



Collus PowerStream Corp.

Financial Statements

For the year ended December 31, 2014



Collus PowerStream Corp.

Financial Statements

For the year ended December 31, 2014

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COLLINS BARROW SGB LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Collus PowerStream Corp.:

Report on the Financial Statements

We have audited the accompanying financial statements of Collus PowerStream Corp., which comprise the balance sheet as at December 31, 2014, and the statement of operations and deficit and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the basis of accounting described in the summary of significant accounting policies attached to the financial statements and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the corporation's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the corporation's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Collus PowerStream Corp. as at December 31, 2014, and the results of its operations and its cash flows for the year then ended in accordance with the basis of accounting described in the summary of significant accounting policies attached to the financial statements.

COLLINS BARROW SGB LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

Emphasis of Matter

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

Collins Barrow SGB LLP

Licensed Public Accountants
Collingwood, Ontario
April 13, 2015



Collus PowerStream Corp.

Balance Sheet

As at December 31

2014

2013

Assets

Current

Cash and bank	(Note 7)	\$ 1,490,843	\$ 1,604,306
Accounts receivable	(Note 8)	4,631,944	3,546,215
Unbilled energy revenue		3,944,854	3,513,375
Inventory		264,373	271,284
Payments in lieu of corporate taxes receivable	(Note 9)	-	73,420
Prepaid expenses		163,414	130,123

10,495,428 9,138,723

Future taxes recoverable	(Note 10)	731,589	721,810
Long-term investments	(Note 11)	100	100
Property, plant and equipment	(Note 12)	15,627,809	15,075,219
Computer software	(Note 13)	73,985	44,660
Regulatory assets	(Note 14)	1,834,410	2,165,640
Deferred charges	(Note 15)	265,325	355,745
Goodwill		276,704	276,704

\$ 29,305,350 \$ 27,778,601

Liabilities and Shareholder's Equity

Current

Accounts payable and accrued liabilities	(Note 16)	\$ 8,602,601	\$ 6,609,204
Payments in lieu of corporate taxes payable	(Note 9)	27,347	-
Customer deposits and credit balances		556,281	638,327
Current portion of long-term debt	(Note 17)	378,683	371,884
Deferred program funding		-	302,037

9,564,912 7,921,452

Long-term customer deposits		285,968	220,874
Long-term debt	(Note 17)	10,067,235	10,445,918
Employee future benefits	(Note 18)	335,365	339,774
Regulatory liabilities	(Note 14)	691,304	1,183,885
Deferred program funding		139,077	1,622

21,083,861 20,113,525

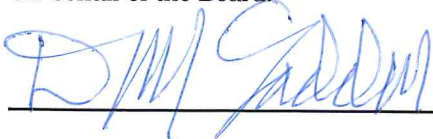
Shareholder's equity

Share capital	(Note 20)	5,101,340	5,101,340
Miscellaneous paid in capital	(Note 21)	2,966,014	2,966,014
Retained earnings (deficit)		154,135	(402,278)

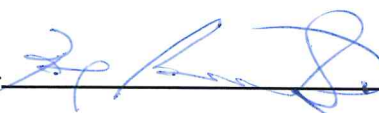
8,221,489 7,665,076

\$ 29,305,350 \$ 27,778,601

On behalf of the Board:



Director



Director

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



Collus PowerStream Corp.

Statement of Operations and Retained Earnings (Deficit)

For the year ended December 31	2014	2013
Revenues		
Sale of energy	\$ 32,977,774	\$ 29,953,202
Distribution revenue	6,487,154	6,098,517
Other revenue	438,398	483,828
	39,903,326	36,535,547
Cost of power purchased	32,977,774	29,953,202
	6,925,552	6,582,345
Operating expenses		
Amortization (Note 27)	808,701	893,188
Billing and collecting (Note 28)	971,685	992,380
Operations and maintenance	2,169,113	2,053,457
General and administrative	1,412,126	1,375,890
Interest on long-term debt	449,575	446,692
Interest - other	(8,061)	30,627
Loss on disposal of property, plant and equipment	22,436	47,391
Donations and Low-Income Energy Assistance Program	11,377	15,169
	5,836,952	5,854,794
Income before taxes	1,088,600	727,551
Provision for payments in lieu of corporate taxes (Note 9)	165,187	94,848
Net income for the year	923,413	632,703
Deficit , beginning of year	(402,278)	(1,034,981)
Dividends (Note 22)	(367,000)	-
Retained earnings (deficit) , end of year	\$ 154,135	\$ (402,278)

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



Collus PowerStream Corp.

