CAPE METROPOLITAN TRANSPORT FUND

ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2010

CITY OF CAPE TOWN | ISIXEKO SASEKAPA | STAD KAAPSTAD

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ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

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

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The following supplementary schedules do not form part of the financial statements, and are unaudited.

Approval of the Annual Financial Statements

The financial statements which appear on pages 4 - 13 were signed by the City Manager on behalf of the core city, the City of Cape Town.

Date: 31 August 2010

AUDITOR'S 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 the statement of financial position as at 30 June 2010, and the statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information, as set out on pages 5 to 10.

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). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 1570 of 2009 issued in Government Gazette 32758 of 27 November 2009. 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 2010 and its financial performance and its cash flows for the year then ended in accordance with the SA Standards of GRAP.

Additional matter

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 11 to 13 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. As required by the PAA and in terms of General Notice 1570 of 2009 issued in Government Gazette 32758 of 27 November 2009, I include below my findings on the report on predetermined objectives, compliance with the Urban Transport Act of South Africa, 1977 and financial management (internal control).

Predetermined objectives

11. 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. I considered internal control relevant to my audit of the financial statements and the report on predetermined objectives as well as compliance with the Urban Transport Act of South Africa, 1977, but not for the purpose of expressing an opinion on the effectiveness of internal control.

14. The matters reported are limited to the significant deficiencies that gave rise to the basis for the opinion paragraph, the findings on the report on predetermined objectives and the findings on compliance with laws and regulations. There were no material findings to report with regard to the aforementioned.

Auditor-General

Cape Town

30 November 2010

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

FINANCIAL REPORT

for the year ended 30 June 2010

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 those below. No material fact or circumstance has occurred between the accounting date and date of this report.

The subsidies paid by the Fund relating to the implementation programme adopted by the City of Cape Town are summarised below:

	Actual R	Budget R
Planning and design	322,111	1,556,655
Infrastructure	10,179,140	15,528,000
Other Projects	53,806,320	57,490,234
Non-Motorised Transport	11,826,070	23,990,000
Cape Town Infrastructure	13,164,062	32,150,000
Roads	0	1,380,000
Transport Projects	840,493	900,000
	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 balance sheet date and date of this report.

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STATEMENT OF FINANCIAL POSITION

at 30 June 2010

	Notes	2010 R	2009 R
ASSETS			
Current assets			
Inter Administrator Fund	2	90,906,768	152,512,710
TOTAL ASSETS		**90,906,768**	**152,512,710**
NET ASSETS AND LIABILITIES			
Net assets			
Accumulated Funds		14,935,804	32,936,044
Current liabilities		**75,970,964**	**119,576,666**
Unspent Conditional Grants	3	75,871,514	119,516,666
Deposits	4	60,000	60,000
Payables	1.5	39,450	0
TOTAL NET ASSETS AND LIABILITIES		**90,906,768**	**152,512,710**

STATEMENT OF FINANCIAL PERFORMANCE

for the year ended 30 June 2010

	2010 R	2009 R
REVENUE		
Grant Funding	64,906,176	64,625,491
National Department of Transport	250,418	2,043,810
Provincial Government Western Cape	64,328,940	62,581,681
Other sources	326,818	0
Rentals	4,097,320	3,553,453
Interest Received	2,120,988	3,528,538
Sundry income	1,108,009	1,138,320
TOTAL REVENUE	72,232,493	72,845,802
EXPENDITURE		
Implementation	90,138,196	68,855,825
Planning and Design	322,111	0
Infrastructure	10,179,140	19,843,980
Other Projects	53,806,320	33,198,263
Non-Motorised Transport	11,826,070	4,577,576
Cape Town Infrastructure	13,164,062	0
Transport Projects	840,493	11,236,006
Audit Fees	94,537	112,556
TOTAL EXPENDITURE	90,232,733	68,968,381
Surplus / (Deficit) for the year	(18,000,240)	3,877,421

