London Transit Commission

Audit Findings Report for the year December 31, 2024

KPMG LLP

Licensed Public Accountants

Prepared as of April 30, 2025 for presentation on May 9, 2025

kpmg.ca/audit

KPMG contacts

Key contacts in connection with this engagement

Katie denBok

Lead Audit Engagement Partner

+1 519-660-2115

kdenbok@kpmg.ca

Dania Nabhani

Senior Audit Manager

+1 519-660-2120

dnabhani@kpmg.ca

Table of contents

Digital use information

This Audit Findings Report is also available as a “hyper-linked” PDF document.

If you are reading in electronic form (e.g. In “Adobe Reader” or “Board Books”), clicking on the home symbol on the top right corner will bring you back to this slide.

Click on any item in the table of contents to navigate to that section.

Audit highlights

No matters to report

Matters to report – see link for details

Status

We have completed the audit of the financial statements ("financial statements"), with the exception of certain remaining outstanding procedures, which are highlighted on the 'Status' slide of this report.

Risks and results & Significant unusual transactions

Significant risks

- Risk of material misstatement due to fraud resulting from management override of controls

Other risks of material misstatement

Going concern matters

Significant unusual transactions

Policies and practices

Accounting policies and practices

Other financial reporting matters

Materiality

Materiality has been based on Current year's total assets ($149,683,092).

Materiality	$4,300,000
Performance Materiality	$3,220,000
Audit Misstatement Posting Threshold	$215,000

Misstatements - uncorrected

Uncorrected misstatements

Misstatements - Corrected

Corrected misstatements

Control deficiencies

Control deficiencies

Audit Quality

Learn more about how we deliver audit quality.

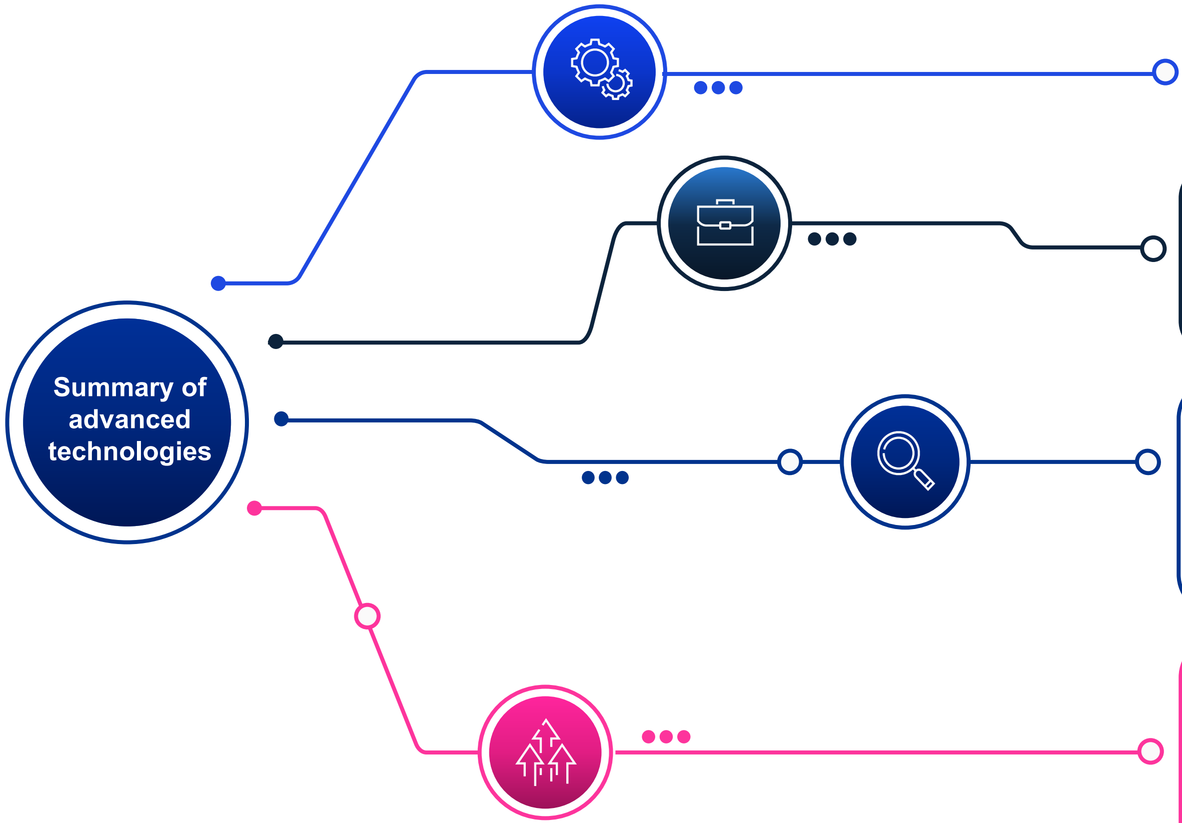
Independence

Annual Statement of Compliance

KPMG

Technology highlights

We have utilized technology to enhance the quality and effectiveness of the audit.



KPMG Clara Workflow (KCW)

A modern, intuitively written, highly applicable audit methodology that allows us to deliver globally consistent engagements. The tool allows us to identify and respond to relevant risks, document our audit procedures, conclusions, and reporting.

DataSnipper

An Excel based audit tool, which allows to extract, search, document and review PDF documents. The tool also provides automated document matching features allowing matching of Excel data with underlying source documents.

Offset Remover

Offset Remover is used to easily scrub subledger listings or breakdowns of aggregated sample populations and remove offsetting entries prior to sampling to avoid selecting sample items that are fully offset in the population, or to avoid a larger than necessary sample size due to an inflated gross population value was used in the audit.

Monetary Unit Sampling

Sampling tool embedded in our KCW application used by the engagement team to calculate the most efficient sample sizes based on the specific risk considerations of an account and assertion, select and extract items from a population, and evaluate our results after audit procedures have been performed over selected items.

KPMG's software audit tools are intended to be used as internal enablement tools in conjunction with the performance of audit services. Information resulting from use of software audit tools may not be used as a basis for management's conclusions as to the fairness of presentation of its financial statements or form a part of the internal control.

Status

As of April 30, 2025, we have completed the audit of the financial statements, with the exception of certain remaining procedures, which include:

- Final Partner review of completion activities
- Receipt of signed management representation letter
- Completing our discussions with the Commission
- Obtaining evidence of the Commission's approval of the financial statements

We will update the Commission, and not solely the Chair, on significant matters, if any, arising from the completion of the audit, including the completion of the above procedures.

Our auditor's report will be dated upon completion of any remaining procedures.

Significant risks and results

We highlight our significant findings in respect of **significant risks.**

Risk of material misstatement due to fraud resulting from management override of controls

RISK OF

FRAUD

Significant risk	Estimate?
The risk of material misstatement due to fraud resulting from management override of controls is a presumed risk for all entities under Canadian Auditing Standards ("CAS"). We have not identified any specific areas which highlight this risk over the course of our audit.	No

Our response

- The risk resides with management's ability to perpetrate fraud because of its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.
- We performed procedures, including testing of journal entries and other adjustments, performed a retrospective review of estimates and evaluated the business rationale of significant unusual transactions, if any.

