

Financial Statements of

**LONDON TRANSIT COMMISSION**

And Independent Auditors' Report thereon

Year ended December 31, 2020

# 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, 2020
- 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, 2020, 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.

## ***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, 2020, with comparative information for 2019

	2020	2019
<b>Financial Assets</b>		
Cash and cash equivalents	\$ 43,034,445	\$ 32,489,209
Accounts receivable	2,093,705	4,553,692
Due from The City of London	534,296	607,580
	<u>45,662,446</u>	<u>37,650,481</u>
<b>Financial Liabilities</b>		
Accounts payable and accrued liabilities	8,509,760	9,748,606
Due to The City of London	97,522	50,662
Accrued public liability insurance claims (note 7)	1,186,003	1,674,284
Employee future benefits (note 6)	4,297,000	4,354,000
Deferred fare media	3,006,077	4,355,715
Deferred revenue (note 10)	19,013,262	11,393,505
	<u>36,109,624</u>	<u>31,576,772</u>
Net financial assets	9,552,822	6,073,709
<b>Non - Financial Assets</b>		
Inventories (note 2)	2,314,946	2,313,168
Tangible capital assets (note 9)	93,207,988	93,886,751
Prepaid expenses	1,495,389	1,042,339
	<u>97,018,323</u>	<u>97,242,258</u>
Commitments (note 8)		
Impact of COVID-19 pandemic (note 12)		
Accumulated surplus (note 3)	<u>\$ 106,571,145</u>	<u>\$ 103,315,967</u>

See accompanying notes to financial statements.

# LONDON TRANSIT COMMISSION

Statement of Operations

**DRAFT**

Year ended December 31, 2020, with comparative information for 2019

	Budget (Note 11)	2020	2019
<b>Revenue:</b>			
<b>Grants:</b>			
The City of London (note 4)	\$ 46,494,800	\$ 46,401,300	\$ 36,771,416
Province of Ontario (note 4)	16,803,100	21,560,750	15,895,194
Government of Canada (note 4)	183,300	167,658	84,266
	<u>63,481,200</u>	<u>68,129,708</u>	<u>52,750,876</u>
<b>User charges, conventional transit:</b>			
Cash fares	3,503,400	1,661,097	3,446,028
Ticket fares	11,815,100	4,728,307	9,538,896
Pass fares	22,016,000	15,157,538	20,925,266
Contract service	-	232	2,538
Other transportation revenue	(300)	449,945	58,182
	<u>37,334,200</u>	<u>21,997,119</u>	<u>33,970,910</u>
<b>Other revenue, conventional transit:</b>			
Advertising	682,300	677,817	672,432
Interest and discounts	573,400	448,723	821,923
Rent	2,500	2,676	2,676
Gain on disposal of capital assets	48,000	74,710	65,283
Miscellaneous	31,000	155,017	18,185
	<u>1,337,200</u>	<u>1,358,943</u>	<u>1,580,499</u>
<b>User charges, specialized transit:</b>			
Cash fares	19,200	15,315	16,504
Ticket fares	434,500	159,351	346,141
Pass fares	167,400	90,929	208,007
	<u>621,100</u>	<u>265,595</u>	<u>570,652</u>
<b>Total revenue</b>	<b>\$ 102,773,700</b>	<b>\$ 91,751,365</b>	<b>\$ 88,872,937</b>

See accompanying notes to financial statements.

