

Financial Statements of

LONDON TRANSIT COMMISSION

Year ended December 31, 2018

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, 2018
- 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, 2018, 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 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.

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.

LONDON TRANSIT COMMISSION

Statement of Financial Position

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December 31, 2018, with comparative information for 2017

	2018	2017
Financial Assets		
Cash and cash equivalents	\$ 23,801,178	\$ 30,543,394
Investments	12,806,655	11,912,292
Accounts receivable	4,838,786	5,908,019
Due from The City of London	526,129	431,154
	<u>41,972,748</u>	<u>48,794,859</u>
Financial Liabilities		
Accounts payable and accrued liabilities	10,154,843	10,753,030
Due to The City of London	24,784	128,712
Accrued liability insurance claims (note 7)	2,316,305	2,413,646
Employee future benefits (note 6)	4,412,000	3,978,000
Deferred fare media	4,549,677	4,088,635
Deferred revenue (note 10)	16,947,157	22,538,650
	<u>38,404,766</u>	<u>43,900,673</u>
Net financial assets	3,567,982	4,894,186
Non - Financial Assets		
Inventories (note 2)	2,276,955	2,237,572
Tangible capital assets (note 9)	100,330,370	98,243,186
Prepaid expenses	902,621	948,823
	<u>103,509,946</u>	<u>101,429,581</u>
Commitments (note 8)		
Accumulated surplus (note 3)	<u>\$ 107,077,928</u>	<u>\$ 106,323,767</u>

See accompanying notes to financial statements.

LONDON TRANSIT COMMISSION

Statement of Operations

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Year ended December 31, 2018, with comparative information for 2017

	Budget	2018	2017
Revenue:			
Grants:			
The City of London (note 4)	\$ 37,480,200	\$ 37,567,077	\$ 40,156,975
Province of Ontario (note 4)	15,372,300	15,590,125	15,707,974
Government of Canada (note 4)	-	3,696,878	5,033,446
	<u>52,852,500</u>	<u>56,854,080</u>	<u>60,898,395</u>
User charges, conventional transit:			
Cash fares	3,823,700	3,580,159	3,671,615
Ticket fares	10,087,000	9,627,074	9,614,287
Pass fares	18,600,700	19,290,210	18,014,822
Contract service	-	2,556	1,973
Other transportation revenue	1,863,300	128,466	431,711
	<u>34,374,700</u>	<u>32,628,465</u>	<u>31,734,408</u>
Other revenue, conventional transit:			
Advertising	608,200	605,759	595,255
Interest and discounts	670,000	821,395	708,852
Rent	2,500	2,513	2,676
Gain on disposal of capital assets	48,000	29,819	94,930
Miscellaneous	55,000	25,065	20,521
	<u>1,383,700</u>	<u>1,484,551</u>	<u>1,422,234</u>
User charges, specialized transit:			
Cash fares	19,300	19,607	13,452
Ticket fares	420,800	339,445	329,427
Pass fares	204,800	198,759	193,772
	<u>644,900</u>	<u>557,811</u>	<u>536,651</u>
Total revenue	\$ 89,255,800	\$ 91,524,907	\$ 94,591,688

See accompanying notes to financial statements.

LONDON TRANSIT COMMISSION

Statement of Operations

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Year ended December 31, 2018, with comparative information for 2017

