

Financial Statements of

**ST. JOHN'S TRANSPORTATION
COMMISSION**

December 31, 2017

ST. JOHN'S TRANSPORTATION COMMISSION
December 31, 2017

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Statement of Responsibility

The accompanying financial statements are the responsibility of the management of the St. John's Transportation Commission (the "Commission") and have been prepared in compliance with legislation, and in accordance with generally accepted accounting principles established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada.

In carrying out its responsibilities, management maintains appropriate systems of internal and administrative controls designed to provide reasonable assurance that transactions are executed in accordance with proper authorization, that assets are properly accounted for and safeguarded, and that financial information produced is relevant and reliable.

The Finance Committee met with management and its external auditors to review a draft of the financial statements and to discuss any significant financial reporting or internal control matters prior to their approval of the finalized financial statements.

Grant Thornton LLP, as the Commission's appointed external auditors, has audited the financial statements. The auditor's report is addressed to the Commissioners and appears on the following page. Their opinion is based upon an examination conducted in accordance with Canadian generally accepted auditing standards, performing such tests and other procedures as they consider necessary to obtain reasonable assurance that the financial statements are free of material misstatement and present fairly the financial position and results of the Commission in accordance with Canadian public sector accounting standards.

Chair

Commissioner

Independent auditors' 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 financial position as at December 31, 2017, and the results of operations and accumulated surplus, changes in net debt, and cash flow 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 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.

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, 2017, and the results of its operations, changes in net debt, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.



St. John's, Canada

May 31, 2018

Chartered Professional Accountants

ST. JOHN'S TRANSPORTATION COMMISSION
Statement of Operations and Accumulated Surplus
Year ended December 31, 2017

	(Note 18) Budget 2017 \$	Actual 2017 \$	(Note 17) Actual 2016 \$
Operating revenues			
Municipal funding (Note 12)	15,894,866	15,894,866	13,033,770
Passenger fares	5,538,050	5,627,846	5,217,213
City of Mount Pearl	903,280	983,532	991,591
Accessible services	143,940	336,293	-
Town of Paradise	112,190	240,010	119,012
Transit advertising	277,000	202,622	262,079
Sundry	108,000	181,770	153,766
Bus charters	134,640	80,840	104,779
Trolley Line	36,250	44,746	37,126
Community Bus (Schedule 5)	50,000	114,154	124,026
Interest	12,000	18,449	17,274
Government grant - other	-	-	5,517
	23,210,216	23,725,128	20,066,153
Operating expenses			
Operations (Schedule 1)	9,178,966	9,156,345	8,766,047
Maintenance (Schedule 2)	4,097,760	3,971,644	4,129,263
Finance and administration (Schedule 3)	4,953,970	5,281,330	5,779,519
Accessible services	3,258,800	3,817,543	18,740
Amortization	3,185,918	3,390,573	3,066,061
Interest on debt	231,020	187,310	197,477
	24,906,434	25,804,745	21,957,107
Excess of expenditures over revenues before undernoted items	(1,696,218)	(2,079,617)	(1,890,954)
Government transfer (Note 13)	-	1,224,497	(17,649)
Increase in accrued retiring allowance	(9,492)	(49,803)	(1,532)
Increase in employee future benefits	(882,141)	(882,141)	(962,028)
Increase in accrued pension liability	(433,827)	(553,414)	(1,095,428)
Excess of expenditures over revenues	(3,021,678)	(2,340,478)	(3,967,591)
Surplus, beginning of the year	26,077,870	26,077,870	30,045,461
Surplus, end of the year	23,056,192	23,737,392	26,077,870

See accompanying notes to the financial statements

ST. JOHN'S TRANSPORTATION COMMISSION
Statement of Financial Position
December 31, 2017

	2017	2016
	\$	\$
Financial assets		
Cash	947,300	1,443,312
Accounts receivable	1,167,767	549,820
	2,115,067	1,993,132
Financial liabilities		
Credit facility (Note 4)	8,348,000	9,365,000
Accounts payable and accrued liabilities	1,952,335	1,381,930
Retiring allowance (Note 7)	379,016	361,206
Accrued pension liability (Note 6)	1,367,041	813,627
Employee benefits payable (Note 5)	1,485,962	1,410,661
Employee future benefits (Note 8)	12,217,058	11,334,917
	25,749,412	24,667,341
Net debt	(23,634,345)	(22,674,209)
Non-financial assets		
Tangible capital assets (Note 3)	46,709,168	47,603,492
Parts, supplies and accessories	297,314	263,896
Prepaid pension expenses (Note 14)	-	524,514
Prepaid expenses	365,255	360,177
	47,371,737	48,752,079
Accumulated surplus	23,737,392	26,077,870
Commitments (Note 10)		
Contingencies (Note 11)		

