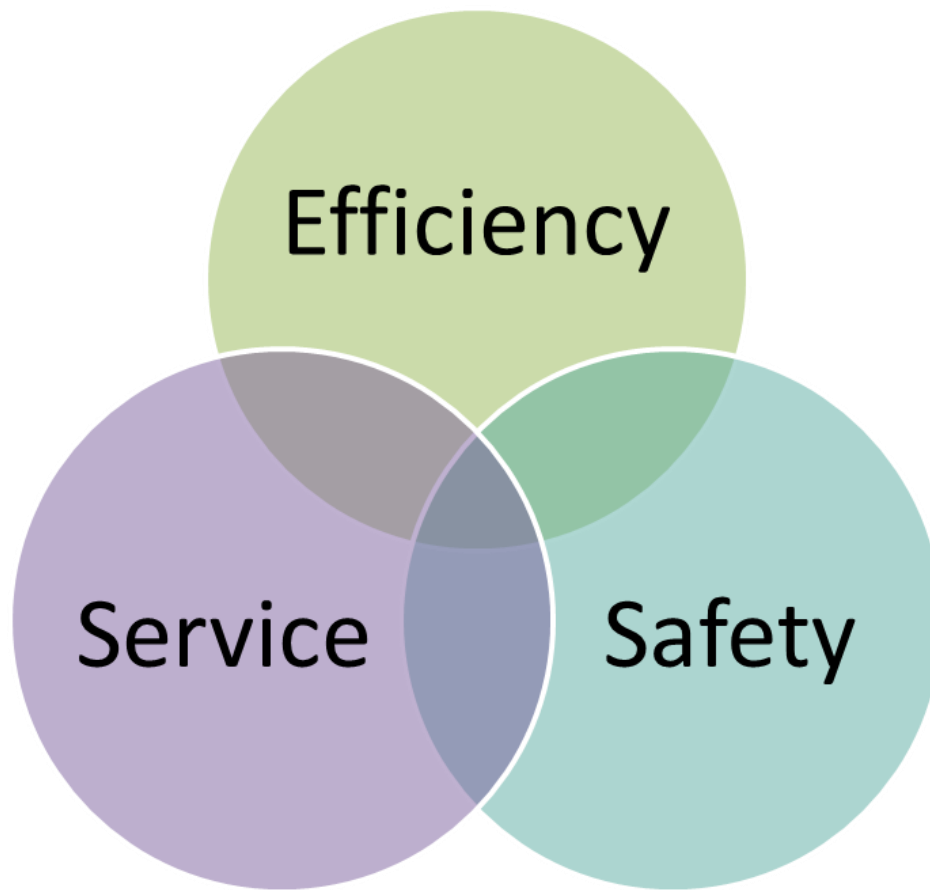




Student Transportation of Eastern Ontario

2012/2013 Annual Report



Service: Providing an exceptional level of service while exceeding the diversity of stakeholder needs.

Safety: Provide superior level of transportation service in a responsible and accountable manner, while ensuring the highest level of safety programs and practices for all stakeholders.

Efficiency: Is the responsible use and allocation of all resources as relates to time, cost and effort.

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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.

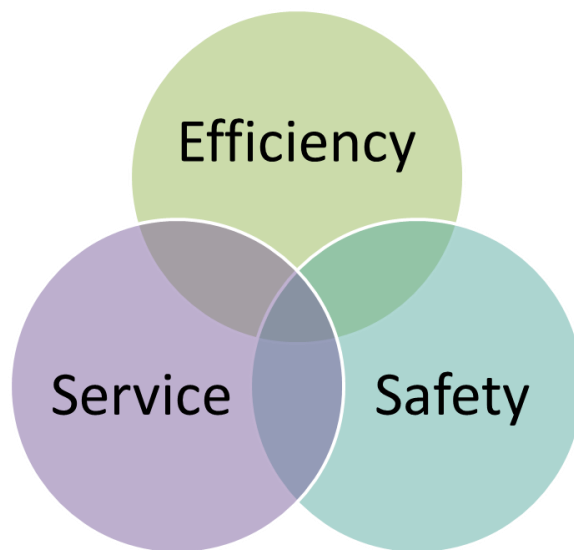
Our goal is to provide safe, efficient, and reliable transportation for our students, schools, and boards.



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



Service: Providing an exceptional level of service while exceeding the diversity of stakeholder needs.

Safety: Provide superior level of transportation service in a responsible and accountable manner, while ensuring the highest level of safety programs and practices for all stakeholders.

Efficiency: Is the responsible use and allocation of all resources as relates to time, cost and effort.

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 boards themselves.



GM/CAO's Statement

Excellent results achieved in the 2012/2013 school year.

I am pleased to report that the 2012/2013 school year was an excellent year for STEO. We continue to identify efficiencies and improved operations. We continued our efforts to manage costs and focus on operational excellence. Our objective is to provide transportation services that are safe, reliable and meet the needs of our customers, the member school boards, students and stakeholders.

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 exceeds expectations.



Fuel costs continued to rise in the 2012/2013 school year, which created challenges for us. However, we have been able to keep tight controls on operational costs.

We will continue to develop operational efficiencies and look at better utilizing vehicle capacity, double busing, and shared busing opportunities.

In the 2012/2013 school year, the organization launched and participated in a number of initiatives aimed at maximizing efficiency which included: amalgamating routing where possible, software development, special education routing software development, and increased opportunities for shared busing.

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:

- Implementation of Collective Agreement
- Performance Appraisals
- Upgraded Phone System
- Policies and Procedures Harmonized and Completed
- Transportation Information Guidelines for Students and Parents
- Staff Training and Development
- Website Development
- Completion of Consortium Strategic Plan
- Completion of Governance Manual
- Inclement Weather Video
- Rollout of Public Relations Plan



Outlook

In the 2013/2014 school year we will face many challenges as the consortium continues to develop, and we further consolidate operations into a high functioning organization.

Our goal is to become a world class transportation service provider.

