

Financial Statements of

LONDON TRANSIT COMMISSION

Year ended December 31, 2009



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AUDITORS' REPORT

To the Commissioners, Members of Council, Inhabitants and Ratepayers of the Corporation of The City of London

We have audited the statement of financial position of the London Transit Commission as at December 31, 2009, and the statements of operations, change in net financial assets and cash flows for the year then ended. These financial statements are the responsibility of the Commission's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Commission as at December 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the London Transit Commission taken as a whole. The 2009 budget information included in the statement of operations is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such supplementary information has not been subjected to the auditing procedures applied in the audit of the basic financial statements.

Chartered Accountants, Licensed Public Accountants

London, Canada

March 26, 2010

LONDON TRANSIT COMMISSION

Statement of Financial Position

December 31, 2009 , with comparative figures for 2008

| | 2009 | 2008 |
|---|---------------------|------------------------|
| | | (restated - note 2) |
| Financial Assets | | |
| Cash and cash equivalents | \$ 46,436,196 | \$ 31,714,988 |
| Short-term investments | 10,501,084 | 17,083,728 |
| Accounts receivable | 456,989 | 437,804 |
| Due from The City of London | 885,234 | 596,953 |
| | <hr/> 58,279,503 | <hr/> 49,833,473 |
| Financial Liabilities | | |
| Accounts payable | 6,565,801 | 3,185,593 |
| Due to The City of London | 644,274 | 106,642 |
| Accrued wages | 1,493,442 | 1,141,798 |
| Vacation pay earned and accrued payroll cost | 2,451,000 | 2,404,438 |
| Accrued liability insurance claims cost (note 10) | 1,142,940 | 764,046 |
| Post-employment benefit liability (note 9) | 3,192,000 | 3,029,000 |
| Deferred fare media | 2,125,917 | 2,371,217 |
| Deferred revenue other (note 5) | 38,226,814 | 35,834,336 |
| | <hr/> 55,842,188 | <hr/> 48,837,070 |
| Net financial assets | 2,437,315 | 996,403 |
| Non - Financial Assets | | |
| Inventories (note 3) | 1,691,237 | 1,542,445 |
| Tangible capital assets | 62,662,466 | 62,936,336 |
| Prepays | 779,719 | 747,844 |
| | <hr/> 65,133,422 | <hr/> 65,226,625 |
| Commitments (note 6) | | |
| Accumulated surplus (note 4) | <hr/> \$ 67,570,737 | <hr/> \$ 66,223,028 |

See accompanying notes to financial statements.

LONDON TRANSIT COMMISSION

Statement of Operations

Year ended December 31, 2009 , with comparative figures for 2008

| | Budget | 2009 | 2008 |
|--------------------------------------|----------------------|----------------------|------------------------|
| | (unaudited) | | (restated - note 2) |
| Revenue: | | | |
| Grant: | | | |
| The City of London (note 7) | \$ 32,763,200 | \$ 25,131,243 | \$ 26,536,467 |
| Province of Ontario (note 7) | 24,004,700 | 4,981,208 | 13,025,252 |
| Government of Canada (note 7) | 10,775,200 | 2,177,864 | 1,668,410 |
| | <u>67,543,100</u> | <u>32,290,315</u> | <u>41,230,129</u> |
| User charges, conventional transit: | | | |
| Cash fares | 5,122,800 | 4,145,765 | 4,905,378 |
| Ticket fares (note 7) | 9,786,800 | 8,712,511 | 9,225,191 |
| Pass fares (note 7) | 13,560,200 | 12,566,973 | 12,754,641 |
| Contract service | 75,100 | 51,383 | 78,917 |
| Other transportation revenue | - | (2,010) | (37,353) |
| | <u>28,544,900</u> | <u>25,474,622</u> | <u>26,926,774</u> |
| Other revenue, conventional transit: | | | |
| Advertising | 512,000 | 464,291 | 577,366 |
| Interest and discounts | 889,000 | 594,358 | 1,561,398 |
| Rent | 2,500 | 2,684 | 2,676 |
| Loss on disposal of capital assets | - | (3,061,369) | (1,626,442) |
| Miscellaneous | 48,000 | 331,065 | 1,015,428 |
| | <u>1,451,500</u> | <u>(1,668,971)</u> | <u>1,530,426</u> |
| User charges, specialized transit: | | | |
| Cash fares | 18,300 | 15,795 | 15,007 |
| Ticket fares (note 7) | 280,300 | 273,569 | 243,122 |
| Pass fares (note 7) | 95,000 | 97,254 | 91,863 |
| | <u>393,600</u> | <u>386,618</u> | <u>349,992</u> |
| Total revenue | \$ 97,933,100 | \$ 56,482,584 | \$ 70,037,321 |

See accompanying notes to financial statements.

