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Financial census of municipalities

for the year ended 30 June 2006

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NOTES

Table 1: Response rates for 2006 per province

Province	Municipalities			Number of questionnaires received			Non-response		
	Metros and district municipalities	Local municipalities	Total	Metros and district municipalities	Local municipalities	Total	Metros and district municipalities	Local municipalities	Total
Western Cape	6	24	30	6	24	30	0	0	0
Eastern Cape	7	38	45	7	37	44	0	1	1
Northern Cape	5	26	31	5	26	31	0	0	0
Free State	5	20	25	5	19	24	0	1	1
KwaZulu-Natal	11	50	61	11	50	61	0	0	0
North West	4	22	26	4	22	26	0	0	0
Gauteng	6	8	14	6	8	14	0	0	0
Mpumalanga	3	18	21	3	18	21	0	0	0
Limpopo	5	25	30	5	25	30	0	0	0
Total	52	231	283	52	229	281	0	2	2

Table 1 shows that 281 of the 283 municipalities responded, translating to a response rate of 99%. However, the percentage contribution of the non-responding municipalities on the fixed assets is 0,01% compared with 0,02% in 2005. The Quarterly Financial Statistics of Municipalities (Discussion document D9144) was used for the purpose of estimating the non-responding municipalities, as the survey collects similar data from the same population of institutions on a quarterly basis.

KEY FINDINGS

Table 2: Acid test ratio of municipalities

Acid test ratio			
Financial year	Current assets minus inventory	Current liabilities	Acid test ratio
	R million	R million	
2005*	39 879	21 901	1,8
2006	39 186	22 086	1,8

*Revised

Table 2 reflects the acid test ratio (calculated as current assets minus inventory divided by current liabilities). In 2005 and 2006, municipalities recorded an acid test ratio of 1,8:1 respectively, which was above the normal acceptable rate of 1:1.

Table 3: Current ratio of municipalities

Current ratio			
Financial year	Current assets	Current liabilities	Current ratio
	R million	R million	
2005*	40 662	21 901	1,9
2006	40 135	22 086	1,8

*Revised

Table 3 reflects the current ratio (also called the working capital ratio). This ratio measures the extent to which short-term assets can be disposed to liquidate the short-term liabilities. In 2005, municipalities recorded a current ratio of 1,9:1 and in 2006 this ratio decreased to 1,8:1.

Table 4: Net assets and liabilities of municipalities for the years ended 30 June 2005 and 30 June 2006

Net assets and liabilities		
Items	Financial year	
	2005*	2006
	R million	R million
Net assets	63 277	78 113
Non-current liabilities	20 879	25 207
Current liabilities	21 901	22 086
Liabilities not reflected elsewhere	71 303	11 414
Total net assets and liabilities	177 360	136 820

*Revised

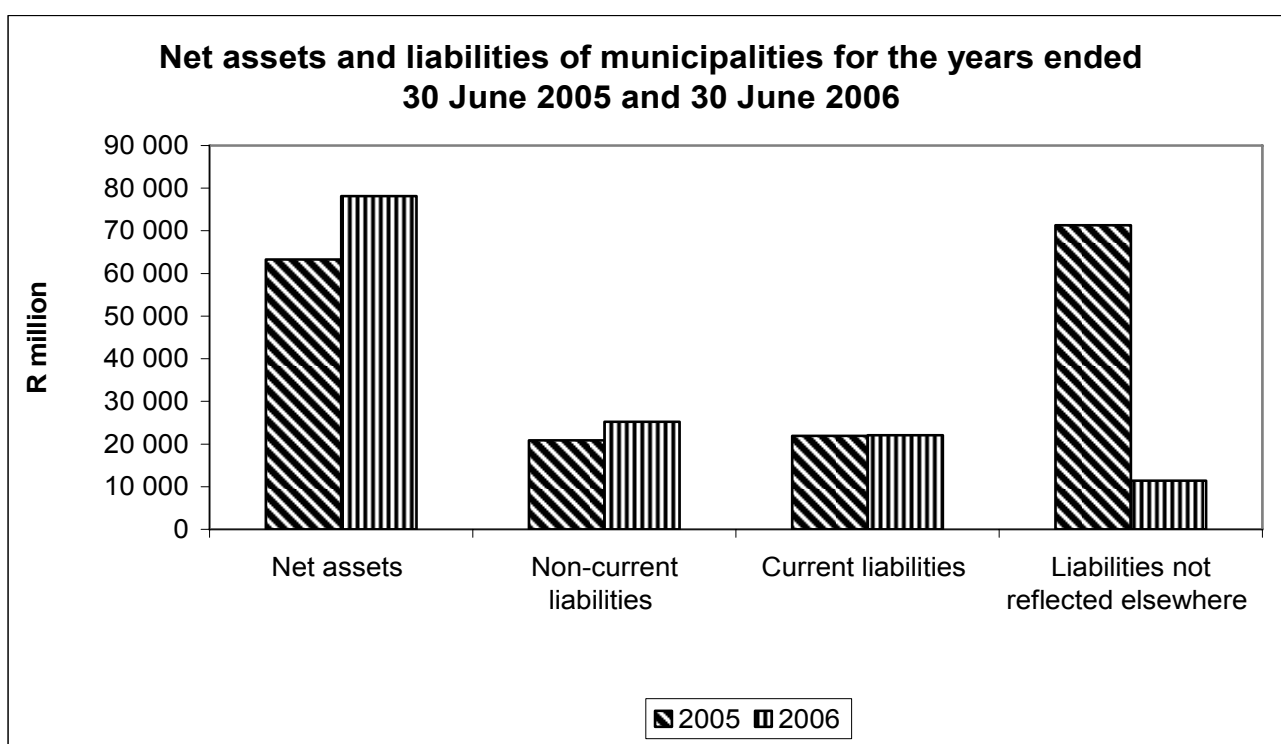


Table 4 reflects the contribution of major net assets and liabilities to the total net assets and liabilities. The questionnaire used to collect the 2005 figures included loans redeemed and other capital receipts on the liabilities, but when the new accounting standards came into effect, these two items were removed and were accounted for in liabilities not reflected elsewhere. In 2005 liabilities not reflected elsewhere were the largest contributor, followed by net assets. In 2006 net assets was the largest contributor, followed by non-current liabilities, current liabilities and liabilities not reflected elsewhere.

