



**Collus PowerStream Corp.**

**Financial Statements**

**For the years ended December 31, 2015 and 2014**  
**(expressed in CDN\$)**



# **Collus PowerStream Corp.**

## **Financial Statements**

### **For the years ended December 31, 2015 and 2014**

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# **COLLINS BARROW SGB LLP**

## **CHARTERED PROFESSIONAL ACCOUNTANTS**

### **INDEPENDENT AUDITOR'S REPORT**

To the Shareholder of Collus PowerStream Corp.:

#### **Report on the Financial Statements**

We have audited the accompanying financial statements of Collus PowerStream Corp., which comprise the balance sheets as at December 31, 2015, December 31, 2014 and January 1, 2014 and the statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2015 and December 31, 2014, 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 International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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, 2015, December 31, 2014 and January 1, 2014 and its financial performance and its cash flows for the years ended December 31, 2015 and December 31, 2014 in accordance with International Financial Reporting Standards.

***Collins Barrow SGB LLP***

Licensed Public Accountants  
Collingwood, Ontario  
March 14, 2016



# Collus PowerStream Corp.

## Balance Sheets

(expressed in CDN\$)

		December 31 2015	December 31 2014	January 1 2014
<b>Assets</b>			(Note 33)	(Note 33)
<b>Current</b>				
Cash and bank	(Note 6)	\$ 2,943,000	\$ 1,490,843	\$ 1,604,306
Investments	(Note 7)	100	100	100
Accounts receivable	(Note 8)	4,088,883	4,631,944	3,546,215
Unbilled energy revenue		4,232,314	3,944,854	3,513,375
Inventory		285,875	264,373	271,284
Payments in lieu of taxes receivable	(Note 9)	-	-	73,420
Prepaid expenses		466,092	163,414	130,123
		<b>12,016,264</b>	10,495,528	9,138,823
Deferred taxes	(Note 9)	681,582	745,739	742,445
Property, plant and equipment	(Note 10)	17,240,932	15,974,884	15,075,219
Computer software	(Note 11)	67,276	73,985	44,660
Goodwill		276,704	276,704	276,704
<b>Total Assets</b>		<b>30,282,758</b>	27,566,840	25,277,851
Regulatory deferrals	(Note 12)	1,598,265	2,099,735	2,500,750
<b>Total Assets and Regulatory Deferrals</b>		<b>\$ 31,881,023</b>	\$ 29,666,575	\$ 27,778,601
<b>Liabilities and Shareholder's Equity</b>				
<b>Current</b>				
Accounts payable and accruals	(Note 13)	\$ 7,122,561	\$ 8,602,601	\$ 6,609,204
Payments in lieu of taxes payable	(Note 9)	4,317	27,347	-
Customer deposits and credits	(Note 14)	834,308	556,281	638,327
Current portion of long-term debt	(Note 16)	491,505	378,683	371,884
Deferred program funding		103,264	-	302,037
		<b>8,555,955</b>	9,564,912	7,921,452
Long-term customer deposits	(Note 14)	281,455	285,968	220,874
Long-term debt	(Note 16)	11,950,730	10,067,235	10,445,918
Contributions in aid of construction	(Note 15)	1,075,897	347,075	-
Employee future benefits	(Note 17)	381,933	388,763	398,413
Deferred program funding		-	139,077	1,622
<b>Total Liabilities</b>		<b>22,245,970</b>	20,793,030	18,988,279
<b>Shareholder's Equity</b>				
Share capital	(Note 19)	5,101,340	5,101,340	5,101,340
Miscellaneous paid in capital	(Note 20)	2,966,014	2,966,014	2,966,014
Retained earnings (deficit)		738,859	159,376	(402,278)
Accumulated other comprehensive income		(58,639)	(58,639)	(58,639)
<b>Total Shareholder's Equity</b>		<b>8,747,574</b>	8,168,091	7,606,437
<b>Total Liabilities and Shareholder's Equity</b>		<b>30,993,544</b>	28,961,121	26,594,716
Regulatory deferrals	(Note 12)	887,479	705,454	1,183,885
<b>Total Liabilities, Equity and Regulatory Deferrals</b>		<b>\$ 31,881,023</b>	\$ 29,666,575	\$ 27,778,601

On behalf of the Board:

\_\_\_\_\_ Director

\_\_\_\_\_ Director

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



# Collus PowerStream Corp.

## Statements of Comprehensive Income

(expressed in CDN\$)

**For the years ended December 31**

**2015**

**2014**

(Note 33)

**Revenues**

Sale of energy		<b>\$ 33,644,023</b>	\$ 32,977,774
Regulatory adjustment to sale of energy	(Note12)	<b>683,495</b>	(77,416)
Distribution revenue		<b>6,607,209</b>	6,487,154
Contributions in aid of construction	(Note15)	<b>16,751</b>	4,156
Other revenue		<b>464,146</b>	402,716

**41,415,624** 39,794,384

**Cost of power purchased**

**33,644,023** 32,977,774

**7,771,601** 6,816,610

**Expenses**

Amortization	(Note 24)	<b>759,348</b>	812,857
Billing and collecting	(Note 31)	<b>1,033,827</b>	971,685
Operations and maintenance	(Note 31)	<b>2,388,712</b>	2,169,113
General and administrative	(Note 31)	<b>1,253,530</b>	1,388,582
Loss on disposal of property, plant and equipment		<b>39,307</b>	22,436
Donations and Low-Income Energy Assistance Program		<b>13,536</b>	11,377

**5,488,260** 5,376,050

**Income from operations**

**2,283,341** 1,440,560

Finance income (Note 32) **52,563** 59,589

Finance cost (Note 32) **(486,122)** (483,724)

**Income before income taxes and regulatory items**

**1,849,782** 1,016,425

Net movement on regulatory deferral accounts (Note12) **(683,495)** 77,416

**Income before provision for payment in lieu of taxes**

**1,166,287** 1,093,841

Provision for payment in lieu taxes (Note 9) **178,697** 165,187

**Net income for the year**

**987,590** 928,654

**Other comprehensive income**

- -

**Total income and other comprehensive income**

**\$ 987,590** \$ 928,654

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



# Collus PowerStream Corp.

## Statements of Changes in Equity

(expressed in CDN\$)

For the years ended December 31, 2015 and 2014

	Share Capital	Miscellaneous Paid In Capital	Accumulated Other Comprehensive Income	Retained Earnings	Total
<b>Balance January 1, 2014</b>	<b>\$ 5,101,340</b>	<b>\$ 2,966,014</b>	<b>\$ (58,639)</b>	<b>\$ (402,278)</b>	<b>\$ 7,606,437</b>
Net income	-	-	-	928,654	928,654
Dividends	-	-	-	(367,000)	(367,000)
<b>Balance December 31, 2014</b>	<b>5,101,340</b>	<b>2,966,014</b>	<b>(58,639)</b>	<b>159,376</b>	<b>8,168,091</b>
Net income	-	-	-	987,590	987,590
Dividends	-	-	-	(408,107)	(408,107)
<b>Balance December 31, 2015</b>	<b>5,101,340</b>	<b>2,966,014</b>	<b>(58,639)</b>	<b>738,859</b>	<b>8,747,574</b>

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



# Collus PowerStream Corp.

## Statements of Cash Flows

(expressed in CDN\$)

**For the years ended December 31**

**2015**

**2014**

**Cash flows from operating activities**

Total income and other comprehensive income	\$ 987,590	\$ 928,654
Adjustments for items not affecting cash:		
Amortization (Note 24)	759,348	812,857
Vehicle amortization, allocated to other accts (Note 24)	231,922	219,594
Loss on disposal of property, plant and equipment	39,307	22,436
Gain on disposal of property, plant and equipment	(2,715)	(12,300)
Employee future benefits	(24,741)	(27,954)
Contributions in aid of construction	(16,751)	(4,156)
Provision for payment in lieu of taxes	178,697	165,187
Finance income	(52,563)	(59,589)
Finance expense	486,122	483,724
	<b>2,586,216</b>	2,528,453
Changes in non-cash working capital:		
Accounts receivable	543,061	(1,085,729)
Unbilled energy revenue	(287,460)	(431,479)
Inventory	(21,502)	6,911
Prepaid expenses	(302,677)	(33,291)
Accounts payable and accruals	(1,484,481)	1,995,620
Customer deposits and credit balances	278,027	(82,046)
Payments in lieu of corporate taxes paid	(201,727)	(137,840)
Payments in lieu of corporate taxes received	-	73,420
	<b>1,109,457</b>	2,834,019

**Cash flows from investing activities**

Purchase of property, plant and equipment (Note 10)	(2,430,616)	(2,091,124)
Proceeds of contributions in aid of construction (Note 15)	745,573	351,231
Purchase of computer software (Note 11)	(12,521)	(51,315)
Proceeds on disposal of property, plant and equipment	2,825	12,300
Net increase (decrease) regulatory accounts, after transfers	918,841	101,758
Interest received	34,485	35,683
	<b>(741,413)</b>	(1,641,467)

**Cash flows from financing activities**

Deferred program funding	(35,813)	(164,582)
Increase (decrease) in long-term customer deposits	(4,513)	65,094
Proceeds of long-term debt	4,110,170	-
Repayments of long-term debt	(2,113,853)	(371,884)
Interest paid	(463,771)	(467,643)
Dividends paid (Note 21)	(408,107)	(367,000)
	<b>1,084,113</b>	(1,306,015)

**Increase (decrease) in cash during the year**

**1,452,157** (113,463)

**Cash and bank, beginning of year**

**1,490,843** 1,604,306

**Cash and bank, end of year**

**\$ 2,943,000** \$ 1,490,843

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



# **Collus PowerStream Corp.**

## **Notes to Financial Statements**

### **December 31, 2015 and 2014**

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#### **1. Corporate Information**

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 address of the corporation's office and principal place of business is 43 Stewart Road, Collingwood, Ontario, Canada.

