

Financial Statements of

**LONDON TRANSIT COMMISSION**

And Independent Auditors' Report thereon

Year ended December 31, 2023



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## INDEPENDENT AUDITORS' REPORT

To the Commissioners, Members of Council, Inhabitants and Ratepayers of the Corporation of the City of London

### ***Opinion***

We have audited the accompanying financial statements of the London Transit Commission ("the Entity"), which comprise:

- the statement of financial position as at December 31, 2023
- the statement of operations for the year then ended
- the statement of changes in net financial assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2023, and its results of operations, its changes in net assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

### ***Basis for Opinion***

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "Auditors' Responsibilities for the Audit of the Financial Statements" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



### ***Other Matter – Comparative Information***

As part of our audit of the financial statements for the year ended December 31, 2023, we also audited the adjustments that were applied to restate certain comparative information presented for the year ended December 31, 2022. In our opinion, such adjustments are appropriate and have been properly applied.

### ***Responsibilities of Management and Those Charged with Governance for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

### ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Chartered Professional Accountants, Licensed Public Accountants

London, Canada

Date

# LONDON TRANSIT COMMISSION

Statement of Financial Position

**DRAFT**

December 31, 2023, with comparative information for 2022

	2023	2022
		(restated - note 2)
<b>Financial Assets</b>		
Cash and cash equivalents	\$ 40,793,113	\$ 47,795,605
Accounts receivable	1,949,374	1,820,420
Due from The City of London	1,304,742	911,098
	<u>44,047,229</u>	<u>50,527,123</u>
<b>Financial Liabilities</b>		
Accounts payable and accrued liabilities	11,910,290	9,649,550
Due to The City of London	175,330	54,596
Due to Province of Ontario (note 11)	-	6,783,573
Accrued liability insurance claims (note 8)	1,330,926	1,363,724
Employee future benefits (note 7)	4,169,000	4,276,000
Asset retirement obligation liability (note 13)	1,691,000	1,691,000
Deferred fare media	4,812,546	5,736,130
Deferred revenue (note 11)	13,782,007	12,954,472
	<u>37,871,099</u>	<u>42,509,045</u>
Net financial assets	6,176,130	8,018,078
<b>Non - Financial Assets</b>		
Inventories (note 3)	3,951,503	3,677,451
Tangible capital assets (note 10)	88,032,913	98,515,162
Prepaid expenses	1,923,427	1,689,021
	<u>93,907,843</u>	<u>103,881,634</u>
Commitments (note 9)		
Accumulated surplus (note 4)	<u>\$ 100,083,973</u>	<u>\$ 111,899,712</u>

See accompanying notes to financial statements.

# LONDON TRANSIT COMMISSION

Statement of Operations

**DRAFT**

Year ended December 31, 2023, with comparative information for 2022

	Budget (note 12)	2023	2022 (restated - note 2)
Revenue:			
Grants:			
The City of London (note 5)	\$ 56,055,200	\$ 47,051,343	\$ 53,016,799
Province of Ontario (note 5)	19,476,600	10,342,804	17,724,352
Government of Canada (note 5)	1,231,500	141,650	1,630,248
	<u>\$ 76,763,300</u>	<u>\$ 57,535,797</u>	<u>\$ 72,371,399</u>
User charges, conventional transit:			
Cash fares	\$ 3,312,900	\$ 3,177,129	\$ 3,015,009
Ticket fares	9,261,200	9,700,829	8,458,796
Pass fares	21,390,100	22,773,931	17,522,498
Other transportation revenue	-	1,481,609	1,056,432
	<u>\$ 33,964,200</u>	<u>\$ 37,133,498</u>	<u>\$ 30,052,735</u>
Other revenue, conventional transit:			
Advertising	\$ 712,300	\$ 717,779	\$ 609,553
Interest and discounts	1,490,400	2,604,259	1,189,318
Rent	2,500	720	1,176
Gain on disposal of capital assets	48,000	68,160	31,400
Miscellaneous	31,000	48,452	27,221
	<u>\$ 2,284,200</u>	<u>\$ 3,439,370</u>	<u>\$ 1,858,668</u>
User charges, specialized transit:			
Cash fares	\$ 34,800	\$ 25,729	\$ 24,831
Ticket fares	396,600	324,616	289,783
Pass fares	148,600	145,946	113,683
	<u>\$ 580,000</u>	<u>\$ 496,291</u>	<u>\$ 428,297</u>
<b>Total revenue</b>	<u>\$ 113,591,700</u>	<u>\$ 98,604,956</u>	<u>\$ 104,711,099</u>

See accompanying notes to financial statements.