LONDON TRANSIT COMMISSION

Statement of Operations

Year ended December 31, 2009 , with comparative figures for 2008

| | Budget | 2009 | 2008 |
|--|-------------------|----------------------|------------------------|
| | (unaudited) | | (restated - note 2) |
| Expenses: | | | |
| Salaries, wages and benefits: | | | |
| Transportation | \$ 23,956,960 | \$ 21,922,933 | \$ 22,998,249 |
| Vehicle maintenance | 6,529,798 | 5,829,618 | 6,080,928 |
| Facility | 428,370 | 428,691 | 476,712 |
| Planning, marketing and general administration | 2,500,472 | 2,567,505 | 2,465,521 |
| | <u>33,415,600</u> | <u>30,748,748</u> | <u>32,021,411</u> |
| Materials, supplies, utilities and services: | | | |
| Transportation | 1,764,700 | 2,112,553 | 1,574,708 |
| Vehicle maintenance | 3,653,600 | 3,297,851 | 3,410,184 |
| Facility | 2,166,600 | 2,221,198 | 2,035,982 |
| Planning, marketing and general administration | 1,232,500 | 1,089,705 | 1,015,496 |
| Fuel | 7,722,300 | 4,567,178 | 7,361,575 |
| Amortization | - | 7,610,422 | 7,227,613 |
| | <u>16,539,700</u> | <u>20,898,907</u> | <u>22,625,558</u> |
| Current operations, specialized transit: | | | |
| Administration: | | | |
| Salaries and benefits | 557,600 | 540,710 | 482,931 |
| Materials and supplies | 87,600 | 88,622 | 79,890 |
| | <u>645,200</u> | <u>629,332</u> | <u>562,821</u> |
| Contracted service delivery | 2,878,700 | 2,857,888 | 2,581,286 |
| | <u>3,523,900</u> | <u>3,487,220</u> | <u>3,144,107</u> |
| Total expenses | 53,479,200 | 55,134,875 | 57,791,076 |
| Annual surplus | \$ 44,453,900 | \$ 1,347,709 | \$ 12,246,245 |
| Accumulated surplus, beginning of year | | 66,223,028 | 53,976,783 |
| Accumulated surplus, end of year | | <u>\$ 67,570,737</u> | <u>\$ 66,223,028</u> |

See accompanying notes to financial statements.

LONDON TRANSIT COMMISSION

Statement of Change in Net Financial Assets

Year ended December 31, 2009 , with comparative figures for 2008

| | 2009 | 2008 |
|---|--------------|------------------------|
| | | (restated - note 2) |
| Annual surplus | \$ 1,347,709 | \$ 12,246,245 |
| Acquisition of tangible capital assets | (10,545,479) | (22,360,527) |
| Amortization of tangible capital assets | 7,610,422 | 7,227,613 |
| Loss on sale of tangible capital assets | 3,061,369 | 1,626,442 |
| Proceeds on sale of tangible capital assets | 147,558 | 167,594 |
| | 1,621,579 | (1,092,633) |
| Change in inventories | (148,792) | (1,542,445) |
| Change in prepaid expenses | (31,875) | 68,072 |
| Change in net financial assets | 1,440,912 | (2,567,006) |
| Net financial assets, beginning of year | (580,791) | 1,986,215 |
| Net financial assets, end of year | \$ 860,121 | \$ (580,791) |

See accompanying notes to financial statements.

LONDON TRANSIT COMMISSION

Statement of Cash Flows

Year ended December 31, 2009 , with comparative figures for 2008

| | 2009 | 2008 |
|---|---------------|---------------|
| Cash provided by (used in): | | |
| Operating activities: | | |
| Annual surplus | \$ 1,347,709 | \$ 12,246,245 |
| Items not involving cash: | | |
| Amortization | 7,610,422 | 7,227,613 |
| Loss on disposal of tangible capital assets | 3,061,369 | 1,626,442 |
| Change in post-employment benefit liability | 163,000 | 231,000 |
| Changes in non-cash assets and liabilities: | | |
| Accounts receivable | (19,185) | 18,258 |
| Receivable from The City of London | (288,281) | (179,054) |
| Inventories | (148,792) | (1,542,445) |
| Prepays | (31,875) | 68,072 |
| Short-term investments | 6,582,644 | (13,521,900) |
| Accounts payable | 3,380,208 | 683,730 |
| Payable to The City of London | 537,632 | 55,325 |
| Accrued wages | 351,644 | (700,844) |
| Accrued vacation | 46,562 | (40,798) |
| Accrued liability insurance claims cost | 378,894 | (209,692) |
| Deferred fare media | (245,300) | 721,720 |
| Deferred revenue other | 2,392,478 | 9,395,470 |
| Net change in cash from operating activities | 25,119,129 | 16,079,142 |
| Investing activities: | | |
| Proceeds on sale of tangible capital assets | 147,558 | 167,594 |
| Cash used to acquire tangible capital assets | (10,545,479) | (22,360,527) |
| Net change in cash from investing activities | (10,397,921) | (22,192,933) |
| Net change in cash and short-term investments | 14,721,208 | (6,113,791) |
| Opening cash and cash equivalents | 31,714,988 | 36,251,585 |
| Closing cash and short-term investments | \$ 46,436,196 | \$ 30,137,794 |