The principal activity of the corporation is to distribute electricity to approximately 17,000 customers 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.

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#### **2. Basis of Preparation**

##### (a) Statement of compliance

The financial statements of the corporation have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations as issued by the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB.

These are the corporation's first financial statements prepared in accordance with IFRS and IFRS 1 First-time Adoption of International Financial Reporting Standards has been applied. An explanation of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of the corporation is provided in Note 30.

The financial statements were authorized for issue by the Board of Directors on March 14, 2016.

##### (b) Basis of measurement

The financial statements have been prepared on a historical cost basis.

##### (c) Presentation currency

The financial statements are presented in Canadian dollars (CDN\$), which is also the corporation's functional currency, and all values are rounded to the nearest dollar, unless otherwise indicated.





# **Collus PowerStream Corp.**

## **Notes to Financial Statements**

### **December 31, 2015 and 2014**

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#### **2. Basis of Preparation Continued**

##### (d) Use of estimates and judgments

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the corporation's accounting policies. The areas involving a higher degree of judgment, complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

##### (e) Explanation of activities subject to rate regulation

The corporation, as an electricity distributor, is both licensed and regulated by the Ontario Energy Board "OEB" which has a legislative mandate to oversee various aspects of the electricity industry. The OEB exercises statutory authority through setting or approving all rates charged by the corporation and establishing standards of service for the corporation's customers.

The OEB has broad powers relating to licensing, standards of conduct and service and the regulation of rates charged by the corporation and other electricity distributors in Ontario. The Ontario government enacted the Energy Competition Act, 1998, to introduce competition to the Ontario energy market. Rates are set by the OEB on an annual basis for May 1 to April 30.

##### Regulatory risk

Regulatory risk is the risk that the Province and its regulator, the OEB, could establish a regulatory regime that imposes conditions that restrict the electricity distribution business from achieving an acceptable rate of return that permits financial sustainability of its operations including the recovery of expenses incurred for the benefit of other market participants in the electricity industry such as transition costs and other regulatory assets. All requests for changes in electricity distribution charges require the approval of the OEB.

##### Recovery risk

Regulatory developments in Ontario's electricity industry, including current and possible future consultations between the OEB and interested stakeholders, may affect distribution rates and other permitted recoveries in the future. The corporation is subject to a cost of service regulatory mechanism under which the OEB establishes the revenues required (i) to recover the forecast operating costs, including depreciation and amortization and income taxes, of providing the regulated service, and (ii) to provide a fair and reasonable return on utility investment, or rate base. As actual operating conditions may vary from forecast, actual returns achieved can differ from approved returns.

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# **Collus PowerStream Corp.**

## **Notes to Financial Statements**

### **December 31, 2015 and 2014**

#### **3. Significant Accounting Policies**

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

The accounting policies set out below have been applied consistently to all periods presented in these financial statements and in preparing the opening IFRS Statement of Financial Position at January 1, 2014 for the purposes of the transition to IFRS, unless otherwise indicated.

##### **(a) Regulatory Deferral Accounts**

The corporation has early adopted IFRS 14 Regulatory Deferral Accounts. In accordance with IFRS 14, the corporation has continued to apply the accounting policies it applied in accordance with pre-changeover Canadian GAAP for the recognition, measurement and impairment of assets and liabilities arising from rate regulation. These are referred to as regulatory deferral account balances.

Regulatory deferral account debit balances represent future revenues associated with certain costs incurred in the current period or in prior period(s), that are expected to be recovered from consumers in future periods through the rate-setting process. Regulatory deferral account credit balances are associated with the collection of certain revenues earned in the current period or in prior period(s), that are expected to be returned to consumers in future periods through the rate-setting process. Regulatory deferral account balances can arise from differences in amounts collected from customers (based on regulated rates) and the corresponding cost of non-competitive electricity service incurred by the corporation in the wholesale market administered by the Independent Electricity System Operator (the "IESO") after May 1, 2002. These amounts have been accumulated pursuant to regulation underlying the Electricity Act (the "EA") and deferred in anticipation of their future recovery or expense in electricity distribution service charges.

##### **Explanation of Recognized Amounts**

Regulatory deferral account balances are recognized and measured initially and subsequently at cost. They are assessed for impairment on the same basis as other non-financial assets as described below.

Management continually assesses the likelihood of recovery of regulatory deferral accounts. If recovery through future rates is no longer considered probable, the amounts would be charged to the results of operations in the period that the assessment is made.



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# **Collus PowerStream Corp.**

## **Notes to Financial Statements**

### **December 31, 2015 and 2014**

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### **3. Significant Accounting Policies Continued**

#### (b) Revenue

Revenue is recognized to the extent that it is probable that economic benefits will flow to the corporation and that the revenue can be reliably measured. Revenue is comprised of sales and distribution of energy, pole use rental, collection charges, and other miscellaneous revenues.

#### Sale and distribution of energy

The corporation is licensed by the OEB to distribute electricity. As a licensed distributor, the corporation is responsible for billing customers for electricity generated by third parties and the related costs of providing electricity service, such as transmission services and other services provided by third parties. The corporation is required, pursuant to regulation, to remit such amounts to these third parties, irrespective of whether the corporation ultimately collects these amounts from customers. The corporation has determined that they are acting as a principal for the electricity distribution and, therefore, have presented the electricity revenues on a gross basis.

Revenues from the sale and distribution of electricity is recognized on an accrual basis, including unbilled revenues accrued in respect of electricity delivered but not yet billed. Sale and distribution of energy revenue is comprised of customer billings for distribution service charges. Customer billings for distribution service charges are recorded based on meter readings.

#### Other

Other revenues, which include revenues from pole use rental, collection charges and other miscellaneous revenues are recognized at the time services are provided.

Where the corporation has an ongoing obligation to provide services, revenues are recognized as the service is performed and amounts billed in advance are recognized as deferred revenue.

#### Contributions in aid of construction

Certain assets may be acquired or constructed with financial assistance in the form of contributions from customers when the estimated revenue is less than the cost of providing service or where special equipment is needed to supply the customers' specific requirements. Since the contributions will provide customers with ongoing access to the supply of electricity, these contributions are classified as contributions in aid of construction and are amortized as revenue on a straight-line basis over the useful life of the constructed or contributed asset.

#### (c) Cash and Bank

Cash and bank includes cash on hand, deposits held on demand with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and subject to an insignificant risk of change in value.



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# **Collus PowerStream Corp.**

## **Notes to Financial Statements**

### **December 31, 2015 and 2014**

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### **3. Significant Accounting Policies Continued**

#### (d) Financial Assets

Financial assets - classified as loans and receivables

These include cash and bank, accounts receivable and unbilled energy revenue. Collectability of accounts receivable is reviewed on an ongoing basis. Accounts receivable which are known to be uncollectible are written off. A provision for doubtful receivables is established when there is objective evidence that the corporation will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of future cash flows. The amount of the provision is recognized in the statement of comprehensive income.

Financial assets - classified as available for sale

Available for sale financial assets include the corporation's investment in Utility Collaborative Services Inc. (Note 7). This investment does not have a quoted market price in an active market and a reliable fair value cannot be reliably measured. This financial instrument is measured at cost instead of fair value.

#### (e) Financial Liabilities

Accounts payable and accruals, customer deposits and credits and long-term debt are classified as other financial liabilities. These liabilities are measured at amortized cost.

#### Customer Deposits

Customers may be required to post security to obtain electricity or other services, which are refundable. Where the security posted is in the form of cash and bank, these amounts are recorded in the accounts as deposits. Deposits to be refunded to customers within the next fiscal year are classified as a current liability. Interest rates paid on customer deposits are based on the Bank of Canada's prime business rate less 2%.

#### (f) Property, Plant and Equipment

Recognition and measurement

Property, plant and equipment (PP&E) are recognized at cost, being the purchase price and directly attributable cost of acquisition or construction required to bring the asset to the location and condition necessary to be capable of operating in the manner intended by the corporation, including eligible borrowing costs.

Amortization of PP&E is recorded in the statement of comprehensive income on a straight-line basis over the estimated useful life of the related asset. 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. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.



# Collus PowerStream Corp.

## Notes to Financial Statements

### December 31, 2015 and 2014

### 3. Significant Accounting Policies Continued

#### (f) Property, Plant and Equipment Continued

The estimated useful lives are as follows:

Land and Buildings	
Land	Not amortized
Buildings	50 years
Distribution Equipment	
Distribution stations	20 - 45 years
Distribution lines	40 - 60 years
Distribution transformers	40 years
Distribution services	40 years
Distribution meters	15 years
Smart meters	15 years
Vehicles	
Vehicles	5 - 8 years
Other Equipment	
Office equipment	10 years
Tools and equipment	10 years
Communication equipment	10 years
System supervisory equipment	15 years
Work-in-Progress	
Work-in-Progress	Not amortized
Major Spare Parts	Not amortized

Work-in-Progress assets are not amortized until the project is complete and ready for use.

Major spares such as spare transformers and other items kept as standby/back up equipment are accounted for as PP&E since they support the corporation's distribution system reliability. These are included in work-in-progress (Note 10).

#### Contributions in aid of construction

When an asset is received as a capital contribution, the asset is initially recognized at its fair value, with the corresponding amount recognized as contributions in aid of construction. The contribution represents the corporation's obligation to continue to provide customers access to the supply of electricity and is amortized to income over the economic useful life of the contributed asset ranging between 40 and 45 years.

