

STEO

STUDENT TRANSPORTATION
OF EASTERN ONTARIO



Student Transportation
of Eastern Ontario

2011/2012 Annual Report

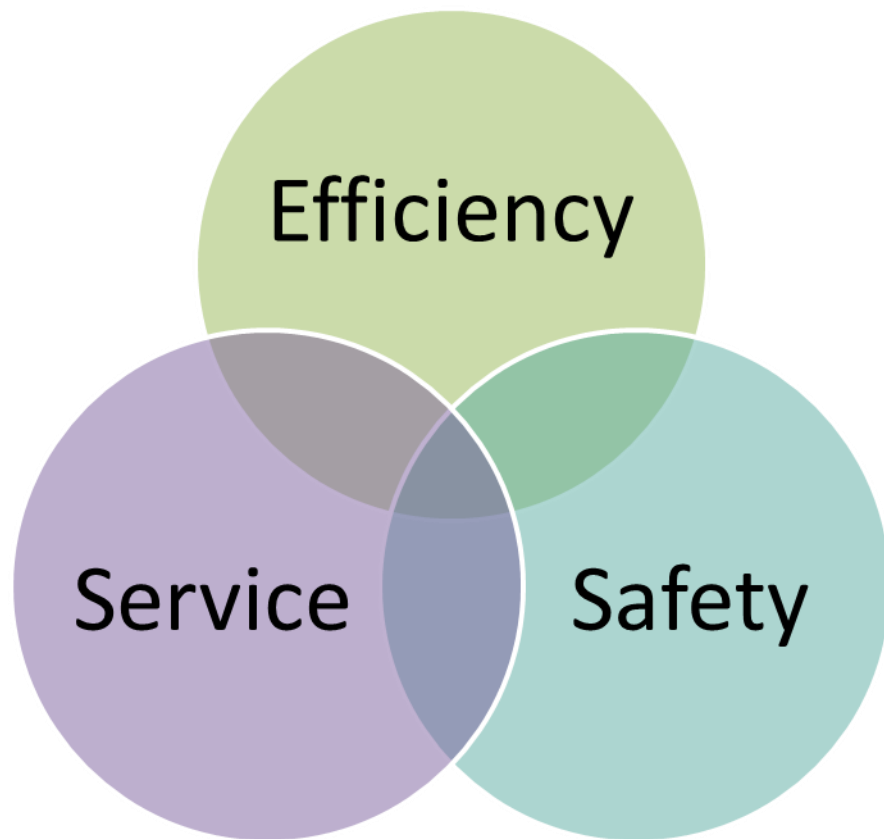


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Our Business

Student Transportation of Eastern Ontario (STEO) provides transportation services for Catholic District School Board of Eastern Ontario (CDSBEO) and the Upper Canada District School Board (UCDSB).

The organization is an effective and efficient operation which oversees the student transportation requirements of the 33,025 students daily.

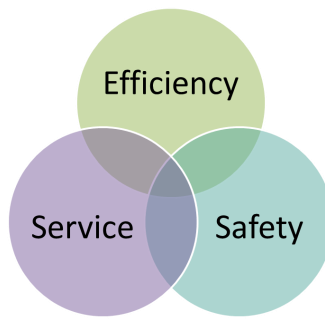
Our goal is to provide safe, efficient, and reliable transportation for our students, schools, and boards.



Philosophy

To deliver safe, effective and efficient transportation and fleet maintenance services, while providing outstanding customer service to school personnel, parents, students, peers, employees and members of the community.

Mission Statement



Vision Statement

The Consortium is committed to building a strong, efficient and integrated transportation system that will ensure safe, reliable transportation for students and communities. The Consortium will strive to improve customer service to all stakeholders by providing convenient service delivery systems.

Credo

STEO is respectful and responsive to the needs of the member boards, schools, families and students. The Consortium will operate in a seamless manner as if managed by the board's themselves.

GM/CAO's Statement

Excellent results achieved in the 2011/2012 school year.



I am pleased to report that the 2011/2012 school year was an excellent year for STEO. We met budget expectations; this was achieved through routing efficiency, operating efficiency and our continued effort to manage costs and focus on operational excellence. By implementing routing and operational efficiencies we were able to maintain our operating costs, and stayed within budget.

We are extremely pleased with our Web site and the improved methods of communication with students, parents, schools and communities. We will continue to improve our methods of communication and provide a level of service and innovation that the Board, schools, students and parents demand.

Fuel costs continued to rise in the 2011/2012 school year. However, we have been able to keep tight controls on operational costs and have been able to stay within budget and avoid any operating deficit.

In the 2011/2012 school year, the organization launched and participated in a number of initiatives aimed at maximizing efficiency which included: amalgamating routing software map, special education routing software, GPS hardware and software.

Transportation is about moving passengers from point A to point B safely, on time, every time. We want our passengers and communities to feel valued by STEO and that they, in return, receive good value. We want them to have confidence in our organization, our bus operators and their drivers.



Above all, we will listen to school principals, students, parents, senior administration, and the boards to deliver the services they require. We realize that department staff are key to accomplishing this goal. We ask great things from them each day and I would like to thank them for the outstanding work and effort they give to the organization.

STEO Key Accomplishments over the last year include:

- Office Location
- Assignment of Staff to Positions
- Union Agreement
- Incorporation
- Phone System
- IT Service Agreement
- High Speed Internet Connectivity
- Remote Access to Transportation Software
- Payroll Software
- Finance Software
- Internet Web Site
- Policies and Procedures being worked on
- Transportation Information Guidelines for Students and Parents
- OMERS Application
- WSIB Application
- Insurance Coverage OSBIE
- Bank Account
- Email Exchange
- Successful Development of STEO Server
- Successful Automation of Maplewood/eSIS to STEO Server
- Successful Upgrade of CDSBEO/UCDSB to STEO Server
- Agreement of Transportation Planners to Specific Regions both Catholic and Public
- Special Education Integration



Outlook

In the 2012/2013 school year we will face many challenges as the organization works to further consolidate operations between the two transportation departments into one high functioning organization.

Our goal is to become the most efficient transportation service provider in Canada.



Short term future initiatives for the organization include:

- Team building sessions
- Further GPS Development.
- Merging or development of policies and procedures of member boards.
- Develop STEO Driver Handbook.
- Driver certification.
- On-line driver training.
- Driver training programs.
- Staff training.
- Student Training.
- MapNet/VEO development.
- Advertising campaigns.
- Development of an Inclement Weather Video.

Long term future initiatives for the organization include:

- Further development of automated performance measurements (KPI)
- Preparation for enhanced GPS software.
- Video cameras on buses.
- Development of Route Optimization software and strategies.
- Student monitoring software.
- Creation of long range planning program to identify funding as enrolment declines for both boards.
- Implementation of a Safety Committee with contractors.
- Further development of Special Education document.
- Creation of Contractor Performance Dashboard.
- Roll out of Public Relations Plan.

Transportation is a very complex and challenging business with a large number of factors that are outside of our control. We put our students, schools and communities at the forefront of everything we do. We will continue to communicate our vision and priorities.

We look to the future with confidence and pride.

We depend on the skills of department staff to deliver operational excellence. We will continue to use a businesslike approach to our operation and development.