Short term future initiatives:

- Staff team building sessions
- Further GPS development
- Develop STEO Driver Handbook
- Driver certification
- On-line driver training
- Driver training programs
- Staff training
- Student Training
- MapNet/VEO development
- Ministry of Education E&E review



Long term future initiatives:

- Further development of automated performance measurements (KPI)
- Preparation for enhanced GPS software on all buses
- Video cameras on buses
- Development of Route Optimization software and strategies
- Student monitoring software
- Further development of Special Education document
- Creation of Contractor Performance Dashboard

The decisions we made this year will position STEO to deliver exceptional service to all stakeholders.

The actions taken in 2012/2013 and in the future will create a strong and vigorous organization, one that is well positioned to effectively face its challenges, deliver on its promises and take advantage of opportunities.

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

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.

We look to the future with confidence and pride.

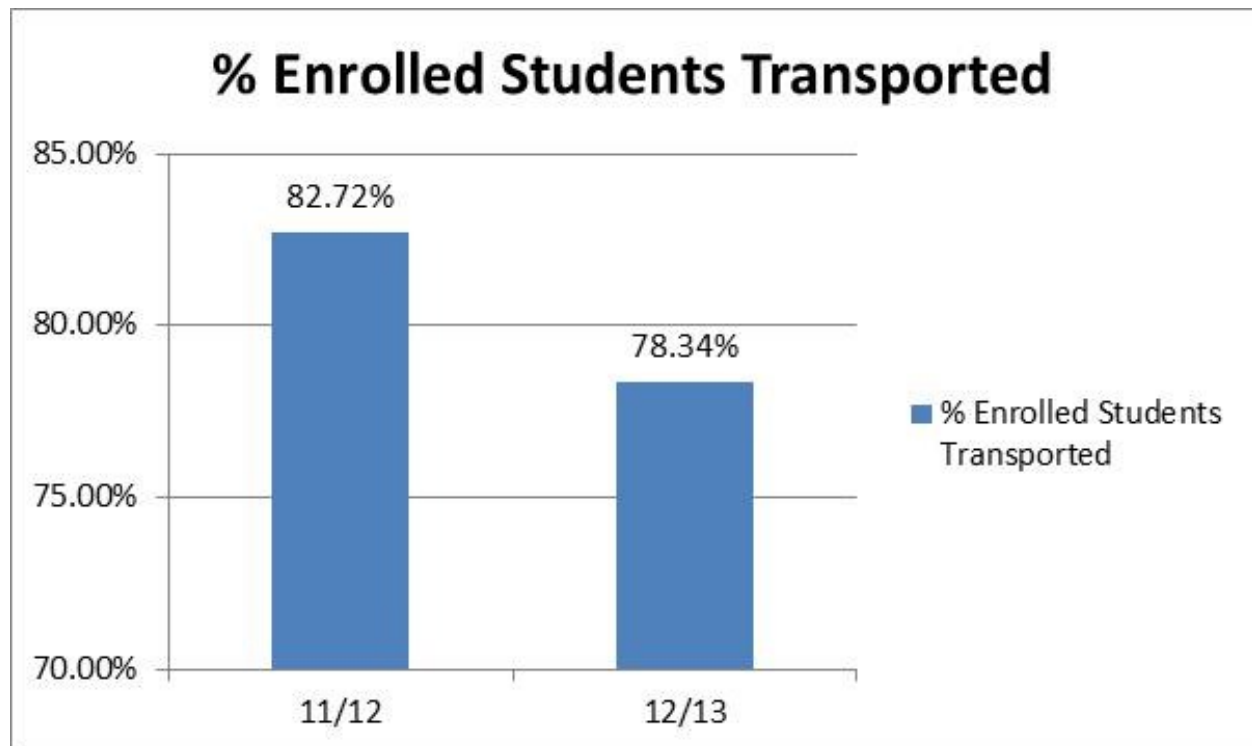
Ron Cotnam

Student Transportation of Eastern Ontario
General Manager/CAO



2012/2013 Highlights

We transported approximately 32,572 students daily, 65,144 trips, which accounted for a total of 12,247,072 trips completed during the year.



Transportation Canada's research shows that on a per passenger, per kilometer basis, the occupant of a school bus is 16 times less likely to be in a road collision than the occupant of any other vehicle.

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.



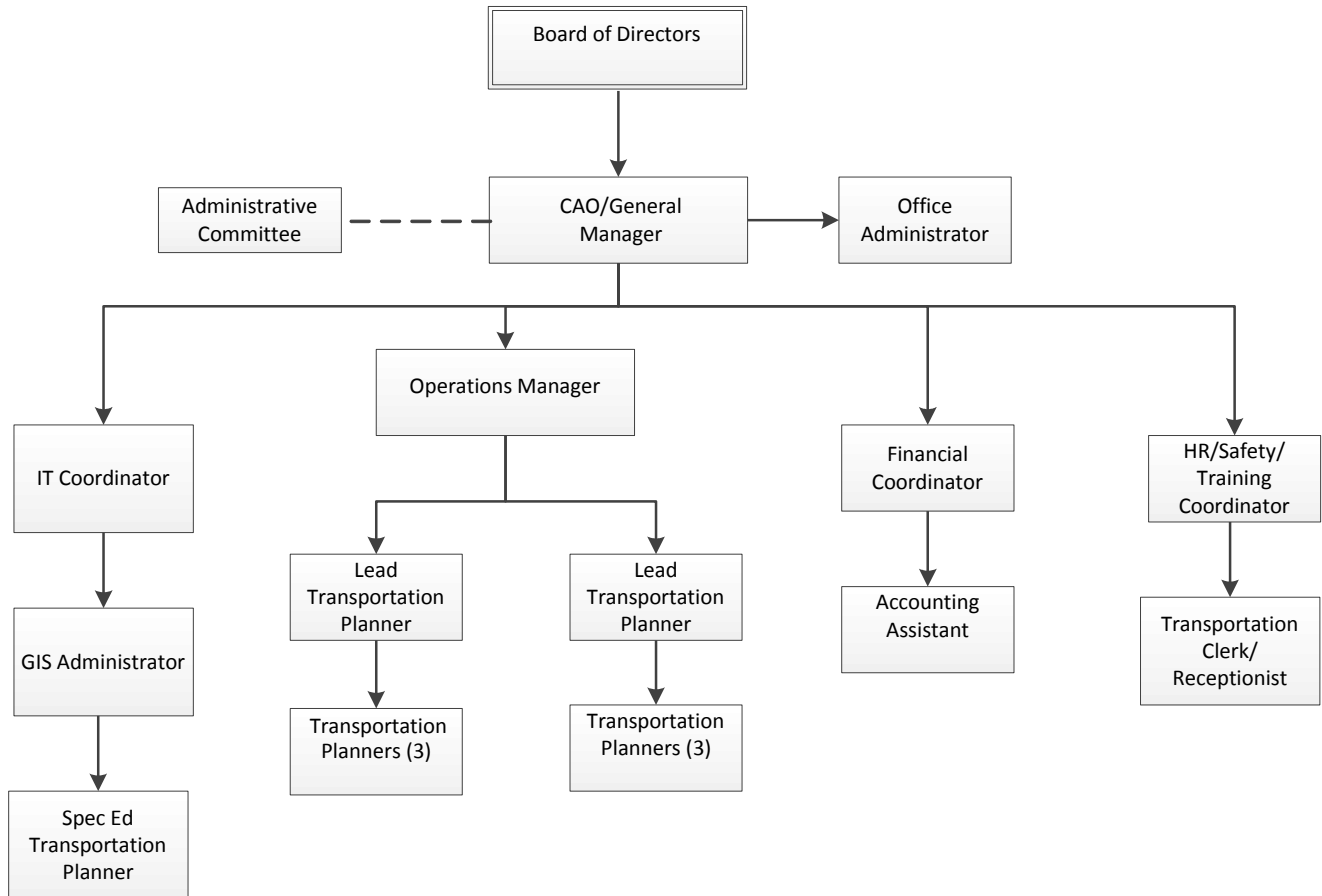
We are proud of the achievements of the past year and of the progress we have made which has allowed us to continue to enhance and improve operations of the organization. Full credit for these achievements goes to our staff. They are our ambassadors and we are proud of the tremendous job they do every 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 2014/2015 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.