#### Gains and losses on disposal

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the net proceeds from disposal with the carrying amount of the asset, and are included in the statement of comprehensive income when the asset is disposed. When an item of property, plant and equipment with related contributions in aid of construction is disposed, the remaining contributions are recognized in full in the statement of comprehensive income.



# **Collus PowerStream Corp.**

## **Notes to Financial Statements**

### **December 31, 2015 and 2014**

#### **3. Significant Accounting Policies Continued**

##### **(g) Borrowing Costs**

The corporation capitalizes interest expenses and other finance charges directly relating to the acquisition, construction or production of assets that take a substantial period of time to get ready for its intended use. Capitalization commences when expenditures are being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization will be suspended during periods in which active development is interrupted. Capitalization should cease when substantially all of the activities necessary to prepare the asset for its intended use or sale are complete.

##### **(h) Intangible Assets**

###### **Computer software**

Computer software that is acquired or developed by the corporation, including software that is not integral to the functionality of equipment purchased, which has finite useful lives, is measured at cost less accumulated amortization and accumulated impairment losses.

###### **Amortization**

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use. Half of a year's amortization is taken for the first year. Amortization methods and useful lives of all intangible assets are reviewed at each reporting date. The estimated useful lives for the current and comparative years are:

Computer software	5 years
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###### **Goodwill**

Goodwill represents the cost of acquired local distribution companies in Stayner, Creemore and Thornbury in excess of fair value of the net identifiable assets purchased. Goodwill is measured at cost and is not amortized.

##### **(i) Impairment of Non-Financial Assets**

At the end of each reporting period, the corporation conducts annual internal assessments of the values of property, plant and equipment, intangible assets and regulatory deferral account debit balances to determine whether there are events or changes in circumstances that indicate that their carrying amount may not be recoverable. Where the carrying value exceeds its recoverable amount, which is the higher of value in use and fair value less costs of disposal, the asset is written down accordingly. Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit ("CGU"), which is the lowest group of assets to which the asset belongs for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets. The corporation has one cash-generating unit for which impairment testing is performed. An impairment loss is charged to the statement of comprehensive income, except to the extent it reverses gains previously recognized in other comprehensive income.

At the end of each reporting period or when an indicator for impairment exists, the corporation conducts an internal assessment of goodwill. An impairment loss in respect of goodwill is not reversed.



# **Collus PowerStream Corp.**

## **Notes to Financial Statements**

### **December 31, 2015 and 2014**

#### **3. Significant Accounting Policies Continued**

##### (j) Employee Future Benefits

###### Pension plan

The employees of the corporation participate in the Ontario Municipal Employees Retirement System ("OMERS"). The corporation also makes contributions to the OMERS plan on behalf of its employees. The plan has a defined benefit option at retirement available to some employees, which specifies the amount of the retirement benefit plan to be received by the employees based on length of service and rates of pay. However, the plan is accounted for as a defined contribution plan as insufficient information is available to account for the plan as a defined benefit plan. The contribution payable in exchange for services rendered during a period is recognized as an expense during that period. The corporation is only one of a number of employers that participates in the plan and the financial information provided to the corporation on the basis of the contractual agreements is usually insufficient to measure the corporation's proportionate share in the plan assets and liabilities on defined benefit accounting requirements.

###### Post employment medical and life insurance plan

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The corporation's net obligation on behalf of its retired employees unfunded extended medical and dental benefits is calculated by estimating the amount of future benefits that are expected to be paid out discounted to determine its present value. Any unrecognized past service costs are deducted.

The calculation is performed by a qualified actuary using the projected unit credit method every third year or when there are significant changes to workforce. When the calculation results in a benefit to the corporation, the recognized asset is limited to the total of any unrecognized past service costs and the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. An economic benefit is available to the corporation if it is realizable during the life of the plan, or on settlement of the plan liabilities.

Defined benefit obligations are measured using the projected unit credit method discounted to its present value using yields available on high quality corporate bonds that have maturity dates approximating the terms of the liabilities.

Remeasurements of the defined benefit obligation are recognized directly within equity in other comprehensive income. The remeasurements include actuarial gains and losses.

Service costs are recognized in operating expenses and include current and past service costs as well as gains and losses on curtailments.

Net interest expense is recognized in finance costs and is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the balance of the net defined benefit obligation, considering the effects of benefit payments during the period. Gains or losses arising from changes to defined benefits or plan curtailment are recognized immediately in the statement of comprehensive income. Settlements of defined benefit plans are recognized in the period in which the settlement occurs.



# **Collus PowerStream Corp.**

## **Notes to Financial Statements**

### **December 31, 2015 and 2014**

#### **3. Significant Accounting Policies Continued**

Other long-term service benefits

Other employee benefits that are expected to be settled wholly within 12 months after the end of the reporting period are presented as current liabilities. Other employee benefits that are not expected to be settled wholly within 12 months after the end of the reporting period are presented as non-current liabilities and calculated using the projected unit credit method and then discounted using yields available on high quality corporate bonds that have maturity dates approximating to the expected remaining period to settlement.

(k) Payments in Lieu of Taxes Payable

Tax status

The corporation is a Municipal Electricity Utility ("MEU") for purposes of the payments in lieu of taxes ("PILs") regime contained in the Electricity Act, 1998. As a MEU, the corporation is exempt from tax under the Income Tax Act (Canada) and the Corporations Tax Act (Ontario).

Under the Electricity Act, 1998, the corporation is required to make, for each taxation year, PILs to Ontario Electricity Financial Corporation ("OEF"), commencing October 1, 2001. These payments are calculated in accordance with the rules for computing taxable income and taxable capital and other relevant amounts contained in the Income Tax Act (Canada) and the Corporation Tax Act (Ontario) as modified by the Electricity Act, 1998, and related regulations.

Current and deferred tax

Provision in lieu of taxes ("PILs") is comprised of current and deferred tax. Current tax and deferred tax are recognized in net income except to the extent that it relates to items recognized directly in equity or regulatory deferral account balances (See Note 12).

Current PILs are recognized on the taxable income or loss for the current year plus any adjustment in respect of previous years. Current PILs are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base. The amount of the deferred tax asset or liability is measured at the amount expected to be recovered from or paid to the taxation authorities. This amount is determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date and are expected to apply when the liabilities/(assets) are settled/(recovered). The corporation recognized deferred tax arising from temporary difference on regulatory deferral account balances.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized.

At the end of each reporting period, the corporation reassesses both recognized and unrecognized deferred tax assets. The corporation recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.





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# **Collus PowerStream Corp.**

## **Notes to Financial Statements**

### **December 31, 2015 and 2014**

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### **3. Significant Accounting Policies Continued**

#### **(l) Finance Income and Finance Costs**

Finance income is comprised of interest income on funds invested such as cash and short-term investments. Interest income is recognized as it accrues in the statement of comprehensive income, using the effective interest method.

Finance cost is comprised of interest payable on debt, impairment losses recognized on financial assets and net interest on employee future benefits.

#### **(m) Inventory**

Cost of inventory is comprised of direct materials, which typically consists of distribution assets not deemed as major spares, unless purchased for specific capital projects in process or as spare units. Costs, after deducting rebates and discounts, are assigned to individual items of inventory on the basis of weighted average cost. Decommissioned assets that are transferred to inventory are tested for impairment once they are removed from service and placed in inventory. Inventory is recognized at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

#### **(n) Standards, Amendments and Interpretations Not Yet Effective**

At the date of authorization of these financial statements, certain new standards, amendments and interpretations to existing standards have been published by the IASB but are not yet effective, and have not been adopted early by the corporation.

Management anticipates that all of the relevant pronouncements will be adopted in the corporation's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the corporation's financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the corporation's financial statements and therefore have not been described here.

#### **IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement**

IFRS 9 amends the requirements for classification and measurement of financial assets, impairment, and hedge accounting. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost, fair value through profit or loss, and fair value through other comprehensive income. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The effective date for IFRS 9 is January 1, 2018. The corporation is in the process of evaluating the impact of the new standard.

#### **IFRS 15 Revenue from Contracts with Customers**

IFRS 15 is based on the core principle to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. IFRS 15 focuses on the transfer of control. IFRS 15 replaces all of the revenue guidance that previously existed in IFRS. The effective date for IFRS 15 is January 1, 2018. The corporation is in the process of evaluating the impact of the new standard.



# **Collus PowerStream Corp.**

## **Notes to Financial Statements**

### **December 31, 2015 and 2014**

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#### **4. Use of Estimates and Judgments**

The corporation makes certain estimates and assumptions regarding the future. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

##### Employee future benefits

The cost of post employment medical and insurance benefits are determined using actuarial valuations. An actuarial valuation involves making various assumptions. Due to the complexity of the valuation, the underlying assumptions and its long term nature, post employment medical and insurance benefits are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. See Note 17 Employee Future Benefits.

##### Payments in lieu of taxes payable

The corporation is required to make payments in lieu of tax calculated on the same basis as income taxes on taxable income earned and capital taxes. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The corporation recognizes liabilities for anticipated tax audit issues based on the corporation's current understanding of the tax law. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

##### Accounts receivable impairment

In determining the allowance for doubtful accounts, the corporation considers historical loss experience of account balances based on the aging and arrears status of accounts receivable balances.

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#### **5. 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).

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# Collus PowerStream Corp.

## Notes to Financial Statements

### December 31, 2015 and 2014

#### 6. 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, 2015 the rate was 1.00% (December 31, 2014 - 1.30%) (January 1, 2014 - 1.30%).

