		0	0	0		
Other debtors	273,515	251,711	435,107	473,496	434,669	236,781
Inventory	99,080	152,591	155,768	108,463	165,943	216,604
Other						
TOTAL	5,855,930	8,989,979	10,366,834	11,225,015	12,484,980	13,685,578

State of City Finances: 2009

Analysis of City Finances for the 2003 – 2008 financial years

Ethekwini	Financial Years					
	2003	2004	2005	2006	2007	2008
	R'000	R'000	R'000	R'000	R'000	R'000
NET ASSETS	4,525,501	4,627,141	8,168,404	8,954,444	10,084,246	13,953,379
Capital Reserves	3,669,859	3,822,261	1,999,439	2,116,741	2,539,280	5,665,497
Revaluation Reserves						
Housing Development Fund	855,642	804,880	778,241	693,901	634,610	556,816
COID reserves			29,144	31,802	34,811	36,307
Accumulated (deficit)/surplus	0	0	5,361,580	6,112,000	6,875,545	7,694,759
NON-CURRENT LIABILITIES	3,415,193	3,435,223	3,933,110	4,709,335	5,823,673	6,488,879
Long-term liabilities	3,128,350	3,183,420	3,018,132	3,756,099	4,347,891	5,044,619
Non-current liabilities			50,000	50,000	133,829	141,448
Other liabilities	286,843	251,803	864,978	903,236	1,341,953	1,302,812
Deferred taxation						
CURRENT LIABILITIES	2,595,152	3,035,301	4,959,567	6,503,763	6,091,134	6,248,145
Creditors	1,445,910	1,680,185	2,575,157	2,826,755	3,391,334	4,096,907
Conditional grants and receipts			90,810	101,351	131,307	539,912
Provisions	482,103	502,826		6,889	19,622	19,645
Consumer deposits	304,248	354,327	421,413	465,940	509,544	573,762
Current portion of long-term liabilities	158,031	237,184	547,640	483,047	253,213	278,164
VAT						
Short-term loans						
Bank overdraft	204,860	260,779	1,324,547	2,619,781	1,786,114	739,755
Taxation						
TOTAL	10,535,846	11,097,665	17,061,081	20,167,542	21,999,053	26,690,403
NON-CURRENT ASSETS	7,630,014	8,441,524	13,045,029	11,794,707	13,320,866	17,683,503
Property, plant and equipment	4,403,891	5,098,890	9,740,416	10,439,728	11,763,982	15,465,316
Intangible assets			42,924	43,121	290,480	313,168
Non-current receivables	103,843	95,916	307,400	908,825		
Investments	3,067,278	3,231,443	2,895,088	352,400	25,170	323,008
Investments in Mun Entities/associates			2	2	10,002	344,997
Other	55,002	15,275	59,199	50,631	123,123	123,701
Deferred taxation						
CURRENT ASSETS	2,905,832	2,656,141	4,016,052	8,372,835	8,678,187	9,006,900
Cash and cash equivalents	25,575	52,555	1,125,835	2,593,675	1,821,187	748,593
Current portion of non-current loans			19,072	12,774	29,478	24,533
Short-term investments			170,533	2,717,117	3,640,380	4,467,255
Consumer debtors	1,392,226	1,387,407	1,335,235	1,630,014	1,745,298	1,803,335
Housing rental debtors			34,290	10,609	27,332	22,391
RSC levy debtors			121,195	91,178		
Other debtors	1,407,138	1,125,031	1,069,052	1,102,283	1,204,300	1,653,621
Inventory	80,893	91,148	127,143	119,504	138,029	147,870
Other			13,697	95,681	72,183	139,302
TOTAL	10,535,846	11,097,665	17,061,081	20,167,542	21,999,053	26,690,403

State of City Finances: 2009

Analysis of City Finances for the 2003 – 2008 financial years

Mangaung	Financial Years					
	2003	2004	2005	2006	2007	2008
	R'000	R'000	R'000	R'000	R'000	R'000
NET ASSETS	1,224,703	1,318,333	2,504,609	3,229,190	3,243,265	3,412,069
Capital Reserves	1,123,881	1,210,561	1,362,688	1,036,507	826,599	1,060,205
Revaluation Reserves			697,736	698,673	709,578	587,850
Housing Development Fund	76,704	71,390	63,966	54,262	42,568	33,072
COID reserves			15,614	14,007	12,992	12,856
Accumulated (deficit)/surplus	24,118	36,382	364,605	1,425,741	1,651,528	1,718,086
NON-CURRENT LIABILITIES	21,752	20,440	20,742	19,237	22,663	20,879
Long-term liabilities	21,752	20,440	19,032	17,479	19,491	17,214
Non-current liabilities			1,710	1,758	3,172	3,665
Other liabilities						
Deferred taxation						
CURRENT LIABILITIES	273,146	276,310	320,438	481,784	550,319	750,334
Creditors	223,862	223,686	188,683	372,848	404,922	473,535
Conditional grants and receipts			48,951	63,890	104,494	217,450
Provisions	14,477	14,967	10,247			
Consumer deposits	32,720	36,341	39,388	15,544	16,729	22,519
Current portion of long-term liabilities	2,087	1,316	1,407	1,553	2,795	3,216
VAT			31,762	27,949	21,379	33,614
Short-term loans						
Bank overdraft						
Taxation						
TOTAL	1,519,601	1,615,083	2,845,789	3,730,211	3,816,247	4,183,282
NON-CURRENT ASSETS	684,961	784,401	2,015,366	3,132,593	3,283,363	3,580,311
Property, plant and equipment	636,190	728,568	1,965,396	1,727,304	1,853,931	2,120,429
Intangible assets						
Non-current receivables	48,766	55,825	49,962	1,405,281	1,429,424	1,459,879
Investments	5	8	8	8	8	3
Investments in Mun Entities/associates		0	0			
Other						
Deferred taxation						
CURRENT ASSETS	834,640	830,682	830,423	597,618	532,884	602,971
Cash and cash equivalents	74,662	63,643	315,783	114,198	134,940	223,922
Current portion of non-current loans	18,810	22,241	22,621	24,677	29,134	31,072
Short-term investments	315,281	317,025	85,150	213,300	66,859	161
Consumer debtors	402,006	399,060	338,089	177,544	232,429	273,055
Housing rental debtors	0	0	8,645	9,867	4,857	12,386
RSC levy debtors						
Other debtors			42,784	53,863	60,963	57,493
Inventory	23,881	28,713	17,351	4,169	3,702	4,882
Other						
TOTAL	1,519,601	1,615,083	2,845,789	3,730,211	3,816,247	4,183,282

