



*Financial Statements of*

**ST. JOHN'S TRANSPORTATION  
COMMISSION**

*December 31, 2010*

**ST. JOHN'S TRANSPORTATION COMMISSION**  
December 31, 2010

**Table of Contents**

	<u>PAGE</u>
Independent Auditor's Report	1
Statement of Operations and Accumulated Deficit	2
Statement of Financial Position	3
Statement of Change in Net Debt	4
Statement of Cash Flows	5
Notes to the Financial Statements	6 - 14
Schedules of Expenses	15 - 16



Deloitte & Touche LLP  
10 Factory Lane  
Fort William Building  
St. John's NL A1C 6H5  
Canada

Tel: (709) 576-8480  
Fax: (709) 576-8460  
www.deloitte.ca

## Independent Auditor's Report

To the Commissioners of  
St. John's Transportation Commission

We have audited the accompanying financial statements of St. John's Transportation Commission, which comprise the statement of financial position as at December 31, 2010, and the statements of operations and accumulated deficit, changes in net debt and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, 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.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### *Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of St. John's Transportation Commission as at December 31, 2010, and the results of its operations, changes in net debt and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

*Deloitte & Touche LLP*

Chartered Accountants  
June 7, 2011

**ST. JOHN'S TRANSPORTATION COMMISSION**  
**Statement of Operations and Accumulated Deficit**  
Year ended December 31, 2010

	Budget 2010 \$ (Unaudited)	Actual 2010 \$	Actual 2009 \$
<b>Operating revenues</b>			
Municipal funding	8,375,540	8,375,540	8,080,330
Passenger fares	5,675,680	4,670,766	5,526,784
City of Mount Pearl	670,730	576,405	695,524
Transit advertising	250,000	311,305	311,857
Charters	110,040	69,522	71,768
Sundry	38,050	58,914	50,539
Government grant	-	56,931	-
Interest	6,000	4,426	5,126
	<b>15,126,040</b>	<b>14,123,809</b>	<b>14,741,928</b>
<b>Operating expenses</b>			
Operations (Schedule 1)	7,209,680	6,265,478	6,494,320
Maintenance (Schedule 2)	2,976,880	2,820,425	2,797,602
Finance and administration (Schedule 3)	3,614,380	3,612,801	3,627,736
Amortization	1,239,699	1,136,424	1,166,253
Interest on long-term debt	135,600	81,887	60,984
	<b>15,176,239</b>	<b>13,917,015</b>	<b>14,146,895</b>
Excess of revenues over expenditures (expenditures over revenues) before undernoted items	(50,199)	206,794	595,033
Increase in other employee future benefits	(497,989)	(497,989)	(412,514)
Increase in accrued pension obligation	(422,771)	(299,174)	(779,938)
Excess of expenditures over revenues	(970,959)	(590,369)	(597,419)
Accumulated deficit, beginning of the year	(3,590,041)	(3,590,041)	(2,992,622)
<b>Accumulated deficit, end of the year</b>	<b>(4,561,000)</b>	<b>(4,180,410)</b>	<b>(3,590,041)</b>

See accompanying notes to the financial statements

**ST. JOHN'S TRANSPORTATION COMMISSION**  
**Statement of Financial Position**

As at December 31, 2010

	2010	2009
	\$	\$
<b>Financial assets</b>		
Cash	456,503	16,971
Accounts receivable	369,972	471,330
	<b>826,475</b>	<b>488,301</b>
<b>Financial liabilities</b>		
Accounts payable and accrued liabilities	1,236,831	933,919
Credit facility (Note 8)	4,633,500	4,905,000
Accrued pension obligation (Note 5)	475,075	175,901
Employee benefits payable (Note 6)	1,038,795	950,481
Other employee future benefits (Note 7)	6,223,524	5,725,537
	<b>13,607,725</b>	<b>12,690,838</b>
Net debt	<b>(12,781,250)</b>	<b>(12,202,537)</b>
<b>Non-financial assets</b>		
Tangible capital assets (Note 4)	7,996,184	7,957,375
Parts, supplies and accessories	308,072	345,403
Prepaid expenses	296,584	309,718
	<b>8,600,840</b>	<b>8,612,496</b>
Accumulated deficit	<b>(4,180,410)</b>	<b>(3,590,041)</b>
Commitments (Note 10)		
Contingencies (Note 11)		
On behalf of the Board		
_____ Commissioner _____		_____ Commissioner _____