Significant qualitative aspects of the Commission's accounting practices

No significant issues have been identified as a result of the procedures performed up to the date of this report.

Accounting policies and practices

Initial selection

The following new significant accounting policies and practices were selected and applied during the period.

PS 3400, Revenue became effective for the Commission's fiscal 2024 year end. The new standard establishes a single framework to categorize revenue to enhance the consistency of revenue recognition and its measurement. The standard notes that in the case of revenue arising from an exchange transaction, a public sector entity must ensure the recognition of revenue aligns with the satisfaction of related performance obligations. It notes that unilateral revenue arises when no performance obligations are present, and recognition occurs when there is authority to record the revenue and an event has happened that gives the public sector entity the right to the revenue.

Through our assessment over management's considerations on the impact of the standard, it was noted that, for revenue streams considered to be in-scope of the standard, the current treatment is considered to be appropriate and no additional adjustments were required. Please refer to *Note 2 Change in Accounting Policy – Adoption of New Accounting Standards.*

PS 3160, Public private partnership (PPP) became effective for the Commission's fiscal 2024 year end. The new standard includes new requirements for the recognition, measurement and classification of infrastructure procured through a public private partnership. No arrangements of this nature were noted.

PSG 8, Purchased intangibles became effective for the Commission's fiscal 2024 year end. The new standard allows public sector entities to recognize intangibles purchased through an exchange transaction. The definition of an asset, the general recognition criteria and GAAP hierarchy are used to account for purchased intangibles. The Commission does not have any purchased intangibles and therefore there is no impact on the financial statements.

Revised

There were no revised accounting policies during the year.

Significant qualitative aspects

The required disclosures relating to the new accounting policies have been included in the draft financial statements.

Other financial reporting matters

We also highlight the following:

Financial statement presentation - form, arrangement, and content	The presentation and disclosure included in the financial statements is in accordance with the required standards as disclosed in the notes to the financial statements.
Concerns regarding application of new accounting pronouncements	The financial statements include note disclosure relating to the application of the new accounting standard for revenue. Please refer *Note 2 Change in Accounting Policy – Adoption of New Accounting Standards*.
Significant qualitative aspects of financial statement presentation and disclosure	No additional matters relating to the Commission’s financial statement presentation and disclosure have been identified.

Corrected and uncorrected misstatements

Corrected and uncorrected misstatements include financial presentation and disclosure misstatements. None noted for F2024

Corrected audit misstatements

We did not identify any misstatements that needed to be corrected.

Uncorrected audit misstatements

We did not identify any misstatements that remain uncorrected.

Control deficiencies

Consideration of internal control over financial reporting (ICFR)

In planning and performing our audit, we considered ICFR relevant to the Entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on ICFR.

Our understanding of internal control over financial reporting was for the limited purpose described above and was not designed to identify all control deficiencies that might be significant deficiencies. The matters being reported are limited to those deficiencies that we have identified during the audit that we have concluded are of sufficient importance to merit being reported to those charged with governance.

Our awareness of control deficiencies varies with each audit and is influenced by the nature, timing, and extent of audit procedures performed, as well as other factors. Had we performed more extensive procedures on internal control over financial reporting, we might have identified more significant deficiencies to be reported or concluded that some of the reported significant deficiencies need not, in fact, have been reported.

A deficiency in internal control over financial reporting

A deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed, or when the person performing the control does not possess the necessary authority or competence to perform the control effectively.

Significant deficiencies in internal control over financial reporting

A deficiency, or a combination of deficiencies, in internal control over financial reporting that, in our judgment, is important enough to merit the attention of those charged with governance.

Audit quality - How do we deliver audit quality?

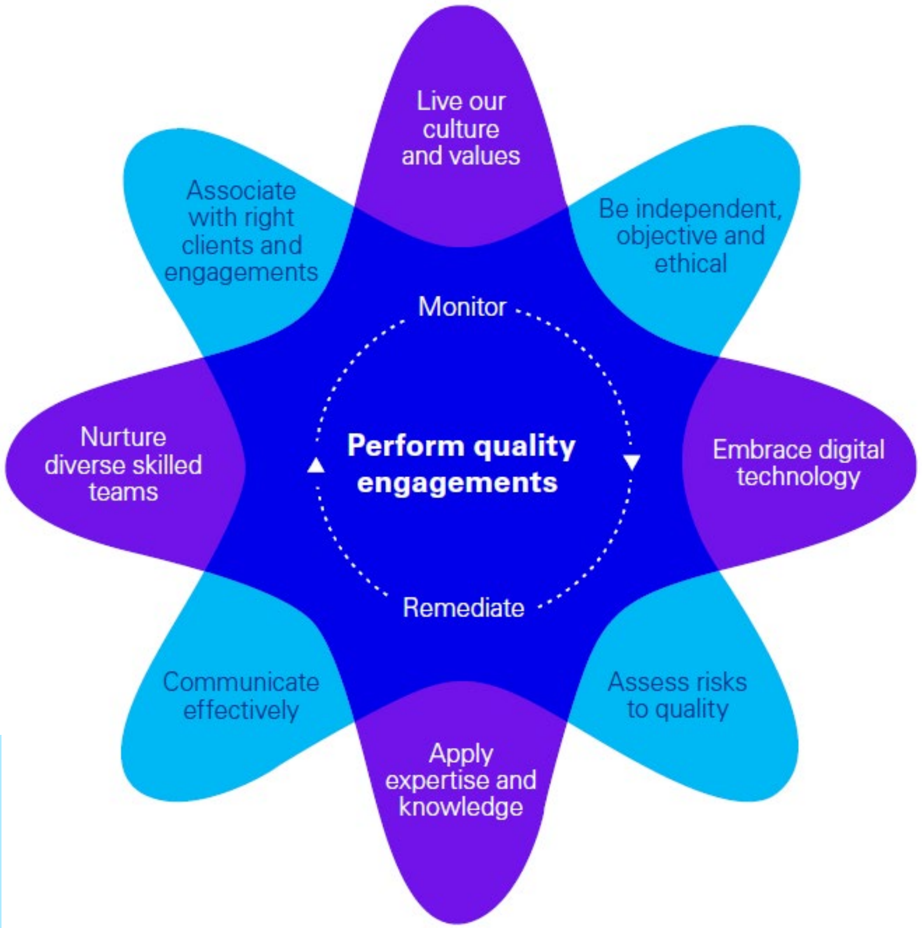
Quality essentially means doing the right thing and remains our highest priority. Our Global Quality Framework outlines how we deliver quality and how every partner and staff member contributes to its delivery.

The drivers outlined in the framework are the ten components of the KPMG System of Quality Management (SoQM). Aligned with ISQM 1/CSQM 1, our SoQM components also meet the requirements of the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA) and the relevant rules of professional conduct / code of ethics applicable to the practice of public accounting in Canada, which apply to professional services firms that perform audits of financial statements. Learn more about our system of quality management and our firm's statement on the effectiveness of our SoQM:

KPMG Canada Transparency Report

We define 'audit quality' as being the outcome when:

- audits are **executed consistently**, in line with the requirements and intent of **applicable professional standards** within a strong **system of quality management;** and
- all of our related activities are undertaken in an environment of the utmost level of **objectivity, independence, ethics** and **integrity.**



Doing the right thing. Always.