STATEMENT OF CHANGES IN NET ASSETS

for the year ended 30 June 2010

	Accumulated Funds R
2009	
Balance at 1 July 2008	29,058,623
Net surplus for the year	3,877,421
Balance at 30 June 2008	32,936,044
2010	
Balance at 1 July 2009	32,936,044
Net surplus / (Deficit) for the year	(18,000,240)
Balance at 30 June 2010	14,935,804

CASH FLOW STATEMENT

for the year ended 30 June 2010

	NOTE	2010 R	2009 R
CASH FLOW FROM OPERATING ACTIVITIES			
Payments from contributors		131,717,447	66,304,037
Subsidies and transfers		(133,838,435)	(69,832,575)
Cash generated from operations	5	**(2,120,988)**	**(3,528,538)**
Interest		2,120,988	3,528,538
NET CASH FROM OPERATING ACTIVITIES		0	0
CASH FLOWS FROM FINANCING ACTIVITIES		0	0

NOTES TO FINANCIAL STATEMENTS

for the year ended 30 June 2010

1. STATEMENT OF ACCOUNTING POLICIES

The following are the principal accounting policies of the Cape Metropolitan Transport Fund, 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 Fund has adopted all new and revised standards and interpretations issued by the Accounting Standards Board that are relevant to its operations and effective.

The adoption of these new and revised standards and interpretations has resulted in changes to the accounting policies.

A number of new standards are not yet effective for the year ended 30 June 2010, and are presented below:

GRAP 18 – Segment Reporting

GRAP 21 – Impairment of non-cash generating assets

GRAP 23 – Revenue from non-exchange transactions

GRAP 24 – Presentation of Budget Information in Financial Statements

GRAP 25 – Employee Benefits

GRAP 26 – Impairment of cash generating assets

GRAP 103 – Heritage Assets

GRAP 104 – Financial Instruments

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 Recognised Accounting Practice (GRAP) issued by the Accounting Standards Board (ASB) and approved by the Minister of Finance as effective.

During the year under review, the ASB issued a directive which replaced a government gazette with the result that the GRAP Reporting Framework hierarchy as set out in the standard of GRAP 3 on Accounting Policies, Changes in Accounting Estimates and Errors now becomes the effective determination.

Where a standard of GRAP is approved as effective, it replaces the equivalent Statement of IPSAS, IFRS or SA GAAP.

Where a standard of GRAP has been issued, but is not yet in effect, an entity may select to apply the principles established in that standard in developing an appropriate accounting policy dealing with a particular section or event before applying paragraph .12 of the standard of GRAP 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 CMTF's significant accounting policies are set our below and are consistent with those applied in the previous financial year.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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 recognised 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

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 recognised 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 recognised and the funds invested until utilised. Interest earned is treated in accordance with grant conditions. Interest earned on unutilized 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 on a monthly basis.

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 perform all the functions of the CMTF

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2010

		2010 R	2009 R
2.	INTER ADMINISTRATOR FUND		
	City of Cape Town	90,906,768	152,512,710
	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 fair value.		
	The carrying amount represents the maximum credit exposure of the fund.		
2.1	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		
	Provincial Government Western Cape	66,303,909	110,091,131
	National Department of Transport	5,928,422	5,741,774
	Other	3,639,183	3,683,761
		75,871,514	119,516,666
	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 the 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		
	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		
	Net surplus/(deficit) for the year	(18,000,240)	3,877,421
	Adjustments for :		
	Interest Received	(2,120,988)	(3,528,538)
	Operating surplus (deficit) before working capital changes:	**(20,121,228)**	**348,883**
	Decrease in payables	(43,605,702)	(864,194)
	Decrease/(increase) in Interadministrator Fund	61,605,942	(3,013,227)
	Cash utilised by operations	**(2,120,988)**	**(3,528,538)**

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2010 - cntd.

