CAPE METROPOLITAN TRANSPORT FUND

ANNUAL FINANCIAL STATEMENTS
for the year ended




30 JUNE 2011

CITY OF CAPE TOWN | ISIXEKO SASEKAPA | STAD KAAPSTAD

THIS CITY WORKS FOR YOU

The reports and statements listed below comprise the annual financial statements presented to the core City, the City of Cape Town.

REPORT OF THE AUDITOR-GENERAL TO THE COUNCIL OF THE CITY OF CAPE TOWN ON THE CAPE METROPOLITAN TRANSPORT FUND

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the accompanying financial statements of the Cape Metropolitan Transport Fund, which comprise of the statement of financial position as at 30 June 2011, and the statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory information as set out on pages 7 to 14.

Accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and in the manner required by the Urban Transport Act of South Africa, 1977 (Act No. 78 of 1977), and for such internal control as management determines necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor-General's responsibility

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996) and, section 4 of the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), my responsibility is to express an opinion on these financial statements based on my audit.
4. I conducted my audit in accordance with International Standards on Auditing and *General Notice 1111 of 2010,* issued in *Government Gazette 33872 of 15 December 2010*. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
6. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

7. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Cape Metropolitan Transport Fund as at 30 June 2011, and its financial performance and cash flows for the year then ended in accordance with SA Standards of GRAP.

Additional matters

8. I draw attention to the matter below. My opinion is not modified in respect of this matter:

Unaudited supplementary schedules

9. The supplementary information set out on pages 15 to 16 does not form part of the financial statements and is presented as additional information. I have not audited these schedules and accordingly I do not express an opinion thereon.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

10. In accordance with the PAA and in terms of *General notice 1111 of 2010*, issued in *Government Gazette 33872 of 15 December 2010,* I include below my findings on the annual performance report and material non-compliance with laws and regulations applicable to the entity.

Predetermined objectives

11. With reference to page 5 of the financial report, The Cape Metropolitan Transport Fund only acts as a funding vehicle for certain specified expenditure projects within the City and therefore don't have their own key performance indicators.

Compliance with laws and regulations

12. There were no material findings concerning non-compliance with the key laws and regulations listed above.

INTERNAL CONTROL

13. In accordance with the PAA and in terms of *General notice 1111 of 2010*, issued in *Government Gazette 33872 of 15 December 2010,* I considered internal control relevant to my audit, but not for the purpose of expressing an opinion on the effectiveness of internal control. The matters reported are limited to the significant deficiencies that resulted in the basis for my opinion, the findings on the annual performance report and the findings on compliance with laws and regulations included in this report. There were no material findings to report with regard to the aforementioned.

Auditor-General

Cape Town
31 October 2011

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Approval of financial statements

The financial statements which appear on pages 5 - 16 were signed by the City Manager on behalf of the core city, the City of Cape Town.

Date: 30 **August 2011**

Legislative framework

The Cape Metropolitan Transport Fund (CMTF) was created in terms of Section 18 of the Urban Transport Act (Act 78 of 1977). The administration of the Fund vests with the core City which is the City of Cape Town.

Business activities

The principal activity of the Fund is to promote the planning and provision of adequate urban transport facilities and all incidental matters.

Statement of responsibilities

The Fund Administrator is responsible for the preparation and fair presentation of the financial statements in accordance with Standards of Generally Recognised Accounting Practice and where no standards of GRAP exist or are effective yet, in accordance with the applicable statements of Generally Accepted Accounting Practice. This responsibility includes the maintenance of adequate accounting records and applying appropriate accounting policies.

The Fund Administrator is also responsible for the entity's system of internal financial control and to account for the fund's assets and liabilities to provide reasonable assurance as to the reliability of the financial statements. Nothing has come to the attention to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

The financial statements have been prepared on the going concern basis.

Review of operations

The financial statements adequately reflect the results of the operations for the year under review and no further explanations are considered necessary, except that the fund only acts as a funding vehicle for certain specified expenditure projects within the City and therefore does not have its own performance indicators.