Chair

Commissioner

See accompanying notes to the financial statements

ST. JOHN'S TRANSPORTATION COMMISSION
Statement of Changes in Net Debt
Year Ended December 31, 2017

	(Note 18)		
	Budget	Actual	Actual
	2017	2017	2016
	\$	\$	\$
Excess of expenditures over revenues	(3,021,678)	(2,340,478)	(3,967,591)
Changes in tangible capital assets			
Acquisition of tangible capital assets	(1,060,000)	(2,496,249)	(395,245)
Amortization of tangible capital assets	3,185,918	3,390,573	3,066,061
Decrease in net book value of tangible capital assets	2,125,918	894,324	2,670,816
Changes in other non-financial assets			
Change in prepaid expenses	-	(5,078)	(10,336)
Change in prepaid pension expenses	-	524,514	844,424
Change in accrued pension asset	-	-	281,801
Change in parts, supplies and accessories, net of usage	-	(33,418)	56,394
Decrease in non-financial assets	-	486,018	1,172,283
Increase in net debt	(895,760)	(960,136)	(124,492)
Net debt, beginning of year	(22,674,209)	(22,674,209)	(22,549,717)
Net debt, end of year	(23,569,969)	(23,634,345)	(22,674,209)

See accompanying notes to the financial statements

ST. JOHN'S TRANSPORTATION COMMISSION
Statement of Cash Flows
Year Ended December 31, 2017

	2017	2016
	\$	\$
Operating transactions		
Excess of expenditures over revenues	(2,340,478)	(3,967,591)
Adjustments for:		
Amortization	3,390,573	3,066,061
Gain on disposal of capital assets	-	(4,028)
	1,050,095	(905,558)
Change in other (Note 9)	1,967,142	630,745
	3,017,237	(274,813)
Capital transactions		
Acquisition of tangible capital assets	(2,496,249)	(395,245)
Proceeds on disposal of tangible capital assets	-	4,028
	(2,496,249)	(391,217)
Financing transaction		
Drawings on credit facility	(1,017,000)	271,000
Net decrease in cash	(496,012)	(395,030)
Cash, beginning of year	1,443,312	1,838,342
Cash, end of year	947,300	1,443,312

Supplemental cash flow information (Note 9)

See accompanying notes to the financial statements

1. NATURE OF OPERATIONS

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

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared by management in accordance with Canadian public sector accounting standards ("PSAS") as established by the Public Sector Accounting Board ("PSAB") of the Chartered Professional Accountants of Canada ("CPA Canada"), and reflect the following significant accounting policies:

Revenue recognition

a) Municipal funding and Government grants

Government grants and transfers are recognized as revenue in the financial period in which events give rise to the transfer occurring, providing the transfers are authorized, any eligibility criteria have been met including performance and return requirements, and reasonable estimates of the amount can be determined.

b) Passenger fares

Cash fares are recorded as revenue when collected. Monthly bus and semester pass sales are recorded as revenue in the period in which they are valid. 30-day bus pass sales and 10-ride passes are recorded as revenue in the period sold.

c) Other revenue

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

d) Transit advertising

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

Cash

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, 2017

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Tangible capital assets

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

Buses	5-12 years	straight line
Bus operating equipment	7 years	straight line
Buildings	45 years	straight line
Office furniture and equipment	5-15 years	straight line
Garage equipment	15 years	straight line
Vehicles	7 years	straight line
Land improvements	4%	declining balance
Building systems	20 years	straight line
Fareboxes	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 the 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 union and non-union employees. 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 active employees at the date of amendment.
- (iv) The Supplementary Non-Union Employee Retirement Plan uses the same actuarial assumptions as are used for the Non-Union Plan except for the discount rate and average remaining service period for active employees.