See accompanying notes to financial statements.

LONDON TRANSIT COMMISSION

Notes to Financial Statements

Year ended December 31, 2009

1. Significant accounting policies:

The financial statements of the London Transit Commission (the "Commission") are the representation of management prepared in accordance with Canadian generally accepted accounting principles as defined in the Canadian Institute of Chartered Accountants Public Sector Accounting Handbook.

(a) Basis of accounting:

The Commission follows the accrual method of account for revenues and expenses. Revenues are normally recognized in the year in which they are earned and measurable. Expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and/or the creation of a legal obligation to pay.

(b) Cash and short-term investments:

The balances reported for cash and short-term investments in these financial statements include both funds for current purposes and balances held for reserve funds.

Cash and cash equivalents include amounts held in banks and highly liquid investments with maturities at time of purchase of three months or less.

(c) Deferred revenue:

The Commission receives contributions pursuant to legislation, regulations or agreement that may be only used for certain programs or in the completion of specific work. In addition, certain user charges and fees are collected for which the related services have yet to be performed. These amounts are recognized as revenue in the fiscal year the related expenditures are incurred or the services performed.

(d) Post-employment benefits liability:

The Commission provides defined retirement and other future benefits to specified employee groups. These benefits include pension, health, dental, and life insurance, compensated absences, and workers' compensation benefits. The Commission has adopted the following policies with respect to accounting for these benefits:

- (i) The cost of employee future benefit plans are actuarially determined using managements best estimate of salary escalation, insurance and health care cost trends, long-term inflation rates and discount rates.
- (ii) The cost of multi-employer defined contribution pension plan benefits, such as the Ontario Municipal Employees Retirement System ("OMERS") pensions, are the employer's contributions to the plan in the period.

LONDON TRANSIT COMMISSION

Notes to Financial Statements (continued)

Year ended December 31, 2009

1. Significant accounting policies (continued):

(e) Tangible capital assets:

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

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

(f) Use of estimates:

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

2. Change in accounting policies:

The Commission has implemented Public Section Accounting Board ("PSAB") sections 1200 Financial Statement Presentation and 3150 Tangible Capital Assets. Section 1200 establishes general reporting principles and standards for the disclosure of information in government financial statements. Section 3150 requires governments to record and amortize their tangible capital assets in their financial statements. In prior years, tangible capital additions were expensed in the year of acquisition or construction.

The financial information recorded includes the actual historical cost of the tangible capital assets.

LONDON TRANSIT COMMISSION

Notes to Financial Statements (continued)

Year ended December 31, 2009

2. Change in accounting policies (continued):

This change has been applied retroactively and prior periods have been restated. This change in accounting policy has changed amounts reported in the prior period as follows:

Accumulated surplus at January 1, 2008:

| | | |
|--|----|-------------|
| Reserve and Reserve Funds | \$ | 10,596,299 |
| Amounts to be recovered from future reserves | | (5,243,236) |
| Amounts to be recovered from future revenues | | (973,738) |
| Accumulated surplus, as previously reported | | 4,379,325 |
| Net book value of tangible capital assets recorded | | 49,597,458 |

| | | |
|----------------------------------|----|------------|
| Accumulated surplus, as restated | \$ | 53,976,783 |
|----------------------------------|----|------------|

Annual surplus for 2008:

| | | |
|--|----|-------------|
| Net revenues, as previously reported | \$ | (1,092,633) |
| Assets Capitalized but previously expensed | | 22,360,527 |
| Amortization expense not previously recorded | | (7,227,613) |
| Loss on disposal of assets | | (1,626,442) |
| Proceeds on disposal reported as revenue | | (167,594) |

| | | |
|-----------------------------|----|------------|
| Annual surplus, as restated | \$ | 12,246,245 |
|-----------------------------|----|------------|