	Budget	2018	2017
Expenses:			
Salaries, wages and benefits:			
Transportation	\$ 35,708,834	36,300,852	33,668,268
Vehicle maintenance	8,914,374	9,070,149	8,490,540
Facility	485,003	437,791	481,790
Planning, marketing and general administration	3,479,289	3,529,582	3,237,130
	<u>48,587,500</u>	<u>49,338,374</u>	<u>45,877,728</u>
Materials, supplies, utilities and services:			
Transportation	2,593,500	2,677,135	2,560,463
Vehicle maintenance	5,833,900	5,585,738	5,780,794
Facility	3,261,500	2,949,588	2,863,096
Planning, marketing and general administration	1,537,500	1,539,972	1,509,299
Fuel	7,089,100	7,428,781	6,141,449
Amortization	-	12,746,775	12,130,730
	<u>20,315,500</u>	<u>32,927,989</u>	<u>30,985,831</u>
Current operations, specialized transit:			
Administration:			
Salaries and benefits	924,600	1,023,482	948,032
Materials and supplies	134,700	249,191	136,646
	<u>1,059,300</u>	<u>1,272,673</u>	<u>1,084,678</u>
Contracted service delivery	6,903,900	7,231,710	5,749,974
	<u>7,963,200</u>	<u>8,504,383</u>	<u>6,834,652</u>
Total expenses	<u>76,866,200</u>	<u>90,770,746</u>	<u>83,698,211</u>
Annual surplus (note 11)	\$ 12,389,600	754,161	10,893,477
Accumulated surplus, beginning of year	106,323,767	106,323,767	95,430,290
Accumulated surplus, end of year	<u>\$ 118,713,367</u>	<u>\$ 107,077,928</u>	<u>\$ 106,323,767</u>

See accompanying notes to financial statements.

LONDON TRANSIT COMMISSION

Statement of Change in Net Financial Assets

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Year ended December 31, 2018, with comparative information for 2017

	2018	2017
Annual surplus	\$ 754,161	\$ 10,893,477
Acquisition of tangible capital assets	(14,833,959)	(23,782,153)
Amortization of tangible capital assets	12,746,775	12,130,730
Gain on disposal of tangible capital assets	(29,819)	(94,930)
Proceeds on sale of tangible capital assets	29,819	94,930
	(1,333,023)	(757,946)
Inventories	(39,383)	(111,365)
Prepaid expenses	46,202	(183,558)
	6,819	(294,923)
Change in net financial assets	(1,326,204)	(1,052,869)
Net financial assets, beginning of year	4,894,186	5,947,055
Net financial assets, end of year	\$ 3,567,982	\$ 4,894,186

See accompanying notes to financial statements.

LONDON TRANSIT COMMISSION

Statement of Cash Flows

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Year ended December 31, 2018, with comparative information for 2017

	2018	2017
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$ 754,161	\$ 10,893,477
Items not involving cash:		
Amortization	12,746,775	12,130,730
Gain on disposal of tangible capital assets	(29,819)	(94,930)
Change in employee future benefit liability	434,000	24,000
Changes in non-cash assets and liabilities:		
Accounts receivable	1,069,233	(5,281,402)
Due from The City of London	(94,975)	(26,190)
Inventories	(39,383)	(111,365)
Prepaid expenses	46,202	(183,558)
Investments	(894,363)	8,090,454
Accounts payable and accrued liabilities	(598,187)	844,912
Due to The City of London	(103,928)	35,788
Accrued liability insurance claims	(97,341)	130,273
Deferred fare media	461,042	(147,981)
Deferred revenue	(5,591,493)	(6,351,082)
Net change in cash from operating activities	8,061,924	19,953,126
Capital activities:		
Proceeds on sale of tangible capital assets	29,819	94,930
Cash used to acquire tangible capital assets	(14,833,959)	(23,782,153)
Net change in cash from capital activities	(14,804,140)	(23,687,223)
Net change in cash and cash equivalents	(6,742,216)	(3,734,097)
Cash and cash equivalents, beginning of year	30,543,394	34,277,491
Cash and cash equivalents, end of year	\$ 23,801,178	\$ 30,543,394
Cash	\$ 10,130,566	\$ 7,747,626
Cash equivalents	13,670,612	22,795,768
Cash and cash equivalents, end of year	\$ 23,801,178	\$ 30,543,394

See accompanying notes to financial statements.

LONDON TRANSIT COMMISSION

Notes to Financial Statements

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Year ended December 31, 2018

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 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 these benefits:

- (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)

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Year ended December 31, 2018

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	10 - 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 ready 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.

