

Financial Statements of

**ST. JOHN'S TRANSPORTATION
COMMISSION**

December 31, 2018

ST. JOHN'S TRANSPORTATION COMMISSION
December 31, 2018

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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 public sector accounting standards 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 of the Commission 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.

BDO Canada LLP, as the Commission's appointed independent 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, operations, changes in net debt and cash flows of the Commission in accordance with Canadian public sector accounting standards.

Chair

Commissioner



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Independent Auditor's Report

To the Commissioners of St. John's Transportation Commission

Opinion

We have audited the financial statements of the St. John's Transportation Commission (the "Commission"), which comprise the statement of financial position as at December 31, 2018, the statements of operations and accumulated surplus, changes in net debt and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Commission as at December 31, 2018, and its financial performance and 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 report. We are independent of the Commission 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 Commission'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 Commission or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Commission'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 considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these 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 Commission'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 Commission'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 Commission 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.

We 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.

Comparative Information

The financial statements of the Commission as at, and for the year ended December 31, 2017, were audited by another auditor who expressed an unqualified opinion on those financial statements on May 31, 2018.

ST. JOHN'S TRANSPORTATION COMMISSION
Statement of Operations and Accumulated Surplus
Year ended December 31, 2018

	(Note 16)		
	Budget	Actual	Actual
	2018	2018	2017
	\$	\$	\$
Operating revenues			
Municipal funding (Note 12)	17,606,020	17,606,020	15,894,866
Passenger fares	5,573,360	5,764,073	5,627,846
City of Mount Pearl	1,051,600	1,045,561	983,532
Accessible services	281,270	428,220	336,293
Town of Paradise	280,750	277,864	240,010
Transit advertising	277,000	188,602	202,622
Sundry	108,000	133,269	181,770
Community Bus (Schedule 5)	100,000	120,719	114,154
The LINK	36,250	77,778	44,746
Bus charters	98,000	38,661	80,840
Interest	12,000	28,713	18,449
Government grant - other	-	1,734	-
	25,424,250	25,711,214	23,725,128
Operating expenses			
Operations (Schedule 1)	9,701,180	9,818,772	9,156,345
Maintenance (Schedule 2)	4,266,560	4,131,023	3,971,644
Finance and administration (Schedule 3)	3,274,466	3,114,521	3,741,611
Accessible services	4,002,960	4,424,385	3,817,543
Pension benefits (Note 6)	1,736,667	1,635,498	1,699,252
Amortization	3,507,600	3,447,958	3,390,573
Interest on debt	212,760	228,593	187,310
	26,702,193	26,800,750	25,964,278
Excess of expenditures over revenues before undernoted items	(1,277,943)	(1,089,536)	(2,239,150)
Government transfer (Note 13)	-	1,296,127	1,224,497
Retiring allowance benefits (Note 7)	(20,229)	(39,802)	(49,803)
Employee future benefits (Note 8)	(1,506,962)	(1,506,962)	(1,276,022)
Excess of expenditures over revenues	(2,805,134)	(1,340,173)	(2,340,478)
Surplus, beginning of the year	23,737,392	23,737,392	26,077,870
Surplus, end of the year	20,932,258	22,397,219	23,737,392

See accompanying notes to the financial statements

ST. JOHN'S TRANSPORTATION COMMISSION
Statement of Financial Position
December 31, 2018

	2018	2017
	\$	\$
Financial assets		
Cash	1,225,971	947,300
Accounts receivable	1,034,296	1,167,767
	2,260,267	2,115,067
Financial liabilities		
Credit facility (Note 4)	7,524,000	8,348,000
Accounts payable and accrued liabilities	2,130,023	1,952,335
Retiring allowance (Note 7)	400,110	379,016
Accrued pension liability (Note 6)	1,153,410	1,367,041
Employee benefits payable (Note 5)	1,572,121	1,485,962
Employee future benefits (Note 8)	13,287,606	12,217,058
	26,067,270	25,749,412
Net debt	(23,807,003)	(23,634,345)
Non-financial assets		
Tangible capital assets (Note 3)	45,539,515	46,709,168
Parts, supplies and accessories inventory	297,031	297,314
Prepaid expenses	367,676	365,255
	46,204,222	47,371,737
Accumulated surplus	22,397,219	23,737,392