Ron Cotnam

Student Transportation of Eastern Ontario
General Manager/CAO



STEO Open House—May 2012

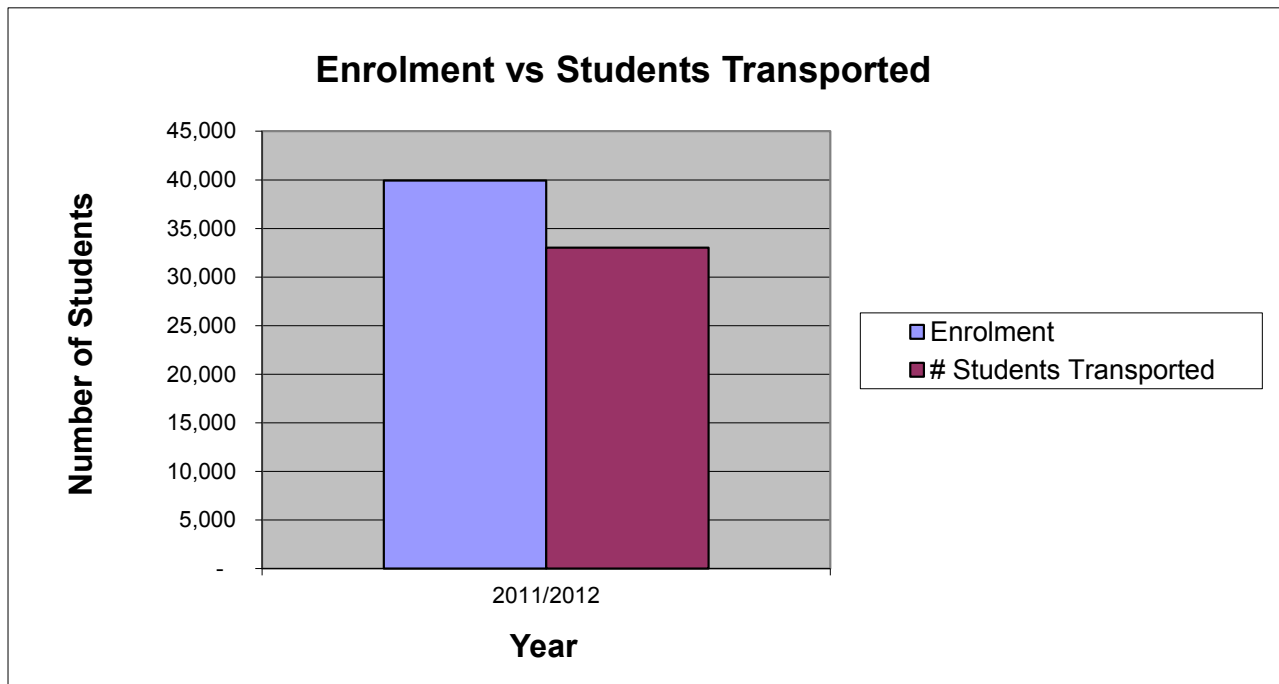
Our open house was held on May 31, 2012 and was a huge success. We had over 100 visitors including, Senior Administration from both the UCDSB and CDSBEO, STEO Board of Directors, Mayor Bill Sloan, Ministry of Education representatives Cheri Hayward, Vanessa Szeto, and Sandy Chan, various service providers and many of our bus operators. The open house was attended by local media across Eastern Ontario.



2011/2012 Highlights

In 2011/2012 the consortium was able to operate within budget.

We transported approximately 33,025 students daily, 70,000 trips, which accounted for a total of 13,160,000 trips completed during the year.



“Great Vision with Great People Defines Success”

We are proud of the accomplishments during the past year and the improvements we have made. Full credit goes to our staff, who through their contact with our schools, parents, students and communities ensure that our standards of service and safety are turned into action.

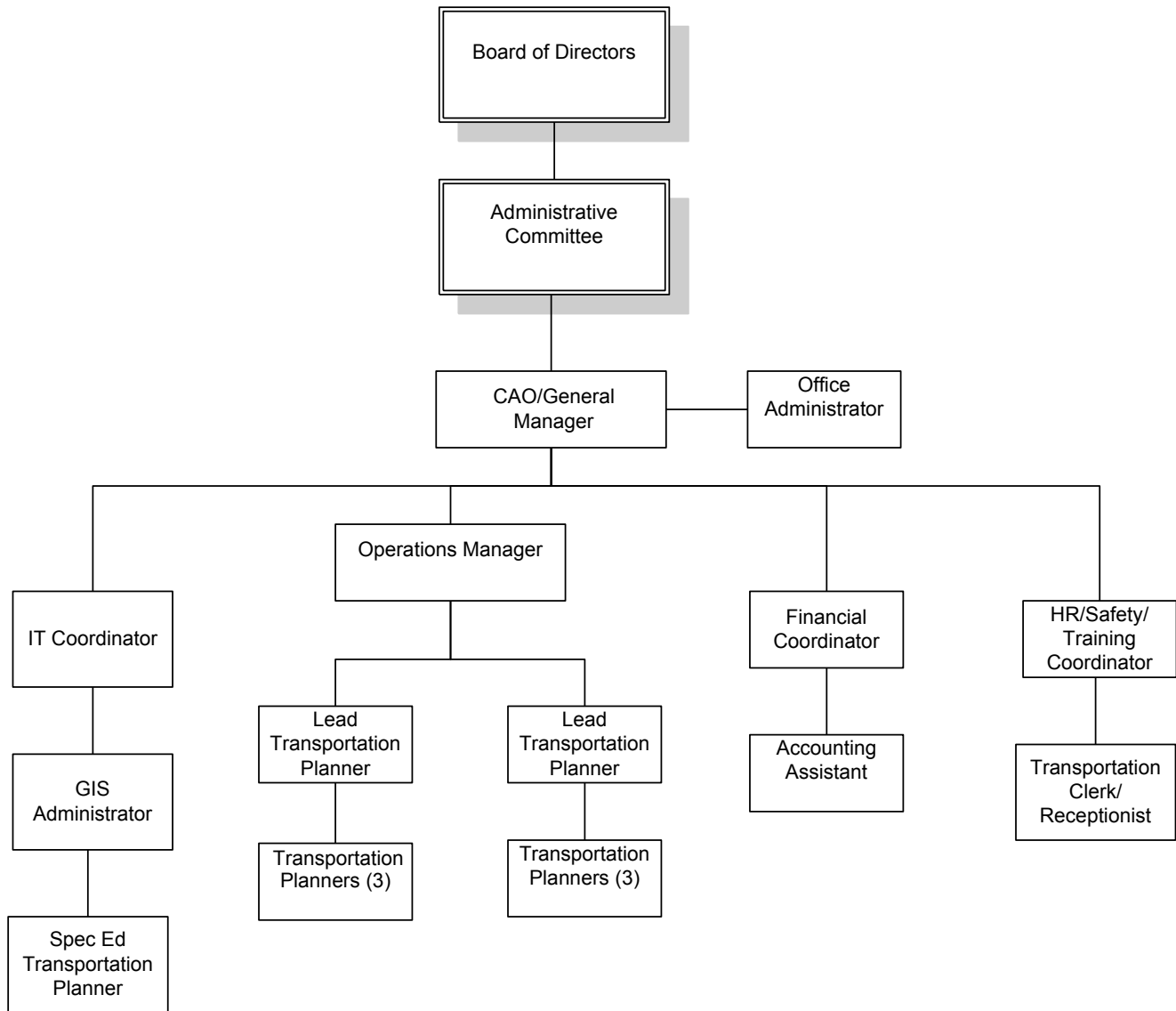
We are proud of the achievements of the past year and of the progress we have made which has allowed us to continue to enhance the financial position of the department. Full credit for these achievements goes to our staff. They are our ambassadors and we are proud of the tremendous job they do every day. They continue to show immense commitment and work tirelessly to deliver great service to our students and schools.

We will begin developing new routing for the 2012/2013 school year, taking into consideration opportunities for integrating transportation requirements of both school boards. In completing the tasks we will be fair, consistent, flexible, cost-effective and will ensure a balance between service and efficiency.

We will listen and respond to our students, parents, school staff, senior administration, and boards as we aggressively manage operating costs.