Statement of Cash Flows

For the year ended December 31 2014 2013

Cash flows from operating activities

Net income for the year	\$ 923,413	\$ 632,703
Adjustments for items not affecting cash:		
Amortization (Note 27)	808,701	893,188
Vehicle amortization, allocated to other accts (Note 27)	219,594	195,950
Loss on disposal of property, plant and equipment	22,436	47,391
Employee future benefits	(4,409)	3,306
	1,969,735	1,772,538
Changes in non-cash working capital:		
Accounts receivable	(1,085,729)	(167,626)
Unbilled energy revenue	(431,479)	(378,095)
Inventory	6,911	38,700
Payments in lieu of corporate taxes receivable/payable	100,767	93,845
Prepaid expenses	(33,291)	93,301
Deferred charges	82,260	(250,800)
Accounts payable and accrued liabilities	1,993,397	(367,403)
Customer deposits and credit balances	(82,046)	(12,189)
	2,520,525	822,271

Cash flows from investing activities

Purchase of property, plant and equipment (Note 12)	(2,091,124)	(1,402,876)
Proceeds from contributed capital (Note 12)	351,231	323,111
Purchase of computer software	(51,315)	(37,001)
Net decrease in regulatory assets/liabilities, after transfers	(4,408)	(2,426,426)
	(1,795,616)	(3,543,192)

Cash flows from financing activities

Deferred program funding	(164,582)	(58,238)
Increase (decrease) in long-term customer deposits	65,094	(32,988)
Proceeds of long-term debt	-	700,000
Repayments of long-term debt	(371,884)	(354,628)
Dividends paid (Note 22)	(367,000)	-
	(838,372)	254,146

Decrease in cash during the year **(113,463)** (2,466,775)

Cash and bank, beginning of year **1,604,306** 4,071,081

Cash and bank, end of year **\$ 1,490,843** \$ 1,604,306

See Note 23 Statement of Cash Flows.

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



Collus PowerStream Corp.

Notes to Financial Statements

December 31, 2014

1. Nature of Business

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

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

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

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

2. Basis of Presentation

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

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

3. Regulation and Rate Setting

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



Collus PowerStream Corp.

Notes to Financial Statements

December 31, 2014

4. Significant Accounting Policies

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

(a) Inventory

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

(b) Long-term Investments

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

(c) Property, Plant and Equipment

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

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

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

Buildings.....	50 years
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
Office equipment.....	10 years
Tools and equipment.....	10 years
Vehicles.....	5 - 8 years
Communication equipment.....	10 years
System supervisory equipment.....	15 years
Contributed capital.....	40 - 45 years

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



Collus PowerStream Corp.

Notes to Financial Statements

December 31, 2014

4. Significant Accounting Policies Continued

(d) Computer Software

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

Computer software..... 5 years

(e) Goodwill

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

(f) Regulatory Assets and Liabilities

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

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

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

(g) Impairment of Long-Lived Assets

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

(h) Customer Deposits

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

(i) Payments in Lieu ("PIL") of Corporate Taxes

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



Collus PowerStream Corp.

Notes to Financial Statements

December 31, 2014

4. Significant Accounting Policies Continued

(j) Future Taxes

The corporation follows the liability method of accounting for income taxes. Under this method, future taxes are recognized based on the expected future tax consequences of differences between the carrying amount of balance sheet items and their corresponding tax basis, using the substantively enacted income tax rates for the years in which the differences are expected to reverse. Where the corporation expects the future taxes to be recovered from or refunded to the customers as part of the rate setting process, the future tax assets and liabilities result in an off-setting regulatory liability or asset account, otherwise the future tax assets and liabilities result in a future provision that is charged to the statement of operations and retained earnings.

(k) Pension Plan

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

(l) Other Post-Employment Benefits

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

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

(m) Revenue Recognition

Revenues from the sale and distribution of electricity are recorded on a basis of cyclical billings and also include unbilled revenues accrued in respect of electricity delivered but not yet billed. The unbilled revenue is calculated by prorating the consumption of electricity by customers since their last meter reading date for consumption to December 31, 2014. Actual results could differ from estimates made of electricity usage.