#### 7. Investments

	<b>December 31 2015</b>	December 31 2014	January 1 2014
Utility Collaborative Services Inc. ("UCS") recorded using the cost method, 1 common share, 10% interest	<b>\$ 100</b>	\$ 100	\$ 100

Utility Collaborative Services Inc. ("UCS") offers standards-based back office services. The collaboration of nine Local Distribution Companies ("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 18 & 26)

#### 8. Accounts Receivable

	<b>December 31 2015</b>	December 31 2014	January 1 2014
Accounts receivable	<b>\$ 3,513,889</b>	\$ 3,912,066	\$ 2,921,245
Other accrued and miscellaneous receivable	<b>198,862</b>	24,412	42,449
Construction and trade receivable	<b>386,349</b>	521,933	330,531
HST receivable	<b>46,612</b>	57,062	170,836
Ontario Power Authority receivable	<b>21,088</b>	232,905	110,577
Collus PowerStream Solutions Corp.	-	-	89,107
	<b>4,166,800</b>	4,748,378	3,664,745
Less: Allowance for bad debts (See Note 25)	<b>77,916</b>	116,435	118,530
	<b>\$ 4,088,884</b>	\$ 4,631,943	\$ 3,546,215

Accounts receivable include \$747,289 (December 31, 2014 - \$764,784 and January 1, 2014 - \$596,138) for water and sewer billings.



# Collus PowerStream Corp.

## Notes to Financial Statements

### December 31, 2015 and 2014

#### 9. Payments in Lieu of Corporate Taxes

(a) The significant components of the provision for payments in lieu of taxes recognized in net income are as follows:

	2015	2014
<b>Current tax</b>		
Based on current year taxable income	<b>\$ 178,697</b>	\$ 165,187

Statutory Canadian federal and provincial tax rates for the current year comprise 15% (2014 - 15%) for federal corporate tax and 11.5% (2014 - 11.5%) for corporate tax in Ontario. The PILs expense varies from amounts which would be computed by applying the corporation's combined statutory income tax rate as follows:

	2015	2014
Income before provision for PILs	<b>\$ 1,166,287</b>	\$ 1,093,841
Statutory Canadian federal and provincial tax rate	<b>26.50%</b>	26.50%
Provision for PILs at statutory rate	<b>\$ 309,066</b>	\$ 289,868
Increase (decrease) in income tax resulting from:		
Cumulative eligible capital deduction	<b>(8,085)</b>	(8,694)
Amortization expense in excess of capital cost allowance	<b>(113,437)</b>	(112,410)
Change in pension post retirement plan	<b>(1,810)</b>	(2,557)
Meals and entertainment	<b>1,324</b>	1,324
Co-operative education and apprenticeship credits	<b>(8,361)</b>	(2,344)
Total provision	<b>\$ 178,697</b>	\$ 165,187
Effective tax rate	<b>15.34%</b>	15.18%

(b) The movement in the deferred tax asset is as follows:

	2015	2014
Opening balance, January 1	<b>\$ 745,739</b>	\$ 742,445
Recognized in regulatory deferral credits	<b>(64,157)</b>	3,294
Closing balance, December 31	<b>\$ 681,582</b>	\$ 745,739
Deferred tax assets are attributable to the following:		
Employee future benefits	<b>\$ 101,212</b>	\$ 103,022
Property, plant and equipment	<b>546,278</b>	600,540
Goodwill	<b>34,092</b>	42,177
	<b>\$ 681,582</b>	\$ 745,739

The utilization of this tax asset is dependent on future taxable profits in excess of profits arising from the reversal of existing taxable temporary differences. The corporation believes that this asset should be recognized as it will be recovered through future services.



# Collus PowerStream Corp.

## Notes to Financial Statements

### December 31, 2015 and 2014

#### 10. Property, Plant and Equipment

	Land and Buildings	Distribution Equipment	Vehicles	Other Equipment	Work-in Progress	Total
<b>COST</b>						
January 1, 2014	\$ 859,783	\$ 12,808,265	\$ 837,693	\$ 376,288	\$ 193,190	\$ 15,075,219
Additions	-	1,575,570	262,918	86,532	166,104	2,091,124
Disposals	-	(189,158)	-	-	-	(189,158)
December 31, 2014	<b>859,783</b>	<b>14,194,677</b>	<b>1,100,611</b>	<b>462,820</b>	<b>359,294</b>	<b>16,977,185</b>
Additions	2,300	1,804,122	39,114	114,518	470,562	2,430,616
Disposals	-	(225,654)	-	-	-	(225,654)
December 31, 2015	<b>\$ 862,083</b>	<b>\$ 15,773,145</b>	<b>\$ 1,139,725</b>	<b>\$ 577,338</b>	<b>\$ 829,856</b>	<b>\$ 19,182,147</b>

#### ACCUMULATED AMORTIZATION

January 1, 2014	\$ -	\$ -	\$ -	\$ -	\$ -	-
Amortization	9,296	708,270	219,594	65,141	-	1,002,301
Disposals	-	-	-	-	-	-
Impairment Loss	-	-	-	-	-	-
December 31, 2014	<b>9,296</b>	<b>708,270</b>	<b>219,594</b>	<b>65,141</b>	<b>-</b>	<b>1,002,301</b>
Amortization	9,335	645,283	231,921	77,341	-	963,880
Disposals	-	(24,966)	-	-	-	(24,966)
Impairment Loss	-	-	-	-	-	-
December 31, 2015	<b>\$ 18,631</b>	<b>\$ 1,328,587</b>	<b>\$ 451,515</b>	<b>\$ 142,482</b>	<b>\$ -</b>	<b>\$ 1,941,215</b>

#### CARRYING AMOUNTS

January 1, 2014	<b>\$ 859,783</b>	<b>\$ 12,808,265</b>	<b>\$ 837,693</b>	<b>\$ 376,288</b>	<b>\$ 193,190</b>	<b>\$ 15,075,219</b>
December 31, 2014	<b>\$ 850,487</b>	<b>\$ 13,486,407</b>	<b>\$ 881,017</b>	<b>\$ 397,679</b>	<b>\$ 359,294</b>	<b>\$ 15,974,884</b>
December 31, 2015	<b>\$ 843,452</b>	<b>\$ 14,444,558</b>	<b>\$ 688,210</b>	<b>\$ 434,856</b>	<b>\$ 829,856</b>	<b>\$ 17,240,932</b>

During the year, the corporation capitalized borrowing costs, related to the duration of capital construction projects greater than four months, amounting to \$13,511 (2014 - \$NIL).



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# Collus PowerStream Corp.

## Notes to Financial Statements

### December 31, 2015 and 2014

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#### 11. Computer Software

<b>COST</b>	<b>Total</b>
January 1, 2014	\$ 44,660
Additions	<u>51,315</u>
December 31, 2014	95,975
Additions	<u>12,521</u>
December 31, 2015	<u>\$ 108,496</u>
 <b>ACCUMULATED AMORTIZATION</b>	
January 1, 2014	\$ -
Amortization	<u>21,990</u>
December 31, 2014	21,990
Amortization	<u>19,230</u>
December 31, 2015	<u>\$ 41,220</u>
 <b>CARRYING AMOUNTS</b>	
January 1, 2014	<u>\$ 44,660</u>
December 31, 2014	<u>\$ 73,985</u>
December 31, 2015	<u>\$ 67,276</u>

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# Collus PowerStream Corp.

## Notes to Financial Statements

### December 31, 2015 and 2014

#### 12. Regulatory Deferral Accounts

All amounts deferred as regulatory deferral account debit balances are subject to approval by the OEB. As such, amounts subject to deferral could be altered by the regulators. Remaining recovery periods are those expected and the actual recovery or settlement periods could differ based on OEB approval. Where no recovery period is noted, the deferral amount will be applied for disposition at the time of the next Cost of Service Application to the OEB, which is currently scheduled for 2017. The recovery period will be determined by the OEB at that time.

Due to previous, existing or expected future regulatory articles or decisions, the corporation has the following amounts expected to be recovered by customers (returned to customers) in future periods and as such regulatory deferral account balances are comprised of:

	2014	Disposition May 2015	Balances Arising in the Period	Recovery	2015
<b>Regulatory deferral debits:</b>					
Stranded asset	\$ 355,332	\$ -	\$ 166,622	\$ -	\$ 521,954
Energy East consultation costs	-	-	2,290	-	2,290
IFRS transition costs	176,493	-	3,990	-	180,483
Late payment penalty settlement	(2,217)	-	-	-	(2,217)
Green Energy Renewable Connect	2,699	-	2,755	-	5,454
Stranded meters	113,626	-	336	(104,110)	9,852
Smart Grid	4,608	-	54	-	4,662
PILs tax variance - other	17	-	-	-	17
PILs tax variance - Ontario SBD	-	-	35,187	-	35,187
LRAMVA	24,405	-	28,325	-	52,730
RARA approved May 1, 2013, 2 yr	116,046	-	1,342	(18,752)	98,636
RARA approved May 1, 2015, 1 yr	-	1,161,246	5,623	(652,682)	514,187
Retail settlement variances	1,043,401	(1,161,246)	117,845	-	-
	1,834,410	-	364,369	(775,544)	1,423,235
Miscellaneous deferred debits	265,325	-	125	(90,420)	175,030
	<b>\$ 2,099,735</b>	<b>\$ -</b>	<b>\$ 364,494</b>	<b>\$ (865,964)</b>	<b>\$ 1,598,265</b>
<b>Regulatory deferral credits:</b>					
Retail settlement variances	\$ -	\$ -	\$ 249,932	\$ -	\$ 249,932
RARA approved May 1, 2010, 4 yr	(52,538)	-	(3,666)	-	(56,204)
RARA approved May 1, 2012, 2 yr	12,253	-	(84)	-	12,169
Deferred taxes (See Note 9b)	745,739	-	(64,157)	-	681,582
	<b>\$ 705,454</b>	<b>\$ -</b>	<b>\$ 182,025</b>	<b>\$ -</b>	<b>\$ 887,479</b>
<b>Net regulatory asset</b>	<b>\$ 1,394,281</b>	<b>\$ -</b>	<b>\$ 182,469</b>	<b>\$ (865,964)</b>	<b>\$ 710,786</b>