State of City Finances: 2009

Analysis of City Finances for the 2003 – 2008 financial years

Cape Town	Financial Years					
	2003	2004	2005	2006	2007	2008
	R'000	R'000	R'000	R'000	R'000	R'000
NET ASSETS	6,020,008	6,129,051	6,628,056	2,367,790	3,114,092	3,594,938
Capital Reserves	5,342,706	5,169,671	4,946,802	994,610	1,357,428	1,569,576
Revaluation Reserves						
Housing Development Fund	614,770	631,370	554,970	501,627	532,225	490,354
COID reserves						
Accumulated (deficit)/surplus	62,532	328,010	1,126,284	871,553	1,224,439	1,535,008
NON-CURRENT LIABILITIES	2,017,074	3,317,957	3,100,354	7,883,266	8,381,439	10,852,339
Long-term liabilities	2,017,074	2,467,059	2,132,016	2,217,222	2,042,068	3,049,089
Non-current liabilities		850,898		1,543,647	1,964,975	2,400,457
Other liabilities			968,338	4,122,397	4,374,396	5,402,793
Deferred taxation						
CURRENT LIABILITIES	2,816,784	2,613,988	2,998,858	3,414,389	3,872,775	5,475,678
Creditors	1,581,383	1,777,177	1,557,388	2,115,127	2,345,164	2,563,237
Conditional grants and receipts	176,560	260,288	370,752	438,763	649,726	1,562,884
Provisions	877,747	143,155	371,310	337,888	333,209	556,019
Consumer deposits	75,205	135,292	161,686	176,982	214,449	237,591
Current portion of long-term liabilities	105,889	162,055	366,014	137,477	213,200	410,639
VAT		136,021	171,708	208,152	117,027	145,308
Short-term loans						
Bank overdraft						
Taxation						
TOTAL	10,853,866	12,060,996	12,727,268	13,665,445	15,368,306	19,922,955
NON-CURRENT ASSETS	8,368,124	8,532,393	8,606,927	9,475,792	10,740,276	12,846,342
Property, plant and equipment	7,260,653	7,439,590	7,631,288	8,599,653	9,889,931	12,238,073
Intangible assets				119,964	71,920	20,083
Non-current receivables	473,032	429,430	322,370	294,287	279,185	197,968
Investments	634,439	663,373	308,691	409,154	491,266	390,218
Investments in Mun Entities/associates			284,000			
Other			60,578	52,734	7,974	
Deferred taxation						
CURRENT ASSETS	2,485,742	3,528,603	4,120,341	4,189,653	4,628,030	7,076,613
Cash and cash equivalents	532,073	1,239,780	1,711,792	2,054,467	437,356	1,158,827
Current portion of non-current loans	13,657	30,711	33,401	22,287	19,773	16,949
Short-term investments					2,094,643	3,222,145
Consumer debtors	1,691,549	1,442,899	1,554,347	1,360,936	1,618,423	2,034,084
Housing rental debtors		162,558	183,740	191,223	115,334	89,839
RSC levy debtors		51,627	50,498	39,735	15,911	
Other debtors	100,969	467,267	468,868	389,404	148,470	329,765
Inventory	147,494	133,761	117,695	131,601	159,471	216,340
Other					18,649	8,664
TOTAL	10,853,866	12,060,996	12,727,268	13,665,445	15,368,306	19,922,955