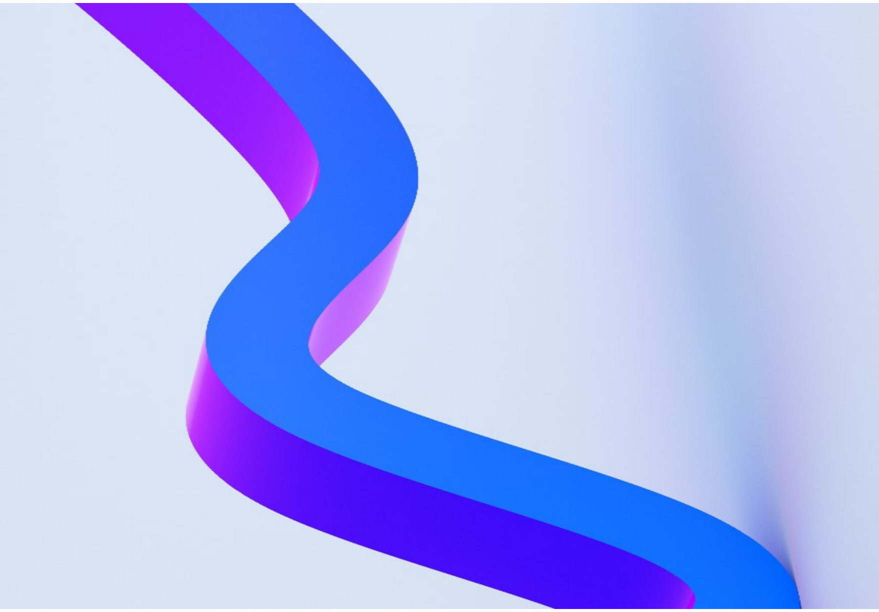
Independence

As a firm, we are committed to being and being seen to be independent. We have strict rules and protocols to maintain our independence that meet or exceed those of the IESBA Code[1] and CPA Code. The following are the actions or safeguards applied to reduce or eliminate threats to an acceptable level:

- Dedicated ethics & independence partners
- Process for reporting breaches of professional standards and policy, and documented disciplinary policy
- Ethics, independence and integrity training for all staff
- International proprietary system used to evaluate and document threats to independence and those arising from conflicts of interest
- Operating polices, procedures and guidance contained in our quality & risk management manual
- Mandated procedures for evaluating independence of prospective audit clients
- Restricted investments and relationships
- Annual ethics and independence confirmation for staff

Statement of compliance

We confirm that, as of the date of this communication, **we are independent** of the Commission in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada.



1 International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards)

Appendices

A — Required communications

B — Draft auditor’s report

C — Management representation letter

D — Newly effective and upcoming changes to accounting and auditing standards

E — Audit and assurance insights

F — Thought leadership and insights

Appendix A: Other required communications

Engagement terms

A copy of the engagement letter and any subsequent amendments has been provided to the Commission.

CPAB communication protocol

The reports available through the following links were published by the Canadian Public Accountability Board to inform Audit Committees and other stakeholders about the results of quality inspections conducted over the past year:

- CPAB Audit Quality Insights Report: 2022 Annual Inspections Results
- CPAB Audit Quality Insights Report: 2023 Interim Inspections Results
- CPAB Regulatory Oversight Report: 2023 Annual Inspections Results
- CPAB Audit Quality Insights Report: 2024 Interim Inspections Results

Appendix B: Draft auditor's report

Financial Statements of

LONDON TRANSIT COMMISSION

And Independent Auditor’s Report thereon

Year ended December 31, 2024

INDEPENDENT AUDITOR'S 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, 2024
- 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, 2024, 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 "***Auditor's Responsibilities for the Audit of the Financial Statements***" section of our auditor's 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.

Auditor's 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 auditor's 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 auditor's 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 auditor's 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, 2024, with comparative information for 2023

		2024		2023
Financial Assets				
Cash and cash equivalents	$	37,232,288	$	40,793,113
Accounts receivable		2,277,280		1,949,374
Due from Province of Ontario		2,539,572		-
Due from The City of London		3,030,849		1,304,742
		45,079,989		44,047,229
Financial Liabilities				
Accounts payable and accrued liabilities		12,198,607		11,910,290
Due to The City of London		134,273		175,330
Accrued liability insurance claims (note 8)		1,562,270		1,330,926
Employee future benefits (note 7)		4,275,000		4,169,000
Asset retirement obligation liability (note 13)		1,691,000		1,691,000
Deferred fare media		6,751,787		4,812,546
Deferred revenue (note 11)		8,696,103		13,782,007
		35,309,040		37,871,099
Net financial assets		9,770,949		6,176,130
Non - Financial Assets				
Inventories (note 3)		3,431,025		3,951,503
Tangible capital assets (note 10)		99,234,604		88,032,913
Prepaid expenses		1,937,474		1,923,427
		104,603,103		93,907,843
Commitments (note 9)				
Accumulated surplus (note 4)	$	114,374,052	$	100,083,973

See accompanying notes to financial statements.

LONDON TRANSIT COMMISSION

Statement of Operations

DRAFT

Year ended December 31, 2024, with comparative information for 2023

	Budget (note 12)	2024	2023
Revenue:			
Grants:			
The City of London (note 5)	$ 96,686,200	$ 69,477,809	$ 47,051,343
Province of Ontario (note 5)	22,667,500	18,257,742	10,342,804
Government of Canada (note 5)	17,467,800	3,619,882	141,650
	$ 136,821,500	$ 91,355,433	$ 57,535,797
User charges, conventional transit:			
Cash fares	$ 3,043,300	$ 2,891,581	$ 3,177,129
Ticket fares	12,127,200	12,224,125	9,700,829
Pass fares	23,985,200	24,305,017	22,773,931
Other transportation revenue	(62,400)	(90,933)	1,481,609
	$ 39,093,300	$ 39,329,790	$ 37,133,498
Other revenue, conventional transit:			
Advertising	$ 654,900	$ 662,289	$ 717,779
Interest and discounts	1,254,200	2,091,792	2,604,259
Rent	2,500	360	720
Gain on disposal of capital assets	48,000	118,671	68,160
Miscellaneous	31,000	59,214	48,452
	$ 1,990,600	$ 2,932,326	$ 3,439,370
User charges, specialized transit:			
Cash fares	$ 41,700	$ 33,393	$ 25,729
Ticket fares	533,300	477,024	324,616
Pass fares	264,100	256,398	145,946
	$ 839,100	$ 766,815	$ 496,291
Total revenue	$ 178,744,500	$ 134,384,364	$ 98,604,956

See accompanying notes to financial statements.

