



OSTA

Ottawa Student
Transportation
Authority

FINANCIAL STATEMENTS

AUGUST 31, 2016

OTTAWA STUDENT TRANSPORTATION AUTHORITY

TABLE OF CONTENTS

	PAGE
Management Report	1
Independent Auditor's Report	2
Financial Statements	
Statement of Financial Position	4
Statement of Operations and Accumulated Surplus	5
Statement of Change in Net Debt	6
Statement of Cash Flows	7
Notes to the Financial Statements	8



OSTA
Ottawa Student
Transportation
Authority

MANAGEMENT REPORT

Management Responsibility for the Financial Statements

The accompanying financial statements of the Ottawa Student Transportation Authority (OSTA) for the year ended August 31, 2016 are the responsibility of OSTA's management and have been prepared in compliance with legislation and in accordance with Canadian Public Sector Accounting Standards established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada.

The accounting policies followed by OSTA are included in the summary of significant accounting policies accompanying the financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgement, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

OSTA's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for the preparation of the financial statements. These systems are monitored and evaluated by management.

OSTA's Board of Directors meets with management and OSTA's external auditors, as necessary, to review the financial statements and discuss any significant financial reporting or internal control matters prior to the Board of Directors' approval of the financial statements.

The financial statements have been audited by Marcil Lavallée, Chartered Professional Accountants, independent external auditors appointed by the members of OSTA. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on OSTA's financial statements.

A handwritten signature in black ink, consisting of a series of loops and a long horizontal stroke extending to the right.

General Manager and Chief Administrative Officer

November 14, 2016
Ottawa, Ontario

INDEPENDENT AUDITOR'S REPORT

To the Members of
Ottawa Student Transportation Authority

Report on the Financial Statements

We have audited the accompanying financial statements of the Ottawa Student Transportation Authority, which comprise the statement of financial position as at August 31, 2016, and the statements of operations and accumulated surplus, change in net debt and cash flows for the year then ended, and 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.

Auditor's 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 the auditor's 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, the auditor considers 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 the Ottawa Student Transportation Authority as at August 31, 2016, the results of its operations and accumulated surplus, its change in net debt and its cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards.

Report on Other Legal and Regulatory Requirements

As required by the Corporations Act of Ontario, we report that, in our opinion, the accounting policies described in Note 2 to the financial statements have been applied on a basis consistent with that of the preceding year.



Chartered Professional Accountants, Licensed Public Accountants

Ottawa, Ontario
November 14, 2016

OTTAWA STUDENT TRANSPORTATION AUTHORITY

STATEMENT OF FINANCIAL POSITION

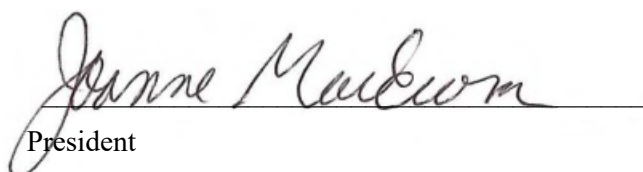
AUGUST 31, 2016

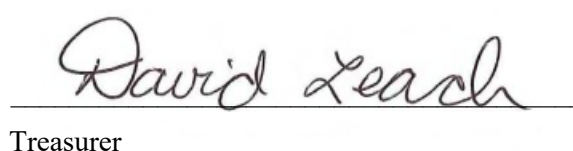
4

	2016	2015
FINANCIAL ASSETS		
Cash	\$ 2,380,542	\$ 3,345,278
Accounts receivable		
Member school boards (Note 4b.)	913,195	339,293
Member school boards – other (Note 4c.)	300,807	337,249
Other	277,373	18,967
TOTAL FINANCIAL ASSETS	3,871,917	4,040,787
FINANCIAL LIABILITIES		
Accounts payable and accrued liabilities		
Member school boards (Note 4d.)	754,972	1,574,663
Trade payables and accrued liabilities	1,076,276	407,554
Advances from member school boards (Note 4d.)	1,930,148	1,930,148
Retirement and other employee future benefits (Note 6)	226,167	243,828
Deferred capital contributions (Note 7)	242,377	304,770
TOTAL FINANCIAL LIABILITIES	4,229,940	4,460,963
NET DEBT	(358,023)	(420,176)
NON-FINANCIAL ASSETS		
Prepaid expenses	100,862	84,492
Tangible capital assets (Note 8)	257,161	335,684
	358,023	420,176
ACCUMULATED SURPLUS	\$ -	\$ -

Contractual agreements (Note 12) and Contingencies (Note 13)

ON BEHALF OF THE BOARD:


President


Treasurer

OTTAWA STUDENT TRANSPORTATION AUTHORITY

STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS FOR THE YEAR ENDED AUGUST 31, 2016