LONDON TRANSIT COMMISSION

Notes to Financial Statements (continued)

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Year ended December 31, 2018

1. Significant accounting policies (continued):

(g) Adoption of new accounting policies:

(i) Related Party Disclosures

The Commission adopted Public Sector Accounting Board Standard PS 2200 Related Party Transactions effective for fiscal periods beginning on or after April 1, 2017. The standard defines related party and provides disclosure requirements. Disclosure is only required when the transactions or events between related parties occur at a value different from what would have been recorded if they were not related and the transactions could have a material financial impact on the financial statements. The standard also requires disclosure of related party transactions that have occurred where no amounts have been recognized. The Commission adopted this standard on a prospective basis and there were no adjustments as a result of the adoption of this standard.

(ii) Inter-entity Transactions

The Commission adopted Public Sector Accounting Board Standard PS 3420 Inter-entity Transactions effective for fiscal periods beginning on or after April 1, 2017. The standard specifies how to account for transactions between public sector entities within the government reporting entity.

Transactions undertaken on similar terms and conditions to those adopted if the entities were dealing at arm's length are recorded at the exchange amount. Transfers of an asset or liability at nominal or no consideration is recorded by the provider at the carrying amount and the recipient has the choice of using either the carrying amount or fair value. Cost allocations are reported using the exchange amount and revenues and expenses are reported on a gross basis. Unallocated costs for the provision of goods or services may be recorded by the recipient at the carrying amount or fair value unless otherwise dictated by policy, accountability structure or budget practice.

All other transactions are measured at the carrying amount.

The Commission adopted this standard on a prospective basis and there were no adjustments as a result of the adoption of this standard.

LONDON TRANSIT COMMISSION

Notes to Financial Statements (continued)

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Year ended December 31, 2018

2. Inventories:

	2018	2017
Spare parts	\$ 2,276,955	\$ 2,237,572

3. Accumulated surplus:

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

	2018	2017
Surplus:		
Invested in tangible capital assets	\$ 100,330,370	\$ 98,243,186
To be recovered from public liability insurance reserve fund	(2,316,305)	(2,413,646)
Unfunded:		
Employee future benefits liability	(4,412,000)	(3,978,000)
Vacation pay earned and accrued payroll	(2,809,799)	(2,717,998)
Total surplus	90,792,266	89,133,542
Reserves set aside for specific purposes of the Commission (note 10):		
Energy management reserve	3,203,250	3,203,250
General operating reserve	3,399,865	3,444,665
Health care management reserve	2,363,180	2,594,716
Total reserves	8,966,295	9,242,631
Reserve funds set aside for specific purposes by the Commission (note 10):		
Capital program reserve fund	4,307,742	4,548,809
Public liability insurance reserve fund	3,011,625	3,398,785
Total reserve funds	7,319,367	7,947,594
	\$ 107,077,928	\$ 106,323,767

LONDON TRANSIT COMMISSION

Notes to Financial Statements (continued)

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Year ended December 31, 2018

4. 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:

	2018	2017
Operating grants:		
Specialized transit	\$ 5,212,800	\$ 5,061,700
Conventional transit	26,034,775	24,737,575
	31,247,575	29,799,275
Capital grants:		
Capital levy and debentures	6,319,502	10,357,700
Total grants received from The City of London	\$ 37,567,077	\$ 40,156,975

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:

	2018	2017
Equalization grant, seniors (reduced fares)	\$ -	\$ 376,048
Equalization grant, income related (reduced fares)	413,511	-
Equalization grant, youth (reduced fares)	63,758	-
Free transportation, blind	160,303	164,871
Free transportation, children	422,802	-
	\$ 1,060,374	\$ 540,919

(b) Province of Ontario:

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

	2018	2017
Capital grants:		
Gas tax program	\$ 3,893,071	\$ 7,135,751
Operating grants:		
Gas tax program	11,697,054	8,572,223
	\$ 15,590,125	\$ 15,707,974

LONDON TRANSIT COMMISSION

Notes to Financial Statements (continued)

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Year ended December 31, 2018

4. Grants (continued):

(c) Government of Canada:

	2018	2017
Capital grants:		
Public Transit Infrastructure Funding	\$ 3,696,878	\$ 5,033,446
Total Government of Canada grants	\$ 3,696,878	\$ 5,033,446

5. 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, 2018 there were 552 (2017 - 540) 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.