See accompanying notes to the financial statements

# ST. JOHN'S TRANSPORTATION COMMISSION

## Statement of Change in Net Debt

Year ended December 31, 2010

	Budget 2010	Actual 2010	Actual 2009
	\$	\$	\$
	(Unaudited)		
<b>Excess of expenditures over revenues</b>	<b>(970,959)</b>	<b>(590,369)</b>	<b>(597,419)</b>
<b>Changes in capital assets</b>			
Acquisition of tangible capital assets	(1,375,000)	(1,175,233)	(157,359)
Amortization of tangible capital assets	1,239,699	1,136,424	1,166,253
<b>(Increase) decrease in net book value of tangible capital assets</b>	<b>(135,301)</b>	<b>(38,809)</b>	<b>1,008,894</b>
<b>Changes in other non-financial assets</b>			
Change in prepaid expenses	-	13,134	57,545
Change in parts, supplies and accessories	-	37,331	(64,871)
<b>Decrease (increase) in non-financial assets</b>	<b>-</b>	<b>50,465</b>	<b>(7,326)</b>
(Increase) decrease in net debt	(1,106,260)	(578,713)	404,149
Net debt, beginning of year	(12,202,537)	(12,202,537)	(12,606,686)
<b>Net debt, end of year</b>	<b>(13,308,797)</b>	<b>(12,781,250)</b>	<b>(12,202,537)</b>

See accompanying notes to the financial statements

# ST. JOHN'S TRANSPORTATION COMMISSION

## Statement of Cash Flows

Year ended December 31, 2010

	2010	2009
	\$	\$
<b>Operating activities</b>		
Excess of expenditures over revenues	(590,369)	(597,419)
Adjustments for:		
Amortization	1,136,424	1,166,253
Gain on disposal of capital assets	-	(520)
	<u>546,055</u>	<u>568,314</u>
Change in non-cash operating working capital (Note 9)	1,340,210	1,516,886
	<u>1,886,265</u>	<u>2,085,200</u>
<b>Financing activity</b>		
Payments on credit facility	(271,500)	(1,790,000)
<b>Capital activities</b>		
Purchase of capital assets	(1,175,233)	(157,359)
Proceeds on disposal of capital assets	-	520
	<u>(1,175,233)</u>	<u>(156,839)</u>
Net increase in cash	439,532	138,361
Cash (bank indebtedness), beginning of year	16,971	(121,390)
<b>Cash, end of year</b>	<u>456,503</u>	<u>16,971</u>

Supplemental cash flow information (Note 9)

See accompanying notes to the financial statements

# ST. JOHN'S TRANSPORTATION COMMISSION

## Notes to the Financial Statements

December 31, 2010

---

### 1. NATURE OF OPERATIONS

The St. John's Transportation Commission (the "Commission"), was established by the City of St. John's under the provisions of the City of St. John's Act, and has the sole responsibility of operating a public transit service in St. John's and environs.

### 2. CHANGES IN ACCOUNTING POLICIES

In 2010, the Commission adopted accounting principles established by the Public Sector Accounting Board ("PSAB") of the Canadian Institute of Chartered Accountants ("CICA"). No adjustments were required as a result of this change in accounting principles. The financial statements as at December 31, 2009 and for the year then ended have been reclassified to conform to this basis of financial statement presentation.

### 3. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles ("GAAP") for governments as established by the PSAB of the CICA and reflect the following significant accounting policies:

#### *Revenue recognition*

##### a) Municipal funding and government grants

Grants received are recorded as revenue in the year earned.

##### b) Other revenue

Other revenues are recognized as earned and when collection is reasonably assured.

##### c) Transit advertising

Revenues are recognized over the period where services have been performed and when collection is reasonably assured.

#### *Cash and cash equivalents*

Cash and cash equivalents include cash on hand, balances with banks (net of overdrafts) and short-term deposits with original maturities of three months or less. Bank borrowings are considered to be financing activities.

#### *Parts, supplies and accessories*

Parts, supplies and accessories are valued at the lower of average cost and replacement cost.



**ST. JOHN'S TRANSPORTATION COMMISSION**  
**Notes to the Financial Statements**  
**December 31, 2010**

---

**3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Tangible capital assets*

Tangible capital assets are recorded at cost. Amortization is based on estimated useful life using the following methods and rates or term:

Buses	7 – 12 years	straight line
Bus operating equipment	20%	declining balance
Buildings	5 – 10%	declining balance
Office furniture and equipment	15 – 50%	declining balance
Garage equipment	15 – 25%	declining balance
Vehicles	30%	declining balance
Land improvements	4%	declining balance
Fareboxes under capital lease	7 years	straight line
Electronic transfer and pass reading units	7 years	straight line

*Impairment of long-lived assets*

Long-lived assets are tested for recoverability whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. The amount of any impairment loss is determined as the excess of the carrying value of the asset over its fair value.