Chair

Commissioner

See accompanying notes to the financial statements

ST. JOHN'S TRANSPORTATION COMMISSION
Statement of Changes in Net Debt
Year Ended December 31, 2018

	(Note 16) Budget 2018	Actual 2018	Actual 2017
	\$	\$	\$
Excess of expenditures over revenues	(2,805,134)	(1,340,173)	(2,340,478)
Changes in tangible capital assets			
Acquisition of tangible capital assets	(206,000)	(2,304,901)	(2,496,249)
Disposal of tangible capital assets	-	26,596	-
Amortization of tangible capital assets	3,507,600	3,447,958	3,390,573
Decrease in net book value of tangible capital assets	3,301,600	1,169,653	894,324
Changes in other non-financial assets			
Change in prepaid expenses	-	(2,421)	(5,078)
Change in prepaid pension expenses	-	-	524,514
Change in parts, supplies and accessories, net of usage	-	283	(33,418)
Decrease in non-financial assets	-	(2,138)	486,018
Increase in net debt	496,466	(172,658)	(960,136)
Net debt, beginning of year	(23,634,345)	(23,634,345)	(22,674,209)
Net debt, end of year	(23,137,879)	(23,807,003)	(23,634,345)

See accompanying notes to the financial statements

ST. JOHN'S TRANSPORTATION COMMISSION
Statement of Cash Flows
Year Ended December 31, 2018

Operating transactions

Excess of expenditures over revenues	(1,340,173)	(2,340,478)
Adjustments for:		
Amortization of tangible capital assets	3,447,958	3,390,573
Loss on disposal of tangible capital assets	19,569	-
	2,127,354	1,050,095
Change in other (Note 9)	1,273,191	1,967,142
	3,400,545	3,017,237

Capital transactions

Acquisition of tangible capital assets	(2,304,901)	(2,496,249)
Proceeds on disposal of tangible capital assets	7,027	-
	(2,297,874)	(2,496,249)

Financing transaction

Drawings on credit facility	(824,000)	(1,017,000)
Net increase (decrease) in cash	278,671	(496,012)
Cash, beginning of year	947,300	1,443,312
Cash, end of year	1,225,971	947,300

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, 2018

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

Municipal funding is authorized by the City after the Commission's operating budget has been approved.

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 and related stipulations have been met including performance and return requirements, and reasonable estimates of the amount can be determined.

b) City of Mount Pearl and Town of Paradise

Revenues are recognized when services performed and when collection is reasonably assured.

c) 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.

d) Other revenue

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

e) Transit advertising

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

ST. JOHN'S TRANSPORTATION COMMISSION
Notes to the Financial Statements
December 31, 2018

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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

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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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.

ST. JOHN'S TRANSPORTATION COMMISSION
Notes to the Financial Statements
December 31, 2018

3. TANGIBLE CAPITAL ASSETS

	2018			2017	
	Cost	Accumulated Amortization	Net Book Value	Cost	Net Book Value
	\$	\$	\$	\$	\$
Buses	23,965,580	13,775,357	10,190,223	23,756,707	10,783,883
Bus operating equipment	2,929,810	2,086,503	843,307	2,817,375	981,357
Buildings	23,123,902	3,061,362	20,062,540	22,567,735	20,077,009
Office furniture and equipment	2,096,888	1,330,870	766,018	1,914,007	730,327
Garage equipment	2,458,552	1,280,893	1,177,659	2,444,765	1,296,196
Vehicles	143,162	103,618	39,544	136,268	53,102
Land	5,838,356	-	5,838,356	5,838,356	5,838,356
Land improvements	1,518,816	286,168	1,232,648	1,518,816	1,284,008
Building systems	7,171,394	1,782,174	5,389,220	7,082,221	5,658,616
Fareboxes	603,601	603,601	-	603,601	6,314
	69,850,061	24,310,546	45,539,515	68,679,851	46,709,168

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

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, 2018 the outstanding banker's acceptances bore interest at 3.28% and mature on January 28, 2019. The credit facility, which was renewed on April 29, 2019, bears interest at 2.98% and matures on May 30, 2019.