LONDON TRANSIT COMMISSION

Statement of Operations

DRAFT

Year ended December 31, 2024, with comparative information for 2023

	Budget (note 12)	2024	2023
Expenses:			
Salaries, wages and benefits:			
Transportation	$ 47,449,765	$ 47,487,669	$ 43,831,886
Vehicle maintenance	11,949,970	11,519,489	10,454,217
Facility	697,442	604,613	627,330
Planning, marketing and general administration	4,799,423	4,350,275	4,141,434
	$ 64,896,600	$ 63,962,046	$ 59,054,867
Materials, supplies, utilities and services:			
Transportation	$ 4,673,100	$ 4,348,177	$ 4,173,540
Vehicle maintenance	9,106,700	9,053,597	8,063,879
Facility	3,827,000	3,450,813	3,611,667
Planning, marketing and general administration	2,601,200	2,620,932	2,239,231
Fuel	10,635,200	9,269,413	9,819,653
Amortization	-	13,756,840	12,654,784
	$ 30,843,200	$ 42,499,772	$ 40,562,754
Current operations, specialized transit:			
Administration:			
Salaries and benefits	$ 1,519,200	$ 1,359,682	$ 1,289,089
Materials and supplies	351,200	356,288	320,928
	$ 1,870,400	$ 1,715,970	$ 1,610,017
Contracted service delivery	$ 12,791,400	$ 11,916,497	$ 9,193,057
	$ 14,661,800	$ 13,632,467	$ 10,803,074
Total expenses	$ 110,401,600	$ 120,094,285	$ 110,420,695
Annual surplus (deficit) (note 12)	$ 68,342,900	$ 14,290,079	$ (11,815,739)
Accumulated surplus, beginning of year	100,083,973	100,083,973	111,899,712
Accumulated surplus, end of year	$ 168,426,873	$ 114,374,052	$ 100,083,973

See accompanying notes to financial statements.

LONDON TRANSIT COMMISSION

Statement of Change in Net Financial Assets

DRAFT

Year ended December 31, 2024, with comparative information for 2023

	Budget (note 12)	2024	2023
Annual surplus (deficit)	$ 68,342,900	$ 14,290,079	$ (11,815,739)
Acquisition of tangible capital assets	(70,288,500)	(24,958,531)	(2,172,535)
Amortization of tangible capital assets	-	13,756,840	12,654,784
Gain on disposal of tangible capital assets	(48,000)	(118,671)	(68,160)
Proceeds on sale of tangible capital assets	48,000	118,671	68,160
	$ (1,945,600)	$ 3,088,388	$ (1,333,490)
Inventories	-	520,478	(274,052)
Prepaid expenses	-	(14,047)	(234,406)
	$ -	$ 506,431	$ (508,458)
Change in net financial assets	(1,945,600)	3,594,819	(1,841,948)
Net financial assets, beginning of year	6,176,130	6,176,130	8,018,078
Net financial assets (debt), end of year	$ 4,230,530	$ 9,770,949	$ 6,176,130

See accompanying notes to financial statements.

LONDON TRANSIT COMMISSION

Statement of Cash Flows

DRAFT

Year ended December 31, 2024, with comparative information for 2023

		2024		2023
Cash provided by (used in):				
Operating activities:				
Annual surplus (deficit)	$	14,290,079	$	(11,815,739)
Items not involving cash:				
Amortization		13,756,840		12,654,784
Gain on disposal of tangible capital assets		(118,671)		(68,160)
Change in employee future benefit liability		106,000		(107,000)
Changes in non-cash assets and liabilities:				
Accounts receivable		(327,906)		(128,954)
Due from The City of London		(1,726,107)		(393,644)
Due from The Province of Ontario		(2,539,572)		-
Inventories		520,478		(274,052)
Prepaid expenses		(14,047)		(234,406)
Accounts payable and accrued liabilities		288,317		2,260,740
Due to The City of London		(41,057)		120,734
Due to Province of Ontario		-		(6,783,573)
Accrued liability insurance claims		231,344		(32,798)
Deferred fare media		1,939,241		(923,584)
Deferred revenue		(5,085,904)		827,535
Net change in cash from operating activities	$	21,279,035	$	(4,898,117)
Capital activities:				
Proceeds on sale of tangible capital assets		118,671		68,160
Cash used to acquire tangible capital assets		(24,958,531)		(2,172,535)
Net change in cash from capital activities		(24,839,860)		(2,104,375)
Net change in cash and cash equivalents		(3,560,825)		(7,002,492)
Cash and cash equivalents, beginning of year		40,793,113		47,795,605
Cash and cash equivalents, end of year	$	37,232,288	$	40,793,113
Cash	$	17,008,401	$	14,553,587
Cash equivalents		20,223,887		26,239,526
Cash and cash equivalents, end of year	$	37,232,288	$	40,793,113

See accompanying notes to financial statements.

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, the Province of Ontario, and the Government of Canada 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.

1. Significant accounting policies (continued):

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

(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.

(e) Tangible capital assets:

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

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

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

(f) Use of estimates:

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

(g) Financial instruments

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

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

Amortized cost is measured using the effective interest rate method.

1. Significant accounting policies (continued):

(g) **Financial instruments (continued)**

Fair value category: The Commission manages and reports performance for groups of financial assets on a fair-value basis. Investments traded in an active market are reflected at fair value as at the reporting date. Sales and purchases of investments are recorded on the trade date. Transaction costs related to the acquisition of investments are recorded as an expense. Unrealized gains and losses on financial assets are recognized in the Statement of Remeasurement Gains and Losses until such time that the financial asset is derecognized due to disposal or impairment. At the time of derecognition, the related realized gains and losses are recognized in the Statement of Operations and Accumulated Surplus and related balances reversed from the Statement of Remeasurement Gains and Losses. A Statement of Remeasurement Gains and Losses has not been included as [illegible]

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

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

(h) **Asset retirement obligations**

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

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

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

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

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

The Commission adopted the following standards concurrently beginning January 1, 2024 prospectivley: PS 3160 Public Private Partnerships, PS 3400 Revenue and adopted PSG-8 Purchased Intangibles prospectively.

(a) PS 3160 Public Private Partnerships (P3s) provides specific guidance on the accounting and reporting for P3s between public and private sector entities where the public sector entity procures infrastructure using a private sector partner. As a result of applying the Public Private Partnership accounting standard it was identified that this accounting standard did not affect the Commission and therefore no adjusting entries occurred.

(b) PS 3400 Revenue establishes standards on how to account for and report on revenue, specifically differentiating between transactions that include performance obligations (i.e. the payor expects a good or service from the public sector entity), referred to as exchange transactions, and transactions that do not have performance obligations, referred to as non-exchange transactions. For exchange transactions, revenue is recognized when a performance obligation is satisfied. For non-exchange transactions, revenue is recognized when there is authority to retain an inflow of economic resources and a past event that gave rise to an asset has occurred. For 2024, the year of transition, based on an evaluation of the Commission's revenue transactions, no adjustment to opening balances was required.

(c) PSG-8 Purchased Intangibles provides guidance on the accounting and reporting for purchased intangible assets that are acquired through arm’s length exchange transactions between knowledgeable, willing parties that are under no compulsion to act. No such transactions were identified by the Commission.

