Collus PowerStream Corp.

Financial Statements

For the year ended December 31, 2013

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Collus PowerStream Corp.:

Report on the Financial Statements

We have audited the accompanying financial statements of Collus PowerStream Corp., which comprise the balance sheet as at December 31, 2013, and the statement of operations and deficit 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 the basis of accounting described in the summary of significant accounting policies attached to the financial statements 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 Corp. as at December 31, 2013, and the results of its operations and its cash flows for the year then ended in accordance with the basis of accounting described in the summary of significant accounting policies attached to the financial statements.

Emphasis of Matter

Without modifying our opinion, we draw attention to the summary of significant accounting policies included in the notes to the financial statements which describes the basis of accounting used in the preparation of these financial statements, and the significant differences between such basis of accounting and Canadian generally accepted accounting standards.

Gaviller & Company LLP.

Gaviller & Company LLP
Licensed Public Accountants
Collingwood, Ontario
March 17, 2014

Collus PowerStream Corp.
Balance Sheet

as at December 31		2013	2012
Assets			
Current			
Cash and bank	(Note 8)	**$ 1,604,306**	$ 4,071,081
Accounts receivable	(Note 9)	**3,546,215**	3,378,589
Unbilled energy revenue		**3,513,375**	3,135,280
Inventory		**271,284**	309,984
Payments in lieu of corporate taxes receivable	(Note 10)	**73,420**	167,266
Prepaid expenses		**130,123**	223,423
		9,138,723	11,285,623
Future taxes recoverable	(Note 11)	**721,810**	747,617
Long-term investments	(Note 12)	**100**	100
Property, plant and equipment	(Note 13)	**15,075,219**	15,180,302
Computer software	(Note 14)	**44,660**	100,440
Regulatory assets	(Note 15)	**2,165,640**	1,144,339
Deferred charges	(Note 16)	**355,745**	113,105
Goodwill		**276,704**	276,704
		$ 27,778,601	$ 28,848,230
Liabilities and Shareholder's Equity			
Current			
Accounts payable and accrued liabilities	(Note 17)	**$ 6,609,204**	$ 6,976,607
Customer deposits and credit balances		**638,327**	650,516
Current portion of long-term debt	(Note 18)	**371,884**	354,628
Deferred program funding		**302,037**	-
		7,921,452	7,981,751
Long-term customer deposits		**220,874**	253,862
Long-term debt	(Note 18)	**10,445,918**	10,117,802
Employee future benefits	(Note 19)	**339,774**	336,468
Regulatory liabilities	(Note 15)	**1,183,885**	2,764,077
Deferred program funding		**1,622**	361,897
		20,113,525	21,815,857
Shareholder's equity			
Share capital	(Note 21)	**5,101,340**	5,101,340
Miscellaneous paid in capital		**2,966,014**	2,966,014
Deficit		**(402,278)**	(1,034,981)
		7,665,076	7,032,373
		$ 27,778,601	$ 28,848,230

On behalf of the Board:

__________ Director __________ Director

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

Collus PowerStream Corp.

Statement of Operations and Deficit

For the year ended December 31		2013	2012
Revenues			
Sale of energy		**$ 29,953,202**	$ 29,120,278
Distribution revenue		**5,550,535**	5,456,009
Smart meter distribution revenue	(Note 27)	**547,982**	1,402,131
Other revenue		**483,828**	465,569
		36,535,547	36,443,987
Cost of power purchased		**29,953,202**	29,120,278
		6,582,345	7,323,709
Operating expenses			
Amortization	(Note 28)	**893,188**	1,739,853
Billing and collecting	(Note 29)	**992,380**	1,218,737
Operations and maintenance		**2,053,457**	2,100,012
General and administrative		**1,375,890**	1,491,639
Interest on long-term debt		**446,692**	330,323
Interest - other		**30,627**	104,044
Loss on disposal		**47,391**	-
Other deductions - donations and LEAP		**15,169**	32,918
		5,854,794	7,017,526
Income before taxes		**727,551**	306,183
Provision for payments in lieu of corporate taxes	(Note 10)	**94,848**	(19,052)
Future taxes	(Note 11)	**-**	179,288
		94,848	160,236
Net income for the year		**632,703**	145,947
Retained earnings (deficit), beginning of year		**(1,034,981)**	3,183,032
Dividends	(Note 22)	**-**	4,363,960
Deficit, end of year		**$ (402,278)**	$ (1,034,981)

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

Collus PowerStream Corp.
Statement of Cash Flows

For the year ended December 31		2013	2012
Cash flows from operating activities			
Net income for the year		**$ 632,703**	$ 145,947
Adjustments for items not affecting cash:			
Amortization	(Note 28)	**893,188**	1,739,853
Vehicle amortization, charged to other accts	(Note 28)	**195,950**	179,188
Loss on disposal		**47,391**	-
Employee future benefits		**3,306**	(352)
Future taxes		**-**	179,288
		1,772,538	2,243,924
Changes in non-cash working capital:			
Accounts receivable		**(167,626)**	1,980,071
Unbilled energy revenue		**(378,095)**	(131,581)
Inventory		**38,700**	11,815
Payments in lieu of corporate taxes receivable		**93,845**	(224,108)
Prepaid expenses		**93,301**	(103,602)
Accounts payable and accrued liabilities		**(367,403)**	948,333
Customer deposits and credit balances		**(12,189)**	(148,675)
		1,073,071	4,576,177
Cash flows from investing activities			
Purchase of property, plant and equipment	(Note 13)	**(1,402,876)**	(2,100,521)
Proceeds from contributed capital	(Note 13)	**323,111**	339,434
Purchase of computer software		**(37,001)**	(4,225)
Net decrease in regulatory assets/liabilities, after transfers		**(2,426,426)**	(1,513,680)
Net decrease from deferred charges		**(250,800)**	(23,400)
		(3,793,992)	(3,302,392)
Cash flows from financing activities			
Deferred program funding		**(58,238)**	203,659
Increase (decrease) in long-term customer deposits		**(32,988)**	(5,787)
Proceeds of long-term debt		**700,000**	6,300,000
Repayments of long-term debt		**(354,628)**	(237,740)
Dividends paid	(Note 22)	**-**	(4,363,960)
		254,146	1,896,172
Increase (decrease) in cash during the year		**(2,466,775)**	3,169,957
Cash and bank, beginning of year		**4,071,081**	901,124
Cash and bank, end of year		**$ 1,604,306**	$ 4,071,081

See Note 23 Statement of Cash Flows.