Over 800,000 children are transported daily in Ontario. According to Transport Canada, the yellow and black school bus is the safest mode of transportation for school children in terms of construction, driver standards, training and passenger safety.

STEO Organization Chart



“Great Vision with Great People Defines Success”

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

The 2012-2013 school year included many challenges for STEO. The school year began with the incorporation of student routing software. New bus route numbers had been assigned, affecting all schools. Bus operators, school officials, parents and students were informed of the change, however STEO received many inquiries. During start up STEO responded to 6,000 telephone calls.

In November, the Operations team began the planning process to identify 2013-14 route efficiency opportunities. Collectively the Transportation Planners identified 10 areas for route reviews. The reviews included routing Catholic and Public schools together, bell time adjustments, reduction of kilometers and improved pairing. The overall proposal identified savings of \$850,000 for the 2013-14 school year. Once the route reviews were approved by the STEO Board of Directors the Transportation Planners began working on implementing the proposal for the 2013-14 school year.

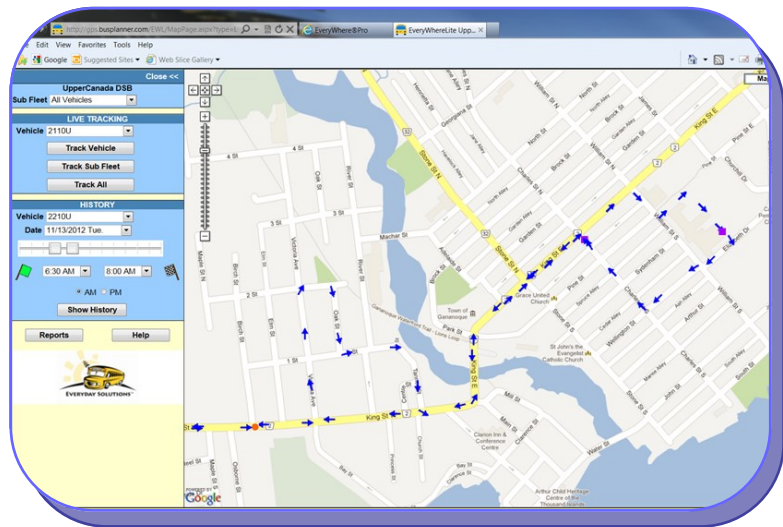
Streamlining operations was at the forefront. Practices, guidelines and policies were reviewed to ensure consistency and application. Manual functions were reduced to increase productivity.

Transportation Planners participated in a number of training sessions to expand their current knowledge of the transportation routing software. In the summer, three Transportation Planners received their certificate from the OASBO Pupil Transportation Management Courses, offered by Guelph University.

Staff successfully completed route audits on 10% of the overall bus fleet. Transportation Planners physically rode the school bus while the students were onboard. The audit ensures STEO standards are met and that school bus drivers and operators are performing in accordance to the Standards of Performance set out by STEO.

Nicole Proulx

Operations Manager



Routing Efficiencies

STEO continues to become 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 to improve 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 maximizing our routes and reducing mileage.