3. Inventories:

	2024	2023
Spare parts	$ 3,431,025	$ 3,951,503

4. Accumulated surplus:

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

	2024	2023
Surplus:		
Invested in tangible capital assets	$ 99,234,604	$ 88,032,913
To be recovered from public liability insurance reserve fund	(1,562,270)	(1,330,926)
Unfunded:		
Employee future benefits liability	(4,275,000)	(4,169,000)
Vacation pay earned and accrued payroll	(3,353,900)	(3,213,900)
Asset retirement obligation liability	(1,691,000)	(1,691,000)
Total surplus	88,352,434	77,628,087
Reserves set aside for specific purposes of the Commission (note 11):		
Energy management reserve	4,165,750	1,665,750
General operating reserve	4,943,418	3,416,765
Health care management reserve	4,602,699	4,586,499
Total reserves	13,711,867	9,669,014
Reserve funds set aside for specific purposes by the Commission (note 11):		
Capital program reserve fund	7,125,476	7,637,923
Public liability insurance reserve fund	5,184,275	5,148,949
Total reserve funds	12,309,751	12,786,872
	$ 114,374,052	$ 100,083,973

5. Grants:

(a) The City of London:

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

	2024	2023
Operating grants:		
Specialized transit	$ 14,236,400	$ 9,793,620
Conventional transit	44,113,000	36,042,920
	58,349,400	45,836,540
Capital grants:		
Capital levy and debentures	10,166,207	1,214,803
Development	962,202	-
	11,128,409	1,214,803
Total grants received from The City of London	$ 69,477,809	$ 47,051,343

5. Grants (continued):

(a) The City of London (continued):

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

	2024	2023
Equalization grant, seniors (reduced fares)	$ 378,543	$ 276,848
Equalization grant, income related (reduced fares)	303,360	201,620
Equalization grant, youth (reduced fares)	462,320	360,808
Free transportation, blind	369,261	161,984
Free transportation, children	190,697	261,083
	$ 1,704,181	$ 1,262,343

(b) Province of Ontario:

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

	2024	2023
Capital grants:		
Gas tax program	$ 5,377,591	$ 41,608
Investing in Canada infrastructure program	3,013,551	117,924
	8,391,142	159,532
Operating grants:		
Gas tax program	9,866,600	10,183,272
	9,866,600	10,183,272
Total Province of Ontario grants	$ 18,257,742	$ 10,342,804

(c) Government of Canada:

	2024	2023
Capital grants:		
Investing in Canada infrastructure program	$ 3,619,882	$ 141,650
Total Government of Canada grants	$ 3,619,882	$ 141,650

6. Pension agreement:

Effective February 1, 1989, the London Transit Commission commenced participation in the Ontario Municipal Employees Retirement System (OMERS) which is a multi employer plan, for all active employees at that date as well as for all new employees. As of December 31, 2024 there were 676 (2023 - 682) 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

The amount contributed to OMERS for 2024 was $3,821,950 (2023 - $3,673,923) for current service and is expensed in the statement of operations.

The last available report for the OMERS plan was on December 31, 2024. At that time, the plan reported a $2.9 billion actuarial deficit (2023 - $4.2 billion), based on actuarial liabilities for $142.5 million (2023 - $136.1 million) and actuarial assets for $139.6 million (2023 - $131.9 million). If actuarial surpluses are not available to offset the existing deficit and subsidize future contributions, increases in contributions will be required in the future.

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

7. Employee future benefits:

The Commission provides benefits to retirees until they reach sixty-five years of age and provides certain benefits to employees on long-term disability. The employee future benefit liability has been estimated based on an actuarial valuation which was completed at December 31, 2024.

	2024	2023
Employee future benefits liability as of December 31	$ 4,275,000	$ 4,169,000

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

	2024	2023
Current year benefit cost	$ 257,000	$ 277,000
Interest on accrued benefit obligation	113,000	102,000
Amortized gain (loss)	76,000	(174,000)
Benefits paid	(340,000)	(312,000)
	$ 106,000	$ (107,000)

Significant assumptions are as follows:

	2024	2023
Discount rate	3.50%	3.50%
Rate of compensation increase	2.00%	2.00%
Healthcare cost current	5.01%	5.47%
Healthcare cost ultimate	4.00%	4.00%

8. Public liability insurance:

At December 31, 2024, there were 115 liability claims (2026 - 101) and 11 accident benefits claims (2023 - 5) outstanding that may result in payment under the insurance deductible provisions. The estimated cost to the Commission is $1,317,123 and $245,147 (2023 - $1,292,537 and $38,389) respectively for a total of $1,562,270 (2023 - $1,330,926) to be funded from the public liability reserve fund.

9. Commitments:

Bus procurement:

The Commission has approved the awarding of contracts with New Flyer Industries for the purchase of thirty-four buses for $30,956,828 in 2024. It is anticipated these buses will arrive by the end of 2025. In February 2025, the commission approved the awarding of contracts with New Flyer Industries for the purchase of twenty-nine buses for $27,853,383. It is anticipated these buses will arrive in 2026.

10. Tangible capital assets:

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

Cost		Balance December 31, 2023		Additions		Disposals		Reclassed		Balance December 31, 2024
Land	$	2,804,632	$	-	$	-	$	-	$	2,804,632
Site work		3,813,121		11,989		-		-		3,825,110
Buildings		47,943,454		113,575		-		-		48,057,029
Shelters, pads, and terminals		5,285,325		103,051		-		-		5,388,376
Rolling stock		132,559,922		20,993,549		(10,822,382)		70,964		142,802,053
Fare and data collection equipment		7,325,087		906,735		-		-		8,231,822
Radio/communication equipment		9,863,252		-		-		599,447		10,462,699
Bike racks on buses		158,878		-		-		-		158,878
Service fleet		506,916		144,524		(71,286)		-		580,154
Shop equipment		4,496,525		692,327		(54,225)		-		5,134,627
Small tools		242,181		99,088		(76,894)		-		264,375
Computer hardware		1,593,106		187,438		-		-		1,780,544
Computer software		2,337,196		384,881		-		-		2,722,077
Capital work in progress		838,971		1,321,374		-		(670,411)		1,489,934
	$	219,768,566	$	24,958,531	$	(11,024,787)	$	-	$	233,702,310

Accumulated amortization		Balance December 31, 2023		Disposals		Amortization		Reclassed		Balance December 31, 2024
Land	$	-	$	-	$	-	$	-	$	-
Site work		2,138,613		-		153,004		-		2,291,617
Buildings		24,162,508		-		1,249,782		-		25,412,290
Shelters, pads, and terminals		3,008,602		-		457,856		-		3,466,458
Rolling stock		80,421,141		(10,822,382)		10,450,129		-		80,048,888
Fare and data collection equipment		4,820,742		-		418,069		-		5,238,811
Radio/communication equipment		8,444,288		-		273,134		-		8,717,422
Bike racks on buses		158,878		-		-		-		158,878
Service fleet		453,374		(71,286)		81,735		-		463,823
Shop equipment		4,353,193		(54,225)		196,920		-		4,495,888
Small tools		163,603		(76,894)		88,125		-		174,834
Computer hardware		1,398,067		-		178,547		-		1,576,614
Computer software		2,212,644		-		209,539		-		2,422,183
	$	131,735,653	$	(11,024,787)	$	13,756,840	$	-	$	134,467,706

Net book value		Balance December 31, 2023		Balance December 31, 2024
Land	$	2,804,632	$	2,804,632
Site work		1,674,508		1,533,493
Buildings		23,780,946		22,644,739
Shelters, pads, and terminals		2,276,723		1,921,918
Rolling stock		52,138,781		62,753,165
Fare and data collection equipment		2,504,345		2,993,011
Radio/communication equipment		1,418,964		1,745,277
Service fleet		53,542		116,331
Shop equipment		143,332		638,739
Small tools		78,578		89,541
Computer hardware		195,039		203,930
Computer software		124,552		299,894
Capital in process		838,971		1,489,934
	$	88,032,913	$	99,234,604