# LONDON TRANSIT COMMISSION

Statement of Operations

**DRAFT**

Year ended December 31, 2020, with comparative information for 2019

	Budget (Note 11)	2020	2019
<b>Expenses:</b>			
<b>Salaries, wages and benefits:</b>			
Transportation	\$ 39,110,849	\$ 35,055,261	\$ 36,698,989
Vehicle maintenance	9,855,286	9,731,316	9,001,025
Facility	503,305	526,617	483,992
Planning, marketing and general administration	3,753,660	3,580,993	3,495,841
	<u>53,223,100</u>	<u>48,894,187</u>	<u>49,679,847</u>
<b>Materials, supplies, utilities and services:</b>			
Transportation	3,034,700	2,722,336	2,131,472
Vehicle maintenance	6,578,400	6,041,624	6,670,410
Facility	3,464,100	2,790,340	3,002,316
Planning, marketing and general administration	2,115,500	1,633,287	1,891,485
Fuel	7,296,400	4,882,243	6,907,440
Amortization	-	12,826,719	13,154,922
	<u>22,489,100</u>	<u>30,896,549</u>	<u>33,758,045</u>
<b>Current operations, specialized transit:</b>			
<b>Administration:</b>			
Salaries and benefits	1,180,400	1,019,495	1,052,646
Materials and supplies	254,700	267,876	274,148
	<u>1,435,100</u>	<u>1,287,371</u>	<u>1,326,794</u>
Contracted service delivery	8,820,000	7,418,080	7,870,212
	<u>10,255,100</u>	<u>8,705,451</u>	<u>9,197,006</u>
<b>Total expenses</b>	<u>85,967,300</u>	<u>88,496,187</u>	<u>92,634,898</u>
Annual surplus (deficit) (note 11)	16,806,400	3,255,178	(3,761,961)
Accumulated surplus, beginning of year	103,315,967	103,315,967	107,077,928
<b>Accumulated surplus, end of year</b>	<u>\$ 120,122,367</u>	<u>\$ 106,571,145</u>	<u>\$ 103,315,967</u>

See accompanying notes to financial statements.

# LONDON TRANSIT COMMISSION

## Statement of Change in Net Financial Assets

### DRAFT

Year ended December 31, 2020, with comparative information for 2019

	Budget	2020	2019
Annual surplus (deficit)	\$ 16,806,400	\$ 3,255,178	\$ (3,761,961)
Acquisition of tangible capital assets	(17,686,500)	(12,147,956)	(6,711,303)
Amortization of tangible capital assets	-	12,826,719	13,154,922
Gain on disposal of tangible capital assets	(48,000)	(74,710)	(65,283)
Proceeds on sale of tangible capital assets	48,000	74,710	65,283
	(880,100)	3,933,941	2,681,658
Inventories	-	(1,778)	(36,213)
Prepaid expenses	-	(453,050)	(139,718)
	-	(454,828)	(175,931)
Change in net financial assets	(880,100)	3,479,113	2,505,727
Net financial assets, beginning of year	6,073,709	6,073,709	3,567,982
Net financial assets, end of year	\$ 5,193,609	\$ 9,552,822	\$ 6,073,709

See accompanying notes to financial statements.



# LONDON TRANSIT COMMISSION

Statement of Cash Flows

## DRAFT

Year ended December 31, 2020, with comparative information for 2019

	2020	2019
Cash provided by (used in):		
Operating activities:		
Annual surplus (deficit)	\$ 3,255,178	\$ (3,761,961)
Items not involving cash:		
Amortization	12,826,719	13,154,922
Gain on disposal of tangible capital assets	(74,710)	(65,283)
Change in employee future benefit liability	(57,000)	(58,000)
Changes in non-cash assets and liabilities:		
Accounts receivable	2,459,987	285,094
Due from The City of London	73,284	(81,451)
Inventories	(1,778)	(36,213)
Prepaid expenses	(453,050)	(139,718)
Investments	-	12,806,655
Accounts payable and accrued liabilities	(1,238,846)	(406,237)
Due to The City of London	46,860	25,878
Accrued liability insurance claims	(488,281)	(642,021)
Deferred fare media	(1,349,638)	(193,962)
Deferred revenue	7,619,757	(5,553,652)
Net change in cash from operating activities	22,618,482	15,334,051
Capital activities:		
Proceeds on sale of tangible capital assets	74,710	65,283
Cash used to acquire tangible capital assets	(12,147,956)	(6,711,303)
Net change in cash from capital activities	(12,073,246)	(6,646,020)
Net change in cash and cash equivalents	10,545,236	8,688,031
Cash and cash equivalents, beginning of year	32,489,209	23,801,178
Cash and cash equivalents, end of year	\$ 43,034,445	\$ 32,489,209
Cash	\$ 13,638,197	\$ 8,856,210
Cash equivalents	29,396,248	23,632,999
Cash and cash equivalents, end of year	\$ 43,034,445	\$ 32,489,209

See accompanying notes to financial statements.