State of City Finances: 2009

Analysis of City Finances for the 2003 – 2008 financial years

Buffalo City	Financial Years					
	2003	2004	2005	2006	2007	2008
	R'000	R'000	R'000	R'000	R'000	R'000
NET ASSETS	420,800	601,874	787,404	1,061,576	1,319,621	6,355,007
Capital Reserves	412,361	492,712	400,264	36,981	59,698	57,078
Revaluation Reserves			192,064	206,747	189,258	182,038
Housing Development Fund						
COID reserves		6,030	5,979	6,851	7,360	9,028
Accumulated (deficit)/surplus	8,439	103,132	189,097	810,997	1,063,305	6,106,863
NON-CURRENT LIABILITIES	341,440	378,398	399,804	402,403	653,669	736,618
Long-term liabilities	341,440	373,188	399,804	402,403	480,964	512,697
Non-current liabilities		5,210				37,498
Other liabilities					172,705	186,423
Deferred taxation						
CURRENT LIABILITIES	248,122	299,141	364,712	408,568	623,313	559,661
Creditors	131,871	99,414	166,121	175,688	197,296	268,557
Conditional grants and receipts		129,107	151,667	193,131	242,868	151,426
Provisions	14,330	21,645	1,524	566	120,907	89,918
Consumer deposits	18,853	21,128	20,259	22,254	23,218	25,028
Current portion of long-term liabilities	12,980	27,847	25,141	16,929	39,024	24,732
VAT						
Short-term loans						
Bank overdraft	70,088					
Taxation						
TOTAL	1,010,362	1,279,413	1,551,920	1,872,547	2,596,603	7,651,286
NON-CURRENT ASSETS	615,814	840,490	988,639	1,029,833	1,566,621	6,604,415
Property, plant and equipment	530,744	741,824	872,459	1,009,073	1,523,107	6,588,723
Intangible assets				3,805	6,303	7,502
Non-current receivables	8,530	5,628	2,542	1,090	429	115
Investments	75,937	93,038	109,884	10,693	33,589	5,637
Investments in Mun Entities/associates	0	0	3,754	5,172	3,193	2,438
Other	603					
Deferred taxation						
CURRENT ASSETS	394,548	438,923	563,281	842,714	1,029,982	1,046,871
Cash and cash equivalents	1,403	8,657	45,095	52,691	630,713	608,855
Current portion of non-current receivables	2,966	2,320	1,560	945	584	196
Short-term investments	50,418	106,642	179,892	436,361		
Consumer debtors	326,361	192,561	226,189	265,215	270,319	271,495
Housing rental debtors	0	21,796	0	0	790	759
RSC levy debtors						
Other debtors		82,069	77,144	48,361	85,364	102,251
Inventory	13,400	12,878	15,330	17,165	24,800	34,141
Other		12,000	18,071	21,976	17,412	29,174
TOTAL	1,010,362	1,279,413	1,551,920	1,872,547	2,596,603	7,651,286

State of City Finances: 2009

Analysis of City Finances for the 2003 – 2008 financial years

Msunduzi	Financial Years					
	2003	2004	2005	2006	2007	2008
	R'000	R'000	R'000	R'000	R'000	R'000
NET ASSETS	642,178	633,963	815,453	360,565	906,403	945,073
Capital Reserves	555,516	586,265	662,073	15,651	54,253	65,654
Revaluation Reserves						
Housing Development Fund	48,300	46625	47,915	50,215	54,020	54,756
COID reserves						
Accumulated (deficit)/surplus	38,362	1,073	105,465	294,699	798,130	824,663
NON-CURRENT LIABILITIES	254,105	281,238	269,743	816,336	373,718	422,347
Long-term liabilities	254,105	281,238	269,333	331,623	303,308	344,437
Non-current liabilities			410	48,410	70,410	77,910
Other liabilities				436,303		
Deferred taxation						
CURRENT LIABILITIES	224,272	293,989	440,252	402,922	414,336	503,038
Creditors	180,021	246,208	204,734	236,524	264,295	295,422
Conditional grants and receipts			152,526	100,945	73,606	124,585
Provisions			1,284	1,547	1,431	861
Consumer deposits	24,004	25,800	24,362	26,670	28,587	36,171
Current portion of long-term liabilities			27,530	26,043	32,087	40,544
VAT			29,816	11,193	14,330	5,455
Short-term loans	20,247	21,981				
Bank overdraft						
Taxation						
TOTAL	1,120,555	1,209,190	1,525,448	1,579,823	1,694,457	1,870,458
NON-CURRENT ASSETS	758,511	679,136	990,208	1,103,235	1,156,752	1,250,076
Property, plant and equipment	659,223	665,453	982,271	1,088,358	1,141,165	1,241,888
Intangible assets				3,349	1,458	904
Non-current receivables	18,641	11,775	6029	9,620	12,031	5,349
Investments	80,647	1,908	1,908	1,908	2,098	1,935
Investments in Mun Entities/associates						
Other						
Deferred taxation						
CURRENT ASSETS	362,044	530,054	535,240	476,588	537,705	620,382
Cash and cash equivalents	7,702	61,194	19,059	27,529	13,348	3,425
Current portion of non-current receivables			3,959	3,946	1,625	1,566
Short-term investments		48,142	140,454	210,605	207,603	260,421
Consumer debtors	334,132	390,456	295,151	172,068	223,118	251,761
Housing rental debtors						5,078
RSC levy debtors						
Other debtors	6,968	14,367	46,626	29,223	42,010	44,299
Inventory	11,280	14,163	29,991	33,217	50,001	53,832
Other	1,962	1,732				
TOTAL	1,120,555	1,209,190	1,525,448	1,579,823	1,694,457	1,870,458