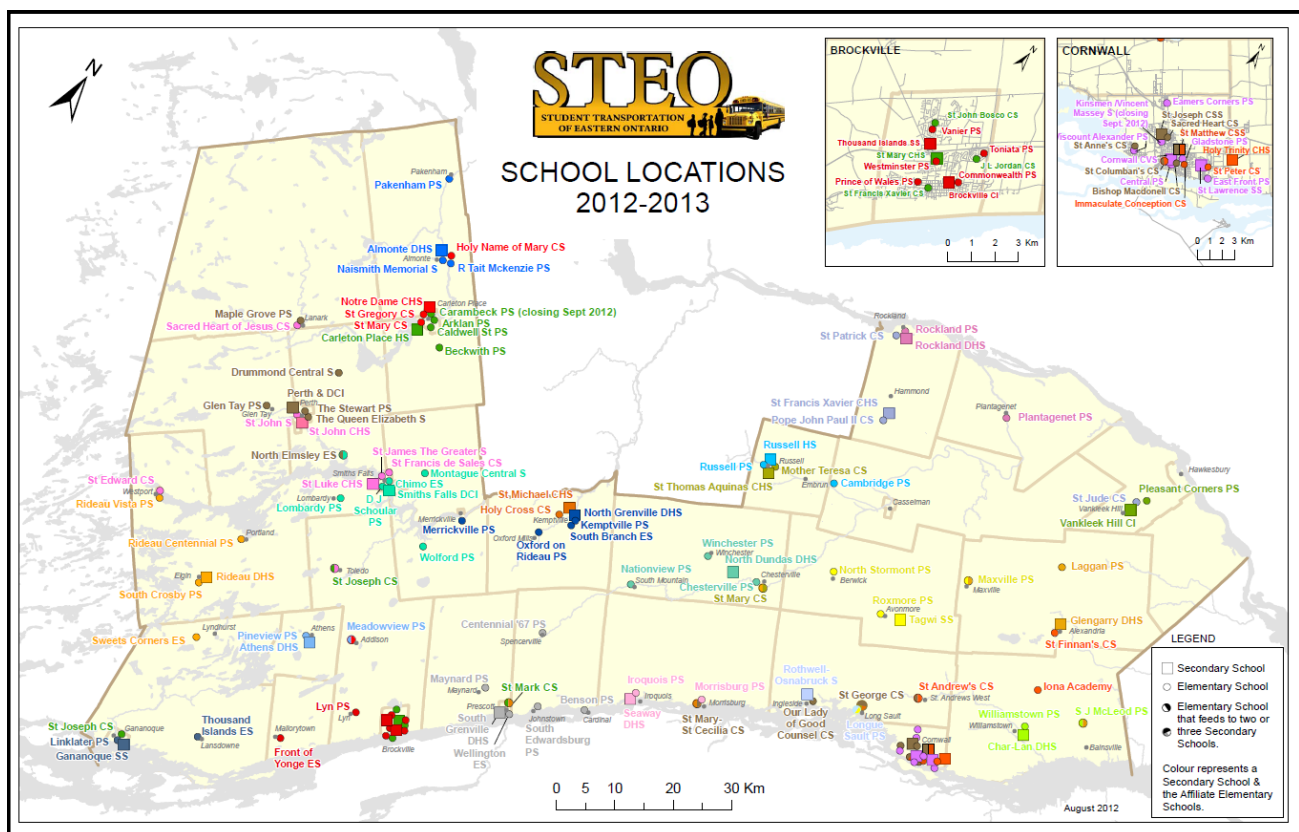


Vehicles under contract with the Consortium travel approximately 21,700,000 kilometres each year which is the equivalent to 525 trips around the world each year.

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 Consortium. 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. Department has now been in existence for just over one year, and has been quite active. The consortium now has 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:

- Creation of a notification registration system through STEO's website where parents, students 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.
- Creation of STEO Mobile Website.
- Automation of CDSBEO and UCDSB data into MapNet.
- Creation of online form for Special Transportation Request .

Present tasks we are working on:

- GPS units to be installed on all vehicles servicing the consortium.
- On line form for Incidents and Accidents .
- Disaster Recovery Plan – internal.
- Dashboard—information to operators regarding their performance

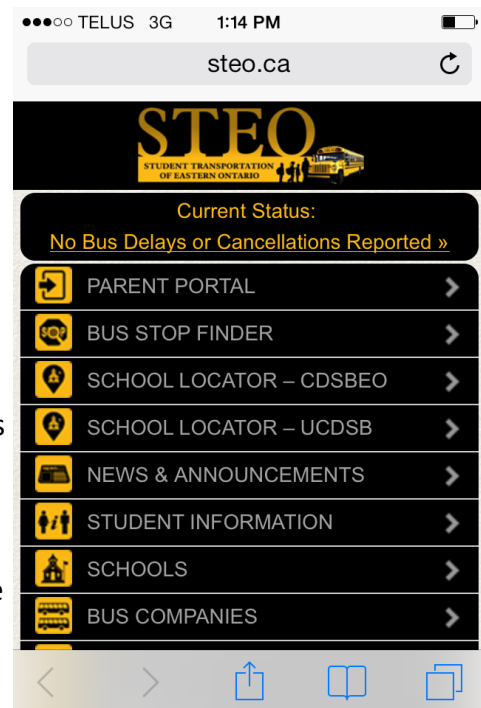
Future tasks:

- Ongoing I.T. training for staff to ensure they continue to be industry leaders.
- Video cameras on all vehicles.
- Testing of new VEO Special Education Transportation routing software.

STEO's I.T. Department is excited for the future as we move forward in the development of 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

Noteworthy activities in the **Human Resources, Safety and Training Department** were varied and significant in the 2012-2013 operational year. Important achievements included the bargaining and implementation of a single Collective Agreement for all unionized employees at STEO; the introduction and successful rollout of a strategic Employee Performance Review process for employees in all roles and at all levels of the organization; the implementation of a comprehensive and self-administered benefits plan for the entire employee group; and the delivery of an internal training suite, designed with an eye to teambuilding, skills enhancement and ongoing professional development.

A selection of departmental activities and successes are summarized below.

Notable Departmental Activities and Successes	Delivered/Achieved 2012-2013
Benefits Plan	Implemented a comprehensive, self-administered benefits plan at STEO
Summer Staffing	Recruited staff to support start-up; established a skilled pool of casual staff to support staffing needs at start-up and as needed
Collective Bargaining	Established first STEO Collective Agreement; Labour-Management Committee meetings
Staff Morale and Engagement	Opportunities for in-house and community involvement; Social Committee; enhanced process for staff feedback
STEO Wellness Committee	Several initiatives delivered and in process (flu clinic, exercise groups, potlucks, et cetera)
Internal Training	Full suite of staff training sessions, including multiple sessions geared toward teambuilding and skills enhancement
A Shared Set of Common Principles	Values statements developed by all staff in cohesion as relates to Customer Service and Teamwork
Policy and Procedure Development	Ongoing development of HR and Safety Policies and Procedures
Occupational Health and Safety	Internal H&S Committee established; safety survey; fire planning; staff training; bulletin board; ergonomic assessments
Student Safety Programs/Training	First Time Riders; Bus Evacuation; Buster The Bus; Bullying Awareness; Purple Band
Newsletter Campaign	To enhance communication with STEO Staff, Contractors and Schools
Contractor Training	Multiple Train The Trainer Sessions, including Buster The Bus and Growing Respect on the Bus; Driver Training Handout series developed
Driver Recognition Program	A program to recognize outstanding driver contributions
Facility Audits	To ensure safety, efficiency and optimum operational standards
Safety Officers Group	Regular meetings/calls to discuss best practices as relates to safety issues (e.g. Child Check)

Departmental Plans for 2013-2014 (and beyond)

Emergency Response Plan

Development of comprehensive ERP for STEO in tandem with community partners

Accessibility for Ontarians with Disabilities Act (AODA) Compliance

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

Training Videos

Development of web-based training opportunities for Contractors

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

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.