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

1. Nature of Business

Collus PowerStream Corp. (the "corporation") (formerly known as Collus Power 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 distribute electricity in the service area of Collingwood, Thornbury, Stayner, and Creemore in the Province of Ontario, under licences issued by the Ontario Energy Board ("OEB"). The corporation is regulated under the OEB and adjustments to the distribution rates require OEB approval.

As a condition of its distribution licence, the corporation is required to meet specified Conservation and Demand Management ("CDM") targets for reductions in electricity consumption and peak electricity demand. As part of this initiative, the corporation is delivering Ontario Power Authority ("OPA") funded programs in order to meet its target.

Under the Green Energy and Green Economy Act, 2009, the corporation has new opportunities and responsibilities for enabling renewable generation.

2. Basis of Presentation

The corporation's financial statements are prepared by management in accordance with Canadian generally accepted accounting principles ("CGAAP") and accounting policies provided by its regulator, the OEB, as contained in the Accounting Procedures Handbook for Electric Distribution Utilities ("AP Handbook"), issued under the authority of the Ontario Energy Board Act, 1998.

In its capacity to approve or set rates, the OEB has the authority to specify regulatory treatments that may result in accounting treatments that differ from CGAAP. Due to the regulatory framework, the timing of recognition of revenues and expenses and the measurement of certain assets and liabilities may differ from that otherwise expected under CGAAP for non-rate regulated enterprises. The corporation has determined that its assets and liabilities arising from rate-regulated activities qualify for recognition under CGAAP and this recognition is consistent with the U.S. Statement of Financial Accounting Standards No. 71 - "Accounting for the Effects of Certain Types of Regulation".

3. Regulation and Rate Setting

The corporation is regulated by the OEB under authority of the Electricity Act, 1998. The OEB is charged with the responsibility of approving or setting rates for the transmission and distribution of electricity and ensuring the fulfillment of obligations to connect and service customers. The OEB sets the corporation's rates on an annual basis with rates becoming effective on May 1st through April 30th of the following year. The regulation and monitoring of Ontario's Energy Sector is completed by the OEB through the application of codes, rules and guidelines, licensing of market participants, assisting firms with the management of regulatory requirements, monitoring and enforcing compliance and adjudication.

4. 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) Inventory

Inventory consists of parts and supplies valued at the lower of cost and net realizable value. The cost of the corporation's inventory is valued using the moving average cost method.

(b) Long-term Investments

The corporation records its long-term investments using the cost method.

(c) Property, Plant and Equipment

Property, plant and equipment ("PP&E") is recorded at cost less accumulated amortization. Costs include materials, labour, contracted services, vehicle and equipment usage, and engineering costs. Certain PP&E assets may be acquired or constructed with financial assistance in the form of contributions from developers or customers. Such contributions, whether in cash or in-kind, are offset against the related PP&E asset cost. Contributions in-kind are valued at their fair value at the date of their contribution.

PP&E is derecognized at its carrying value when it is disposed of or when no future economic benefits are expected from its use. The gain or loss arising on the disposal or retirement of an item of PP&E is determined as the difference between the proceeds from sale and the carrying amount of the asset, and is recognized in the income statement.

Amortization of PP&E is provided for on a straight-line basis over the estimated service life of the assets. Half of a year's amortization is taken for the first year, regardless of when the property was actually put into service during the year. Amortization of contributions from developers or customers is provided for at the rates corresponding with the useful lives of the related PP&E. The estimated service lives of the various assets used in calculating amortization are summarized below:

	NEW	OLD
Buildings	50 years	30 - 60 years
Distribution stations	20 - 45 years	30 years
Distribution lines	40 - 60 years	25 years
Distribution transformers	40 years	25 years
Distribution services	40 years	25 years
Distribution meters	15 years	15 years
Smart meters	15 years	15 years
Office equipment	10 years	10 years
Tools and equipment	10 years	10 years
Vehicles	5 - 8 years	5 - 8 years
Communication equipment	10 years	10 years
System supervisory equipment	15 years	15 years
Contributed capital	40 - 45 years	25 years

Spare meters, transformers and all other major spare parts and equipment specifically designated as standby for field service are capitalized in PP&E and amortized when they are put into service. Construction in progress is included in property, plant and equipment and not amortized until the project is complete.

4. Significant Accounting Policies Continued

(d) Computer Software

Computer software is stated at cost and amortized on a straight-line basis over the estimated useful life. Half of a year's amortization is taken for the first year.

Computer software...................... 5 years

(e) Goodwill

Goodwill represents the cost of acquired local distribution companies in excess of fair value of the net identifiable assets purchased. Goodwill is not amortized but is tested for impairment on an annual basis, or more frequently if events or changes in circumstances indicate that the asset might be impaired. Goodwill impairment is assessed based on a comparison of the fair value of the reporting unit to the underlying carrying value of the reporting unit's net assets, including goodwill. When the carrying amount of goodwill exceeds the implied fair value of goodwill an impairment loss is recognized in an amount equal to the excess.

(f) Regulatory Assets and Liabilities

Regulatory assets and liabilities represent costs and revenues that have been deferred and that are expected to be disposed of through future rates. Retail Settlement Variance Accounts (“RSVA”) are required to be recorded by the OEB and arise from differences in amounts billed to customers and retailers and the cost to the corporation, for electricity, wholesale market services and transmission services. The corporation accrues interest on regulatory assets and liabilities as permitted by the OEB.

The corporation assesses the likelihood of recovery of these regulatory assets and liabilities and records a provision when necessary. The corporation believes that it is probable that its regulatory assets and liability balances will be factored into the setting of future rates.

In the absence of rate regulation, the regulatory assets and liabilities would be recognized in income in the period to which they relate.

(g) Impairment of Long-Lived Assets

The corporation reviews long-lived assets for impairment whenever events or circumstances indicate that the carrying amount is not recoverable. Any resulting impairment loss is recorded in the period in which the impairment occurs.

(h) Deposits

Customer deposits are collections from customers to guarantee the payment of energy bills and fulfillment of construction obligations. Deposits estimated to be refundable to customers within the next fiscal year are classified as a current liability. Interest is paid on customer deposits.

(i) 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.

4. Significant Accounting Policies Continued

(j) Future Taxes

The corporation follows the liability method of accounting for income taxes. Under this method, future 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. Where the corporation expects the future taxes to be recovered from or refunded to the customers as part of the rate setting process, the future tax assets and liabilities result in an off-setting regulatory liability or asset account, otherwise the future tax assets and liabilities result in a future provision that is charged to the statement of operations and retained earnings.