STEO Organization Chart



Key Members of the Management Team

Operations Manager

A key member of the Operations team, the Operations Manager is responsible for managing the day to day transportation of students within STEO's service area. This includes overseeing the design and implementation of routes that maximize safety, efficiency and effectiveness. The Operations Manager recommends and develops draft policies, procedures and practices. The incumbent focuses on customer service and the development of relationships with member boards, the MOE and bus contractors that will enable STEO to achieve its objectives. The Operations Manager provides strategic advice to the GM/CAO and keeps the GM/CAO aware of real and perceived issues. The Operations Manager, monitors expenditures, and manages the human resources of the Division.

I.T. Coordinator

A key member of the Information Technology team, the Information Technology Coordinator is responsible for managing the Information Technology operations of the organization. This includes the design and implementation of safe, efficient and effective computerized student transportation systems. The Information Technology Coordinator also oversees all administrative systems including the purchasing and maintenance of office hardware, software and telephone systems. He focuses on customer service, the establishment of and adherence to appropriate internal controls, and the meeting of all student transportation deadlines. Advice is provided to senior management on information technology policies, reporting issues, authorization policies and continuous improvement. The Information Technology Coordinator also develops and monitors operating budgets, and manages the human resources of the Division.



Key Members of the Management Team

(cont'd)

HR/Safety/Training Coordinator

A key member of the Leadership team, the Human Resources (HR), Safety and Training Coordinator is responsible for providing human resources, safety and training support and expertise. HR responsibilities include recruitment, benefits and collective agreement administration. Safety and training responsibilities include conducting incident investigations, developing safety training modules, ensuring service and maintenance standards are being met, and liaison with stakeholders such as the Ontario School Boards' Insurance Exchange (OSBIE). Overall portfolio day-to-day operational responsibilities include record maintenance, policy and procedure development. The incumbent focuses on customer service, the establishment of and adherence to appropriate internal controls, and the meeting of all relevant deadlines. Advice is provided to senior management on relevant policies, reporting issues, and continuous improvement. The HR, Safety and Training Coordinator also develops and monitors operating budgets, and manages the human resources of the Division.



Financial Coordinator

A key member of the Finance and Administration team, the Financial Coordinator is responsible for managing the accounting and financial operations of the organization. This entails leadership of the Billing, Accounts Payable, Accounts Receivable, and General Accounting functions, which encompass all expenditure and revenue transactions of the consortium. The incumbent is also responsible for the consortium's banking and investments and all corporate and external regulatory reporting such as the annual budget and year-end financial statements and process. The Financial Coordinator is also responsible for payroll. The incumbent focuses on customer service, the establishment of and adherence to appropriate internal controls, and the meeting of all accounting deadlines. Advice is provided to senior management on accounting policies, reporting issues, authorization policies and continuous improvement. The Financial Coordinator also develops and monitors operating budgets, and manages the human resources of the Division.

Operation's Summary

During our creation the ability to offer high level service to our students, parents and schools was a priority. The transportation planners focused on the current school year while preparing for September start-up.

Student data, route data and school details needed to be merged in the transportation software. In May, the merged data was successful. A complete review of student codes, school codes and route numbering had taken place and the team was ready to implement the changes. The department included the Ministry of Education and the Bus Operators in the review to ensure they addressed all concerns.

Each Transportation Planner has been assigned a group of schools comprised of Catholic and Public schools. Transportation Planners work as a team to ensure issues are addressed collectively and consistently. Route audits were and continue to be performed regularly to ensure STEO standards are met.

During the summer months school bus routes were reviewed in order to increase efficiency and provide the best possible service. Route reviews focused on change of bus stop locations and route additions and eliminations.

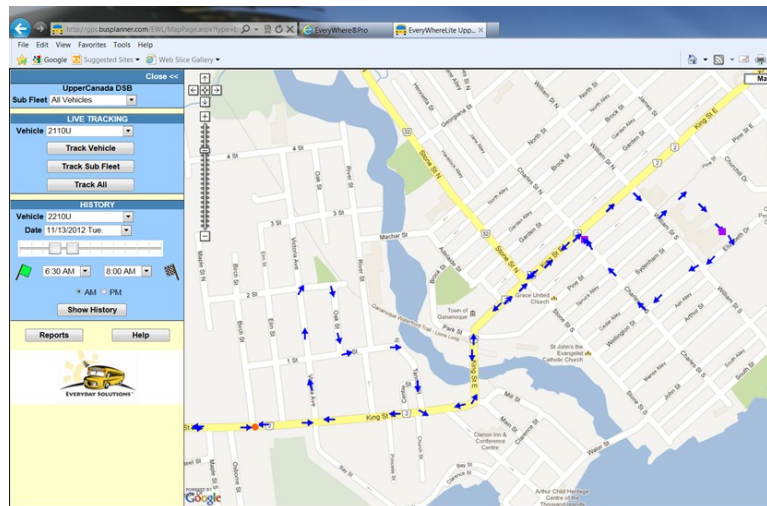
As the department moves forward we are reviewing processes in an attempt to streamline operations. Daily route verification using GPS technology is being broadened.

Route analyses is being utilized to increase efficiencies, enhance shared routing and maximizing vehicle utilization. Routing manuals are being developed to ensure transportation planners utilize a consistent process in the routing of students.

STEO has developed and continues to use an industry leading Standards of Performance document to evaluate School Bus Operators. These STEO standards identify clear expectations for all stakeholders resulting in better service for our students, parents and schools.

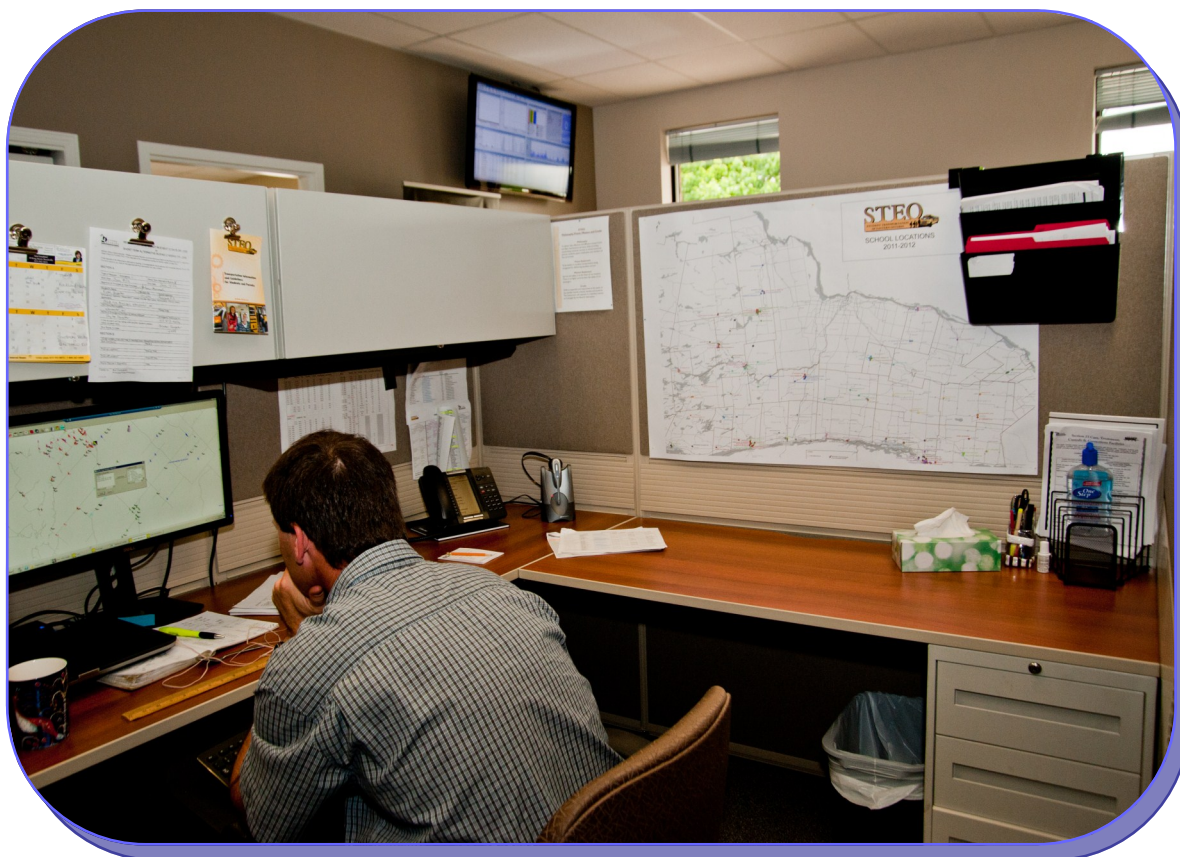
Nicole Proulx

Operations Manager



Routing Efficiencies

Today STEO is more dynamic and flexible. We have changed our operation to better address the needs of Canadian society. Our routes have been developed to conform to the requirements of our schools and operational efficiency. We have incorporated where possible fewer stops and improved pick up and drop off times. As a result, we are trying to lower our costs by eliminating unproductive routes and kilometres.