		2010 R	2009 R
6.	RELATED PARTIES		
	The City of Cape Town was designated as the core city, and, as such, administers the CMTF in terms of Section 17 of the Act .		
	As the Fund Administrator, the City of Cape Town deposits all Fund monies into the City of Cape Town bank account.		
	The Provincial Government Western Cape is the main contributor of conditional grants.		
	Balance of funds held by City at the beginning of the year	152,512,710	149,994,834
	Balance of funds held by City at the end of the year	90,906,768	152,512,710
	During the year, the Fund entered into the following arm's-length transactions with related parties:		
	Grants and Donations received from Government Departments	13,300,000	49,883,000
	Claims and transfers paid to the City of Cape Town	90,138,196	68,855,825
	Interest paid to the Fund on balances held by the City	10,082,011	17,406,836
	Net Revenue collected by the City on behalf of the fund	5,205,329	4,691,776
	Net Rentals	4,097,320	3,553,456
	Sundry Income	1,108,009	1,138,320
7.	EVENTS AFTER STATEMENT OF FINANCIAL POSITION DATE		
	No significant events occurred after statement of financial position date.		

DETAILED SCHEDULE OF SUBSIDIES PAID

for the year ended 30 June 2010

	Total R	Western Cape Provincial Gov R	Department of Transport R	Other income R
INFRASTRUCTURE				
Erf 64172 fencing	107,320	107,320		
Malibu taxi area	204,185	204,185		
Langa Taxi Holding Area	254,015	254,015		
Hospital Bend	5,900,000	5,900,000		
Du Noon taxi facility	944,632	944,632		
Blackheath Station	55,148	55,148		
Joe Qgabi Phillippi	644,352	644,352		
Public Transport Facilities - signage	150,000	150,000		
Galvanised fencing Nomamo	500,000	500,000		
Galvanised fencing Makhaza	17,857	17,857		
Galvarised fencing Kalkfontein	204,656	204,656		
Bus/Taxi Embayments	200,000	200,000		
Claremont Interchange and Taxi Facilities	977,980	2,505		975,475
Wynberg Taxi Rank	18,995	18,995		
	10,179,140	**9,203,665**	**0**	**975,475**
PLANNING AND DESIGN				
Network Design	322,111	322,111		
	322,111	**322,111**		
OTHER PROJECTS				
Rehabilitation Metro Roads	17,417,615	17,417,615		
Public Transport service and Maintenance	2,067,887			2,067,887
TSM	413,774	86956		326,818
Safety bureau projects	1,903,808			1,903,808
Dial-A-Ride	9,291,666	9,291,666		
Klipfontein Rd CCTV Cameras	3,016,795	3,016,795		
Traffic management centre	19,694,775			19,694,775
	53,806,320	**29,813,032**		**23,993,288**

DETAILED SCHEDULE OF SUBSIDIES PAID

for the year ended 30 June 2010 - cntd.

	Total R	Western Cape Provincial Gov R	Department of Transport R	Other income R
CAPE TOWN INFRASTRUCTURE				
Embayments Cape Town Stadium	2,100,000	2,100,000		
Rail based park and ride facilities	7,000,000	7,000,000		
Informal parking for 3000 cars	450,000	450,000		
Stadium precinct ped & cycle facilities	900,000	900,000		
City Centre Pedestrian improvements	1,200,000	1,200,000		
PT and Related infrastructure upgrade	1,514,062	1,514,062		
	13,164,062	13,164,062		
NON-MOTORISED TRANSPORT				
NMT and dignified spaces	10,279,807	10,279,807		
NMT footways/bicycle paths ktsha	1,546,263	1,546,263	0	0
	11,826,070	11,826,070	0	0
TRANSPORT PROJECTS				
Call Centre	840,493		250,418	590,075
		0		590,075
TOTAL	90,138,196	64,328,940	250,418	25,558,838

