



OSTA

Ottawa Student
Transportation
Authority



Financial Statements

For the year ended August 31, 2010

Ottawa Student Transportation Authority

Financial Statements

For the year ended August 31, 2010

Contents

Management Report	1
Auditors' Report	2
Financial Statements	
Statement of Financial Position	3
Statement of Operations	4
Statement of Changes in Net Debt	5
Statement of Cash Flows	6
Summary of Significant Accounting Policies	7
Notes to Financial Statements	12



OSTA
Ottawa Student
Transportation
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Management Report

Management's Responsibility for the Financial Statements

The accompanying financial statements of the Ottawa Student Transportation Authority (OSTA) for the year ended August 31, 2010 are the responsibility of OSTA's management and have been prepared in compliance with legislation and in accordance with Canadian generally accepted accounting principles for local governments established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

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 Collins Barrow Ottawa LLP, independent external auditors appointed by the members of OSTA. The accompanying Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on OSTA's financial statements.

General Manager

November 17, 2010

Auditors' Report

To the Members of the Ottawa Student Transportation Authority

We have audited the statement of financial position of the Ottawa Student Transportation Authority (OSTA) as at August 31, 2010 and the statements of operations, changes in net debt and cash flows for the year then ended. These financial statements are the responsibility of the OSTA's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of OSTA as at August 31, 2010 and the results of its operations, the changes in its net debt and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the Corporations Act of Ontario, we report that, in our opinion, these principles have been applied, after giving retroactive effect to the change in the overall presentation in the financial statements and in the method of accounting for tangible capital assets as explained in Note 1 to the financial statements, on a basis consistent with that of the preceding year.

Collins Barrow Ottawa LLP

Chartered Accountants, Licensed Public Accountants

November 17, 2010

Ottawa Student Transportation Authority Statement of Financial Position

August 31	2010	2009
Financial assets		
Cash	\$ 7,362	\$ -
Accounts receivable		
Member school boards (Notes 2c. and e.)	1,793,052	64,336
Member school boards - other (Notes 2e. and 3)	161,450	161,450
Other	401,326	128,555
Total financial assets	2,363,190	354,341
Financial liabilities		
Accounts payable and accrued liabilities		
Member school boards (Notes 2d. and e.)	1,997,967	167,040
Trade payables and accrued liabilities (Notes 2e. and h.)	332,948	152,466
Retirement and other employee future benefits (Note 3)	222,619	178,921
Total financial liabilities	2,553,534	498,427
Net debt	(190,344)	(144,086)
Non-financial assets		
Prepaid expenses	35,902	46,043
Tangible capital assets (Notes 1 and 4)	31,159	38,715
	67,061	84,758
Accumulated surplus (deficit) (Notes 1 and 5)	\$ (123,283)	\$ (59,328)

On behalf of the Board:



President



Treasurer

Ottawa Student Transportation Authority Statement of Operations

For the year ended August 31

2010

2009

	Budget	Actual	Actual
Revenues			
Recoveries from member school boards (Notes 2a. and f.)	\$ 58,799,116	\$ 57,683,355	\$ 56,935,830
Expenses (Notes 1, 2b. and f., and 11)			
Transportation contracts	48,227,746	47,390,600	47,594,632
Provincial Schools transportation contracts	4,916,542	4,996,170	5,167,639
Public transit	3,576,236	3,330,687	2,360,040
Salaries, wages and benefits (Notes 2h. and 3)	1,758,125	1,633,733	1,659,975
Professional fees	166,800	165,008	49,991
Occupancy (Note 2g.)	24,265	24,973	24,094
Software licensing	55,500	90,594	18,020
Staff development	13,500	12,779	6,569
First aid / safety training	-	2,238	30,576
Communications	6,000	20,436	57,853
Insurance	4,200	4,645	4,128
Other supplies and services	93,900	67,891	30,771
Amortization of tangible capital assets (Notes 1, 5 and 11)	7,556	7,556	7,556
Total expenses	58,850,370	57,747,310	57,011,844
Surplus (deficit) for the year (Notes 1 and 11)	(51,254)	(63,955)	(76,014)
Accumulated surplus (deficit), beginning of year (Notes 1, 5 and 11)	(59,328)	(59,328)	16,686
Accumulated surplus (deficit), end of year (Notes 1, 5 and 11)	\$ (110,582)	\$ (123,283)	\$ (59,328)