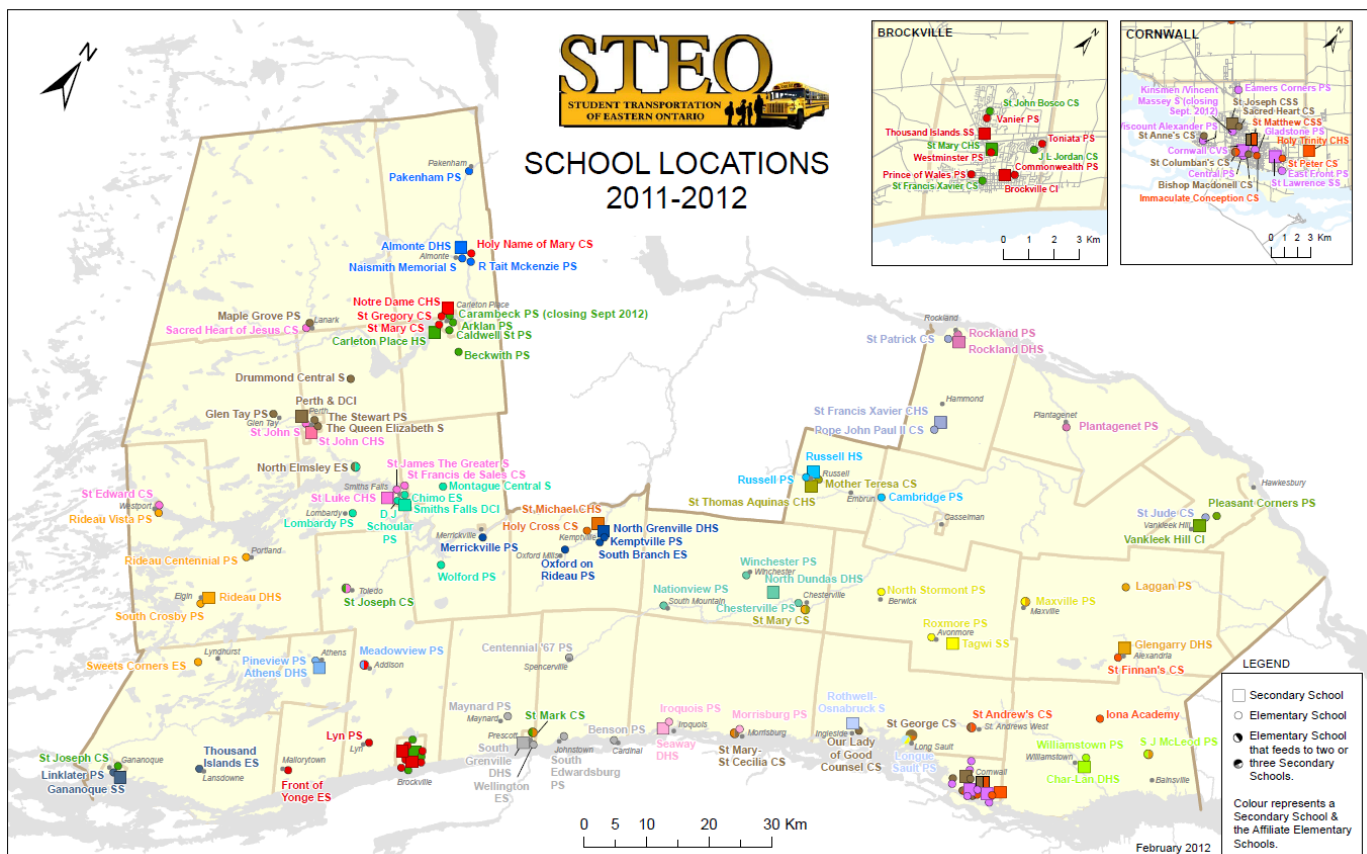


Vehicles under contract with the Consortium travel approximately 22,560,000 kilometres each year which is the equivalent to 546 trips around the world each day.

Focus: We have focused on students', schools' and parents' needs. We strive to address their needs by carefully listening and responding to them.

Employees: We believe that each employee can be an ambassador for the department and Board. They represent our commitment to providing high quality service.

Safety: Safety is and will continue to be our number one priority. We want to ensure that students are transported to and from school safely.



I.T. Summary

STEO's I.T. group has only been in existence for a short time but have been quite active. We now have our own independent functioning I.T. Department where we have successfully moved over all I.T. needs to the STEO office where we make sure that all aspects of any technology STEO uses from computers to the phone system is fully operational and maintained in-house.

To date we have successfully completed the following tasks:

- Merging of two Transportation systems into one for 2012-2013 start up was a success but not without its challenges. The STEO staff rose to the challenge by working with the I.T. Department and resolving issues that we encountered.
- Total redesign of the STEO website, with the help of Snap Design we were able to come up with a fresh and informative website. We have implemented great features on our site that will help the public with regards to any Transportation related issues.

Present tasks we are working on:

- GPS units on all vehicles.
- Video Cameras on all vehicles.
- Creation of a notification registration system through STEO's website where anyone can sign up to receive notices advising of vehicle delays or cancellations, by an email or text notification.
- Upgrading of phone lines to accommodate more incoming and outgoing calls.

Future tasks:

- Ongoing I.T. training for staff to ensure they continue to be industry leaders.
- Creation of a new School Locator.
- Design and implementation of a STEO app that will have all the functions that parents and students need regarding bussing at their fingertips.

STEO's I.T. Dept. is excited for the future as we move forward to develop a world class organization. With vision, innovations and courage we are well prepared to lead the organization into the future..

Chris Krbavac

I.T. Coordinator



Human Resources, Safety & Training Summary

A significant milestone in the *Human Resources, Safety and Training Department* in the 2011-2012 operational year, was the recognition of same as a distinct departmental entity and the recruitment and selection of a Coordinator to oversee the diverse range of activities and processes within the department. Allocated to the role of Human Resources, Safety and Training Coordinator was Janet Murray – Certified Human Resources Professional (CHRP), who took on the position in mid-June 2012.

Notable departmental activities were varied and significant in the 2011-2012 operational year. Noteworthy achievements included the development of HR, Safety and Training policies and procedures, which honoured the strengths and philosophies of existing Board materials, while supporting STEO's formation as a full-service transportation consortium. The successful coming together of two distinct employee groups under the STEO umbrella, speaks to the engagement and team-orientation of the staff, supported by the guidance of the leadership team. A selection of further departmental activities and successes are summarized below.