5

	Budget (Note 3)	2016	2015
REVENUES			
Recoveries from member school boards (Note 4a.)	\$ 55,827,629	\$ 56,535,174	\$ 64,385,864
Recoveries from other school boards	-	1,654	7,421
Recoveries from other government sources	136,000	126,452	-
Interest and other revenue	40,000	123,912	80,681
Recognition of deferred capital contributions (Note 7)	57,513	62,393	4,586
TOTAL REVENUES	56,061,142	56,849,585	64,478,552
EXPENSES			
Transportation contracts	45,293,214	46,579,075	49,222,407
Provincial schools transportation contracts	-	-	5,232,050
Public transit	7,905,640	7,700,682	7,500,951
Salaries, wages and benefits	1,939,070	1,983,809	1,899,859
Professional fees	300,000	163,596	265,007
Occupancy (Note 4f.)	58,175	29,126	27,603
Software licensing	60,000	51,529	47,300
Staff development	25,000	4,164	3,167
First aid/safety training	10,000	7,783	23,173
Communications	62,000	81,122	29,370
Insurance	7,400	6,688	7,326
Other supplies and services	327,000	163,488	199,623
Amortization of tangible capital assets (Note 8)	73,643	78,523	20,716
TOTAL EXPENSES	56,061,142	56,849,585	64,478,552
SURPLUS FOR THE YEAR	-	-	-
ACCUMULATED SURPLUS, BEGINNING OF YEAR	-	-	-
ACCUMULATED SURPLUS, END OF YEAR (Note 9)	\$ -	\$ -	\$ -

OTTAWA STUDENT TRANSPORTATION AUTHORITY

STATEMENT OF CHANGE IN NET DEBT FOR THE YEAR ENDED AUGUST 31, 2016

6

	2016	2015
SURPLUS FOR THE YEAR	\$ -	\$ -
TANGIBLE CAPITAL ASSETS ACTIVITIES		
Amortization of tangible capital assets	78,523	20,716
Acquisition of capital assets	-	(299,403)
	78,523	(278,687)
OTHER NON-FINANCIAL ASSETS ACTIVITIES		
Payment of prepaid expenses	(100,862)	(84,492)
Use of prepaid expenses	84,492	34,779
	(16,370)	(49,713)
CHANGE IN NET DEBT FOR THE YEAR	62,153	(328,400)
NET DEBT, BEGINNING OF YEAR	(420,176)	(91,776)
NET DEBT, END OF YEAR	\$ (358,023)	\$ (420,176)

OTTAWA STUDENT TRANSPORTATION AUTHORITY

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED AUGUST 31, 2016

7

	2016	2015
OPERATING TRANSACTIONS		
Surplus for the year	\$ -	\$ -
Non-cash items:		
Recognition of deferred capital contributions (Note 7)	(62,393)	(4,586)
Amortization of tangible capital assets (Note 8)	78,523	20,716
Net change in operating financial assets and liabilities (Note 10)	(964,496)	1,884,420
Increase in prepaid expenses	(16,370)	(49,713)
	(964,736)	1,850,837
FINANCING TRANSACTIONS		
Change in advances from member school boards	-	141,731
Increase in deferred capital contributions	-	299,403
	-	441,134
INVESTING TRANSACTION		
Acquisition of capital assets	-	(299,403)
NET CHANGE IN CASH	(964,736)	1,992,568
CASH, BEGINNING OF YEAR	3,345,278	1,352,710
CASH, END OF YEAR	\$ 2,380,542	\$ 3,345,278

OTTAWA STUDENT TRANSPORTATION AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2016

8

1. NATURE AND PURPOSE OF THE ORGANIZATION

The Ottawa Student Transportation Authority (OSTA) was incorporated on October 24, 2007 as a corporation without share capital under the laws of Ontario. As a not-for-profit organization for income tax purposes, OSTA is exempt from income tax.

OSTA was established pursuant to the direction received from the Ministry of Education of Ontario to all provincial school boards on July 11, 2006 for the formation of local transportation consortia. The objects of OSTA are to act on behalf of its member school boards, being the Ottawa Catholic District School Board operating as the Ottawa Catholic School Board (OCSB) and the Ottawa-Carleton District School Board (OCDSB), to facilitate, organize and deliver safe, effective and efficient school transportation services to students in the Ottawa area on behalf of such members.

In addition to its articles of incorporation and by-laws, the operations of OSTA are governed by an operating agreement between OSTA and its two members noted above. The agreement continues in force until the earlier of the date on which OSTA is dissolved in accordance with applicable provisions of Ontario laws or the parties unanimously agree in writing to terminate the agreement. Any amendment to the agreement must be in writing signed by all members.

The by-laws and the agreement also set out other matters, some of which are set out below.

- OSTA's membership and Board of Directors are comprised of equal representation from both school boards noted above. Therefore OSTA is subject to joint control by these school boards.
- The cost of operations of OSTA is shared between its members as determined from time to time by OSTA's Board of Directors.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The financial statements are prepared by OSTA's management in accordance with Canadian Public Sector Accounting Standards established by the Public Sector Accounting Board (PSAB) of CPA Canada since OSTA is a government organization.