Ottawa Student Transportation Authority Statement of Changes in Net Debt

For the year ended August 31	2010	2009
Surplus (deficit) for the year	\$ (63,955)	\$ (76,014)
Tangible capital asset activity		
Acquisition of tangible capital assets	-	(29,585)
Amortization of tangible capital assets	7,556	7,556
Total tangible capital asset activity	7,556	(22,029)
Other non-financial asset activity		
Acquisition of prepaid expenses	(35,902)	(46,043)
Use of prepaid expenses	46,043	30,741
Total other non-financial asset activity	10,141	(15,302)
(Increase) decrease in net debt for the year	(46,258)	(113,345)
Net debt, beginning of year	(144,086)	(30,741)
Net debt, end of year	\$ (190,344)	\$ (144,086)

Ottawa Student Transportation Authority Statement of Cash Flows

For the year ended August 31	2010	2009
Operating transactions		
Surplus (deficit) for the year	\$ (63,955)	\$ (76,014)
Non-cash item		
Amortization of tangible capital assets	7,556	7,556
Net change in operating financial assets and financial liabilities (Note 6)	53,620	113,345
Decrease (increase) in prepaid expenses	10,141	(15,302)
	<u>7,362</u>	29,585
Capital transactions		
Acquisition of tangible capital assets	-	(29,585)
Increase (decrease) in cash for the year	7,362	-
Cash, beginning of year	-	-
Cash, end of year	\$ 7,362	\$ -

Ottawa Student Transportation Authority

Summary of Significant Accounting Policies

August 31, 2010

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, OSTA is exempt from income taxes on its not-for-profit activities.

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 dated March 26, 2008 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 law 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.

Basis of Accounting

The financial statements are prepared by OSTA's management in accordance with Canadian generally accepted accounting principles for local governments established by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants 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 (deficit) 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

Summary of Significant Accounting Policies

August 31, 2010

Use of Estimates

Since precise determination of many reported assets and liabilities and the disclosure of contingent assets and liabilities at the financial statement 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 judgments, 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 collectibility of accounts receivable, in estimating provisions for accrued liabilities, in performing actuarial valuations of retirement and other employment future benefits and establishing the values and related amortization of tangible capital assets.

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 statement 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.

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 were contributed (donated) to OSTA. Capitalization thresholds are as follows:

Leasehold improvements - land and buildings	\$ 10,000
First-time equipping	All
Furniture and equipment	\$ 5,000
Computer hardware and software (including certain software licences)	\$ 5,000

Leases which transfer 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.

Ottawa Student Transportation Authority

Summary of Significant Accounting Policies

August 31, 2010

Tangible Capital Assets
(continued)

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:

Leasehold improvements	Lease term
First-time equipping	10 years
Furniture	10 years
Equipment	5 - 15 years
Computer hardware	5 years
Computer software (including certain licences)	5 years

Reserves

Certain amounts, as approved by OSTA's Board of Directors, could be set aside in reserves for future operating and capital purposes. Reserves are internally restricted amounts and are a part of the accumulated surplus (deficit) at the end of the year. Transfers to and/or from reserves would be recognized when approved. OSTA's Board of Directors has not established any reserves.

Government Transfers

Government transfers, which include grants 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. Legislative grant calculations are prepared by the member school boards annually and submitted to the Ministry of Education of Ontario for final approval. These submissions by OSTA's member school boards may impact transfers made to OSTA by the member school boards, and therefore adjustments, if any, would be recorded in the fiscal period in which they occur.

Investment Income

Investment income earned on surplus funds is reported as revenue as it is earned with the passage of time. No investment income has been earned by OSTA.

**Retirement and Other
Employee Future
Benefits**

OSTA employees are paid by its member school boards and OSTA is charged by the member school boards for salaries, wages and benefits. Certain statutory benefits like Canada Pension Plan, Employment Insurance and Employer Health Tax are charged to OSTA as they are incurred based on statutory contribution rates. Other benefits, including retirement benefits, are borne by the respective member school boards and charged to OSTA as determined by OSTA's Board of Directors. These benefits are described herein.

Ottawa Student Transportation Authority Summary of Significant Accounting Policies

August 31, 2010

**Retirement and Other
Employee Future
Benefits (continued)**

OSTA's member school boards provide 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. As part of OSTA's establishment, these liabilities have been assumed by OSTA. 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 costs 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, parental leave benefits, and unexpected usage of sick leave, the cost is recognized immediately in the reporting period the obligating event occurs. Any actuarial gains and losses related to these benefits are recognized immediately in the reporting period they arise.

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

Ottawa Student Transportation Authority Summary of Significant Accounting Policies

August 31, 2010

Budget Figures

Budget figures have been provided for comparative purposes and have been derived from the budget approved by OSTA's Board of Directors. The budget approved by the Board of Directors is developed in accordance with the provincially mandated funding model for school boards and is used to manage program spending within the guidelines of the funding model. Given the differences between the funding model and generally accepted accounting principles established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants, the budget figures presented have been adjusted to conform with this basis of accounting as it is used to prepare the financial statements. The budget figures are unaudited.