DETAILED SCHEDULE OF UNSPENT CONDITIONAL GRANTS

at 30 June 2010

	Balance 1 July 2009 R	Receipts/ Transfers R	Interest received R	Disbursements/ transfers R	Total 30 June 2010 R
Off Ramps at N1 City TSM projects	174,317		13,400		187,718
Brookrail TSM Projects	1,414,705		108,754		1,523,458
Security at PTI's	128,902		9,909		138,811
Maintenance: Ex Cape Metropolitan Council roads	48,582		3,735		52,317
Public Transport Restructure Plan	840,457		64,609		905,066
Metropolitan Transport Authority investigation	319,141		24,534		343,674
Contribution to off-ramps at N1 City TSM projects	13,861		1,023	14,666	218
Symphony Way	1,639,950		126,069		1,766,019
Brookrail TSM projects	72,290		5,348	72,290	5,348
Dial-a-ride	15,075,526		1,045,880	9,291,666	6,829,740
Public transport projects	9,068,700		639,314	3,623,271	6,084,744
Bicycle ways in Khayelitsha	1,689,577		80,348	1,546,263	223,662
Claremont CBD bus facilities	2,505		109	2,505	109
Reconstruction: Fairtrees/Lubbe/Boland Road	4,202		321		4,524
General	378,634		29,107		407,741
Bicycle and pedestrian facilities	29,401,679		1,928,126	10,279,807	21,049,998
Transport traffic lights	100,478		7,724		108,202
Environmental grant	98,474		7,570		106,044
Zenzele Road maintenance project	508,055		39,056		547,111
CCTV cameras	3,609,202		157,751	3,016,795	750,158
Granger Bay	3,156		243		3,399
Proclaimed metro roads rehabilitation	9,019,213	9,300,000	477,341	17,417,615	1,378,939
Rail based park-and-ride	4,000,000	3,000,000		7,000,000	-
Public transport and bus infrastructure upgrades on public transport corridors	10,000,000	(3,500,000)		1,514,063	4,985,937
Bus-based Park-and-ride facilities	3,000,000	(3,000,000)	-		-
Public transport and bus upgrades on public transport corridors	4,000,000				4,000,000
CT long distance coach terminal	3,000,000	4,500,000			7,500,000
NMT bridge Bhunga Avenue to Bridgetown	1,000,000				1,000,000
Bellville Long distance Coach Terminal	1,000,000	(1,000,000)	-		-
Bus shuttle embayments	2,000,000	100,000		2,100,000	-
Precinct pedestrian and cycle improvements	900,000			900,000	-
City centre pedestrian improvement	1,000,000	200,000		1,200,000	-
Informal parking for FIFA Family at Cape Town stadium	450,000			450,000	-
Inner City transport system support infrastructure	1,000,000				1,000,000
Interest on 2010 Infrastructure projects	893,184	(300,000)	2,209,985		2,803,169
Signage	19,734		1,517		21,251
Integrated transport plan	584,034		44,897		628,931
EMME/2 conference	142,924		10,987		153,911
Dial-a-ride	147,756		11,359		159,114
Arrive Alive funds	291,649		22,420		314,069
Vukuhambe Project	5,356		412		5,768
ITS/TDM	1,454,804		111,836		1,566,641
Public Transport call centre	236,963		13,930	250,418	475
Contributions to off-ramps at N1 City TSM Project	150,904		11,601		162,504
Contributions to CCTV project	173,386		13,329		186,715
Brookrail TSM Projects	942,983		71,546	326,818	687,710
Hospital Bend pre-selection lanes	5,747,369		318,609	5,900,000	165,978
Public private partnership: private sector	129,628		9,965		139,594
Contributions to roads: private sector	165,277		12,705		177,982
Contributions ex SANRAL	89,819		6,905		96,723
Contributions to Bosmansdam	442,743		34,035		476,778
National demonstration Project - S 21 company Modalink	874,301		67,211		941,512
RDP project - Wetton-Landsdowne Road dev study	38,149		2,932		41,081
Codatu VIII conference	46,199		3,551		49,749
Cape Town 2004 Summer Olympic Games	1,847,700		142,007		1,989,706
Du Noon pedestrian and cycle paths	58,260		4,479		62,739
Travel demand	71,939		5,524		77,463
Transport Projects	-	4,000,000	59,010		4,059,010
TOTAL	**119,516,666**	**13,300,000**	**7,961,023**	**64,906,176**	**75,871,514**

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