



Collus PowerStream Solutions Corp.

Financial Statements

For the year ended December 31, 2013



Collus PowerStream Solutions Corp.

Financial Statements

For the year ended December 31, 2013

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GAVILLER & COMPANY LLP
CHARTERED ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Collus PowerStream Solutions Corp.:

Report on the Financial Statements

We have audited the accompanying financial statements of Collus PowerStream Solutions Corp., which comprise the balance sheet as at December 31, 2013, and the statement of operations and retained earnings and statement of 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 accounting standards for private enterprises 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 corporation'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 corporation'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 PowerStream Solutions Corp. as at December 31, 2013, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for private enterprises.

Gaviller & Company LLP
Gaviller & Company LLP

Licensed Public Accountants
Collingwood, Ontario
March 17, 2014



Collus PowerStream Solutions Corp. Balance Sheet

as at December 31 2013 2012

Assets

Current

Cash and bank	(Note 5)	\$ 407,367	\$ 319,065
Accounts receivable	(Note 6)	172,056	314,179
Payments in lieu of corporate taxes receivable	(Note 7)	6,667	4,336

586,090 637,580

Future taxes recoverable (Note 8) **109,793** 101,678

\$ 695,883 **\$ 739,258**

Liabilities and Shareholder's Equity

Current

Accounts payable and accrued liabilities	(Note 10)	\$ 243,707	\$ 314,425
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Employee future benefits (Note 11) **439,170** 406,711

682,877 721,136

Shareholder's equity

Share capital	(Note 12)	100	100
Retained earnings		12,906	18,022

13,006 18,122

\$ 695,883 **\$ 739,258**

On behalf of the Board:

Director

Director



Collus PowerStream Solutions Corp.

Statement of Operations and Retained Earnings

For the year ended December 31	2013	2012
Revenues		
Administrative service	\$ 2,165,115	\$ 2,582,792
Interest	3,024	2,669
Miscellaneous	-	23,836
	2,168,139	2,609,297
Operating expenses		
General and administrative	12,278	8,557
Professional fees	7,200	19,034
Salaries and benefits	2,154,959	2,536,605
	2,174,437	2,564,196
Income (loss) before taxes	(6,298)	45,101
Provision for payments in lieu of corporate taxes (Note 7)	6,933	12,564
Future taxes (Note 8)	(8,115)	(6,028)
	(1,182)	6,536
Net income (loss) for the year	(5,116)	38,565
Retained earnings , beginning of year	18,022	213,886
Dividends (Note 13)	-	234,429
Retained earnings , end of year	\$ 12,906	\$ 18,022

The accompanying notes are an integral part of these financial statements.



Collus PowerStream Solutions Corp.

Statement of Cash Flows

For the year ended December 31	2013	2012
Cash flows from operating activities		
Net income for the year	\$ (5,116)	\$ 38,565
Adjustments for items not affecting cash:		
Employee future benefits	32,459	24,120
Future taxes	(8,115)	(6,028)
	19,228	56,657
Changes in non-cash working capital:		
Accounts receivable	142,123	(41,216)
Payments in lieu of corporate taxes	(2,332)	(13,819)
Accounts payable and accrued liabilities	(70,717)	132,159
	88,302	133,781
Cash flows from financing activities		
Dividends paid	(Note 13) -	(234,429)
Increase (decrease) in cash during the year	88,302	(100,648)
Cash and bank, beginning of year	319,065	419,713
Cash and bank, end of year	\$ 407,367	\$ 319,065

See Note 14 Statement of Cash Flows.



Collus PowerStream Solutions Corp.

Notes to Financial Statements

December 31, 2013

1. Nature of Business

Collus PowerStream Solutions Corp. (the "corporation") (formerly known as Collus Solutions Corp.) was incorporated on April 13, 2000, under the Business Corporations Act (Ontario), and is wholly owned by its parent holding company Collingwood PowerStream Utility Services Corp. The holding company is owned 50% by the Town of Collingwood and 50% by PowerStream Inc.

The principal activity of the corporation is to provide management, administration, billing, collecting and information technology services.

2. Significant Accounting Policies

The preparation and presentation of financial statements can be significantly affected by the accounting policies selected by a corporation. The financial statements reflect the following significant accounting policies, which are an integral part of understanding them.