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:

	2018	2017
	\$	\$
Sick pay benefits	1,093,434	1,051,423
Vacation pay benefits	478,687	434,539
	1,572,121	1,485,962

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

6. ACCRUED PENSION BENEFITS

Based on an actuarial valuation of the plans, completed as at December 31, 2017, the following results have been extrapolated to December 31, 2018:

A. Defined Benefit Pension Plan

	2018			2017		
	Union	Non-union	Total	Union	Non-union	Total
	\$	\$	\$	\$	\$	\$
<i>Accrued benefit obligation</i>						
Balance, beginning of year	33,257,231	19,327,770	52,585,001	31,650,877	17,963,302	49,614,179
Current service cost	1,352,973	681,326	2,034,299	1,260,048	596,444	1,856,492
Interest cost	1,809,516	1,018,826	2,828,342	1,731,472	946,330	2,677,802
Benefits paid	(2,066,853)	(524,430)	(2,591,283)	(1,599,172)	(472,399)	(2,071,571)
(Gain) loss on accrued benefit obligation	(346,450)	328,837	(17,613)	214,006	294,093	508,099
Balance, end of year	34,006,417	20,832,329	54,838,746	33,257,231	19,327,770	52,585,001
<i>Accrued benefit asset</i>						
Fair value, beginning of year	32,534,470	17,599,524	50,133,994	30,415,857	15,594,842	46,010,699
Return on plan assets	(820,211)	(499,799)	(1,320,010)	2,471,946	1,796,896	4,268,842
Benefits paid	(2,066,853)	(524,430)	(2,591,283)	(1,599,172)	(472,399)	(2,071,571)
Employer contributions to plan	1,126,500	722,629	1,849,129	684,585	461,253	1,145,838
Employee contributions to plan	610,555	249,040	859,595	561,254	218,932	780,186
Fair value, end of year	31,384,461	17,546,964	48,931,425	32,534,470	17,599,524	50,133,994
Funded status - deficit	2,621,956	3,285,365	5,907,321	722,761	1,728,246	2,451,007
Unamortized amounts	(2,535,324)	(2,339,540)	(4,874,864)	(435,002)	(755,061)	(1,190,063)
Accrued pension liability	86,632	945,825	1,032,457	287,759	973,185	1,260,944
<i>Net benefit expense for the year</i>						
Current service cost	1,352,973	681,326	2,034,299	1,260,048	596,444	1,856,492
Interest cost	29,190	83,111	112,301	68,316	122,147	190,463
Amortization of gains/losses	153,765	179,872	333,637	186,095	237,978	424,073
Employee contributions	(610,555)	(249,040)	(859,595)	(561,254)	(218,932)	(780,186)
	925,373	695,269	1,620,642	953,205	737,637	1,690,842
<i>Significant assumptions used</i>						
Discount rate	5.50%	5.25%		5.50%	5.25%	
Expected long-term rate of return on plan assets	5.50%	5.25%		5.50%	5.25%	
Rate of compensation increase						
2016-2017				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	15.5 years	10.6 years		16.0 years	10.8 years	

ST. JOHN'S TRANSPORTATION COMMISSION
Notes to the Financial Statements
December 31, 2018

6. ACCRUED PENSION BENEFITS (Continued)

The plans asset mix at December 31, 2018 was:

Equities	60.8%
Bonds	37.0%
Cash and short-term investments	2.2%
	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.