Regulatory accounting procedures require a monthly entry to reduce the higher of the sale of energy or the cost of power purchased with an offsetting entry to the related RSVA accounts. The entry is fully reversed in the following month to preserve the integrity of the accounts.

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



Collus PowerStream Corp.

Notes to Financial Statements

December 31, 2014

4. Significant Accounting Policies Continued

(n) Use of Estimates and Measurement Uncertainty

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

Accounts receivable, unbilled revenue, inventory and regulatory assets are reported based on amounts expected to be recovered, which reflect an appropriate allowance for unrecoverable amounts. The useful lives of PP&E have been estimated in order to reflect the appropriate net book value of the assets. The fair value of goodwill is estimated for impairment testing. Other significant areas requiring the use of management estimates include accrued liabilities, regulatory liabilities, employee future benefits, payments in lieu of corporate taxes, and future taxes, which are reported based on expected payments or recoveries.

Due to inherent uncertainty involved in making such estimates, actual results could differ from those estimates, including changes as a result of future decisions made by the OEB, the Minister of Energy or the Minister of Finance. The financial statements have, in management's opinion, been properly prepared using careful judgment within reasonable limits of materiality and within the framework of the accounting policies.

(o) Financial Instruments

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

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

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

Other financial liabilities: are comprised of accounts payable and accrued liabilities, customer deposits and credit balances, and long-term debt. These liabilities are initially recognized at fair value and subsequently carried at amortized cost using the effective interest rate method. Transaction costs are netted against the amount initially recognized.

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



Collus PowerStream Corp.

Notes to Financial Statements

December 31, 2014

5. Future Accounting Pronouncements

International Financial Reporting Standards ("IFRS")

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

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

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

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

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

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

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

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

6. 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).



Collus PowerStream Corp.

Notes to Financial Statements

December 31, 2014

7. 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, 2014 the rate was 1.30% (2013- 1.30%).

8. Accounts Receivable

	2014	2013
Accounts receivable	\$ 3,912,066	\$ 2,921,245
Other accrued and miscellaneous receivable	24,412	42,449
Construction and trade receivable	488,731	265,630
Unbilled construction work-in-progress	33,203	64,901
HST receivable	57,062	170,836
Ontario Power Authority receivable	232,905	110,577
Collus PowerStream Solutions Corp.	-	89,107
	4,748,379	3,664,745
Less: Allowance for bad debts (See Note 28)	116,435	118,530
	\$ 4,631,944	\$ 3,546,215

Accounts receivable include \$764,784 (2013 - \$596,138) for water and sewer billings.

9. Payments in Lieu of Corporate Taxes

	2014	2013
Payments in lieu of corporate taxes (payable) receivable	\$ (27,347)	\$ 73,420

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

Income before provision for PILs	\$ 1,088,600	\$ 727,551
Statutory Canadian federal and provincial tax rate	26.50%	26.50%
Provision for PILs at statutory rate	288,479	192,801
Small business deduction	-	(35,000)
Cumulative eligible capital deduction	(8,694)	(9,348)
Amortization greater than capital cost allowance	(112,410)	(39,653)
Change in pension post retirement plan	(1,168)	876
Other items	1,324	278
Ontario co-operative education tax credit	(2,344)	-
Prior year reassessment	-	(15,106)
Total provision	\$ 165,187	\$ 94,848
Effective tax rate	15.17%	13.04%



Collus PowerStream Corp.

Notes to Financial Statements

December 31, 2014

10. Future Taxes Recoverable

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

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

	<u>2014</u>	<u>2013</u>
Employee future benefits	\$ 88,872	\$ 84,944
Property, plant and equipment	600,540	588,874
Goodwill	42,177	47,992
Long-term future income tax asset	<u>\$ 731,589</u>	<u>\$ 721,810</u>

The offsetting entry to this net future income tax asset is a credit to regulatory liabilities (See Note 14).