Retiring allowance

As of June 1, 2015, the Commission provides a retiring allowance to all employees who have completed at least ten (10) years of service equal to one (1) day for each year of service upon

ST. JOHN'S TRANSPORTATION COMMISSION
Notes to the Financial Statements
December 31, 2017

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

retirement. The cost and obligation of this benefit is actuarially determined using management's best estimate of assumptions and future compensation rates.

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 PSAS 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. Estimates have been used in calculating the allowance for doubtful accounts, the useful lives of tangible capital assets, outstanding insurance claim reserves, accrued pension liability, retiring allowance, and employee future benefits. Actual results could differ from these estimates.

3. TANGIBLE CAPITAL ASSETS

	2017			2016	
	Cost	Accumulated Amortization	Net Book Value	Cost	Net Book Value
	\$	\$	\$	\$	\$
Buses	23,756,707	12,972,824	10,783,883	22,255,049	11,065,145
Bus operating equipment	2,817,375	1,836,018	981,357	2,431,598	864,758
Buildings	22,567,735	2,490,726	20,077,009	22,450,180	20,478,075
Office furniture and equipment	1,914,007	1,183,680	730,327	1,548,075	538,655
Garage equipment	2,444,765	1,148,569	1,296,196	2,342,332	1,326,052
Vehicles	136,268	83,166	53,102	136,268	72,569
Land	5,838,356	-	5,838,356	5,838,356	5,838,356
Land improvements	1,518,816	234,808	1,284,008	1,518,816	1,337,508
Building systems	7,082,221	1,423,605	5,658,616	7,059,327	5,989,832
Fareboxes	603,601	597,287	6,314	603,601	92,542
	68,679,851	21,970,683	46,709,168	66,183,602	47,603,492

Additional information on costs related to additions, disposals and amortization is presented in Schedule 4.

ST. JOHN'S TRANSPORTATION COMMISSION
Notes to the Financial Statements
December 31, 2017

4. CREDIT FACILITY

The Commission has access to a \$15,000,000 credit facility, guaranteed by the City, for capital expenditures. Under the terms of its lending arrangements, the Commission issues banker's acceptances. At December 31, 2017 the outstanding banker's acceptances bear interest at 2.42% and mature on January 29, 2018. The credit facility, which was renewed on May 28, 2018, bears interest at 2.65% and matures on June 28, 2018.

5. 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 a rate between 4% to 12% of gross wages depending on the number of years of service.

The Commission charges operations with the amount of benefits accruing to employees in each year. The liability at December 31 is comprised of the following:

	2017	2016
	\$	\$
Sick pay benefits	1,051,423	980,155
Vacation pay benefits	434,539	430,506
	1,485,962	1,410,661

6. ACCRUED PENSION BENEFITS

Based on an actuarial valuation of the plans, completed as at December 31, 2016, the following results have been extrapolated to December 31, 2017:

A. Defined Benefit Pension Plan

	2017			2016		
	Union	Non-union	Total	Union	Non-union	Total
	\$	\$	\$	\$	\$	\$
<i>Accrued benefit obligation</i>						
Balance, beginning of year	31,650,877	17,963,302	49,614,179	31,619,946	16,906,444	48,526,390
Current service cost	1,260,048	596,444	1,856,492	1,292,336	624,108	1,916,444
Interest cost	1,731,472	946,330	2,677,802	1,651,317	851,125	2,502,442
Benefits paid	(1,599,172)	(472,399)	(2,071,571)	(1,624,928)	(392,003)	(2,016,931)
Loss (gain) on accrued benefit obligation	214,006	294,093	508,099	(1,287,794)	(26,372)	(1,314,166)
Balance, end of year	33,257,231	19,327,770	52,585,001	31,650,877	17,963,302	49,614,179

ST. JOHN'S TRANSPORTATION COMMISSION
Notes to the Financial Statements
December 31, 2017