(k) 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.

(l) 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.

(m) Revenue Recognition

Revenues from the sale and distribution of electricity are recorded on a basis of cyclical billings and also include unbilled revenues accrued in respect of electricity delivered but not yet billed. The unbilled revenue is calculated by prorating the consumption of electricity by customers since their last meter reading date for consumption to December 31, 2013. Actual results could differ from estimates made of electricity usage.

Regulatory accounting procedures require monthly adjustments to reduce the higher of the sale of energy revenue or the cost of power purchased expense with an offsetting entry to the related RSVA accounts.

Other revenues, which include revenues from pole attachment, customer demand work, and other miscellaneous revenues are recognized at the time the service is provided.

4. Significant Accounting Policies Continued

(n) 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, unbilled revenue, inventory and regulatory assets are reported based on amounts expected to be recovered, which reflect an appropriate allowance for unrecoverable amounts. The useful lives of PP&E have been estimated in order to reflect the appropriate net book value of the assets. The fair value of goodwill is estimated for impairment testing. Other significant areas requiring the use of management estimates include accrued liabilities, regulatory 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, including changes as a result of future decisions made by the OEB, the Minister of Energy or the Minister of Finance. 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.

(o) 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 unbilled revenue 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, customer deposits and credit balances, and long-term debt. 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.

5. CGAAP Accounting Changes

On July 8, 2010, the OEB released a depreciation study for use by electricity distributors in preparation for transition to IFRS. The results of this study were released in a report by a 3rd party consultant, Kinectrics, and provided information and guidance that the OEB expected LDCs to consider as asset service lives were determined under IFRS. Even though Collus PowerStream has deferred adoption of IFRS until January 1, 2015 as permitted by the Canadian Accounting Standards Board, the release of this study provided Collus PowerStream with new information with regard to the estimates used for amortization purposes. In accordance with the OEB's letter of July 17, 2012, "Regulatory accounting policy direction regarding changes to depreciation expense and capitalization policies in 2012 and 2013", Collus PowerStream has adopted the required changes to amortization and capitalization under CGAAP as of January 1, 2013 on a prospective basis.

The OEB has approved variance Account 1576, Accounting Changes Under CGAAP, for distributors to record the financial differences arising as a result of the election to make accounting changes to amortization; the difference is a reflection of the revised expense in comparison to the amortization that would have been recorded under previous service life terms and thus included in rates charged to customers. The cumulative variance in this account would then be refunded to ratepayers in the year of an LDC's next cost of service application through an adjustment to amortization expense over an approved period pending review and approval by the OEB. Since Collus PowerStream's cost of service application year and adoption of the required changes to amortization and capitalization both occurred in 2013, the corporation will not have any variance to track in Account 1576.

Upon review of the Kinectrics Report, Collus PowerStream has determined that the useful lives of the distribution assets are longer than previously estimated. Collus PowerStream revised its componentization structure and revised the estimated useful lives of its distribution system assets and other assets as a result of that study. This has led to a decrease in the amortization expense compared to prior periods. Amortization for 2013 is straight-line over the remaining useful life based on the new useful lives determined by reference to the Kinectrics Report.

Furthermore, Collus PowerStream's capitalization policy has been modified according to the OEB's direction. Previously, rent was allocated to the warehouse and garage and a portion of these costs were capitalized to the extent that materials were issued to, and vehicles and equipment were used on capital work orders. Similarly employee safety and training time were previously capitalized to the extent that staff worked on capital work orders. These changes have resulted in a reduction of $72,000 in 2013 for amounts that would have been previously capitalized. The prior year has not been restated because the amount would not be material and it would not necessarily be practical to determine.

Additionally, Collus PowerStream has modified its policy relating to asset disposals where an asset is derecognized at its carrying value when it is disposed of or when no future economic benefits are expected from its use. The gain or loss arising on the disposal or retirement of an item of PP&E is determined as the difference between the proceeds from sale and the carrying amount of the asset, and is recognized in the income statement. Previously, only the disposal of specifically identifiable assets were derecognized.

See updated Significant Accounting Policy Note 4 Part (c) Property, Plant and Equipment.

6. Future Accounting Pronouncements

International Financial Reporting Standards ("IFRS")

On February 13, 2008, the Canadian Accounting Standards Board ("AcSB”) confirmed that publicly accountable enterprises would be required to adopt IFRS in place of CGAAP for interim and annual reporting purposes for fiscal years beginning on or after January 1, 2011.

The AcSB has subsequently deferred the mandatory IFRS changeover date for entities with qualifying rate-regulated activities as follows:

September 2010	one year deferral	effective January 1, 2012
March 2012	one year deferral	effective January 1, 2013
September 2012	one year deferral	effective January 1, 2014
February 2013	one year deferral	effective January 1, 2015

The corporation previously elected to use all the IFRS deferral options due to the uncertainty around rate-regulated accounting, and in anticipation of the International Accounting Standards Board ("IASB")’s agenda to develop interim guidance.

IFRS 14 Regulatory Deferral Accounts was issued by the IASB on January 30, 2014. It provides interim guidance on accounting for regulatory deferral account balances by first-time adopters of IFRS while the IASB considers more comprehensive guidance on accounting for the effects of rate regulation. The interim standard is effective for financial reporting periods beginning on or after January 1, 2016, although early adoption is permitted.

The corporation will transition to IFRS on January 1, 2015 applying IFRS 1 for First Time Adoption and early adopting the IFRS 14 interim standard. Under IFRS 14 previous CGAAP accounting policies for recognition, measurement, impairment and derecognition of regulatory balances are grandfathered for eligible entities that are first-time adopters. However, IFRS changes in the presentation and disclosure requirements will still be necessary.

The corporation is moving forward with developing and implementing a transition plan. Staff training requirements, the sufficiency of information systems, existing accounting processes, and the effects of the presentation requirements on key performance indicators and financial ratios are being evaluated.

The adoption of the interim standard means the material impacts to the financial statements will likely only be presentation and disclosure changes.

7. Seasonality

The corporation's operations are seasonal. The corporation’s revenues tend to be higher in the first and third quarters of a year as a result of higher energy consumption for winter heating in the first quarter and air conditioning and cooling in the third quarter. The volume of electricity consumed by customers during any period is governed by events largely outside of the corporation's control (principally, sustained periods of hot or cold weather which increase the consumption of electricity, and sustained periods of moderate weather which decrease the consumption of electricity).