3. Inventories:

| | 2009 | 2008 |
|---|--------------|--------------|
| At December 31, 2009, inventories consist of: | | |
| Repair parts | \$ 1,690,384 | \$ 1,541,505 |
| Returnable containers | 853 | 940 |
| | \$ 1,691,237 | \$ 1,542,445 |

LONDON TRANSIT COMMISSION

Notes to Financial Statements (continued)

Year ended December 31, 2009

4. Accumulated surplus:

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

| | 2009 | 2008 |
|--|---------------|---------------|
| Surplus: | | |
| Invested in tangible capital assets | \$ 62,662,466 | \$ 62,936,336 |
| To be recovered from public liability insurance reserve fund | (1,142,940) | (764,046) |
| Unfunded: | | |
| Post-employment benefit liability | (3,192,000) | (3,029,000) |
| Vacation pay earned and accrued payroll cost | (2,451,000) | (2,404,438) |
| Total surplus | 55,876,526 | 56,738,852 |
| Reserve set aside for specific purposes of the Commission: | | |
| Energy management | 2,178,250 | 1,259,478 |
| General operating reserve | 2,941,568 | 1,760,379 |
| Health care management | 1,796,197 | 1,472,746 |
| Total reserves | 6,916,015 | 4,492,603 |
| Reserve funds set aside for specific purposes by the Commission: | | |
| Capital program reserve fund | 2,312,457 | 2,280,629 |
| Public liability insurance reserve fund (note 10) | 2,465,739 | 2,710,844 |
| Total reserve funds | 4,778,196 | 4,991,473 |
| | \$ 67,570,737 | \$ 66,222,928 |

5. Deferred revenue other:

| | 2009 | 2008 |
|-----------------------------------|---------------|---------------|
| Provincial gas tax | \$ 19,765,201 | \$ 13,752,725 |
| Federal transit trust | 9,919,054 | 12,096,940 |
| Capital infrastructure investment | 8,542,559 | 9,984,671 |
| | \$ 38,226,814 | \$ 35,834,336 |

The nature and extent of the deferred revenue balances at December 31, 2009, support capital expenditure initiatives including the establishment of a satellite facility and the implementation of an upgraded Automatic Vehicle Location/Communication System. These projects are being funded from the Provincial Gas Tax Reserve Fund, the Federal Transit Trust Reserve Fund and the Capital Infrastructure Reserve Fund. The approved outstanding budget at December 31, 2009 for the two projects total \$21.375 million and \$1.5 million respectively.

LONDON TRANSIT COMMISSION

Notes to Financial Statements (continued)

Year ended December 31, 2009

6. Commitments:

Lease obligation:

The Commission rents a portion of a property located at 150 Dundas Street for an information office and sales outlet. The lease expires August 31, 2014. Lease payments to expiry of the lease total **\$76,447**.

Tuition based pass programs:

The Commission has entered into agreements with Student Councils of the University of Western Ontario, the Society of Graduate Students, and Fanshawe College to provide tuition based bus pass programs for all full time students. The current terms covered by the respective bus pass programs range from September 2009 to April 2014 for the University of Western Ontario, from September 2009 to August 2014 for the Schulich School of Medicine, Society of Graduate Students and Fanshawe College. There are approximately 42,500 students covered by the program. The related annual revenue supporting post December 31, 2009 service commitment is approximately \$3.260 million.

Bus purchases:

The Commission has approved London Transit's continued participation in the Transit Procurement Initiative with the procurement of new buses for both 2009 and 2010, as provided under the terms of a related Governance Agreement. Consistent with the approval the Commission has approved:

- (i) The execution of the appropriate municipal bus purchase agreement for the purchase of fifteen 40' new replacement/expansion diesel buses for 2009 with New Flyer Industries of which the receipt of 14 were outstanding at December 31, 2009.
- (ii) The execution of the appropriate municipal bus purchase agreement for the purchase of four 40' new replacement hybrid diesel/electric buses for 2010 with New Flyer Industries.
- (iii) The execution of the appropriate municipal bus purchase agreement for the purchase of a combined ten 40' new replacement and expansion diesel buses for 2010 with New Flyer Industries.

The total budgeted cost associated with the three contracts is \$13.612 million with funding to be shared by The City of London, City of London Development Charges, the Province of Ontario (through the Gas Tax Program, Ontario Bus Replacement Program and Investing in Ontario program), the Government of Canada (Federal Transit Trust) and London Transit Capital Reserve program.

Automatic Vehicle Location Communication System Upgrade/Replacement:

In 2007, the Commission approved the award of a contract to Siemens Canada Limited for the supply and installation of an Automatic Vehicle Location and Communication System. The contract price of \$5.375 million inclusive of taxes is to be funded by Provincial Gas Tax funds and Federal Transit Trust funds. At December 31, 2009, \$0.454 million of the contract price remains outstanding. The contract award was approved by the Commission on January 31, 2007.