*Accrued pension benefits*

The Commission maintains two defined benefit plans which provide pension benefits to its employees (union and non-union). The plans provide benefits based on length of service and average earnings. The Commission has adopted the following policies for its pension plans:

- (i) The cost of pensions earned by employees is actuarially determined using the projected benefit method pro-rated on service and management's best estimate of expected plan investment performance, salary escalation and retirement ages of employees.
- (ii) For the purpose of calculating the expected return on plan assets, those assets are valued at market-related value.
- (iii) Past service costs from plan amendments are amortized on a straight-line basis over the average remaining service period of employees active at the date of amendment.
- (iv) The excess of net actuarial gain (loss) over 10% of the greater of the benefit obligation and the fair value of plan assets is amortized over the average remaining service period of active employees.

**ST. JOHN'S TRANSPORTATION COMMISSION**  
**Notes to the Financial Statements**  
December 31, 2010

**3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Employee future benefits*

The Commission provides post-retirement benefits in the form of prescription drug coverage to both union and non-union employees and dental coverage to non-union employees. The cost and obligations of these benefits earned by employees are actuarially determined using the accrued benefit method pro-rated on service and management's best estimate of assumptions and future claim rates and costs.

*Use of estimates*

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

**4. TANGIBLE CAPITAL ASSETS**

	2010			2009	
	Cost	Accumulated Amortization	Net Book Value	Cost	Net Book Value
	\$	\$	\$	\$	\$
Buses	18,152,648	12,876,507	5,276,141	17,712,952	5,729,952
Bus operating equipment	1,467,516	902,581	564,935	1,354,766	558,943
Buildings	3,331,523	2,183,662	1,147,861	3,315,104	1,208,281
Office furniture and equipment	1,149,136	1,063,400	85,736	1,131,900	88,638
Garage equipment	724,372	614,237	110,135	718,487	138,612
Vehicles	26,092	14,589	11,503	25,026	12,656
Land	155,317	-	155,317	155,317	155,317
Land improvements	163,634	101,257	62,377	163,634	64,976
Fareboxes	582,179	-	582,179	625,377	-
Electronic transfer and pass reading units	405,763	405,763	-	405,763	-
	<b>26,158,180</b>	<b>18,161,996</b>	<b>7,996,184</b>	<b>25,608,326</b>	<b>7,957,375</b>

**ST. JOHN'S TRANSPORTATION COMMISSION**  
**Notes to the Financial Statements**  
December 31, 2010

**5. ACCRUED PENSION BENEFITS**

Based on an actuarial valuation of the plans completed as at December 31, 2007, the following results have been extrapolated to December 31, 2010:

	2010		2009	
	Union	Non-union	Union	Non-union
	\$	\$	\$	\$
<i>Accrued benefit obligation</i>				
Balance, beginning of year	20,544,713	8,186,164	19,323,669	7,576,045
Current service cost	664,844	375,109	784,374	344,446
Interest cost	1,279,806	496,261	1,208,133	459,093
Benefits paid	(818,061)	(211,177)	(787,061)	(197,525)
Participant contributions	17,575	5,762	15,598	4,105
Balance, end of year	21,688,877	8,852,119	20,544,713	8,186,164

	2010		2009	
	Union	Non-union	Union	Non-union
	\$	\$	\$	\$
<i>Accrued benefit asset</i>				
Fair value, beginning of year	18,061,974	7,351,650	15,068,918	5,989,470
Return on plan assets	1,478,804	610,125	2,982,150	1,216,593
Benefits paid	(818,061)	(211,177)	(787,061)	(197,525)
Employer contributions to plan	442,982	238,834	439,927	219,070
Employee contributions to plan	363,385	137,934	358,040	124,042
Fair value, end of year	19,529,084	8,127,366	18,061,974	7,351,650
Funded status - deficit	(2,159,793)	(724,753)	(2,482,739)	(834,514)
Unamortized amounts	1,694,358	715,113	2,190,985	950,367
	(465,435)	(9,640)	(291,754)	115,853
Accrued pension liability		(475,075)		(175,901)

**ST. JOHN'S TRANSPORTATION COMMISSION**  
**Notes to the Financial Statements**  
December 31, 2010

**5. ACCRUED PENSION BENEFITS (Continued)**

	2010		2009	
	Union	Non-union	Union	Non-union
	\$	\$	\$	\$
<i>Net benefit expense for the year</i>				
Current service cost	664,844	375,109	784,374	344,446
Interest cost	1,279,806	496,261	1,208,133	459,093
Amortization of gains/losses	146,331	71,196	282,331	128,821
Employee contributions	(363,385)	(137,934)	(358,040)	(124,042)
Liability increase due to flexible contributions	17,575	5,762	15,598	4,105
Expected return on plan assets	(1,128,508)	(446,067)	(942,148)	(363,736)
	616,663	364,327	990,248	448,687