State of City Finances: 2009

Analysis of City Finances for the 2003 – 2008 financial years

Nelson Mandela	Financial Years					
	2003	2003	2003	2003	2003	2003
	R'000	R'000	R'000	R'000	R'000	R'000
NET ASSETS	3,071,437	3,388,898	3,682,915	3,763,306	3,117,658	4,611,793
Capital Reserves	2,963,267	3,298,925	3,519,421	2,393,161	1,953,009	2,106,173
Revaluation Reserves						
Housing Development Fund			80,329	83,038	76,733	78,390
COID reserves					10,213	11,382
Accumulated (deficit)/surplus	108,170	89,973	83,165	1,287,107	1,077,703	2,415,848
NON-CURRENT LIABILITIES	613,737	669,758	722,625	731,112	2,108,079	3,381,975
Long-term liabilities	613,737	669,758	702,625	413,257	221,311	450,706
Non-current liabilities			20,000	317,855	1,886,768	2,931,269
Other liabilities						
Deferred taxation						
CURRENT LIABILITIES	472,621	577,816	618,328	1,124,995	1,523,228	1,961,483
Creditors	318,005	371,260	505,772	544,571	948,623	1,139,203
Conditional grants and receipts			22,575	473,419	466,726	637,978
Provisions	77,456	127,802	115		2,524	33,370
Consumer deposits	55,937	63,196	69,203	80,635	86,591	94,494
Current portion of long-term liabilities	21,223	15,558	17,757	26,370	18,764	56,438
VAT			2,906			
Short-term loans						
Bank overdraft						
Taxation						
TOTAL	4,157,795	4,636,472	5,023,868	5,619,413	6,748,965	9,955,251
NON-CURRENT ASSETS	3,685,683	3,894,054	4,306,787	4,766,715	4,201,375	7,158,650
Property, plant and equipment	2,349,279	2,560,138	2,849,920	3,165,617	3,966,146	6,773,741
Intangible assets				87,589	147,365	266,059
Non-current receivables	186,772	119,873	49,724	45,647	70,224	98,807
Investments	1,149,632	1,214,043	1,407,138	1,467,862	17,640	20,043
Investments in Mun Entities/associates						
Other			5			
Deferred taxation						
CURRENT ASSETS	472,112	742,418	717,081	852,698	2,547,590	2,796,601
Cash and cash equivalents	53,052	204,687	61,017	53,026	215,432	67,514
Current portion of non-current loans	8,022	7,338	4,015	3,049	2,106	1,456
Short-term investments			75,881	55,174	1,482,709	1,839,564
Consumer debtors	344,183	453,581	450,125	580,181	589,076	620,054
Housing rental debtors			3,097	1,947	2,960	3,474
RSC levy debtors						
Other debtors	2,473	3,286	47,608	89,463	161,929	147,532
Inventory	64,382	73,526	75,338	66,035	81,432	89,978
Other				3,823	11,946	27,029
TOTAL	4,157,795	4,636,472	5,023,868	5,619,413	6,748,965	9,955,251

Ekurhuleni	Financial Years					
	2003 R'000	2004 R'000	2005 R'000	2006 R'000	2007 R'000	2008 R'000
NET ASSETS	2,639,895	3,070,096	4,896,319	6,370,456	8,143,121	8,307,982
Capital Reserves	1,946,134	2,130,956	2,373,554	1,792,679	2,323,183	2,305,411
Revaluation Reserves			369,710	382,367		
Housing Development Fund	142,708	153,525	144,983	112,128	82,453	50,828
COID reserves						
Accumulated (deficit)/surplus	551,053	785,615	2,008,072	4,083,282	5,737,485	5,951,743
NON-CURRENT LIABILITIES	1,192,122	1,107,905	1,494,529	1,332,846	1,338,275	1,277,096
Long-term liabilities	1,192,122	1,107,905	1,441,481	1,295,540	1,127,826	1,054,196
Non-current liabilities			53,048	37,306	171,216	208,373
Other liabilities					39,233	14,527
Deferred taxation						
CURRENT LIABILITIES	1,195,807	1,738,202	1,699,156	1,715,848	2,035,000	2,330,700
Creditors	837,751	1,317,112	1,153,254	1,168,272	1,356,687	1,579,026
Conditional grants and receipts			67,250	67,514	135,732	167,385
Provisions	110,707	112,820	146,388	164,966	193,599	172,762
Consumer deposits	192,765	221,973	240,079	262,288	294,377	337,898
Current portion of long-term liabilities	54,584	86,297	92,185	52,808	54,605	73,629
VAT						
Short-term loans						
Bank overdraft						
Taxation						
TOTAL	5,027,824	5,916,203	8,090,004	9,419,150	11,516,396	11,915,778
NON-CURRENT ASSETS	3,377,700	4,230,345	4,555,380	5,307,946	6,902,126	7,777,555
Property, plant and equipment	1,863,614	2,085,700	3,592,175	4,252,285	5,932,517	6,967,986
Intangible assets						
Non-current receivables	679,156	964,986	300,743	356,103	157,390	85,222
Investments	834,930	1,179,659	292,752	313,191	339,454	244,102
Investments in Mun Entities/associates			369,710	386,367	472,765	480,245
Other						
Deferred taxation						
CURRENT ASSETS	1,650,124	1,685,858	3,534,624	4,111,204	4,614,270	4,138,223
Cash and cash equivalents	716,376	890,335	2,243,511	2,652,399	2,846,505	2,318,386
Current portion of non-current loans	15,155	84,209	24,050	20,593	6,120	76,761
Short-term investments			132,382	85,541	34,934	133,997
Consumer debtors	866,459	657,754	840,866	877,170	1,095,284	1,209,182
Housing rental debtors					33,203	
RSC levy debtors			71,470		10	
Other debtors			114,678	349,578	488,918	215,704
Inventory	52,134	53,560	58,536	61,906	82,339	129,726
Other			49,131	64,017	26,957	54,467
TOTAL	5,027,824	5,916,203	8,090,004	9,419,150	11,516,396	11,915,778