8. 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%).

9. Accounts Receivable

	2013	2012
Accounts receivable	**$ 2,921,245**	$ 2,903,559
Other accrued and miscellaneous receivable	**42,449**	51,509
Construction and trade receivable	**265,630**	385,418
Unbilled construction work-in-progress	**64,901**	100,508
HST receivable	**170,836**	51,837
Ontario Power Authority receivable	**110,577**	-
Collus PowerStream Solutions Corp.	**89,107**	-
	3,664,745	3,492,831
Less: Allowance for bad debts (See Note 29)	**118,530**	114,242
	$ 3,546,215	$ 3,378,589

Accounts receivable include $596,138 (2012 - $656,709) for water and sewer billings.

10. Payments in Lieu of Corporate Taxes

	2013	2012
Payments in lieu of corporate taxes receivable	**$ 73,420**	$ 167,266

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	**$ 727,551**	$ 306,183
Statutory Canadian federal and provincial tax rate	**26.50%**	26.50%
Provision for PILs at statutory rate	**192,801**	81,138
Small business deduction	**(35,000)**	(35,838)
Cumulative eligible capital deduction	**(9,348)**	(10,052)
Recapture of SR&ED expenditures	**-**	28,423
Amortization greater (less) than capital cost allowance	**(39,653)**	119,697
Change in pension post retirement plan	**876**	(93)
Other items	**278**	96
Prior year reassessment	**(15,106)**	(202,423)
Total provision	**$ 94,848**	$ (19,052)
Effective tax rate	**13.04%**	(6.22)%

11. 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	**$ 84,944**	$ 84,117
Property, plant and equipment	**588,874**	606,689
Goodwill	**47,992**	56,811
Long-term future income tax asset	**$ 721,810**	$ 747,617

The offsetting entry to this net future income tax asset is a credit to regulatory liabilities (See Note 15).

12. Long-term Investments

	2013	2012
Cornerstone Hydro Electric Concepts Association Inc. (CHEC), incorporated without share capital. The cost for the investment was $Nil	**$ -**	$ -
Utility Collaborative Services Inc. (UCS), recorded using the cost method, 1 common share, 10% interest	**100**	100
	$ 100	$ 100

Cornerstone Hydro Electric Concepts Association Inc. ("CHEC") is an association of thirteen LDCs modelled after a co-operative to share resources and proficiencies. (See Note 20 & 30)

Utility Collaborative Services Inc. ("UCS") offers standards-based back office services. The collaboration of nine LDCs plus the management services of Util-Assist Inc. allows leverage in the reduction of costs for items such as information technology hosting and software licensing. (See Note 20 & 30)

13. Property, Plant and Equipment

	2013			2012		
	Cost	**Accumulated Amortization**	**Net Book Value**	Cost	Accumulated Amortization	Net Book Value
Land	**$ 456,548**	**$ -**	**$ 456,548**	$ 456,548	$ -	$ 456,548
Buildings	**494,142**	**90,907**	**403,235**	602,877	85,234	517,643
Distribution stations	**5,329,945**	**2,038,609**	**3,291,336**	5,221,210	1,900,761	3,320,449
Distribution lines	**22,299,674**	**12,091,443**	**10,208,231**	21,717,997	11,790,222	9,927,775
Distribution transformers	**5,757,307**	**3,096,940**	**2,660,367**	5,691,653	2,993,927	2,697,726
Distribution services	**1,226,473**	**258,888**	**967,585**	1,093,865	227,719	866,146
Distribution meters	**510,488**	**120,109**	**390,379**	491,705	86,723	404,982
Smart meters	**2,391,174**	**702,686**	**1,688,488**	2,606,507	644,030	1,962,477
Office equipment	**249,014**	**174,060**	**74,954**	226,023	154,566	71,457
Tools and equipment	**345,716**	**315,026**	**30,690**	340,234	306,292	33,942
Vehicles	**1,941,793**	**1,104,100**	**837,693**	1,874,847	1,006,149	868,698
Communication equip	**79,031**	**67,101**	**11,930**	71,751	63,271	8,480
System supervisory equip	**686,261**	**427,548**	**258,713**	672,850	391,830	281,020
Construction in progress	**55,083**	**-**	**55,083**	26,533	-	26,533
Spare/replacement parts	**138,107**	**-**	**138,107**	-	-	-
Contributed capital	**(10,894,325)**	**(4,496,205)**	**(6,398,120)**	(10,571,214)	(4,307,640)	(6,263,574)
	$ 31,066,431	**$ 15,991,212**	**$ 15,075,219**	$ 30,523,386	$ 15,343,084	$ 15,180,302

During the year the corporation purchased PP&E with cash totalling $1,402,876 (2012 - $2,100,521). Proceeds from Infrastructure Ontario of $700,000 (2012 - $NIL) plus contributed capital of $323,111 (2012 - $339,434) were used to finance the capital purchases.

14. Computer Software

	2013			2012		
	Cost	**Accumulated Amortization**	**Net Book Value**	Cost	Accumulated Amortization	Net Book Value
Computer Software	**$ 552,604**	**$ 507,944**	**$ 44,660**	$ 515,603	$ 415,163	$ 100,440

15. Regulatory Assets and Liabilities

		2013	2012
Regulatory assets:			
OMERS pension accrual		**$ -**	$ 60,387
Hydro One incremental costs		**-**	11,526
IFRS transition costs		**172,781**	152,743
Green Energy Renewable Connection		**1,335**	74,033
Smart Grid		**4,542**	19,764
Late payment penalty settlement		**(2,217)**	(2,217)
Ontario Clean Energy Benefit		**(830)**	-
Other regulatory assets - stranded assets		**184,730**	-
Payments in lieu of taxes variance		**12,507**	11,882
Low voltage variance		**447,147**	311,655
Stranded meters		**453,034**	504,566
Smart metering entity charge		**7,822**	-
RARA Dec 2011, 18 mos recovery, beginning Nov 1, 2013		**201,054**	-
Retail settlement variance accounts		**683,735**	-
		$ 2,165,640	$ 1,144,339
Regulatory liabilities:			
Retail settlement variance accounts		**$ -**	$ 152,224
RARA tier 2 adj, two yr recovery, beginning May 1, 2009		**-**	107,952
RARA Dec 2008, four yr recovery, beginning May 1, 2010		**236,920**	951,708
RARA Dec 2010, two yr recovery, beginning May 1, 2012		**225,155**	724,786
Other deferred credits		**-**	79,790
Future taxes	(See Note 11)	**721,810**	747,617
		$ 1,183,885	$ 2,764,077
Net Regulatory asset (liability)		**$ 981,755**	$ (1,619,738)