The subsidies paid by the Fund relating to the implementation programme adopted by the City of Cape Town are summarised below as there is no budget in CMTF:

	Actual 2011	Budget 2011	Actual 2010	Budget 2010
	R	R	R	R
Implementation				
Claremont PTI	-	-	977 980	978 000
Dial -a Ride	2 512 910	4 600 000	9 291 666	10 647 800
General including Pedestrian Bridges	11 331 825	23 574 360	12 239 844	15 542 000
Metro traffic Control centre	205 225	205 225	19 694 775	19 900 000
CCTV Major Routes	592 408	592 408	3 016 795	3 609 202
Public Transport	15 385 244	17 578 588	16 465 222	51 168 000
Structural maintenance	2 796 746	2 821 658	19 485 502	21 693 232
Safety Audits	-	2 150 000	1 903 808	2 000 000
MTI Call Centre	-	-	840 493	-
Hospital Bend	-	-	5 900 000	5 900 000
Contracted services	-	-	322 111	1 556 655
	32 824 358	51 522 239	90 138 196	132 994 889

Events subsequent to year-end

There have been no facts or circumstances of a material nature that have occurred between the reporting date and date of this report.

Registered Office

Business Address
12 Hertzog Boulevard
Cape Town
8000

Postal Address
P O Box 655
Cape Town
8001

Telephone: (021) 400-2999
Telefax: (021) 400-4004

CAPE METROPOLITAN TRANSPORT FUND

Statement of financial position at 30 June 2011

	Notes	2011 R	2010 R
ASSETS			
Current assets			
Inter Administrator Fund	2	76 488 593	90 906 768
Total Assets		**76 488 593**	**90 906 768**
NET ASSETS AND LIABILITIES			
Net Assets			
Accumulated Funds		**19 056 738**	**14 935 804**
Current liabilities		**57 431 855**	**75 970 964**
Unspent Conditional Grants	3	57 371 855	75 871 514
Deposits	4	60 000	60 000
Payables	1.5	-	39 450
Total Net Assets and Liabilities		**76 488 593**	**90 906 768**

CAPE METROPOLITAN TRANSPORT FUND

Statement of financial performance for the year ended 30 June 2011

	2011	2010
	R	R
REVENUE		Restated
Non Exchange Transactions	32 028 644	64 906 176
National Department of Transport	880 000	250 418
Provincial Government Western Cape	30 343 268	64 328 940
Other Sources	805 376	326 818
Exchange Transactions		
Rentals	3 143 022	4 097 320
Interest Received	926 248	2 120 988
Sundry Income	936 582	1 108 009
TOTAL REVENUE	**37 034 496**	**72 232 493**
EXPENDITURE		
Implementation	32 824 358	90 138 196
Claremont PTI	-	977 980
Dial -a-ride	2 512 910	9 291 666
General including Pedestrian Bridges	11 331 825	12 239 844
Metro Traffic Control Centre	205 225	19 694 775
CCTV Major Routes	592 408	3 016 795
Public Transport	15 385 244	16 465 222
Structural Maintenance	2 796 746	19 485 502
Safety Audit Projects	-	1 903 808
MTI Call centre	-	840 493
Hospital Bend	-	5 900 000
Contracted Services- Planning	-	322 111
Audit Fees	89 204	94 537
TOTAL EXPENDITURE	**32 913 562**	**90 232 733**
Surplus / (deficit)for the year	**4 120 934**	**(18 000 240)**

CAPE METROPOLITAN TRANSPORT FUND

Statement of changes in net assets for the year ended 30 June 2011

	Accumulated Funds R
2010	
Balance at 1 July 2009	32 936 044
Net Deficit for the year	(18 000 240)
Balance at 30 June 2010	**14 935 804**
2011	
Balance at 1 July 2010	14 935 804
Net Surplus for the year	4 120 934
Balance at 30 June 2011	**19 056 738**

CAPE METROPOLITAN TRANSPORT FUND

Cash flow statement for the year ended 30 June 2011

	NOTE	2011 R	2010 R
CASH FLOW FROM OPERATING ACTIVITIES			
Payments from contributors		50 526 423	131 717 447
Subsidies and transfers		(51 452 671)	(133 838 435)
Cash generated from operations	5	**(926 248)**	**(2 120 988)**
Interest		926 248	2 120 988
NET CASH FROM OPERATING ACTIVITIES		**-**	**-**
CASH FLOWS FROM FINANCING ACTIVITIES		**-**	**-**

1. STATEMENT OF ACCOUNTING POLICIES

The following are the principal accounting policies of the Cape Metropolitan Transport Fund (CMTF), which are in all material aspects consistent with those applied in the previous financial year. The historical cost convention has been used, except where declared otherwise. In the process Management has not made any significant accounting judgments, estimates or assumptions and thus there has been no significant effect on the amounts recognized in the financial statements.

1.1 ADOPTION OF NEW AND REVISED STANDARDS

In the current year, the Cape Metropolitan Fund has adopted all new and revised standards and interpretations issued by the Accounting Standards Board (ASB) that are relevant to its operations and effective. The adoption of these new and revised standards and interpretations has resulted in no changes to the accounting policies.