# LONDON TRANSIT COMMISSION

Statement of Operations

**DRAFT**

Year ended December 31, 2023, with comparative information for 2022

	Budget (note 12)	2023	2022 (restated - note 2)
<b>Expenses:</b>			
<b>Salaries, wages and benefits:</b>			
Transportation	\$ 43,347,586	\$ 43,831,886	\$ 37,624,782
Vehicle maintenance	10,943,270	10,454,217	9,874,270
Facility	665,837	627,330	606,996
Planning, marketing and general administration	4,233,207	4,141,434	3,871,287
	<u>\$ 59,189,900</u>	<u>\$ 59,054,867</u>	<u>\$ 51,977,335</u>
<b>Materials, supplies, utilities and services:</b>			
Transportation	\$ 4,801,300	\$ 4,173,540	\$ 3,802,325
Vehicle maintenance	7,499,700	8,063,879	6,969,028
Facility	3,931,800	3,611,667	3,489,897
Planning, marketing and general administration	2,309,200	2,239,231	1,871,114
Fuel	10,413,900	9,819,653	10,505,899
Amortization	-	12,654,784	13,230,331
	<u>\$ 28,955,900</u>	<u>\$ 40,562,754</u>	<u>\$ 39,868,594</u>
<b>Current operations, specialized transit:</b>			
<b>Administration:</b>			
Salaries and benefits	\$ 1,344,300	\$ 1,289,089	\$ 1,182,598
Materials and supplies	273,600	320,928	270,372
	<u>\$ 1,617,900</u>	<u>\$ 1,610,017</u>	<u>\$ 1,452,970</u>
Contracted service delivery	\$ 10,561,500	\$ 9,193,057	\$ 7,842,637
	<u>\$ 12,179,400</u>	<u>\$ 10,803,074</u>	<u>\$ 9,295,607</u>
<b>Total expenses</b>	<u>\$ 100,325,200</u>	<u>\$ 110,420,695</u>	<u>\$ 101,141,536</u>
Annual surplus (deficit) (note 12)	\$ 13,266,500	\$ (11,815,739)	\$ 3,569,563
Accumulated surplus, beginning of year	111,899,712	111,899,712	108,330,149
<b>Accumulated surplus, end of year</b>	<u>\$ 125,166,212</u>	<u>\$ 100,083,973</u>	<u>\$ 111,899,712</u>

See accompanying notes to financial statements.

# LONDON TRANSIT COMMISSION

Statement of Change in Net Financial Assets

## DRAFT

Year ended December 31, 2023, with comparative information for 2022

	Budget (note 12)	2023	2022 (restated - note 2)
Annual surplus (deficit)	\$ 13,266,500	\$ (11,815,739)	\$ 3,569,563
Acquisition of tangible capital assets	(22,574,500)	(2,172,535)	(17,545,982)
Amortization of tangible capital assets	-	12,654,784	13,230,331
Gain on disposal of tangible capital assets	(48,000)	(68,160)	(31,400)
Proceeds on sale of tangible capital assets	48,000	68,160	31,400
	\$ (9,308,000)	\$ (1,333,490)	\$ (746,088)
Inventories	-	(274,052)	(888,606)
Prepaid expenses	-	(234,406)	(148,432)
	\$ -	\$ (508,458)	\$ (1,037,038)
Change in net financial assets	(9,308,000)	(1,841,948)	(1,783,126)
Adjustment for asset retirement obligation	-	-	(1,691,000)
Net financial assets, beginning of year	8,018,078	8,018,078	11,492,204
Net financial assets, end of year	\$ (1,289,922)	\$ 6,176,130	\$ 8,018,078

See accompanying notes to financial statements.