Notable Departmental Activities and Successes	
Benefits Planning	Sourced out cost-effective and comprehensive benefits plan
Summer Staffing	Recruited staff to support start-up; established pool of temporary staff
Collective Bargaining	Ongoing; to establish first STEO Collective Agreement
Staff Morale	Preliminary staff orientation meetings; developed opportunities for in-house and community involvement; Social Committee
STEO Wellness Committee	Established team comprised of management and staff; several initiatives delivered and in process
Internal Training	"Managing Change" (November 2012), the first in a full suite of staff training under development
Policy and Procedure Development	Development of HR Policies and Procedures; Best Practices Manual
Purple Band Program	Successful rollout of program to both Boards; first launch at UCDSB
Student Training	First Time Riders; Bus Evacuation; Buster The Bus; Bullying Awareness
Community Outreach and Public Relations	In tandem with police, media, contractors and school personnel
Seatbelt Safety Awareness Project	Draft seat belt policy; van safety awareness package; addition to safety guidelines booklet; Contractor Safety Focus Group
Contractor Training	Train The Trainer Refresher Session; full suite of driver training to be delivered fall/winter 2012-13

Departmental Plans for 2012-2013 (and ongoing)

Emergency Response Plan

Development of comprehensive ERP for STEO in tandem with community partners

Accessibility for Ontarians with Disabilities (AODA) Compliance

Development of HR, Safety and Training processes to ensure compliance with each phase of AODA rollout

Newsletter Program

To enhance communication with STEO Staff, Contractors and Schools

Facility Audits

To ensure safety, efficiency and optimum operational standards

Training Videos

Development of web based training opportunities for Contractors

Driver Recognition Program

To recognize excellence in frontline service delivery

Continuous Improvement Survey Process

To measure STEO stakeholder satisfaction/engagement and augment practices as warranted

Driver Certification Process

To ensure an unparalleled standard in driver excellence

STEO Driver Handbook

To ensure consistency in driver expectations and processes

HR Policies and Practices

To establish HR practices in cohesion with STEO's mission, vision, values and organizational culture

A view to the future...

The continued presence of a strategic HR Function at the leadership table will contribute to STEO's manifestation as an industry leader. STEO's HR Department is committed to shaping the student transportation industry by establishing a new standard of excellence in the innovation of safety initiatives, employee engagement and policy development, both internally and within the public sphere.

The 2011-2012 operational year was pivotal in laying the groundwork for future success at STEO. As leadership positions have been strategically recruited, staff members united, and foundational policies and processes established, the stage is now set for unprecedented creativity and innovation and for STEO's realization as the industry frontrunner and a trailblazer in the world of student transportation.

Janet Murray

HR/Safety/Training Coordinator

Dedicated to Increasing Safety

We are committed to the highest safety standards.



Providing safe transportation is paramount to everything we do. We want to be the leaders in the expansion of functional safety practices and related technology. We are determined to provide continuous training for our staff, students, parents and school staff.

Special Attention Paid to Special Needs Training and Passengers

We listen carefully to our school staff, parents, students and contractors. We have established comprehensive in-house training programs for drivers and transportation staff.



Driver Requirements

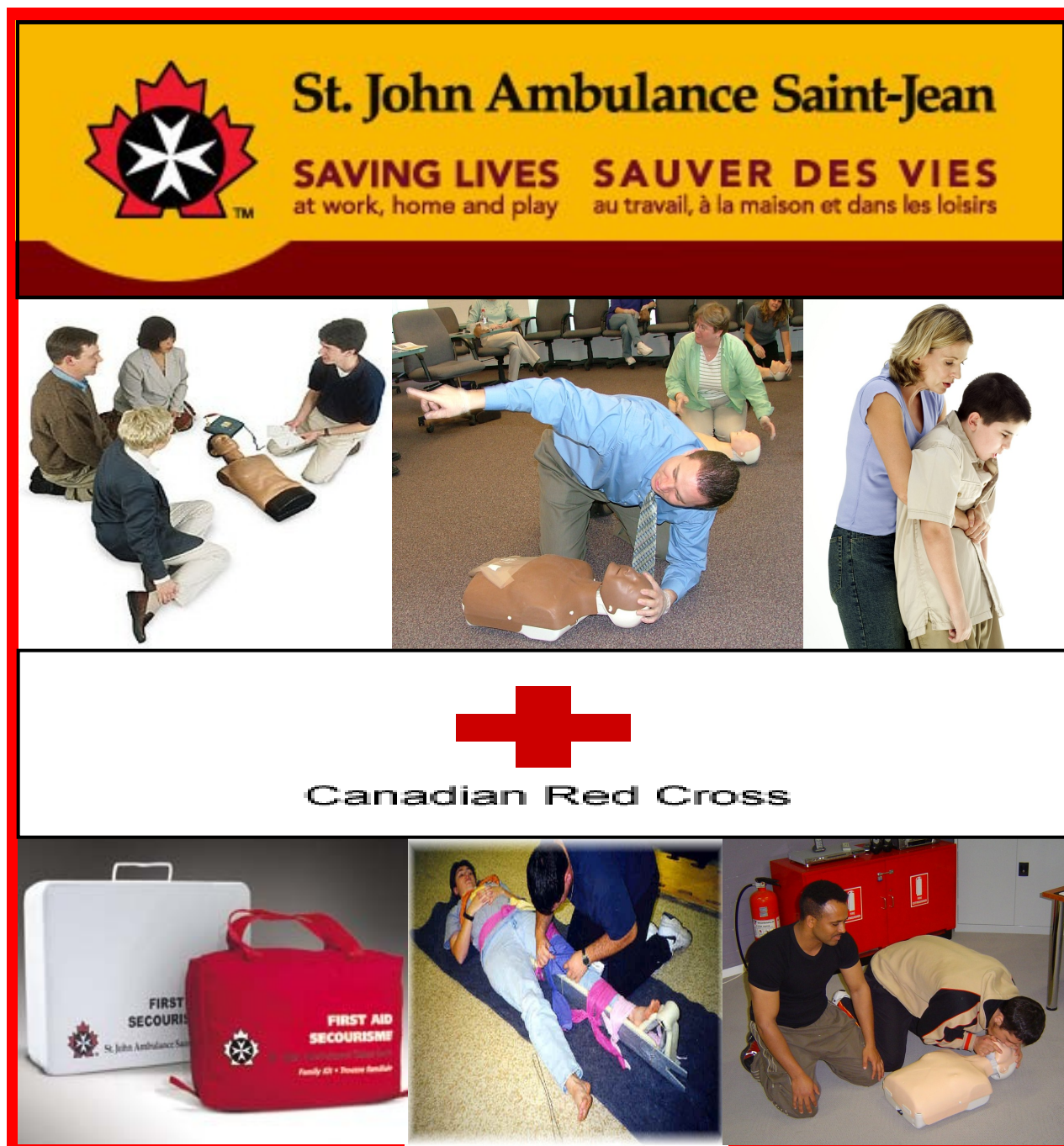
We are committed to ensuring the safety of the school children transported every day. All the drivers under contract with the Board operate under very strict safety standards and undergo thorough Criminal Reference checks and testing. Some of the requirements are as follows:

- Drivers must be at least 21 years of age.
- Drivers must meet medical and vision standards.
- Not be classed as a probationary or novice driver.
- Have successfully completed a driver improvement course approved by the Ministry.
- Have knowledge of bus equipment, maintenance, passenger safety and control.
- Pass an M.T.O. driver examination.
- Pass practical knowledge test.
- Pass circle check test.
- Pass road test in a bus of appropriate size.
- Not have accumulated six demerit points.
- Not have had driver's licences under suspension at any time within the preceding twelve months to obtaining a drivers licence.
- Not have been convicted or found guilty within the proceeding five years of two or more offences under the Criminal Code of Canada.
- Drivers of a Class B licence may not accumulate eight demerit points.
- Participation in mandatory training in the classroom.
- Participate in random route audits by the contractor and Board.



First Aid-CPR Training

The Ministry of Education informed all school boards that they expect all school bus drivers to have First Aid-CPR training. The training includes: First Aid, CPR, EpiPen training and emergency situation management. To date 100% of all drivers under contract with the Board have received this training.