Revenues and expenses 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 consumed in the period whether or not payment has been made or invoices received.

Reporting entity

The financial statements reflect the assets, liabilities, revenues, expenses and accumulated surplus of the reporting entity. The reporting entity is comprised of all organizations accountable for the administration of their financial affairs and resources to OSTA. There are no organizations which are accountable to OSTA.

OTTAWA STUDENT TRANSPORTATION AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2016

9

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of estimates

Since precise determination of many reported assets and liabilities and the disclosure of contingent assets and liabilities at the financial statements date and the reported amount of revenues and expenses during the reporting period is dependent upon future events, the preparation of periodic financial statements necessarily involves the use of estimates and assumptions. These have been made using careful judgements, however actual results could differ from management's best estimates and assumptions as additional information becomes available in the future. These estimates and assumptions are reviewed periodically and, as adjustments become necessary, they are reported or disclosed, as appropriate, in the reporting period in which they become known.

Significant estimates include assumptions used in estimating the amount and collectability of other accounts receivable, in estimating provisions for accrued liabilities, in performing actuarial valuations of retirement and other employment future benefits, establishing the values and related amortization of tangible capital assets and the recognition of deferred capital contributions.

Contributed assets, materials and services

OSTA's member school boards contribute assets, materials and services to OSTA from time to time. Assets, materials and services contributed to OSTA are reflected in these financial statements in certain circumstances. The fair value of these contributions is often difficult to determine.

Contributions are not recognized in these financial statements unless:

- a fair value can be reasonably estimated;
- the related assets, materials and services are used in the normal course of operations;
- the provider of the contributions has explicitly defined the value to OSTA; and
- the value has been accepted by OSTA's Board of Directors in determining the cost of OSTA's operations to be shared between OSTA's members.

Cash and cash equivalents

Cash and cash equivalents are comprised of the net amount of cash on hand; short-term investments, if any, which are highly liquid, subject to insignificant risk of changes in value and have a short maturity term of less than 90 days from the date of acquisition; and short-term temporary borrowing facilities, if any, which included bank indebtedness in the form of bank overdrafts and lines of credit which are repayable on demand and for an integral part of OSTA's cash management such that they fluctuate regularly from a borrowing to a no borrowing position.

OTTAWA STUDENT TRANSPORTATION AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2016

10

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Tangible capital assets

Tangible capital assets, including capital leases and subject to certain dollar value thresholds, are initially recorded at historical cost or at their fair value if they are contributed (donated) to OSTA. Capitalization thresholds are as follows:

First-time equipping		All
Furniture and equipment	\$	5,000
Computer equipment	\$	5,000
Leasehold improvements – land and buildings	\$	10,000

Leases transferring substantially all of the benefits and risks incidental to ownership of property are accounted for as leased tangible capital assets. All other leases are accounted for as operating leases and the related payments are accounted for as expenses in the statement of operations as incurred.

The historical cost, less any residual value, of a tangible capital asset in use with a limited life is amortized over its estimated useful life in a rational and systematic manner appropriate to its nature and use by OSTA. Tangible capital assets that have been permanently removed from service are written down, if necessary, to their estimated current residual value and not amortized. The amortization of the costs of tangible assets and their write down are accounted for as expenses in the statement of operations.

Tangible capital assets are amortized on a straight-line basis, commencing in the month of acquisition, over their estimated useful lives as follows:

First-time equipping	10 years
Furniture	10 years
Equipment	5-15 years
Computer equipment	5 years
Leasehold improvements	Lease term

Reserves

Certain amounts, as approved by OSTA's Board of Directors, could be set aside in reserves for future operating and capital purposes or to fund existing liabilities. Reserves are internally restricted amounts and are a part of the accumulated surplus at the end of the year. Transfers to and/or from reserves would be recognized when approved. OSTA's reserves are set out in Note 9.

Government transfers

Government transfers, which include recoveries from OSTA's member school boards, are recognized in the financial statements in the fiscal 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. If government transfers contain stipulations which give rise to a liability, they are deferred and recognized in revenue when the stipulations are met.

OTTAWA STUDENT TRANSPORTATION AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2016

11

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Government transfers (continued)

Government transfers for capital assets are recorded as deferred capital contributions (DCC) and recognized as revenue in the statement of operations at the same rate and over the same periods as the asset is amortized.

Investment income

Investment income earned on surplus funds is reported as revenue in the statement of operations as it is earned with the passage of time.

Retirement and other employee future benefits

OSTA provides defined retirement and other future benefits to specified employee groups. These benefits include pension, life insurance, health care benefits, retirement gratuities, workplace safety and insurance benefits, long-term disability benefits, parental leave benefits and sick leave benefits. OSTA has adopted the following policies with respect to accounting for these employee benefits.