# LONDON TRANSIT COMMISSION

Statement of Cash Flows

## DRAFT

Year ended December 31, 2023, with comparative information for 2022

	2023	2022
		(restated - note 2)
Cash provided by (used in):		
Operating activities:		
Annual surplus (deficit)	\$ (11,815,739)	\$ 3,569,563
Items not involving cash:		
Amortization	12,654,784	13,230,331
Gain on disposal of tangible capital assets	(68,160)	(31,400)
Change in employee future benefit liability	(107,000)	(32,000)
Changes in non-cash assets and liabilities:		
Accounts receivable	(128,954)	943,934
Due from The City of London	(393,644)	(367,692)
Inventories	(274,052)	(888,606)
Prepaid expenses	(234,406)	(148,432)
Accounts payable and accrued liabilities	2,260,740	102,793
Due to The City of London	120,734	33,697
Due to Province of Ontario	(6,783,573)	6,783,573
Accrued liability insurance claims	(32,798)	131,256
Deferred fare media	(923,584)	17,332
Deferred revenue	827,535	(12,003,610)
Net change in cash from operating activities	\$ (4,898,117)	\$ 11,340,739
Capital activities:		
Proceeds on sale of tangible capital assets	68,160	31,400
Cash used to acquire tangible capital assets	(2,172,535)	(17,545,982)
Net change in cash from capital activities	(2,104,375)	(17,514,582)
Net change in cash and cash equivalents	(7,002,492)	(6,173,843)
Cash and cash equivalents, beginning of year	47,795,605	53,969,448
Cash and cash equivalents, end of year	\$ 40,793,113	\$ 47,795,605
Cash	\$ 14,553,587	\$ 15,871,636
Cash equivalents	26,239,526	31,923,969
Cash and cash equivalents, end of year	\$ 40,793,113	\$ 47,795,605

See accompanying notes to financial statements.

# LONDON TRANSIT COMMISSION

Notes to Financial Statements

**DRAFT**

Year ended December 31, 2023

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## 1. Significant accounting policies:

The financial statements of the London Transit Commission (the "Commission"), a local commission of the Corporation of the City of London (the "City of London"), are the representation of management prepared in accordance with Canadian generally accepted accounting principles as defined in the Chartered Professional Accountants Canada Public Sector Accounting Handbook.

### (a) Basis of accounting:

The Commission follows the accrual method of accounting for revenues and expenses. Revenues are normally recognized in the year in which they are earned and measurable. Expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and/or the creation of a legal obligation to pay.

### (b) Cash and cash equivalents:

The balances reported for cash and cash equivalents in these financial statements include both funds for current purposes and balances held for reserve funds.

Cash and cash equivalents include amounts held in banks and highly liquid investments with maturities at time of purchase of three months or less.

### (c) Deferred fare media and revenue:

The Commission receives contributions pursuant to legislation, regulations or agreement that may only be used for certain programs or in the completion of specific work. In addition, certain user charges and fees are collected for which the related services have yet to be performed. These amounts are recognized as revenue in the fiscal year the related expenditures are incurred or the services performed.

Government transfer payments from the City of London and the Province of Ontario are recognized in the financial statements in the year in which the payment is authorized and the events giving rise to the transfer occur, performance criteria are met, and a reasonable estimate of the amount can be made. Funding that is stipulated to be used for specific purposes is only recognized as revenue in the fiscal year that the related expenses are incurred or services performed. If the funding is received for which the related expenses have not yet been incurred or services performed, these amounts are recorded as deferred revenue at year end.

### (d) Post-employment benefits liability:

The Commission provides defined retirement and other future benefits to specified employee groups. These benefits include pension, health, dental, life insurance, compensated absences, and workers' compensation benefits. The Commission has adopted the following policies with respect to accounting for

- (i) The cost of employee future benefit plans are actuarially determined using management's best estimate of salary escalation, insurance and health care cost trends, long-term inflation rates and discount rates.
- (ii) The cost of multi-employer defined benefit pension plan, such as the Ontario Municipal Employees Retirement System ("OMERS") pensions, are the employer's contributions to the plan in the period. OMERS provides benefits for employees of Ontario municipalities, local boards, public utilities and school boards. As this is a multi employer plan, no liability is recorded on the Commission's books.

# LONDON TRANSIT COMMISSION

Notes to Financial Statements (continued)

## DRAFT

Year ended December 31, 2023

### 1. Significant accounting policies (continued):

#### (e) Tangible capital assets:

Tangible capital assets are recorded at cost which includes amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets, excluding land, are amortized on a straight-line basis over their estimated useful lives as follows:

Asset	Useful life - years
Site work	25
Buildings	5 - 60
Shelters, pads, and terminals	10
Rolling stock	12
Fare and data collection equipment	15
Radio/communication equipment	15
Bike racks on buses	5
Service fleet	3
Shop equipment	5
Small tools	3
Computer hardware	3
Computer software	3

Tangible capital assets which are under construction are not amortized until the tangible capital assets are available for productive use.

#### (f) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

#### (g) Financial instruments

Financial Instruments are classified into three categories: fair value, amortized cost or cost. The following chart shows the measurement method for each type of financial instrument.

Financial Instrument	Measurement method
Cash and cash equivalents	Cost
Accounts receivable	Cost
Accounts payable and accrued liabilities	Cost
Due to / from The City of London	Amortized cost

Upon standard implementation, amortized cost will be measured using the effective interest rate method, as opposed to the straight-line method.