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 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 STEO operate under very strict safety standards and undergo thorough Criminal Reference checks and testing.

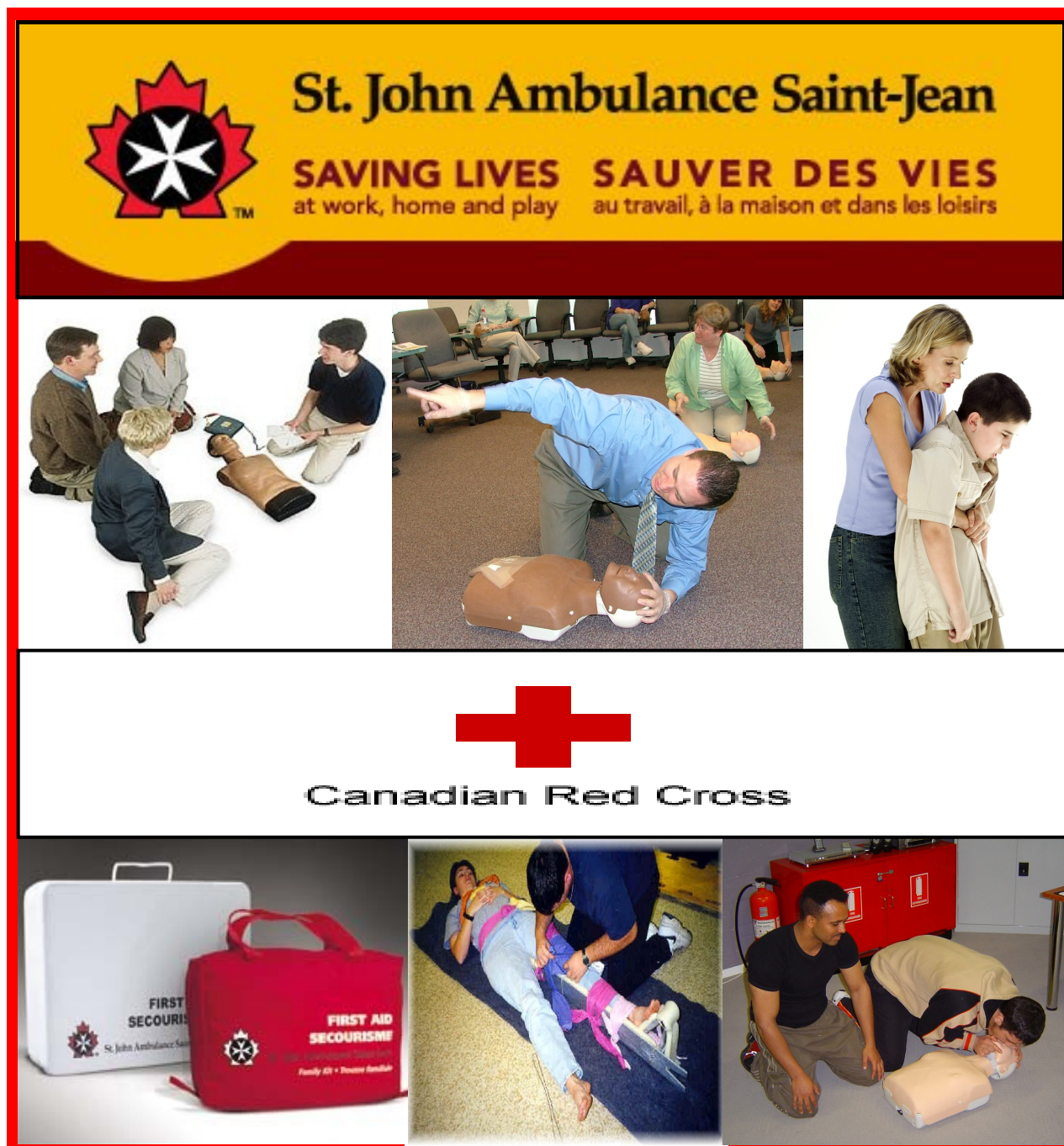
Some of the requirements are as follows:

- 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 a Ministry of Transportation driver examination
- Pass a practical knowledge test
- Pass a circle check test
- Pass a 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/transportation consortiums 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 STEO have received this training.



Driver Training Workshops

Drivers have participated in the following workshops provided by STEO:

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.



Annual Operational Statistics

2012-2013				
Preventable Accidents	Non- Preventable Accidents	Incidents	Complaints	
			Bus Operator	Bus Driver
16	12	29	12	13

Definitions

Preventable Accident: Any occurrence where a school purpose vehicle, with children on board, is involved in a collision with another vehicle, a person, an object or when a school purpose vehicle unintentionally leaves the road way.

Non-Preventable Accident: the school purpose vehicle driver did everything possible to prevent the accident.

Incident: Any occurrence where a child requires medical attention or becomes injured either while riding on the school purpose vehicle or while entering/exiting the vehicle (note that this includes allergy/epipen and seizures).



Inclement Weather

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

STEO deals with 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.