# Collus PowerStream Corp.

## Notes to Financial Statements

### December 31, 2015 and 2014

#### 12. Regulatory Deferral Accounts Continued

Carrying charges are calculated monthly on the opening balance of the applicable variance account using the prescribed interest rate set by the OEB. During the year the corporation recorded a net debit balance of \$18,078 (2014 - \$23,906) to the above regulatory accounts for carrying charges and the related net credit balance is included in finance income (Note 32). The prescribed interest rate history is as follows:

	Q1	Q2	Q3	Q4
2015 OEB quarterly prescribed interest rates	1.47 %	1.10 %	1.10 %	1.10 %
2014 OEB quarterly prescribed interest rates	1.47 %	1.47 %	1.47 %	1.47 %

#### Stranded Assets

The purpose of this other regulatory 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 were replaced between June 2013 and December 31, 2015 at an actual removed net book value of \$512,493.

#### Energy East Consultation Costs

On June 13, 2014, the Board established this deferral account to record the Energy East Pipeline Project consultation costs.

#### 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.

#### 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.

#### 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.

#### 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 and ending April 30, 2015.





# Collus PowerStream Corp.

## Notes to Financial Statements

### December 31, 2015 and 2014

#### 12. Regulatory Deferral Accounts Continued

##### 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 of these deferral accounts attract applicable carrying charges.

##### Payments in Lieu of Taxes ("PILs") Variances - Other

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.

##### Payments in Lieu of Taxes ("PILs") Variances - Ontario Small Business Deduction

Effective for taxation years ending after May 1, 2014, Canadian Controlled Private Corporations with taxable capital of \$15 million or more are no longer eligible for the Ontario Small Business Deduction, which is a preferential corporate income tax rate of 4.5% instead of 11.5% on the first \$500,000 of active business income. The Board requires any tax changes to be shared equally between ratepayers and the shareholder. The tax change was incorporated into the Incentive Regulation Mechanism ("IRM") with effective rates May 1, 2016.

2014 Impact on Corporate Tax Return	\$500,000 x (11.5% - 4.5%) = \$35,000
2015 Impact on Corporate Tax Return	\$500,000 x (11.5% - 4.5%) = \$35,000
	<u>\$70,000</u>
	50% sharing of tax change <u>x 50%</u>
	<u>\$35,000</u>
	Carrying charges <u>187</u>
	<u><u>\$35,187</u></u>

##### Lost Revenue Adjustment Mechanism Variance Account ("LRAMVA")

This variance account captures the difference between results of actual, verified impacts of authorized CDM activities undertaken and the level of CDM program activities included in the distributor's load forecast and therefore embedded into rates.

##### 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. The number of years over which the recovery has been approved has been noted in the preceding schedule.



# Collus PowerStream Corp.

## Notes to Financial Statements

### December 31, 2015 and 2014

#### 12. Regulatory Deferral Accounts Continued

##### 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.

##### Low Voltage Variance

This account is included in Retail Settlement Variances and is used to record the variances arising from low voltage transactions that are not part of the electricity wholesale market.

##### Other Regulatory Assets - Miscellaneous Deferred Debits

The following regulatory group of accounts tracks deferred costs for items that will be included in the expenses of other fiscal periods for purposes of developing the rates that the utility is authorized to charge:

	2015			2014		
	Cost	Expensed	Net Book Value	Cost	Expensed	Net Book Value
Regulatory expenses	\$ 346,356	\$ 236,676	\$ 109,680	\$ 346,356	\$ 154,416	\$ 191,940
Distribution system plan	125	-	125	-	-	-
Expansion charges	204,914	139,689	65,225	204,914	131,529	73,385
	<b>\$ 551,395</b>	<b>\$ 376,365</b>	<b>\$ 175,030</b>	<b>\$ 551,270</b>	<b>\$ 285,945</b>	<b>\$ 265,325</b>

##### (a) Misc Deferred Debits - Regulatory Expenses

This account includes 2013 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. Deferred regulatory costs will be expensed to the general and administration category over the next two years as follows:

2016	\$ 82,260
2017	27,420
	<u>\$ 109,680</u>

##### (b) Misc Deferred Debits - Expansion Charges

This account includes expenses incurred in the expansion of the service area for Stayner, Creemore, and Thornbury, which will benefit future periods and are carried forward and charged to amortization expense over a twenty-five year period ending December 31, 2024 at an annual amount of \$8,160.



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# Collus PowerStream Corp.

## Notes to Financial Statements

### December 31, 2015 and 2014

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#### 12. Regulatory Deferral Accounts Continued

##### Deferred 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 deferred taxes.

##### Impact in the Absence of Regulatory Accounting

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

	<u>2015</u>	<u>2014</u>
<b>Statement of Comprehensive Income:</b>		
(Increase) decrease in the sale of energy	\$ (802,498)	\$ 309,889
(Increase) in distribution revenue	(41,174)	(331,978)
Increase in operating expenses	(75,169)	(79,669)
Loss on disposal of property, plant and equipment	161,271	166,722
Increase in interest expense	18,078	23,906
Decrease in amortization	(8,160)	(8,160)
(Decrease) increase in deferred tax expense	64,157	(3,294)
	<u>(683,495)</u>	<u>77,416</u>
<b>Balance Sheet:</b>		
Increase in retained earnings	1,394,281	1,316,865
	<u>\$ 710,786</u>	<u>\$ 1,394,281</u>

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# Collus PowerStream Corp.

## Notes to Financial Statements

### December 31, 2015 and 2014

#### 13. Accounts Payable and Accruals

	<b>December 31</b>	December 31	January 1
	<b>2015</b>	2014	2014
Independent Electricity System Operator	<b>\$ 3,363,174</b>	\$ 3,473,425	\$ 3,323,281
Hydro One	<b>747,500</b>	695,317	707,900
Trade payables	<b>551,907</b>	372,167	576,042
Town of Collingwood - Sewer	<b>1,165,058</b>	1,762,086	941,841
Town of Collingwood - Interest Payable	<b>81,575</b>	83,456	95,427
Collingwood Public Utilities Service Board	<b>754,389</b>	1,744,623	606,819
Collus PowerStream Solutions Corp.	<b>112,361</b>	107,655	-
Economic evaluations	<b>129,159</b>	129,159	154,952
Debt retirement charge payable	<b>151,598</b>	164,449	136,284
Other accounts payable and accruals	<b>29,764</b>	39,720	33,891
Accrued interest on long-term debt	<b>36,076</b>	30,544	32,767
	<b>\$ 7,122,561</b>	\$ 8,602,601	\$ 6,609,204

#### 14. Customer Deposits and Credits

	<b>December 31</b>	December 31	January 1
	<b>2015</b>	2014	2014
Customer deposits	<b>\$ 481,279</b>	\$ 494,758	\$ 459,052
Construction work deposits	<b>327,354</b>	56,974	51,894
Customer credit balances in trade receivables	<b>307,130</b>	290,517	348,255
	<b>1,115,763</b>	842,249	859,201
Less long-term portion of customer deposits	<b>281,455</b>	285,968	220,874
	<b>\$ 834,308</b>	\$ 556,281	\$ 638,327

#### 15. Contributions in Aid of Construction

	<b>December 31</b>	December 31	January 1
	<b>2015</b>	2014	2014
Deferred contributions, net, beginning of year	<b>\$ 347,075</b>	\$ -	\$ -
Contributions in aid of construction received	<b>745,573</b>	351,231	-
Contributions in aid of construction recognized as distribution revenue	<b>(16,751)</b>	(4,156)	-
Deferred contributions, net, end of year	<b>\$ 1,075,897</b>	\$ 347,075	\$ -



# Collus PowerStream Corp.

## Notes to Financial Statements

### December 31, 2015 and 2014

#### 16. Long-term Debt

	2015	2014
Town of Collingwood - 4.77% (2014 - 4.88%) OEB deemed rate, repaid on December 31, 2015 after receiving a resolution that the promissory note would be called in 2016.	\$ -	\$ 1,710,170
Infrastructure Ontario Debentures - secured by a general security agreement on all assets and real property under a second charge equal priority ranking arrangement with TD.		
• 4.67% fixed rate, \$100,000 principal repayable semi-annually plus interest in October and April, due April 2025	1,900,000	2,100,000
• 3.84% fixed rate, \$32,700 principal and interest repayable monthly, due September 2037	5,780,010	5,946,961
• 4.58% fixed rate, \$3,563 principal and interest repayable monthly, due December 2043	677,055	688,787
• 2.76% fixed rate, \$25,000 principal repayable semi-annually plus interest in October and April, due April 2035	975,000	-
TD Bank - 3.65% fixed rate, \$14,239 combined principal and interest repayable monthly, secured by a general security agreement on all assets and real property under a second charge equal priority ranking arrangement with Infrastructure Ontario, due December 31, 2025	3,110,170	-
	<b>12,442,235</b>	10,445,918
Current portion of long-term debt	<b>491,505</b>	378,683
	<b>\$ 11,950,730</b>	\$ 10,067,235

The agreement governing these facilities contains certain covenants as described in Note 28.