# LONDON TRANSIT COMMISSION

Notes to Financial Statements (continued)

**DRAFT**

Year ended December 31, 2023

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## 1. Significant accounting policies (continued):

**Fair value category:** The Commission manages and reports performance for groups of financial assets on a fair-value basis. Investments traded in an active market are reflected at fair value as at the reporting date. Sales and purchases of investments are recorded on the trade date. Transaction costs related to the acquisition of investments are recorded as an expense. Unrealized gains and losses on financial assets are recognized in the Statement of Remeasurement Gains and Losses until such time that the financial asset is derecognized due to disposal or impairment. At the time of derecognition, the related realized gains and losses are recognized in the Statement of Operations and Accumulated Surplus and related balances reversed from the Statement of Remeasurement Gains and Losses. A Statement of Remeasurement Gains and Losses has not been included as there are no matters to report therein.

**Amortized cost:** Amounts are measured using the effective interest rate method. The effective interest method is a method of calculating the amortized cost of a financial asset or financial liability (or a group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period, based on the effective interest rate. It is applied to financial assets or financial liabilities that are not in the fair value category.

**Cost category:** Amounts are measured at cost less any amount for valuation allowance. Valuation allowances are made when collection is in doubt.

### (h) **Asset retirement obligations**

An asset retirement obligation is recognized when, at the financial reporting date, all of the following criteria are met:

- There is a legal obligation to incur retirement costs in relation to a tangible capital asset;
- The past transaction or event giving rise to the liability has occurred;
- It is expected that future economic benefits will be given up; and
- A reasonable estimate of the amount can be made.

A liability for the removal of asbestos, fuel tanks and other hazardous materials in several of the buildings owned by the Commission has been recognized based on estimated future expenses.

The recognition of a liability resulted in an accompanying increase to the respective tangible capital assets. The increase to the tangible capital assets is being amortized in accordance with the accounting policies outlined in this note, 1.(e).

In addition, the Commission's implementation of PS3280 Asset Retirement Obligations has resulted in the requirement for management to make estimates regarding the useful lives of affected tangible capital assets and the expected retirement costs, as well as the timing and duration of these retirement costs.

# LONDON TRANSIT COMMISSION

Notes to Financial Statements (continued)

**DRAFT**

Year ended December 31, 2023

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## 2. Change in Accounting policy - adoption of new accounting standards:

The Commission adopted the following standards concurrently beginning January 1, 2023 prospectively: *PS 1201 Financial Statement Presentation*, *PS 2601 Foreign Currency Translation*, *PS 3041 Portfolio Investments* and *PS 3450 Financial Instruments*.

*PS1201 Financial Statement Presentation* replaces *PS 1200 Financial Statement Presentation*. This standard establishes general reporting principles and standards for the disclosure of information in government financial statements. The standard introduces the Statement of Remeasurement Gains and Losses separate from the Statement of Operations. Requirements in *PS 2601 Foreign Currency Translation*, *PS 3450 Financial Instruments*, and *PS 3041 Portfolio Investments*, which are required to be adopted at the same time, can give rise to the presentation of gains and losses as remeasurement gains and losses.

*PS 2601 Foreign Currency Translation* replaces *PS 2600 Foreign Currency Translation*. The standard requires monetary assets and liabilities denominated in a foreign currency and non-monetary items denominated in a foreign currency that are reported as fair value, to be adjusted to reflect the exchange rates in effect at the financial statement date. Unrealized gains and losses arising from foreign currency changes are presented in the new Statement of Remeasurement Gains and Losses.

*PS 3041 Portfolio Investments* replaces *PS 3040 Portfolio Investments*. The standard provides revised guidance on accounting for, and presentation and disclosure of, portfolio investments to conform to *PS 3450 Financial Instruments*. The distinction between temporary and portfolio investments has been removed in the new standard, and upon adoption, *PS 3030 Temporary Investments* no longer applies.

*PS 3450 Financial Instruments* establishes accounting and reporting requirements for all types of financial instruments including derivatives. The standard requires fair value measurement of derivatives and portfolio investments in equity instruments that are quoted in an active market. All other financial instruments will generally be measured at cost or amortized cost. Unrealized gains and losses arising from changes in fair value are presented in the Statement of Remeasurement Gains and Losses.