- a. The costs of self-insured retirement and other employee future benefit plans are actuarially determined using management's best estimate of salary escalation, future expected usage of sick days for illness related absences, accumulated sick days at retirement, insurance and health care costs trends, disability recovery rates, long-term inflation rates and long-term discount rates.

For self-insured retirement and other employee future benefits that vest or accumulate over the periods of service provided by employees, such as retirement gratuities, life insurance and health care benefits for retirees, and sick leave benefits, the cost is actuarially determined using the projected benefit method prorated on service. Under this method, the benefit costs are recognized over the expected average service life of the employee group. Any actuarial gains and losses related to the expected usage of these benefits and their related assumptions are amortized over the expected average remaining service life of the employee group. The cost related to plan changes is recognized immediately in the reporting period the obligating event occurs.

For those self-insured benefit obligations that arise from specific events that occur from time to time, such as obligations for workplace safety and insurance benefits, long-term disability benefits, life insurance and health care benefits for those on disability leave, the cost is recognized immediately in the reporting period the obligating event occurs.

- b. The cost of multi-employer defined pension plan benefits, such as the Ontario Municipal Employees Retirement System pensions, is OSTA's contributions due to the plan in the current reporting period.
- c. The cost of insured benefits is the employer's portion of insurance premiums owed for coverage of employees during the year.

OTTAWA STUDENT TRANSPORTATION AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2016

12

3. BUDGET FIGURES

Budget figures have been provided for comparative purposes and have been derived from the budget approved by OSTA's Board of Directors.

4. RELATED PARTY TRANSACTIONS

As explained in Note 1, OSTA is jointly controlled by the Ottawa Catholic School Board and the Ottawa-Carleton District School Board ("the member school boards").

OSTA's revenues reported in the statement of operations are substantially all from the member school boards. In addition, a portion of OSTA's expenditures are incurred by the member school boards on OSTA's behalf and charged to OSTA accordingly. Transactions occurring during the reporting period are in the normal course of operations and are measured at the exchange amount, which is the amount agreed upon by the parties. Revenues and expenditures for which the actual amount (direct cost) is not reasonably determinable, the exchange amount is the agreed amount. Revenues and expenditures for which the actual amount is reasonably determinable, the exchange amount is the actual amount (direct cost) of expenditures incurred by the member school boards on behalf of OSTA.

Transactions and balances with OSTA's member school boards include:

a. Revenues

	2016	2015
Recoveries for materials and services (Note 15a.)		
Ottawa Catholic School Board	\$ 19,475,649	\$ 21,200,461
Ottawa-Carleton District School Board	37,059,525	43,185,403
	\$ 56,535,174	\$ 64,385,864

b. Financial assets

	2016	2015
Accounts receivable		
Ottawa Catholic School Board	\$ 135,774	\$ 124,258
Ottawa-Carleton District School Board	777,421	215,035
	\$ 913,195	\$ 339,293

OTTAWA STUDENT TRANSPORTATION AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2016

13

4. RELATED PARTY TRANSACTIONS (continued)

c. Terms of repayment and other accounts receivable

The accounts receivable, accounts payable and accrued liabilities with member school boards are substantially all as a result of the revenues and expenditures transacted with them, but exclude other accounts receivable amounts related to retirement and other employee future benefits as set out in Note 6 and accrued vacation leave set out in part g. of this note.

A summary of these latter amounts are as follows:

	2016	2015
Ottawa Catholic School Board		
Retirement and other future employee benefits	\$ 86,700	\$ 80,324
Accrued vacation leave and time in lieu	29,057	33,647
	115,757	113,971
Ottawa-Carleton District School Board		
Retirement and other future employee benefits	139,467	163,504
Accrued vacation leave and time in lieu	45,583	59,774
	185,050	223,278
	\$ 300,807	\$ 337,249

Amounts due from and to member school boards do not bear interest and are due on demand except for the balances related to retirement and other employee future benefits and accrued vacation leave amounts. These latter amounts are receivable in the year of payment of such amounts to eligible employees.

d. Financial liabilities

	2016	2015
Accounts payable and accrued liabilities		
Ottawa Catholic School Board	\$ 646,033	\$ 375,260
Ottawa-Carleton District School Board	108,939	1,199,403
	\$ 754,972	\$ 1,574,663
Advances, without interest		
Ottawa Catholic School Board	\$ 632,934	\$ 632,934
Ottawa-Carleton District School Board	1,297,214	1,297,214
	\$ 1,930,148	\$ 1,930,148

OTTAWA STUDENT TRANSPORTATION AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2016

14

4. RELATED PARTY TRANSACTIONS (continued)

e. Contributed assets, materials and services

Contributions of assets, materials and services which have not been recognized in the financial statements since they are provided at no cost by the member school boards are as follows:

- administration and support;
- other overhead expenses; and
- the use of certain capital assets.

f. Administrative premises

OSTA's administrative premises are owned by the Ottawa-Carleton District School Board. A lease agreement was reached during the fiscal year with a term ending August 31, 2016. The agreement can be terminated at any time during the term, upon ninety days written notice.