The fund has not adopted any GRAP standard not yet effective, but has based its accounting policies on such standards. Effective dates have been given for some of the standards and for others no effective dates have yet been determined. At the date of submission of these financial statements for the year ended 30 June 2011, the following standards were issued but not yet effective.

Annual period commencing on or after 1 April 2012:

GRAP 21 – Impairment of non-cash generating assets

GRAP 23 – Revenue from non-exchange transactions (taxes and transfers)

GRAP 24 – Presentation of budget information

GRAP 26 – Impairment of cash –generating assets

GRAP 103 – Heritage assets

No effective dates provided yet:

GRAP 18 – Segment Reporting

GRAP 20 – Related Party Disclosure (revised)

GRAP 26 – Impairment of cash generating assets

GRAP 105 – Transfers of functions between entities under common control

GRAP 106 – Transfers of functions between entities not under common control

All the above standards, where applicable, will be complied with in the financial statements once the effective date has been set. Preliminary investigations indicated that the impact of the standards on the Financial Statements will be minimal except for additional disclosure.

1.2 BASIS OF PRESENTATION

These financial statements have been prepared in accordance with the statements of Generally Recognized Accounting Practice (GRAP) issued by the Accounting Standards Board (ASB) and approved by the Minister of Finance as effective. The ASB issued a directive which sets out the principles for the application of the GRAP 3 guidelines in the determination of the GRAP Reporting Framework hierarchy as set out in the standard of GRAP 3 on Accounting Policies, Changes in Accounting Estimates and Errors. The Cash Flow Statement can only be prepared in accordance with the direct method.

The financial statements have been prepared on the historical cost basis unless otherwise stated.

Details of the CTMF's significant accounting policies are set our below and are consistent with those applied in the previous year.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In the process of applying the fund's accounting policies, management has not made significant accounting judgments, estimates or assumptions and thus there has been no significant effect on the amounts recognized.

1.3 FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are initially recognized on the statement of financial position when the CMTF becomes party to the contractual provisions of the instrument.

1.4 RECEIVABLES

Trade and other receivables are recognized at fair value and subsequently stated at amortised cost.

1.5 PAYABLES

Trade payables are initially measured at fair value and are subsequently measured at amortised cost, using the effective interest rate method.

1.6 REVENUE: Non exchange transactions and exchange transactions

Revenue is recognized net of indirect taxes and consists mainly of Government grants, net rentals, the net proceeds of the sale of information and interest received on monies held by the City of Cape Town. Government grants and receipts are recognized as revenue and transferred to the Statement of Financial Performance in the year they are expended. To the extent that the criteria, conditions or obligations have not been met, a liability is recognized and the funds invested until utilized. Interest earned is treated in accordance with grant conditions. Interest earned on utilized conditional grants is allocated directly to the unspent conditional grant and is not recognized in the Statement of Performance. Net rental income is brought into account upon notification at the end of the financial year by the City of Cape Town of the amounts due to the fund net of expenses. Proceeds of information sold are transferred ex City of Cape Town.

1.7 UNSPENT CONDITIONAL GRANTS

Unspent conditional grants are reflected on the Statement of Financial Position as current liabilities. These unspent grants and donations, which always have to be backed by cash, are invested until utilized. Interest earned on the investments is treated in accordance with grant conditions.

1.8 BANK ACCOUNT AND ACCOUNTING SYSTEM

The fund uses the City of Cape Town's bank account and all transactions take place through the City of the Cape Town's accounting and procurement systems.

1.9 ASSISTANCE

City of Cape Town staff performed all the functions of the CMTF.

		2010/2011 R	2009/2010 R
2	***INTER ADMINISTRATOR FUND***		
	City of Cape Town	**76 488 593**	**90 906 768**

The inter administrator fund is interest bearing and is administered by the City of Cape Town as a ring-fenced investment within the City.

Its funds are available on demand to pay creditors. There is no material change in the exposure to credit risk and the inter administrator fund balance at year end represents approximately fair value.

The carrying amount represents the maximum credit exposure of the fund.

Credit Risk

Credit Risk is the risk of financial loss to the fund if the City of Cape Town fails to meet its contractual obligations. The city limits its exposure to credit risk by only investing with reputable institutions that have a sound credit rating. Consequently the fund does not consider there to be any significant exposure to credit risk.

3 UNSPENT CONDITIONAL GRANTS

	2010/2011	2009/2010
Provincial Government Western Cape	48 958 626	66 303 909
National Department of Transport	5 366 588	5 928 422
Other	3 046 641	3 639 183
	57 371 855	**75 871 514**

The unspent portion of the conditional grants will be spent in the following financial period to the conclusion of the projects for which they were intended. Substantial portions of the grants were provided in advance of infrastructure projects and will be fully spent in the following financial period. No amounts are due for repayment to the donors for the reason set out above.