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

	Energy management reserve	General operating reserve	Health care management reserve	2024 Total	2023 Total
Reserves:					
Balance, beginning of year	$ 1,665,750	$ 3,416,765	$ 4,586,499	$ 9,669,014	$ 10,181,802
Contributions from current operations	2,500,000	1,526,653	500,000	4,526,653	123,152
Appropriations to current operations	-	-	(483,800)	(483,800)	(635,940)
	$ 4,165,750	$ 4,943,418	$ 4,602,699	$ 13,711,867	$ 9,669,014

	Capital program	Public liability insurance	2024 Total	2023 Total
Reserve funds:				
Balance, beginning of year	$ 7,637,923	$ 5,148,949	$ 12,786,872	$ 13,481,072
Interest earned	401,454	278,699	680,153	723,657
Contributions from current operations	368,700	400,000	768,700	-
	8,408,077	5,827,648	14,235,725	14,204,729
Expenditures:				
Appropriations to current operations	-	(643,373)	(643,373)	(761,308)
Appropriations to capital LTC	(1,282,600)	-	(1,282,600)	(656,549)
	(1,282,600)	(643,373)	(1,925,973)	(1,417,857)
Balance, end of year	$ 7,125,477	$ 5,184,275	$ 12,309,752	$ 12,786,872

Deferred revenues	Provincial gas tax program	2024 Total	2023 Total
Deferred revenues:			
Balance, beginning of year	$ 13,782,007	$ 13,782,007	$ 12,954,472
Interest earned	536,498	536,498	716,093
Contributions	10,158,287	10,158,287	11,052,415
	24,476,792	24,476,792	24,722,980
Expenditures:			
Appropriations to current operations	(9,866,600)	(9,866,600)	(10,899,365)
Appropriations to capital LTC	(5,914,089)	(5,914,089)	(41,608)
Unused funds owed back to province	-	-	-
	(15,780,689)	(15,780,689)	(10,940,973)
Balance, end of year	$ 8,696,103	$ 8,696,103	$ 13,782,007

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

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

PSAB requirements impact how and where revenue and expenditure items are reported and on what financial statement. This results in the reporting of a 2024 budget surplus, a 2024 actual surplus and a 2023 actual deficit.

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

	Budget	2024	2023
Annual surplus (deficit)	$ 68,342,900	$ 14,290,079	$ (11,815,739)
Capital expenditures	(70,288,500)	(24,958,531)	(2,172,535)
Transfers from reserves and reserve funds	1,661,400	2,409,773	2,053,797
Contributions to reserves and reserve funds	(1,398,800)	(5,975,505)	(846,809)
Amortization of tangible capital assets	-	13,756,840	12,654,784
Increase (decrease) in employee future benefits	-	106,000	(107,000)
Increase (decrease) in liability for insurance claims	-	231,344	(32,798)
Increase (decrease) in liability for vacation pay	-	140,000	266,300
Commission approved surplus (deficit)	$ (1,683,000)	$ -	$ -

13. Asset retirement obligations:

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

As at December 31, 2024, all liabilities for asset retirement obligations are reported at current costs in nominal dollars without discounting.

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

As at December 31	2024	2023
Liabilities for Asset Retirement Obligations at Beginning of Year	$ 1,691,000	$ -
Opening adjustments	-	1,691,000
Liabilities for Asset Retirement Obligations at of Year	$ 1,691,000	$ 1,691,000

14. Financial instruments:

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

The Commission is exposed to a variety of financial risks including credit risk, liquidity risk and market risk, which have not changed significantly from the prior year. The Commission's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Commission's financial performance.

(b) Credit risk

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

(c) Liquidity risk

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

As at December 31, 2024	Within 6 months	6-12 months	1-4 years	4+ years
Accounts payable and accrued liabilities	$ 8,998,800	$ 1,926,295	$ 531,659	$ 741,853

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

Appendix C: Management representation letter

(Letterhead of Client)

KPMG LLP
1400-140 Fullarton Street
London, Ontario N6A 5P2
Canada

Date

We are writing at your request to confirm our understanding that your audit was for the purpose of expressing an opinion on the financial statements (hereinafter referred to as “financial statements”) of London Transit Commission (“the Entity”) as at and for the period ended December 31, 2024.

General:

We confirm that the representations we make in this letter are in accordance with the definitions as set out in **Attachment I** to this letter.

We also confirm that, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Responsibilities:

1) We have fulfilled our responsibilities, as set out in the terms of the engagement letter dated January 1, 2023, including for:

   a) the preparation and fair presentation of the financial statements and believe that these financial statements have been prepared and present fairly in accordance with the relevant financial reporting framework.

   b) providing you with all information of which we are aware that is relevant to the preparation of the financial statements (“relevant information”), such as financial records, documentation and other matters, including:

      — the names of all related parties and information regarding all relationships and transactions with related parties;
      — the complete minutes of meetings, or summaries of actions of recent meetings for which minutes have not yet been prepared, of shareholders, board of directors and committees of the board of directors that may affect the financial statements. All significant actions are included in such summaries.

   c) providing you with unrestricted access to such relevant information.

   d) providing you with complete responses to all enquiries made by you during the engagement.

   e) providing you with additional information that you may request from us for the purpose of the engagement.

   f) providing you with unrestricted access to persons within the Entity from whom you determined it necessary to obtain audit evidence.

   g) such internal control as we determined is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. We also acknowledge and understand that we are responsible for the design, implementation and maintenance of internal control to prevent and detect fraud.

h) ensuring that all transactions have been recorded in the accounting records and are reflected in the financial statements.

i) ensuring that internal auditors providing direct assistance to you, if any, were instructed to follow your instructions and that we, and others within the entity, did not intervene in the work the internal auditors performed for you.

Internal control over financial reporting:

2) We have communicated to you all deficiencies in the design and implementation or maintenance of internal control over financial reporting of which we are aware.

Fraud & non-compliance with laws and regulations:

3) We have disclosed to you:

a) the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

b) all information in relation to fraud or suspected fraud that we are aware of that involves:

— management;

— employees who have significant roles in internal control over financial reporting; or

— others

where such fraud or suspected fraud could have a material effect on the financial statements.

c) all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements, communicated by employees, former employees, analysts, regulators, short sellers, or others.

d) all known instances of non-compliance or suspected non-compliance with laws and regulations, including all aspects of contractual agreements or illegal acts, whose effects should be considered when preparing financial statements.

e) all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Subsequent events:

4) All events subsequent to the date of the financial statements and for which the relevant financial reporting framework requires adjustment, or disclosure, in the financial statements have been adjusted or disclosed.

Related parties:

5) We have disclosed to you the identity of the Entity’s related parties.

6) We have disclosed to you all the related party relationships and transactions/balances of which we are aware.

7) All related party relationships and transactions/balances have been appropriately accounted for, and disclosed, in accordance with the relevant financial reporting framework.

Estimates:

8) The methods, the data and the significant assumptions used in making accounting estimates, and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in the context of the applicable financial reporting framework.

Going concern:

9) We have provided you with all information relevant to the use of the going concern assumption in the financial statements.

10) We confirm that we are not aware of material uncertainties related to events or conditions that may cast significant doubt upon the Entity's ability to continue as a going concern.

