

Financial Statements of

**LONDON TRANSIT COMMISSION**

And Independent Auditors' Report thereon

Year ended December 31, 2021

DRAFT

## 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, 2021
- 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, 2021, 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, 2021, with comparative information for 2020

	2021	2020
<b>Financial Assets</b>		
Cash and cash equivalents	\$ 53,969,448	\$ 43,034,445
Accounts receivable	2,764,354	2,093,705
Due from The City of London	543,406	534,296
	<u>57,277,208</u>	<u>45,662,446</u>
<b>Financial Liabilities</b>		
Accounts payable and accrued liabilities	9,546,757	8,509,760
Due to The City of London	20,899	97,522
Accrued liability insurance claims (note 7)	1,232,468	1,186,003
Employee future benefits (note 6)	4,308,000	4,297,000
Deferred fare media	5,718,798	3,006,077
Deferred revenue (note 10)	24,958,082	19,013,262
	<u>45,785,004</u>	<u>36,109,624</u>
Net financial assets	11,492,204	9,552,822
<b>Non - Financial Assets</b>		
Inventories (note 2)	2,788,845	2,314,946
Tangible capital assets (note 9)	93,541,426	93,207,988
Prepaid expenses	1,540,589	1,495,389
	<u>97,870,860</u>	<u>97,018,323</u>
Commitments (note 8)		
Subsequent event and contingencies (note 12)		
Accumulated surplus (note 3)	<u>\$ 109,363,064</u>	<u>\$ 106,571,145</u>

See accompanying notes to financial statements.

# LONDON TRANSIT COMMISSION

Statement of Operations

**DRAFT**

Year ended December 31, 2021, with comparative information for 2020

	Budget	2021	2020
Revenue:			
Grants:			
The City of London (note 4)	\$ 51,101,600	\$ 49,657,649	\$ 46,401,300
Province of Ontario (note 4)	28,999,500	23,968,521	21,560,750
Government of Canada (note 4)	960,200	640,065	167,658
	<u>81,061,300</u>	<u>74,266,235</u>	<u>68,129,708</u>
User charges, conventional transit:			
Cash fares	2,887,800	2,346,270	1,661,097
Ticket fares	8,608,100	6,388,415	4,728,307
Pass fares	14,091,300	12,921,044	15,157,538
Other transportation revenue	500	242,941	449,945
Contract service	-	-	232
	<u>25,587,700</u>	<u>21,898,670</u>	<u>21,997,119</u>
Other revenue, conventional transit:			
Advertising	527,800	528,517	677,817
Interest and discounts	480,100	469,979	448,723
Rent	2,500	1,956	2,676
Gain on disposal of capital assets	48,000	102,753	74,710
Miscellaneous	31,000	59,430	155,017
	<u>1,089,400</u>	<u>1,162,635</u>	<u>1,358,943</u>
User charges, specialized transit:			
Cash fares	10,200	24,947	15,315
Ticket fares	232,600	230,058	159,351
Pass fares	144,200	78,321	90,929
	<u>387,000</u>	<u>333,326</u>	<u>265,595</u>
<b>Total revenue</b>	<u>\$ 108,125,400</u>	<u>\$ 97,660,866</u>	<u>\$ 91,751,365</u>

See accompanying notes to financial statements.