Ottawa Student Transportation Authority

Notes to Financial Statements

August 31, 2010

1. Changes in Accounting Policy

OSTA has implemented Public Sector Accounting Board (PSAB) sections 1200 Financial Statement Presentation and 3150 Tangible Capital Assets.

Section 1200

Section 1200 establishes general reporting principles and standards for the disclosure of information in an organization's financial statements. These changes have been applied retroactively and the figures presented for comparative purposes have been restated. Some of the more significant presentation changes of section 1200 follow.

Statement of Financial Position

- amounts previously reported as fund balances and amounts to be recovered in future years have been reallocated to a new accumulated surplus (deficit) account as a single balance; and
- tangible capital assets are now reported as further explained in this note.

Statement of Operations

- this statement replaces the former Statement of Financial Activities;
- the former statement reported items on an expenditure basis, which are the cost of goods and services acquired in the accounting period including the acquisition of tangible capital assets while the current statement reports items on an expense basis, which are the cost of goods and services consumed in the accounting period and only includes the amortization of tangible capital assets as further explained in this note; and
- this new statement now reports the surplus or deficit for the year whereas the former statement reported changes in fund balances and excluded changes in amounts to be recovered in future years.

Statement of Changes in Net Debt

- this is a new statement which reports how the expenditures of the accounting period have been financed as well as the extent of the changes in an organization's net debt resulting from activities in the accounting period and net debt position at the beginning of the accounting period.

Statement of Cash Flows

- this statement replaces the former Statement of Changes in Financial Position;
- the statement reports how an organization generated and used cash and cash equivalents in the accounting period including how an organization financed its activities and met its cash requirements, the change in its cash and cash equivalents during the year and the balances at both the beginning and end of the accounting period; and
- the statement classifies cash flows during the year by operating, capital, financing and investing transactions.

Ottawa Student Transportation Authority

Notes to Financial Statements

August 31, 2010

1. Changes in Accounting Policy (continued)

Statement of Cash Flows (continued)

In prior years, OSTA had not presented a Statement of Changes in Financial Position (Statement of Cash Flows) since it had not yet established its own banking arrangements. All transactions were incurred by OSTA's member school boards and as such there were no cash flows to report. During the 2010 fiscal year OSTA has established its own banking arrangements.

Section 3150

Section 3150 requires organizations to record and amortize their tangible capital assets in their financial statements. In prior years, tangible capital asset additions were expensed in the year of acquisition. The financial information recorded includes the actual historical cost of the tangible capital assets or their fair value if they were contributed (donated) to OSTA. This change has been applied retroactively and prior years have been restated. This change in accounting policy has changed amounts reported in the current and prior year. A summary of the key aspects of the change follows.

	As at August 31 2010	As at August 31 2009	As at September 1 2008
Impact on Statement of Financial Position			
Tangible capital assets using previous policy	\$ -	\$ -	\$ -
Net book value of tangible capital assets recorded	31,159	38,715	16,686
Tangible capital assets, as restated	\$ 31,159	\$ 38,715	\$ 16,686
Accumulated surplus (deficit) using previous policy, represented by amounts to be recovered in future years	\$ (154,442)	\$ (98,043)	\$ -
Impact of net book value of tangible capital assets recorded	31,159	38,715	16,686
Accumulated surplus (deficit), as restated	\$ (123,283)	\$ (59,328)	\$ 16,686

Ottawa Student Transportation Authority Notes to Financial Statements

August 31, 2010

1. **Changes in Accounting Policy** (continued)

Section 3150 (continued)

	For the year ended August 31 2010	For the year ended August 31 2009
<hr/>		
Impact on Statement of Operations		
Tangible capital asset expenditures removed	\$ -	\$ 29,585
Amortization of tangible capital assets expense recorded	(7,556)	(7,556)
<hr/>		
(Increase) decrease in expenses and change in surplus (deficit) for the year	(7,556)	22,029
Change in accumulated surplus (deficit), beginning of year represented by the net book value of tangible capital assets at the beginning of the year	38,715	16,686
<hr/>		
Change in accumulated surplus (deficit), end of year represented by the net book value of tangible capital assets at the end of the year	\$ 31,159	\$ 38,715
<hr/>		
Surplus (deficit) for the year		
Change in net assets (liabilities) using previous policy	\$ (56,399)	\$ (98,043)
Plus: Tangible capital expenditures for the year capitalized	-	29,585
Less: Amortization of tangible capital assets expense not previously recorded	(7,556)	(7,556)
<hr/>		
Surplus (deficit) for the year, as restated	\$ (63,955)	\$ (76,014)
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Ottawa Student Transportation Authority

Notes to Financial Statements

August 31, 2010

2. Related Party Transactions

As explained in the Summary of Significant Accounting policies accompanying these financial statements, 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 on the Statement of Operations are from the member school boards. In addition a significant 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 were in the normal course of operations and are measured at the exchange amount, which is the amount agreed upon by the parties. For revenues and expenditures for which the actual amount (direct cost) is not reasonably determinable the exchange amount is the agreed amount. For those revenues and expenditures 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.