	2010		2009	
	Union	Non-union	Union	Non-union
	\$	\$	\$	\$
<i>Significant assumptions used</i>				
Discount rate	6.25%	6.00%	6.25%	6.00%
Expected long-term rate of return on plan assets	6.25%	6.00%	6.25%	6.00%
Rate of compensation increase	3.50%	3.75%	3.50%	3.75%
Average remaining service period of active employees	15 years	14.8 years	15 years	14.8 years

The plan's asset mix at December 31, 2010 was:

Equities	60%
Bonds	37%
Cash and short-term investments	3%
	<u>100%</u>

**6. EMPLOYEE BENEFITS PAYABLE (SICK PAY AND VACATION)**

Sick pay benefits accrue to employees at the rate of 12 days per year. Employees can accumulate up to 30 days of sick pay benefits to be paid to them upon retirement, termination or illness. Any excess is paid out to the employees annually.

Vacation pay accrues to employees at rates between 4% to 12% of gross wages depending on the number of years of service.

**ST. JOHN'S TRANSPORTATION COMMISSION**  
**Notes to the Financial Statements**  
December 31, 2010

**6. EMPLOYEE BENEFITS PAYABLE (SICK PAY AND VACATION) (Continued)**

The Commission charges operations with the amount of benefits accruing to employees in each year. The liability is comprised of the following:

	2010	2009
	\$	\$
Sick pay benefits	643,922	617,688
Vacation pay benefits	394,873	332,793
	<b>1,038,795</b>	<b>950,481</b>

**7. OTHER EMPLOYEE FUTURE BENEFITS**

Based on an actuarial valuation of the plan, completed as at December 31, 2008, the following results have been extrapolated to December 31, 2010:

	2010	2009
	\$	\$
<i>Accrued benefit obligation</i>		
Balance, beginning of year	7,225,452	6,472,078
Current service cost	215,143	215,972
Interest cost	389,787	323,519
Benefits paid	(229,429)	(219,375)
Actuarial loss on benefit obligation	-	433,258
Balance, end of year	<b>7,600,953</b>	<b>7,225,452</b>
Funded status - deficit	<b>7,600,953</b>	7,225,452
Unamortized amounts	<b>(1,377,429)</b>	(1,499,915)
Accrued benefit obligation	<b>6,223,524</b>	<b>5,725,537</b>

**ST. JOHN'S TRANSPORTATION COMMISSION**  
**Notes to the Financial Statements**  
**December 31, 2010**

**7. OTHER EMPLOYEE FUTURE BENEFITS (Continued)**

	2010	2009
	\$	\$
<i>Net benefit expense for the year</i>		
Current service cost	215,143	215,972
Interest cost	389,787	323,519
Amortization of gains/losses	122,486	92,398
	<b>727,416</b>	<b>631,889</b>
<i>Significant assumptions used</i>		
Discount rate	5.40%	5.00%
Average remaining service period of active employees	14.4 years	14.4 years

**8. CREDIT FACILITY**

The Commission has access to a \$15,000,000 credit facility (2009 - \$7,500,000), which is guaranteed by the City of St. John's, for capital expenditures. Under the terms of its arrangements with the bank, the Commission issues banker's acceptance notes. At December 31, 2010 the outstanding banker's acceptance notes bear interest at 2.2% and matured on January 21, 2011. This credit facility, which was renewed on May 26, 2011, bears interest at 2.19929% and matures on June 27, 2011.

**9. CHANGE IN NON-CASH OPERATING WORKING CAPITAL**

	2010	2009
	\$	\$
Accounts receivable	101,358	53,863
Parts, supplies and accessories	37,331	(64,871)
Prepaid expenses	13,134	57,545
Accounts payable and accrued liabilities	302,912	238,164
Accrued pension obligation	299,174	779,938
Other employee future benefits	497,987	412,514
Employee benefits payable	88,314	39,733
	<b>1,340,210</b>	<b>1,516,886</b>
Interest paid	<b>81,887</b>	<b>60,984</b>

**ST. JOHN'S TRANSPORTATION COMMISSION**  
**Notes to the Financial Statements**  
**December 31, 2010**

---

**10. COMMITMENTS**

Under the terms of long-term leases on equipment, the Commission is required to make annual operating lease payments as follows:

	\$
2011	25,046
2012	17,014
2013	6,313

**11. CONTINGENCIES**

The Commission is contingently liable for claims below \$50,000 for all incidents prior to December 1, 2010, which are not covered under its current fleet and general insurance policies. As of December 1, 2010, the Commission is contingently liable for claims below \$100,000. Management believes that adequate provisions have been recorded in the accounts where required.