# LONDON TRANSIT COMMISSION

Notes to Financial Statements

**DRAFT**

Year ended December 31, 2020

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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 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, 2020

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## 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

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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)

**DRAFT**

Year ended December 31, 2020

## 2. Inventories:

	2020	2019
Spare parts	\$ 2,314,946	\$ 2,313,168

## 3. Accumulated surplus:

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

	2020	2019
Surplus:		
Invested in tangible capital assets	\$ 93,207,988	\$ 93,886,751
To be recovered from public liability insurance reserve fund	(1,186,003)	(1,674,284)
Unfunded:		
Employee future benefits liability	(4,297,000)	(4,354,000)
Vacation pay earned and accrued payroll	(2,840,400)	(2,785,300)
Total surplus	84,884,585	85,073,167
Reserves set aside for specific purposes of the Commission (note 10):		
Energy management reserve	3,203,250	2,403,250
General operating reserve	3,324,963	3,407,362
Health care management reserve	4,283,391	3,403,063
Total reserves	10,811,604	9,213,675
Reserve funds set aside for specific purposes by the Commission (note 10):		
Capital program reserve fund	6,205,525	5,228,416
Public liability insurance reserve fund	4,669,431	3,800,709
Total reserve funds	10,874,956	9,029,125
	\$ 106,571,145	\$ 103,315,967

# LONDON TRANSIT COMMISSION

Notes to Financial Statements (continued)

## DRAFT

Year ended December 31, 2020

### 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:

	2020	2019
Operating grants:		
Specialized transit	\$ 7,902,900	\$ 5,518,200
Conventional transit	30,185,700	26,788,985
	<u>38,088,600</u>	<u>32,307,185</u>
Capital grants:		
Capital levy and debentures	8,312,700	4,464,231
	<u>\$ 46,401,300</u>	<u>\$ 36,771,416</u>

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:

	2020	2019
Equalization grant, seniors (reduced fares)	\$ 125,328	\$ 163,533
Equalization grant, income related (reduced fares)	173,706	367,140
Equalization grant, youth (reduced fares)	94,089	194,469
Free transportation, blind	96,715	156,395
Free transportation, children	114,687	359,748
	<u>\$ 604,525</u>	<u>\$ 1,241,285</u>

#### (b) Province of Ontario:

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

	2020	2019
Capital grants:		
Gas tax program	\$ 1,661,510	\$ 1,244,718
Safe restart program	1,399,364	-
	<u>3,060,874</u>	<u>1,244,718</u>
Operating grants:		
Gas tax program	7,128,154	14,650,476
Safe restart program	11,371,722	-
	<u>18,499,876</u>	<u>14,650,476</u>
Total Province of Ontario grants	<u>\$ 21,560,750</u>	<u>\$ 15,895,194</u>

# LONDON TRANSIT COMMISSION

Notes to Financial Statements (continued)

**DRAFT**

Year ended December 31, 2020

## 4. Grants (continued):

(c) Government of Canada:

	2020	2019
Capital grants:		
Public Transit Infrastructure Funding	\$ 167,658	\$ 84,266
<b>Total Government of Canada grants</b>	<b>\$ 167,658</b>	<b>\$ 84,266</b>

## 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, 2020 there were 609 (2019 - 574) 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.

At December 31, 2020, the OMERS plan is in an actuarial deficit position, which is being addressed through rate contributions and benefit reductions. Depending on an individual's normal retirement age and pensionable earnings, 2020 contribution rates were 9.0% and 14.6% (2019 - 9.0% and 14.6%). Total employer contributions to OMERS for 2020 were \$3,148,472 (2019 - \$3,235,574), and are recorded in the statement of operations.

The last available report for the OMERS plan was on December 31, 2020. At that time, the plan reported a \$3.2 billion actuarial deficit (2019 - \$3.4 billion), based on actuarial liabilities for \$122 billion (2019 - \$107.7 billion) and actuarial assets for \$111 billion (2019 - \$104.3 billion). 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.

