

Financial Statements of

**ST. JOHN'S TRANSPORTATION
COMMISSION**

December 31, 2019

ST. JOHN'S TRANSPORTATION COMMISSION
December 31, 2019

Table of Contents

	<u>Page</u>
Statement of Responsibility	1
Independent Auditor's Report	2-3
Statement of Operations and Accumulated Surplus	4
Statement of Financial Position	5
Statement of Changes in Net Debt	6
Statement of Cash Flows	7
Notes to the Financial Statements	8-19
Schedules of Expenses	20-21
Schedule of Tangible Capital Assets	22
Schedule of Age-Friendly Newfoundland and Labrador Transportation Project	23
Schedule of Accessible Services	24

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, 2019, 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, 2019, and its results of operations, its change in net debt 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.

Chartered Professional Accountants

St. John's, Newfoundland and Labrador
May 20, 2020

ST. JOHN'S TRANSPORTATION COMMISSION
Statement of Operations and Accumulated Surplus
Year ended December 31, 2019

	(Note 14)		
	Budget	Actual	Actual
	2019	2019	2018
	\$	\$	\$
Operating revenues			
Municipal funding (Note 12)	17,968,300	17,968,300	17,606,020
Passenger fares	5,628,440	6,130,522	5,764,073
City of Mount Pearl	1,080,240	1,054,715	1,045,561
Accessible services (Note 15)	428,090	456,915	428,220
Town of Paradise	282,270	284,505	277,864
Transit advertising	277,000	151,178	188,602
Sundry	108,000	90,226	133,269
Community Bus (Schedule 5)	100,000	120,098	120,719
The LINK	36,250	41,974	77,778
Bus charters	43,400	43,337	38,661
Interest	12,000	35,308	28,713
Government grant - other	-	-	1,734
	25,963,990	26,377,078	25,711,214
Operating expenses			
Operations (Schedule 1)	9,983,330	9,871,518	9,818,772
Maintenance (Schedule 2)	4,395,800	4,331,725	4,131,023
Finance and administration (Schedule 3)	3,301,553	3,638,803	3,114,521
Accessible services (Note 15)	4,283,620	4,942,455	4,424,385
Pension benefits (Note 6)	2,243,743	2,035,834	1,635,498
Amortization	3,384,270	3,291,703	3,447,958
Interest on debt	237,900	208,854	228,593
	27,830,216	28,320,892	26,800,750
Annual deficit before undernoted items	(1,866,226)	(1,943,814)	(1,089,536)
Government transfer (Note 13)	-	328,454	1,296,127
Retiring allowance benefits (Note 7)	(1,489)	(46,396)	(39,802)
Employee future benefits (Note 8)	(1,190,422)	(1,190,425)	(1,506,962)
Annual deficit	(3,058,137)	(2,852,181)	(1,340,173)
Surplus, beginning of the year	22,397,219	22,397,219	23,737,392
Surplus, end of the year	19,339,082	19,545,038	22,397,219

See accompanying notes to the financial statements

ST. JOHN'S TRANSPORTATION COMMISSION
Statement of Financial Position
December 31, 2019

	2019	2018
	\$	\$
Financial assets		
Cash	1,017,165	1,225,971
Accounts receivable	975,323	1,034,296
	1,992,488	2,260,267
Financial liabilities		
Credit facility (Note 4)	5,699,000	7,524,000
Accounts payable and accrued liabilities	2,307,526	2,130,023
Retiring allowance (Note 7)	419,721	400,110
Accrued pension liability (Note 6)	1,394,828	1,153,410
Employee benefits payable (Note 5)	1,654,609	1,572,121
Employee future benefits (Note 8)	14,335,113	13,287,606
	25,810,797	26,067,270
Net debt	(23,818,309)	(23,807,003)
Non-financial assets		
Tangible capital assets (Note 3)	42,651,980	45,539,515
Parts, supplies and accessories inventory	342,345	297,031
Prepaid expenses	369,022	367,676
	43,363,347	46,204,222
Accumulated surplus	19,545,038	22,397,219