### *Fair value hierarchy*

The following provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which fair value is observable:

Level 1 – fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

Level 3 – fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

*PS 3280 Asset Retirement Obligations (ARO)* establishes the accounting and reporting requirements for legal obligations associated with the retirement of tangible capital assets controlled by a government or government organization. A liability for a retirement obligation can apply to tangible capital assets either in productive use or no longer in productive use. This standard was adopted on January 1, 2023 on a modified retroactive basis with prior period restatement.

# LONDON TRANSIT COMMISSION

Notes to Financial Statements (continued)

**DRAFT**

Year ended December 31, 2023

## 2. Change in Accounting policy - adoption of new accounting standards (continued):

In the past, the Commission has reported its obligations related to the retirement of tangible capital assets in the period when the asset was retired directly as an expense. The new standard requires the recognition of a liability for legal obligations that exist as a result of the acquisition, construction or development of a tangible capital asset, or that result from the normal use of the asset when the asset is recorded. Such obligation justifies recognition of a liability and can result from existing legislation, regulation, agreement, contract, or that is based on a promise and an expectation of performance. The estimate of the liability includes costs directly attributable to asset retirement activities. Costs include post-retirement operation, maintenance, and monitoring that are an integral part of the retirement of the tangible capital asset (if applicable). When recording an asset retirement obligation, the estimated retirement costs are capitalized to the carrying value of the associated assets and amortized over the asset's estimated useful life. The amortization of the asset retirement costs follows the same method of amortization as the associated tangible capital asset.

As a result of applying this accounting standard, an asset retirement obligation of \$1,691,000 (2022 – \$1,691,000) was recognized as a liability in the Statement of Financial Position. These obligations represent estimated retirement costs for the Commission owned buildings and equipment, including tanks. The adoption of *PS 3280 ARO* was applied to the comparative period and balances were restated as follows:

2022

	As previously reported	Adjustments	As restated
<b>Statement of Financial Position</b>			
Tangible Capital Assets	\$ 97,857,077	\$ 658,085	\$ 98,515,162
Asset retirement obligation liability	-	1,691,000	1,691,000
Accumulated Surplus (deficit)	112,932,627	(1,032,915)	111,899,712
<b>Statement of Change in Net Debt</b>			
Adjustment for asset retirement obligation	-	(1,691,000)	(1,691,000)
Net debt, beginning of year	9,709,078	(1,691,000)	8,018,078

## 3. Inventories:

	2023	2022
Spare parts	\$ 3,951,503	\$ 3,677,451

# LONDON TRANSIT COMMISSION

Notes to Financial Statements (continued)

**DRAFT**

Year ended December 31, 2023

## 4. Accumulated surplus:

Accumulated surplus consists of individual fund surpluses, reserves and reserve funds as follows:

	2023	2022 (restated - note 2)
Surplus:		
Invested in tangible capital assets	\$ 88,032,913	\$ 98,515,162
To be recovered from public liability insurance reserve fund	(1,330,926)	(1,363,724)
Unfunded:		
Employee future benefits liability	(4,169,000)	(4,276,000)
Vacation pay earned and accrued payroll	(3,213,900)	(2,947,600)
Asset retirement obligation liability	(1,691,000)	(1,691,000)
Total surplus	77,628,087	88,236,838
Reserves set aside for specific purposes of the Commission (note 11):		
Energy management reserve	1,665,750	1,665,750
General operating reserve	3,416,765	3,661,087
Health care management reserve	4,586,499	4,854,965
Total reserves	9,669,014	10,181,802
Reserve funds set aside for specific purposes by the Commission (note 11):		
Capital program reserve fund	7,637,923	7,872,568
Public liability insurance reserve fund	5,148,949	5,608,504
Total reserve funds	12,786,872	13,481,072
	\$ 100,083,973	\$ 111,899,712

## 5. Grants:

(a) The City of London:

Grants from The City of London for current and capital operations for conventional transit and specialized transit are as follows:

	2023	2022
Operating grants:		
Specialized transit	\$ 9,793,620	\$ 9,401,300
Conventional transit	36,042,920	33,878,400
	45,836,540	43,279,700
Capital grants:		
Capital levy and debentures	1,214,803	9,350,892
Development	-	386,207
	1,214,803	9,737,099
Total grants received from The City of London	\$ 47,051,343	\$ 53,016,799

# LONDON TRANSIT COMMISSION

Notes to Financial Statements (continued)

## DRAFT

Year ended December 31, 2023

### 5. Grants (continued):

In addition, The City of London sponsors certain groups using both conventional and specialized public transit. These groups receive reduced fares or free fares. The Commission receives grants, on behalf of the respective groups, as fare offsets and are shown as such on the Statement of Operations as part of the ticket and pass fares. Particulars of the grants are as follows:

	2023	2022
Equalization grant, seniors (reduced fares)	\$ 276,848	\$ 239,806
Equalization grant, income related (reduced fares)	201,620	154,428
Equalization grant, youth (reduced fares)	360,808	258,604
Free transportation, blind	161,984	131,969
Free transportation, children	261,083	181,314
	<u>\$ 1,262,343</u>	<u>\$ 966,121</u>

#### (b) Province of Ontario:

Provincial grants recognized as revenue during the year ended December 31, for capital and operating programs are as follows:

	2023	2022
Capital grants:		
Gas tax program	\$ 41,608	\$ 3,856,251
Investing in Canada infrastructure program	117,924	1,357,182
Safe restart program	-	225,289
	<u>159,532</u>	<u>5,438,722</u>
Operating grants:		
Gas tax program	10,183,272	8,237,300
Safe restart program	-	4,048,330
	<u>10,183,272</u>	<u>12,285,630</u>
Total Province of Ontario grants	<u>\$ 10,342,804</u>	<u>\$ 17,724,352</u>

#### (c) Government of Canada:

	2023	2022
Capital grants:		
Investing in Canada infrastructure program	\$ 141,650	\$ 1,630,248
Total Government of Canada grants	<u>\$ 141,650</u>	<u>\$ 1,630,248</u>



# LONDON TRANSIT COMMISSION

Notes to Financial Statements (continued)

**DRAFT**

Year ended December 31, 2023

## 6. Pension agreement:

Effective February 1, 1989, the London Transit Commission commenced participation in the Ontario Municipal Employees Retirement System (OMERS) which is a multi employer plan, for all active employees at that date as well as for all new employees. As of December 31, 2023 there were 682 (2022 - 655) active employees. The plan is a contributory defined benefit plan which specifies the amount of retirement benefit to be received by the employees based on their length of service and rates of pay. Changes by OMERS to the plan, since February 1, 1989, apply to service after February 1, 1989. For pre-February 1, 1989 service, the Commission provides pension benefits, as determined by the pension plan document.

The amount contributed to OMERS for 2023 was \$3,673,923 (2022 - \$3,219,070) for current service and is expensed in the statement of operations.

The last available report for the OMERS plan was on December 31, 2023. At that time, the plan reported a \$4.2 billion actuarial deficit (2022 - \$6.7 billion), based on actuarial liabilities for \$136.1 million (2022 - \$130.3 million) and actuarial assets for \$131.9 million (2022 - \$123.6 million). If actuarial surpluses are not available to offset the existing deficit and subsidize future contributions, increases in contributions will be required in the future.

The London Transit Commission continues to sponsor a pre-February 1, 1989, contributory defined benefit pension plan for employees on long term disability at February 1, 1989 that are not likely to return to active employment.

## 7. Employee future benefits:

The Commission provides benefits to retirees until they reach sixty-five years of age and provides certain benefits to employees on long-term disability. The employee future benefit liability has been estimated based on an actuarial valuation which was completed at December 31, 2021.

	2023	2022
Employee future benefits liability as of December 31	\$ 4,169,000	\$ 4,276,000

Retirement and other future benefit expenses included in total expenditures consist of the following:

	2023	2022
Current year benefit cost	\$ 277,000	\$ 267,000
Interest on accrued benefit obligation	102,000	100,000
Amortized gain	(174,000)	(116,000)
Benefits paid	(312,000)	(283,000)
	\$ (107,000)	\$ (32,000)

# LONDON TRANSIT COMMISSION

Notes to Financial Statements (continued)

**DRAFT**

Year ended December 31, 2023

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## 7. Employee future benefits (continued):

Significant assumptions are as follows:

	2023	2022
Discount rate	3.50%	3.00%
Rate of compensation increase	2.00%	2.00%
Healthcare cost current	5.47%	5.50%
Healthcare cost ultimate	4.00%	4.00%

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## 8. Public liability insurance:

At December 31, 2023, there were 101 liability claims (2022- 122) and 5 accident benefits claims (2022- 11) outstanding that may result in payment under the insurance deductible provisions. The estimated cost to the Commission is \$1,292,537 and \$38,389 (2022 - \$1,219,530 and \$144,195) respectively for a total of \$1,330,926 (2022 - \$1,363,724) to be funded from the public liability reserve fund.

## 9. Commitments:

(a) Bus procurement:

The Commission has approved the awarding of contracts with New Flyer Industries for the purchase of fifteen buses for \$12,427,200 in 2022. These buses were not received until January & February 2024. In 2023 the commission approved the purchase of ten buses from New Flyer Industries for \$8,010,280. It is anticipated these buses will arrive by the end of April 2024.