Table 5: Total assets of municipalities for the years ended 30 June 2005 and 30 June 2006

Total assets		
Items	Financial year	
	2005*	2006
	R million	R million
Non-current assets	128 211	94 688
Current assets	40 662	40 135
Assets not reflected elsewhere	8 487	1 997
Total assets	177 360	136 820

*Revised

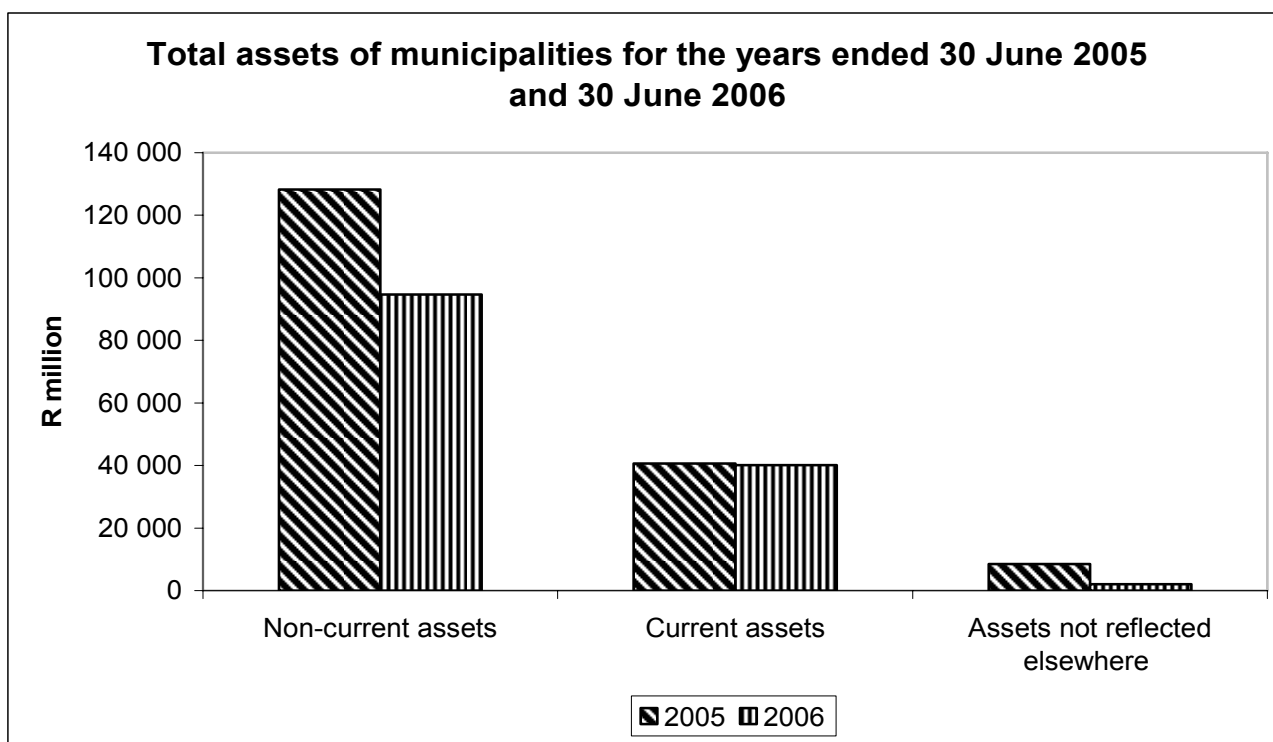


Table 5 reflects assets as per their grouping (i.e. non-current assets and current assets). Non-current assets decreased between 2005 and 2006. The reason for the decrease is the change in accounting standards in municipalities. In 2005, the questionnaire and the reporting standards that were used (IMFO) did not account for the depreciation/accumulated depreciation on the fixed assets. The new accounting standards (GRAP/GAMAP) accounts for the depreciation/accumulated depreciation. In 2005, non-current assets were the largest contributor, followed by current assets and assets not reflected elsewhere. In 2006 non-current assets were the largest contributor, followed by current assets and assets not reflected elsewhere.

P J Lehohla
Statistician-General

Part 1: Consolidated statement of financial position for municipalities as at 30 June 2005 and as at 30 June 2006

Net assets and liabilities	2005 ^{*A}	2006 ^B	% change
	R'000	R'000	
Net assets			
Capital replacement reserve, capitalisation reserve, government grant reserve and housing and development fund	45 662 265	46 913 737	2,7
Retained surplus/accumulated deficit ¹	17 615 364	31 199 483	77,1
Non-current liabilities			
Domestic issues and bonds	3 039 888	3 066 443	0,9
Other non-current liabilities			
Government housing loans to public welfare organisations and individuals sponsored by the respondent	14 729	16 897	14,7
Other long-term loans received from:			
National government	68 083	73 502	8,0
Provincial government	37 924	43 614	15,0
Local government institutions	336 804	372 056	10,5
Development Bank of Southern Africa	5 275 139	6 020 697	14,1
Local authorities loans fund	284 432	288 856	1,6
Financial public corporations	244 703	254 718	4,1
Banks	3 729 601	3 988 393	6,9
Insurers	38 634	41 033	6,2
Pension funds	289 776	292 700	1,0
Other domestic sources	7 222 862	10 457 964	44,8
Long-term leases	296 107	290 215	-2,0
Current liabilities			
External short-term loans and deposits from:			
Local government institutions	67 170	80 503	19,8
Development Bank of Southern Africa	118 804	161 237	35,7
Local authorities loans fund	15 992	24 156	51,1
Financial public corporations	236 525	242 105	2,4
Banks	161 529	223 306	38,2
Insurers	4 561	5 399	18,4
Pension funds	58	62	6,9
Other domestic sources	483 510	332 195	-31,3
Short-term leases	315 548	253 258	-19,7
Bank overdraft	739 040	619 678	-16,2
Creditors			
Trade creditors	11 666 553	11 248 955	-3,6
Consumer deposits	1 828 625	2 208 728	20,8
Income received in advance	657 398	715 896	8,9
Other creditors	5 605 432	5 970 767	6,5
Liabilities not reflected elsewhere ²	71 303 328	11 413 660	-84,0
Total net assets and liabilities	177 360 384	136 820 213	-22,9