Chair

Commissioner

See accompanying notes to the financial statements

ST. JOHN'S TRANSPORTATION COMMISSION
Statement of Changes in Net Debt
Year Ended December 31, 2019

	(Note 14)		
	Budget	Actual	Actual
	2019	2019	2018
	\$	\$	\$
Annual deficit	(3,058,137)	(2,852,181)	(1,340,173)
Changes in tangible capital assets			
Acquisition of tangible capital assets	(250,000)	(404,168)	(2,304,901)
Disposal of tangible capital assets	-	-	26,596
Amortization of tangible capital assets	3,384,270	3,291,703	3,447,958
Decrease in net book value of tangible capital assets	3,134,270	2,887,535	1,169,653
Changes in other non-financial assets			
Change in prepaid expenses	-	(1,346)	(2,421)
Change in parts, supplies and accessories, net of usage	-	(45,314)	283
Increase in non-financial assets	-	(46,660)	(2,138)
Increase in net debt	76,133	(11,306)	(172,658)
Net debt, beginning of year	(23,807,003)	(23,807,003)	(23,634,345)
Net debt, end of year	(23,730,870)	(23,818,309)	(23,807,003)

See accompanying notes to the financial statements

ST. JOHN'S TRANSPORTATION COMMISSION
Statement of Cash Flows
Year Ended December 31, 2019

	2019	2018
	\$	\$
Operating transactions		
Annual deficit	(2,852,181)	(1,340,173)
Adjustments for:		
Amortization of tangible capital assets	3,291,703	3,447,958
Loss on disposal of tangible capital assets	-	19,569
	439,522	2,127,354
Change in other (Note 9)	1,580,840	1,273,191
	2,020,362	3,400,545
Capital transactions		
Acquisition of tangible capital assets	(404,168)	(2,304,901)
Proceeds on disposal of tangible capital assets	-	7,027
	(404,168)	(2,297,874)
Financing transaction		
Repayments on credit facility	(1,825,000)	(824,000)
Net (decrease) increase in cash	(208,806)	278,671
Cash, beginning of year	1,225,971	947,300
Cash, end of year	1,017,165	1,225,971

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, 2019

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, 2019

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.

ST. JOHN'S TRANSPORTATION COMMISSION
Notes to the Financial Statements
December 31, 2019

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, 2019

3. TANGIBLE CAPITAL ASSETS

	2019			2018	
	Cost	Accumulated Amortization	Net Book Value	Cost	Net Book Value
	\$	\$	\$	\$	\$
Buses	23,965,580	15,538,707	8,426,873	23,965,580	10,190,223
Bus operating equipment	3,034,202	2,336,996	697,206	2,929,810	843,307
Buildings	23,410,258	3,650,938	19,759,320	23,123,902	20,062,540
Office furniture and equipment	2,110,308	1,459,174	651,134	2,096,888	766,018
Garage equipment	2,458,552	1,412,549	1,046,003	2,458,552	1,177,659
Vehicles	143,162	124,067	19,095	143,162	39,544
Land	5,838,356	-	5,838,356	5,838,356	5,838,356
Land improvements	1,518,816	335,474	1,183,342	1,518,816	1,232,648
Building systems	7,171,394	2,140,743	5,030,651	7,171,394	5,389,220
Fareboxes	603,601	603,601	-	603,601	-
	70,254,229	27,602,249	42,651,980	69,850,061	45,539,515

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, 2019 the outstanding banker's acceptances bore interest at 3.06% and mature on January 27, 2020. The credit facility, which was renewed on April 27, 2020, bears interest at 1.59% and matures on May 28, 2020.