# LONDON TRANSIT COMMISSION

Statement of Operations

**DRAFT**

Year ended December 31, 2021, with comparative information for 2020

	Budget	2021	2020
Expenses:			
Salaries, wages and benefits:			
Transportation	\$ 39,719,957	\$ 37,551,216	\$ 35,055,261
Vehicle maintenance	10,928,994	10,202,734	9,731,316
Facility	642,762	522,793	526,617
Planning, marketing and general administration	4,156,387	3,730,274	3,580,993
	<u>55,448,100</u>	<u>52,007,017</u>	<u>48,894,187</u>
Materials, supplies, utilities and services:			
Transportation	4,388,400	3,538,188	2,722,336
Vehicle maintenance	6,701,700	5,786,524	6,041,624
Facility	3,556,300	3,007,216	2,790,340
Planning, marketing and general administration	2,801,900	1,865,527	1,633,287
Fuel	6,811,000	6,406,003	4,882,243
Amortization	-	13,290,021	12,826,719
	<u>24,259,300</u>	<u>33,893,479</u>	<u>30,896,549</u>
Current operations, specialized transit:			
Administration:			
Salaries and benefits	1,190,700	1,048,097	1,019,495
Materials and supplies	258,400	269,986	267,876
	<u>1,449,100</u>	<u>1,318,083</u>	<u>1,287,371</u>
Contracted service delivery	8,500,100	7,650,368	7,418,080
	<u>9,949,200</u>	<u>8,968,451</u>	<u>8,705,451</u>
<b>Total expenses</b>	<u>89,656,600</u>	<u>94,868,947</u>	<u>88,496,187</u>
Annual surplus (note 11)	18,468,800	2,791,919	3,255,178
Accumulated surplus, beginning of year	106,571,145	106,571,145	103,315,967
<b>Accumulated surplus, end of year</b>	<u>\$ 125,039,945</u>	<u>\$ 109,363,064</u>	<u>\$ 106,571,145</u>

See accompanying notes to financial statements.

# LONDON TRANSIT COMMISSION

Statement of Change in Net Financial Assets

## DRAFT

Year ended December 31, 2021, with comparative information for 2020

	Budget	2021	2020
Annual surplus	\$ 18,468,800	\$ 2,791,919	\$ 3,255,178
Acquisition of tangible capital assets	(20,109,000)	(13,689,530)	(12,147,956)
Amortization of tangible capital assets	-	13,290,021	12,826,719
Gain on disposal of tangible capital assets	(48,000)	(102,753)	(74,710)
Proceeds on sale of tangible capital assets	48,000	168,824	74,710
	(1,640,200)	2,458,481	3,933,941
Inventories	-	(473,899)	(1,778)
Prepaid expenses	-	(45,200)	(453,050)
	-	(519,099)	(454,828)
Change in net financial assets	(1,640,200)	1,939,382	3,479,113
Net financial assets, beginning of year	9,552,822	9,552,822	6,073,709
Net financial assets, end of year	\$ 7,912,622	\$ 11,492,204	\$ 9,552,822

See accompanying notes to financial statements.

# LONDON TRANSIT COMMISSION

## Statement of Cash Flows

### DRAFT

Year ended December 31, 2021, with comparative information for 2020

	2021	2020
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$ 2,791,919	\$ 3,255,178
Items not involving cash:		
Amortization	13,290,021	12,826,719
Gain on disposal of tangible capital assets	(102,753)	(74,710)
Change in employee future benefit liability	11,000	(57,000)
Changes in non-cash assets and liabilities:		
Accounts receivable	(670,649)	2,459,987
Due from The City of London	(9,110)	73,284
Inventories	(473,899)	(1,778)
Prepaid expenses	(45,200)	(453,050)
Accounts payable and accrued liabilities	1,036,997	(1,238,846)
Due to The City of London	(76,623)	46,860
Accrued liability insurance claims	46,465	(488,281)
Deferred fare media	2,712,721	(1,349,638)
Deferred revenue	5,944,820	7,619,757
Net change in cash from operating activities	24,455,709	22,618,482
Capital activities:		
Proceeds on sale of tangible capital assets	168,824	74,710
Cash used to acquire tangible capital assets	(13,689,530)	(12,147,956)
Net change in cash from capital activities	(13,520,706)	(12,073,246)
Net change in cash and cash equivalents	10,935,003	10,545,236
Cash and cash equivalents, beginning of year	43,034,445	32,489,209
Cash and cash equivalents, end of year	\$ 53,969,448	\$ 43,034,445
Cash	\$ 10,839,308	\$ 19,401,446
Cash equivalents	43,130,140	23,632,999
Cash and cash equivalents, end of year	\$ 53,969,448	\$ 43,034,445

See accompanying notes to financial statements.