LONDON TRANSIT COMMISSION

Notes to Financial Statements (continued)

Year ended December 31, 2009

6. Commitments (continued):

Satellite facility:

The Commission has approved the awarding of a number of contracts respecting the construction of a new satellite facility at 3508 Wonderland Road. The total budgeted cost of the project is approximately \$21.4 million. The major contracts awarded and in progress are with Agri Urban Design Buildings Inc (\$16.2 million) for the construction of the facility and Spriet Associates, serving as prime consultant and providing architectural services (\$0.795 million). Further the Commission has approved the purchase of the land from The City of London at a cost of \$2.5 million.

450 Highbury Avenue facility:

Consistent with the provisions of the Federal/Provincial/Municipal Economic Stimulus program the London Transit Commission has awarded a series of contracts relating to construction upgrade work at the 450 Highbury Avenue facility. At December 31, 2009 a number of the contracts where in progress, they include Brad Baker Plumbing and Heating (\$2.025 million) for upgrades to electrical and air make up systems in maintenance area, Smith Peat Roofing (\$0.856 million) for roof replacement, PK Construction (\$1.225 million) for office upgrades including plumbing, heating and air conditioning systems and Tonda Construction (\$0.401 million) for expansion and upgrades to bus hoists. The contracts are funded equally by the Province of Ontario, the Government of Canada and The City of London.

7. Grants:

(a) The City of London:

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

| | 2009 | 2008 |
|--|----------------------|----------------------|
| Specialized transit | \$ 2,758,000 | \$ 2,606,000 |
| Conventional transit | 17,536,200 | 16,619,700 |
| | 20,294,200 | 19,225,700 |
| Capital grants: | | |
| Capital levy and debentures | 4,837,043 | 6,215,675 |
| Development charges | - | 1,095,092 |
| | 4,837,043 | 7,310,767 |
| Total grants received from The City of London | \$ 25,131,243 | \$ 26,536,467 |

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

| | 2009 | 2008 |
|---|------------|------------|
| Equalization grant, seniors (reduced fares) | \$ 284,767 | \$ 294,013 |
| Free transportation, blind | 161,756 | 139,945 |
| | \$ 446,523 | \$ 433,958 |

LONDON TRANSIT COMMISSION

Notes to Financial Statements (continued)

Year ended December 31, 2009

7. Grants (continued):

(b) Province of Ontario:

Provincial grants received during 2009 for capital and operating programs are as follows:

| | 2009 | 2008 |
|-------------------------|--------------|--------------|
| Capital grants: | | |
| Gas Tax Program | \$ 1,254,677 | \$ 1,254,677 |
| Bus Replacement Program | 1,442,111 | 1,442,111 |
| | 2,696,788 | 2,696,788 |
| Operating grants: | | |
| Gas Tax Program | 2,284,420 | 2,284,420 |
| | \$ 4,981,208 | \$ 4,981,208 |

(c) Government of Canada:

| | 2009 | 2008 |
|-----------------------------------|--------------|--------------|
| Capital grants: | | |
| Federal Transit Trust | \$ 2,177,864 | \$ 1,668,410 |
| Total Government of Canada grants | \$ 2,177,864 | \$ 1,668,410 |

8. Pension agreement:

Effective February 1, 1989, the Commission commenced participation in the Ontario Municipal Employees Retirement System (OMERS) which is a multi-employer plan, for all active employees at that date as well as for all new employees. As of December 31, 2009, there were 481 (479 for 2008) active employees. The plan is a contributory defined benefit plan which specifies the amount of retirement benefit to be received by the employees based on their length of service and rates of pay. Changes by OMERS to the plan, since February 1, 1989, apply to service after February 1, 1989. For pre-February 1, 1989 service, the Commission provides pension benefit, as determined by the pension plan document.

Employer contributions to the plan for 2009 were \$1,388,635 (2008 - \$1,590,156).