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:

	2019	2018
	\$	\$
Sick pay benefits	1,177,415	1,093,434
Vacation pay benefits	477,194	478,687
	1,654,609	1,572,121

ST. JOHN'S TRANSPORTATION COMMISSION
Notes to the Financial Statements
December 31, 2019

6. ACCRUED PENSION BENEFITS

Based on an actuarial valuation of the plans, completed as at December 31, 2018, the following results have been extrapolated to December 31, 2019:

A. Defined Benefit Pension Plan

	2019			2018		
	Union	Non-union	Total	Union	Non-union	Total
	\$	\$	\$	\$	\$	\$
<i>Accrued benefit obligation</i>						
Balance, beginning of year	34,006,417	20,832,329	54,838,746	33,257,231	19,327,770	52,585,001
Current service cost	1,262,362	711,064	1,973,426	1,352,973	681,326	2,034,299
Interest cost	1,858,737	1,098,481	2,957,218	1,809,516	1,018,826	2,828,342
Benefits paid	(1,684,766)	(528,834)	(2,213,600)	(2,066,853)	(524,430)	(2,591,283)
(Gain) loss on accrued benefit obligation	(1,019,648)	439,961	(579,687)	(346,450)	328,837	(17,613)
Balance, end of year	34,423,102	22,553,001	56,976,103	34,006,417	20,832,329	54,838,746
<i>Accrued benefit asset</i>						
Fair value, beginning of year	31,384,461	17,546,964	48,931,425	32,534,470	17,599,524	50,133,994
Return on plan assets	4,152,649	2,471,150	6,623,799	(820,211)	(499,799)	(1,320,010)
Benefits paid	(1,684,766)	(528,834)	(2,213,600)	(2,066,853)	(524,430)	(2,591,283)
Employer contributions to plan	1,052,759	741,657	1,794,416	1,126,500	722,629	1,849,129
Employee contributions to plan	600,756	264,253	865,009	610,555	249,040	859,595
Fair value, end of year	35,505,859	20,495,190	56,001,049	31,384,461	17,546,964	48,931,425
Funded status - deficit	(1,082,757)	2,057,811	975,054	2,621,956	3,285,365	5,907,321
Unamortized amounts	1,181,271	(905,592)	275,679	(2,535,324)	(2,339,540)	(4,874,864)
Accrued pension liability	98,514	1,152,219	1,250,733	86,632	945,825	1,032,457
<i>Net benefit expense for the year</i>						
Current service cost	1,262,362	711,064	1,973,426	1,352,973	681,326	2,034,299
Interest cost	133,451	164,742	298,193	29,190	83,111	112,301
Amortization of gains/losses	269,584	336,498	606,082	153,765	179,872	333,637
Employee contributions	(600,756)	(264,253)	(865,009)	(610,555)	(249,040)	(859,595)
	1,064,641	948,051	2,012,692	925,373	695,269	1,620,642
<i>Significant assumptions used</i>						
Discount rate	5.35%	5.10%		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						
2018				5.00%	5.00%	
2019 and after	2.00%	2.00%		2.00%	2.00%	
Average remaining service period for active employees	14.6 years	10.3 years		15.5 years	10.6 years	

ST. JOHN'S TRANSPORTATION COMMISSION
Notes to the Financial Statements
December 31, 2019

6. ACCRUED PENSION BENEFITS (Continued)

The plans asset mix at December 31, 2019 was:

Equities	71.5%
Bonds	26.8%
Cash and short-term investments	1.7%
	<u>100%</u>

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 2019 the Commission expensed \$51,671 (2018 - \$25,105) related to the defined contribution plan.

Subsequent to year end, the COVID-19 outbreak (Note 16) had a significant effect on the financial markets. The Commission's investments held in the defined benefit pension plan are reported in these financial statements at their fair values on December 31, 2019, by way of a reduction in the pension liability. As of April 30, 2020, the TSX Composite Index has declined by approximately 20%. Although market volatility impacts the value of the accrued pension liability, this is not expected to significantly impact the services the Commission is able to provide in the future. The extent of any future impact on the Commission's defined benefit pension plan as a result of COVID-19 is unknown.

ST. JOHN'S TRANSPORTATION COMMISSION
Notes to the Financial Statements
December 31, 2019

6. ACCRUED PENSION BENEFITS (Continued)

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.