**12. CAPITAL FUNDING**

Under the Canada-Newfoundland and Labrador Agreement on the Transfer of Funds for Public Transit and the Public Transit Capital Trust Fund, the City of St. John's has received \$25,454,492 that is currently being held in trust, with accumulated interest of \$865,603 for the Commission, and will be used for the purposes of public transit infrastructure of the Commission. At December 31, 2010, there is an unused balance outstanding of \$19,014,983.

Land for the new public transit infrastructure has been purchased by the City of St. John's.

**13. ECONOMIC DEPENDENCE**

The Commission is dependent on funding from the City of St. John's to fund ongoing operations.

**ST. JOHN'S TRANSPORTATION COMMISSION**  
**Notes to the Financial Statements**  
**December 31, 2010**

---

**14. BUDGET AMOUNTS**

Budget data presented in these financial statements is based upon the 2010 budget approved by the Commission and the City of St. John's. The chart below reconciles the approved budget to the budget figures reported in these financial statements.

	<b>Budget 2010</b>
	<b>\$</b>
<b>Revenue</b>	
Operating	6,750,500
Municipal funding	8,375,540
<b>Total revenues</b>	<b>15,126,040</b>
<b>Expenses</b>	
Operating	13,800,940
Capital	1,325,100
<b>Total expenses</b>	<b>15,126,040</b>
<b>Total approved budget</b>	<b>-</b>
<b>Add:</b>	
Amortization	1,239,699
Accrued pension obligation	422,771
Employee benefits payable	497,989
<b>Less:</b>	
Debt principal payments	(1,189,500)
<b>Total adjustments</b>	<b>970,959</b>
<b>Annual budgeted deficit</b>	<b>(970,959)</b>



SCHEDULE 1

**ST. JOHN'S TRANSPORTATION COMMISSION**

**Schedules of Expenses**

Year ended December 31, 2010

	2010	2009
	\$	\$
<b>Operations</b>		
Operators' salaries	3,351,019	3,654,951
Operations' salaries	937,348	818,509
Diesel fuel	1,334,537	1,460,756
Company vehicles	27,842	22,896
Licenses	40,308	41,529
Communication equipment	34,581	33,700
Miscellaneous	5,172	6,366
Uniforms and clothing	55,624	74,403
Advertising	143,446	71,998
Bus charter	42,000	53,816
Promotions	176,353	144,589
Registration and memberships	19,039	16,939
Schedules and transfers	8,621	14,638
Transit advertising	89,588	79,230
	6,265,478	6,494,320

SCHEDULE 2

<b>Maintenance</b>		
Garage salaries	1,376,603	1,395,535
Wash salaries	198,137	220,595
Shop tools and equipment	8,033	22,019
Stock parts	454,368	523,921
Garage	82,051	74,900
Bus lubricants	82,087	92,578
Tires	84,602	89,549
Body shop supplies	7,466	16,253
Bus wash	5,087	4,802
Building and yards	213,505	82,456
Utilities	77,991	75,793
Furnace fuel	125,459	105,068
Maintenance vehicles	22,872	29,293
Bus stops and shelters	35,935	35,258
Janitorial and sanitation	23,494	23,175
Farebox repairs	22,735	6,407
	2,820,425	2,797,602

See accompanying notes to the financial statements

SCHEDULE 3

**ST. JOHN'S TRANSPORTATION COMMISSION**

**Schedules of Expenses**

Year ended December 31, 2010

	2010	2009
	\$	\$
<b>Finance and administration</b>		
Administrative and commissioners' salaries	652,447	596,693
Employer's payroll taxes	134,036	141,842
Sick leave	218,322	203,718
Workers' compensation	114,056	153,449
Employment insurance	141,559	136,516
Group insurance	472,704	463,812
Pension	886,448	951,118
Professional fees	185,635	96,272
Telephone	49,316	45,414
Computer	89,696	81,050
Office	110,942	122,293
Travel	7,577	16,571
Training	39,041	24,431
Fleet insurance	427,502	536,464
General insurance	31,776	25,221
Miscellaneous	49,013	46,387
Bad debts (recovery)	2,731	(12,995)
Gain on disposal of tangible capital assets	-	(520)
	<b>3,612,801</b>	<b>3,627,736</b>

See accompanying notes to the financial statements