For the year ended August 31, 2016, lease amounts total \$29,126 (2015: \$27,603).

g. Accrued vacation leave and time in lieu

As at August 31, 2016 an amount of \$74,640 (2015: \$93,421) representing unused vacation leave and time in lieu is included in OSTA's statement of financial position in trade payables and accrued liabilities as well as being reflected as a salaries, wages and benefits expense in the statement of operations.

During the 2016 fiscal year, OSTA established a reserve for this liability in the amount of \$74,640 as set out in Note 9.

5. CREDIT FACILITIES

OSTA has credit facilities which include an operating line of credit of \$100,000 due on demand with interest at prime rate. OSTA also has a credit facility for credit card advances to a maximum of \$100,000. The credit facilities are secured by a general security agreement.

In addition, the line of credit is also being used to support a guarantee letter in the amount of \$100,000 and expiring on July 8, 2017 with OMERS for pension payments.

OTTAWA STUDENT TRANSPORTATION AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2016

15

6. RETIREMENT AND OTHER EMPLOYEE FUTURE BENEFITS

	Retirement Benefits	Sick Leave Benefits	2016 Total Employee Future Benefits	2015 Total Employee Future Benefits
Liabilities				
Accrued employee future benefits obligations	\$ 209,325	\$ 102,227	\$ 311,552	\$ 316,934
Unamortized actuarial losses – net	(49,794)	(35,591)	(85,385)	(73,106)
Employee future benefits liability	\$ 159,531	\$ 66,636	\$ 226,167	\$ 243,828
Expenses				
Accrual for service	\$ 16,446	\$ 9,635	\$ 26,081	\$ 23,027
Interest on accrued benefits obligations	5,084	2,290	7,374	8,114
Amortization of actuarial losses	4,250	2,554	6,804	4,124
Employee future benefits expenses for the year	\$ 25,780	\$ 14,479	\$ 40,259	\$ 35,265
Continuity of liabilities				
Balance, beginning of year	\$ 176,533	\$ 67,295	\$ 243,828	\$ 249,768
Expenses for the year	25,780	14,479	40,259	35,265
Benefits paid	(42,782)	(15,138)	(57,920)	(41,205)
Balance, end of year	\$ 159,531	\$ 66,636	\$ 226,167	\$ 243,828
Continuity of obligations				
Balance, beginning of year	\$ 220,696	\$ 96,238	\$ 316,934	\$ 293,794
Actuarial losses	9,881	9,202	19,083	33,204
Accrual for service	16,446	9,635	26,081	23,027
Interest on accrued benefits obligations	5,084	2,290	7,374	8,114
Benefits paid	(42,782)	(15,138)	(57,920)	(41,205)
Balance, end of year	\$ 209,325	\$ 102,227	\$ 311,552	\$ 316,934
Continuity of unamortized actuarial gains (losses)				
Balance, beginning of year	\$ (44,163)	\$ (28,943)	\$ (73,106)	\$ (44,026)
Current year losses	(9,881)	(9,202)	(19,083)	(33,204)
Amortization of actuarial losses	4,250	2,554	6,804	4,124
Balance, end of year	\$ (49,794)	\$ (35,591)	\$ (85,385)	\$ (73,106)

Actuarial valuations for accounting purposes are performed annually using the projected benefit method prorated on services. The actuarial reports prepared indicated there were actuarial losses and gains with respect to retirement and sick leave benefits. These actuarial losses and gains are amortized on a straight-line basis over the expected average remaining service life of the related employee groups, which is approximately 12 years. For workplace safety and insurance benefits and life insurance, dental and health care benefits for employees on long-term disability leave, an actuarial valuation for accounting purposes is also performed annually and the respective liabilities, if any, are adjusted to the respective valuation.

OTTAWA STUDENT TRANSPORTATION AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2016

16

6. RETIREMENT AND OTHER EMPLOYEE FUTURE BENEFITS (continued)

Retirement Benefits

Ontario Municipal Employees Retirement System

All qualifying employees of OSTA are eligible to be members of the Ontario Municipal Employees Retirement System (OMERS) which is a multi-employer pension plan. The plan provides defined pension benefits to employees based on their length of service and rates of contributions to the plan. Employer contributions to the plan during the fiscal period ended August 31, 2016 by OSTA amount to approximately \$149,027 (2015: \$126,591). As this is a multi-employer pension plan, these contributions are OSTA's pension benefit expenses. No pension liability for this plan is included in OSTA's financial statements.

Retirement Gratuities

Certain employees are entitled to retirement or termination gratuity benefits based on accumulated sick leave credits or sick days, length of service and salary at retirement.

OSTA provides these benefits through a member school board's unfunded defined benefit plan. The benefit costs and liabilities related to this plan are included in OSTA's financial statements.