	2019	2018
	\$	\$
<i>Accrued benefit obligation</i>		
Balance, beginning of year	193,831	144,168
Current service cost	7,633	5,900
Interest cost	7,412	5,149
(Gain) loss on accrued benefit obligation	(21,197)	38,614
Balance, end of year	187,679	193,831
Funded status - deficit	187,679	193,831
Unamortized amounts	(43,584)	(72,878)
Accrued benefit obligation, end of year	144,095	120,953
<i>Net benefit expense for the year</i>		
Current service cost	7,633	5,900
Interest cost	7,412	5,149
Amortization of gains/losses	8,097	3,807
	23,142	14,856

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 3.17% (2018 – 3.75%) and the average remaining service period for active employees used of 8.0 years (2018 – 9.0 years).

C. Accrued Pension Liability

	2019	2018
	\$	\$
Defined Benefit Plan	1,250,733	1,032,457
SERP	144,095	120,953
	1,394,828	1,153,410

ST. JOHN'S TRANSPORTATION COMMISSION
Notes to the Financial Statements
December 31, 2019

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.

Based on an actuarial valuation of the plan, completed as at December 31, 2018, the following results have been extrapolated to December 31, 2019:

	2019	2018
	\$	\$
<i>Accrued benefit liability</i>		
Balance, beginning of year	442,182	390,806
Current service cost	27,143	25,241
Interest cost	16,224	13,783
Benefits paid	(26,785)	(18,708)
Actuarial loss on benefit obligation	24,491	31,060
Balance, end of year	483,255	442,182
Plan - deficit	483,255	442,182
Unamortized amounts	(63,534)	(42,072)
Accrued benefit liability, end of year	419,721	400,110
<i>Net benefit expense for the year</i>		
Current service cost	27,143	25,241
Interest cost	16,224	13,783
Amortization of gains/losses	3,029	778
	46,396	39,802

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

	2019	2018
Discount Rate	3.17%	3.75%
Rate of compensation increase	2.0%	2.0%
Average remaining service period for active employees	13.8 years	13.8 years

ST. JOHN'S TRANSPORTATION COMMISSION
Notes to the Financial Statements
December 31, 2019

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.

Based on an actuarial valuation of the plan, completed as at December 31, 2018, the following results have been extrapolated to December 31, 2019:

	2019	2018
	\$	\$
<i>Accrued benefit obligation</i>		
Balance, beginning of year	13,813,148	15,909,425
Current service cost	501,080	576,171
Interest cost	520,199	559,102
Benefits paid	(142,918)	(436,414)
Actuarial loss (gain) on benefit obligation	2,193,608	(2,795,136)
Balance, end of year	16,885,117	13,813,148
Plan status - deficit	16,885,117	13,813,148
Unamortized amounts	(2,550,004)	(525,542)
Accrued benefit liability	14,335,113	13,287,606
<i>Net benefit expense for the year</i>		
Current service cost	501,080	576,171
Interest cost	520,199	559,102
Amortization of gains/losses	169,146	371,689
	1,190,425	1,506,962
<i>Significant assumptions used</i>		
Discount rate (obligation)	3.17%	3.75%
Discount rate (expense)	3.75%	3.50%
Average remaining service period for active employees	13.8 years	13.8 years

ST. JOHN'S TRANSPORTATION COMMISSION
Notes to the Financial Statements
December 31, 2019

9. CHANGE IN OTHER

	2019	2018
	\$	\$
Accounts receivable	58,973	133,471
Parts, supplies and accessories	(45,314)	283
Prepaid expenses	(1,346)	(2,421)
Accounts payable and accrued liabilities	177,503	177,688
Accrued pension liability	241,418	(213,631)
Retiring allowance	19,611	21,094
Employee benefits payable	82,488	86,159
Employee future benefits	1,047,507	1,070,548
	1,580,840	1,273,191

10. 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, 2019 provision of \$574,819 (2018 - \$606,527) is adequate and has been recorded in the accounts where required.