15. Regulatory Assets and Liabilities Continued

The following impacts would be recognized in the financial statements in the absence of regulatory treatment:

	2013	2012
Statement of Operations:		
Decrease (increase) in the sale of energy	**$ 2,536,324**	$ 696,643
Decrease (increase) in distribution revenue	**(48,378)**	942,204
(Decrease) increase in amortization	**(35,240)**	(448,130)
(Decrease) increase in operating expenses	**(48,853)**	(71,456)
(Gain) loss on disposal	**184,500**	-
(Decrease) increase in interest expense	**(12,667)**	(82,351)
(Decrease) increase in future taxes	**25,807**	(747,617)
Balance Sheet:		
Increase in property, plant and equipment	**-**	11,112
Increase in retained earnings	**(1,619,738)**	(1,920,143)
	$ 981,755	$ (1,619,738)

OMERS Pension Accrual

The OEB recognized that distributors were affected by the cessation of the OMERS pension contribution holiday and allowed distributors to record cash pension costs and associated carrying charges relating to amounts not recovered in rates.

Hydro One Incremental Costs

This deferral account is used to record the incremental capital charges arising from the capital rate relief rider and the associated carrying charges.

IFRS Transition Costs

The corporation uses this deferral account to record one-time administrative incremental IFRS transition costs, which are not already approved and included for recovery in distribution rates and the associated carrying charges.

Green Energy Renewable Connection

Under the Green Energy and Green Economy Act, electricity distributors are required to facilitate the connection of renewable energy sources to their systems and to undertake activities that will lead to a smart grid. The OEB has authorized deferral accounts to record the associated costs and related carrying charges.

Smart Grid

Investments related to smart grid demonstration projects and investments undertaken as part of a project to accommodate renewable generation are recorded in the capital deferral account. Operating expenses directly related to smart grid development activities are recorded in the operating deferral account. Both these deferral accounts attract applicable carrying charges.

15. Regulatory Assets and Liabilities Continued

Late Payment Penalty ("LPP") Settlement

On July 22, 2010, the Ontario Superior Court of Justice approved a settlement of the LPP Class Action. As its share of this settlement, the corporation was required to pay $46,486 on June 30, 2011 to charity to assist low income electricity users. The corporation received approval from the OEB to recover this amount from ratepayers over a one-year period, starting May 1, 2011.

Other Regulatory Assets - Stranded Assets

The purpose of this deferral account is to record the cost of Sensus ICON model F and model G smart meters net of their accumulated amortization that must be removed from service prematurely before the end of their expected service life and replaced with new meters. These meters are exhibiting communication issues that are causing severe operational issues and are unable to meet new requirements such as data encryption. No amortization expense is recorded on these meters after they have been removed from service. Carrying charges are recorded monthly on the opening principal balance. A total of 4,631 units are forecasted to be replaced by December 31, 2015 at an estimated NBV of $512,469.

Payments in Lieu of Taxes ("PILs") Variances

The PILs variance relates to the differences that have resulted from a legislative or regulatory change to the tax rates or rules assumed in the rate adjustment model. The OEB approved the disposition of a credit balance of $250,601 representing principal and interest to April 30, 2012, over a two year period from May 1, 2012 to April 30, 2014.

Low Voltage Variance

This account is used to record the variances arising from low voltage transactions which are not part of the electricity wholesale market.

Stranded Meters

This account includes the NBV of stranded mechanical meters, which have been replaced by smart meters, plus carrying charges and less rate rider recoveries beginning October 1, 2013. Stranded meters were transferred from PP&E to regulatory assets in 2012. Amortization expense of $35,240 (2012 - $54,698) continued to be accumulated on these meters until August 31, 2013. In the absence of this regulatory treatment replaced meters would have been recorded as a loss on disposal of PP&E in 2009.

	2013			2012		
	Cost	**Accumulated Amortization**	**Net Book Value**	Cost	Accumulated Amortization	Net Book Value
Stranded meters	**$ 1,529,891**	**$ 1,060,565**	**$ 469,326**	$ 1,529,891	$ 1,025,325	$ 504,566
Recoveries			**(18,026)**			
Carrying Charge			**1,734**			
			$ 453,034			$ 504,566

15. Regulatory Assets and Liabilities Continued

Smart Metering Entity Charge ("SME")

In its role as the Smart Metering Entity (“SME”), the Independent Electricity System Operator (“IESO”) is managing the development of the meter data management/repository (“MDM/R”) to collect, manage, store and retrieve information related to the metering of customers’ use of electricity in Ontario. Effective May 1, 2013, the charge owing to the SME from all distributors is $0.788 per month for each residential and general service <50kW customer and the SME charge levied and collected by the LDC from the customers is $0.79 per month. The SME charge is in effect until October 31, 2018. This variance account tracks timing differences between amounts collected and paid.

Retail Settlement Variance Accounts ("RSVA")

RSVAs are comprised of the variances between amounts charged by the corporation to its customers, based on regulated rates, and the corresponding cost of non-competitive electricity service incurred by the corporation. The settlement variances relate primarily to service charges, non-competitive electricity charges and the global adjustment. Accordingly, the corporation has deferred the variances between the costs incurred and the related recoveries in accordance with the criteria set out in the accounting principles prescribed by the OEB. The balance for settlement variances continues to be calculated and attracts carrying charges in accordance with the OEB’s direction.

Regulatory Asset Recovery Accounts ("RARA")

The RARA is comprised of the cumulative balances of regulatory assets and regulatory liabilities approved for disposition by the OEB, reduced by amounts settled with customers through billing of approved disposition rate riders. The RARA is subject to carrying charges following the OEB prescribed methodology and rates.

Other Deferred Credits

A review motion was ruled on by the OEB in August 2009 and established that the corporation use this deferral account for the interest rate differential on a Vulnerable Energy Consumers Coalition intervener appeal to track the difference of the 0226 ruling and the 0130 ruling. The corporation tracked $85,200 in overpaid interest recovery within the 2009 distribution service rates which was offset by legal charges of $5,410 that were solely applicable to the review motion.

Future Taxes Regulatory Liability

This regulatory liability account relates to the expected future electricity distribution rate adjustments for customers arising from timing differences in the recognition of future taxes.