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 2018 the Commission expensed \$25,105 (2017 - \$10,965) related 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.

	2018	2017
	\$	\$
<i>Accrued benefit obligation</i>		
Balance, beginning of year	144,168	97,687
Current service cost	5,900	4,170
Interest cost	5,149	4,240
Loss (gain) on accrued benefit obligation	38,614	38,071
Balance, end of year	193,831	144,168
Funded status - deficit	193,831	144,168
Unamortized amounts	(72,878)	(38,071)
Accrued benefit obligation, end of year	120,953	106,097
<i>Net benefit expense for the year</i>		
Current service cost	5,900	4,170
Interest cost	5,149	4,240
Amortization of gains/losses	3,807	-
	14,856	8,410

ST. JOHN'S TRANSPORTATION COMMISSION
Notes to the Financial Statements
December 31, 2018

6. ACCRUED PENSION BENEFITS (Continued)

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 3.75% (2017 – 3.50%) and the average remaining service period for active employees used of 9.0 years (2017 – 10.0 years).

C. Accrued Pension Liability

	2018	2017
	\$	\$
Defined Benefit Plan	1,032,457	1,260,944
SERP	120,953	106,097
	1,153,410	1,367,041

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, 2018.

	2018	2017
	\$	\$
<i>Accrued benefit liability</i>		
Balance, beginning of year	390,806	361,206
Current service cost	25,241	21,940
Interest cost	13,783	15,220
Benefits paid	(18,708)	(31,993)
Actuarial loss (gain) on benefit obligation	31,060	24,433
Balance, end of year	442,182	390,806
Plan - deficit	442,182	390,806
Unamortized amounts	(42,072)	(11,790)
Accrued benefit liability, end of year	400,110	379,016
<i>Net benefit expense for the year</i>		
Current service cost	25,241	21,940
Interest cost	13,783	15,220
Amortization of gains/losses	778	12,643
	39,802	49,803

ST. JOHN'S TRANSPORTATION COMMISSION
Notes to the Financial Statements
December 31, 2018

7. RETIRING ALLOWANCE (Continued)

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

	2018	2017
Discount Rate	3.75%	3.50%
Rate of compensation increase	2.0%	2.0%
Average remaining service period for active employees	13.8 years	13.9 years

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, 2018:

	2018	2017
	\$	\$
<i>Accrued benefit obligation</i>		
Balance, beginning of year	15,909,425	13,472,054
Current service cost	576,171	459,892
Interest cost	559,102	573,762
Benefits paid	(436,414)	(393,881)
Actuarial loss (gain) on benefit obligation	(2,795,136)	1,797,598
Balance, end of year	13,813,148	15,909,425
Plan status - deficit	13,813,148	15,909,425
Unamortized amounts	(525,542)	(3,692,367)
Accrued benefit liability	13,287,606	12,217,058

Net benefit expense for the year

Current service cost	576,171	459,892
Interest cost	559,102	573,762
Amortization of gains/losses	371,689	242,368
	1,506,962	1,276,022

Significant assumptions used

Discount rate (obligation)	3.75%	3.50%
Discount rate (expense)	3.50%	4.25%
Average remaining service period for active employees	13.8 years	13.9 years

ST. JOHN'S TRANSPORTATION COMMISSION
Notes to the Financial Statements
December 31, 2018

9. CHANGE IN OTHER

	2018	2017
	\$	\$
Accounts receivable	133,471	(617,947)
Parts, supplies and accessories	283	(33,418)
Prepaid expenses	(2,421)	(5,078)
Prepaid pension expenses	-	524,514
Accounts payable and accrued liabilities	177,688	570,405
Accrued pension liability	(213,631)	553,414
Retiring allowance	21,094	17,810
Employee benefits payable	86,159	75,301
Employee future benefits	1,070,548	882,141
	1,273,191	1,967,142

10. COMMITMENTS

At the end of 2018, the Commission has two (2) open 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 still outstanding, before HST, are as follows:

Project #	Vendor	Description	Total
			\$
17-PTIF-17-00006	Emtrac Canada	Transit Signal Priority	195,855
17-PTIF-17-00013	Daytech Limited	Accessible bus shelters	263,092

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

	\$
2019	32,698
2020	28,273
2021	12,065

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 the December 31, 2018 provision of \$606,527 (2017 - \$537,394) is adequate and has been recorded in the accounts where required.