¹Retained surplus is adjusted for accumulated deficit for comparison purposes.

²Liabilities not reflected elsewhere (2005) include all internal loans (6 765 683), external loans (20 834 944), internal advances (40 449 849) as well as suspense accounts, foreign sources (521) and other not specified (3 252 331) and for 2006 it include VAT (734 518), current provision (1 358 229), unspent conditional grant (2 974 324) and other not specified (6 346 589).

^AThe 2005 was based on IMFO

^BThe 2006 was based on GRAP/GAMAP

* Revised

Part 1: Consolidated statement of financial position for municipalities as at 30 June 2005 and as at 30 June 2006 (concluded)

Assets	2005* ^A	2006 ^B	% change
	R'000	R'000	
Non-current assets			
Property, plant, and equipment (net carrying value) ³	113 986 935	79 504 389	-30,3
Leased assets	146 217	156 957	7,3
Investments in marketable securities:			
Own stock	468 080	480 703	2,7
Other marketable stock/shares			
Government stock	13 163	15 487	17,7
Other local government institutions	5 184	7 172	38,3
Financial public corporations stock	24 560	27 320	11,2
Other	1 046 891	969 080	-7,4
Investments in non-marketable instruments of other spheres of government	127 589	227 107	78,0
Long-term receivables	2 159 890	2 790 800	29,2
Sponsored government housing loans to public welfare organisations and individuals	14 832	14 847	0,1
External long-term loans, deposits and investments			
Long-term loans to:			
Other local government institutions	179 905	260 993	45,1
Financial public corporations	29 900	30 967	3,6
Other companies	32	35	9,4
Individuals	735 914	747 321	1,6
Other	1 525 182	1 504 981	-1,3
Long-term deposits and other investments with:			
Public investment corporation	9 237	15 320	65,9
Banks	5 451 643	5 595 229	2,6
Other	2 286 630	2 338 739	2,3
Current assets			
Inventory	783 346	949 234	21,2
External short-term loans, deposits and investments			
Other local government institutions	38 002	41 802	10,0
Other companies	14 090	19 740	40,1
Individuals	24 475	32 581	33,1
Other	3 197 781	1 941 351	-39,3
Short-term deposits and other investments with:			
Public investment corporation	109 467	117 178	7,0
Banks	7 386 762	8 617 574	16,7
Other	1 195 627	1 669 497	39,6
Other sundry debtors			
Consumer debtors	16 312 031	15 865 600	-2,7
Other debtors	6 339 114	5 131 452	-19,1
Prepaid expenses	350 223	97 897	-72,0
Petty cash and bank	4 911 092	5 651 463	15,1
Assets not reflected elsewhere ⁴	8 486 590	1 997 397	-76,5
Total assets	177 360 384	136 820 213	-22,9

³GRAP/GAMAP requires municipalities to depreciate their assets according to their useful lives. Previously (IMFO), municipal assets were not depreciated but offset against the loans redeemed and other capital receipt.

⁴The assets not reflected elsewhere (2005) include all internal loans (6 765 683) and suspense accounts and assets not reflected elsewhere (1 720 907)

^AThe 2005 was based on IMFO

^BThe 2006 was based on GRAP/GAMAP

* Revised

Part 2: Total income and expenditure of municipalities for the years ended 30 June 2005 and 30 June 2006: Expenditure

Expenditure	Rates and general services		Housing and trading services		Total		
	2005* ^A	2006 ^B	2005* ^A	2006 ^B	2005* ^A	2006 ^B	% change
	R'000	R'000	R'000	R'000	R'000	R'000	
Employee related costs	16 949 963	17 066 066	6 685 044	8 162 125	23 635 007	25 228 191	6,7
Directors'/Councillors' remuneration	747 279	1 030 727			747 279	1 030 727	37,9
Property rates	376 626	582 061	82 508	90 967	459 134	673 028	46,6
Interest	2 064 956	3 449 215	1 395 024	1 480 884	3 459 980	4 930 099	42,5
Purchases of electricity, gas and water			18 888 714	19 540 056	18 888 714	19 540 056	3,4
Grants and subsidies	356 455	1 375 988			356 455	1 375 988	286,0
General expenditure							
Accommodation	29 045	61 584	9 177	10 826	38 222	72 410	89,4
Advertising	35 447	72 808	4 321	4 913	39 768	77 721	95,4
Bank charges	34 101	79 658	77 808	80 299	111 909	159 957	42,9
Consultancy fees	148 601	161 907	2 062 470	2 062 799	2 211 071	2 224 706	0,6
Fuel and oil	126 611	215 664	116 125	112 883	242 736	328 547	35,4
Hiring of plant and equipment	30 219	30 163	79 678	91 698	109 897	121 861	10,9
Pharmaceutical	20 898	28 891	3 654	3 816	24 552	32 707	33,2
Postage and stamps	70 286	110 147	8 895	9 643	79 181	119 790	51,3
Printing and stationery	96 135	219 100	19 689	20 927	115 824	240 027	107,2
Rental of land, buildings and other structures	104 225	228 712	4 188	5 341	108 413	234 053	115,9
Rental of office equipment	34 000	132 138	146	28 127	34 146	160 265	369,4
Telecommunications services	183 607	412 011	33 161	37 580	216 768	449 591	107,4
Training and education	43 747	112 533	5 291	5 573	49 038	118 106	140,8
Transport	52 514	59 141	115 653	119 365	168 167	178 506	6,1
Travelling and subsistence	58 965	110 527	14 945	15 884	73 910	126 411	71,0
Other expenditure	20 484 485	38 716 937	17 745 605	20 137 968	38 230 090	58 854 905	53,9
Surplus	12 954 294	17 667 398	4 959 279	6 544 136	17 913 573	24 211 534	35,2
Total expenditure	55 002 459	81 923 376	52 311 375	58 565 810	107 313 834	140 489 186	30,9