During the 2016 fiscal year, OSTA established a reserve for the increase in the liability under the Retirement Gratuities Plan since the commencement of OSTA operations, as set out Note 9.

Retirement Life Insurance and Health Care Benefits

OSTA provides life insurance, dental and health care benefits to a certain employee group after retirement until the members reach 65 years of age. OSTA provides these benefits through a member school board's unfunded defined benefit plan. The benefit costs and liabilities related to this plan are included in OSTA's financial statements.

OSTA does not maintain a specific reserve for the Retirement Life Insurance and Health Care Benefits Plan.

Sick Leave Benefits

OSTA provides sick leave benefits to its employees, which the employees earn throughout their employment. OSTA and the OSSTF-ESP signed a first-time collective agreement on December 18, 2013. The accumulated sick leave plan has been grandfathered as of the signing date and no employees hired after the signing date will be eligible for the following benefits. Permanent employees hired before December 18, 2013 are credited with two days per month as paid sick leave in the year. Part-time employees are entitled to prorated days based on the proportion of part-time to full-time work. Employees are allowed to accumulate unused sick day credits each year, up to the allowable maximum provided in their respective employment agreements. Accumulated credits may be used in future years to the extent that the employee's illness or injury exceeds the current year's allocation of credits. Sick day credits are paid out at the salary in effect at the time of usage. The use of accumulated sick days for sick leave compensation ceases on termination of employment. The benefit costs and liabilities related to these plans are included in OSTA's financial statements.

OTTAWA STUDENT TRANSPORTATION AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2016

17

6. RETIREMENT AND OTHER EMPLOYEE FUTURE BENEFITS (continued)

Sick Leave Benefits (continued)

For employees hired after December 18, 2013, employees receive 12 days per fiscal year, pro-rated based on the proportion of full-time work. Unused days do not carry forward from year to year. After 11 days of sick leave absence, a reduced rate of pay is provided on a short-term, self-funded disability plan, for up to 120 days. Unused sick leave days from previous years can top up salary if available. Short-term leave is payable at 90% of regular salary.

OSTA established a reserve for the increase in the liability under the Sick Leave Benefits Plan since the commencement of OSTA operations, as set out in Note 9.

Other Employee Future Benefits

Life Insurance and Health Care Benefits and Parental Leave Benefits or Long-Term Disability Leave

OSTA provides life insurance, dental and health care benefits to employees on long-term disability leave. OSTA is responsible for the payment of life insurance premiums and the costs of health care benefits under this plan. OSTA provides these benefits through an unfunded defined benefit plan. The costs of salary compensation paid to employees on long-term disability leave are fully insured and not included in this plan. The benefit costs and liabilities related to the Long-Term Disability Life Insurance and Health Care Benefits plan are included in OSTA's financial statements. The liability as at August 31, 2016 is \$Nil (2015: \$Nil).

OSTA also provides parental leave benefits to its employees through an unfunded defined benefit plan. The benefit costs and liabilities related to parental leave benefits are included in OSTA's financial statements. The liability as at August 31, 2016 is \$Nil (2015: \$Nil).

OSTA does not maintain specific reserves for the Long-Term Disability Life Insurance and Health Care Benefits Plan or the Parental Leave Benefits Plan.

Benefit Plan Future Changes

Currently, OSTA purchases certain employee benefits through the OCDSB employee benefit plan. The OCDSB will be transitioning certain benefits to an Employee Life and Health Trust in the 2016/2017 fiscal year. OSTA is currently evaluating its own options to provide benefit coverage for eligible staff. The possible impacts on the financial statements have not been determined yet.

OTTAWA STUDENT TRANSPORTATION AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2016

18

6. RETIREMENT AND OTHER EMPLOYEE FUTURE BENEFITS (continued)

Actuarial assumptions

OSTA's actuarial valuations are based on assumptions about future events; therefore, actual results could differ from these assumptions.

The method of valuation used for retirement benefits, consisting of retirement gratuities and retirement life insurance and health care benefits, is the projected benefit method pro-rated on service, which uses management's best estimate assumptions of real interest rates, inflation rates, salary escalations, mortality, terminations, retirement ages, and insurance and health care cost trends. According to this method, the accrued benefit obligation is equal to the actuarial present value of all estimated future benefits multiplied by the ratio of an employee's service at the valuation date to the estimated total service at the estimated future date when benefits are paid.

For sick leave benefits, the accrued benefit obligation is determined as the actuarial present value of future expected usage of sick leave days for illness related absences.

For claimants in receipt of Long-Term Disability Life Insurance and Health Care Benefits and Parental Leave Benefits, the accrued benefit obligation is determined as the actuarial present value of all estimated future benefit payments.