Employer contributions to OMERS for 2018 were \$3,043,547 (2017 - \$2,842,229).

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.

LONDON TRANSIT COMMISSION

Notes to Financial Statements (continued)

DRAFT

Year ended December 31, 2018

6. 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, 2018.

	2018	2017
Employee future benefits liability as of December 31	\$ 4,412,000	\$ 3,978,000

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

	2018	2017
Current year benefit cost	\$ 233,000	\$ 224,000
Interest on accrued benefit obligation	103,000	100,000
Amortized gain	346,000	(80,000)
Benefits paid	(248,000)	(220,000)
	\$ 434,000	\$ 24,000

Significant assumptions are as follows:

	2018	2017
Discount rate	3.25%	3.25%
Rate of compensation increase	2.00%	1.90%
Healthcare cost current	5.84%	5.83%
Healthcare cost ultimate	4.00%	4.50%

LONDON TRANSIT COMMISSION

Notes to Financial Statements (continued)

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Year ended December 31, 2018

7. Public liability insurance:

At December 31, 2018, there were 155 liability claims and 3 accident benefits claims outstanding that may result in payment under the insurance deductible provisions. The estimated cost to the Commission is \$2,294,805 and \$21,500 (2017 - \$2,249,111 and \$164,535) respectively for a total of \$2,316,305 (2017 - \$2,413,646) to be funded from the public liability reserve fund.

8. Commitments:

(a) Lease obligation:

The Commission rents a portion of a property located at 150 Dundas Street for an information office and sales outlet. The lease expires August 31, 2019. The annual base lease amount is \$19,808 plus an approximate additional amount of \$8,848 for taxes and common area maintenance. Lease payments until the expiry of the lease total \$19,104.

(b) Bus procurement:

The Commission has approved the awarding of contracts with New Flyer Industries for the purchase of nine buses (\$5.1 million). It is anticipated that these buses will arrive from August to December 2019.

LONDON TRANSIT COMMISSION

Notes to Financial Statements (continued)

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Year ended December 31, 2018

9. 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,		Disposals	Balance December 31,	
	2017	Additions		2018	
Land	\$ 2,804,632	\$ -	\$ -	\$ 2,804,632	
Site work	2,973,024	-	-	2,973,024	
Buildings	45,370,812	640,899	(59,152)	45,952,559	
Shelters, pads, and terminals	2,274,310	1,300,285	(230,070)	3,344,525	
Rolling stock	113,693,383	11,909,426	(6,799,165)	118,803,644	
Fare and data collection equipment	6,331,166	153,487	-	6,484,653	
Radio/communication equipment	8,964,254	301,895	-	9,266,149	
Bike racks on buses	158,878	-	-	158,878	
Service fleet	351,497	33,971	(3,478)	381,990	
Shop equipment	3,652,354	27,986	(168,000)	3,512,340	
Small tools	229,079	103,930	(51,843)	281,166	
Computer hardware	669,507	294,177	-	963,684	
Computer software	1,859,368	67,903	-	1,927,271	
	\$ 189,332,264	\$ 14,833,959	\$ (7,311,708)	\$ 196,854,515	

Accumulated amortization	Balance December 31,		Disposals	Amortization	Balance December 31,	
	2017				2018	
Land	\$ -	\$ -	\$ -	\$ -	\$ -	
Site work	1,225,507	-	-	118,921	1,344,428	
Buildings	15,352,270	(59,152)	1,480,945	16,774,063		
Shelters, pads, and terminals	1,016,706	(230,070)	296,660	1,083,296		
Rolling stock	60,362,115	(6,799,165)	8,938,423	62,501,373		
Fare and data collection equipment	2,708,698	-	424,318	3,133,016		
Radio/communication equipment	5,123,053	-	617,743	5,740,796		
Bike racks on buses	158,878	-	-	158,878		
Service fleet	302,015	(3,478)	48,367	346,904		
Shop equipment	2,963,333	(168,000)	212,744	3,008,077		
Small tools	131,899	(51,843)	93,722	173,778		
Computer hardware	600,246	-	142,412	742,658		
Computer software	1,144,358	-	372,520	1,516,878		
	\$ 91,089,078	\$ (7,311,708)	\$ 12,746,775	\$ 96,524,145		