# LONDON TRANSIT COMMISSION

Notes to Financial Statements

## DRAFT

Year ended December 31, 2021

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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 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, 2021

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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 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.

# LONDON TRANSIT COMMISSION

Notes to Financial Statements (continued)

## DRAFT

Year ended December 31, 2021

### 2. Inventories:

	2021	2020
Spare parts	\$ 2,788,845	\$ 2,314,946

### 3. Accumulated surplus:

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

	2021	2020
Surplus:		
Invested in tangible capital assets	\$ 93,541,426	\$ 93,207,988
To be recovered from public liability insurance reserve fund	(1,232,468)	(1,186,003)
Unfunded:		
Employee future benefits liability	(4,308,000)	(4,297,000)
Vacation pay earned and accrued payroll	(2,910,800)	(2,840,400)
Total surplus	85,090,158	84,884,585
Reserves set aside for specific purposes of the Commission (note 10):		
Energy management reserve	3,203,250	3,203,250
General operating reserve	3,361,514	3,324,963
Health care management reserve	4,283,391	4,283,391
Total reserves	10,848,155	10,811,604
Reserve funds set aside for specific purposes by the Commission (note 10):		
Capital program reserve fund	7,837,193	6,205,525
Public liability insurance reserve fund	5,587,558	4,669,431
Total reserve funds	13,424,751	10,874,956
	\$ 109,363,064	\$ 106,571,145

# LONDON TRANSIT COMMISSION

Notes to Financial Statements (continued)

## DRAFT

Year ended December 31, 2021

### 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:

	2021	2020
Operating grants:		
Specialized transit	\$ 8,854,400	\$ 7,902,900
Conventional transit	31,977,600	30,185,700
	40,832,000	38,088,600
Capital grants:		
Capital levy and debentures	8,687,719	8,312,700
Development	137,930	-
	8,825,649	8,312,700
Total grants received from The City of London	\$ 49,657,649	\$ 46,401,300

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:

	2021	2020
Equalization grant, seniors (reduced fares)	\$ 183,120	\$ 125,328
Equalization grant, income related (reduced fares)	144,364	173,706
Equalization grant, youth (reduced fares)	109,522	94,089
Free transportation, blind	106,691	96,715
Free transportation, children	101,180	114,687
	\$ 644,877	\$ 604,525

#### (b) Province of Ontario:

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

	2021	2020
Capital grants:		
Gas tax program	\$ 2,344,999	\$ 1,661,510
Investing in Canada infrastructure program	449,291	-
Safe restart program	777,020	1,399,364
	3,571,310	3,060,874
Operating grants:		
Gas tax program	8,160,062	7,128,154
Safe restart program	12,237,149	11,371,722
	20,397,211	18,499,876
Total Province of Ontario grants	\$ 23,968,521	\$ 21,560,750

# LONDON TRANSIT COMMISSION

Notes to Financial Statements (continued)

## DRAFT

Year ended December 31, 2021

#### 4. Grants (continued):

(c) Government of Canada:

	2021	2020
Capital grants:		
Public Transit Infrastructure Funding	\$ 100,774	\$ 167,658
Investing in Canada infrastructure program	539,291	-
<b>Total Government of Canada grants</b>	<b>\$ 640,065</b>	<b>\$ 167,658</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, 2021 there were 632 (2020 - 609) 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, 2021, 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, 2021 contribution rates were 9.0% and 14.6% (2020 - 9.0% and 14.6%). Total employer contributions to OMERS for 2021 were \$3,145,472 (2020 - \$3,148,472), and are recorded in the statement of operations.