^A The 2005 was based on IMFO

^B The 2006 was based on GRAP/GAMAP

* Revised

Part 2: Total income and expenditure of municipalities for the years ended 30 June 2005 and 30 June 2006: Income

Income	Rates and general services		Housing and trading services		Total		
	2005 ^{*A}	2006 ^B	2005 ^{*A}	2006 ^B	2005 ^{*A}	2006 ^B	% change
	R'000	R'000	R'000	R'000	R'000	R'000	
Property rates from:							
National government	343 832	111 710			343 832	111 710	-67,5
Provincial government	611 167	710 782			611 167	710 782	16,3
Local government institutions	26 210	32 040			26 210	32 040	22,2
Individuals and private companies	15 685 091	17 279 623			15 685 091	17 279 623	10,2
Levies							
Service levies	3 363 822	3 351 542			3 363 822	3 351 542	-0,4
Establishment levies	3 049 146	4 844 326			3 049 146	4 844 326	58,9
Service charges							
Sales of electricity, gas and water			32 902 611	34 539 853	32 902 611	34 539 853	5,0
Interest received from:							
External investments	1 165 874	2 497 632	195 468	213 538	1 361 342	2 711 170	99,2
Outstanding debtors	269 549	1 488 194	188 773	214 687	458 322	1 702 881	271,5
Fines	489 812	622 384			489 812	622 384	27,1
Licences and permits	302 812	555 588			302 812	555 588	83,5
Rental of facilities and equipment	108 232	309 649	377 303	380 953	485 535	690 602	42,2
Bad debts recovered	24 249	53 724	9 844	10 151	34 093	63 875	87,4
Subsidies from:							
National government	1 232 186	1 494 084	1 267 135	1 263 806	2 499 321	2 757 890	10,3
Provincial government	985 498	1 077 508	642 010	701 563	1 627 508	1 779 071	9,3
Local government institutions	41 564	62 422	46 756	49 089	88 320	111 511	26,3
Other	371 031	426 219	27 743	29 147	398 774	455 366	14,2
Grants (including the equitable share) from:							
National government	3 836 606	9 628 184	185 027	474 604	4 021 633	10 102 788	151,2
Provincial government	2 239 688	935 787	35 133	376 822	2 274 821	1 312 609	-42,3
Local government institutions	67 337	91 739	24 644	30 818	91 981	122 557	33,2
Other	525 914	764 483	5 180	106 659	531 094	871 142	64,0
Other income	7 937 406	23 075 702	13 076 608	15 276 252	21 014 014	38 351 954	82,5
Deficit	12 325 433	12 510 054	3 327 140	4 897 868	15 652 573	17 407 922	11,2
Total income	55 002 459	81 923 376	52 311 375	58 565 810	107 313 834	140 489 186	30,9

^A The 2005 was based on IMFO

^B The 2006 was based on GRAP/GAMAP

* Revised

**Part 3: Income and expenditure of municipalities for rates and general services for the years ended 30 June 2005 and 30 June 2006:
Expenditure**

Expenditure	Health		Community services		Public safety		Other		Total	
	2005 ^{*A}	2006 ^B	2005 ^{*A}	2006 ^B	2005 ^{*A}	2006 ^B	2005 ^{*AC}	2006 ^{BD}	2005 ^{*A}	2006 ^B
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Employee related costs	1 454 295	1 473 147	1 878 418	1 888 891	1 536 304	1 710 423	12 080 946	11 993 605	16 949 963	17 066 066
Directors'/Councillors' remuneration	1 634	1 797	47	60	0	0	745 598	1 028 870	747 279	1 030 727
Property rates	7 134	7 357	67 723	66 590	9 688	11 433	292 081	496 681	376 626	582 061
Interest	14 207	15 437	96 891	102 186	33 557	38 961	1 920 301	3 292 631	2 064 956	3 449 215
Grant and subsidies	8 420	22 454	6 618	24 336	810	1 204	340 607	1 327 994	356 455	1 375 988
General expenditure										
Accommodation	2 483	3 158	300	543	1 913	2 277	24 349	55 606	29 045	61 584
Advertising	234	226	294	592	87	157	34 832	71 833	35 447	72 808
Bank charges	12	14	168	179	102	175	33 819	79 290	34 101	79 658
Consultancy fees	5 344	6 301	34 747	35 166	1 189	2 269	107 321	118 171	148 601	161 907
Fuel and oil	3 062	3 626	15 425	11 666	15 574	15 403	92 550	184 969	126 611	215 664
Hiring of plant and equipment	343	463	4 283	4 583	414	592	25 179	24 525	30 219	30 163
Pharmaceutical	19 848	21 733	155	178	8	17	887	6 963	20 898	28 891
Postage and stamps	727	773	538	660	2 155	2 345	66 866	106 369	70 286	110 147
Printing and stationery	5 493	6 529	3 108	3 968	5 908	6 591	81 626	202 012	96 135	219 100
Rental of land, buildings and other structures	6 230	7 343	18 068	21 814	6 380	6 300	73 547	193 255	104 225	228 712
Rental of office equipment	415	487	466	838	954	1 618	32 165	129 195	34 000	132 138
Telecommunications services	9 657	10 460	10 488	14 119	10 253	13 120	153 209	374 312	183 607	412 011
Training and education	1 614	2 328	1 484	2 006	1 247	1 696	39 402	106 503	43 747	112 533
Transport	3 907	4 160	7 648	9 962	5 575	5 643	35 384	39 376	52 514	59 141
Travelling and subsistence	1 645	2 272	1 473	1 819	1 464	1 738	54 383	104 698	58 965	110 527
Other expenditure	720 609	959 941	1 257 704	1 374 651	1 217 075	3 340 905	17 289 097	33 041 440	20 484 485	38 716 937
Surplus	64 847	9 485	11 536	25 582	89 472	31 378	12 788 439	17 600 953	12 954 294	17 667 398
Total expenditure	2 332 160	2 559 491	3 417 582	3 590 389	2 940 129	5 194 245	46 312 588	70 579 251	55 002 459	81 923 376