11. Long-term Investments

	<u>2014</u>	<u>2013</u>
Cornerstone Hydro Electric Concepts Association Inc. ("CHEC"), incorporated without share capital. The cost for the investment was \$Nil	\$ -	\$ -
Utility Collaborative Services Inc. ("UCS"), recorded using the cost method, 1 common share, 10% interest	100	100
	<u>\$ 100</u>	<u>\$ 100</u>

Cornerstone Hydro Electric Concepts Association Inc. ("CHEC") is an association of fourteen LDCs modelled after a co-operative to share resources and proficiencies. (See Note 19 & 29)

Utility Collaborative Services Inc. ("UCS") offers standards-based back office services. The collaboration of nine LDCs plus the management services of Util-Assist Inc. allows leverage in the reduction of costs for items such as information technology hosting and software licensing. (See Note 19 & 29)



Collus PowerStream Corp.

Notes to Financial Statements

December 31, 2014

12. Property, Plant and Equipment

	2014			2013		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Land	\$ 456,548	\$ -	\$ 456,548	\$ 456,548	\$ -	\$ 456,548
Buildings	494,142	100,204	393,938	494,142	90,907	403,235
Distribution stations	5,436,357	2,174,164	3,262,193	5,329,945	2,038,609	3,291,336
Distribution lines	23,203,595	12,443,713	10,759,882	22,299,674	12,091,443	10,208,231
Distribution transformers	5,832,235	3,198,909	2,633,326	5,757,307	3,096,940	2,660,367
Distribution services	1,355,562	273,972	1,081,590	1,226,473	258,888	967,585
Distribution meters	532,993	154,871	378,122	510,488	120,109	390,379
Smart meters	2,359,533	782,674	1,576,859	2,391,174	702,686	1,688,488
Office equipment	262,106	190,356	71,750	249,014	174,060	74,954
Tools and equipment	332,794	270,452	62,342	345,716	315,026	30,690
Vehicles	2,055,811	1,174,794	881,017	1,941,793	1,104,100	837,693
Communication equip	99,897	72,099	27,798	79,031	67,101	11,930
System supervisory equip	699,958	464,169	235,789	686,261	427,548	258,713
Construction in progress	219,205	-	219,205	55,083	-	55,083
Spare/replacement parts	140,089	-	140,089	138,107	-	138,107
Contributed capital	(11,218,730)	(4,666,091)	(6,552,639)	(10,894,325)	(4,496,205)	(6,398,120)
	\$ 32,262,095	\$ 16,634,286	\$ 15,627,809	\$ 31,066,431	\$ 15,991,212	\$ 15,075,219

During the year the corporation purchased PP&E with cash totalling \$2,091,124 (2013 - \$1,402,876). Proceeds from Infrastructure Ontario of \$NIL (2013 - \$700,000) plus contributed capital of \$351,231 (2013 - \$323,111) were used to finance the capital purchases.

13. Computer Software

	2014			2013		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Computer Software	\$ 603,919	\$ 529,934	\$ 73,985	\$ 552,604	\$ 507,944	\$ 44,660



Collus PowerStream Corp.

Notes to Financial Statements

December 31, 2014

14. Regulatory Assets and Liabilities

	2014	2013
Regulatory assets:		
Lost Revenue Adjustment Mechanism ("LRAM")	24,405	-
IFRS transition costs	176,494	172,781
Green Energy Renewable Connection	2,699	1,335
Smart Grid	4,608	4,542
Late payment penalty settlement	(2,217)	(2,217)
Ontario Clean Energy Benefit	-	(830)
Other regulatory assets - stranded assets	355,332	184,730
Payments in lieu of taxes variance	17	12,507
Low voltage variance	675,425	447,147
Stranded meters	113,626	453,034
Smart metering entity charge	367	7,822
RARA Dec 2011, 18 mos recovery, beginning Nov 1, 2013	116,046	201,054
Retail settlement variance accounts	367,608	683,735
	\$ 1,834,410	\$ 2,165,640
Regulatory liabilities:		
RARA Dec 2008, four yr recovery, beginning May 1, 2010	(52,538)	236,920
RARA Dec 2010, two yr recovery, beginning May 1, 2012	12,253	225,155
Future taxes (See Note 10)	731,589	721,810
	\$ 691,304	\$ 1,183,885
Net Regulatory asset	\$ 1,143,106	\$ 981,755

Lost Revenue Adjustment Mechanism ("LRAM")

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.

IFRS Transition Costs

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

Green Energy Renewable Connection

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



Collus PowerStream Corp.