16. Deferred Charges

	2013	2012
Misc deferred debits - regulatory expenses	**$ 274,200**	$ 23,400
Misc deferred debits - deferred expansion charges	**81,545**	89,705
	$ 355,745	$ 113,105

Misc Deferred Debits - Regulatory Expenses

This account includes cost of service application expenses, which will have recoveries in future periods and are carried forward and charged to expense over the four year term of the application ending April 30, 2017. Under non-regulated reporting, the disbursement of $322,956 (2012 - $23,400) would have been recorded as an operating expense.

	2013			2012		
	Cost	**Expensed**	**Net Book Value**	Cost	Expensed	Net Book Value
Cost of service charges	**$ 346,356**	**$ 72,156**	**$ 274,200**	$ 23,400	$ -	$ 23,400

Deferred regulatory costs will be expensed to the general and administration category over the next four years as follows:

2014	$ 82,260
2015	82,260
2016	82,260
2017	27,420
	$ 274,200

Misc Deferred Debits - Deferred Expansion Charges

This account includes expenses incurred in the expansion of the service area, which will benefit future periods and are carried forward and charged to expense over a twenty-five year period. Under non-regulated reporting, amortization would have decreased by $8,155 (2012 - $8,155) and retained earnings would have decreased by the NBV of the deferred charges.

	2013			2012		
	Cost	**Accumulated Amortization**	**Net Book Value**	Cost	Accumulated Amortization	Net Book Value
Expansion charges	**$ 204,914**	**$ 123,369**	**$ 81,545**	$ 204,914	$ 115,209	$ 89,705

17. Accounts Payable and Accrued Liabilities

	2013	2012
Independent Electricity System Operator	**$ 3,323,281**	$ 2,446,322
Hydro One	**707,900**	527,030
Trade payables	**576,042**	556,239
Town of Collingwood - Sewer	**941,841**	934,867
Town of Collingwood - Interest Payable	**95,427**	123,987
Collingwood Public Utilities Service Board - Water	**606,819**	1,699,474
Collus PowerStream Solutions Corp.	**-**	78,215
Economic evaluations	**154,952**	365,610
Debt retirement charge payable	**136,284**	134,796
Other accounts payable and accrued liabilities	**66,658**	110,067
	$ 6,609,204	$ 6,976,607

18. Long-term Debt

	2013	2012
Infrastructure Ontario Debenture - 4.67% fixed rate, $100,000 principal repayable semi-annually plus interest on October 15th and April 15th, secured by a general security agreement covering a second charge on all assets and real property, due April 15, 2025	**$ 2,300,000**	$ 2,500,000
Infrastructure Ontario Debenture - 3.84% fixed rate, $32,700 principal and interest repayable monthly, secured by a general security agreement covering a second charge on all assets and real property, due September 17, 2037	**6,107,632**	6,262,260
Infrastructure Ontario Debenture - 4.58% fixed rate, $3,563 principal and interest repayable monthly, secured by a general security agreement covering a second charge on all assets and real property, due December 16, 2043	**700,000**	-
Town of Collingwood - 5.58% (2012 - 7.25%) fixed rate, no set terms of repayment, waived the right to demand repayment during 2014, rate decreased to 4.88% January 1, 2014	**1,710,170**	1,710,170
	10,817,802	10,472,430
Current portion of long-term debt	**371,884**	354,628
	$ 10,445,918	$ 10,117,802

The agreement governing these credit facilities contains certain covenants as described in Note 32.

Total advances of $10,000,000 have been approved by Infrastructure Ontario. At December 31, 2013, the corporation had undrawn credit capacity under this facility of $1,000,000 (2012 - $1,700,000).

Principal repayments for each of the five subsequent years and thereafter are as follows:

2014	$ 371,884
2015	378,683
2016	385,752
2017	393,101
2018	400,742
Thereafter	8,887,640
	$ 10,817,802

19. 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	**$ 435,569**	$ 437,468
Unrecognized loss	**(54,927)**	(56,045)
Unrecognized past service costs	**(40,868)**	(44,955)
Accrued benefit liability, end of the year	**$ 339,774**	$ 336,468
Accrued benefit obligation, beginning of the year	**$ 437,468**	$ 420,810
Current service cost	**9,114**	7,681
Interest cost on obligation	**17,297**	18,496
Benefit payments	**(28,310)**	(30,616)
Actuarial loss	**-**	23,250
Past service cost	**-**	49,041
Actuarial gain	**-**	(51,194)
Accrued benefit obligation, end of the year	**$ 435,569**	$ 437,468
Current service cost	**$ 9,114**	$ 7,681
Interest cost on obligation	**17,297**	18,496
Amortization of past service costs	**4,087**	4,087
Amortization of net actuarial losses	**1,118**	-
Plan expense	**$ 31,616**	$ 30,264

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	$ 2,453	$ (2,120)
Accrued benefit obligation	$ 19,697	$ (17,507)

20. Commitments

Cornerstone Hydro Electric Concepts ("CHEC")

The corporation may terminate its membership at any time upon the following terms:

(a) giving written notice 60 days in advance of termination;

(b) and by making a pre-payment in full of the balance of its contract service costs to CHEC. The amount of the pre-payment cost shall be the total cost which the corporation would have paid over the three year term of the agreement less amounts already paid by it to the date of the termination. The current three year term for the CHEC commitment goes to December 31, 2014. The pre-payment cost of termination is a settlement of the corporation's obligation under the agreement by reason of termination of its membership before the expiry of the term. The amount is liquidated damages and not a penalty for early termination and is intended to leave the remaining members in the same position as if the corporation had not terminated the agreement. As at December 31, 2013 the obligation to CHEC includes 2014 membership dues of $45,000.

Utility Collaborative Services Inc. ("UCS")

The corporation has the right to redeem its shares in UCS by retraction upon the following terms:

(a) notice of such retraction shall be given 128 days prior to the effective date;

(b) and a retraction fee shall be paid equal to the previous three years worth of the average purchases from UCS for services or products; or in alternative to paying such fees, the corporation may elect in writing to provide three year's written notice of the retraction, provided that the corporation continues to receive services at the same or greater average volume as those received at the time the notice was given. As at December 31, 2013 the obligation to UCS includes 2014-2016 fees of approximately $160,000 per year, $480,000 total.