(a) Payments in Lieu (PIL) of Corporate Taxes

The corporation is a municipal electricity utility ("MEU") for purposes of the PIL's regime contained in the Electricity Act, 1998. As a MEU the corporation is exempt from tax under the Income Tax Act (Canada) ("ITA"), the Taxation Act, 2007 (Ontario) ("TA"), and the Corporations Tax Act (Ontario) ("CTA"). The corporation is required to make, for each taxation year, a PILs payment to the Ontario Electricity Financial Corporation in an amount equal to the tax that it would be liable to pay under the ITA and the TA. The corporation uses the liability method of accounting for income taxes.

(b) Future Income Taxes

The corporation follows the liability method of accounting for income taxes. Under this method, future income taxes are recognized based on the expected future tax consequences of differences between the carrying amount of balance sheet items and their corresponding tax basis, using the substantively enacted income tax rates for the years in which the differences are expected to reverse. The future income tax assets and liabilities result in a future provision that is charged to the statement of operations and retained earnings.

(c) Pension Plan

The corporation offers a pension plan for its full-time employees through the Ontario Municipal Employee Retirement System ("OMERS"). OMERS is a multi-employer, contributory, public sector pension fund established for employees of municipalities, local boards and school boards in Ontario. Participating employers and employees are required to make plan contributions based on participating employees' contributory earnings. The corporation accounts for its participation in OMERS as a defined benefit plan and recognizes the expense related to this plan as contributions are made.



Collus PowerStream Solutions Corp.

Notes to Financial Statements

December 31, 2013

2. Significant Accounting Policies Continued

(d) Other Post-Employment Benefits

Employee future benefits other than pension provided by the corporation include medical, dental and life insurance benefits. These plans provide benefits to employees when they are no longer providing active service. Employee future benefit expense is recognized in the period in which the employees render services on an accrual basis.

The accrued benefit obligations and the current service costs are calculated using the projected benefit method, prorated on service, and based on assumptions that reflect management's best estimate. The current service cost for a period is equal to the actuarial present value of benefits attributed to employees' services rendered in the period. Past service costs arising from plan amendments are amortized on a straight-line basis over the average remaining service period of employees active at the date of amendment. The excess of the net actuarial gains or losses over 10% of the accrued benefit obligation is amortized into expense over the average remaining service period of active employees to full eligibility.

(e) Revenue Recognition

Revenue from administrative services provided is recognized at the time the service is rendered.

Other miscellaneous revenues and interest is recognized at the time the revenue is earned.

(f) Use of Estimates and Measurement Uncertainty

The preparation of financial statements in accordance with CGAAP requires management to make estimates and assumptions which affect the reported amounts of revenue, expenses, assets and liabilities, as well as the disclosure of contingencies at the financial statement date. The estimates are based on historical experience, current conditions and various other assumptions that are believed to be reasonable under the circumstances.

Accounts receivable are reported based on amounts expected to be recovered, which reflect an appropriate allowance for unrecoverable amounts. Other significant areas requiring the use of management estimates include accrued liabilities, employee future benefits, payments in lieu of corporate taxes, and future taxes, which are reported based on expected payments or recoveries.

Due to inherent uncertainty involved in making such estimates, actual results could differ from those estimates. The financial statements have, in management's opinion, been properly prepared using careful judgment within reasonable limits of materiality and within the framework of the accounting policies.



Collus PowerStream Solutions Corp.

Notes to Financial Statements

December 31, 2013

2. Significant Accounting Policies Continued

(g) Financial Instruments

All financial instruments are included on the balance sheet and are measured either at fair market value or, in limited circumstances, at cost or amortized cost. Fair value is the amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. The carrying amounts of current instruments approximate fair value because of their short-term maturity. The corporation classifies its financial instruments into one of the following categories:

Held-for-trading: is comprised of cash and bank and is carried at fair value with changes in fair value recognized in the income statement. Transaction costs related to instruments classified as held-for-trading are expensed as incurred.

Loans and receivables: are comprised of accounts receivable and are measured at amortized cost, which, upon initial recognition, are considered equivalent to fair value. Subsequent measurements are recorded at amortized cost using the effective interest rate method.

Other financial liabilities: are comprised of accounts payable and accrued liabilities. These liabilities are initially recognized at fair value and subsequently carried at amortized cost using the effective interest rate method. Transaction costs are netted against the amount initially recognized.

The corporation has classified fair value measurements using a hierarchy that reflects the following three levels of inputs used in making the fair value measurements. Level 1: unadjusted quoted prices in active markets for identical assets or liabilities. Level 2: observable inputs other than quoted prices included in Level 1, such as derived prices for similar assets and liabilities; or quoted prices in inactive markets. Level 3: unobservable inputs for the assets or liabilities that are not based on observable market data.