Net book value	Balance December 31,		Balance December 31,	
	2017		2018	
Land	\$ 2,804,632		\$ 2,804,632	
Site work	1,747,517		1,628,596	
Buildings	30,018,542		29,178,496	
Shelters, pads, and terminals	1,257,604		2,261,229	
Rolling stock	53,331,268		56,302,271	
Fare and data collection equipment	3,622,468		3,351,637	
Radio/communication equipment	3,841,201		3,525,353	
Bike racks on buses	-		-	
Service fleet	49,482		35,086	
Shop equipment	689,021		504,263	
Small tools	97,180		107,388	
Computer hardware	69,261		221,026	
Computer software	715,010		410,393	
	\$ 98,243,186		\$ 100,330,370	

LONDON TRANSIT COMMISSION

Notes to Financial Statements (continued)

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Year ended December 31, 2018

10. Analysis of reserves, reserve funds, and deferred revenues:

	Energy management reserve	General operating reserve	Health care management reserve	2018 Total	2017 Total
Reserves:					
Balance, beginning of year	\$ 3,203,250	\$ 3,444,665	\$ 2,594,716	\$ 9,242,631	\$ 9,154,150
Contributions from current operations	-	-	79,338	79,338	375,776
Appropriations to current operations	-	(44,800)	(310,874)	(355,674)	(287,295)
	\$ 3,203,250	\$ 3,399,865	\$ 2,363,180	\$ 8,966,295	\$ 9,242,631

	Capital program	Public liability insurance	2018 Total	2017 Total
Reserve funds:				
Balance, beginning of year	\$ 4,548,809	\$ 3,398,785	\$ 7,947,594	\$ 8,752,798
Interest earned	87,346	67,322	154,668	102,792
Contributions from current operations	279,819	400,000	679,819	719,930
	4,915,974	3,866,107	8,782,081	9,575,520
Expenditures:				
Appropriations to current operations	-	(854,482)	(854,482)	(644,518)
Appropriations to capital LTC	(608,232)	-	(608,232)	(983,408)
	(608,232)	(854,482)	(1,462,714)	(1,627,926)
Balance, end of year	\$ 4,307,742	\$ 3,011,625	\$ 7,319,367	\$ 7,947,594

Provincial gas tax program

	2018 Total	2017 Total
Deferred revenues:		
Balance, beginning of year	\$ 22,538,650	\$ 28,889,732
Interest earned	519,266	442,590
Contributions	9,998,632	9,356,892
	33,056,548	38,689,214
Expenditures:		
Appropriations to current operations	(11,697,054)	(8,572,223)
Appropriations to capital LTC	(4,412,337)	(7,578,341)
	(16,109,391)	(16,150,564)
Balance, end of year	\$ 16,947,157	\$ 22,538,650

LONDON TRANSIT COMMISSION

Notes to Financial Statements (continued)

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Year ended December 31, 2018

11. 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 2018 budget surplus, a 2018 actual surplus and a 2017 actual surplus.

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

	Budget	2018	2017
Annual surplus	\$ 12,389,600	\$ 754,161	\$ 10,893,477
Capital expenditures	(12,341,200)	(14,833,959)	(23,782,153)
Transfers from reserves and reserve funds	1,407,000	1,818,388	1,915,221
Contributions to reserves and reserve funds	(1,455,400)	(913,825)	(1,198,498)
Amortization of tangible capital assets	-	12,746,775	12,130,730
Increase in employee future benefits	-	434,000	24,000
Other	-	(5,540)	17,223
Commission approved surplus	\$ -	\$ -	\$ -