6. ACCRUED PENSION BENEFITS (Continued)

	2017			2016		
	Union	Non-union	Total	Union	Non-union	Total
	\$	\$	\$	\$	\$	\$
<i>Accrued benefit asset</i>						
Fair value, beginning of year	30,415,857	15,594,842	46,010,699	29,597,644	13,537,344	43,134,988
Return on plan assets	2,471,946	1,796,896	4,268,842	1,221,480	1,876,064	3,097,544
Benefits paid	(1,599,172)	(472,399)	(2,071,571)	(1,624,928)	(392,003)	(2,016,931)
Employer contributions to plan	684,585	461,253	1,145,838	653,618	352,414	1,006,032
Employee contributions to plan	561,254	218,932	780,186	568,043	221,023	789,066
Fair value, end of year	32,534,470	17,599,524	50,133,994	30,415,857	15,594,842	46,010,699
Funded status - deficit	(722,761)	(1,728,246)	(2,451,007)	(1,235,020)	(2,368,460)	(3,603,480)
Unamortized amounts	435,002	755,061	1,190,063	1,215,881	1,671,659	2,887,540
Accrued pension liability	(287,759)	(973,185)	(1,260,944)	(19,139)	(696,801)	(715,940)
<i>Net benefit expense for the year</i>						
Current service cost	1,260,048	596,444	1,856,492	1,292,336	624,108	1,916,444
Interest cost	1,731,472	946,330	2,677,802	1,651,317	851,125	2,502,442
Amortization of gains/losses	186,095	237,978	424,073	247,391	351,256	598,647
Employee contributions	(561,254)	(218,932)	(780,186)	(568,043)	(221,023)	(789,066)
Expected return on plan assets	(1,663,156)	(824,183)	(2,487,339)	(1,543,290)	(681,403)	(2,224,693)
	953,205	737,637	1,690,842	1,079,711	924,063	2,003,774

Significant assumptions used

Discount rate	5.50%	5.25%	5.50%	5.25%
Expected long-term rate of return on plan assets	5.50%	5.25%	5.25%	5.00%
Rate of compensation increase				
2014-2015			3.50%	3.75%
2016-2017	4.00%	4.00%	4.00%	4.00%
2018	5.00%	5.00%	5.00%	5.00%
2019 and after	2.00%	2.00%	2.00%	2.00%
Average remaining service period for active employees	16.0 years	10.8 years	15.8 years	10.8 years

The plan's asset mix at December 31, 2017 was:

Equities	61.6%
Bonds	37.1%
Cash and short-term investments	1.3%
	100%

During 2016 the Commission agreed on a new pension plan structure for both union and non-union groups. This agreement effectively closed the defined benefit plan to new entrants as of May 1, 2016 and increased the existing employee contributions from 8.16% to 9.00% of earnings. Employees in the defined benefit plan as of that date will continue to accrue benefits under the defined benefit plan.

ST. JOHN'S TRANSPORTATION COMMISSION
Notes to the Financial Statements
December 31, 2017

6. ACCRUED PENSION BENEFITS (Continued)

Employees hired on or after May 1, 2016 will be enrolled under a defined contribution component of the pension plan consisting of employee contributions with a matching employer contribution of up to 7.00% of earnings. During 2017 the Commission contributed \$10,965 (2016 - \$774) to the defined contribution plan.

B. Supplementary Executive Retirement Plan

A Supplementary Executive Retirement Plan (SERP) was established on September 1, 2016 to provide retirement benefits to members of the Non-Union Plan in respect to earnings in excess of those on which benefits can be provided under the defined benefits provisions of the Non-Union Plan.

	2017	2016
	\$	\$
<i>Accrued benefit obligation</i>		
Balance, beginning of year	97,687	-
Current service cost	4,170	1,333
Interest cost	4,240	1,375
Benefits paid	-	-
Loss (gain) on accrued benefit obligation	38,071	(56)
Cost of plan amendment	-	95,035
Balance, end of year	144,168	97,687
Plan assets	-	-
Funded status - deficit	(144,168)	(97,687)
Unamortized amounts	38,071	-
Accrued benefit obligation, end of year	(106,097)	(97,687)

The significant actuarial assumptions used in measuring the SERP are the same as those used for the Non-Union plan with the exception of the discount rate of 3.50% (2016 – 4.25%) and the average remaining service period for active employees used of 10.0 years (2016 – 11.0 years).

C. Net Pension Liability

	2017	2016
	\$	\$
Defined Benefit Plan	(1,260,944)	(715,940)
SERP	(106,097)	(97,687)
	(1,367,041)	(813,627)

ST. JOHN'S TRANSPORTATION COMMISSION
Notes to the Financial Statements
December 31, 2017

7. RETIRING ALLOWANCE

As of June 1, 2015, all employees who have completed at least ten (10) years of service shall be paid a retiring allowance equal to one (1) day for each year of service upon retirement.