^AThe 2005 was based on IMFO

^BThe 2006 was based on GRAP/GAMAP

^COther for 2005 include road services and fire services

^DOther for 2006 include social services, financial and administration

* Revised

Part 3: Income and expenditure of municipalities for rates and general services for the years ended 30 June 2005 and 30 June 2006: Income

Income	Health		Community services		Public safety		Other		Total	
	2005 ^{*A}	2006 ^B	2005 ^{*A}	2006 ^B	2005 ^{*A}	2006 ^B	2005 ^{*AC}	2006 ^{BD}	2005 ^{*A}	2006 ^B
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Property rates from:										
National government	7 449	9 000	36	42	0	0	336 347	102 668	343 832	111 710
Provincial government	28 013	32 998	0	0	0	0	583 154	677 784	611 167	710 782
Local government institutions	0	0	0	0	0	0	26 210	32 040	26 210	32 040
Individuals and private companies	5 313	6 413	0	0	831	900	15 678 947	17 272 310	15 685 091	17 279 623
Levies										
Service levies							3 363 822	3 351 542	3 363 822	3 351 542
Establishment levies							3 049 146	4 844 326	3 049 146	4 844 326
Interest received from:										
External investments	51	50	47	60	886	1 882	1 164 890	2 495 640	1 165 874	2 497 632
Outstanding debtors	0	0	22 268	23 000	0	12	247 281	1 465 182	269 549	1 488 194
Fines	591	687	1 567	2 672	432 060	536 388	55 594	82 637	489 812	622 384
Licences and permits	210	213	17	45	118 290	146 271	184 295	409 059	302 812	555 588
Rental of facilities	243	232	2 309	2 717	324	628	105 356	306 072	108 232	309 649
Bad debts recovered	48	60	801	900	21	30	23 379	52 734	24 249	53 724
Subsidies from:										
National government	44 406	52 126	25 108	17 129	1 619	1 700	1 161 053	1 423 129	1 232 186	1 494 084
Provincial government	185 068	199 464	6 517	5 969	142 992	197 565	650 921	674 510	985 498	1 077 508
Local government	7 089	8 389	600	954	2	3	33 873	53 076	41 564	62 422
Other	251 537	260 289	0	0	12 332	13 045	107 162	152 885	371 031	426 219
Grants (including the equitable share) from:										
National government	60 421	88 046	38 010	47 583	394	413	3 737 781	9 492 142	3 836 606	9 628 184
Provincial government	189 852	197 709	48 459	62 071	52 232	49 694	1 949 145	626 313	2 239 688	935 787
Local government	12 193	13 903	1 247	1 978	0	0	53 897	75 858	67 337	91 739
Other	144 124	135 760	71	86	885	918	380 834	627 719	525 914	764 483
Other income	145 058	382 013	558 047	716 351	360 493	938 722	6 873 808	21 038 616	7 937 406	23 075 702
Deficit	1 250 494	1 172 139	2 712 478	2 708 832	1 816 768	3 306 074	6 545 693	5 323 009	12 325 433	12 510 054
Total income	2 332 160	2 559 491	3 417 582	3 590 389	2 940 129	5 194 245	46 312 588	70 579 251	55 002 459	81 923 376

^A The 2005 was based on IMFO

^B The 2006 was based on GRAP/GAMAP

^C Other for 2005 include road services and fire services

^D Other for 2006 include social services, financial and administration

* Revised

Part 4: Income and expenditure of municipalities for housing and trading services for the years ended 30 June 2005 and 30 June 2006: Expenditure