# LONDON TRANSIT COMMISSION

Notes to Financial Statements (continued)

## DRAFT

Year ended December 31, 2023

### 10. Tangible capital assets:

The historical cost, accumulated amortization and net book value of tangible capital assets employed by the Commission at December 31 is as follows:

Cost	Balance December 31, 2022 (restated - note 2)	Additions	Disposals	Balance December 31, 2023
Land	\$ 2,804,632	\$ -	\$ -	\$ 2,804,632
Site work	3,723,042	90,079	-	3,813,121
Buildings	47,686,127	257,327	-	47,943,454
Shelters, pads, and terminals	4,861,098	424,227	-	5,285,325
Rolling stock	138,232,822	-	(5,672,900)	132,559,922
Fare and data collection equipment	7,283,479	41,608	-	7,325,087
Radio/communication equipment	9,863,252	-	-	9,863,252
Bike racks on buses	158,878	-	-	158,878
Service fleet	446,976	59,940	-	506,916
Shop equipment	4,370,488	126,037	-	4,496,525
Small tools	246,495	70,454	(74,768)	242,181
Computer hardware	1,356,187	236,919	-	1,593,106
Computer software	2,207,275	129,921	-	2,337,196
Capital work in progress	102,948	736,023	-	838,971
	\$ 223,343,699	\$ 2,172,535	\$ (5,747,668)	\$ 219,768,566

Accumulated amortization	Balance December 31, 2022 (restated - note 2)	Disposals	Amortization	Balance December 31, 2023
Land	\$ -	\$ -	\$ -	\$ -
Site work	1,986,088	-	152,525	2,138,613
Buildings	22,903,509	-	1,258,999	24,162,508
Shelters, pads, and terminals	2,558,130	-	450,472	3,008,602
Rolling stock	76,474,765	(5,672,900)	9,619,276	80,421,141
Fare and data collection equipment	4,462,024	-	358,718	4,820,742
Radio/communication equipment	8,141,194	-	303,094	8,444,288
Bike racks on buses	158,878	-	-	158,878
Service fleet	407,748	-	45,626	453,374
Shop equipment	4,261,299	-	91,894	4,353,193
Small tools	157,644	(74,768)	80,727	163,603
Computer hardware	1,241,256	-	156,811	1,398,067
Computer software	2,076,002	-	136,642	2,212,644
	\$ 124,828,537	\$ (5,747,668)	\$ 12,654,784	\$ 131,735,653

Net book value	Balance December 31, 2022 (restated - note 2)	Balance December 31, 2023
Land	\$ 2,804,632	\$ 2,804,632
Site work	1,736,954	1,674,508
Buildings	24,782,618	23,780,946
Shelters, pads, and terminals	2,302,968	2,276,723
Rolling stock	61,758,057	52,138,781
Fare and data collection equipment	2,821,455	2,504,345
Radio/communication equipment	1,722,058	1,418,964
Service fleet	39,228	53,542
Shop equipment	109,189	143,332
Small tools	88,851	78,578
Computer hardware	114,931	195,039
Computer software	131,273	124,552
Capital in process	102,948	838,971
	\$ 98,515,162	\$ 88,032,913

# LONDON TRANSIT COMMISSION

Notes to Financial Statements (continued)

**DRAFT**

Year ended December 31, 2023

## 11. Analysis of reserves, reserve funds, and deferred revenues:

	Energy management reserve	General operating reserve	Health care management reserve	2023 Total	2022 Total
Reserves:					
Balance, beginning of year	\$ 1,665,750	\$ 3,661,087	\$ 4,854,965	\$ 10,181,802	\$ 10,848,155
Contributions from current operations	-	-	123,152	123,152	871,147
Appropriations to current operations	-	(244,322)	(391,618)	(635,940)	(1,537,500)
	\$ 1,665,750	\$ 3,416,765	\$ 4,586,499	\$ 9,669,014	\$ 10,181,802

	Capital program	Public liability insurance	2023 Total	2022 Total
Reserve funds:				
Balance, beginning of year	\$ 7,872,568	\$ 5,608,504	\$ 13,481,072	\$ 13,424,751
Interest earned	421,904	301,753	723,657	303,710
Contributions from current operations	-	-	-	681,400
	8,294,472	5,910,257	14,204,729	14,409,861
Expenditures:				
Appropriations to current operations	-	(761,308)	(761,308)	(505,801)
Appropriations to capital LTC	(656,549)	-	(656,549)	(422,988)
	(656,549)	(761,308)	(1,417,857)	(928,789)
Balance, end of year	\$ 7,637,923	\$ 5,148,949	\$ 12,786,872	\$ 13,481,072