3. Future Accounting Pronouncements

The corporation will be required to adopt International Financial Reporting Standards (IFRS) in place of Canadian GAAP for annual reporting purposes beginning January 1, 2015. The corporation is subject to IFRS because it is consolidated under Collingwood PowerStream Utilities Services Corp. financial statements with Collus PowerStream Corp., a sister company who is required to adopt IFRS.

The impact of these changes will not be material on the corporation's financial statements.

4. Economic Dependence

As the corporation's main source of revenue is derived from providing administrative services to related parties its ability to continue viable operations is dependent upon Collus PowerStream Corp. and Collingwood Public Utilities Service Board.



Collus PowerStream Solutions Corp.

Notes to Financial Statements

December 31, 2013

5. Cash and Bank

The corporation's bank account is held at one chartered bank and earns interest based upon its average monthly credit balance. Interest is paid monthly at the bank's monthly average prime rate less 1.70%. As at December 31, 2013 the rate was 1.30% (2012- 1.12%).

6. Accounts Receivable

	2013	2012
Town of Collingwood	\$ 32,511	\$ 103,421
Other municipalities	-	22,328
Collingwood Public Utilities Service Board - Water	131,336	94,504
Collus PowerStream Corp.	-	78,214
Employees receivable	8,209	15,712
	\$ 172,056	\$ 314,179

7. Payments in Lieu of Corporate Taxes

	2013	2012
Payments in lieu of corporate taxes receivable	\$ 6,667	\$ 4,336

The provision for PILs differs from the amount that would have been recorded using the combined Canadian federal and Ontario statutory income tax rate. Reconciliation between the statutory and effective tax rates is set out below:

Income before provision for PILs	\$ (6,298)	\$ 45,101
Statutory Canadian federal and provincial tax rate	26.50%	26.50%
Provision for PILs at statutory rate	(1,669)	11,952
Small business deduction	-	(5,780)
Change in pension post retirement plan	8,602	6,392
Total provision	\$ 6,933	\$ 12,564
Effective tax rate	(110.08)%	27.86%



Collus PowerStream Solutions Corp.

Notes to Financial Statements

December 31, 2013

8. Future Taxes Recoverable

The corporation accounts for the differences between the financial statement carrying value and tax basis of its assets and liabilities following the liability method in accordance with CICA Handbook Section 3465.

Components of the corporation's future tax assets are as follows:

	2013	2012
Employee future benefits	\$ 109,793	\$ 101,678

9. Credit Facilities

The credit facility agreement contains certain covenants as described in Note 19.

Line of Credit

The corporation has a line of credit, secured by a general security agreement, with an authorized limit of \$250,000 available under a credit facility agreement with a Canadian chartered bank. Interest on advances is calculated using the bank's prime rate less 0.75% per annum, calculated and payable monthly. As at December 31, 2013 the balance was \$NIL (2012 - \$NIL) on this credit facility.

10. Accounts Payable and Accrued Liabilities

	2013	2012
Trade payables	\$ 3,082	\$ 5,688
Town of Collingwood	2,648	-
OMERS payable	34,307	62,706
HST payable	94,118	107,658
Other government remittances payable	4,434	4,207
Payroll Accrual	12,533	114,632
Audit Accrual	3,478	14,900
Actuary Accrual	-	4,634
Collus PowerStream Corp.	89,107	-
	\$ 243,707	\$ 314,425



Collus PowerStream Solutions Corp.

Notes to Financial Statements

December 31, 2013

11. Employee Future Benefits

The corporation provides certain health, dental and life insurance under unfunded benefit plans on behalf of its retired employees. The corporation measures its accrued benefit obligation ("ABO") for accounting purposes every three years. The latest actuarial valuation was performed as at December 31, 2012.

	2013	2012
Accrued benefit obligation	\$ 395,390	\$ 362,174
Unrecognized loss	43,780	44,537
	\$ 439,170	\$ 406,711
Accrued benefit liability, end of the year		
Accrued benefit obligation, beginning of the year	\$ 362,174	\$ 405,112
Current service cost	18,150	15,434
Interest cost on obligation	15,210	14,431
Benefit payments	(144)	(1,933)
Actuarial loss	-	28,017
Actuarial gain	-	(98,887)
	\$ 395,390	\$ 362,174
Accrued benefit obligation, end of the year		
Current service cost	\$ 18,150	\$ 15,434
Interest cost on obligation	15,210	14,431
Amortization of net actuarial losses	(756)	(3,812)
	\$ 32,604	\$ 26,053
Plan expense		

Significant actuarial assumptions are as follows:

	2013	2012
Discount rate	4.00 %	4.00 %
Consumer price index	2.50 %	2.50 %
Rate of compensation increase	3.50 %	3.50 %
Health benefits costs escalation	4.80 % to 7.47 %	4.80 % to 8.00 %
Dental benefits costs escalation	4.80 %	4.80 %

Assumed health care cost trend rates have an effect on the amounts reported for the health care plans. A 1% change would have the following effects for 2013:

	Increase	Decrease
Service and interest cost	\$ 3,547	\$ (2,880)
Accrued benefit obligation	\$ 16,304	\$ (14,493)



Collus PowerStream Solutions Corp.