The economic assumptions used in the 2016 valuations are OSTA's best estimates of average expected rates of:

Wage and salary escalation rates	2% for each year
Discount/interest rate on accrued benefit obligations	2.05%
Inflation rate	1.5%

Sensitivity

Since OSTA's employee group is considered statistically small, variations between expected and actual usage of sick leave could cause a significant difference between the expected and actual employee future benefits costs for accounting purposes. However, the variations would not be expected to be material to the financial statements as a whole.

7. DEFERRED CAPITAL CONTRIBUTIONS

A summary of OSTA's deferred capital contributions follows:

	2016	2015
Balance, beginning of year	\$ 304,770	\$ 9,953
Increase in deferred capital contributions	-	299,403
Revenue recognized for the year	(62,393)	(4,586)
Balance, end of year	\$ 242,377	\$ 304,770

OTTAWA STUDENT TRANSPORTATION AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2016

19

8. TANGIBLE CAPITAL ASSETS

A summary of OSTA's tangible capital assets follows. First-time equipping is included in the furniture and equipment category.

	2016			2015		
	Cost	Accumulated amortization	Net book value	Cost	Accumulated amortization	Net book value
Furniture and equipment	\$ 26,665	\$ 21,738	\$ 4,927	\$ 26,665	\$ 19,225	\$ 7,440
Computer equipment	385,131	132,897	252,234	385,131	56,887	328,244
Leasehold improvements	14,880	14,880	-	14,880	14,880	-
	\$ 426,676	\$ 169,515	\$ 257,161	\$ 426,676	\$ 90,992	\$ 335,684

A continuity of the August 31, 2016 balances is as follows:

	Cost				
	Balance beginning of year	Additions	Disposals	Transfers	Balance end of year
Furniture and equipment	\$ 26,665	\$ -	\$ -	\$ -	\$ 26,665
Computer equipment	385,131	-	-	-	385,131
Leasehold improvements	14,880	-	-	-	14,880
	\$ 426,676	\$ -	\$ -	\$ -	\$ 426,676

	Accumulated amortization			
	Balance beginning of year	Amortization expense	Disposals	Balance end of year
Furniture and equipment	\$ 19,225	\$ 2,513	\$ -	\$ 21,738
Computer equipment	56,887	76,010	-	132,897
Leasehold improvements	14,880	-	-	14,880
	\$ 90,992	\$ 78,523	\$ -	\$ 169,515

OTTAWA STUDENT TRANSPORTATION AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2016

20

8. TANGIBLE CAPITAL ASSETS (continued)

A continuity of the August 31, 2015 balances is as follows:

	Cost				
	Balance beginning of year	Additions	Disposals	Transfers	Balance end of year
Furniture and equipment	\$ 26,665	\$ -	\$ -	\$ -	\$ 26,665
Computer equipment	85,728	299,403	-	-	385,131
Leasehold improvements	14,880	-	-	-	14,880
	\$ 127,273	\$ 299,403	\$ -	\$ -	\$ 426,676

	Accumulated amortization			
	Balance beginning of year	Amortization expense	Disposals	Balance end of year
Furniture and equipment	\$ 16,712	\$ 2,513	\$ -	\$ 19,225
Computer equipment	38,684	18,203	-	56,887
Leasehold improvements	14,880	-	-	14,880
	\$ 70,276	\$ 20,716	\$ -	\$ 90,992

9. ACCUMULATED SURPLUS

Composition of accumulated surplus

	2016	2015
Amounts to be recovered from school boards in future years		
Retirement and other employee future benefits	\$ (226,167)	\$ (243,828)
Unused vacation leave and time in lieu	(74,640)	(93,421)
	(300,807)	(337,249)
Reserves for the above liabilities		
Retirement and other employee benefits	226,167	243,828
Unused vacation leave and time in lieu	74,640	93,421
	300,807	337,249
ACCUMULATED SURPLUS, END OF YEAR	\$ -	\$ -

OTTAWA STUDENT TRANSPORTATION AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2016

21

9. ACCUMULATED SURPLUS (continued)

Accumulated surplus allocated to member school boards

	2016	2015
Amounts to be recovered in future years		
Ottawa Catholic School Board	\$ (115,757)	\$ (113,971)
Ottawa-Carleton District School Board	(185,050)	(223,278)
	300,807	(337,249)
Reserves for the above liabilities		
Ottawa Catholic School Board	115,757	113,971
Ottawa-Carleton District School Board	185,050	223,278
	300,807	337,249
ACCUMULATED SURPLUS, END OF YEAR	\$ -	\$ -

Continuity of accumulated surplus

	2016	2015
Amounts to be recovered in future years		
Balance, beginning of year	\$ (337,249)	\$ (334,382)
Decrease (increase) in unfunded liabilities for the year	36,442	(2,867)
Balance, end of year	(300,807)	(337,249)
Reserves for the above liabilities		
Balance, beginning of year	337,249	334,382
(Decrease) increase in unfunded liabilities for the year	(36,442)	2,867
Balance, end of year	300,807	337,249
ACCUMULATED SURPLUS, END OF YEAR	\$ -	\$ -