The finance agreements with Infrastructure Ontario had total authorizations of \$11,000,000. Total advances of \$11,000,000 have been approved. At December 31, 2015, the corporation had undrawn credit capacity under this facility of \$0 (2014 - \$1,000,000).

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

2016	\$ 491,505
2017	503,495
2018	513,377
2019	523,645
2020	534,020
Thereafter	9,876,193
	<b>\$ 12,442,235</b>



# **Collus PowerStream Corp.**

## **Notes to Financial Statements**

### **December 31, 2015 and 2014**

#### **17. Employee Future Benefits**

##### (a) Pension plan

The employees of the corporation participate in the Ontario Municipal Employees Retirement System ("OMERS"). Although the plan has a defined retirement benefit plan for employees, the related obligation of the corporation cannot be identified. The OMERS plan has several unrelated participating municipalities and costs are not specifically attributed to each participant.

The plan 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. The employer portion of amounts paid to OMERS during the year was \$116,455 (2014 - \$114,309). The contributions were made for current service and these have been recognized in net income.

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, 2014. The results of this valuation disclosed total actuarial liabilities of \$77.3 (2013 - \$73.3) billion in respect of benefits accrued for service with actuarial assets at that date of \$70.2 (2013 - \$64.6) billion, indicating an actuarial deficit of \$7.1 (2013 - \$8.6) billion. 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% (2014 - 9.0%) for employees earning up to \$53,600 (2014 - \$52,500) and 14.6% (2014 - 14.6%) thereafter.

##### (b) Post employment medical and life insurance plan

The corporation provides certain unfunded health, dental and life insurance benefits on behalf of its retired employees. All employees who retire from the corporation are eligible for post-retirement life insurance benefits. In addition, employees age 55 or older with a minimum of 25 years of active service are eligible for extended health, dental, and vision benefits until they turn 65.

These benefits are provided through a group defined benefit plan. The corporation has reported its share of the defined benefit costs and related liabilities, as calculated by an actuary, in these financial statements. The accrued benefit liability and the expense for the years ended December 31, 2015 and 2014 were based on results and assumptions determined by actuarial valuation as at January 1, 2014.

The plan is exposed to a number of risks, including:

- Interest rate risk: decreases/increases in the discount rate used (high quality corporate bonds) will increase/decrease the defined benefit obligation.
- Longevity risk: changes in the estimation of mortality rates of current and former employees.
- Health care cost risk: increases in cost of providing health, dental and life insurance benefits.



# Collus PowerStream Corp.

## Notes to Financial Statements

### December 31, 2015 and 2014

#### 17. Employee Future Benefits Continued

Information about the group unfunded defined benefit plan as a whole and changes in the present value of the unfunded defined benefit obligation and the accrued benefit liability are as follows:

	2015	2014
Defined benefit obligation, beginning of the year	<b>\$ 388,763</b>	\$ 398,413
Amounts recognized in net income:		
Current service cost	<b>6,482</b>	6,185
Interest cost on obligation	<b>17,911</b>	18,304
	<b>24,393</b>	24,489
Benefit payments	<b>(31,223)</b>	(34,139)
Defined benefit obligation, end of the year	<b>\$ 381,933</b>	\$ 388,763

Actuarial assumptions are as follows:

	2015		2014
Discount rate	<b>4.80 %</b>		4.80 %
Consumer price index	<b>2.00 %</b>		2.00 %
Rate of compensation increase	<b>3.50 %</b>		3.50 %
Health benefits costs escalation	<b>4.60 % to 6.70 %</b>	4.60 % to	7.00 %
Dental benefits costs escalation	<b>4.60 %</b>		4.60 %
Retirement age	<b>59 yrs</b>		59 yrs

Sensitivity analysis for each significant actuarial assumption to which the corporation is exposed is as follows:

	Discount Rate		Retirement Age		Health Benefits	
	1%+	1%-	2 yrs+	2 yrs-	1%+	1%-
Obligation	\$ (41,562)	\$ 34,191	\$ (34,822)	\$ 25,381	\$ 15,423	\$ (13,866)
Service Cost	(1,347)	1,251	(1,042)	1,317	743	(614)
Interest Cost	1,323	(2,389)	(1,547)	1,102	678	(612)

The weighted average duration of the defined benefit obligation at December 31, 2015 was 10 years (December 31, 2014 - 10 years) (January 1, 2014 - 10 years).



# **Collus PowerStream Corp.**

## **Notes to Financial Statements**

### **December 31, 2015 and 2014**

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#### **18. Commitments**

##### **Cornerstone Hydro Electric Concepts ("CHEC")**

Cornerstone Hydro Electric Concepts Association Inc. ("CHEC") is an association of fifteen LDCs modelled after a co-operative to share resources and proficiencies. (See Note 26)

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, 2017. 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, 2015 the obligation to CHEC includes 2016 and 2017 membership dues of approximately \$46,500 per year, \$93,000 total.

##### **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 120 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 years' 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, 2015 the obligation to UCS includes 2016 to 2018 fees of approximately \$180,000 per year, \$540,000 total.

In January 2016 notice was provided to UCS indicating the corporation's intent to retract their shares with an effective date of May 25, 2016. The corporation will continue to receive services for the three year notice period ending May 25, 2019.

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# Collus PowerStream Corp.

## Notes to Financial Statements

### December 31, 2015 and 2014

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#### 19. Share Capital

(a) Ordinary shares

The authorized share capital of the corporation is an unlimited number of common shares. The shares have no par value. All shares are ranked equally with regards to the corporation's residual assets. There are no preference shares. The issued and fully paid share capital is as follows:

	<b>December 31 2015</b>	December 31 2014	January 1 2014
5,101,340 Common shares	<b>\$ 5,101,340</b>	\$ 5,101,340	\$ 5,101,340

(b) Movement in ordinary share capital

No movement in ordinary share capital has occurred during 2015 or 2014.

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#### 20. Miscellaneous Paid In Capital

Collingwood Public Utilities Commission was restructured November 1, 2000. The Ontario Government enacted the Energy Competition Act, 1998 which introduced competition to the Ontario electricity market. Net electricity distribution assets and liabilities of the original Collingwood Public Utilities Commission were transferred to the newly created corporations on November 1, 2000.

Net assets & liabilities	\$ 9,777,524
Promissory note - Town of Collingwood	(1,710,170)
Common shares	<u>(5,101,340)</u>
Miscellaneous Paid In Capital	<u>\$ 2,966,014</u>

The promissory note to the Town of Collingwood was repaid on December 31, 2015 and replaced with a loan from the TD Bank.

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# **Collus PowerStream Corp.**

## **Notes to Financial Statements**

### **December 31, 2015 and 2014**

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#### **21. Dividends**

Dividends in the amount of \$408,107 (2014 - \$367,000) were declared and paid to Collingwood PowerStream Utility Services Corp. (See Note 26).

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.

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#### **22. Liability Insurance**

The corporation belongs to the Municipal Electric Association 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, 2015, 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 Collus PowerStream Solutions Corp. is \$24,000,000 for liability insurance, \$14,414,851 for property insurance, and \$15,000,000 for vehicle insurance.

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#### **23. Credit Facilities**

The credit facility agreement contains certain covenants as described in Note 28.

##### 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 0.30% per annum, calculated and payable monthly. As at December 31, 2015 the balance was \$NIL (2014 - \$NIL) on this credit facility and the rate was 2.40% (2014 - 2.70%).

##### Letter of Credit ("LOC")

As at December 31, 2015, the corporation had utilized \$2,326,160 (2014 - \$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% (2014 - 0.50%). For the year ended December 31, 2015 the fee incurred was \$11,631 (2014 - \$11,631).

##### 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.

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# Collus PowerStream Corp.

## Notes to Financial Statements

### December 31, 2015 and 2014

#### 24. Amortization

	2015	2014
Property, plant and equipment	\$ 731,958	\$ 782,707
Software	19,230	21,990
Deferred charges	8,160	8,160
	<b>759,348</b>	812,857
Vehicles, allocated to other accounts	<b>231,922</b>	219,594
	<b>\$ 991,270</b>	\$ 1,032,451

#### 25. Bad Debt Expense (Included in Billing and Collecting)

	2015	2014
<b>Bad Debt Expense - Electric Receivables:</b>		
Write-offs during the year	\$ 55,536	\$ 49,544
Recoveries during the year	(13,576)	(15,607)
Opening allowance	(90,964)	(97,409)
Closing allowance	77,916	90,964
	<b>\$ 28,912</b>	\$ 27,492
<b>Allowance For Bad Debts:</b> (See Note 8)		
Collus PowerStream Corp.	\$ 77,916	\$ 90,964
Collingwood Public Utilities Service Board - Water	-	9,423
Town of Collingwood - Waste Water	-	16,048
	<b>\$ 77,916</b>	\$ 116,435

#### 26. Related Party Transactions

(a) The ultimate parent

Collingwood PowerStream Utility Services Corp. (owned 50% by the Town of Collingwood and 50% by PowerStream Inc., which in turn is owned by the Cities of Barrie, Vaughan, and Markham) is the holding company for the following three wholly-owned subsidiaries:

- (i) Collus PowerStream Corp. - Electricity distributor
- (ii) Collus PowerStream Solutions Corp. - Administrative service provider
- (iii) Collus PowerStream Energy Corp. - Inactive

Since the ultimate parent constitutes local government, the corporation is exempt from some of the general disclosure requirements of IAS 24 with relation to transactions with government-related parties, and has applied the government-related disclosure requirements.