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

LONDON TRANSIT COMMISSION

Notes to Financial Statements (continued)

Year ended December 31, 2009

9. Post-employment benefits:

The Commission provides benefits to retirees until they reach sixty-five years of age and provides certain benefits to employees on long-term disability. The post-retirement liability has been estimated based on actuarial reviews which were completed at December 31, 2009.

| | 2009 | 2008 |
|--|--------------|--------------|
| Accrued employee future benefit obligations | \$ 3,579,000 | \$ 4,122,000 |
| Unamortized actuarial gains | (387,000) | (1,093,000) |
| Employee future benefits liability as of December 31 | \$ (387,000) | \$ 3,029,000 |

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

| | 2009 | 2008 |
|--|------------|------------|
| Current year benefit cost | \$ 109,000 | \$ 129,000 |
| Interest on accrued benefit obligation | 174,000 | 201,000 |
| Amortized gain | 30,000 | 91,000 |
| Benefits paid | (150,000) | (190,000) |
| | \$ 163,000 | \$ 231,000 |

Significant assumptions are as follows:

| | |
|-------------------------------|--------------|
| Discount rate | 5.0% |
| Rate of compensation increase | 3.0% |
| Healthcare cost increases | 4.0% to 7.0% |

10. Public liability insurance:

At December 31, 2009, there were 44 liability claims and 34 accident benefits claims outstanding that may result in payment under the insurance deductible provisions (\$50,000 for liability claims and \$10,000 pre 2006 for accident benefit claims). The estimated cost to the Commission is \$783,783 and \$359,157 respectively for a total of \$1,142,940 to be funded from the public liability reserve fund.

LONDON TRANSIT COMMISSION

Notes to Financial Statements (continued)

Year ended December 31, 2009

11. Public sector salary disclosure

The Public Sector Salary Disclosure Act, 1997 requires the Commission to make available to the public, the names, office or positions, salaries and benefits of Commission employees who were paid a salary of \$100,000 or more during the calendar year. The amount listed does not necessarily represent the approved salary for the respective position as it may include, as applicable, retroactive merit adjustments as individuals move to the job rate (approved salary for the position), retroactive job rate (economic) adjustments, vacation payouts consistent with Commission policy and reimbursement of Ontario Health Insurance Premium Tax. Further the amount listed is reflective of the number of pay periods occurring during the year, noting while there are normally 26 pay periods for 2009 there were 27 pay periods.

During the 2009 calendar year, the Commission employed five employees whose salary as described above was at or above the threshold, the particulars of which are set out below.

| Payments received by: | Salary related payments | OHP tax payment | Taxable benefits | Total |
|--------------------------------------|-------------------------------|-----------------------|---------------------|---------------|
| General Manager | \$ 139,847.58 | \$ 750.00 | \$ 485.28 | \$ 141,082.86 |
| Director Transportation and Planning | 110,525.58 | 750.00 | - | 111,275.58 |
| Director Finance and Administration | 106,633.26 | 750.00 | 370.51 | 107,753.77 |
| Director Plant and Equipment | 106,633.26 | 750.00 | 370.51 | 107,753.77 |
| Director Human Resources | 102,695.58 | 750.00 | 356.12 | 103,801.70 |
| | \$ 566,335.26 | \$ 3,750.00 | \$ 1,582.42 | \$ 571,667.68 |

12. Comparative figures:

Certain of the 2008 comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.

LONDON TRANSIT COMMISSION

Notes to Financial Statements (continued)

Year ended December 31, 2009

13. Tangible capital assets:

The historical cost of tangible capital assets employed by the Commission at December 31, 2009 is as follows:

| Cost | Balance | | | Disposals | Balance |
|------------------------------------|-------------------|---------------|--------------|-----------|-------------------|
| | December 31, 2008 | Additions | | | December 31, 2009 |
| Land | \$ 260,000 | \$ - | \$ - | \$ - | \$ 260,000 |
| Site work | 1,574,987 | 982,897 | - | - | 2,557,884 |
| Buildings | 17,953,728 | 5,301,796 | 4,016,777 | - | 19,238,747 |
| Shelters, pads, and terminals | 607,993 | 70,623 | - | - | 678,616 |
| Rolling stock | 75,513,152 | 2,706,532 | 1,168,137 | - | 77,051,547 |
| Fare and data collection equipment | 1,944,323 | 16,470 | - | - | 1,960,793 |
| Radio/communication equipment | 5,316,837 | 1,048,858 | - | - | 6,365,695 |
| Bike racks on buses | - | 34,086 | - | - | 34,086 |
| Service fleet | 273,235 | 92,324 | 52,946 | - | 312,613 |
| Shop equipment | 1,758,147 | 127,417 | - | - | 1,885,564 |
| Small tools | 259,730 | 96,560 | 79,919 | - | 276,371 |
| Computer hardware | 270,741 | 38,268 | - | - | 309,009 |
| Computer software | 253,367 | 29,648 | - | - | 283,015 |
| | \$ 105,986,240 | \$ 10,545,479 | \$ 5,317,779 | \$ - | \$ 111,213,940 |