The last available report for the OMERS plan was on December 31, 2021. At that time, the plan reported a \$3.13 billion actuarial deficit (2020 - \$3.2 billion), based on actuarial liabilities for \$120.8 billion (2020 - \$122 billion) and actuarial assets for \$117.7 billion (2020 - \$111 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, 2021

### 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.

	2021	2020
Employee future benefits liability as of December 31	\$ 4,308,000	\$ 4,297,000

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

	2021	2020
Current year benefit cost	\$ 268,000	\$ 258,000
Interest on accrued benefit obligation	106,000	104,000
Amortized gain	(39,000)	(108,000)
Benefits paid	(324,000)	(311,000)
	\$ 11,000	\$ (57,000)

Significant assumptions are as follows:

	2021	2020
Discount rate	3.00%	3.25%
Rate of compensation increase	2.00%	2.00%
Healthcare cost current	5.63%	5.70%
Healthcare cost ultimate	4.00%	4.00%

### 7. Public liability insurance:

At December 31, 2021, there were 84 liability claims (2020- 67) and 13 accident benefits claims (2020- 3) outstanding that may result in payment under the insurance deductible provisions. The estimated cost to the Commission is \$1,120,432 and \$112,036 (2020 - \$1,139,227 and \$46,776) respectively for a total of \$1,232,468 (2020 - \$1,186,003) 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, 2022. The annual base lease amount is \$21,046 plus an approximate additional amount of \$9,000 for taxes and common area maintenance. Lease payments until the expiry of the lease total \$20,383.

#### (b) Bus procurement:

The Commission has approved the awarding of contracts with New Flyer Industries for the purchase of seventeen buses for \$10,900,000. It is anticipated that these buses will arrive from June to August 2022.

# LONDON TRANSIT COMMISSION

Notes to Financial Statements (continued)

## DRAFT

Year ended December 31, 2021

### 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, 2020	Additions	Disposals	Balance December 31, 2021
Land	\$ 2,804,632	\$ -	\$ -	\$ 2,804,632
Site work	3,079,573	-	-	3,079,573
Buildings	46,079,445	396,903	-	46,476,348
Shelters, pads, and terminals	4,000,357	355,350	-	4,355,707
Rolling stock	120,675,136	12,353,668	(8,545,307)	124,483,497
Fare and data collection equipment	6,774,788	93,273	-	6,868,061
Radio/communication equipment	9,404,066	88,826	-	9,492,892
Bike racks on buses	158,878	-	-	158,878
Service fleet	370,037	36,198	-	406,235
Shop equipment	4,367,778	-	(20,427)	4,347,351
Small tools	272,403	76,894	(103,930)	245,367
Computer hardware	1,122,674	122,229	-	1,244,903
Computer software	1,927,271	166,189	-	2,093,460
	\$ 201,037,038	\$ 13,689,530	\$ (8,669,664)	\$ 206,056,904

Accumulated amortization	Balance December 31, 2020	Disposals	Amortization	Balance December 31, 2021
Land	\$ -	\$ -	\$ -	\$ -
Site work	1,590,794	-	123,183	1,713,977
Buildings	19,420,231	-	1,278,859	20,699,090
Shelters, pads, and terminals	1,760,126	-	387,793	2,147,919
Rolling stock	66,836,056	(8,479,236)	9,918,834	68,275,654
Fare and data collection equipment	3,776,740	-	329,340	4,106,080
Radio/communication equipment	6,981,338	-	609,355	7,590,693
Bike racks on buses	158,878	-	-	158,878
Service fleet	274,586	-	66,090	340,676
Shop equipment	3,863,800	(20,427)	345,642	4,189,015
Small tools	191,325	(103,930)	81,789	169,184
Computer hardware	1,047,905	-	93,740	1,141,645
Computer software	1,927,271	-	55,396	1,982,667
	\$ 107,829,050	\$ (8,603,593)	\$ 13,290,021	\$ 112,515,478

Net book value	Balance December 31, 2020	Balance December 31, 2021
Land	\$ 2,804,632	\$ 2,804,632
Site work	1,488,779	1,365,596
Buildings	26,659,214	25,777,258
Shelters, pads, and terminals	2,240,231	2,207,788
Rolling stock	53,839,080	56,207,843
Fare and data collection equipment	2,998,048	2,761,981
Radio/communication equipment	2,422,728	1,902,199
Bike racks on buses	-	-
Service fleet	95,451	65,559
Shop equipment	503,978	158,336
Small tools	81,078	76,183
Computer hardware	74,769	103,258
Computer software	-	110,793
	\$ 93,207,988	\$ 93,541,426