11. MUNICIPAL FUNDING

Funding was provided by the City of St. John's for the 2019 operations as follows:

	2019	2018
	\$	\$
Metrobus	13,899,760	13,690,330
Accessible services ("GoBus")	4,068,540	3,915,690
	17,968,300	17,606,020

12. CAPITAL FUNDING

During the year, the City made a government transfer of \$328,454 (2018 - \$1,296,127) 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.

13. ECONOMIC DEPENDENCE

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

ST. JOHN'S TRANSPORTATION COMMISSION
Notes to the Financial Statements
December 31, 2019

14. BUDGET AMOUNTS

Budget data presented in these financial statements are based upon the 2019 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 2019
	\$
Revenue	
Operating - Metrobus	7,567,600
Municipal funding - Metrobus	13,899,760
Operating - GoBus	428,090
Municipal funding - GoBus	4,068,540
Total revenues	25,963,990
Expenses	
Operating - Metrobus	19,979,470
Capital - Metrobus	1,487,890
Operating - GoBus	4,283,620
Capital - GoBus	213,010
Total revenues	25,963,990
Total approved budget	-
Less:	
Amortization	(3,384,270)
Accrued retiring allowance	(1,489)
Change in pension obligation	(319,173)
Change in employee benefits liability	(816,205)
Add:	
Debt principal payments	1,463,000
Total adjustments	(3,058,137)
Total budgeted deficit	(3,058,137)

ST. JOHN'S TRANSPORTATION COMMISSION
Notes to the Financial Statements
December 31, 2019

15. ACCESSIBLE SERVICES

The Commission is responsible for providing accessible services known as GoBus. The Commission oversees the delivery of services currently contracted to MVT Canadian Bus, Inc for the period of 5 years ending December 31, 2021. As part of this arrangement, the Commission leases accessible transit buses 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. 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. See Schedule 6 for further details on the revenue and expenses associated with the delivery of accessible services.

16. SUBSEQUENT EVENT

Subsequent to year end, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus, "COVID-19". In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. The full impact of the COVID-19 outbreak continues to evolve throughout the world, including Canada. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the impact on the Commission will not be known with certainty for months to come.

The Commission has already seen a drop in ridership on both Metrobus and GoBus, resulting in a loss of revenues on Metrobus and a drop in expenses as payments to the GoBus contractor have decreased. If the pandemic continues, it may negatively impact the Commission's defined benefit pension liability (Note 6), and may have an adverse effect on the Commission's results of future operations in the fiscal year 2020.

ST. JOHN'S TRANSPORTATION COMMISSION
Schedules of Expenses
Year Ended December 31, 2019

	Actual 2019	Actual 2018
	\$	\$
Operations		SCHEDULE 1
Operators' salaries	5,709,433	5,709,045
Diesel fuel	1,927,022	1,974,554
Operations' salaries	1,406,128	1,375,109
Community Bus	124,935	124,306
Advertising	201,972	92,376
Transit advertising	91,078	94,359
Promotions	77,052	88,391
Uniforms and clothing	65,610	64,437
Licenses	60,378	64,686
The LINK	44,619	72,883
Bus charter	44,138	40,136
Company vehicles	32,848	31,394
Registration and memberships	30,043	23,086
Communication equipment	27,980	35,961
Schedules and transfers	14,374	12,140
Miscellaneous	13,908	15,909
	9,871,518	9,818,772
Maintenance		SCHEDULE 2
Garage salaries	2,263,640	2,238,006
Wash salaries	333,696	324,535
Stock parts	721,237	609,341
Utilities	383,115	343,264
Building and yards	150,904	164,655
Tires	148,196	110,720
Bus lubricants	91,400	85,489
Garage expense	78,868	71,929
Maintenance vehicles	45,016	37,031
Janitorial and sanitation	42,597	39,194
Bus stops and shelters	30,260	38,744
Shop tools and equipment	21,523	21,060
Farebox repairs	12,081	19,973
Body shop supplies	5,300	15,014
Bus wash	3,892	12,068
	4,331,725	4,131,023