Driver Training Workshops

Drivers have participated in the following workshops provided by the UCDSB:

Building Positive Student Behaviour – BPSB (All drivers.)

Presented by the Train-the-Trainer group.

Training outline:

- Communication
- Why children misbehave
- Responding to misbehaviour



Behaviour Management (Drivers that deal with severe behavioural students.)

Presented by specialized professional trainers.

Training outline:

- Severe behaviour issues
- Role playing
- Interaction with drivers

Autism (Drivers of special needs students.)

Presented by specialized professional trainers.

Training outline:

- Overview of Autism Spectrum Disorder
- Characteristics of Autism Spectrum Disorder
- Strategies for the bus drivers to use with a focus on:
 - ❖ Language – keeping it clear and concrete
 - ❖ The use of visuals, including schedules
 - ❖ Reducing sensory input & using fidget toys
 - ❖ Providing a consistent routine
 - ❖ Strategies to minimize inappropriate behaviour



Driver Training Workshops (cont'd)

Wheelchair/Medical Fragile (Drivers of special needs students.)

Presented by specialized professional trainers.

Training outline:

- Safe transportation discussion:
 - ❖ Highway Traffic Act
 - ❖ CSA best practices
 - ❖ Transport Canada
 - ❖ Wheelchair construction voluntary best practices
- Q-Straint
- Medical fragile ambulatory students:
 - ❖ Ideal position to assist these students
 - ❖ Where or where not these students should be touched
 - ❖ Falling



Growing Respect on Your Bus (All drivers.)

Presented by specialized professional trainers.

Training outline:

- The purpose of this training is to help bus drivers reduce incidents of bullying and harassment on their buses.
 - ❖ What bullying is.
 - ❖ What sexual harassment is.
 - ❖ How they hurt children.
 - ❖ How you can prevent bullying on your bus.



Buster the Bus

Buster the School Bus is an outstanding tool for teaching the important lessons of school bus safety. Buster is a fully animated remote controlled school bus robot.

He can wink, blink and move his eyes. His smiling mouth presents a positive and friendly image to young children.

A thirty minute interactive presentation is delivered to JK—Grade 2 students by various contractors and drivers.



Inclement Weather

STEO's geographical area is separated into 18 zones with a operator as a captain in each zone.

STEO deals with Pelmorex/The Weather Network, one of the renowned weather forecasters in the country.

- Three forecasts are received daily by STEO: 1:00 p.m., 9:30 p.m. and t 4:00 a.m.

The bus operator weather captains and their staff begin to drive various roads in their zones at 4:30 a.m.

Between 5:00 a.m. and 5:45 a.m. the decision is made on whether or not busing is cancelled. The discussions take place between STEO's GM/CAO, Operations Manager, bus operator captains and each school boards' Director of Education or designate.



By 5:45 a.m. the decision is made, phone chain begins if busing is cancelled, radio stations, the website and phone line are updated..

STEO has three methods in which parents/students/schools can check for bus/vehicle cancellations:

1. Announcements regarding the cancellation of school bus and special vehicle transportation will be broadcasted starting at 6:15 a.m. on local area radio stations.
2. Access our Website at www.steo.ca and click "View Bus Delays & Cancellations". School bus cancellations will be posted by 6:15 a.m.
3. Call 1-866-629-0629 to access a pre-recorded message which is posted by 6:15 a.m. and only updated on inclement weather days.

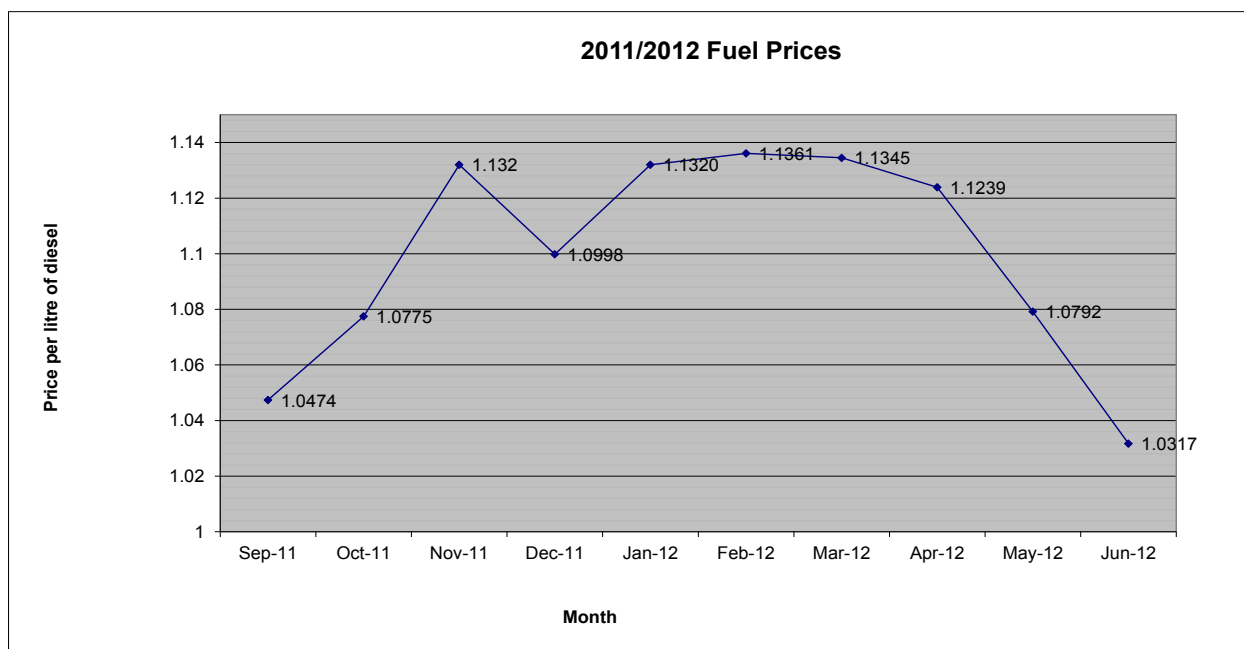


Rising Fuel Cost Has a Major Affect on Operational Costs



Fuel costs represent a significant portion of our expenses. Fuel costs have increased steadily over the last few years and now represents 17% of our operating budget or **\$5,888,000** annually. Fuel prices and supplies are influenced significantly by international, political, and economic circumstances as well as naturally occurring disasters. If a fuel supply shortage were to arise from OPEC

production curtailments, a disruption of oil imports or refining capacity due to natural disaster or otherwise, higher fuel price increases could greatly affect our operating costs.



*** Fuel prices exclude GST and have a 2 cent per litre discount deducted.

A one cent change in the price of diesel will cost STEO \$60,000 over the full school year.

Financial Summary

From a financial perspective, STEO has accomplished significant key initiatives/projects since incorporation. STEO achieved a successful implementation of their own financial accounting system (Simply Accounting) and Telepay EFT payment processing software, transitioned all payroll functions from member school boards to ADP payroll processing services for our employees, integration of CDSBEO into TRACS Management reporting software, creation of separate and individual OMERS group, and issuance of STEO audited annual financial statements.

Maintaining consistent and timely financial data, along with key performance indicators, will give us the tools to not only look into the future, but also to evaluate the past and identify areas for improvement. A monthly financial reporting process is in place that reviews actual results and a forecasted projection for the remainder of the fiscal year. If found, identified material variances are investigated further. These controls enable us to monitor expenditures, quickly identify discrepancies, and explain any variances to budget. Greater emphasis has been placed on TRACS Management reporting to generate monthly reports and key performance indicators.

On average fuel costs were \$1.10 per litre in 2012, increasing from an average cost of \$1.00 in 2010/2011. As fuel accounts for greater than 15% of STEO's budget, it is a significant factor when reviewing operations and isolation of uncontrollable costs.