ANNEXURE B: SUMMARY STATEMENTS OF REVENUE AND EXPENDITURE

City of Johannesburg	Financial Years					
	2003 R'000	2004 R'000	2005 R'000	2006 R'000	2007 R'000	2008 R'000
Property rates	2,212,324	2,416,541	2,684,309	2,918,647	3,093,896	3,318,237
Service charges	5,166,284	5,730,533	6,275,055	6,600,002	7,407,203	8,189,607
Electricity	2,490,327	2,852,079	3,255,876	3,381,998	3,809,692	4,156,786
Water	1,262,182	1,513,866	1,717,316	1,826,910	2,126,620	2,212,191
Sewerage	774,700	838,675	897,699	1,008,163	1,094,027	1,210,777
Cleansing	472,321	413,885	321,339	296,704	347,589	538,779
Other	166,754	112,028	82,825	86,227	29,275	71,074
Interest earned						
Investments	22,515	177,469	290,134	442,341	563,775	629,697
Outstanding debtors	130,419	190,591	119,585	115,076	100,358	100,952
Government grants and subsidies	217,397	565,501	1,049,989	1,294,886	3,137,967	4,353,910
Fines	90,885	169,176	167,363	193,030	237,010	371,919
Public contributions		1,125	89,660	336,761	329,101	123,382
RSC levies	1,260,982	1,321,700	1,550,966	1,936,781		
Other	232,565	749,457	1,278,907	1,214,470	1,014,865	998,632
TOTAL REVENUE	9,333,371	11,322,093	13,505,968	15,051,994	15,884,175	18,086,336

City of Johannesburg	Financial Years					
	2003 R'000	2004 R'000	2005 R'000	2006 R'000	2007 R'000	2008 R'000
Employee related costs	2,630,530	3,132,998	3,057,727	3,504,601	3,889,286	4,329,212
Remuneration of Councillors	39,129	42,649	45,180	50,056	58,375	62,337
Bad debts	862,460	691,476	980,420	854,708	638,085	426,654
Depreciation	350,119	790,958	872,163	629,142	880,930	800,361
Repairs and maintenance	150,370	152,395	205,523	239,572	257,354	403,260
Interest	638,735	521,655	671,268	787,163	836,759	852,125
Bulk purchases	2,656,124	3,116,616	3,242,530	3,516,708	3,956,200	4,376,141
Other	2,470,662	2,627,139	2,972,805	3,797,047	4,027,797	6,111,777
TOTAL EXPENDITURE	9,798,129	11,075,886	12,047,616	13,378,997	14,544,786	17,361,867

State of City Finances: 2009

Analysis of City Finances for the 2003 – 2008 financial years

City of Tshwane	Financial Years					
	2003 R'000	2004 R'000	2005 R'000	2006 R'000	2007 R'000	2008 R'000
Property rates	1,242,043	1,363,697	1,468,347	1,624,061	1,719,224	2,181,018
Service charges	2,711,132	3,247,553	3,709,223	3,874,557	4,211,357	4,838,958
Electricity	2,004,925	2,166,857	2,457,731	2,513,150	2,664,518	3,034,977
Water	706,207	718,075	835,878	905,434	1,036,701	1,232,886
Sewerage		169,677	194,398	215,935	249,567	303,406
Cleansing		192,944	221,216	240,038	250,700	267,689
Other					9,871	
Interest earned						
Investments	120,180	12,350	104,901	103,545	134,187	135,555
Outstanding debtors		112,395	57,336	50,335	142,516	179,065
Government grants and subsidies	170,118	235,047	701,609	785,258	1,566,094	1,917,228
Fines		41,287	37,910	22,896	38,390	38,303
Public contributions			86,079	146,434	165,566	165,369
RSC levies	447,323	494,170	628,266	895,570		
Other	875,722	383,928	420,005	701,464	624,148	665,298
TOTAL REVENUE	5,566,518	5,890,427	7,213,676	8,204,120	8,601,482	10,120,794

City of Tshwane	Financial Years					
	2003 R'000	2004 R'000	2005 R'000	2006 R'000	2007 R'000	2008 R'000
Employee related costs	1,662,200	1,836,928	2,069,898	2,160,602	2,412,004	2,621,003
Remuneration of Councillors	28,862	31,838	33,255	34,795	45,946	44,201
Bad debts		128,212	315,161	332,941	193,489	280,647
Depreciation	540,909	619,715	465,337	509,426	628,930	542,316
Repairs and maintenance	730,570	861,307	863,252	674,270	727,352	894,629
Interest	249,608	257,027	232,506	266,630	351,219	362,150
Bulk purchases	1,302,483	1,507,935	1,628,481	1,853,026	2,130,979	2,206,818
Other	674,877	623,390	1,010,420	1,801,509	1,798,639	2,311,587
TOTAL EXPENDITURE	5,189,509	5,866,352	6,618,310	7,633,199	8,288,558	9,263,351