Expenditure	Housing		Waste management ^C		Road transport		Water		Electricity and gas		Other ^E	
	2005 ^{*A}	2006 ^B	2005 ^{*A}	2006 ^B	2005 ^{*A}	2006 ^B	2005 ^{*A}	2006 ^B	2005 ^{*A}	2006 ^B	2005 ^{*A}	2006 ^B
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Employee related costs	433 241	496 446	2 004 785	2 109 023	171 051	1 157 122	1 498 822	1 414 868	2 056 747	2 008 341	520 398	976 325
Property rates	23 410	29 204	25 430	27 033	694	707	12 594	13 226	11 580	11 656	8 800	9 141
Interest	25 941	26 928	206 686	244 168	34 948	38 208	500 029	503 729	601 983	632 914	25 437	34 937
Purchase of electricity, gas and water							5 548 585	5 828 779	13 340 129	13 711 277		
General expenditure												
Accommodation	140	129	2	5	0	0	1 820	1 849	7 215	7 187	0	1 656
Advertising	52	60	255	360	0	0	1 457	1 531	802	866	1 755	2 096
Bank charges	0	0	424	470	0	0	256	303	1 005	1 086	76 123	78 440
Consultancy fees	1 619	1 650	185 782	190 611	25 872	27 225	1 161 931	1 177 599	684 230	662 686	3 036	3 028
Fuel and oil	0	0	67 349	70 444	973	1 076	23 789	15 698	19 866	19 487	4 148	6 178
Hiring of plant and equipment	0	0	34 621	44 658	0	0	43 256	45 269	1 344	1 502	457	269
Pharmaceutical	0	0	1 771	1 821	0	0	1 883	1 995	0	0	0	0
Postage and stamps	1 647	1 746	465	488	0	0	3 162	3 504	2 384	2 531	1 237	1 374
Printing and stationery	1 912	2 072	4 607	4 938	25	29	4 993	5 170	5 843	5 949	2 309	2 769
Rental of land, buildings and other structures	168	295	1 994	2 489	0	0	422	557	753	843	851	1 157
Rental of office equipment	0	23 210	146	322	0	30	0	2 972	0	1 497	0	96
Telecommunication services	3 686	3 868	7 917	8 949	0	0	10 601	11 426	9 228	10 991	1 729	2 346
Training and education	347	356	1 222	1 357	0	0	799	825	2 393	2 394	530	641
Transport	886	919	90 124	92 699	0	0	10 703	11 081	13 936	14 416	4	250
Travelling and subsistence	777	790	1 644	1 762	0	0	3 242	3 325	4 360	4 612	4 922	5 395
Other expenditure	1 371 303	2 132 772	4 206 494	4 572 046	192 441	2 452 688	4 015 703	5 142 680	6 554 891	4 864 610	1 404 773	973 172
Surplus	11 776	53 850	894 910	1 042 895	2 383	66 208	1 528 657	1 428 555	2 205 833	3 539 117	315 720	413 511
Total expenditure	1 876 905	2 774 295	7 736 628	8 416 538	428 387	3 743 293	14 372 704	15 614 941	25 524 522	25 503 962	2 372 229	2 512 781

^A The 2005 was based on IMFO

^B The 2006 was based on GRAP/GAMAP

^C Includes waste water management (sewerage) and waste management (sanitation)

^E Other includes environmental protection

* Revised

Part 4: Income and expenditure of municipalities for housing and trading services for the years ended 30 June 2005 and 30 June 2006: Income

Income	Housing		Waste management ^C		Road transport		Water		Electricity and gas		Other ^E	
	2005 ^{*A}	2006 ^B	2005 ^{*A}	2006 ^B	2005 ^{*A}	2006 ^B	2005 ^{*A}	2006 ^B	2005 ^{*A}	2006 ^B	2005 ^{*A}	2006 ^B
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Grants and subsidies from:												
National government	268 851	268 966	127 954	153 588	189	250	582 235	539 416	157 886	159 258	130 020	142 328
Provincial government	450 928	502 660	22 325	22 645	804	896	44 062	47 530	50 115	56 748	73 776	71 084
Local government	162	168	823	900	0	0	17 795	18 557	27 976	28 454	0	1 010
Other	11 034	11 359	44	52	0	0	11 310	11 990	5 355	5 746	0	0
Grants and equitable share from:												
National government	–	29 891	185 027	220 840	–	58 622	–	92 706	–	56 483	–	16 062
Provincial government	–	179 983	35 133	36 932	–	123 599	–	26 864	–	1 054	–	8 390
Local government	–	0	24 644	12 982	–	530	–	15 805	–	1 501	–	0
Other	–	15 233	5 180	5 275	–	21 784	–	64 113	–	0	–	254
Rental of facilities and equipment	286 766	288 841	3 399	9 797	0	0	6 232	6 291	60 357	51 755	20 549	24 269
Interest received from:												
External investments	53 105	57 337	58 391	65 963	0	0	51 875	51 273	9 488	10 277	22 609	28 688
Outstanding debtors	1 034	1 108	4 522	4 960	4 006	5 053	139 909	159 449	28 869	32 351	10 433	11 766
Service charges												
Sales of electricity, gas and water							10 614 993	11 292 020	22 287 618	23 247 833		
Bad debts recovered	1 099	1 201	246	283	0	0	2 152	2 161	5 930	6 004	417	502
Other income	264 313	849 910	6 164 176	6 829 262	350 328	1 348 022	2 393 225	2 728 001	2 659 193	1 735 430	1 245 373	1 785 627
Deficit	539 613	567 638	1 104 764	1 053 059	73 060	2 184 537	508 916	558 765	231 735	111 068	869 052	422 801
Total income	1 876 905	2 774 295	7 736 628	8 416 538	428 387	3 743 293	14 372 704	15 614 941	25 524 522	25 503 962	2 372 229	2 512 781

^A The 2005 was based on IMFO

^B The 2006 was based on GRAP/GAMAP

^C Includes waste water management (sewerage) and waste management (sanitation)