The Commission's liabilities are based on an actuarial valuation as of December 31, 2015, which has been extrapolated to December 31, 2017:

	2017	2016
	\$	\$
<i>Accrued benefit obligation</i>		
Balance, beginning of year	361,206	359,674
Current service cost	21,940	22,241
Interest cost	15,220	13,016
Benefits paid	(31,993)	(20,102)
Actuarial loss (gain) on benefit obligation	24,433	(13,623)
Balance, end of year	390,806	361,206
Plan assets		-
Funded status - deficit	(390,806)	(361,206)
Unamortized amounts	11,790	-
Accrued benefit obligation, end of year	(379,016)	(361,206)
<i>Net benefit expense for the year</i>		
Current service cost	21,940	22,241
Interest cost	15,220	13,016
	37,160	35,257

The significant actuarial assumptions used in measuring the Commission's accrued retirement allowance liabilities are as follows:

	2017	2016
Discount Rate	3.50%	4.25%
Rate of compensation increase	2.0%	2.0%
Average remaining service period for active employees	13.9 years	13.9 years

ST. JOHN'S TRANSPORTATION COMMISSION
Notes to the Financial Statements
December 31, 2017

8. 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.

Results are based on an actuarial valuation of the plan, completed as at December 31, 2015, which has been extrapolated to December 31, 2017:

	2017	2016
	\$	\$
<i>Accrued benefit obligation</i>		
Balance, beginning of year	13,472,054	13,796,994
Current service cost	459,892	488,628
Interest cost	573,762	526,452
Benefits paid	(393,881)	(365,526)
Actuarial loss (gain) on benefit obligation	1,797,598	(974,494)
Balance, end of year	15,909,425	13,472,054
Funded status - deficit	15,909,425	13,472,054
Unamortized amounts	(3,692,367)	(2,137,137)
Accrued benefit obligation	12,217,058	11,334,917
<i>Net benefit expense for the year</i>		
Current service cost	459,892	488,628
Interest cost	573,762	526,452
Amortization of gains/losses	242,368	312,474
	1,276,022	1,327,554
<i>Significant assumptions used</i>		
Discount rate	3.50%	4.25%
Average remaining service period for active employees	13.9 years	13.9 years

ST. JOHN'S TRANSPORTATION COMMISSION
Notes to the Financial Statements
December 31, 2017

9. CHANGE IN OTHER

	2017	2016
	\$	\$
Accounts receivable	(617,947)	44,200
Parts, supplies and accessories	(33,418)	56,394
Prepaid expenses	(5,078)	(10,336)
Prepaid pension expenses	524,514	844,424
Accounts payable and accrued liabilities	570,405	(2,476,031)
Accrued pension liability	553,414	1,095,428
Retiring allowance	17,810	1,532
Employee benefits payable	75,301	113,106
Employee future benefits	882,141	962,028
	1,967,142	630,745

10. COMMITMENTS

At the end of 2017, the Commission has three (3) outstanding purchase orders related to projects funded by the Canada-Newfoundland and Labrador Bilateral Public Transit Infrastructure Fund (PTIF) Agreement and the City. The total amounts outstanding, before HST, are as follows:

Project #	Vendor	Description	Total \$
17-PTIF-17-00002	Grande West Bus Corporation	Vicinity buses (3)	1,277,500
17-PTIF-17-00010	Daytech Limited	Accessible bus shelters (29)	356,850
17-PTIF-17-00013	Daytech Limited	Accessible bus shelters (35)	432,532

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

	\$
2018	25,080
2019	16,660
2020	5,310

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. Effective 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.

ST. JOHN'S TRANSPORTATION COMMISSION
Notes to the Financial Statements
December 31, 2017

12. MUNICIPAL FUNDING

Funding was provided by the City of St. John's for the 2017 operations as follows:

	\$
Metrobus	12,662,066
Accessible services ("GoBus")	3,232,800
	<u>15,894,866</u>

13. CAPITAL FUNDING

During the year, the City made a government transfer of \$1,224,497 to the Commission. This transfer relates to projects funded by the PTIF and the City.