| Accumulated amortization | Balance | | | Amortization | Balance |
|------------------------------------|---------------|--------------|--------------|--------------|---------------|
| | 2008 | Disposals | | | 2009 |
| Land | \$ - | \$ - | \$ - | \$ - | \$ - |
| Site work | 264,885 | - | 102,315 | - | 367,200 |
| Buildings | 5,219,024 | 1,068,016 | 764,005 | - | 4,915,013 |
| Shelters, pads, and terminals | 343,036 | - | 55,640 | - | 398,676 |
| Rolling stock | 33,865,088 | 907,971 | 5,774,372 | - | 38,731,489 |
| Fare and data collection equipment | 667,021 | - | 130,720 | - | 797,741 |
| Radio/communication equipment | 496,741 | - | 424,379 | - | 921,120 |
| Bike racks on buses | - | - | 6,817 | - | 6,817 |
| Service fleet | 263,607 | 52,946 | 40,403 | - | 251,064 |
| Shop equipment | 1,247,638 | - | 191,583 | - | 1,439,221 |
| Small tools | 167,173 | 79,919 | 92,124 | - | 179,378 |
| Computer hardware | 264,758 | - | 15,748 | - | 280,506 |
| Computer software | 250,933 | - | 12,316 | - | 263,249 |
| | \$ 43,049,904 | \$ 2,108,852 | \$ 7,610,422 | \$ - | \$ 48,551,474 |

LONDON TRANSIT COMMISSION

Notes to Financial Statements (continued)

Year ended December 31, 2009

13. Tangible capital assets (continued):

| Net book value | Balance 2008 | Balance 2009 |
|------------------------------------|-----------------|-----------------|
| Land | \$ 260,000 | \$ 260,000 |
| Site work | 1,310,102 | 2,190,684 |
| Buildings | 12,734,704 | 14,323,734 |
| Shelters, pads, and terminals | 264,957 | 279,940 |
| Rolling stock | 41,648,064 | 38,320,058 |
| Fare and data collection equipment | 1,277,302 | 1,163,052 |
| Radio/communication equipment | 4,820,096 | 5,444,575 |
| Bike racks on buses | - | 27,269 |
| Service fleet | 9,628 | 61,549 |
| Shop equipment | 510,509 | 446,343 |
| Small tools | 92,557 | 96,993 |
| Computer hardware | 5,983 | 28,503 |
| Computer software | 2,434 | 19,766 |
| | \$ 62,936,336 | \$ 62,662,466 |

| Cost | Balance December 31, 2007 | Additions | Disposals | Balance December 31, 2008 |
|------------------------------------|---------------------------------|---------------|---------------|---------------------------------|
| Land | \$ 260,000 | \$ - | \$ - | \$ 260,000 |
| Site work | 1,510,981 | 64,006 | - | 1,574,987 |
| Buildings | 15,904,204 | 2,071,489 | 21,965 | 17,953,728 |
| Shelters, pads, and terminals | 535,467 | 72,526 | - | 607,993 |
| Rolling stock | 71,094,404 | 15,913,567 | 11,494,819 | 75,513,152 |
| Fare and data collection equipment | 2,132,723 | 45,360 | 233,760 | 1,944,323 |
| Radio/communication equipment | 1,605,737 | 3,711,100 | - | 5,316,837 |
| Bike racks on buses | - | - | - | - |
| Service fleet | 273,235 | - | - | 273,235 |
| Shop equipment | 1,382,504 | 375,643 | - | 1,758,147 |
| Small tools | 325,686 | 97,861 | 163,817 | 259,730 |
| Computer hardware | 274,692 | 8,975 | 12,926 | 270,741 |
| Computer software | 253,367 | - | - | 253,367 |
| | \$ 95,553,000 | \$ 22,360,527 | \$ 11,927,287 | \$ 105,986,240 |

LONDON TRANSIT COMMISSION

Notes to Financial Statements (continued)

Year ended December 31, 2009

13. Tangible capital assets (continued):

| Accumulated amortization | Balance 2007 | Disposals | Amortization | Balance 2008 |
|------------------------------------|-----------------|---------------|--------------|-----------------|
| Land | \$ - | \$ - | \$ - | \$ - |
| Site work | 201,886 | - | 62,999 | 264,885 |
| Buildings | 4,679,936 | 1,098 | 540,186 | 5,219,024 |
| Shelters, pads, and terminals | 291,648 | - | 51,388 | 343,036 |
| Rolling stock | 37,886,836 | 9,767,010 | 5,745,262 | 33,865,088 |
| Fare and data collection equipment | 725,800 | 188,400 | 129,621 | 667,021 |
| Radio/communication equipment | 142,285 | - | 354,456 | 496,741 |
| Bike racks on buses | - | - | - | - |
| Service fleet | 230,070 | - | 33,537 | 263,607 |
| Shop equipment | 1,043,969 | - | 203,669 | 1,247,638 |
| Small tools | 244,413 | 163,817 | 86,577 | 167,173 |
| Computer hardware | 263,199 | 12,926 | 14,485 | 264,758 |
| Computer software | 245,500 | - | 5,433 | 250,933 |
| | \$ 45,955,542 | \$ 10,133,251 | \$ 7,227,613 | \$ 43,049,904 |