21. Share Capital

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

		2013	2012
5,101,340	Common shares	**$ 5,101,340**	$ 5,101,340

22. Dividends

Dividends in the amount of $NIL (2012 - $4,363,960) were declared and paid to Collingwood PowerStream Utility Services Corp. (See Note 30)

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.

23. Statement of Cash Flows

	2013	2012
Interest paid	**$ 447,604**	$ 322,552
Interest received	**$ 42,195**	$ 37,452
PILs paid	**$ 228,360**	$ 205,056
PILs received	**$ 228,358**	$ -

24. 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.

25. Credit Facilities

The credit facility agreement contains certain covenants as described in Note 32.

Line of Credit

The corporation has a line of credit, secured by a general security agreement, with an authorized limit of $500,000 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.

Letter of Credit ("LOC")

As at December 31, 2013, the corporation had utilized $2,326,160 (2012 - $2,326,160) of the $2,417,179 uncommitted Letter of Guarantee facility for a letter of credit that was provided to the IESO to mitigate the risk of default on energy payments. The IESO could draw on the LOC if the corporation defaults on its payment. The standby LOC fee is charged annually at a rate of 0.50% (2012 - 0.50%). For the year ended December 31, 2013 the fee incurred was $11,631 (2012- $11,393).

Credit Card

The corporation has a VISA account, secured by a general security agreement, with an authorized limit of $25,000 available under a credit facility agreement with a Canadian chartered bank. Interest on purchases is calculated at 18.50%, calculated and payable monthly.

26. 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 $197,562 (2012 - $156,755).

27. Smart Meter Revenue and Expense

The 2012 disposal of smart meter regulatory deferral accounts plus on-going revenues and expenses since disposition had a material impact on the income statement. The impact has been summarized as follows:

	2013	2012
Revenues		
Smart meter distribution (rate rider ended Oct 1, 2013)	**$ 547,982**	$ 1,402,131
Operating expenses		
Amortization	**150,956**	644,030
Billing and collecting	**192,905**	324,044
Interest - other	**-**	51,299
	343,861	1,019,373
	$ 204,121	$ 382,758

28. Amortization

	2013	2012
Property, plant and equipment (excluding meters below)	**$ 606,051**	$ 941,621
Stranded meters	**35,240**	54,698
Smart meters	**150,956**	644,030
Software	**92,781**	91,349
Deferred charges	**8,160**	8,155
	893,188	1,739,853
Vehicles, allocated to other accounts	**195,950**	179,188
	$ 1,089,138	$ 1,919,041

Stranded meters were transferred from PP&E to regulatory assets during 2012 and amortization expense continued to accumulate until August 31, 2013.

Smart meters were transferred from regulatory assets to PP&E during 2012. The amortization on smart meters was tracked in a regulatory account from 2008 to 2012 and the entire accumulated balance was charged to amortization expense. The accumulated amortization on smart meters recorded in 2012 relates to the following years:

2008	$ 17,864
2009	88,275
2010	157,226
2011	184,765
2012	195,900
	$ 644,030

29. Bad Debt Expense (Included in Billing and Collecting)

	2013	2012
Bad Debt Expense - Electric Receivables:		
Write-offs during the year	**$ 46,583**	$ 69,623
Recoveries during the year	**(14,063)**	(26,875)
Opening allowance	**(90,619)**	(51,044)
Closing allowance	**97,409**	90,619
	$ 39,310	$ 82,323

	2013	2012
Allowance For Bad Debts: (See Note 9)		
Collus PowerStream Corp.	**$ 97,409**	$ 90,619
Collingwood Public Utilities Service Board - Water	**7,609**	7,655
Town of Collingwood - Waste Water	**13,512**	15,968
	$ 118,530	$ 114,242

30. 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% Share-holder of Parent	50% Share-holder 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 Solutions Corp.	Collus PowerStream Energy Corp.	Collingwood Public Utilities Service Board
Revenue:						
Energy and distribution	$ 1,205,784	$	$	$	$	$ 785,149
Streetlight maintenance	40,463					
Disbursements:						
Property taxes	17,638					
Property maintenance	3,510					
Vehicle fuel	18,623					
Interest	95,427					
Services		41,691		132,000		
Shared employee charge				974,448		72,290
Computer lease						21,792
Building lease						216,000

2012

	Town of Collingwood	PowerStream Inc.	Collingwood PowerStream Utility Services Corp.	Collus PowerStream Solutions Corp.	Collus PowerStream Energy Corp.	Collingwood Public Utilities Service Board
Revenue:						
Energy and distribution	$ 1,048,016	$	$	$	$	$ 603,238
Disbursements:						
Property taxes	14,230					
Property maintenance	3,375					
Vehicle fuel	57,963					
Interest	123,987					
Services			54	132,000		
Shared employee charge				1,247,500		64,629
Computer lease						80,000
Building lease						216,000
Dividends paid			4,363,960			

30. Related Party Transactions Continued

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

2013

	50% Share-holder of Parent	50% Share-holder 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 Solutions Corp.	Collus PowerStream Energy Corp.	Collingwood Public Utilities Service Board
Utility receivable	$ 117,101	$	$	$	$	$ 164,712
Trade receivable	11,055			89,107		
Trade payable		(42,866)				(606,819)
Interest payable	(95,427)					
Sewer payable	(941,841)					
Long-term debt	(1,710,170)					
	$ (2,619,282)	$ (42,866)	$	$ 89,107	$	$ (442,107)

2012

	Town of Collingwood	PowerStream Inc.	Collingwood PowerStream Utility Services Corp.	Collus PowerStream Solutions Corp.	Collus PowerStream Energy Corp.	Collingwood Public Utilities Service Board
Utility receivable	$ 94,920	$	$	$	$	$ 43,396
Trade receivable	49,350	43,238				
Trade payable	(16,129)			(78,215)		(1,699,474)
Interest payable	(123,987)					
Sewer payable	(934,867)					
Long-term debt	(1,710,170)					
	$ (2,640,883)	$ 43,238	$	$ (78,215)	$	$ (1,656,078)

Compensation and expenses for the board of directors were incurred during the year in the amount of $73,200 (2012 - $107,994).

The corporation paid $57,587 (2012 - $54,407) in fees to Cornerstone Hydro Electric Concepts Association Inc. (CHEC) (See Note 12).

The corporation paid $163,993 (2012 - $159,583) in fees to Utility Collaborative Services Inc. (UCS) for items such as information technology hosting and software licensing (See Note 12).