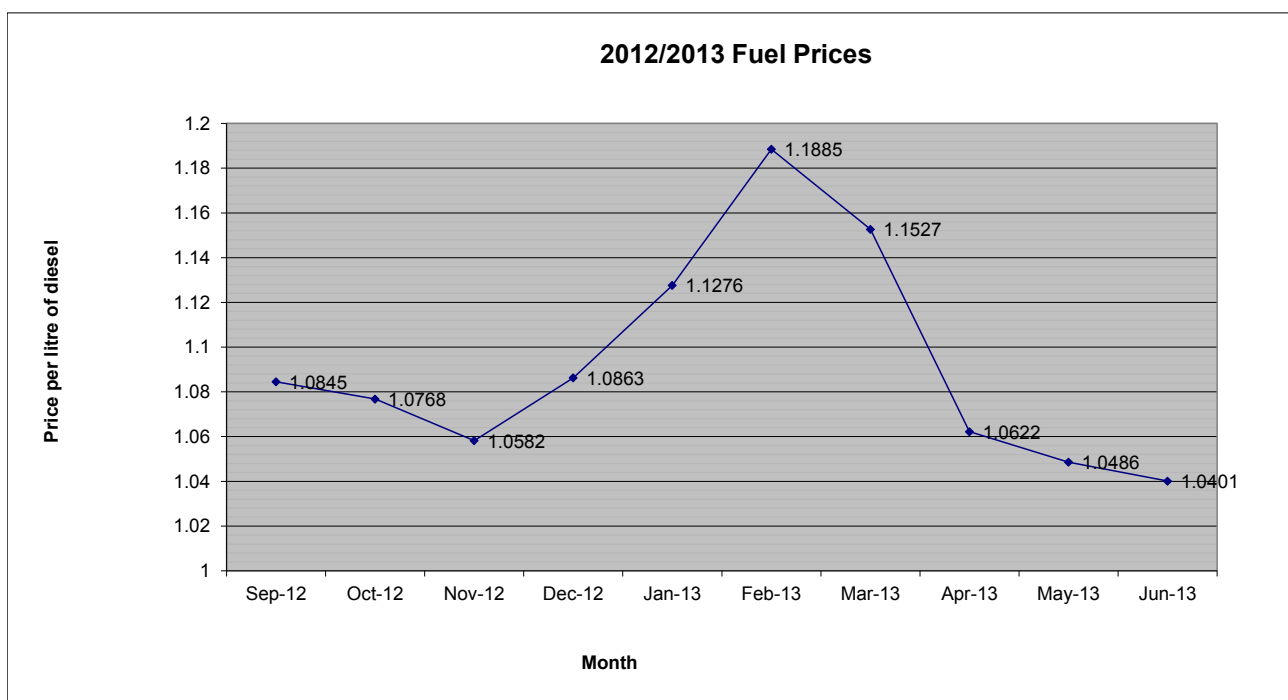


Rising Fuel Cost Has a Major Affect on Operational Costs



Fuel costs represent a significant portion of our expenses. Fuel costs have increased steadily over the last few years and now represents 19% of our operating budget which comes to a total of **\$6,500,000** 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 Organization of the Petroleum Exporting Countries (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 continues to focus on implementation of significant key initiatives and projects to ensure application of best practices in all areas.

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.



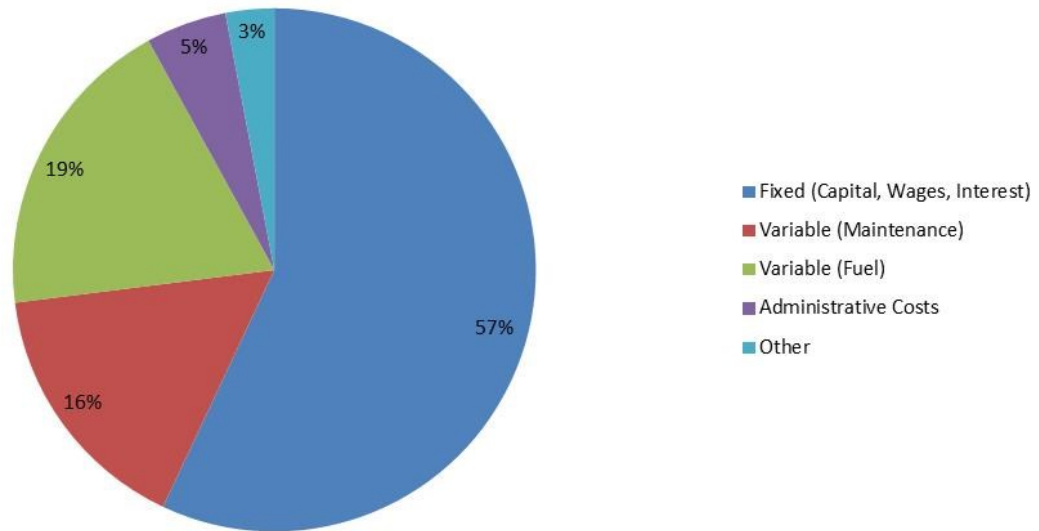
On average fuel costs were \$1.09 per litre in 2012-2013, remaining flat with the average cost of fuel per litre in 2011/2012. As fuel accounts for 19% of STEO's budget, it is a significant factor when reviewing operations and isolation of uncontrollable costs.

STEO continues to strengthen working relationships with member school boards to ensure transparency, open communications and that transportation issues are resolved while focusing on cost efficiency. The cost reduction focus for 2013-2014 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.