| Net book value | Balance 2007 | Balance 2008 |
|------------------------------------|-----------------|-----------------|
| Land | \$ 260,000 | \$ 260,000 |
| Site work | 1,309,095 | 1,310,102 |
| Buildings | 11,224,268 | 12,734,704 |
| Shelters, pads, and terminals | 243,819 | 264,957 |
| Rolling stock | 33,207,568 | 41,648,064 |
| Fare and data collection equipment | 1,406,923 | 1,277,302 |
| Radio/communication equipment | 1,463,452 | 4,820,096 |
| Bike racks on buses | - | - |
| Service fleet | 43,165 | 9,628 |
| Shop equipment | 338,535 | 510,509 |
| Small tools | 81,273 | 92,557 |
| Computer hardware | 11,493 | 5,983 |
| Computer software | 7,867 | 2,434 |
| | \$ 49,597,458 | \$ 62,936,336 |

LONDON TRANSIT COMMISSION

Notes to Financial Statements (continued)

Year ended December 31, 2009

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

| | For Energy Management Reserve | General Operating Reserve | For Health Care Management Reserve | 2009 Total | 2008 Total |
|---------------------------------------|-------------------------------------|---------------------------------|---|---------------|---------------|
| Reserves: | | | | | |
| Balance, beginning of year | \$ 1,259,478 | \$ 1,760,379 | \$ 1,472,846 | \$ 4,492,703 | \$ 4,705,379 |
| Contributions from current operations | 918,772 | 1,181,189 | 563,937 | 2,663,898 | 321,184 |
| Appropriations to current operations | - | - | (240,586) | (240,586) | (533,860) |
| | \$ 2,178,250 | \$ 2,941,568 | \$ 1,796,197 | \$ 6,916,015 | \$ 4,492,703 |

| | Capital program | Public liability insurance | 2009 Total | 2008 Total |
|---------------------------------------|--------------------|----------------------------------|---------------|---------------|
| Reserve funds: | | | | |
| Balance, beginning of year | \$ 2,280,629 | \$ 2,710,844 | \$ 4,991,473 | \$ 5,890,920 |
| Interest earned | 15,596 | 43,939 | 59,535 | 200,176 |
| Contributions from current operations | 315,859 | 350,000 | 665,859 | 1,451,279 |
| | 2,612,084 | 3,104,783 | 5,716,867 | 7,542,375 |
| Expenditures: | | | | |
| Appropriations to current operations | - | (639,044) | (639,044) | (640,052) |
| Appropriations capital LTC | (299,627) | - | (299,627) | (1,910,850) |
| | (299,627) | (639,044) | (938,671) | (2,550,902) |
| Balance, end of year | \$ 2,312,457 | \$ 2,465,739 | \$ 4,778,196 | \$ 4,991,473 |

| | Provincial gas tax program | Provincial bus replacement program | Federal Transit Trust program | Capital infrastructure investment | 2009 Total | 2008 Total |
|---|----------------------------------|--|-------------------------------------|---|---------------|---------------|
| Deferred revenues: | | | | | | |
| Balance, beginning of year | \$ 13,752,725 | \$ - | \$ 12,096,940 | \$ 9,984,671 | \$ 35,834,336 | \$ 26,438,866 |
| Interest earned | 207,261 | 22 | 157,906 | 94,616 | 459,805 | 1,143,498 |
| Contributions from current operations | - | - | - | - | - | 374,799 |
| Contributions from Province of Ontario | 9,551,573 | - | - | - | 9,551,573 | 19,157,763 |
| Contributions from The City of London | - | - | - | - | - | 2,500,000 |
| | 23,511,559 | 22 | 12,254,846 | 10,079,287 | 45,845,714 | 49,614,926 |
| Expenditures: | | | | | | |
| Appropriations (to) current operations | (2,284,420) | - | - | - | (2,284,420) | (2,824,421) |
| Appropriations capital LTC | (1,461,938) | (22) | (2,335,792) | (1,536,728) | (5,334,480) | (10,956,169) |
| | (3,746,358) | (22) | (2,335,792) | (1,536,728) | (7,618,900) | (13,780,590) |
| Balance, end of year | \$ 19,765,201 | \$ - | \$ 9,919,054 | \$ 8,542,559 | \$ 38,226,814 | \$ 35,834,336 |