

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*

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Chartered Accountants, Licensed Public Accountants

October 7, 2013

Ottawa, Canada

# STUDENT TRANSPORTATION OF EASTERN ONTARIO

## Statement of Financial Position

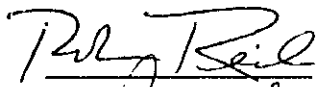
August 31, 2013, with comparative figures for 2012

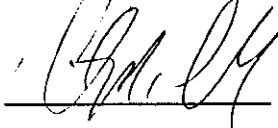
	2013	2012
<b>Financial assets:</b>		
Cash	\$ 2,335,990	\$ -
Amounts receivable	151,166	9,244
Due from related parties (note 4)	-	277,323
	<u>2,487,156</u>	<u>286,567</u>
<b>Financial liabilities:</b>		
Bank indebtedness	-	6,262
Accounts payable and accrued liabilities	336,998	254,035
Due to related parties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

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
<b>Revenue:</b>			
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
<b>Total revenues</b>	<b>36,122,473</b>	<b>36,277,784</b>	<b>18,868,525</b>
<b>Expenses:</b>			
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
<b>Total expenses</b>	<b>36,122,473</b>	<b>36,277,784</b>	<b>18,867,908</b>
Annual surplus	–	–	617
Accumulated surplus, beginning of period	617	617	–
<b>Accumulated surplus, end of period</b>	<b>\$ 617</b>	<b>\$ 617</b>	<b>\$ 617</b>

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

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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

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## 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

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## 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

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## 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

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## 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:

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Fiscal year ending August 31:

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

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## 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.