4 DEPOSITS

	2010/2011	2009/2010
Refundable Deposit	**60 000**	**60 000**

The refundable deposit is in respect of contract work performed by Serina Kaolin (Pty) Ltd for the laying of two pipelines between the Mine on Farm 1337/5 Noordhoek and the Beneficiation Plant at Brakkekloof.

5 CASH UTILISED BY OPERATIONS

	2010/2011	2009/2010
Net surplus / (deficit) for the year	4 120 934	(18 000 240)
Adjustments for:		
Interest Received	(926 248)	(2 120 988)
Operating surplus (deficit) before working capital changes:	**3 194 686**	**(20 121 228)**
Decrease in payables	(18 539 109)	(43 605 702)
Decrease/(Increase) in Administrator Fund	14 418 175	61 605 942
Cash utilised by operations	**(926 248)**	**(2 120 988)**

6 RELATED PARTIES

The City of Cape Town was designated as the core city and, as such, administers the CTMF in terms of Section 17 of the Act.

The City of Cape Town as the Fund Administrator, deposits all fund monies into the City of Cape Town bank account.

Provincial Government: Western Cape is the main contributor of conditional grants.

Balance of funds held by the city at the beginning of the year	**90 906 768**	**152 512 710**
Balance of funds held by the city at the end of the year	**76 488 593**	**90 906 768**

During the year, the fund entered into the following arm's length transactions with related parties:

Grants and Donations received from Government Departments	**9 400 000**	**13 300 000**
Claims paid to the City of Cape Town	**32 824 358**	**90 138 196**
Interest paid on balances held by the City to the fund	**5 054 503**	**10 082 011**
Net Revenue collected by the City on behalf of the fund	**4 079 604**	**5 205 329**
Net Rentals	3 143 022	4 097 320
Sundry Income	936 582	1 108 009

7 EVENTS AFTER STATEMENT OF FINANCIAL POSITION DATE

No significant events occurred after statement of financial position date.

8 CMTF PRIOR YEAR ADJUSTMENTS

Expenditure reclassified to bring it in line with the SAP report

Description	Balance as previously reported R	Reclassification R	Restated balance R
Planning and design	322 111	(322 111)	-
Infrastructure	10 179 140	(10 179 140)	-
Other projects	53 806 320	(53 806 320)	-
Non-motorised transport	11 826 070	(11 826 070)	-
Cape Town infrastructure	13 164 062	(13 164 062)	-
Transport projects	840 493	(840 493)	-
Claremont PTI		977 980	977 980
Dial-a-ride		9 291 666	9 291 666
General including pedestrian bridges		12 239 844	12 239 844
Metro traffic control		19 694 775	19 694 775
CCTV routes		3 016 795	3 016 795
Public transport		16 465 222	16 465 222
Structural maintenance		19 485 502	19 485 502
Safety audit projects		1 903 808	1 903 808
MTI Call centre		840 493	840 493
Hospital bend		5 900 000	5 900 000
Contracted services - planning		322 111	322 111
	90 138 196	**-**	**90 138 196**

CAPE METROPOLITAN TRANSPORT FUND
Detailed Schedule of subsidies paid for the year ended 30 June 2011

	Total R	Provincial Government R	Department of Transport R	Other Income R
Implementation				
Dial-A-Ride	**2,512,910**	**2,512,910**		
Non-motorised Transport	**11,331,825**	**10,526,449**	**-**	**805,376**
TSM	805,376			805,376
NMT and dignified spaces	10,526,449	10,526,449		
Traffic management centre	**205,225**			**205,225**
Klipfontein Rd CCTV Cameras	**592,408**	**592,408**		
Rahabilitation	**2,796,746**	**1,916,746**	**880,000**	**-**
Vukuhambe Conrete Roads	880,000		880,000	
Rehabilitation	1,916,746	1,916,746		
Public Transport Projects	**15,385,244**	**14,794,755**	**-**	**590,489**
Old Strandfontein Road	267,252	267,252		
Vanguard Drive	579,705	579,705		
Van Riebeeks Hof Bellville	395,334	395,334		
Bellville PTI upgrade lighting	133,000	133,000		
Du Noon taxi facility	474,774	474,774		
Cape Town PTI building	33,080	33,080		
Joe Qgabi Phillippi	1,465,053	1,465,053		
Bus/Taxi Embayments	100,000	100,000		
Station Deck	500,000	500,000		
Station Deck	918,841	918,841		
Station Deck (PRASA)	532,747	532,747		
Transport PTI	3,457,250	3,457,250		
City wide Transport projects	590,489	-		590,489
Pt and Related infrastructure	84,700	84,700		
Long distance coach terminals	4,567,450	4,567,450		
Inner city transport system	1,000,000	1,000,000		
Nmt bridge bhunga avenue langa	285,569	285,569		
TOTAL	**32,824,358**	**30,343,268**	**880,000**	**1,601,090**