Effective September 1, 2008, some employees of each member board effectively became employees of OSTA and OSTA effectively assumed the liability for retirement and other employee future benefits for these employees. The amounts assumed are not an OSTA cost and will be recovered from the member boards based on their originating source in the year of payment of such amounts to eligible employees. Effective March 23, 2010, as further explained in Note 3 to these financial statements, the employment matter related to establishing an appropriate bargaining unit and a recognized bargaining agent for OSTA as a new organization was settled. This resulted in a retroactive increase in the liability for employee retirement benefits which is an OSTA liability and will be recovered from member school boards based on the operating agreement between OSTA and the member school boards in the year of payment of such amounts to eligible employees.

Further, as explained in the Summary of Significant Accounting Policies accompanying these financial statements, OSTA's member school boards contribute assets, materials and services to OSTA and in certain circumstances these contributions are recognized in these financial statements.

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

a. Revenues

	2010	2009
Recoveries for materials and services		
Ottawa Catholic School Board (Note 10a.)	\$ 22,200,377	\$ 22,936,222
Ottawa-Carleton District School Board (Note 10a.)	35,482,978	33,999,608
	\$ 57,683,355	\$ 56,935,830

b. Expenditures

Substantially all expenditures for current and capital purchases were paid by one of the member school boards on behalf of OSTA and charged to OSTA accordingly.

Ottawa Student Transportation Authority

Notes to Financial Statements

August 31, 2010

2. Related Party Transactions (continued)

c. Financial Assets

	2010	2009
Accounts receivable (See Note 3 also)		
Ottawa-Carleton District School Board	\$ 1,793,052	\$ 64,336

d. Financial Liabilities

	2010	2009
Accounts payable and accrued liabilities		
Ottawa Catholic School Board	\$ 1,997,967	\$ 167,040

e. Terms of Repayment

The accounts receivable, accounts payable and accrued liabilities set out in parts c. and d. of this note are substantially all as a result of the revenues and expenditures set out in parts a. and b. of this note but exclude the assumption of retirement and other employee future benefits amounts on the establishment of OSTA set out in Note 3 to these financial statements and the amounts related to accrued vacation leave set out in part h. of this note. Amounts due from and to member school boards do not bear interest and are due on demand except for the balance of the assumption of the retirement and other employee future benefits and accrued vacation leave amounts. These latter amounts are due in the year of payment of such amounts to eligible employees.

f. 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.

g. Administrative Premises

OSTA's administrative premises are owned by the Ottawa-Carleton District School Board. A lease agreement was reached during the 2009 fiscal year with a term ending August 31, 2012. Lease rates are based on the Ministry of Education of Ontario benchmark guideline for operating costs plus annual inflationary increases. Certain other charges are also included. The agreement can be terminated at any time during the term, upon ninety days written notice. The agreement also includes a five year renewal option at comparable terms and conditions.

For the year ended August 31, 2010 the total lease amounts were \$24,779 (2009 - \$23,256).

For the year ended August 31, 2011 the total lease amounts are expected to be \$25,448.

Ottawa Student Transportation Authority Notes to Financial Statements

August 31, 2010

2. Related Party Transactions (continued)

h. Accrued Vacation Leave

As at August 31, 2010 an amount of \$93,273 (2009 - \$80,572) representing unused vacation leave 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.

3. Retirement and Other Employee Future Benefits

	2010			2009	
	Retirement Benefits	Sick Leave Benefits	Other Employee Future Benefits	Total Employee Future Benefits	Total Employee Future Benefits
Liabilities					
Accrued employee future benefits obligations	\$ 152,474	\$ 72,526	\$ -	\$ 225,000	\$ 185,667
Unamortized actuarial gains (losses) - net	2,608	(4,989)	-	(2,381)	(6,746)
Employee future benefits liability at August 31	\$ 155,082	\$ 67,537	\$ -	\$ 222,619	\$ 178,921
Expenses					
Accrual for service	\$ 5,975	\$ 4,819	\$ -	\$ 10,794	\$ 14,256
Adjustment for unexpected usage	-	59,190	-	59,190	-
Increase due to plan changes	32,422	-	-	32,422	-
Interest on accrued benefits obligations	5,373	1,726	-	7,099	7,490
Amortization of actuarial losses	730	73	-	803	-
Employee future benefits expenses for the year	\$ 44,500	\$ 65,808	\$ -	\$ 110,308	\$ 21,746
Continuity of Liabilities					
Balance, beginning of year	\$ 110,582	\$ 68,339	\$ -	\$ 178,921	\$ 161,450
Expenses for the year	44,500	65,808	-	110,308	21,746
Benefits paid	-	(66,610)	-	(66,610)	(4,275)
Balance, end of year	\$ 155,082	\$ 67,537	\$ -	\$ 222,619	\$ 178,921

