

# **COLLUS SOLUTIONS CORP.**

## **FINANCIAL STATEMENTS DECEMBER 31, 2010**

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**GAVILLER & COMPANY LLP**  
**CHARTERED ACCOUNTANTS**

**INDEPENDENT AUDITORS' REPORT**

To the Shareholder of **COLLUS Solutions Corp.**:

**Report on the Financial Statements**

We have audited the accompanying financial statements of **COLLUS Solutions Corp.**, which comprise the balance sheet as at December 31, 2010, and the income and retained income statement and cash flow statement 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 generally accepted accounting principles and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 Company'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 Company'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 **COLLUS Solutions Corp.** as at December 31, 2010, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

*Gaviller & Company LLP*

Licensed Public Accountants  
Collingwood, Ontario  
May 13, 2011

# COLLUS SOLUTIONS CORP.

## BALANCE SHEET AS AT DECEMBER 31

	2010	2009
	\$	\$
<b>Assets</b>		
Current		
Cash	208,958	183,822
Accounts receivable (Note 3)	415,168	350,105
Taxes receivable	6,927	2,172
	<b>631,053</b>	536,099
Future taxes	86,826	77,026
	<b>717,879</b>	613,125
<b>Liabilities</b>		
Current		
Accounts payable and accruals	168,793	85,849
Employee future benefits (Note 9)	347,303	314,390
Total liabilities	<b>516,096</b>	400,239
<b>Shareholder's equity</b>		
Capital stock		
Authorized		
Unlimited common shares		
Issued		
100 common shares	100	100
Retained income	201,683	212,786
Total shareholder's equity	<b>201,783</b>	212,886
	<b>717,879</b>	613,125

Approved on behalf of the Board:

\_\_\_\_\_ Director

\_\_\_\_\_ Director

See accompanying notes to the financial statements

# COLLUS SOLUTIONS CORP.

## INCOME AND RETAINED INCOME STATEMENT FOR THE YEAR ENDED DECEMBER 31

	2010	2009
	\$	\$
Revenue (Note 3)		
Accounting and administrative services	2,056,480	1,926,006
Miscellaneous	72,920	69,676
	<b>2,129,400</b>	1,995,682
Operating expenses (Note 3)		
Administration	31,580	19,585
Wages and benefits	2,115,665	1,958,770
	<b>2,147,245</b>	1,978,355
Income (loss) before taxes	<b>(17,845)</b>	17,327
Provision for (recovery of) taxes		
Current	3,058	9,849
Future	(9,800)	(14,556)
	<b>(6,742)</b>	(4,707)
<b>Net (loss) income for the year</b>	<b>(11,103)</b>	22,034
Retained income, beginning of year	212,786	190,752
<b>Retained income, end of year</b>	<b>201,683</b>	212,786

See accompanying notes to the financial statements

# COLLUS SOLUTIONS CORP.

## CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31

	2010	2009
	\$	\$
<b>Cash flows from (for):</b>		
<b>Operating activities</b>		
Net (loss) income	(11,103)	22,034
Items not providing funds		
Future taxes	(9,800)	(14,556)
	(20,903)	7,478
Changes in		
Accounts receivable	(65,063)	(30,757)
Income taxes	(4,755)	6,265
Accounts payable and accruals	82,944	(108,715)
Employee future benefits	32,913	30,435
<b>Change in cash</b>	<b>25,136</b>	<b>(95,294)</b>
Cash position, beginning of year	183,822	279,116
<b>Cash position, end of year</b>	<b>208,958</b>	<b>183,822</b>

See accompanying notes to the financial statements

# COLLUS SOLUTIONS CORP.

## NOTES TO THE FINANCIAL STATEMENTS AS AT DECEMBER 31, 2010

### 1. Significant accounting policies

The financial statements of the company are the representations of management. Since precise determination of many assets and liabilities is dependent upon future events, the preparation of periodic financial statements necessarily involves the use of estimates and approximations. These have been made using careful judgment based on available information. The most significant estimates are included in employee future benefits. The financial statements have, in the opinion of management, been properly prepared within the framework of the accounting policies summarized below:

#### (a) Revenue Recognition

Revenue from accounting and administrative services provided are recognized at the time in which the services were provided.

#### (b) Financial Instruments

The company has adopted Canadian Institute of Chartered Accountants (CICA) Handbook Section 3861 - "Financial Instruments - Disclosure and Presentation" which establishes the requirement of disclosure of risks associated with financial instruments and the management of those risks. The adoption of this standard did not have any impact on the company's results of operations or financial position.

### 2. Tax status

The company is exempt from income tax under section 149 of the Income Tax Act. The company is required to make payments in lieu of tax calculated on the same basis as the Income Tax Act.

### 3. Related party transactions

The company, COLLUS Power Corp. and Collingwood Public Utilities Service Board are controlled by the council of the Town of Collingwood.