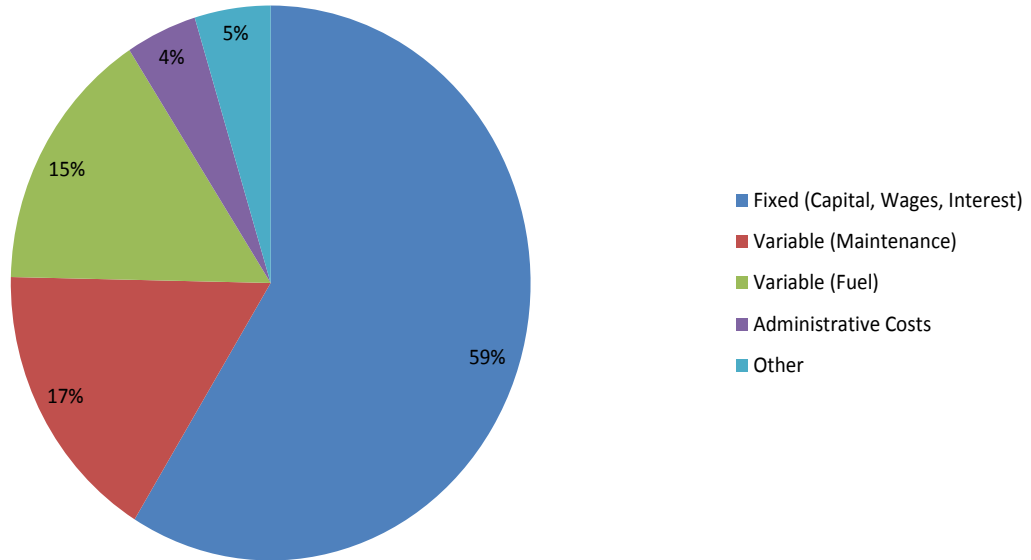
In addition, STEO has been successful in strengthening working relationships with member school boards to ensure that communications remain open, transportation issues are solved while focusing on cost efficiency. The cost reduction focus for 2012-2013 will be on routing efficiencies as we continue to consolidate many existing routes. Changes in bell time are a key factor in the ability to reduce the number of vehicles and manage costs. Staff must balance cost implications against high quality customer service without losing focus on the organization's financial position.

Attachment "A" contains the financial statements of STEO for the period from February 1, 2012 to August 31, 2012.

Tracey Hayden

Financial Coordinator

Breakdown of Transportation Costs 2011/2012

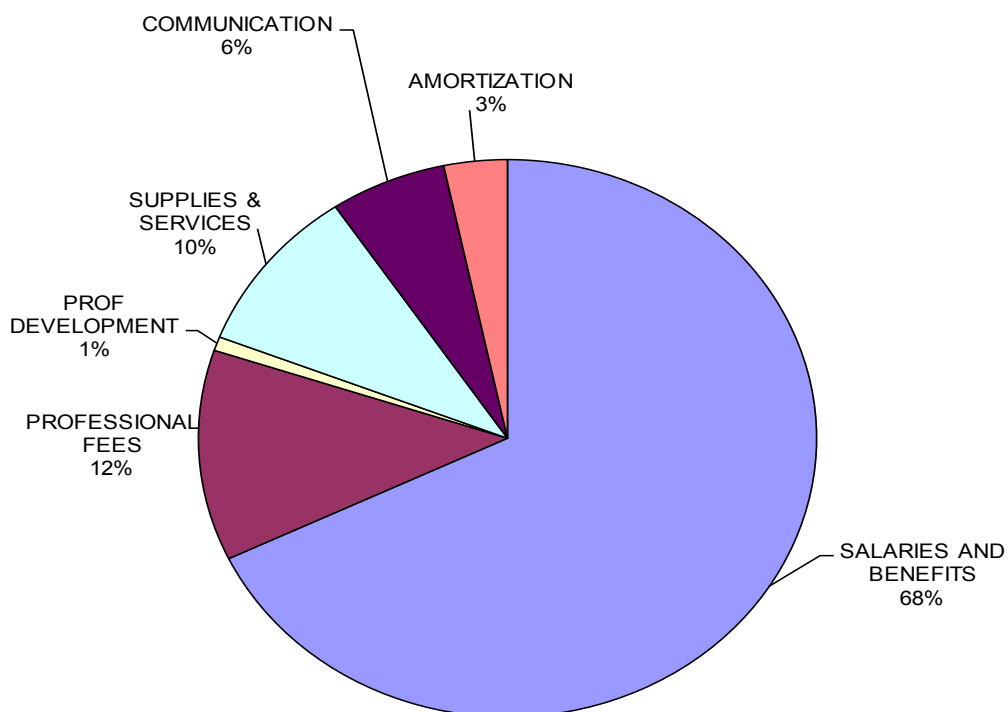


Breakdown of Home to School Costs

	2011/2012
Fuel	\$5,888,424
Other variable	\$6,551,056
Fixed	\$22,054,140
Total \$	\$34,493,620

	2011/2012
Fuel	17%
Other variable	19%
Fixed	64%
Total %	100%

Transportation Breakdown of Administrative Costs



Key Performance Indicators

Indicator	2011/2012
Number of Vehicles:	
72	252
54	242
20	118
Car/Van	172
Total	784
Kms/Day travelled	122,488
Average fuel rate	\$1.10
Average Cost per vehicle	\$45,544.49
# of Students Transported	33,025
Cost per rider	\$1,044.47

Financial Statements of

**STUDENT TRANSPORTATION
OF EASTERN ONTARIO**

For the period from February 1, 2012 to August 31, 2012



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INDEPENDENT AUDITORS' REPORT

To the Management Committee of Student Transportation of Eastern Ontario

We have audited the accompanying financial statements of Student Transportation of Eastern Ontario, which comprise the statement of financial position as at August 31, 2012, the statements of operations and accumulated surplus, change in net debt and cash flows for the period from February 1, 2012 to August 31, 2012, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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



Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Student Transportation of Eastern Ontario as at August 31, 2012, and its results of operations and its cash flows for the period from February 1, 2012 to August 31, 2012 in accordance with Canadian public sector accounting standards.

KPMG LLP

Chartered Accountants, Licensed Public Accountants

October 22, 2012

Ottawa, Canada

STUDENT TRANSPORTATION OF EASTERN ONTARIO

Statement of Financial Position

August 31, 2012

	2012
Financial assets:	
Amounts receivable	\$ 9,244
Due from related parties (note 4)	277,323
	<u>286,567</u>
Financial liabilities:	
Bank indebtedness	6,262
Accounts payable and accrued liabilities	254,035
Due to related parties (note 4)	21,904
Deferred capital contributions (note 5)	449,461
Employee future benefits (note 6)	29,577
	<u>761,239</u>
Net debt	(474,672)
Non-financial assets:	
Tangible capital assets (note 5)	449,461
Prepaid expenses	25,828
	<u>475,289</u>
Accumulated surplus	\$ 617

Economic dependence (note 3)

See accompanying notes to financial statements.

On behalf of the Board:

Director

Director

STUDENT TRANSPORTATION OF EASTERN ONTARIO

Statement of Operations and Accumulated Surplus

Period from February 1, 2012 to August 31, 2012

	Budget 2012	Actual 2012
	(unaudited)	
Revenue:		
Recoveries	\$19,172,901	\$18,829,958
Amortization of deferred capital contributions	—	38,309
Other	—	258
Total revenues	19,172,901	18,868,525
Expenses:		
Transportation services	18,176,701	17,519,555
Safety and training	—	87,562
Public transit	—	19,232
Salaries and benefits	759,498	784,865
Professional fees	121,508	141,314
Professional development	40,834	9,324
Communication	—	70,321
Insurance	1,167	3,408
Supplies and services	73,193	111,954
Amortization of tangible capital assets	—	38,309
Employee benefits transferred from boards	—	82,064
Total expenses	19,172,901	18,867,908
Annual surplus, being accumulated surplus, end of period	\$ —	\$ 617

See accompanying notes to financial statements.