Notes to Financial Statements

December 31, 2013

12. Share Capital

The authorized share capital of the corporation is an unlimited number of common shares. The issued share capital is as follows:

	<u>2013</u>	<u>2012</u>
100 Common shares	<u>\$ 100</u>	<u>\$ 100</u>

13. Dividends

Dividends in the amount of \$NIL (2012 - \$234,429) were declared and paid to Collingwood PowerStream Utility Services Corp. (See Note 17)

The amount of dividends declared in any given year is at the discretion of the Board of Directors of the corporation. The dividend policy states that the corporation shall normally pay a minimum of 50% of the prior year annual net income, as dividends, with consideration given to the cash position, working capital, net capital expenditures, and other cash requirements.

14. Statement of Cash Flows

	<u>2013</u>	<u>2012</u>
Interest received	<u>\$ 3,024</u>	<u>\$ 2,669</u>
PILs paid	<u>\$ 13,600</u>	<u>\$ 26,383</u>
PILs received	<u>\$ 4,336</u>	<u>\$ -</u>



Collus PowerStream Solutions Corp.

Notes to Financial Statements

December 31, 2013

15. Liability Insurance

The corporation belongs to the Municipal Electrical Reciprocal Insurance Exchange ("MEARIE"). MEARIE is a self-insurance plan that pools the risks of all of its members. Any losses experienced by MEARIE are shared amongst its members. As at December 31, 2013, the corporation has not been made aware of any assessments for losses. Insurance premiums charged to each member consist of a levy per thousand of dollars of service revenue subject to a credit or surcharge based on each member's claims experience. The maximum coverage in a joint policy with Collingwood Public Utilities Service Board is \$24,000,000 for liability insurance, \$58,681,160 for property insurance, and \$15,000,000 for vehicle insurance.

16. Pension Agreements

The corporation makes contributions to the Ontario Municipal Employee Retirement System ("OMERS"), which is a multi-employer plan, on behalf of members of its staff. The plan is a defined benefit plan which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay. The plan is financed by equal contributions from participating employers and employees, and by the investment earnings of the fund.

Each year, an independent actuary determines the funding status of OMERS Primary Pension Plan by comparing the actuarial value of invested assets to the estimated present value of all pension benefits that members have earned to date. The most recent actuarial valuation of the Plan was conducted at December 31, 2012. The results of this valuation disclosed total actuarial liabilities of \$69.3 (2011 - \$64.5) million in respect of benefits accrued for service with actuarial assets at that date of \$59.4 (2011 - \$57.2) million, indicating an actuarial deficit of \$9.9 (2011 - \$7.3) million. Because OMERS is a multi-employer plan, any pension plan surpluses or deficits are a joint responsibility of Ontario municipal organizations and their employees. As a result, the corporation does not recognize any share of the OMERS pension surplus or deficit.

The contribution rates for normal retirement age 65 members were 9.0% (2012 - 8.3%) for employees earning up to \$51,100 (2012 - \$50,100) and 14.6% (2012 - 12.8%) thereafter. The combined employee and employer amount contributed to OMERS for 2013 was \$319,783 (2012 - \$352,887).



Collus PowerStream Solutions Corp.

Notes to Financial Statements

December 31, 2013

17. Related Party Transactions

The corporation is wholly owned by its parent company, Collingwood PowerStream Utility Services Corp. The following summarizes the corporation's related party transactions for the year. These transactions are in the normal course of operations and are measured at the exchange value (the amount of consideration established and agreed to by the related parties), which approximates the arm's length equivalent value for sales of product or provision of service.

2013

	50% Shareholder of Parent	50% Shareholder of Parent	Parent	Wholly owned subsidiary of Parent	Wholly owned subsidiary of Parent	Water service board of Collingwood
	Town of Collingwood	PowerStream Inc.	Collingwood PowerStream Utility Services Corp.	Collus PowerStream Corp.	Collus PowerStream Energy Corp.	Collingwood Public Utilities Service Board
Administration revenue	\$ 136,991	\$	\$	1,106,448	\$	921,676

2012

Revenue:						
Administration revenue	\$ 145,367			\$ 1,379,500		\$ 1,057,925
Streetlight maintenance	67,104					
Dividends paid			\$ 234,429			



Collus PowerStream Solutions Corp.