Tracey Hayden

Financial Coordinator

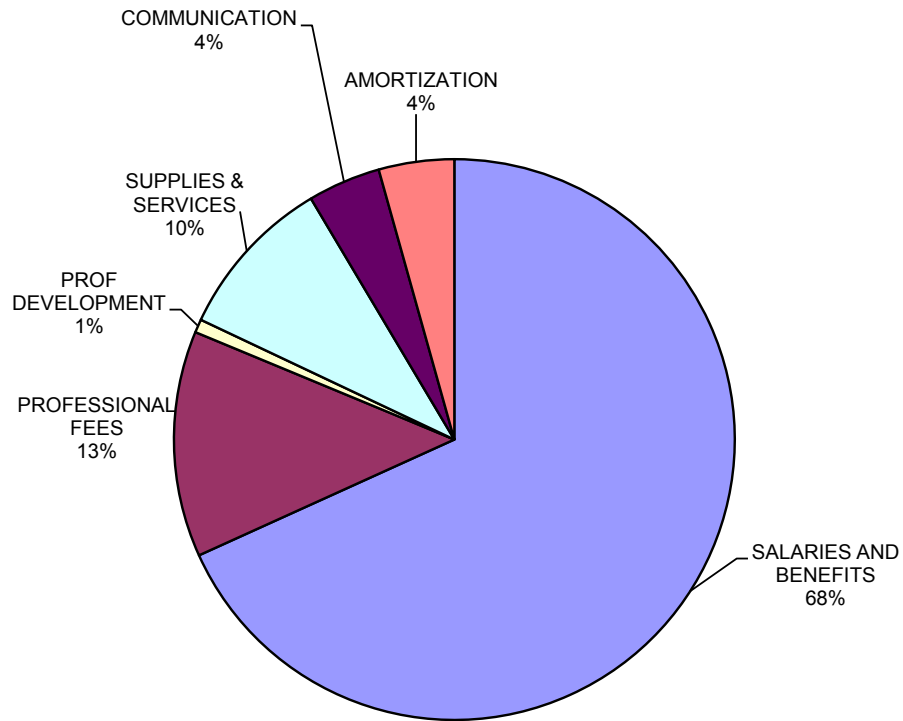
Breakdown of Transportation Costs 2012/2013



Breakdown of Home to School Costs

	2011/2012	2012/2013
Fuel	\$ 5,888,424	\$ 6,582,318
Other variable	\$ 6,551,056	\$ 6,466,633
Fixed	\$ 22,054,140	\$ 21,204,512
Total	\$ 34,493,620	\$ 34,253,463
	2011/2012	2012/2013
Fuel	17%	19%
Other variable	19%	19%
Fixed	64%	62%
Total	36%	38%

Transportation Breakdown of Administrative Costs



Key Performance Indicators

Indicator	2011/2012	2012/2013
Number of Vehicles:		
72	252	236
54	242	244
20	118	116
Car/Van	172	159
Total	784	755
Kms/Day travelled	122,488	120,672
Average fuel rate	\$ 1.0994	\$ 1.0926
Average Cost per vehicle	\$ 45,544	\$ 44,566
# of Students Transported	33,025	32,572
Cost per rider	\$ 1,044	\$ 1,033

Financial Statements of

**STUDENT TRANSPORTATION
OF EASTERN ONTARIO**

Year ended August 31, 2013



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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, 2013, the statements of operations and accumulated surplus, change in net debt and cash flows for the year then ended, 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, 2013, and its results of operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

KPMG LLP

Chartered Accountants, Licensed Public Accountants

October 7, 2013

Ottawa, Canada

STUDENT TRANSPORTATION OF EASTERN ONTARIO

Statement of Financial Position

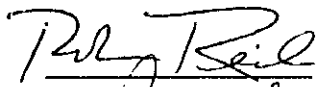
August 31, 2013, with comparative figures for 2012

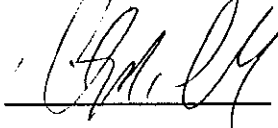
	2013	2012
Financial assets:		
Cash	\$ 2,335,990	\$ -
Amounts receivable	151,166	9,244
Due from related parties (note 4)	-	277,323
	2,487,156	286,567
Financial liabilities:		
Bank indebtedness	-	6,262
Accounts payable and accrued liabilities	336,998	254,035
Due to related parties (note 4)	2,184,082	21,904
Deferred capital contributions (note 5)	383,488	449,461
Employee future benefits (note 6)	15,167	29,577
	2,919,735	761,239
Net debt	(432,579)	(474,672)
Non-financial assets:		
Tangible capital assets (note 5)	383,488	449,461
Prepaid expenses	49,708	25,828
	433,196	475,289
Accumulated surplus	\$ 617	\$ 617

Economic dependence (note 2)

See accompanying notes to financial statements.

On behalf of the Board:

 Director

 Director

STUDENT TRANSPORTATION OF EASTERN ONTARIO

Statement of Operations and Accumulated Surplus

Year ended August 31, 2013, with comparative figures for the period from February 1, 2012 to August 31, 2012

	Budget 2013	Actual 2013	Actual 2012
Revenue:			
Recoveries	\$36,030,766	\$36,170,644	\$18,829,958
Amortization of deferred capital contributions	91,707	91,706	38,309
Other	—	15,434	258
Total revenues	36,122,473	36,277,784	18,868,525
Expenses:			
Transportation services	34,061,750	33,938,257	17,519,555
Safety and training	—	192,884	87,562
Public transit	48,000	37,014	19,232
Salaries and benefits	1,455,399	1,439,257	784,865
Professional fees	266,054	274,961	141,314
Professional development	30,000	16,212	9,324
Communication	—	88,525	70,321
Insurance	—	5,812	3,408
Supplies and services	169,563	193,156	111,954
Amortization of tangible capital assets	91,707	91,706	38,309
Employee benefits transferred from boards	—	—	82,064
Total expenses	36,122,473	36,277,784	18,867,908
Annual surplus	—	—	617
Accumulated surplus, beginning of period	617	617	—
Accumulated surplus, end of period	\$ 617	\$ 617	\$ 617

See accompanying notes to financial statements.

STUDENT TRANSPORTATION OF EASTERN ONTARIO

Statement of Change in Net Debt

Year ended August 31, 2013, with comparative figures for the period from February 1, 2012 to August 31, 2012

	2013	2012
Annual surplus	\$ -	\$ 617
Acquisition of tangible capital assets	(25,733)	(487,770)
Amortization of tangible capital assets	91,706	38,309
	65,973	(449,461)
Other non-financial asset activity:		
Acquisition of prepaid expenses	(23,880)	(25,828)
Change in net debt	42,093	(474,672)
Net debt, beginning of period	(474,672)	-
Net debt, end of period	\$ (432,579)	\$ (474,672)

See accompanying notes to financial statements.