^E Other includes environmental protection

* Revised

EXPLANATORY NOTES

- | | |
|--|---|
| Purpose of the financial census | 1 The purpose of this census is to provide stakeholders and users with information of municipalities that allows for analysis and assessment of the state of local government finances. The report contains preliminary results for 2006. Provincial data will be available on the Stats SA website. The detailed information by unit will be made available upon request. |
| Scope of census of municipalities | 2 All institutions defined as local government institutions in terms of Act No. 117 of 1998 (the Municipal Act), Act No. 108 of 1996 (Constitution of the Republic of South Africa), Act No. 209 of 1993 (Local Government Transition Act) and Act No. 97 of 1996 (Local Government Transitional Act, Second Amendment Act) are included in this survey. The questionnaire used for this survey was designed to address primarily the national accounts requirements of Statistics South Africa and the South African Reserve Bank. This statistical release contains financial information furnished by the respondents. |
| Classification and accounting standards | 3 For the purpose of classification of local government institutions according to activities, Stats SA used the Standard Industrial Classification of all Economic Activities (SIC), Fifth edition, January 1993. Activities of the local government institutions also adhere to the General Accepted Municipal Accounting Practice (GAMAP), General Recognised Accounting Practice (GRAP) and requirements of the Institute of Municipal Finance Officers (IMFO). |
| Statistical unit | 4 The statistical unit for the collection of information was the municipality. |
| Reliability of estimates | 5 During the financial year of municipalities that ended on 30 June 2006, there were only two local municipalities out of a total of 283 that did not respond. The reasons for these municipalities were that they have not yet finalised their audited financial statements. The two municipalities are: Mbashe and Phumelela local municipalities. The Quarterly Financial Statistics of Municipalities (Discussion document D9144) was used for the purpose of estimating the non-responding municipalities, as the survey collects similar data from the same population of institutions on a quarterly basis. |
| Related publications | 6 Users may wish to refer to the following Stats SA publications: <ul style="list-style-type: none"> • P9101.1 Capital expenditure of the public sector; • P9149 Quarterly survey on remuneration of employees and turnover according to the levies received by district councils, metropolitan councils and regional councils by magisterial district; • P9119 Consolidated expenditure of total general government; and • P0441 Gross Domestic Product. • D9144 Quarterly Financial Statistics of Municipalities (Discussion document) |
| Comparability with previous census | 7 The questionnaire used to collect the 2006 information was GRAP/GAMAP compliant while the 2005 questionnaire was IMFO compliant, but for the purpose of this publication the 2005 figures have been harmonised with the 2006 financial census figures. |

Symbols and abbreviations used

8	–	Information was not collected in 2005
	*	Revised 2005 figures
	0	Nil or not applicable
	CRR	Capital replacement reserve
	GAMAP	General Accepted Municipal Accounting Practice
	GRAP	General Recognised Accounting Practice
	IMFO	Institute of Municipal Finance Officers
	PPE	Property, plant and equipment
	SIC	Standard Industrial Classification for all economic industries
	Stats SA	Statistics South Africa

Revision of data

- 9** Information for 2006 should be regarded as preliminary and may be revised. Revised figures are due to late submission of the data to Stats SA or respondents reporting revisions. The latter are normally the result of post-balance sheet events (events that occur between the balance sheet date and date on which the financial statements are approved by the municipal council) as well as through auditing of financial statements.

GLOSSARY

Acid test ratio	The acid test ratio is calculated as current assets minus inventory divided by current liabilities. The accepted acid test ratio is considered to be 1:1. In other words, the institution is able to meet its current credit obligations without disposing of its inventory.
Acquisition of fixed assets	The aggregate capital statement (or acquisition of fixed assets statement) shows the total capital expenditure incurred by each service during the year. Details of purchases and sales of assets are reflected in the aggregate capital statement, but appear in the consolidated balance sheet as a single amount (normally the item in the consolidated balance sheet is referred to as 'fixed assets').
Capital Replacement Reserve (CRR)	In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus/(deficit) to the CRR in terms of a council resolution. The cash in the designated CRR bank account can only be utilised to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus/(deficit) is credited by a corresponding amount when the amounts in the CRR are utilised. The amount transferred to the CRR is based on the municipality's need to finance future capital projects included in the Integrated Development Plan.
Capitalisation reserve	On the implementation of GAMAP/GRAP, the balance on certain funds, created in terms of the various Provincial Ordinances applicable at the time, that had historically been utilised for the acquisition of items of property, plant and equipment have been transferred to a Capitalisation Reserve instead of the accumulated surplus/(deficit) in terms of a directive (budget circular) issued by National Treasury. The purpose of this reserve is to promote consumer equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of these items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus/(deficit). The balance on the Capitalisation Reserve equals the carrying value of the items of property, plant and equipment financed from the former legislated funds. When items of property, plant and equipment are depreciated, a transfer is made from the Capitalisation Reserve to the accumulated surplus/(deficit). When an item of property, plant and equipment is disposed, the balance in the Capitalisation Reserve relating to such item is transferred to the accumulated surplus/(deficit).
Consolidated balance sheet	The aggregate or consolidated balance sheet reports the institution's position at a specific point in time, the end of the reporting period. This statement covers all assets and liabilities at a particular date in time.
Current assets	Current assets are assets that can be easily converted into cash. They consist of inventory, external short-term loans, deposits and investments from other local government institutions, other companies, individuals and other short-term deposits and other investments with public investment corporation, banks and other as well as other sundry debtors such as consumer debtors, other debtors, prepayment expenses, petty cash and bank.

Current expenditure	Current expenditure refers to transactions that decrease the net worth of the institution, including interest paid, compensation of employees, grants and subsidies paid, and depreciation, but excluding the consumption of fixed capital. It consists of the total expenditure of rates and general services (excluding the surplus) and the total expenditure on housing and trading services (excluding the surplus).
Current liabilities	Current liabilities consist of external short-term loans and deposits from local government institutions, development Bank of Southern Africa, local authorities loans fund, financial public corporations, banks, insurers, pension funds, other domestic sources, short-term leases, bank overdrafts, trade creditors, consumer creditors, income received in advance and other creditors. Leases and provisions are excluded in the calculation of current liabilities.
Current ratio	The current ratio is calculated as current assets divided by current liabilities. This ratio measures the extent to which short-term assets can be disposed of to liquidate the short-term liabilities.
District municipality	District municipality means municipality that has municipal executive and legislative authority in an area that includes more than one municipality, and which is described in section 155(1) of the Constitution, 1996 as a category C municipality. (Refer to Local government: Municipal structure Act, 1998 (Act No.117 of 1998).
Employee related costs	<p>Employee related cost includes payment to full-time and part-time employees irrespective of whether the remuneration is paid out of revenue, capital or any other account.</p> <p>Compensation of employees include:</p> <ul style="list-style-type: none">• Basic compensation;• Allowances;• Contribution to other benefit funds of employees such as medical aid, pension fund contributions, group life, etc. (excluding unemployment insurance and workmen's compensation, etc., which contributions may be looked upon as a form of insurance and would appear under general expenditure) and other benefits such as housing subsidy, etc.; and• Uniform clothing and allowances (clothing, boots, overalls, etc., supplied to uniformed employees). <p>Directors'/Councillors' remuneration are treated separately for the purpose of this census.</p>

