

Financial Statements of

**STUDENT TRANSPORTATION
OF EASTERN ONTARIO**

Year ended August 31, 2016



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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, 2016, 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, 2016, 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 Professional Accountants, Licensed Public Accountants

October 5, 2016

Ottawa, Canada

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STUDENT TRANSPORTATION OF EASTERN ONTARIO

Statement of Financial Position

August 31, 2016, with comparative information for 2015

	2016	2015
Financial assets:		
Cash	\$ 2,718,468	\$ 2,438,877
Amounts receivable	4,697	4,510
	<u>2,723,165</u>	<u>2,443,387</u>
Liabilities:		
Accounts payable and accrued liabilities	217,046	131,954
Due to related parties (note 3)	2,505,270	2,327,307
Deferred capital contributions (note 4)	412,579	245,693
Employee future benefits (note 5)	15,167	15,167
	<u>3,150,062</u>	<u>2,720,121</u>
Net debt	(426,897)	(276,734)
Non-financial assets:		
Tangible capital assets (note 4)	412,579	245,693
Prepaid expenses	14,318	31,041
	<u>426,897</u>	<u>276,734</u>
Economic dependence (note 2)		
Accumulated surplus	\$ -	\$ -

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, 2016, with comparative information for 2015

	Budget 2016	Actual 2016	Actual 2015
Revenue:			
Recoveries	\$ 37,025,924	\$ 35,755,034	\$ 36,204,375
Amortization of deferred capital contributions	93,696	130,974	98,676
Other	17,000	23,133	22,241
Total revenues	37,136,620	35,909,141	36,325,292
Expenses:			
Transportation services	34,358,825	33,140,781	33,805,404
Safety and training	255,566	300,881	255,496
Public transit	48,000	31,851	33,631
Salaries and benefits	1,485,998	1,518,671	1,484,620
Professional fees	365,142	219,764	205,939
Professional development	70,000	40,087	50,516
Communication	134,600	89,460	102,174
Insurance	8,200	6,074	5,866
Supplies and services	316,593	430,598	282,970
Amortization of tangible capital assets	93,696	130,974	98,676
Total expenses	37,136,620	35,909,141	36,325,292
Annual deficit	-	-	-
Accumulated surplus, beginning of year	-	-	-
Accumulated surplus, end of year	\$ -	\$ -	\$ -

See accompanying notes to financial statements.

STUDENT TRANSPORTATION OF EASTERN ONTARIO

Statement of Change in Net Debt

Year ended August 31, 2016, with comparative information for 2015

	2016	2015
Annual deficit	\$ -	\$ -
Purchase of tangible capital assets	(297,860)	(55,161)
Amortization of tangible capital assets	130,974	98,676
	(166,886)	43,515
Other non-financial asset activity:		
Use of prepaid expenses	16,723	19,773
Change in net debt	(150,163)	63,288
Net debt, beginning of year	(276,734)	(340,022)
Net debt, end of year	\$ (426,897)	\$ (276,734)

See accompanying notes to financial statements.

STUDENT TRANSPORTATION OF EASTERN ONTARIO

Statement of Cash Flows

Year ended August 31, 2016, with comparative information for 2015

	2016	2015
Cash provided by (used in):		
Operations:		
Annual deficit	\$ -	\$ -
Items not involving cash:		
Amortization of tangible capital assets	130,974	98,676
Amortization of deferred capital contributions	(130,974)	(98,676)
Change in non-cash operating working capital:		
Accounts receivable	(187)	149,701
Accounts payable and accrued liabilities	85,092	(492,463)
Due to related party	177,963	107,837
Prepaid expenses	16,723	19,773
	279,591	(215,152)
Investing:		
Purchase of tangible capital assets	(297,860)	(55,161)
Financing:		
Increase in deferred capital contributions	297,860	55,161
Increase (decrease) in cash	279,591	(215,152)
Cash beginning of year	2,438,877	2,654,029
Cash, end of year	\$ 2,718,468	\$ 2,438,877
Cash consists of:		
Cash on deposit:	\$ 2,753,054	\$ 2,507,384
Outstanding cheques	(34,586)	(68,507)
	\$ 2,718,468	\$ 2,438,877

See accompanying notes to financial statements.

STUDENT TRANSPORTATION OF EASTERN ONTARIO

Notes to Financial Statements

Year ended August 31, 2016

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

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Year ended August 31, 2016

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.

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Notes to Financial Statements, page 3

Year ended August 31, 2016

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 March 11, 2015. 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.

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Year ended August 31, 2016

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. 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 to related parties consist of \$2,289,501 (2015 - \$2,294,844) due to UCDSB and \$215,769 (2015 - \$32,463) due to CDSBEO.

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

4. Tangible capital assets and deferred capital contributions:

	Cost	Accumulated amortization	2016 Net book value	2015 Net book value
Computer software	\$ 354,332	\$ 73,996	\$ 280,336	\$ 23,702
Computer hardware	45,071	23,815	21,256	54,163
Furniture	72,113	31,018	41,095	48,300
Equipment	74,543	33,548	40,995	49,930
Leasehold improvements	204,180	175,283	28,897	69,598
	<u>\$ 750,239</u>	<u>\$ 337,660</u>	<u>\$ 412,579</u>	<u>\$ 245,693</u>

Cost and accumulated amortization as at August 31, 2015 amounted to \$568,664 and \$322,971, respectively.

During 2016, \$116,285 (2015 – Nil) of fully amortized computer hardware was removed from cost and accumulated amortization balances.

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Notes to Financial Statements, page 5

Year ended August 31, 2016

4. Tangible capital assets and deferred capital contributions (continued):

STEO received contributions from the member school boards for the capital assets above in the amount of \$297,860 (2015 - \$55,161) 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 tangible capital assets presented above.

5. 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.

6. 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:

2017	\$ 6,728
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Year ended August 31, 2016

7. 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.