14. PENSION SOLVENCY PAYMENT RECOVERY

On September 8, 2015 the Government of Newfoundland and Labrador approved solvency relief for the Commission's Union and Non-union pension plans for the period of December 31, 2013 to December 31, 2016. The Commission had made solvency payments from January 1, 2014 to July 31, 2015 resulting in an over contribution of \$2,322,934. At the end of 2016, the balance of over contributions remaining is \$524,514.

The remaining balance of \$524,514 was applied to required 2017 going concern payments of \$715,824. At the end of 2017, the balance of over contributions is zero.

15. ECONOMIC DEPENDENCE

The Commission is dependent on funding from the City to fund ongoing operations.

16. ACCESSIBLE SERVICES

As of January 1, 2017, the Commission was transferred the responsibility of managing the contract for providing accessible services known as GoBus. This was previously the responsibility of the City of St. John's. The Commission oversees the delivery of services currently contracted to MVT Canadian Bus, Inc for a period of 5 years ending December 31, 2021. The Commission receives a separate operating subsidy from the City of St. John's to cover the cost of providing the service on an annual basis. The operating subsidy for 2017 was \$3,232,800. As part of this arrangement, the Commission purchased 18 new accessible transit buses in 2017 at a cost of \$1,501,658 and has leased them to MVT Canadian Bus, Inc at a nominal amount for the duration of the operating contract noted above. These buses remain the legal assets of the Commission and have been included on Schedule 4. As of December 31, 2017 the accumulated amortization on the buses is \$214,523. See Schedule 6 for further details on the revenue and expenses associated with the delivery of accessible services, as well as those incurred in the late 2016 to prepare for the transfer of responsibility.

ST. JOHN'S TRANSPORTATION COMMISSION
Notes to the Financial Statements
December 31, 2017

17. COMPARATIVE FIGURES

The comparative figures have been restated to conform with the financial statement presentation adopted for the current year.

18. BUDGET AMOUNTS

Budget data presented in these financial statements are based upon the 2017 budget approved by the Commission and the City. The table below reconciles the approved budget to the budget figures reported in these financial statements.

	Budget 2017
	\$
Revenue	
Operating - Metrobus	7,171,410
Municipal funding - Metrobus	12,662,066
Operating - GoBus	143,940
Municipal funding - GoBus	3,232,800
Total revenues	23,210,216
Expenses	
Operating - Metrobus	18,230,696
Capital - Metrobus	1,602,780
Operating - GoBus	3,258,800
Capital - GoBus	117,940
Total expenses	23,210,216
Total approved budget	-
Less:	-
Amortization	(3,185,918)
Accrued pension obligation	(433,827)
Employee benefits payable	(882,141)
Add:	
Accrued retiring allowance	(9,492)
Debt principal payments	1,489,700
Total adjustments	(3,021,678)
Annual budgeted deficit	(3,021,678)

ST. JOHN'S TRANSPORTATION COMMISSION
Schedule of Expenses
Year Ended December 31, 2017

	Actual 2017 \$	Actual 2016 \$
Operations		SCHEDULE 1
Operators' salaries	5,446,490	5,212,846
Operations' salaries	1,280,115	1,265,893
Diesel fuel	1,635,618	1,484,511
Community Bus	119,380	105,274
Transit advertising	103,564	99,177
Bus charter	103,489	105,542
Advertising	95,735	139,843
Promotions	74,592	103,376
Uniforms and clothing	72,333	56,895
Licenses	67,693	48,058
Communication equipment	38,384	31,824
Trolley Line	34,989	24,589
Company vehicles	34,436	37,419
Registration and memberships	23,858	23,458
Schedules and transfers	14,215	15,813
Miscellaneous	11,454	11,529
	9,156,345	8,766,047
Maintenance		SCHEDULE 2
Garage salaries	2,160,673	2,060,924
Wash salaries	307,646	295,964
Stock parts	608,307	785,370
Utilities	290,050	330,270
Building and yards	144,475	153,593
Tires	120,271	119,939
Bus lubricants	77,732	96,608
Garage expense	76,737	80,223
Maintenance vehicles	55,603	48,094
Janitorial and sanitation	39,044	40,085
Bus stops and shelters	32,501	48,213
Bus wash	20,576	12,738
Body shop supplies	15,776	18,247
Farebox repairs	12,807	17,696
Shop tools and equipment	9,446	21,299
	3,971,644	4,129,263