# Collus PowerStream Corp.

## Notes to Financial Statements

### December 31, 2015 and 2014

#### 26. Related Party Transactions Continued

(b) Transactions with related parties

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.

#### 2015

	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 Solutions Corp.	Collus PowerStream Energy Corp.	Collingwood Public Utilities Service Board
<b>Revenue:</b>						
Streetlight maintenance	\$ 49,548	\$	\$	\$	\$	\$
<b>Disbursements:</b>						
Property taxes	18,782					
Property maintenance	7,500					
Interest	81,575					
Services		20,246				
Shared employee charge				1,068,008		37,743
Computer lease						21,792
Building lease						216,000
Conservation program		140,103				
<b>Dividends paid</b>			408,107			

#### 2014

<b>Revenue:</b>						
Streetlight maintenance	\$ 48,465	\$	\$	\$	\$	\$
<b>Disbursements:</b>						
Property taxes	18,229					
Property maintenance	5,250					
Interest	83,456					
Services		26,129				
Shared employee charge				1,276,072		49,446
Computer lease						21,792
Building lease						216,000
Conservation program		212,517				
<b>Dividends paid</b>			367,000			



# Collus PowerStream Corp.

## Notes to Financial Statements

### December 31, 2015 and 2014

#### 26. Related Party Transactions Continued

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

	2015					
	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 Solutions Corp.	Collus PowerStream Energy Corp.	Collingwood Public Utilities Service Board
Trade receivable	\$ 16,233	\$	\$	\$	\$	\$ 34,412
Trade payable	(2,599)	(13,947)		(112,361)		(754,389)
Interest payable	(81,575)					
Sewer payable	(1,165,058)					
	<b>\$ (1,232,999)</b>	<b>\$ (13,947)</b>	<b>\$</b>	<b>\$ (112,361)</b>	<b>\$</b>	<b>\$ (719,977)</b>
	2014					
Trade receivable	\$ 76,725	\$ 36,517	\$	\$	\$	\$ 111,811
Trade payable	(39,249)	(6,289)		(107,655)		(1,767,118)
Interest payable	(83,456)					
Sewer payable	(1,762,086)					
Long-term debt	(1,710,170)					
	<b>\$ (3,518,236)</b>	<b>\$ 30,228</b>	<b>\$</b>	<b>\$ (107,655)</b>	<b>\$</b>	<b>\$ (1,655,307)</b>

The corporation paid \$59,892 (2014 - \$61,684) in fees to Cornerstone Hydro Electric Concepts Association Inc. ("CHEC") (See Note 18).

The corporation paid \$179,287 (2014 - \$181,116) in fees to Utility Collaborative Services Inc. ("UCS") for items such as information technology hosting and software licensing (See Note 18).

(c) Key management personnel compensation comprised:

The key management personnel of the corporation has been identified as members of its board of directors and management team members, including management fees paid to Collus PowerStream Solutions Corp.

	2015	2014
Board of directors' fees	<b>\$ 71,812</b>	\$ 56,236
Short-term employment benefits and salaries	<b>754,962</b>	789,861
Post-employment benefits	<b>16,411</b>	15,689
	<b>\$ 843,185</b>	\$ 861,786



# Collus PowerStream Corp.

## Notes to Financial Statements

### December 31, 2015 and 2014

#### 27. Financial Instruments

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

	2015		2014	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<b>Assets</b>				
Cash and bank	\$ 2,943,000	\$ 2,943,000	\$ 1,490,843	\$ 1,490,843
Investments	100	undeterminable	100	undeterminable
Accounts receivable	4,088,883	4,088,883	4,631,944	4,631,944
Unbilled energy revenue	4,232,314	4,232,314	3,944,854	3,944,854
<b>Liabilities</b>				
Accounts payable & accruals	\$ 7,122,561	\$ 7,122,561	\$ 8,602,601	\$ 8,602,601
Customer deposits	1,115,763	1,115,763	842,249	842,249
Long-term debt	12,442,235	12,442,235	10,445,918	10,445,918

The estimated fair values of financial instruments as at December 31, 2015 and December 31, 2014 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 energy revenue, current customer deposits and credit balances, and accounts payable and accruals approximate their carrying values because of the short-term nature of these instruments.
- (b) Investments include common shares of a private company 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.

Financial Instruments which are disclosed at fair value are to be classified using a three-level hierarchy. Each level reflects the inputs used to measure the fair values disclosed of the financial liabilities and are as follows:

- Level 1: Inputs are unadjusted quoted prices of identical instruments in active markets;



# Collus PowerStream Corp.

## Notes to Financial Statements

### December 31, 2015 and 2014

#### 27. Financial Instruments Continued

- Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly or indirectly; and
- Level 3: Inputs for the liabilities that are not based on observable market data (unobservable inputs)

The corporation's fair value hierarchy is classified as Level 2 for long-term debt. The classification has been calculated using the discounted cash flow model based on the contractual terms of the instrument discounted using an appropriate market rate of interest.

#### 28. Capital Disclosures

The corporation considers its capital to be its share capital, miscellaneous paid in capital, retained earnings (deficit) and accumulated other comprehensive income. The corporation's main objectives when managing capital are to: i) ensure sufficient liquidity to maintain and improve its electricity distribution system, 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 and considers recoveries of financing charges permitted by the OEB, 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, 2015.

Management monitors the following key ratios to effectively manage capital:

	<b>2015</b>	2014
a) Debt Service Coverage Ratio: (must be at least 1.15)	<b>1.45:1</b>	1.29:1
b) Debt to Capital: (must not exceed 0.60)	<b>0.59:1</b>	0.57:1
c) Current ratio: (must be at least 1.10)	<b>1.40:1</b>	1.10:1

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 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.



# Collus PowerStream Corp.

## Notes to Financial Statements

### December 31, 2015 and 2014

#### 29. 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 corporation for financial instruments. This is not an exhaustive list of all risks, nor will the mitigation strategies eliminate all risks identified.

##### (a) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a loss for the other party by failing to pay for its obligation. The maximum credit exposure is limited to the carrying amount of cash and bank, accounts receivable, and unbilled energy revenue presented on the balance sheet.

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 energy 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 has approximately 17,000 customers, the majority of which are residential. No single customer accounts for revenue in excess of 10% of total revenue. The corporation limits its credit risk by collecting deposits (See Note 14), 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. 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 net income. The provision is based on account age and customer standing. Subsequent recoveries of receivables previously provisioned are credited to net income. (See Note 25)

The value of accounts receivable, by age, and the related bad debt provision are presented in the following table. Unbilled energy revenue which is not included in the table below is considered all current.

	<b>2015</b>	2014
Under 30 days	<b>\$ 4,056,322</b>	\$ 4,663,396
30 to 60 days	<b>79,379</b>	52,274
61 to 90 days	<b>15,115</b>	11,263
Over 90 days	<b>15,983</b>	21,446
	<b>4,166,799</b>	4,748,379
Provision	<b>77,916</b>	116,435
Total accounts receivable	<b>\$ 4,088,883</b>	\$ 4,631,944





# Collus PowerStream Corp.

## Notes to Financial Statements

### December 31, 2015 and 2014

#### 29. Financial Risk Management Continued

##### (b) 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	Total
Accounts payable	\$ 6,993,402	\$ 129,159	\$ -	\$ -	\$ 7,122,561
Payments in lieu of taxes	4,317	-	-	-	4,317
Customer deposits/credits	-	834,308	281,455	-	1,115,763
Long-term debt	<u>58,031</u>	<u>433,474</u>	<u>2,074,537</u>	<u>9,876,193</u>	<u>12,442,235</u>
Total	<u>\$ 7,055,750</u>	<u>\$ 1,396,941</u>	<u>\$ 2,355,992</u>	<u>\$ 9,876,193</u>	<u>\$ 20,684,876</u>

##### (c) 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, 2015.

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 Infrastructure Ontario and TD Bank loans, which bear fixed rates of interest. As at December 31, 2015, 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.

#### 30. Economic Dependence

The corporation receives management, administration, billing, collecting and information technology services from Collus PowerStream Solutions Corp. ("Solutions") under a shared services agreement between the corporation, Solutions and the Collingwood Public Utilities Service Board. The agreement is currently under review and the impact of any changes to the agreement is unknown at this time.