ST. JOHN'S TRANSPORTATION COMMISSION
Notes to the Financial Statements
December 31, 2018

12. MUNICIPAL FUNDING

Funding was provided by the City of St. John's for the 2018 operations as follows:

	2018	2017
	\$	\$
Metrobus	13,690,330	12,662,066
Accessible services ("GoBus")	3,915,690	3,232,800
	17,606,020	15,894,866

13. CAPITAL FUNDING

During the year, the City made a government transfer of \$1,296,127 (2017 - \$1,224,497) to the Commission. This transfer relates to projects funded by the Canada-Newfoundland and Labrador Bilateral Public Transit Infrastructure Fund (PTIF) Agreement and the City.

14. ECONOMIC DEPENDENCE

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

15. ACCESSIBLE SERVICES

As of January 1, 2017, the Commission accepted 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 2018 was \$3,915,690. 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. See Schedule 6 for further details on the revenue and expenses associated with the delivery of accessible services.

ST. JOHN'S TRANSPORTATION COMMISSION
Notes to the Financial Statements
December 31, 2018

16. BUDGET AMOUNTS

Budget data presented in these financial statements are based upon the 2018 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 2018
	\$
Revenue	
Operating - Metrobus	7,536,960
Municipal funding - Metrobus	13,690,330
Operating - GoBus	281,270
Municipal funding - GoBus	3,915,690
Total revenues	25,424,250
Expenses	
Operating - Metrobus	19,569,530
Capital - Metrobus	1,657,760
Operating - GoBus	3,974,390
Capital - GoBus	222,570
Total expenses	25,424,250
Total approved budget	-
Less:	
Amortization	(3,507,600)
Accrued retiring allowance	(20,229)
Change in employee benefits liability	(1,070,548)
Add:	
Change in pension obligation	154,243
Debt principal payments	1,639,000
Total adjustments	(2,805,134)
Annual budgeted deficit	(2,805,134)

ST. JOHN'S TRANSPORTATION COMMISSION
Schedules of Expenses
Year Ended December 31, 2018

	Actual 2018 \$	Actual 2017 \$
Operations		SCHEDULE 1
Operators' salaries	5,709,045	5,446,490
Diesel fuel	1,974,554	1,635,618
Operations' salaries	1,375,109	1,280,115
Community Bus	124,306	119,380
Transit advertising	94,359	103,564
Advertising	92,376	95,735
Promotions	88,391	74,592
The LINK	72,883	34,989
Licenses	64,686	67,693
Uniforms and clothing	64,437	72,333
Bus charter	40,136	103,489
Communication equipment	35,961	38,384
Company vehicles	31,394	34,436
Registration and memberships	23,086	23,858
Miscellaneous	15,909	11,454
Schedules and transfers	12,140	14,215
	9,818,772	9,156,345
Maintenance		SCHEDULE 2
Garage salaries	2,238,006	2,160,673
Wash salaries	324,535	307,646
Stock parts	609,341	608,307
Utilities	343,264	290,050
Building and yards	164,655	144,475
Tires	110,720	120,271
Bus lubricants	85,489	77,732
Garage expense	71,929	76,737
Janitorial and sanitation	39,194	39,044
Bus stops and shelters	38,744	32,501
Maintenance vehicles	37,031	55,603
Shop tools and equipment	21,060	9,446
Farebox repairs	19,973	12,807
Body shop supplies	15,014	15,776
Bus wash	12,068	20,576
	4,131,023	3,971,644