# LONDON TRANSIT COMMISSION

Notes to Financial Statements (continued)

## DRAFT

Year ended December 31, 2021

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

	Energy management reserve	General operating reserve	Health care management reserve	2021 Total	2020 Total
Reserves:					
Balance, beginning of year	\$ 3,203,250	\$ 3,324,963	\$ 4,283,391	\$ 10,811,604	\$ 9,213,675
Contributions from current operations	-	36,551	-	36,551	1,680,328
Appropriations to current operations	-	-	-	-	(82,399)
	\$ 3,203,250	\$ 3,361,514	\$ 4,283,391	\$ 10,848,155	\$ 10,811,604

	Capital program	Public liability insurance	2021 Total	2020 Total
Reserve funds:				
Balance, beginning of year	\$ 6,205,525	\$ 4,669,431	\$ 10,874,956	\$ 9,029,125
Interest earned	48,308	36,158	84,466	98,231
Contributions from current operations	1,984,871	1,400,000	3,384,871	2,727,546
	8,238,704	6,105,589	14,344,293	11,854,902
Expenditures:				
Appropriations to current operations	-	(518,031)	(518,031)	(572,482)
Appropriations to capital LTC	(401,511)	-	(401,511)	(407,464)
	(401,511)	(518,031)	(919,542)	(979,946)
Balance, end of year	\$ 7,837,193	\$ 5,587,558	\$ 13,424,751	\$ 10,874,956

Deferred revenues	Provincial gas tax program	Safe restart program	2021 Total	2020 Total
Deferred revenues:				
Balance, beginning of year	\$ 13,260,690	\$ 5,752,572	\$ 19,013,262	\$ 11,393,505
Interest earned	130,830	120,166	250,996	199,259
Contributions	11,145,262	18,318,789	29,464,051	29,180,508
	24,536,782	24,191,527	48,728,309	40,773,272
Expenditures:				
Appropriations to current operations	(8,160,062)	(12,237,149)	(20,397,211)	(18,499,876)
Appropriations to capital LTC	(2,475,830)	(897,186)	(3,373,016)	(3,260,134)
	(10,635,892)	(13,134,335)	(23,770,227)	(21,760,010)
Balance, end of year	\$ 13,900,890	\$ 11,057,192	\$ 24,958,082	\$ 19,013,262

# LONDON TRANSIT COMMISSION

Notes to Financial Statements (continued)

## DRAFT

Year ended December 31, 2021

### 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 2021 budget surplus, a 2021 actual surplus and a 2020 actual surplus.

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

	Budget	2021	2020
Annual surplus	\$ 18,468,800	\$ 2,791,919	\$ 3,255,178
Capital expenditures	(20,109,000)	(13,689,530)	(12,147,956)
Transfers from reserves and reserve funds	2,585,300	882,991	1,062,345
Contributions to reserves and reserve funds	(945,100)	(3,469,338)	(4,506,105)
Amortization of tangible capital assets	-	13,290,021	12,826,719
Decrease in employee future benefits	-	11,000	(57,000)
Increase (decrease) in liability for insurance claims	-	46,465	(488,281)
Other	-	70,401	55,100
Commission approved deficit	\$ -	\$ (66,071)	\$ -

### 12. Subsequent event and contingencies:

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 societal impact. At the time of approval of these financial statements, the commission has continued to experience ongoing fluctuations in ridership demand and corresponding transportation revenue, strongly correlated to the waves of the pandemic and resulting restrictions placed on the public. Service hours are monitored and maintained at a level that best balances ridership demand, public safety protocols and ever-changing labour resource availability. LTC has 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 the shortfalls.

The pandemic is likely to have an ongoing impact on ridership levels with the long-term effects not determinable at this time. 2022 has also presented a greater strain on the global supply chain with part availability and rising price an ongoing concern. Though management continues to make best efforts to forecast possible financial scenarios, an estimate on the long-term effect of the pandemic on the commission is not practicable at this time.