Non-SEC registrants or non-reporting issuers:

11) We confirm that the Entity is not a Canadian reporting issuer (as defined under any applicable Canadian securities act) and is not a United States Securities and Exchange Commission ("SEC") Issuer (as defined by the Sarbanes-Oxley Act of 2002).

Approval of financial statements:

12) Kelly Paleczny has the recognized authority to take, and has taken, responsibility for the financial statements.

Other:

13) We have shared with you all the relevant information to account for the outstanding liability claims as at December 31, 2024. We are unaware of any existing claims that are not subject to insurance coverage or exceed any maximum coverage.

Yours very truly,

____

Ms. Kelly Paleczny, General Manager

____

Mr. Mike Gregor, Director of Finance

____

Mr. Ted Graham, Manager of Accounting

Attachment I – Definitions

Materiality

Certain representations in this letter are described as being limited to matters that are material.

Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Judgments about materiality are made in light of surrounding circumstances, and are affected by perception of the needs of, or the characteristics of, the users of the financial statements and, the size or nature of a misstatement, or a combination of both while also considering the entity's own circumstances.

Fraud & error

Fraudulent financial reporting involves intentional misstatements including omissions of amounts or disclosures in financial statements to deceive financial statement users.

Misappropriation of assets involves the theft of an entity's assets. It is often accompanied by false or misleading records or documents in order to conceal the fact that the assets are missing or have been pledged without proper authorization.

An error is an unintentional misstatement in financial statements, including the omission of an amount or a disclosure.

Appendix D: Newly effective and upcoming changes to accounting standards

Accounting standards

Standard	Summary and implications
Concepts Underlying Financial Performance	• The revised Conceptual Framework is effective for fiscal years beginning on or after April 1, 2026 with early adoption permitted. • The framework provides the core concepts and objectives underlying Canadian public sector accounting standards. • The ten chapter conceptual framework defines and elaborates on the characteristics of public sector entities and their financial reporting objectives. Additional information is provided about financial statement objectives, qualitative characteristics and elements. General recognition and measurement criteria, and presentation concepts are introduced.

Financial Statement Presentation	• The proposed section PS 1202 *Financial statement presentation* will replace the current section PS 1201 *Financial statement presentation*. PS 1202 *Financial statement presentation* will apply to fiscal years beginning on or after April 1, 2026 to coincide with the adoption of the revised conceptual framework. Early adoption is permitted.
	• The proposed section includes the following:
	  • Relocation of the net debt indicator to its own statement called the statement of net financial assets/liabilities, with the calculation of net debt refined to ensure its original meaning is retained.
	  • Separating liabilities into financial liabilities and non-financial liabilities.
	  • Restructuring the statement of financial position to present total assets followed by total liabilities.
	  • Changes to common terminology used in the financial statements, including re-naming accumulated surplus (deficit) to net assets (liabilities).
	  • Removal of the statement of remeasurement gains (losses) with the information instead included on a new statement called the statement of changes in net assets (liabilities). This new statement would present the changes in each component of net assets (liabilities), including a new component called “accumulated other”.
	  • A new provision whereby an entity can use an amended budget in certain circumstances.
	  • Inclusion of disclosures related to risks and uncertainties that could affect the entity’s financial position.

Appendix D: Newly effective and upcoming changes to accounting standards

Accounting standards (continued)

Standard	Summary and implications
Employee Future Benefit Obligations	• The Public Sector Accounting Board has initiated a review of sections PS 3250 *Retirement benefits* and PS 3255 *Post-employment benefits, compensated absences and termination benefits*. • The intention is to use principles from International Public Sector Accounting Standard 39 *Employee benefits* as a starting point to develop the Canadian standard. • Given the complexity of issues involved and potential implications of any changes that may arise from the review of the existing guidance, the new standards will be implemented in a multi-release strategy. The first standard will provide foundational guidance. Subsequent standards will provide additional guidance on current and emerging issues. • The proposed section PS 3251 *Employee benefits* will replace the current sections PS 3250 *Retirement benefits* and PS 3255 *Post-employment benefits, compensated absences and termination benefits*. It will apply to fiscal years beginning on or after April 1, 2026. Early adoption will be permitted and guidance applied retroactively. • This proposed section would result in public sector entities recognizing the impact of revaluations of the net defined benefit liability (asset) immediately on the statement of financial position. Organizations would also assess the funding status of their post-employment benefit plans to determine the appropriate rate for discounting post-employment benefit obligations. • The Public Sector Accounting Board is in the process of evaluating comments received from stakeholders on the exposure draft.

Appendix D: Newly effective and upcoming changes to auditing standards

Effective for periods beginning on or after December 15, 2023

ISA 600/CAS 600

Revised special considerations – Audits of group financial statements

Click here for information about CAS 600 from CPA Canada:

Revised CAS 600

Effective for periods beginning on or after December 15, 2024

ISA 260/CAS 260

Communications with those charged with governance

ISA 700/CAS 700

Forming an opinion and reporting on the financial statements

Click here for information about CAS 260 and CAS 700 from CPA Canada:

Amended CAS 260 and CAS 700

Appendix E: Audit and assurance insights

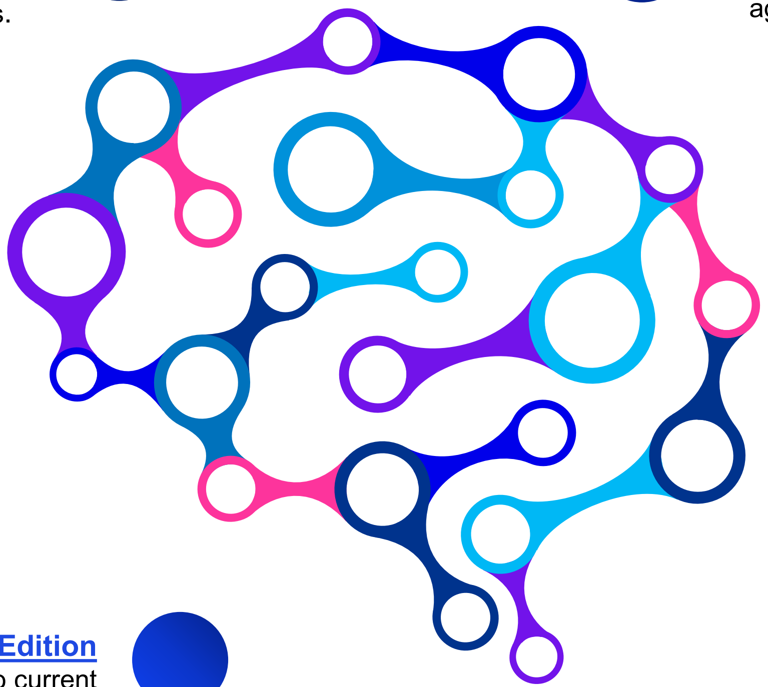
Our latest thinking on the issues that matter most to Audit Committees, board of directors and management.

KPMG Audit & Assurance Insights
Curated research and insights for audit committees and boards.

Board Leadership Centre
Leading insights to help board members maximize boardroom opportunities

Current Developments
Series of quarterly publications for Canadian businesses including Spotlight on IFRS, Canadian Assurance & Related Services, Canadian Securities Matters, and US Outlook reports.