STUDENT TRANSPORTATION OF EASTERN ONTARIO

Statement of Cash Flows

Year ended August 31, 2013, with comparative figures for the period from February 1, 2012 to August 31, 2012

	2013	2012
Cash provided by (used in):		
Operations:		
Annual surplus	\$ -	\$ 617
Amortization of tangible capital assets	91,706	38,309
Amortization of deferred capital contributions	(91,706)	(38,309)
Change in non-cash operating working capital:		
Accounts receivable	(141,922)	(9,244)
Due from related party	277,323	(277,323)
Accounts payable and accrued liabilities	82,963	254,035
Due to related party	2,162,178	21,904
Prepaid expenses	(23,880)	(25,828)
Employee benefits	(14,410)	29,577
	2,342,252	(6,262)
Investing:		
Additions to tangible capital assets	(25,733)	(487,770)
Financing:		
Increase in deferred capital contributions	25,733	487,770
Increase (decrease) in cash	2,342,252	(6,262)
Bank indebtedness, beginning of period	(6,262)	-
Cash (bank indebtedness), end of period	\$ 2,335,990	\$ (6,262)
Bank indebtedness consists of:		
Cash on deposit:	\$ 2,397,767	\$ 69,946
Outstanding cheques	(61,777)	(76,208)
	\$ 2,335,990	\$ (6,262)

See accompanying notes to financial statements.

STUDENT TRANSPORTATION OF EASTERN ONTARIO

Notes to Financial Statements

Year ended August 31, 2013

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

Year ended August 31, 2013

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) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Derivative instruments and equity instruments that are quoted in an active market are reported at fair value. All other financial instruments are subsequently recorded at cost or amortized cost unless management has elected to carry the instruments at fair value. Management has not elected to record its financial instruments at fair value.

Unrealized changes in fair value are recognized in the statement of remeasurement gains and losses until they are realized, when they are transferred to the statement of operations.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

All financial assets are assessed for impairment on an annual basis. When a decline is determined to be other than temporary, the amount of the loss is reported in the statement of operations and any unrealized gain is adjusted through the statement of remeasurement gains and losses.

When the asset is sold, the unrealized gains and losses previously recognized in the statement of remeasurement gains and losses are reversed and recognized in the statement of operations.

STUDENT TRANSPORTATION OF EASTERN ONTARIO

Notes to Financial Statements, page 3

Year ended August 31, 2013

1. Significant accounting policies (continued):

(d) Financial instruments (continued):

The Standards require an organization to classify fair value measurements using a fair value hierarchy, which includes three levels of information that may be used to measure fair value:

- Level 1 – Unadjusted quoted market prices in active markets for identical assets or liabilities;
- Level 2 – Observable or corroborated inputs, other than level 1, such as quoted prices for similar assets or liabilities in inactive markets or market data for substantially the full term of the assets or liabilities; and
- Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities.

A statement of remeasurement gains and losses was not included as there were no items to disclose.

(e) 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 September 11, 2012. The figures have been reported for the purposes of these statements to comply with public sector accounting standards. Budget figures are excluded from the Statement of Net Debt as these amounts are not included in management's budgeted figures.

(f) 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. These estimates are reviewed annually and as adjustments become necessary, they are recognized in the financial statements in the period in which they become known.

STUDENT TRANSPORTATION OF EASTERN ONTARIO

Notes to Financial Statements, page 4

Year ended August 31, 2013

2. 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.

3. Change in accounting policy:

On September 1, 2012, STEO adopted Public accounting standards PS3450 – Financial Instruments and PS2601 – Foreign Currency Translation. The standards were adopted prospectively from the date of adoption. The new standards provide comprehensive requirements for the recognition, measurement, presentation and disclosure of financial instruments and foreign currency transactions.

Under PS3450, all financial instruments, including derivatives, are included on the statement of financial position and are measured either at fair value or amortized cost based on the characteristics of the instrument and the entities accounting policy choices. There were no adjustments required to the financial statements as a result of adopting the new accounting standards.

4. Related party transactions:

(a) Recoveries:

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

(b) Due from/to related parties:

Amounts due from related parties consist of \$Nil (2012 - \$277,323) due from CDSBEO.

Amounts due to related parties consist of \$2,100,380 (2012 - \$21,904) due to UCDSB and \$83,702 (2012 - \$Nil) due to CDSBEO.

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 5

Year ended August 31, 2013

5. Tangible capital assets and deferred capital contributions:

	Cost	Accumulated amortization	2013 Net book value	2012 Net book value
Computer software	\$ 41,487	\$ 14,376	\$ 27,111	\$ 35,561
Computer hardware	142,021	42,981	99,040	101,895
Furniture	72,112	9,401	62,711	69,918
Equipment	40,059	6,009	34,050	38,056
Leasehold improvements	217,824	57,248	160,576	204,031
	<u>\$ 513,503</u>	<u>\$ 130,015</u>	<u>\$ 383,488</u>	<u>\$ 449,461</u>

Cost and accumulated amortization as at August 31, 2012 were \$487,770 and \$38,309 respectively.

STEO received contributions from the member school boards for the capital assets above in the amount of \$25,733 (2012 - \$487,770) which are 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.

6. Employee future benefits:

STEO provides retirement gratuities to certain groups of eligible employees. The amount of gratuities paid to eligible employees at retirement is based on their salary, accumulated sick days, and years of service at retirement. The benefit costs and liabilities related to this plan are included in STEO's financial statements.

STUDENT TRANSPORTATION OF EASTERN ONTARIO

Notes to Financial Statements, page 6

Year ended August 31, 2013

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:

2014	\$	26,910
2015		26,910
2016		26,910
2017		6,728
		<hr/>
		\$ 87,458

8. Financial risks and concentration of credit risk:

(a) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. STEO is exposed to this risk relating to its cash and accounts receivable. STEO holds its cash accounts with federally regulated chartered banks who are insured by the Canadian Deposit Insurance Corporation.

STEO's receivables are with school board authorities and governments. STEO believes that these receivables do not have significant credit risk in excess of allowances for doubtful accounts that have been established. STEO's has not created an allowance for any amounts included in accounts receivable as at August 31.

(b) Interest rate, market and liquidity risk:

STEO believes it is not subject to significant interest rate, market or liquidity risk arising from its financial instruments.



STEO

STUDENT TRANSPORTATION
OF EASTERN ONTARIO



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