CAPE METROPOLITAN TRANSPORT FUND

Detailed Schedule of unspent Conditional Grants as at 30 June 2011

	Balance 1 July 2010 R	Receipts/ Transfers R	Interest Received R	Disbursements/ Transfers R	Total 30 June 2011 R
Off Ramps at N1 City TSM projects	187,718		11,210		198,928
Brookrail Tsm Projects	1,523,458		90,974		1,614,432
Security at PTI's	138,811		8,289		147,100
Maintenance: Ex CMC Roads	52,317		3,124		55,441
Public Transport Restructure Plan	905,066		54,046		959,112
Metropolitan Transport Authority Investigation	343,674		20,523		364,197
Contribution to Off Ramps at N1 City Tsm projects	218		13		231
Symphony Way	1,766,019		105,459		1,871,478
Brookrail Tsm Projects	5,348		320		5,668
Dial-a-Ride	6,829,740		402,303	2,512,910	4,719,133
Public Transport Projects	6,084,744		258,198	5,399,787	943,155
Bicycle ways in Khayelitsha	223,662		13,356		237,018
Claremont CBD Bus Facilities	109		40	(730)	879
Reconstruction: Fairtrees/Lubbe/Boland Road	4,524		270		4,794
General	407,742		24,347		432,089
Bicycle and Pedestrian Facilities	21,049,998		1,055,560	10,526,448	11,579,110
Transport traffic lights	108,202		6,461		114,663
Environmental Project- Bicycle Facilities	106,044		6,332		112,376
Zenzele Road Maintenance Project	547,111		32,671		579,782
CCTV Cameras	750,158		32,010	592,408	189,760
Granger Bay	3,399		203		3,602
Proclaimed metro roads rehabilitation	1,378,939	6,500,000	212,646	1,916,746	6,174,839
Integrated Transport Plan		2,900,000	60,020		2,960,020
PT&Bus infrastructure upgrades on PT corridors	4,985,937				4,985,937
Bus Based Park & Ride Facilities	-				-
PT&Bus upgrades on PT corridors	4,000,000			84,700	3,915,300
CT long Distance Coach Terminal	7,500,000			4,567,450	2,932,550
NMT Bridge Bhunga Avenue to Bridgetown	1,000,000			285,569	714,431
Bellville Long distance Coach Terminal	-				-
Inner City Transport System Support Infrastructure	1,000,000			1,000,000	-
Interest on Legacy Infrastructure projects	2,803,169		1,068,937		3,872,106
Signage	21,251		1,269		22,520
Integrated Transport Plan	628,931		37,557		666,488
EMME/2 Conference	153,911		9,191		163,102
Dial-a-Ride	159,114		9,502		168,616
Arrive Alive Funds	314,069		18,755		332,824
Vukuhambe Project	5,768		208	5,000	976
ITS/TDM	1,566,641		93,553		1,660,194
PT Call Centre	475		28		503
Partnership Contributions to Off-ramps at N1 City	162,505		7,624	117,666	52,463
Contributions to CCTV project	186,715		11,150		197,865
Brookrail Tsm Projects	687,710		38,666	687,710	38,666
Hospital Bend Pre-selection lanes	165,978		9,911		175,889
Public Private Partnership: Private Sector	139,595		8,336		147,931
Contributions to Roads: Private Sector	177,982		10,628		188,610
Contributions ex SANRAL	96,723		5,776		102,499
Contributions to Bosmansdam	476,778		28,471		505,249
National demonstration Project - S 21 Co Modalink	941,512		20,509	875,000	87,021
RDP Project - Wetton-Landsdowne Road Dev Study	41,081		2,453		43,534
Codatu VIII Conference	49,749		2,971		52,720
Cape Town 2004 Summer Olympic Games	1,989,706		118,817		2,108,523
Du Noon Pedestrian and Cycle Paths	62,739		3,746		66,485
Travel Demand	77,463		4,624		82,087
Legacy Projects	4,059,011		217,198	3,457,250	818,959
	75,871,514	**9,400,000**	**4,128,255**	**32,027,914**	**57,371,855**