Notes to Financial Statements

December 31, 2014

14. Regulatory Assets and Liabilities 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.

Late Payment Penalty ("LPP") Settlement

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

Other Regulatory Assets - Stranded Assets

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

Payments in Lieu of Taxes ("PILs") Variances

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

Low Voltage Variance

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

Stranded Meters

This account includes the NBV of stranded mechanical meters, which have been replaced by smart meters, plus carrying charges and less rate rider recoveries beginning October 1, 2013.

Smart Metering Entity Charge ("SME")

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



Collus PowerStream Corp.

Notes to Financial Statements

December 31, 2014

14. Regulatory Assets and Liabilities 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.

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.

Future Taxes Regulatory Liability

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

Impact in the Absence of Regulatory Accounting

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

	<u>2014</u>	<u>2013</u>
Statement of Operations:		
Decrease in the sale of energy	\$ 309,889	\$ 2,536,324
(Increase) in distribution revenue	(331,978)	(48,378)
(Decrease) increase in amortization	-	(35,240)
(Decrease) increase in operating expenses	2,591	(48,853)
Loss on disposal of property, plant and equipment	166,722	184,500
(Decrease) increase in interest expense	23,906	(12,667)
(Decrease) increase in future taxes	(9,779)	25,807
Balance Sheet:		
Increase (decrease) in retained earnings	981,755	(1,619,738)
	<u>\$ 1,143,106</u>	<u>\$ 981,755</u>



Collus PowerStream Corp.

Notes to Financial Statements

December 31, 2014

15. Deferred Charges

	2014			2013		
	Cost	Expensed	Net Book Value	Cost	Expensed	Net Book Value
Regulatory expenses	\$ 346,356	\$ 154,416	\$ 191,940	346,356 \$	72,156 \$	274,200
Expansion charges	204,914	131,529	73,385	204,914	123,369	81,545
	\$ 551,270	\$ 285,945	\$ 265,325	551,270 \$	195,525 \$	355,745

Misc Deferred Debits - Regulatory Expenses

This account includes cost of service application expenses, which will have recoveries in future periods and are carried forward and charged to expense over the four year term of the application ending April 30, 2017. Deferred regulatory costs will be expensed to the general and administration category over the next three years as follows:

2015	\$	82,260
2016		82,260
2017		27,420
	\$	191,940

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.

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

	2014		2013	
Statement of Operations:				
(Decrease) in amortization	\$	(8,160)	\$	(8,160)
(Decrease) increase in operating expenses		(82,260)		250,800
Balance Sheet:				
Decrease in retained earnings		355,745		113,105
	\$	265,325	\$	355,745



Collus PowerStream Corp.

Notes to Financial Statements

December 31, 2014

16. Accounts Payable and Accrued Liabilities

	<u>2014</u>	<u>2013</u>
Independent Electricity System Operator	\$ 3,473,425	\$ 3,323,281
Hydro One	695,317	707,900
Trade payables	372,167	576,042
Town of Collingwood - Sewer	1,762,086	941,841
Town of Collingwood - Interest Payable	83,456	95,427
Collingwood Public Utilities Service Board - Water	1,744,623	606,819
Collus PowerStream Solutions Corp.	107,655	-
Economic evaluations	129,159	154,952
Debt retirement charge payable	164,449	136,284
Other accounts payable and accrued liabilities	70,264	66,658
	<u>\$ 8,602,601</u>	<u>\$ 6,609,204</u>



Collus PowerStream Corp.

Notes to Financial Statements

December 31, 2014

17. Long-term Debt

	2014	2013
Infrastructure Ontario Debenture - 4.67% fixed rate, \$100,000 principal repayable semi-annually plus interest on October 15th and April 15th, secured by a general security agreement covering a second charge on all assets and real property, due April 15, 2025	\$ 2,100,000	\$ 2,300,000
Infrastructure Ontario Debenture - 3.84% fixed rate, \$32,700 principal and interest repayable monthly, secured by a general security agreement covering a second charge on all assets and real property, due September 17, 2037	5,946,961	6,107,632
Infrastructure Ontario Debenture - 4.58% fixed rate, \$3,563 principal and interest repayable monthly, secured by a general security agreement covering a second charge on all assets and real property, due December 16, 2043	688,787	700,000
Town of Collingwood - 4.88% (2013 - 5.58%) OEB deemed rate, no set terms of repayment, waived the right to demand repayment during 2015, rate decreased to 4.77% January 1, 2015	1,710,170	1,710,170
	10,445,918	10,817,802
Current portion of long-term debt	378,683	371,884
	\$ 10,067,235	\$ 10,445,918

The agreement governing these credit facilities contains certain covenants as described in Note 31.