ST. JOHN'S TRANSPORTATION COMMISSION
Schedules of Expenses
Year Ended December 31, 2018

	Actual 2018	Actual 2017
	\$	\$
SCHEDULE 3		
Finance and administration		
Administrative and commissioners' salaries	906,874	866,306
Other benefits	790,693	1,528,734
Fleet insurance	410,911	245,714
Sick leave	306,977	316,814
Employer's payroll taxes	219,536	212,762
Computer	187,597	200,830
Office	70,411	77,177
Miscellaneous	54,700	51,838
Professional fees	43,686	112,336
Telephone	35,349	35,076
General insurance	33,603	38,452
Training	23,299	44,639
Loss on disposal of capital assets	19,569	-
Travel	8,433	10,933
Bad debt expense	2,883	-
	3,114,521	3,741,611

ST. JOHN'S TRANSPORTATION COMMISSION
Schedule of Tangible Capital Assets
Year Ended December 31, 2018

SCHEDULE 4

	2018										2017	
	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	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
Additions	1,297,372	158,627	556,167	182,881	13,787	6,894	-	-	89,173	-	2,304,901	2,496,249
Disposals and write downs	(1,088,499)	(46,192)	-	-	-	-	-	-	-	-	(1,134,691)	-
Cost, end of year	23,965,580	2,929,810	23,123,902	2,096,888	2,458,552	143,162	5,838,356	1,518,816	7,171,394	603,601	69,850,061	68,679,851
Accumulated Amortization												
Accumulated amortization, beginning 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
Amortization	1,891,032	270,081	570,636	147,190	132,324	20,452	-	51,360	358,569	6,314	3,447,958	3,390,573
Disposals and write downs	(1,088,499)	(19,596)	-	-	-	-	-	-	-	-	(1,108,095)	-
Accumulated amortization, end of year	13,775,357	2,086,503	3,061,362	1,330,870	1,280,893	103,618	-	286,168	1,782,174	603,601	24,310,546	21,970,683
Net book value	10,190,223	843,307	20,062,540	766,018	1,177,659	39,544	5,838,356	1,232,648	5,389,220	-	45,539,515	46,709,168

ST. JOHN'S TRANSPORTATION COMMISSION
Schedule of Age-Friendly Newfoundland and Labrador Transportation Project
Year Ended December 31, 2018

	Actual 2018	Actual 2017
	\$	\$
COMMUNITY BUS		
		SCHEDULE 5
Revenues		
Government grant	100,000	93,208
Passenger fares	20,719	20,946
	120,719	114,154
Expenses		
Operators' salaries	67,892	64,093
Amortization	21,850	21,850
Miscellaneous	17,682	1,185
Benefits	14,803	16,832
Maintenance expense	12,041	27,061
Diesel expense	11,888	10,209
Interest expense	329	1,615
	146,485	142,845
Excess of expenditures over revenues	(25,766)	(28,691)

ST. JOHN'S TRANSPORTATION COMMISSION
Schedule of Accessible Services
Year Ended December 31, 2018

	(Note 15)	
	Actual	Actual
	2018	2017
	\$	\$
SCHEDULE 6		
Revenues		
Municipal funding (Note 12)	3,915,690	3,232,800
Passenger fares	264,624	200,001
Government grant	94,500	94,500
City of Mount Pearl	69,096	41,792
	4,343,910	3,569,093
Expenses		
MVT Subsidy	4,123,915	3,574,447
Amortization	300,281	297,148
Salaries	131,999	76,893
Computer expense	83,164	105,022
Miscellaneous expense	52,436	37,718
Interest expense	21,584	8,095
Benefits	20,036	10,494
Promotions expense	5,174	3,126
Telephone expense	4,207	5,889
Office supplies	3,454	3,954
	4,746,250	4,122,786
Excess of expenditures over revenues	(402,340)	(553,693)