Ottawa Student Transportation Authority Notes to Financial Statements

August 31, 2010

3. Retirement and Other Employee Future Benefits (continued)

	2010			2009	
	Retirement Benefits	Sick Leave Benefits	Other Employee Future Benefits	Total Employee Future Benefits	Total Employee Future Benefits
Continuity of Obligations					
Balance, beginning of year	\$ 116,411	\$ 69,256	\$ -	\$ 185,667	\$ 161,450
Actuarial losses (gains)	(7,707)	4,145	-	(3,562)	6,746
Accrual for service	5,975	4,819	-	10,794	14,256
Adjustment for unexpected usage	-	59,190	-	59,190	-
Increase due to plan changes	32,422	-	-	32,422	-
Interest on accrued benefits obligation	5,373	1,726	-	7,099	7,490
Benefits paid	-	(66,610)	-	(66,610)	(4,275)
Balance, end of year	\$ 152,474	\$ 72,526	\$ -	\$ 225,000	\$ 185,667
Continuity of Unamortized Actuarial Gains (Losses)					
Balance, beginning of year	\$ (5,829)	\$ (917)	\$ -	\$ (6,746)	\$ -
Current year gains (losses)	7,707	(4,145)	-	3,562	(6,746)
Amortization of actuarial (gains) losses	730	73	-	803	-
Balance, end of year	\$ 2,608	\$ (4,989)	\$ -	\$ (2,381)	\$ (6,746)

Except for workplace safety and insurance benefits; life insurance, dental and health care benefits for employees on long-term disability leave; and parental leave benefits; actuarial valuations for accounting purposes are performed triennially using the projected benefit method prorated on services. Actuarial reports were prepared as at August 31, 2008 and August 31, 2010 effective September 1, 2008 and September 1, 2010 respectively in which there were actuarial losses and gains with respect to retirement benefits. Commencing September 1, 2009 and September 1, 2010 respectively 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 range from 7.99 to 12.66 years and 12.29 to 12.08 years, respectively. The accrued employee benefits obligations presented above are based on these actuarial reports. 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 was performed as at August 31, 2010 and August 1, 2009 and the respective liabilities were adjusted to the respective valuation.

Ottawa Student Transportation Authority

Notes to Financial Statements

August 31, 2010

3. Retirement and Other Employee Future Benefits (continued)

Commencement of OSTA Operations

In connection with its active commencement of operations on September 1, 2008, OSTA assumed retirement and other employee future benefit liabilities relating to member school boards' employees totalling \$161,450 as at September 1, 2008. This amount is reflected as an accounts receivable from member school boards as at August 31, 2010 and August 31, 2009, being \$26,507 from the Ottawa Catholic School Board and \$134,943 from the Ottawa-Carleton District School Board, for a total of \$161,450, since it is not an OSTA cost of operations.

Increase in Retirement Benefits Due to Plan Changes

The employment matter related to establishing an appropriate bargaining unit and a recognized bargaining agent for OSTA was settled during the 2010 fiscal year. As of March 23, 2010, OSTA's union employees are all represented by the Ontario Secondary School Teachers' Federation (OSSTF). Prior to this date, only previous Ottawa-Carleton District School Board employees were represented by OSSTF, while all previous Ottawa Catholic School Board employees were represented by the Canadian Union of Public Employees (CUPE). As of August 31, 2010, OSTA has not completed negotiations for their own union agreement. Until a new agreement is ratified, OSTA is governed by the terms of the agreement in place with the Ottawa-Carleton District School Board and employees represented by OSSTF. The employees who were transferred to OSSTF from CUPE received full recognition for their service/seniority under their prior agreement and became eligible for retirement benefits on a retroactive basis. The benefit costs and liabilities related to the change in benefits for employees previously represented by CUPE are included in OSTA's financial statements as an increase due to benefit plan changes since it is an OSTA cost of operations.

Retirement Benefits

Ontario Municipal Employees Retirement System

All qualifying employees of the 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 pay. OSTA's contributions equal the employee contributions to the plan. Employer contributions to the plan during the fiscal period ended August 31, 2010 by OSTA amounted to approximately \$79,000 (2009 - \$66,500). 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 the 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.