Audit Committee Guide – Canadian Edition
A practical guide providing insight into current challenges and leading practices shaping audit committee effectiveness in Canada.



Accelerate 2024
The key issues driving the audit committee agenda in 2024.

Sustainability Reporting
Resource centre on implementing the new Canadian reporting standards

Government and Public Sector Insights
Navigating the contentious issues disrupting all government and public sector organizations requires the steady hand of a trusted guide.

Appendix F: Thought leadership and insights

2024 CEO Outlook	From the race to embrace artificial intelligence (AI) to ever-mounting geopolitical concerns, the challenges faced by the CEOs of today are vast and complex. Alongside these external pressures, internal challenges such as upskilling the workforce and hybrid working are pushing CEOs to be agile and adaptable in their stakeholder management while also keeping an eye on long-term growth. The KPMG CEO Outlook surveys more than 1,300 global business leaders who share their views on geopolitics, return-to-office, ESG and generative AI. Click here to access KPMG's portal.
Future of Risk	Enterprises are facing an array of reputational, environmental, regulatory and societal forces. To navigate this complex landscape, the C-suite should seek to embrace risk as an enabler of value and fundamentally transform their approach. KPMG's global survey of 400 executives reveals that their top priorities for the next few years are adapting to new risk types and adopting advanced analytics and AI. As organizations align risk management with strategic objectives, closer collaboration across the enterprise will be essential. Click here to access KPMG's portal.
Resilience Amid Complexity	In today's rapidly evolving and interconnected business landscape, organizations face unprecedented challenges and an increasingly complex and volatile risk landscape that can threaten their competitiveness and future survival. We share revealing real-world examples of how companies have overcome their challenges and emerged stronger as the rapid pace of change accelerates and look at the key components of KPMG's enterprise resilience framework and how it is helping these businesses build resilience and achieve their strategic objectives in an increasingly uncertain world. Click here to access KPMG's portal.
Future of Procurement	Procurement is at an exciting point where leaders have the opportunity to recast their functions as strategic powerhouses. In this global report we examine how these forces may affect procurement teams and discuss how procurement leaders can respond – and the capabilities they will need to thrive. Our insights are augmented by findings from the KPMG 2023 Global Procurement Survey, which captured the perspectives of 400 senior procurement professionals around the globe, representing a range of industries. Click here to access KPMG's portal.

Appendix F: Thought leadership and insights (continued)

Artificial Intelligence in Financial Reporting and Audit	Artificial intelligence (AI) is transforming the financial reporting and auditing landscape, and is set to dramatically grow across organizations and industries. In our new report, KPMG surveyed 1,800 senior executives across 10 countries, including Canada, confirming the importance of AI in financial reporting and auditing. This report highlights how organizations expect their auditors to lead the AI transformation and drive the transformation of financial reporting. They see a key role for auditors in supporting the safe and responsible rollout of AI, including assurance and attestation over the governance and controls in place to mitigate risks. Click here to access KPMG's portal.
Control System Cybersecurity Annual Report 2024	Based on a survey of more than 630 industry members (13% from government organizations), this report reveals that while the increase in cyberattacks is concerning, organizations have become more proactive in their cybersecurity budgets, focused on prevention, and acknowledging the threat of supply chain attacks. Furthermore, the report highlights a pressing need for skilled cybersecurity professionals in the face of escalating cyber threats. Explore the full report to help gain a clearer understanding of the growing cyber threat landscape and learn how to overcome the roadblocks to progress. Click here to access KPMG's portal.
Cybersecurity Considerations 2024: Government and Public Sector	In every industry, cybersecurity stands as a paramount concern for leaders. Yet, for government and public sector organizations, the game of digital defense takes on a whole new level of intensity. The reason? The sheer volume and sensitivity of data they manage, which can amplify the potential fallout from any breach. These agencies are the custodians of a vast array of personal and critical data, spanning from citizen welfare to public safety and national security. This article delves into the pivotal cybersecurity considerations for the government and public sector. It offers valuable perspectives on critical focus areas and provides actionable strategies for leaders and their security teams to fortify resilience, drive innovation, and uphold trust in an ever-changing environment. Click here to access KPMG's portal.

Appendix F: Thought leadership and insights (continued)

Why the Public Sector Must Take the Lead in Sustainability Reporting	As the world prepares for the implementation of sustainability reporting standards from the International Sustainability Board (ISSB), the need for public sector leadership is pronounced. While governments around the world have collaborated on vital policy and regulatory solutions, they have yet to provide sustainability reporting for their own government reporting entities. This presents a major obstacle to global sustainability ambitions, particularly considering the vast physical infrastructure, non-renewable resources, rare earth elements, water and natural assets controlled by governments around the world. . Click here to access KPMG’s portal.
Fighting Modern Slavery in Canadian Supply Chain	The deadline for the first year of reporting under Canada’s Fighting Forced Labour and Child Labour in Supply Chains Act (the Act) was May 31, 2024. Under the Act, eligible entities are required to publicly report on steps taken to reduce the risk of forced labour and child labour in their business and supply chain. KPMG in Canada reviewed 5,794 report submissions for the act to identify key takeaways. Click here to access KPMG’s portal.
ESG for Cities Webinar Series	Cities and municipalities play a crucial role to drive climate action and resilience measures, acting as stewards for the communities they serve – including their constituents, and public, private and non-profit organizations. With the physical impacts of climate changes – including floods, wildfires and droughts – accelerating in terms of both increased frequency and severity, city and municipal leaders are increasingly considering how they can tackle the multifaced challenge of achieving net zero greenhouse gas (GHG) emissions by 2050. KPMG in Canada’s Public Sector and ESG practices completed a three-part national webinar series focusing on the journey to net zero – from strategic planning and stakeholder engagement to the implementation at the asset and operational level, and subsequent reporting obligations. Click here to access KPMG’s portal.

Appendix F: Thought leadership and insights (continued)

Current trends in internal audit

Organizations continually face a wide spectrum of risks beyond the already complex financial and regulatory compliance risks. Many organizations are recognizing the impact and benefit of internal audit activity that is agile, properly resourced, effectively managed, and aligned with strategic priorities, which can improve risk management and control processes and drive better efficiencies.

Examples of internal audits are noted below.

Cost reduction / efficiency planning

Review the governance arrangements for the monitoring and efficiency delivery of programs / services as required. This includes considering how efficiency requirements have been apportioned and communicated to support planning.

Fraud risk management

Internal Audit assesses whether a fraud risk management framework exists and whether fraud risk assessment is performed at these levels. Internal Audit reviews the overall governance surrounding this process and review the communication and reporting protocols in place.

Staff inclusion and diversity

Assess the strategy and plan in place for inclusion and diversity amongst staff, the governance of them and the measures in place to measure achievement of the goals. Training and awareness programs are offered to staff and faculty to provide understanding of roles and responsibilities and material is updated on a regular basis.

Asset management / maintenance

Review the processes and controls in place to ensure assets are adequately managed based on an appropriate schedule.

Well being (staff)

Review processes in place to develop and promote employee wellness programs and mental health strategies for staff. Areas of focus include overall program framework, communication to faculty and staff, feedback mechanisms and management's approach to assessing the suitability of the current wellness offerings version faculty and staff needs.

kpmg.ca