State of City Finances: 2009

Analysis of City Finances for the 2003 – 2008 financial years

Ethekewini	Financial Years					
	2003 R'000	2004 R'000	2005 R'000	2006 R'000	2007 R'000	2008 R'000
Property rates	2,046,756	2,367,293	2,939,573	3,071,229	3,345,154	3,828,799
Service charges	3,627,287	3,849,265	4,319,028	4,510,763	4,920,503	5,490,368
Electricity	2,531,371	2,757,471	2,942,349	3,021,130	3,272,164	3,631,136
Water	952,654	1,065,112	1,153,066	1,241,251	1,374,320	1,531,291
Sewerage			62,872	63,960	66,012	65,177
Cleansing			89,772	104,834	124,049	138,244
Other	143,262	26,682	70,969	79,588	83,958	124,520
Interest earned						
Investments	777,066	494,128	234,702	212,527	306,345	444,770
Outstanding debtors			52,590	68,779	92,322	121,552
Government grants and subsidies	310,527	373,703	738,329	1,046,190	2,135,298	3,391,335
Fines			113,422	112,820	117,037	110,405
Public contributions			10,337	6,877	11,815	795,833
RSC levies			500,851	570,029	15,663	
Other	511,361	922,921	698,266	802,107	948,214	941,643
TOTAL REVENUE	7,272,997	8,007,310	9,607,098	10,401,321	11,892,351	15,124,705

Ethekewini	Financial Years					
	2003 R'000	2004 R'000	2005 R'000	2006 R'000	2007 R'000	2008 R'000
Employee related costs	2,348,881	2,476,470	2,690,754	2,681,435	3,073,530	3,235,690
Remuneration of Councillors	36,444	39,791	40,354	46,391	57,354	59,033
Bad debts			474,693	388,046	346,430	375,655
Depreciation	1,048,717	1,197,563	525,851	811,909	886,748	977,682
Repairs and maintenance	800,971	787,631	797,737	830,240	879,222	1,218,338
Interest	469,009	503,287	527,717	560,317	528,985	606,604
Bulk purchases			2,349,834	2,443,253	2,684,611	2,915,858
Other	2,370,503	2,767,792	1,876,495	1,839,142	2,417,494	1,930,506
TOTAL EXPENDITURE	7,074,525	7,772,534	9,283,435	9,600,733	10,874,374	11,319,366

State of City Finances: 2009

Analysis of City Finances for the 2003 – 2008 financial years

Mangaung	Financial Years					
	2003	2004	2005	2006	2007	2008
	R'000	R'000	R'000	R'000	R'000	R'000
Property rates	181,623	209,793	197,618	218,345	229,341	250,173
Service charges	536,330	597,052	728,244	290,858	318,287	340,214
Electricity	365,071	407,524	451,563			
Water	171,259	189,528	203,438	209,229	232,293	244,439
Sewerage			70,554	78,482	82,684	92,149
Cleansing			2,689	3,147	3,310	3,626
Other						
Interest earned						
Investments	54,549	43,645	32,448	23,625	124,583	116,460
Outstanding debtors			16,865	20,166	25,520	32,268
Government grants and subsidies	190,578	201,703	308,801	284,978	336,564	576,627
Fines			7,311	13,186	9,260	7,589
Public contributions			9,670	545		
RSC levies						
Other	127,483	161,283	68,151	1,006,984	137,940	171,855
TOTAL REVENUE	1,090,563	1,213,476	1,369,108	1,858,687	1,181,495	1,495,186

Mangaung	Financial Years					
	2003	2004	2005	2006	2007	2008
	R'000	R'000	R'000	R'000	R'000	R'000
Employee related costs	312,983	350,405	411,756	443,390	503,596	528,231
Remuneration of Councillors	8,829	10,440	10,455	13,373	16,951	18,906
Bad debts			65,134	99,721	39,037	42,599
Depreciation	103,532	116,540		88,524	99,442	98,487
Repairs and maintenance	86,140	78,866	89,026	68,204	74,771	81,666
Interest	426	2,354	3,616	3,635	2,993	2,920
Bulk purchases	320,701	335,736	371,532	138,946	157,737	169,206
Other	210,732	259,216	191,051	213,473	201,004	267,702
TOTAL EXPENDITURE	1,043,343	1,153,557	1,142,570	1,069,266	1,095,531	1,209,717