Ottawa Student Transportation Authority Notes to Financial Statements

August 31, 2010

3. **Retirement and Other Employee Future Benefits** (continued)

Retirement Gratuities (continued)

During the year total gratuity payments to employees was \$nil (2009 - \$nil) since the number of employees who received gratuity payments in the current and previous year was nil. The estimated accrued retirement gratuity obligation represents the liability for 14 employees (2009 - 8 employees). As previously explained, the increase in the number of eligible employees is substantially the result of the resolution of the employment matter.

OSTA does not maintain a specific reserve for the Retirement Gratuities plan.

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.

During the year total retirement life insurance and health care benefit payments were \$nil (2009 - \$nil).

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. Permanent employees 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. OSTA provides these benefits through the member school boards' unfunded defined benefit plans. The benefit costs and liabilities related to these plans are included in OSTA's financial statements.

Sick leave benefit payments approximated \$66,610 (2009 - \$4,275).

OSTA does not maintain a specific reserve for the Sick Leave Benefits plan.

Ottawa Student Transportation Authority

Notes to Financial Statements

August 31, 2010

3. **Retirement and Other Employee Future Benefits** (continued)

Other Employee Future Benefits

Workplace Safety and Insurance Benefits (WSIB)

OSTA is designated as a Schedule 2 employer under the Workplace Safety and Insurance Act of Ontario. As such, OSTA is directly liable for all claims of accidental injury or industrial disease and does not participate with other employers on a pooled basis. OSTA provides these benefits through an unfunded defined benefit plan. WSIB procedures require OSTA to pay for actual costs as they are incurred. These expenses are recognized when injuries to employees occur.

During the year total workplace safety insurance payments were \$nil (2009 - \$nil).

OSTA does not maintain a specific reserve for the Workplace Safety and Insurance Benefits plan.

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

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 at August 31, 2010 is \$nil (2009 - \$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 at August 31, 2010 is \$nil (2009 - \$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.

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.

Ottawa Student Transportation Authority

Notes to Financial Statements

August 31, 2010

3. Retirement and Other Employee Future Benefits (continued)

Actuarial Assumptions (continued)

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 WSIB benefits, the accrued benefit obligation is determined as the actuarial present value of all estimated future benefit payments.

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 these valuations are OSTA's best estimates of average expected rates of:

Wage and salary escalation rates	3.0 %
Discount/interest rate on accrued benefit obligations	4.5 %
Inflation rate	2.0 %

Sensitivity

Since the 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.

Ottawa Student Transportation Authority Notes to Financial Statements

August 31, 2010

4. Tangible Capital Assets

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

All of OSTA's tangible capital assets capitalized as explained in the Summary of Significant Accounting Policies accompanying these financial statements are being amortized. As indicated in Note 2 to these financial statements, OSTA enjoys the use of certain capital assets that remain the property of the contributing member school boards on a no charge basis. These include furniture and equipment, computer hardware, computer software and leasehold improvements. These assets are therefore excluded from OSTA's tangible capital assets.

	2010			2009		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Furniture and equipment	\$ 26,665	\$ 5,740	\$ 20,925	\$ 26,665	\$ 2,920	\$ 23,745
Computer software	5,080	2,286	2,794	5,080	1,270	3,810
Leasehold improvements	14,880	7,440	7,440	14,880	3,720	11,160
	\$ 46,625	\$ 15,466	\$ 31,159	\$ 46,625	\$ 7,910	\$ 38,715

A continuity of the August 31, 2010 balances is as follows:

	Cost				
	Balance beginning of year	Additions	Disposals	Transfers	Balance end of year
Furniture and equipment	\$ 26,665	\$ -	\$ -	\$ -	\$ 26,665
Computer software	5,080	-	-	-	5,080
Leasehold improvements	14,880	-	-	-	14,880
	\$ 46,625	\$ -	\$ -	\$ -	\$ 46,625

	Accumulated Amortization			
	Balance beginning of year	Amortization Expense	Disposals	Balance end of year
Furniture and equipment	\$ 2,920	\$ 2,820	\$ -	\$ 5,740
Computer software	1,270	1,016	-	2,286
Leasehold improvements	3,720	3,720	-	7,440
	\$ 7,910	\$ 7,556	\$ -	\$ 15,466

Ottawa Student Transportation Authority Notes to Financial Statements

August 31, 2010

4. **Tangible Capital Assets** (continued)

A continuity of the August 31, 2009 balances is as follows:

	Cost				Balance end of year
	Balance beginning of year	Additions	Disposals	Transfers	
Furniture and equipment	\$ 11,960	\$ 14,705	\$ -	\$ -	\$ 26,665
Computer software	5,080	-	-	-	5,080
Leasehold improvements	-	14,880	-	-	14,880
	\$ 17,040	\$ 29,585	\$ -	\$ -	\$ 46,625

	Accumulated Amortization				Balance end of year
	Balance beginning of year	Amortization Expense	Disposals		
Furniture and equipment	\$ 100	\$ 2,820	\$ -	\$ -	\$ 2,920
Computer software	254	1,016	-	-	1,270
Leasehold improvements	-	3,720	-	-	3,720
	\$ 354	\$ 7,556	\$ -	\$ -	\$ 7,910

Ottawa Student Transportation Authority

Notes to Financial Statements

August 31, 2010

5. Accumulated Surplus (Deficit)

In accordance with the Education Act of Ontario, section 231.(1), effective September 1, 2010, which impacts the 2010 - 2011 school year, there will be a restriction on the use of a school board's accumulated surplus equal to the lesser of the available balance of accumulated surplus from the preceding year and 1% of a school board's operating revenue. Operating revenue is defined as operating allocations from a school board's Grants for Student Needs from the Ministry of Education of Ontario less any strike savings. Any use beyond 1% will require approval by the Ministry.

The portion of a school board's accumulated surplus which is available to be used for compliance with this legislative requirement has also been defined by the Ministry.

For purposes of each of the member board's reporting to the Ministry of Education of Ontario, the components of OSTA's accumulated surplus (deficit) are classified as being unavailable for compliance.

OSTA's accumulated surplus (deficit) reported on the Statement of Financial Position is comprised of the following:

	2010	2009
Investment in tangible capital assets (Note 4)	\$ 31,159	\$ 38,715
Amounts to be recovered in future years		
Unfunded liabilities		
Retirement and other employee future benefits (Note 3)	(222,619)	(178,921)
Unused vacation leave (Note 2h.)	(93,273)	(80,572)
Less amounts assumed on active commencement of operations (Note 3)	161,450	161,450
	(154,442)	(98,043)
Accumulated surplus (deficit), end of year	\$ (123,283)	\$ (59,328)

The investment in tangible capital assets is allocated to member school boards as follows:

	2010	2009
Ottawa Catholic School Board	\$ 15,580	\$ 19,358
Ottawa-Carleton District School Board	15,579	19,357
	\$ 31,159	\$ 38,715

Ottawa Student Transportation Authority Notes to Financial Statements

August 31, 2010

5. **Accumulated Surplus (Deficit)** (continued)

The amounts to be recovered in future years are allocated to member school boards as follows:

	<u>2010</u>	<u>2009</u>
Ottawa Catholic School Board	\$ (58,063)	\$ (35,611)
Ottawa-Carleton District School Board	(96,379)	(62,432)
	<u>\$ (154,442)</u>	<u>\$ (98,043)</u>

6. **Net Change in Operating Financial Assets and Financial Liabilities**

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

	<u>2010</u>	<u>2009</u>
Accounts receivable increase	\$ (2,001,487)	\$ (317,607)
Accounts payable and accrued liabilities increase	2,011,409	252,031
Retirement and other employee future benefits increase	43,698	178,921
	<u>\$ 53,620</u>	<u>\$ 113,345</u>

7. **Contractual Agreements**

As part of OSTA's ongoing operations, transportation contracts are in place for OSTA's 2011 fiscal year with terms and conditions comparable to those in place for the 2010 fiscal year.

8. **Contingencies**

In connection with its operations, OSTA or OSTA through its member school boards may be a defendant in certain pending or threatened litigation the outcome of which is not reasonably determinable. In the opinion of OSTA's and member school boards' management, these possible actions will not result in any material liabilities to OSTA and therefore no provision has been made in the financial statements with respect to any possible litigation. Any settlement resulting from these possible actions will be treated as an expense in the fiscal period in which settlement occurs.

Ottawa Student Transportation Authority

Notes to Financial Statements

August 31, 2010

9. 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, on a pooling basis for its members, general public liability, property damage and certain other risks. Liability insurance is available to a maximum of \$20,000,000. 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. To August 31, 2010, no significant assessments have been made with respect to 2010 and prior.

10. 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 allocated by member school board for the year ended August 31, 2010.