Related party transactions are recorded at their exchange value and include the following:

	2010	2009
	\$	\$
Amounts receivable from COLLUS Power Corp.	135,797	94,769
Amounts receivable from Collingwood Public Utilities Service Board	171,234	162,324
Amounts receivable from the Town of Collingwood	91,413	75,536
Revenues include amounts charged to the following parties:		
Town of Collingwood	68,461	62,517
COLLUS Power Corp.	1,174,677	1,114,125
Collingwood Public Utilities Service Board	881,803	811,881
Expenses include information technology assistance to the		
Town of Collingwood	21,631	20,029

# COLLUS SOLUTIONS CORP.

## NOTES TO THE FINANCIAL STATEMENTS AS AT DECEMBER 31, 2010

### 4. Line of credit

The company has a revolving line of credit with CIBC with a credit limit of \$250,000. The interest rate is set at prime minus 0.75% per annum. During 2010 the company did not draw on their line of credit.

### 5. Economic dependence

As the company's major source of revenue is derived from providing processing services to related parties its ability to continue viable operations is dependent upon COLLUS Power Corp. and Collingwood Public Utilities Service Board.

### 6. Future Accounting Pronouncements

The company will be required to adopt International Financial Reporting Standards (IFRS) in place of Canadian GAAP for annual reporting purposes for fiscal years beginning on or after January 1, 2012. The transition period is expected to begin for fiscal years beginning on or after January 1, 2011. It is subject to IFRS in 2012 as it is consolidated under Collingwood Utilities Services Corp. financial statements with Collus Power Corp. a sister company who is required to adopt IFRS starting in 2012. The impact of these changes cannot be estimated at this time.

Phase 1 of the company's IFRS implementation was complete as of October 2009. Phase 1 identified the company's needs with regard to the new standards and set out recommendations to meet those needs.

### 7. Financial instruments

The company's financial instruments consist of cash, accounts receivable, taxes recoverable and accounts payable and accruals. It is management's opinion that the company is not exposed to significant interest, currency or credit risks arising from these financial instruments. Fair value does not vary significantly from recorded value.

### 8. Supplemental cash flow information

Cash receipts (payments) were made as follows:

	2010	2009
	\$	\$
Interest received	1,256	1,555
Interest paid	(153)	-
Taxes refunded	2,172	8,376
Taxes paid	(9,900)	(11,960)

# COLLUS SOLUTIONS CORP.

## NOTES TO THE FINANCIAL STATEMENTS AS AT DECEMBER 31, 2010

### 9. Employee future benefits

The employees of COLLUS Solutions Corp. participate in the Ontario Municipal Employees Retirement System ("OMERS"). Although the plan has a defined retirement benefit for employees, the related obligation of the company cannot be identified. The OMERS plan has several unrelated participating municipalities and costs are not specifically attributed to each participant. Amounts paid to OMERS during the year totaled \$165,576 (2009 - \$167,748).

In addition, COLLUS Solutions Corp. pays certain benefits on behalf of its retired employees. The company recognizes these post-retirement costs in the period in which the employees rendered the services. The accrued benefit obligation at December 31, 2010 of \$347,303 and the net periodic benefit cost for 2010 was determined by actuarial valuations using discount rates of 6.0% and was adjusted by management based on new information available. Actuarial valuations will be prepared every second year or when there are significant changes to the workforce.

Information about the company's defined benefit plan is as follows:

	2010	2009
	\$	\$
<b>Accrued benefit obligation</b>		
Balance at the beginning of period	314,390	283,955
Current service cost for the period	12,861	12,133
Interest cost for the period	18,260	16,505
Actuarial gain	(24,764)	(24,764)
Prior period cost	1,903	3,805
Benefits paid for the period	(111)	(105)
Projected accrued benefit obligation at end of period as determined by actuarial valuation.	322,539	291,529
Unamortized actuarial gain	24,764	24,764
Unamortized prior service cost	-	(1,903)
Balance at end of period	347,303	314,390
<b>Components of net periodic benefit cost</b>		
Current service cost for the period	12,861	12,133
Interest cost for the period	18,260	16,505
Amortization of prior service cost	1,903	1,902
Net periodic benefit cost	33,024	30,540

# COLLUS SOLUTIONS CORP.

## NOTES TO THE FINANCIAL STATEMENTS AS AT DECEMBER 31, 2010

### 9. Employee future benefits (continued)

The main actuarial assumptions employed for the valuations are as follows:

(a) General inflation

Future general inflation levels, as measured by changes in the Consumer Price Index ("CPI"), were assumed at 2.0% in 2010 and thereafter.

(b) Interest (discount) rate

The obligation as at December 31, 2010, of the present value of future liabilities was determined using a discount rate of 6.0%. This corresponds to the assumed CPI rate plus an assumed real rate of return of 4.0%.

(c) Salary levels

Future general salary and wage levels were assumed to increase at 3.3% per annum.

(d) Medical costs

Medical costs were assumed to increase at 9.0% in 2010 graded down 0.67% a year until 2015 after which the rate is assumed to increase 5.0% annually.

(e) Dental costs

Dental costs were assumed to increase at 5.0% in 2010 and thereafter.

### 10. Capital disclosures

The company's main objectives when managing capital are to:

(a) Ensure ongoing access to funds that will allow the ongoing operation of the service company.

(b) Ensure compliance with covenants related to its credit facilities.

As at December 31, 2010, the company's definition of capital includes shareholder's equity and long-term debt. There have been no changes in the Company's approach to capital management during the year.

The company has met all covenants related to its credit facilities.