State of City Finances: 2009

Analysis of City Finances for the 2003 – 2008 financial years

City of Cape Town	Financial Years					
	2003 R'000	2004 R'000	2005 R'000	2006 R'000	2007 R'000	2008 R'000
Property rates		2,092,541	2,056,817	2,290,488	2,475,480	3,258,741
Service charges		4,197,118	4,163,407	4,365,372	5,154,618	5,749,773
Electricity		2,358,366	2,497,632	2,653,863	2,862,686	3,148,946
Water		771,411	896,976	1,059,056	1,018,297	1,242,986
Sewerage		525,084	537,250	570,445	637,906	751,548
Cleansing		380,612	408,340	440,272	475,515	423,145
Other		161,645	-176,791	-358,264	160,214	183,148
Interest earned						
Investments		167,062	212,911	241,837	309,379	367,956
Outstanding debtors		182,100	129,097	181,639	187,365	167,747
Government grants and subsidies		562,423	631,906	549,226	1,512,496	1,767,663
Fines		93,756	121,098	174,977	180,753	159,225
Public contributions		31,356	40,872	4,913	33,957	6,217
RSC levies		780,028	893,838	1,027,420	137,510	20,475
Other		603,729	578,516	552,310	875,829	1,038,595
TOTAL REVENUE	0	8,710,113	8,828,462	9,388,182	10,867,387	12,536,392

City of Cape Town	Financial Years					
	2003 R'000	2004 R'000	2005 R'000	2006 R'000	2007 R'000	2008 R'000
Employee related costs		2,870,534	2,674,246	2,718,393	3,010,652	3,430,193
Remuneration of Councillors		45,827	49,952	51,801	65,938	70,935
Bad debts		637,307	76,519	349,491	392,448	708,643
Depreciation		708,227	629,561	331,113	717,825	809,718
Repairs and maintenance		560,864	679,956	803,972	963,530	1,185,860
Interest		347,402	346,827	349,325	479,421	482,476
Bulk purchases		1,574,028	1,703,049	1,778,884	1,998,112	2,141,514
Other		1,856,881	2,169,045	3,108,692	2,400,553	3,228,667
TOTAL EXPENDITURE	0	8,601,070	8,329,155	9,491,671	10,028,479	12,058,006

State of City Finances: 2009

Analysis of City Finances for the 2003 – 2008 financial years

Buffalo City	Financial Years					
	2003 R'000	2004 R'000	2005 R'000	2006 R'000	2007 R'000	2008 R'000
Property rates	207,184	229,708	255,438	271,366	293,902	325,712
Service charges	427,088	643,920	721,508	756,405	796,765	877,935
Electricity	319,501	351,472	387,004	409,763	429,228	465,986
Water	107,587	120,024	146,391	144,346	152,326	172,782
Sewerage		94,357	102,424	111,809	118,266	126,656
Cleansing		78,067	83,739	88,080	94,773	109,833
Other			1,950	2,407	2,172	2,678
Interest earned						
Investments	1,707	21,271	27,425	43,232	38,397	81,031
Outstanding debtors		35,571	30,127	21,171	28,337	30,732
Government grants and subsidies	125,792	216,130	395,751	397,241	463,478	560,463
Fines		6,447	9,559	9,184	7,614	7,688
Public contributions			21,403	8,093	13,838	16,121
RSC levies						
Other	262,572	71,312	85,115	98,370	100,498	120,086
TOTAL REVENUE	1,024,343	1,224,359	1,546,326	1,605,062	1,742,829	2,019,768

Buffalo City	Financial Years					
	2003 R'000	2004 R'000	2005 R'000	2006 R'000	2007 R'000	2008 R'000
Employee related costs	360,717	409,091	437,749	462,044	513,010	567,939
Remuneration of Councillors	10,234	11,368	11,882	13,390	16,947	18,158
Bad debts	0	40,380	80,619	52,405	63,183	69,985
Depreciation	147,054	78,059	59,376	70,834	100,396	112,474
Repairs and maintenance	38,528	50,969	72,001	71,474	84,025	79,901
Interest	1,134	58,532	57,430	56,227	46,289	69,674
Bulk purchases	244,998	265,089	278,789	289,518	319,879	358,733
Other	219,145	291,805	368,648	385,368	525,478	559,545
TOTAL EXPENDITURE	1,021,810	1,205,293	1,366,494	1,401,260	1,669,207	1,836,409

State of City Finances: 2009

Analysis of City Finances for the 2003 – 2008 financial years

Msunduzi	Financial Years					
	2003 R'000	2004 R'000	2005 R'000	2006 R'000	2007 R'000	2008 R'000
Property rates	225,115	244,969	363,973	396,485	431,468	368,633
Service charges	492,664	554,508	601,833	647,447	694,577	673,879
Electricity	369,798	404,282	397,285	570,818	622,515	588,763
Water	122,866	150,226	124,929	170,811	187,488	192,861
Sewerage			48,765	65,212	68,719	68,376
Cleansing			30,854	40,321	44,634	46,703
Other				-199,715	-228,779	-222,824
Interest earned						
Investments	47,089	46,781	5,351	10,169	22,721	29,321
Outstanding debtors			15,153	3,345	18,544	22,973
Government grants and subsidies	49,879	71,000	106,129	250,183	192,586	266,381
Fines			7,575	10,634	13,814	14,774
Public contributions						
RSC levies						
Other	201,935	243,094	129,471	81,249	73,369	247,519
TOTAL REVENUE	1,016,682	1,160,352	1,229,485	1,399,512	1,447,079	1,623,480