	Total Budget	Total Actual	OCSB	OCDSB
Expenses (Notes 1 and 11)				
Transportation contracts	\$ 48,227,746	\$ 47,390,600	\$ 19,284,403	\$ 28,106,197
Provincial Schools				
transportation contracts	4,916,542	4,996,170	-	4,996,170
Public transit	3,576,236	3,330,687	2,112,128	1,218,559
Salaries, wages and benefits	1,758,125	1,633,733	656,315	977,418
Professional fees	166,800	165,008	72,603	92,405
Occupancy	24,265	24,973	10,988	13,985
Software licensing	55,500	90,594	39,861	50,733
Staff development	13,500	12,779	5,623	7,156
First aid / safety training	-	2,238	-	2,238
Communications	6,000	20,436	8,992	11,444
Insurance	4,200	4,645	2,044	2,601
Other supplies and services	93,900	67,891	29,872	38,019
Amortization of tangible capital assets	7,556	7,556	3,778	3,778
Total expenses	58,850,370	57,747,310	22,226,607	35,520,703
Less: Amortization of tangible capital assets	(7,556)	(7,556)	(3,778)	(3,778)
Add: Purchase of tangible capital assets	-	-	-	-
Decrease (increase) in unfunded liabilities	(43,698)	(56,399)	(22,452)	(33,947)
Recoveries from member school boards	\$ 58,799,116	\$ 57,683,355	\$ 22,200,377	\$ 35,482,978

Ottawa Student Transportation Authority Notes to Financial Statements

August 31, 2010

10. Financial Activities by Member School Board (continued)

- 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, 2010. This supplementary information is not required to be and therefore has not been subject to audit.

	Total Actual	OCSB	OCDSB
Expenses			
Salaries and wages	\$ 1,300,047	\$ 529,552	\$ 770,495
Employee benefits	333,686	126,763	206,923
Staff development	15,017	5,623	9,394
Supplies and services	178,921	78,725	100,196
Rental expenses	24,973	10,988	13,985
Fees and contractual services	55,887,110	21,471,178	34,415,932
Amortization of tangible capital assets	7,556	3,778	3,778
	\$ 57,747,310	\$ 22,226,607	\$ 35,520,703

11. Budget Figures

The unaudited budget figures presented in these financial statements are based upon the 2010 budget approved by OSTA's Board of Directors. Capitalization and amortization of tangible capital assets and the increase in employee future benefits expense were not contemplated on development of the budget and, as such, were not included. The chart herein reconciles the approved budget to the budget figures reported on the Statement of Operations. Where amounts were not budgeted for, the actual figures for 2010 were used in order to adjust the budget figures to reflect the same basis of accounting as that used to report the actual results.

As the Statement of Changes in Net Debt is a new statement in the 2010 fiscal year financial statements, the budget figures in that statement have not been provided for 2010.

Ottawa Student Transportation Authority Notes to Financial Statements

August 31, 2010

11. Budget Figures (continued)

The impact on the Statement of Operations is as follows:

	Approved 2010 Budget	Change	Restated 2010 Budget
<hr/>			
Revenues	\$ 58,799,116	\$ -	\$ 58,799,116
<hr/>			
Expenses			
Total expenditures in the 2010 approved budget	58,799,116	-	58,799,116
Less: Tangible capital asset expenditures	-	-	-
Plus: Actual amortization of tangible capital assets expense	-	7,556	7,556
Plus: Actual increase in employee future benefits expense included in salaries, wages and benefits expense	-	43,698	43,698
	<hr/>		
Total expenses	58,799,116	51,254	58,850,370
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Surplus (deficit) for the year	-	(51,254)	(51,254)
<hr/>			
Accumulated surplus (deficit), beginning of year			
Actual surplus (deficit), beginning of year (Note 1)	-	(59,328)	(59,328)
	<hr/>		
Accumulated surplus (deficit), end of year (Note 1)	\$ -	\$ (110,582)	\$ (110,582)
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12. Comparative Figures

In certain instances, the 2009 information presented for comparative purposes has been reclassified to conform to the financial statement presentation adopted for the current year.

Ottawa Student Transportation Authority Notes to Financial Statements

August 31, 2010

13. **Future Accounting for Contributions Used for Tangible Capital Assets**

In the Ministry of Finance Addendum to the 2010 Province of Ontario Budget: Ontario's Plan to Enhance Accountability, Transparency and Financial Management, the government provided direction to school boards (which includes their transportation consortia) on the accounting treatment of capital contributions. This addendum proposes that, effective for the fiscal year beginning on September 1, 2010, school boards in Ontario will adopt accounting policies consistent with the Province of Ontario, which include a policy to recognize government transfers (which in OSTA's case would include contributions through its member school boards) and external contributions used in the acquisition of tangible capital assets over the period that the asset is expected to provide service. This policy is to ensure consistency with the current practice of senior governments in Canada and other major broader public-sector organizations (hospitals, colleges and universities), and to ensure that school board operating surpluses or deficits are not distorted by capital grant revenues.

This accounting treatment is not currently a recognized option by the Public Sector Accounting Standards Board (PSAB) and therefore could not be implemented within these financial statements.