# LONDON TRANSIT COMMISSION

Notes to Financial Statements (continued)

**DRAFT**

Year ended December 31, 2020

## 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.

	2020	2019
Employee future benefits liability as of December 31	\$ 4,297,000	\$ 4,354,000

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

	2020	2019
Current year benefit cost	\$ 258,000	\$ 248,000
Interest on accrued benefit obligation	104,000	104,000
Amortized loss (gain)	(108,000)	(108,000)
Benefits paid	(311,000)	(302,000)
	\$ (57,000)	\$ (58,000)

Significant assumptions are as follows:

	2020	2019
Discount rate	3.25%	3.25%
Rate of compensation increase	2.00%	2.00%
Healthcare cost current	5.70%	5.77%
Healthcare cost ultimate	4.00%	4.00%

## 7. Public liability insurance:

At December 31, 2020, there were 67 liability claims (2019- 95) and 3 accident benefits claims (2019- 8) outstanding that may result in payment under the insurance deductible provisions. The estimated cost to the Commission is \$1,139,227 and \$46,776 (2019 - \$1,570,967 and \$103,318) respectively for a total of \$1,186,003 (2019 - \$1,674,284) 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, 2021. The annual base lease amount is \$20,427 plus an approximate additional amount of \$8,858 for taxes and common area maintenance. Lease payments until the expiry of the lease total \$19,524.

### (b) Bus procurement:

The Commission has approved the awarding of contracts with New Flyer Industries for the purchase of seventeen buses (\$9.8 million). It is anticipated that these buses will arrive from June to August 2021.

# LONDON TRANSIT COMMISSION

Notes to Financial Statements (continued)

**DRAFT**

Year ended December 31, 2020

## 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			Balance
	December 31, 2019	Additions	Disposals	
Land	\$ 2,804,632	\$ -	\$ -	\$ 2,804,632
Site work	3,079,573	-	-	3,079,573
Buildings	46,235,367	(155,922)	-	46,079,445
Shelters, pads, and terminals	3,665,041	335,316	-	4,000,357
Rolling stock	119,057,890	10,703,882	(9,086,636)	120,675,136
Fare and data collection equipment	6,676,521	98,267	-	6,774,788
Radio/communication equipment	9,380,039	24,027	-	9,404,066
Bike racks on buses	158,878	-	-	158,878
Service fleet	358,953	124,278	(113,194)	370,037
Shop equipment	3,669,196	878,022	(179,440)	4,367,778
Small tools	311,944	74,768	(114,309)	272,403
Computer hardware	1,057,356	65,318	-	1,122,674
Computer software	1,927,271	-	-	1,927,271
	\$ 198,382,661	\$ 12,147,956	\$ (9,493,579)	\$ 201,037,038

Accumulated amortization	Balance			Balance
	December 31, 2019	Disposals	Amortization	
Land	\$ -	\$ -	\$ -	\$ -
Site work	1,467,611	-	123,183	1,590,794
Buildings	18,238,830	-	1,181,401	19,420,231
Shelters, pads, and terminals	1,404,945	-	355,181	1,760,126
Rolling stock	66,832,680	(9,086,636)	9,090,012	66,836,056
Fare and data collection equipment	3,453,619	-	323,121	3,776,740
Radio/communication equipment	6,366,132	-	615,206	6,981,338
Bike racks on buses	158,878	-	-	158,878
Service fleet	322,432	(113,194)	65,348	274,586
Shop equipment	3,227,069	(179,440)	816,171	3,863,800
Small tools	214,833	(114,309)	90,801	191,325
Computer hardware	896,849	-	151,056	1,047,905
Computer software	1,912,032	-	15,239	1,927,271
	\$ 104,495,910	\$ (9,493,579)	\$ 12,826,719	\$ 107,829,050

Net book value	Balance		Balance
	December 31, 2019		
Land	\$ 2,804,632		\$ 2,804,632
Site work	1,611,962		1,488,779
Buildings	27,996,537		26,659,214
Shelters, pads, and terminals	2,260,096		2,240,231
Rolling stock	52,225,210		53,839,080
Fare and data collection equipment	3,222,902		2,998,048
Radio/communication equipment	3,013,907		2,422,728
Bike racks on buses	-		-
Service fleet	36,521		95,451
Shop equipment	442,127		503,978
Small tools	97,111		81,078
Computer hardware	160,507		74,769
Computer software	15,239		-
	\$ 93,886,751		\$ 93,207,988



**LONDON TRANSIT COMMISSION**

Notes to Financial Statements (continued)