The finance agreements with Infrastructure Ontario have total authorizations of \$11,000,000. Total advances of \$10,000,000 have been approved. At December 31, 2014, the corporation had undrawn credit capacity under this facility of \$1,000,000 (2013 - \$1,000,000). On April 15th, 2015 the undrawn credit capacity is scheduled to be fully debentured.

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

2015	\$ 378,683
2016	385,752
2017	393,101
2018	400,742
2019	408,685
Thereafter	8,478,955
	\$ 10,445,918



Collus PowerStream Corp.

Notes to Financial Statements

December 31, 2014

18. Employee Future Benefits

The corporation provides certain health, dental and life insurance under unfunded benefit plans on behalf of its retired employees. The corporation measures its accrued benefit obligation ("ABO") for accounting purposes every three years. The latest actuarial valuation was performed as at January 1, 2014.

	2014	2013
Accrued benefit obligation	\$ 397,778	\$ 435,569
Unrecognized loss	(25,632)	(54,927)
Unrecognized past service costs	(36,781)	(40,868)
	\$ 335,365	\$ 339,774
Accrued benefit liability, end of the year		
Accrued benefit obligation, beginning of the year	\$ 435,569	\$ 437,468
Current service cost	6,643	9,114
Interest cost on obligation	19,000	17,297
Benefit payments	(34,139)	(28,310)
Gain on accrued benefit obligation	(29,295)	-
	\$ 397,778	\$ 435,569
Accrued benefit obligation, end of the year		
Current service cost	\$ 6,643	\$ 9,114
Interest cost on obligation	19,000	17,297
Amortization of past service costs	4,087	4,087
Amortization of net actuarial losses	-	1,118
	\$ 29,730	\$ 31,616
Plan expense		

Significant actuarial assumptions are as follows:

	2014	2013
Discount rate	4.80 %	4.00 %
Consumer price index	2.00 %	2.50 %
Rate of compensation increase	3.50 %	3.50 %
Health benefits costs escalation	4.60 % to 7.00 %	4.80 % to 7.47 %
Dental benefits costs escalation	4.60 %	4.80 %

Assumed health care cost trend rates have an effect on the amounts reported for the health care plans. A 1% change would have the following effects for 2014:

	Increase	Decrease
Service and interest cost	\$ 2,000	\$ (2,000)
Accrued benefit obligation	\$ 22,000	\$ (19,000)



Collus PowerStream Corp.

Notes to Financial Statements

December 31, 2014

19. Commitments

Cornerstone Hydro Electric Concepts ("CHEC")

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

- (a) giving written notice 60 days in advance of termination;
- (b) and by making a pre-payment in full of the balance of its contract service costs to CHEC. The amount of the pre-payment cost shall be the total cost which the corporation would have paid over the three year term of the agreement less amounts already paid by it to the date of the termination. The current three year term for the CHEC commitment goes to December 31, 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, 2014 the obligation to CHEC includes 2015 to 2017 membership dues of approximately \$46,500 per year, \$139,500 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 year's written notice of the retraction, provided that the corporation continues to receive services at the same or greater average volume as those received at the time the notice was given. As at December 31, 2014 the obligation to UCS includes 2015 to 2017 fees of approximately \$160,000 per year, \$480,000 total.

20. Share Capital

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

	<u>2014</u>	<u>2013</u>
5,101,340 Common shares	<u>\$ 5,101,340</u>	<u>\$ 5,101,340</u>



Collus PowerStream Corp.

Notes to Financial Statements

December 31, 2014

21. 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>

22. Dividends

Dividends in the amount of \$367,000 (2013 - \$NIL) were declared and paid to Collingwood PowerStream Utility Services Corp. (See Note 29).