Msunduzi	Financial Years					
	2003 R'000	2004 R'000	2005 R'000	2006 R'000	2007 R'000	2008 R'000
Employee related costs	304,131	337,182	360,630	383,602	434,383	500,859
Remuneration of Councillors	8,813	10,049	10,006	10,948	15,503	15,467
Bad debts	-4,098	36,712	67,000	15,413		
Depreciation	130,535	128,176	67,289	78,450	94,719	96,409
Repairs and maintenance	43,867	47,952	42,427	49,458	55,402	60,482
Interest	41,081	43,907	39,091	43,165	50,194	55,028
Bulk purchases	318,005	362,719	427,974	456,652	495,005	515,450
Other	158,610	191,448	209,568	196,682	235,555	263,102
TOTAL EXPENDITURE	1,000,944	1,158,145	1,223,985	1,234,370	1,380,761	1,506,797

State of City Finances: 2009

Analysis of City Finances for the 2003 – 2008 financial years

Nelson Mandela	Financial Years					
	2003 R'000	2004 R'000	2005 R'000	2006 R'000	2007 R'000	2008 R'000
Property rates	376,322	419,188	466,715	498,867	533,190	587,887
Service charges	1,197,356	1,375,840	1,486,221	1,573,735	1,653,138	1,795,795
Electricity	809,665	934,173	1,025,847	1,037,157	1,119,759	1,196,832
Water	197,042	220,436	231,398	287,596	265,345	306,474
Sewerage	129,709	153,564	154,338	167,478	185,314	203,096
Cleansing	60,940	67,667	74,638	81,504	82,720	89,393
Other						
Interest earned						
Investments			145,714	124,735	141,706	183,781
Outstanding debtors			56,087	78,361	77,368	89,639
Government grants and subsidies	144,592	364,596	332,910	521,589	884,071	760,337
Fines			9,257	13,227	17,369	19,433
Public contributions						
RSC levies	174,223	194,007	229,258	280,279		
Other	534,604	413,958	204,942	455,560	321,448	208,155
TOTAL REVENUE	2,427,097	2,767,589	2,931,104	3,546,353	3,628,290	3,645,027

Nelson Mandela	Financial Years					
	2003 R'000	2004 R'000	2005 R'000	2006 R'000	2007 R'000	2008 R'000
Employee related costs	702,959	775,280	897,360	932,819	1,497,257	1,264,407
Remuneration of Councillors	21,200	22,464	25,291	29,325	35,336	37,825
Bad debts			17,450	7,926	41,632	60,821
Depreciation	177,200	172,640	162,459	192,017	266,588	283,295
Repairs and maintenance	192,931	199,204	218,467	257,733	307,599	330,013
Interest	30,378	30,853	39,840	27,252	63,264	65,071
Bulk purchases	472,810	534,969	589,992	601,177	663,872	719,788
Other	812,863	1,164,222	1,048,781	1,063,416	672,498	741,501
TOTAL EXPENDITURE	2,410,341	2,899,632	2,999,640	3,111,665	3,548,046	3,502,721

State of City Finances: 2009

Analysis of City Finances for the 2003 – 2008 financial years

Ekurhuleni	Financial Years					
	2003 R'000	2004 R'000	2005 R'000	2006 R'000	2007 R'000	2008 R'000
Property rates	1,302,397	1,503,776	1,681,077	1,753,716	1,687,985	1,741,913
Service charges	4,595,656	4,046,654	4,199,086	4,398,419	5,266,215	5,534,224
Electricity	2,298,812	2,470,136	2,578,332	2,749,332	3,118,332	3,291,695
Water	847,843	947,903	931,067	1,001,548	1,328,756	1,294,621
Sewerage		292,282	294,582	321,502	407,456	505,761
Cleansing		295,168	303,188	326,037	372,799	404,660
Other	1,449,001	41,165	91,917		38,872	37,487
Interest earned						
Investments		194,327	244,847	241,412	290,830	351,157
Outstanding debtors		134,047	92,494	121,703	301,856	446,172
Government grants and subsidies	248,581	581,767	765,330	978,374	1,918,495	2,062,158
Fines		95,274	90,823	104,823	83,056	77,794
Public contributions		110,116	3,423			
RSC levies	541,400	551,588	842,318	691,290		
Other	6,138	231,457	290,344	360,394	340,389	255,400
TOTAL REVENUE	6,694,172	7,449,006	8,209,742	8,650,131	9,888,826	10,468,818

Ekurhuleni	Financial Years					
	2003 R'000	2004 R'000	2005 R'000	2006 R'000	2007 R'000	2008 R'000
Employee related costs	1,644,739	1,719,477	2,045,627	2,198,251	2,514,978	2,728,392
Remuneration of Councillors	33,190	37,321	41,143	44,085	53,728	53,388
Bad debts		988,201	1,283,225	677,317	1,233,671	1,328,567
Depreciation	379,330	344,139	392,736	336,861	397,030	402,734
Repairs and maintenance	390,618	377,842	397,538	445,346	588,497	789,229
Interest	163,953	157,670	190,442	187,680	182,094	180,080
Bulk purchases	2,097,759	2,402,052	2,545,042	2,689,320	3,034,560	3,298,074
Other	1,505,569	495,891	1,068,656	961,320	1,185,091	1,530,973
TOTAL EXPENDITURE	6,215,158	6,522,593	7,964,409	7,540,180	9,189,649	10,311,437