**DRAFT**

Year ended December 31, 2020

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

	Energy management reserve	General operating reserve	Health care management reserve	2020 Total	2019 Total
<b>Reserves:</b>					
Balance, beginning of year	\$ 2,403,250	\$ 3,407,362	\$ 3,403,063	\$ 9,213,675	\$ 8,966,295
Contributions from current operations	800,000	-	880,328	1,680,328	1,047,380
Appropriations to current operations	-	(82,399)	-	(82,399)	(800,000)
	\$ 3,203,250	\$ 3,324,963	\$ 4,283,391	\$ 10,811,604	\$ 9,213,675

	Capital program	Public liability insurance	2020 Total	2019 Total
<b>Reserve funds:</b>				
Balance, beginning of year	\$ 5,228,416	\$ 3,800,709	\$ 9,029,125	\$ 7,319,367
Interest earned	57,027	41,204	98,231	172,126
Contributions from current operations	1,327,546	1,400,000	2,727,546	2,715,283
	6,612,989	5,241,913	11,854,902	10,206,776
<b>Expenditures:</b>				
Appropriations to current operations	-	(572,482)	(572,482)	(683,371)
Appropriations to capital	(407,464)	-	(407,464)	(494,280)
	(407,464)	(572,482)	(979,946)	(1,177,651)
Balance, end of year	\$ 6,205,525	\$ 4,669,431	\$ 10,874,956	\$ 9,029,125

Deferred revenues	Provincial gas tax program	Safe restart program	2020 Total	2019 Total
<b>Deferred revenues:</b>				
Balance, beginning of year	\$ 11,393,505	\$ -	\$ 11,393,505	\$ 16,947,157
Interest earned	171,495	27,764	199,259	423,807
Contributions	10,656,850	18,523,658	29,180,508	10,341,542
	22,221,850	18,551,422	40,773,272	27,712,506
<b>Expenditures:</b>				
Appropriations to current operations	(7,128,154)	(11,371,722)	(18,499,876)	(14,650,476)
Appropriations to capital LTC	(1,833,006)	(1,427,128)	(3,260,134)	(1,668,525)
	(8,961,160)	(12,798,850)	(21,760,010)	(16,319,001)
Balance, end of year	\$ 13,260,690	\$ 5,752,572	\$ 19,013,262	\$ 11,393,505

# LONDON TRANSIT COMMISSION

Notes to Financial Statements (continued)

**DRAFT**

Year ended December 31, 2020

## 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 2020 budget surplus, a 2020 actual surplus and a 2019 actual deficit.

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

	Budget (Note 11)	2020	2019
Annual surplus (deficit)	\$ 16,806,400	\$ 3,255,178	\$ (3,761,961)
Capital expenditures	(17,686,500)	(12,147,956)	(6,711,303)
Transfers from reserves and reserve funds	1,918,500	1,062,345	1,970,151
Contributions to reserves and reserve funds	(1,038,400)	(4,506,105)	(3,927,291)
Amortization of tangible capital assets	-	12,826,719	13,154,922
Increase (decrease) in employee future benefits	-	(57,000)	(58,000)
Decrease in liability for insurance claims	-	(488,281)	(642,021)
Other	-	55,100	(24,497)
Commission approved surplus	\$ -	\$ -	\$ -

## 12. Impact of COVID-19 pandemic:

Effective March 11, 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization and has had a significant financial, market and social dislocating impact. At the time of approval of these financial statements, the commission has experienced the following indicators of financial implications and undertaken the following activities and responses in relation to the COVID-19 pandemic:

- Declines in ridership and corresponding transportation revenue
- Implemented service reductions that balance reduced ridership demand and available labour resources
- Enhanced cleaning on buses and at LTC facilities, as well as enhancements to health and safety protocols
- Worked with all three levels of government who have continued to prioritize the delivery of public transit, including the advancement of additional funding to support shortfall

The ultimate duration and magnitude of the COVID-19 pandemic's impact on the commission's operations and financial position is not known at this time although to date the impact has significantly impacted ridership and thus transportation revenues. The pandemic will most likely continue to affect ridership levels, thus could include a decline in future cash flows and changes to the value of assets and liabilities. Though management continues to make best efforts to forecast possible financial scenarios, an estimate of the future financial effect of the pandemic on the commission is not practicable at this time.