10. NET CHANGE IN OPERATING FINANCIAL ASSETS AND LIABILITIES

The net change in non-cash operating financial assets and financial liabilities represents a source (use) of cash and consists of the change in the current fiscal year-end balance from the prior fiscal year-end as follows:

	2016	2015
(Increase) decrease in accounts receivable	\$ (795,866)	\$ 122,465
(Decrease) increase in accounts payable and accrued liabilities	(150,969)	1,767,895
Decrease in retirement and other employee future benefits	(17,661)	(5,940)
	\$ (964,496)	\$ 1,884,420

OTTAWA STUDENT TRANSPORTATION AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2016

22

11. ECONOMIC DEPENDENCE

As described in Note 1, OSTA was created to act on behalf of its member school boards being the Ottawa Catholic School Board and the Ottawa-Carleton District School Board. Consequently, OSTA's capacity to carry on its operations depends substantially on its two school board members as mostly all of the transportation services are rendered to them.

12. CONTRACTUAL AGREEMENTS

As part of OSTA's ongoing operations, transportation contracts are in place for OSTA's 2017 fiscal year with terms and conditions comparable to those in place for the 2016 fiscal year.

13. CONTINGENCIES

In connection with its operations, OSTA or OSTA through its member school boards, may be a defendant in litigations, the outcome of which is not reasonably determinable. In the opinion of OSTA's and member school board's management, these possible actions will not result in any additional material liabilities to OSTA. Any costs resulting from these possible actions will be treated as an expense in the fiscal period in which they occur.

14. ONTARIO SCHOOL BOARDS' INSURANCE EXCHANGE

Effective September 1, 2008 OSTA secured its own coverage as a separately recognized member of Ontario School Boards' Insurance Exchange (OSBIE). Prior to September 1, 2008, OSTA was a member through its member school boards. A reciprocal insurance company licensed under the Insurance Act, OSBIE insures general public liability, property damage and certain other risks on a pooling basis for its members. OSTA's non-owned automobile liability insurance is to a maximum of \$24,000,000. The insurance premiums are based on the reciprocal's and the member's actual claims experience. All members of the pool are subject to assessment for losses experienced by the pool for the years in which they or predecessor school boards were members of the pool on a pro rata basis. It is anticipated that should such an assessment occur it would be funded over a period of up to five years. As at August 31, 2016, no significant assessments have been made with respect to 2016 and prior periods.

OTTAWA STUDENT TRANSPORTATION AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2016

23

15. FINANCIAL ACTIVITIES BY MEMBER SCHOOL BOARD

- a. The following supplementary information is a summary of the total expenses and expenditures and the recovery thereof reported in these financial statements for the year ended August 31, 2016:

	Total	OCSB	OCDSB	Other School Boards
Expenses				
Transportation contracts	\$ 46,579,075	\$ 16,230,131	\$ 30,348,944	\$ -
Public transit	7,700,682	2,361,761	5,338,921	-
Salaries, wages and benefits	1,983,809	772,297	1,211,512	-
Professional fees	163,596	63,688	99,908	-
Occupancy	29,126	11,339	17,787	-
Software licensing	51,529	20,060	31,469	-
Staff development	4,164	1,621	2,543	-
First aid /safety training	7,783	2,386	3,743	1,654
Communications	81,122	31,581	49,541	-
Insurance	6,688	2,604	4,084	-
Other supplies and services	163,488	63,646	99,842	-
Amortization of tangible capital assets	78,523	30,569	47,954	-
Total expenses	56,849,585	19,591,683	37,256,248	1,654
Less: Recognition of deferred capital contributions	62,393	24,290	38,103	-
Less: Recoveries, other government sources and school boards	128,106	43,505	82,947	1,654
Less: Interest and other revenue	123,912	48,239	75,673	-
Total recoveries	\$ 56,535,174	\$ 19,475,649	\$ 37,059,525	\$ -

- b. The following supplementary information is a summary by member school board of the total actual operating expenses reported on the statement of operations for use by the respective member school board as a distribution for Schedule 10 in the Ministry of Education of Ontario filing requirements for the year ended August 31, 2016.

	Total	OCSB	OCDSB	Other School Boards
Expenses				
Salaries and wages	\$ 1,626,832	\$ 633,326	\$ 993,506	\$ -
Employee benefits	356,977	138,971	218,006	-
Staff development	4,164	1,621	2,543	-
Supplies and services	474,206	183,965	288,587	1,654
Rental expenses	29,126	11,339	17,787	-
Fees and contractual expenses	54,279,757	18,591,892	35,687,865	-
Amortization of tangible capital assets	78,523	30,569	47,954	-
Total expenses	\$ 56,849,585	\$ 19,591,683	\$ 37,256,248	\$ 1,654

OTTAWA STUDENT TRANSPORTATION AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2016

24

16. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to be consistent with the current year's presentation.