Notes to Financial Statements

December 31, 2013

17. Related Party Transactions Continued

At the end of the year, the amounts due from and due (to) related parties are as follows:

2013

	50% Shareholder of Parent	50% Shareholder of Parent	Parent	Wholly owned subsidiary of Parent	Wholly owned subsidiary of Parent	Water service board of Collingwood
	Town of Collingwood	PowerStream Inc.	Collingwood PowerStream Utility Services Corp.	Collus PowerStream Corp.	Collus PowerStream Energy Corp.	Collingwood Public Utilities Service Board
Trade receivable	\$ 32,511					\$ 131,336
Trade payable	(2,648)			\$ (89,107)		

2012

Trade receivable	\$ 103,421			\$ 78,214		\$ 94,504
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Compensation and expenses for the board of directors were incurred during the year in the amount of \$3,600 (2012 - \$3,401).



Collus PowerStream Solutions Corp.

Notes to Financial Statements

December 31, 2013

18. Financial Instruments

The Corporation's carrying value and fair value of financial instruments consist of the following:

	2013		2012	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Assets				
Cash and bank	\$ 407,367	\$ 407,367	\$ 319,065	\$ 319,065
Accounts receivable	172,056	172,056	314,179	314,179
Liabilities				
Accounts payable	\$ 243,707	\$ 243,707	\$ 314,425	\$ 314,425

Determination of fair values

The fair values of cash and bank, accounts receivable and accounts payable and accrued liabilities approximate their carrying values because of the short-term nature of these instruments.

19. Capital Disclosures

The corporation considers its capital to be its share capital and retained earnings. The corporation's main objective when managing capital is to ensure sufficient liquidity to support its financial obligations and execute its operating and strategic plans.

As part of the existing credit agreement, financial covenants are monitored and communicated on an annual basis by management to ensure compliance. The covenants require the corporation to provide notification prior to any new debt issuance. The credit agreement requires maintaining a Debt Service Coverage Ratio of 1 to 1 or higher, a maximum debt to capital ratio of 0.65 to 1, and a minimum current ratio of 1.10 to 1. All covenants are to be tested and calculated as of the end of each fiscal year. The corporation is in compliance with these covenants as at December 31, 2013.

Since the corporation does not have any outstanding debt, management monitors the following one relevant ratio to effectively manage capital:

		2013	2012
Current ratio:	(must be at least 1.10)	2.40:1	2.03:1



Collus PowerStream Solutions Corp.

Notes to Financial Statements

December 31, 2013

20. Financial Risk Management

As part of its operations, the corporation carries out transactions that expose it to financial risks such as credit, liquidity and market risks. It is management's opinion that the corporation is not exposed to significant risk arising from its financial instruments.

Credit risk

Credit risk is the risk that one party to a financial instrument might not meet its obligations under the terms of the financial instrument. The maximum credit exposure is limited to the carrying amount of cash and receivables on the balance sheet.

Financial instruments that potentially subject the corporation to a concentration of credit risk consist primarily of cash. The corporation limits its exposure to credit loss by placing its cash with a high credit quality financial institution. The corporation maintains cash with only one major financial institution. Eligible deposits per financial institution are insured to a maximum basic insurance level of \$100,000, including principal and interest by the Canada Deposit Insurance Corporation.

The corporation is exposed to credit risk related to accounts receivable arising from its day-to-day administration services. Exposure to credit risk is limited due to the corporation's revenue sources being from municipal electricity and water distribution organizations. The corporation does not have any accounts receivable balances greater than 30 days outstanding. As a result, the corporation believes that its accounts receivable represent a low credit risk.

Liquidity risk

Liquidity risk is the risk that the corporation will encounter difficulty in meeting obligations associated with financial liabilities. The corporation's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions without incurring unacceptable losses or risking harm to the corporation's reputation. Accounts payable and accrued liabilities are due within 30 days. The corporation's exposure is reduced by cash generated from operations and undrawn credit facilities. Exposure to such risks is reduced through close monitoring of cash flows and budgeting.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, commodity prices, and interest rates will affect the corporation's net earnings or the value of financial instruments. The corporation is not exposed to significant market risk.

21. Financial Statement Presentation

Certain comparative figures have been reclassified to conform with current financial statement presentation.