31. 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	**$ 1,604,306**	**$ 1,604,306**	$ 4,071,081	$ 4,071,081
Accounts receivable	**3,546,215**	**3,546,215**	3,378,589	3,378,589
Unbilled energy revenue	**3,513,375**	**3,513,375**	3,135,280	3,135,280
Long-term investments	**100**	**undeterminable**	100	undeterminable
Liabilities				
Accounts payable	**$ 6,609,204**	**$ 6,609,204**	$ 6,976,607	$ 6,976,607
Customer deposits	**859,201**	**859,201**	904,378	904,378
Long-term debt	**10,817,802**	**10,817,802**	10,472,430	10,472,430

The estimated fair values of financial instruments as at December 31, 2013 and December 31, 2012 are based on relevant market prices and information available at the time. The fair value estimates are not necessarily indicative of the amounts that the corporation may receive or incur in actual market transactions. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

Determination of fair values

(a) The fair values of cash and bank, accounts receivable, unbilled revenue, current customer deposits and credit balances, and accounts payable and accrued liabilities approximate their carrying values because of the short-term nature of these instruments.

(b) Long-term investments include common shares of private companies accounted for by the cost method. These investments are not publicly traded and, therefore, fair values are not practicable to determine.

(c) The fair value of each of the corporation's long-term debt instruments is based on the amount of future cash flows associated with each instrument discounted using an estimate of what the corporation's current borrowing rate for similar debt instruments of comparable maturity would be.

It is management's intention not to renew the long-term debt until its maturity.

32. Capital Disclosures

The corporation considers its capital to be its share capital, miscellaneous paid in capital, and retained earnings (deficit). The corporation's main objectives when managing capital are to: i) ensure sufficient liquidity to support its financial obligations and execute its operating and strategic plans, ii) minimize the cost of capital while taking into consideration current and future industry, market and economic risks and conditions, iii) maintain an optimal capital structure that provides necessary financial flexibility while also ensuring compliance with any financial covenants, and iv) provide an adequate return to its shareholders.

The corporation relies on its cash flow from operations to fund its dividend distributions to its shareholders.

As part of existing debt agreements, financial covenants are monitored and communicated, as required by the terms of credit agreements, on an annual basis by management to ensure compliance with the agreements.

The covenants require the corporation to provide notification prior to any new debt issuance. The most restrictive covenants from each credit agreement require maintaining a Debt Service Coverage Ratio of 1.15 to 1 or higher, a maximum debt to capital ratio of 0.60 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.

Management monitors the following key ratios to effectively manage capital:

		2013	2012
a) Debt Service Coverage Ratio:	(must be at least 1.15)	**2.03:1**	1.36:1
b) Debt to Capital:	(must not exceed 0.60)	**0.59:1**	0.61:1
c) Current ratio:	(must be at least 1.10)	**1.15:1**	1.41:1

The 2012 recapitalization and closing dividend of $4,363,960 was excluded from the debt service coverage ratio calculation because it was extraordinary in nature and related to the sale of shares and corporate restructuring of debt and equity. The loan received from Infrastructure Ontario in 2012 was for the purpose of this dividend.

Infrastructure Ontario agrees to revise the required financial ratios should the difference between the current accounting rules and the adoption of International Financial Reporting Standards on January 1, 2015 have a material impact on the financial ratios. The revision shall be based on the original intent of the required ratios in the agreement but allow for reconciliation of the current accounting rules and International Financial Reporting Standards.

33. 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.

The following is a discussion of risks and related mitigation strategies that have been identified by the company for financial instruments. This is not an exhaustive list of all risks, nor will the mitigation strategies eliminate all risks identified.

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, receivables, and unbilled revenue presented on the balance sheet.

Financial instruments that potentially subject the corporation to a significant 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 and unbilled revenue arising from its day-to-day electricity and service revenue. Exposure to credit risk is limited due to the corporation's large and diverse customer base. The corporation limits its credit risk by collecting deposits, purchasing commercial account credit insurance, following collection policies, monitoring accounts receivable aging, and utilizing collection agencies. The Ontario Energy Board has prescribed certain rules for the payment of deposits by customers. Although these rules limit the risk of the corporation, no deposits are required by customers who have shown good payment history for the previous 24 month period. The corporation does not have any material accounts receivable balances greater than 90 days outstanding. As a result, the corporation believes that its accounts receivable represent a low credit risk.

The carrying amount of accounts receivable is reduced through the use of an allowance for doubtful accounts and the amount of the related impairment loss is recognized in the income statement. The provision is based on account age and customer standing. Subsequent recoveries of receivables previously provisioned are credited to the income statement.

The value of accounts receivable, by age, and the related bad debt provision are presented in the following table. Unbilled revenue outstanding is considered current.

	2013	2012
Under 30 days	**$ 3,506,932**	$ 3,120,836
30 to 60 days	**45,031**	194,000
61 to 90 days	**25,197**	29,227
Over 90 days	**87,585**	148,768
	3,664,745	3,492,831
Provision	**118,530**	114,242
Total accounts receivable	**$ 3,546,215**	$ 3,378,589

33. Financial Risk Management Continued

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. The corporation's exposure is reduced by cash generated from operations and undrawn credit facilities. The corporation engages in borrowing to meet financing needs that exceed cash from operations. Exposure to such risks is significantly reduced through close monitoring of cash flows and budgeting. Liquidity risks associated with financial commitments are as follows:

	0 - 3 mo	3 mo - 1 yr	1 - 5 yr	Thereafter
Accounts payable	$ 6,454,252	$ 154,952	$ -	$ -
Customer deposits	-	638,327	220,874	-
Long-term debt	42,348	329,536	1,558,279	8,887,639
Employee future benefits	-	33,411	133,644	172,719
Regulatory liabilities	346,556	115,519	-	721,810
Deferred program funding	75,509	226,528	81	1,541
Total	$ 6,918,665	$ 1,498,273	$ 1,912,878	$ 9,783,709

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 objective of market risk management is to manage and control market risk exposures within acceptable limits.

The corporation does not have any direct exposure to foreign currency exchange rate risk or commodity price risk. The corporation had no forward exchange rate contracts or commodity price contracts in place as at or during the year ended December 31, 2013.

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The corporation is exposed to interest rate fluctuations on its cash and bank and undrawn bank credit facilities. The corporation is protected from interest rate fluctuations on long-term debt for the Town of Collingwood and Infrastructure Ontario which bear a fixed rate of interest. As at December 31, 2013, if interest rates had been 1% lower or higher with all other variables held constant, net income for the year would not have been impacted materially.