ST. JOHN'S TRANSPORTATION COMMISSION
Schedule of Expenses
Year Ended December 31, 2017

	Actual 2017	Actual 2016
	\$	\$
SCHEDULE 3		
Finance and administration		
Administrative and commissioners' salaries	866,306	831,325
Employer's payroll taxes	212,762	199,666
Pension	2,228,198	2,337,372
Group insurance	565,176	548,204
Sick leave	316,814	313,390
Employment insurance	169,628	194,107
Workers' compensation	105,451	113,318
Fleet insurance	245,714	684,773
Computer	200,830	208,430
Professional fees	112,336	118,567
Office	77,177	64,917
Miscellaneous	51,838	51,573
Training	44,639	30,072
General insurance	38,452	42,590
Telephone	35,076	37,988
Travel	10,933	7,255
Gain on disposal of capital assets	-	(4,028)
	5,281,330	5,779,519

ST. JOHN'S TRANSPORTATION COMMISSION
Schedule of Tangible Capital Assets
Year Ended December 31, 2017

SCHEDULE 4

	2017										2016	
	Buses	Bus operating equipment	Buildings	Office furniture and equipment	Garage equipment	Vehicles	Land	Land improve- ments	Building systems	Fareboxes	Total	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Cost												
Cost, beginning of year	22,255,049	2,431,598	22,450,180	1,548,075	2,342,332	136,268	5,838,356	1,518,816	7,059,327	603,601	66,183,602	67,416,482
Additions	1,501,658	385,777	117,555	365,932	102,433	-	-	-	22,894	-	2,496,249	395,245
Disposals and write downs	-	-	-	-	-	-	-	-	-	-	-	(1,628,125)
Cost, end of year	23,756,707	2,817,375	22,567,735	1,914,007	2,444,765	136,268	5,838,356	1,518,816	7,082,221	603,601	68,679,851	66,183,602
Accumulated Amortization												
Accumulated amortization, beginning of year	11,189,904	1,566,840	1,972,105	1,009,420	1,016,280	63,699	-	181,308	1,069,495	511,059	18,580,110	17,142,174
Amortization	1,782,920	269,178	518,621	174,260	132,289	19,467	-	53,500	354,110	86,228	3,390,573	3,066,061
Disposals and write downs	-	-	-	-	-	-	-	-	-	-	-	(1,628,125)
Accumulated amortization, end of year	12,972,824	1,836,018	2,490,726	1,183,680	1,148,569	83,166	-	234,808	1,423,605	597,287	21,970,683	18,580,110
Net book value	10,783,883	981,357	20,077,009	730,327	1,296,196	53,102	5,838,356	1,284,008	5,658,616	6,314	46,709,168	47,603,492

ST. JOHN'S TRANSPORTATION COMMISSION
Schedule of Age-Friendly Newfoundland and Labrador Transportation Project
Year Ended December 31, 2017

	Actual 2017	Actual 2016
	\$	\$
SCHEDULE 5		
Revenues		
Government grant	93,208	105,352
Passenger fares	20,946	18,674
	114,154	124,026
Expenses		
Operators' salaries	64,093	59,358
Benefits	16,832	15,912
Diesel expense	10,209	9,178
Maintenance expense	27,061	11,358
Miscellaneous	1,185	9,468
Amortization	21,850	21,850
Interest expense	1,615	2,072
	142,845	129,196
Excess of expenditures over revenues	(28,691)	(5,170)

ST. JOHN'S TRANSPORTATION COMMISSION
Schedule of Accessible Services
Year Ended December 31, 2017

	(Note 16) Actual 2017	(Note 17) Actual 2016
	\$	\$
SCHEDULE 6		
Revenues		
Municipal funding (Note 12)	3,232,800	-
Passenger fares	200,001	-
Government grant	94,500	-
City of Mount Pearl	41,792	-
	3,569,093	-
Expenses		
MVT Subsidy	3,574,447	-
Salaries	76,893	14,475
Benefits	10,494	2,538
Computer expense	105,022	1,415
Miscellaneous expense	37,718	24
Telephone expense	5,889	65
Office supplies	3,954	223
Promotions expense	3,126	-
Amortization	297,148	-
Interest expense	8,095	-
	4,122,786	18,740
Excess of expenditures over revenues	(553,693)	(18,740)