Government grant reserve	<p>When items of property, plant and equipment are financed from government grants, a transfer is made from the accumulated surplus/(deficit) to the Government Grants Reserve equal to the Government Grant recorded as revenue in the Statement of Financial Performance in accordance with a directive (budget circular) issued by National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the Government Grant Reserve to the accumulated surplus/(deficit). The purpose of this policy is to promote community equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of government grant funded items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus/(deficit). When an item of property, plant and equipment financed from government grants is disposed, the balance in the Government Grant Reserve relating to such item is transferred to the accumulated surplus/(deficit).</p>
General expenditure	<p>General expenditure include:</p> <ul style="list-style-type: none">• Accommodation;• Advertising;• Bank charges;• Consultancy fees;• Fuel and oil;• Hiring of plant and equipment;• Pharmaceutical;• Postage and stamps;• Printing and stationery;• Rental of land, building and other structures and equipment;• Telecommunication services, training and education; and• Transport, travelling and subsistence.
Housing and development funds	<p>The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the municipality were extinguished on 1 April 1998 and transferred to a Housing Development Fund. Housing selling schemes both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies outstanding to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.</p>
Internal loans	<p>Loans to any fund or account within the local government institution are treated as internal loans. Total internal interest received and/or capitalised must correspond with the total internal interest paid.</p>
Housing and trading services	<p>Trading services are services for which the tariffs are determined in such a way that the provision of the service should yield a trading profit (market-related goods and services). Trading services include abattoirs, electricity and gas, markets, passenger transport, water and other trading services (forestry, agriculture, airports, mineral baths, stone crushing and sand supply services).</p>

Local municipality	Local municipality means a municipality that shares municipal executive and legislative authority in its area with a district municipality within whose area it falls, that is described in section 155(1) of the Constitution, 1996 as a category B municipality.
Long-term loans	Long-term loans are loans with an outstanding maturity of one year or longer.
Marketable loan stock	Marketable loan stock refers to stocks, debentures and similar debt instruments that are freely negotiable, i.e. securities for which transfer registers are kept and which are usually listed on the stock exchange. Discounts originating with the issue of stocks below par are included in the stock liability.
Metropolitan municipality	Metropolitan municipality means an institution that has municipal executive and legislative authority in an area that includes more than one municipality, and which is described in section 155(1) of the Constitution, 1996 as a category A municipality. (Refer to Local government: Municipal Structure Act, 1998 (Act No. 117 of 1998).
Money market instruments	Money market instruments include bankers' acceptance, trade bills, promissory notes, capital project bills, bridging debentures, negotiable certificates of deposits, Land Bank bills, Land Bank and the South African Reserve Bank's debentures.
Municipality	Municipality is a generic term describing the 'unit' of government in the local spheres responsible for local government in a geographically demarcated area and including district, local and metropolitan municipalities. Municipalities are institutions consisting of a municipal council (elected political representatives) and the municipal administration (appointed officials).
Net assets	<p>Net assets include:</p> <ul style="list-style-type: none"> • Capital replacement reserve, capitalisation reserve, government grant reserve and housing and development fund; and • Retained surplus/accumulated deficit.
Other expenditure	<p>Other expenditure include:</p> <ul style="list-style-type: none"> • Bad debts; • Cleaning services; • Collection costs; • Contracted services; • Depreciation; • Insurance cost; • Loss on disposal of property, plant and equipment; • Membership fees; • Repairs and maintenance; • Security fees; and • Taxation.

Other income

Other income include:

- Dividends received;
- Gains from disposal of property, plant and equipment;
- Income from agency services;
- Penalties imposed;
- Public contribution, donations/donated PPE; and
- Spent conditional grants.

Provision

Provision is any amount set aside for the purpose of meeting either:

- Specific requirements where the amounts thereof can be closely estimated; and/or
- Specific commitments, known contingencies and diminutions in values of assets existing as at the date of the balance sheet, where the amounts involved cannot be determined with significant accuracy.

Provision include:

- Bad debts; and
- Leave payouts.

Rates and general services

Rates and general services include ambulance, fire control (or fire fighting), health (clinics, old-age homes), roads and storm water, parks and recreation (libraries, cultural activities, museums, sport administration, community halls, swimming pools, sports grounds, nature reserves, etc.), sewerage and cleansing, traffic (licensing offices) and other services (city engineers, administration, personnel, legal services, city treasurer, etc.). These services are not economically self-supporting and are financed by imposing assessment rates, other rates, the receipt of subsidies and other contributions.

Regional Service Council levies

Regional Service Council levies include both regional service and regional establishment levies collected by the districts and metropolitan municipalities. Regional service levy is the payroll tax paid by registered levy payers on total remuneration of their employees in terms of the Local Government Act (LGTA) of 1993. Regional establishment levy is the turnover tax paid by businesses on their total turnover in terms of the relevant legislation. Levies were abolished on 1 July 2006 and will not form part of the future publication.

Revaluation reserve

The surplus arising from the revaluation of land and buildings is credited to a non-distributable reserve. The revaluation surplus is realised as revalued buildings are depreciated, through a transfer from the revaluation reserve to the accumulated surplus/(deficit). On disposal, the net revaluation surplus is transferred to the accumulated surplus/(deficit), while gains or losses on disposal, based on revalued amounts, are credited or charged to the Statement of Financial Performance.

Self-insurance reserve

The municipality has a self-insurance reserve amount set aside to offset potential losses or claims that cannot be insured externally. The balance of the Self-insurance Reserve is determined based on 5% of the insurance risk carried by the municipality.

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