ST. JOHN'S TRANSPORTATION COMMISSION
Schedules of Expenses
Year Ended December 31, 2019

	Actual 2019	Actual 2018
	\$	\$
SCHEDULE 3		
Finance and administration		
Administrative and commissioners' salaries	922,160	906,874
Other benefits	999,014	790,693
Fleet insurance	612,514	410,911
Sick leave	355,561	306,977
Computer	226,648	187,597
Employer's payroll taxes	222,736	219,536
Office	75,447	70,411
Professional fees	72,075	43,686
Miscellaneous	59,027	54,700
General insurance	36,493	33,603
Telephone	35,052	35,349
Training	11,106	23,299
Travel	8,420	8,433
Bad debt expense	2,550	2,883
Loss on disposal of capital assets	-	19,569
	3,638,803	3,114,521

ST. JOHN'S TRANSPORTATION COMMISSION
Schedule of Tangible Capital Assets
Year Ended December 31, 2019

SCHEDULE 4

	2019										2018	
	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	23,965,580	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
Additions	-	104,392	286,356	13,420	-	-	-	-	-	-	404,168	2,304,901
Disposals and write downs	-	-	-	-	-	-	-	-	-	-	-	(1,134,691)
Cost, end of year	23,965,580	3,034,202	23,410,258	2,110,308	2,458,552	143,162	5,838,356	1,518,816	7,171,394	603,601	70,254,229	69,850,061
Accumulated Amortization												
Accumulated amortization, beginning 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
Amortization	1,763,350	250,493	589,576	128,304	131,656	20,449	-	49,306	358,569	-	3,291,703	3,447,958
Disposals and write downs	-	-	-	-	-	-	-	-	-	-	-	(1,108,096)
Accumulated amortization, end of year	15,538,707	2,336,996	3,650,938	1,459,174	1,412,549	124,067	-	335,474	2,140,743	603,601	27,602,249	24,310,546
Net book value	8,426,873	697,206	19,759,320	651,133	1,046,003	19,095	5,838,356	1,183,342	5,030,651	-	42,651,980	45,539,515

ST. JOHN'S TRANSPORTATION COMMISSION
Schedule of Age-Friendly Newfoundland and Labrador Transportation Project
Year Ended December 31, 2019

	Actual 2019	Actual 2018
	\$	\$
COMMUNITY BUS		
		SCHEDULE 5
Revenues		
Government grant	100,000	100,000
Passenger fares	20,098	20,719
	120,098	120,719
Expenses		
Operators' salaries	68,208	67,892
Amortization	21,850	21,850
Miscellaneous	16,309	17,682
Benefits	15,506	14,803
Maintenance expense	11,252	12,041
Diesel expense	13,660	11,888
Interest expense	-	329
	146,785	146,485
Excess of expenditures over revenues	(26,687)	(25,766)

ST. JOHN'S TRANSPORTATION COMMISSION
Schedule of Accessible Services
Year Ended December 31, 2019

(Note 15)

**Actual
2019**

Actual
2018

\$

\$

SCHEDULE 6

Revenues

Municipal funding (Note 12)

4,068,540

3,915,690

Passenger fares

292,740

264,624

Government grant

94,500

94,500

City of Mount Pearl

69,675

69,096

4,525,455

4,343,910

Expenses

MVT Subsidy

4,609,530

4,123,915

Amortization

283,764

300,281

Salaries

137,785

131,999

Computer expense

98,419

83,164

Miscellaneous expense

62,916

52,436

Professional fees

1,684

-

Interest expense

18,315

21,584

Benefits

22,343

20,036

Promotions expense

3,599

5,174

Telephone expense

3,439

4,207

Office supplies

2,740

3,454

5,244,534

4,746,250

Excess of expenditures over revenues

(719,079)

(402,340)