STUDENT TRANSPORTATION OF EASTERN ONTARIO

Statement of Change in Net Debt

Period from February 1, 2012 to August 31, 2012

	2012
Annual surplus	\$ 617
Acquisition of tangible capital assets	(487,770)
Amortization of tangible capital assets	38,309
	(449,461)
Other non-financial asset activity:	
Acquisition of prepaid expenses	(25,828)
Change in net debt, being net debt, end of period	\$ (474,672)

See accompanying notes to financial statements.

STUDENT TRANSPORTATION OF EASTERN ONTARIO

Statement of Cash Flows

Period from February 1, 2012 to August 31, 2012

	2012
Cash provided by (used in):	
Operations:	
Annual surplus	\$ 617
Amortization of tangible capital assets	38,309
Amortization of deferred capital contributions	(38,309)
Change in non-cash operating working capital:	
Accounts receivable	(9,244)
Due from related party	(277,323)
Accounts payable and accrued liabilities	254,035
Due to related party	21,904
Prepaid expenses	(25,828)
Employee benefits	29,577
	(6,262)
Investing:	
Additions to capital assets	(487,770)
Financing:	
Increase in deferred capital contributions	487,770
Bank indebtedness, end of period	\$ (6,262)
Bank indebtedness consists of:	
Cash on deposit:	\$ 69,946
Outstanding cheques	(76,208)
	\$ (6,262)

See accompanying notes to financial statements.

STUDENT TRANSPORTATION OF EASTERN ONTARIO

Notes to Financial Statements

Period from February 1, 2012 to August 31, 2012

Student Transportation of Eastern Ontario ("STEO") was created to provide transportation services for students of the Upper Canada District School Board ("UCDSB") and the Catholic District School Board of Eastern Ontario ("CDSBEO").

Student Transportation of Eastern Ontario was incorporated on October 25, 2011 and commenced operations on February 1, 2012 under the Corporations Act of Ontario as a non-profit corporation without share capital and is exempt from income taxes.

1. Significant accounting policies:

The financial statements are prepared by management in accordance with Canadian public sector accounting standards.

(a) Basis of accounting:

Revenues and expenditures are reported on an accrual basis of accounting. The accrual basis of accounting recognizes revenues as they are earned and measurable; expenses are the cost of goods and services acquired in the period whether or not payment has been made or invoices received.

(b) Tangible capital assets:

Tangible capital assets are recorded at historical cost less accumulated amortization. Historical cost includes amounts that are directly attributable to acquisition, construction, development or betterment of the asset, as well as interest related to financing during construction.

Tangible capital assets, except land, are amortized on a straight line basis over their estimated useful lives as follows:

Asset	Estimated useful life in years
Computer software	5
Computer hardware	5
Furniture and equipment	10
Leasehold improvements	Over the term of the lease

STUDENT TRANSPORTATION OF EASTERN ONTARIO

Notes to Financial Statements, page 2

Period from February 1, 2012 to August 31, 2012

1. Significant accounting policies (continued):

(c) Government transfers:

Government transfers, which include legislative grants, are recognized in the financial statements in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met and reasonable estimates of the amount can be made.

Government transfers for capital that meet the definition of a liability are referred to as deferred capital contributions (DCC). Amounts are recognized into revenue as the liability is extinguished over the useful life of the asset.

(d) Budget figures:

Budget figures have been provided for comparison purposes and have been approved by the Board of the Student Transportation of Eastern Ontario. Budget figures were approved on February 1, 2012. The figures have been reported for the purposes of these statements to comply with Public Sector Accounting Board reporting requirements. Budget figures were excluded from the Statement of Net Debt as these amounts were not included in management's revised budgeted figures. Budget figures have not been audited and are presented for information purposes.

(e) Use of estimates:

The preparation of financial statements in conformity with Canadian public sector accounting standards 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 expenditures during the year. Actual results could differ from these estimates.

STUDENT TRANSPORTATION OF EASTERN ONTARIO

Notes to Financial Statements, page 3

Period from February 1, 2012 to August 31, 2012

2. Transfers from related parties:

Effective on February 1, 2012, the UCDSB and CDSBEO contributed assets to STEO totaling \$431,797. Also effective February 1, 2012 the UCDSB transferred employees to STEO through a transfer agreement. As a result, liabilities of \$82,064 in relation to the employees were transferred to STEO.

The UCDSB transferred assets with a fair value of \$303,220 to STEO and liabilities in relation to transferred employees of \$66,189, representing \$29,577 of retiring allowances and \$36,612 of vacation entitlement.

The CDSBEO transferred assets with a fair value of \$128,577 and liabilities of \$15,875, representing the transferred employees' vacation entitlement.

3. Economic dependence:

The Student Transportation of Eastern Ontario operations consist exclusively of supplying services to the Catholic District School Board of Eastern Ontario and the Upper Canada District School Board. Student Transportation of Eastern Ontario is economically dependent on these boards for its revenues.

4. Related party transactions:

(a) Recoveries:

The UCDSB and CDSBEO provide the revenues required to fund STEO's expenses on the basis of 67% from UCDSB and 33% from CDSBEO.

(b) Due from (to) related parties:

Amounts due from related parties consist of \$277,323 due from CDSBEO.

Amounts due to related parties consist of \$21,904 due to UCDSB.

Amounts due from/to related parties are non-interest bearing and are expected to be repaid within the next fiscal year.

STUDENT TRANSPORTATION OF EASTERN ONTARIO

Notes to Financial Statements, page 4

Period from February 1, 2012 to August 31, 2012

5. Tangible capital assets and deferred capital contributions:

Cost	Balance at February 1, 2012	Transfer from related parties	Additions	Balance at August 31, 2012
Computer software	\$ —	\$ 41,487	\$ —	\$ 41,487
Computer hardware	—	116,288	—	116,288
Furniture	—	69,842	2,270	72,112
Equipment	—	—	40,059	40,059
Leasehold improvements	—	204,180	13,644	217,824
	\$ —	\$ 431,797	\$ 55,973	\$ 487,770

Accumulated amortization	Balance at February 1, 2012	Amortization Expense	Balance at August 31, 2012
Computer software	\$ —	\$ 5,926	\$ 5,926
Computer hardware	—	14,393	14,393
Furniture	—	2,194	2,194
Equipment	—	2,003	2,003
Leasehold improvements	—	13,793	13,793
	\$ —	\$ 38,309	\$ 38,309

	Net book value August 31, 2012
Computer software	\$ 35,561
Computer hardware	101,895
Furniture	69,918
Equipment	38,056
Leasehold improvements	204,031
	\$ 449,461

STEO received contributions from the member school boards for the capital assets above in the amount of \$487,770 which is recorded as deferred capital contributions on the statement of financial position. The deferred capital contributions are being recognized as revenue on the statement of operations on the same basis as the corresponding assets presented above.

STUDENT TRANSPORTATION OF EASTERN ONTARIO

Notes to Financial Statements, page 5

Period from February 1, 2012 to August 31, 2012

6. Employee future benefits:

STEO provides retirement gratuities to certain groups of employees. The amount of gratuities paid to eligible employees at retirement is based either on their salary, accumulated sick days, and years of service at retirement or up to \$2,500 plus accrued interest depending on their employment tenure. The benefit costs and liabilities related to this plan are included in STEO's financial statements.

7. Lease commitments:

The Student Transportation of Eastern Ontario leases office premises with terms to November 30, 2016. The minimum annual rent payment under this agreement is as follows:

Fiscal year ending August 31:

2013	\$	26,910
2014		26,910
2015		26,910
2016		26,910
2017		6,728
		<hr/>
		\$ 114,368



STEO

STUDENT TRANSPORTATION
OF EASTERN ONTARIO



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