# Collus PowerStream Corp.

## Notes to Financial Statements

### December 31, 2015 and 2014

#### 31. Expenses by Nature

	2015	2014
<b>Billing and collecting:</b>		
After hours call centre	\$ 13,488	\$ -
Bad debts (Note 25)	28,912	27,592
Bank charges	15,639	13,111
Billing supplies and services provided	124,847	146,219
Collection agency costs	2,733	5,592
Conservation and community safety programs	5,175	-
Control room	2,400	2,400
Disconnection and collection service subcontractor	26,685	30,924
Information technology	16,801	13,707
Insurance - Business credit collections	22,611	23,840
Meter reading - manual	6,573	6,912
Office and general	13,170	11,396
Postage	108,690	87,910
Retailer Settlement Expenses	86,000	88,502
Salaries and benefits	348,653	310,574
Smart meter reading and operations	199,932	192,977
Telephone	4,892	3,657
Training and travel	5,580	5,643
Vehicle burden allocation	1,046	729
	<b>\$ 1,033,827</b>	<b>\$ 971,685</b>
<b>Operations and maintenance:</b>		
Materials, supplies, small tools	\$ 137,580	\$ 142,960
Office and general	4,781	5,939
Property taxes	22,167	21,507
Rent - operations facility and yard	172,800	172,800
Rent - joint pole use	19,999	11,702
Salaries, benefits and burdens	1,391,127	1,347,991
Subcontractor and service providers	316,840	210,759
Telephone	18,163	19,548
Training and travel	51,320	32,720
Utilities	7,647	7,343
Vehicle burden allocation	246,288	195,844
	<b>\$ 2,388,712</b>	<b>\$ 2,169,113</b>



# Collus PowerStream Corp.

## Notes to Financial Statements

### December 31, 2015 and 2014

#### 31. Expenses by Nature Continued

	2015	2014
<b>General and administration:</b>		
Advertising and sponsorships	\$ 23,418	\$ 25,942
Actuary	-	5,521
Audit	27,600	29,400
Building maintenance	30,730	29,320
Computer lease	21,792	21,792
Conferences, events, training, meetings and travel	70,392	60,156
Consulting	26,018	75,132
Information technology	25,644	29,283
Insurance	75,188	85,542
Legal	25,368	6,007
Memberships, fees and dues	102,799	100,530
Office supplies and materials	4,569	11,755
Regulatory	122,296	122,730
Rent - administration building	43,200	43,200
Salaries and benefits	644,763	732,444
Telephone	9,753	9,828
	<b>\$ 1,253,530</b>	<b>\$ 1,388,582</b>

#### 32. Finance Income and Finance Cost

	2015	2014
<b>Finance Income:</b>		
Interest earned on bank account	\$ 34,485	\$ 35,683
Carrying charges on regulatory deferrals	18,078	23,906
	<b>\$ 52,563</b>	<b>\$ 59,589</b>
<b>Finance Cost:</b>		
Net interest on employee future benefits	\$ 17,911	\$ 18,304
Interest on customer deposits	4,524	6,595
Interest on Letter of Credit	11,631	9,250
Interest on long-term debt	452,056	449,575
	<b>\$ 486,122</b>	<b>\$ 483,724</b>



# **Collus PowerStream Corp.**

## **Notes to Financial Statements**

### **December 31, 2015 and 2014**

#### **33. First Time Adoption of International Financial Reporting Standards**

IFRS 1, *First Time Adoption of International Financial Reporting Standards*, requires that comparative financial information be provided. As a result, the first date at which the corporation has applied IFRS was January 1, 2014 (the "Transition Date"). IFRS 1 requires first-time adopters to retrospectively apply all effective IFRS standards as of the reporting date, which for the corporation will be December 31, 2015. However, it also provides for certain optional exemptions and certain mandatory exceptions for first-time IFRS adoption. Prior to transition to IFRS, the corporation prepared its financial statements in accordance with Canadian generally accepted accounting principles ("pre-changeover Canadian GAAP").

The IFRS 1 applicable exemptions and exceptions applied in the conversion from pre-changeover Canadian GAAP to IFRS are as follows:

Mandatory exceptions:

Derecognition of financial assets and liabilities

The corporation has applied the derecognition requirements in IAS 39 prospectively for transactions occurring on or after January 1, 2014. As a result any non-derivative financial assets or non-derivative financial liabilities derecognized in accordance with pre-changeover Canadian GAAP as a result of a transaction that occurred before January 1, 2014, have not been recognized in accordance with IFRS unless they qualify for recognition as a result of a later transaction or event.

Estimates

The estimates previously made by the corporation under pre-changeover Canadian GAAP were not revised for the application of IFRS, except where necessary to reflect any difference in accounting policy or where there was objective evidence that those estimates were in error. As a result, the corporation has not used hindsight to revise estimates.

Optional elections:

Borrowing costs

The corporation has elected to apply the transitional provisions of IAS 23 Borrowing Costs which permits prospective capitalization of borrowing costs on qualifying assets from the Transition Date.

Deemed cost for operations subject to rate regulation

The corporation has elected the deemed cost exemption applicable to entities subject to rate regulation as described under IFRS 1. The election permits the corporation, at the date of transition to IFRS, to use the previous Canadian GAAP carrying amount of items of PP&E and intangible assets as deemed cost (thereby eliminating any accumulated amortization balances existing at the date of transition); hence there will be no impact on retained earnings for opening balances of PP&E and intangible assets at the date of transition. In accordance with the election, the corporation has tested these items of PP&E and intangible assets at the date of transition to IFRS. No impairment losses were recognized.

Transfers of assets from customers

The corporation has elected to apply IFRS 1 election to only apply IFRIC 18 prospectively from the date of transition to non-repayable supply contribution made by customers.



# Collus PowerStream Corp.

## Notes to Financial Statements

### December 31, 2015 and 2014

#### 33. First Time Adoption of International Financial Reporting Standards Continued

Impact of transition

IFRS 1 requires an entity to explain how the transition from its previous GAAP to IFRS affected its reported financial position, financial performance, and cash flows by providing reconciliations of shareholders' equity, comprehensive income, and cash flows for prior periods. The explanations for the impact of the transition to IFRS on the specific accounts and reconciliation of equity and comprehensive income as previously reported under Canadian GAAP to IFRS are provided below.

	December 31 2014	January 1 2014
<b>Retained earnings as reported under Canadian GAAP</b>	\$ 154,135	\$ (402,278)
Adjustments to retained earnings:		
Employee future benefits	5,241	-
<b>Retained earnings as reported under IFRS</b>	<b>\$ 159,376</b>	<b>\$ (402,278)</b>
<b>Accumulated other comprehensive income as reported under Canadian GAAP</b>	\$ -	\$ -
Adjustments for transition:		
Employee future benefits	(58,639)	(58,639)
<b>Accumulated other comprehensive income as reported under IFRS</b>	<b>\$ (58,639)</b>	<b>\$ (58,639)</b>
<b>Share capital as reported under Canadian GAAP</b>	\$ 5,101,340	\$ 5,101,340
Adjustments for transition	-	-
<b>Share capital as reported under IFRS</b>	<b>\$ 5,101,340</b>	<b>\$ 5,101,340</b>

i) Regulatory assets and liabilities

Regulatory assets and liabilities that were recognized under pre-changeover Canadian GAAP have been reclassified to the regulatory deferral account balance as either a debit balance or a credit balance. This transitional adjustment is a reclassification on the Balance Sheets and has no impact on the Statements of Changes in Equity or the Statements of Comprehensive Income.



# Collus PowerStream Corp.

## Notes to Financial Statements

### December 31, 2015 and 2014

#### 33. First Time Adoption of International Financial Reporting Standards Continued

##### ii) Employee Future Benefits

Under IFRS, the corporation recognizes remeasurements in other comprehensive income. These amounts are not reclassified in subsequent periods. Employee benefits expected to be settled wholly within 12 months after the end of the reporting period are short-term benefits, and are not discounted. Under previous pre-changeover Canadian GAAP, the corporation amortized the excess of the net actuarial gains or losses over 10% of the accrued benefit into the statement of comprehensive income on a straight-line basis over the average remaining service period of active employees to full eligibility. At the date of transition, all previously unamortized actuarial gains or losses were recognized in other comprehensive income.

The transitional adjustment for employee future benefits results in a decrease in operating and increase in finance expenses and an increase in other comprehensive income on the Statements of Comprehensive Income.

##### iii) Contributions in Aid of Construction

Under IFRS Contributions in aid of construction are recognized as deferred revenue and are amortized as revenue on a straight-line basis over the useful life of the constructed or contributed asset in the Statement of Comprehensive Income. The impact of this transitional adjustment related to Contributions in Aid of Construction is an increase in assets and an increase in liabilities on the Balance Sheets. (See Note 15)

##### iv) Borrowing Costs

Borrowing costs that were not recognized as a regulatory asset or liability were previously expenses under pre-changeover Canadian GAAP. Under IFRS, borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset. Since the corporation has elected to take the Borrowing Costs exemption, there is no transitional adjustment.

##### v) Deferred Taxes

The above changes have decreased the deferred tax asset based on a tax rate of 26.50%.

An explanation of how the transition from Canadian GAAP to IFRS has affected the corporation's financial position and performance is set out in the following tables.

	Canadian GAAP		IFRS
	January 1 2014	IFRS Adjustments	January 1 2014
<b>Opening, prior period reconciliation</b>			
Assets and regulatory deferrals			
Deferred taxes	\$ 721,810	\$ 20,635	\$ 742,445
Regulatory deferrals	2,521,385	(20,635)	2,500,750
Liabilities			
Employee future benefits	339,774	58,639	398,413
Shareholder's equity			
Accumulated other comprehensive income	-	(58,639)	(58,639)



# Collus PowerStream Corp.

## Notes to Financial Statements

### December 31, 2015 and 2014

#### 33. First Time Adoption of International Financial Reporting Standards Continued

<b>Ending, prior period reconciliation</b>	Canadian GAAP		IFRS
	December 31 2014	Adjustments	December 31 2014
<b>Assets</b>			
Deferred taxes	\$ 731,589	\$ 14,150	\$ 745,739
Property, plant and equipment	15,627,809	347,075	15,974,884
<b>Liabilities and regulatory deferrals</b>			
Employee future benefits	335,365	53,398	388,763
Contributions in aid of construction	-	347,075	347,075
Regulatory deferrals	691,304	14,150	705,454
<b>Shareholder's equity</b>			
Retained earnings	154,135	5,241	159,376
Accumulated other comprehensive income	-	(58,639)	(58,639)
<b>Income Statement</b>			
Net income	\$ 923,413	\$ 5,241	\$ 928,654
Adjustments to net income consist of the following:			
<b>Revenue</b>			
Amortization of contributions in aid of construction	\$ -	\$ 4,156	\$ 4,156
<b>Expense</b>			
Amortization expense	808,701	4,156	812,857
Employee future benefits expense	(4,409)	(5,241)	(9,650)