Deferred revenues	Provincial gas tax program	Safe restart program	2023 Total	2022 Total
Deferred revenues:				
Balance, beginning of year	\$ 12,954,472	\$ -	\$ 12,954,472	\$ 24,958,082
Interest earned	716,093	-	716,093	544,039
Contributions	11,052,415	-	11,052,415	11,147,133
	24,722,980	-	24,722,980	36,649,254
Expenditures:				
Appropriations to current operations	(10,899,365)	-	(10,899,365)	(12,512,743)
Appropriations to capital LTC	(41,608)	-	(41,608)	(4,398,466)
Unused funds owed back to province	-	-	-	(6,783,573)
	(10,940,973)	-	(10,940,973)	(23,694,782)
Balance, end of year	\$ 13,782,007	\$ -	\$ 13,782,007	\$ 12,954,472

# LONDON TRANSIT COMMISSION

Notes to Financial Statements (continued)

## DRAFT

Year ended December 31, 2023

### 12. Reconciliation of annual surplus to Commission approved operating surplus:

The Commission's annual operating and capital budget programs are fully funded with actual to budget performance expected to be in a balanced position, that is the Commission does not budget for a surplus or deficit.

PSAB requirements impact how and where revenue and expenditure items are reported and on what financial statement. This results in the reporting of a 2023 budget surplus, a 2023 actual deficit and a 2022 actual surplus.

These reported surplus and deficits, budgeted and actual, are reconciled to the balanced position in the following table:

	Budget (note 12)	2023	2022
Annual surplus (deficit)	\$ 13,266,500	\$ (11,815,739)	\$ 3,569,563
Capital expenditures	(22,574,500)	(2,172,535)	(17,545,982)
Transfers from reserves and reserve funds	10,856,100	2,053,797	2,166,716
Contributions to reserves and reserve funds	(1,548,100)	(846,809)	(1,556,684)
Amortization of tangible capital assets	-	12,654,784	13,230,331
Increase (decrease) in employee future benefits	-	(107,000)	(31,999)
Increase (decrease) in liability for insurance claims	-	(32,798)	131,256
Increase (decrease) in liability for vacation pay	-	266,300	36,800
Other	-	-	(66,072)
Commission approved surplus (deficit)	\$ -	\$ -	\$ (66,071)

### 13. Asset retirement obligations:

The Commission has recorded an asset retirement obligation as of the January 1, 2023 implementation date on a modified retroactive basis, with a restatement of prior year amounts.

As at December 31, 2023, all liabilities for asset retirement obligations are reported at current costs in nominal dollars without discounting.

A reconciliation of the beginning and ending aggregate carrying amount of the asset retirement obligation liability is below:

As at December 31	2023	2022
Liabilities for Asset Retirement Obligations at Beginning of Year	\$ 1,691,000	\$ -
Opening adjustments	-	1,691,000
Liabilities for Asset Retirement Obligations at of Year	\$ 1,691,000	\$ 1,691,000

# LONDON TRANSIT COMMISSION

Notes to Financial Statements (continued)

**DRAFT**

Year ended December 31, 2023

## 14. Financial instruments:

### (a) Risks arising from financial instruments and risk management.

The Commission is exposed to a variety of financial risks including credit risk, liquidity risk and market risk. The Commission's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Commission's financial performance.

### (b) Credit risk

The Commission's principal financial assets are cash and accounts receivable, which are subject to credit risk. The carrying amounts of financial assets on the Statement of Financial Position represent the Commission's maximum credit exposure as at the Statement of Financial Position date.

### (c) Liquidity risk

The Commission mitigates liquidity risk by monitoring cash activities and expected outflows through extensive budgeting. Accounts payable and accrued liabilities are all current. There have been no significant changes from the previous year in the Commission's exposure to liquidity risk or policies, procedures and methods used to measure the risk. The following table sets out the contractual maturities (representing undiscounted contractual cash flows) of financial liabilities:

As at December 31, 2023	Within 6 months	6-12 months	1-4 years	4+ years
Accounts payable and accrued liabilities	\$ 9,100,457	\$ 1,801,044	\$ 419,092	\$ 589,697

  

As at December 31, 2022	Within 6 months	6-12 months	1-4 years	4+ years
Accounts payable and accrued liabilities	\$ 8,669,623	\$ 156,923	\$ 341,055	\$ 481,949