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

23. Statement of Cash Flows

	2014	2013
Interest paid	\$ 451,798	\$ 447,604
Interest received	\$ 35,683	\$ 42,195
PILs paid	\$ 137,840	\$ 228,360
PILs received	\$ 73,420	\$ 228,358

24. Liability Insurance

The corporation belongs to the Municipal Electrical Reciprocal Insurance Exchange ("MEARIE"). MEARIE is a self-insurance plan that pools the risks of all of its members. Any losses experienced by MEARIE are shared amongst its members. As at December 31, 2014, the corporation has not been made aware of any assessments for losses. Insurance premiums charged to each member consist of a levy per thousand of dollars of service revenue subject to a credit or surcharge based on each member's claims experience. The maximum coverage in a joint policy with Collingwood Public Utilities Service Board is \$24,000,000 for liability insurance, \$58,681,160 for property insurance, and \$15,000,000 for vehicle insurance.



Collus PowerStream Corp.

Notes to Financial Statements

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25. Credit Facilities

The credit facility agreement contains certain covenants as described in Note 31.

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, 2014 the balance was \$NIL (2013 - \$NIL) on this credit facility.

Letter of Credit ("LOC")

As at December 31, 2014, the corporation had utilized \$2,326,160 (2013 - \$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% (2013 - 0.50%). For the year ended December 31, 2014 the fee incurred was \$11,631 (2013- \$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.

26. Pension Agreements

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

Each year, an independent actuary determines the funding status of OMERS Primary Pension Plan by comparing the actuarial value of invested assets to the estimated present value of all pension benefits that members have earned to date. The most recent actuarial valuation of the Plan was conducted at December 31, 2013. The results of this valuation disclosed total actuarial liabilities of \$73.3 (2012 - \$69.3) million in respect of benefits accrued for service with actuarial assets at that date of \$64.6 (2012 - \$59.4) million, indicating an actuarial deficit of \$8.6 (2012 - \$9.9) million. Because OMERS is a multi-employer plan, any pension plan surpluses or deficits are a joint responsibility of Ontario municipal organizations and their employees. As a result, the corporation does not recognize any share of the OMERS pension deficit.

The contribution rates for normal retirement age 65 members were 9.0% (2013 - 9.0%) for employees earning up to \$52,500 (2013 - \$51,100) and 14.6% (2013 - 14.6%) thereafter. The combined employee and employer amount contributed to OMERS for 2014 was \$228,617 (2013 - \$197,562).



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27. Amortization

	2014	2013
Property, plant and equipment (excluding meters below)	\$ 620,460	\$ 606,051
Stranded meters	-	35,240
Smart meters	158,091	150,956
Software	21,990	92,781
Deferred charges	8,160	8,160
	808,701	893,188
Vehicles, allocated to other accounts	219,594	195,950
	\$ 1,028,295	\$ 1,089,138

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

	2014	2013
Bad Debt Expense - Electric Receivables:		
Write-offs during the year	\$ 49,644	\$ 46,583
Recoveries during the year	(15,607)	(14,063)
Opening allowance	(97,409)	(90,619)
Closing allowance	90,964	97,409
	\$ 27,592	\$ 39,310
Allowance For Bad Debts: (See Note 8)		
Collus PowerStream Corp.	\$ 90,964	\$ 97,409
Collingwood Public Utilities Service Board - Water	9,423	7,609
Town of Collingwood - Waste Water	16,048	13,512
	\$ 116,435	\$ 118,530



Collus PowerStream Corp.

Notes to Financial Statements

December 31, 2014

29. Related Party Transactions

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

2014

	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
Revenue:						
Energy and distribution	\$ 1,417,644	\$	\$	\$	\$	\$ 850,039
Streetlight maintenance	48,465					
Disbursements:						
Property taxes	18,229					
Property maintenance	5,250					
Interest	83,456					
Services		26,129		132,000		
Shared employee charge				1,144,072		49,446
Computer lease						21,792
Building lease						216,000
CDM		212,517				
Dividends paid				367,000		

2013

Revenue:						
Energy and distribution	\$ 1,205,784	\$	\$	\$	\$	\$ 785,149
Streetlight maintenance	40,463					
Disbursements:						
Property taxes	17,638					
Property maintenance	3,510					
Vehicle fuel	18,623					
Interest	95,427					
Services		41,691		132,000		
Shared employee charge				974,448		72,290
Computer lease						21,792
Building lease						216,000
CDM		140,086				
Dividends paid						



Collus PowerStream Corp.

Notes to Financial Statements

December 31, 2014

29. Related Party Transactions Continued

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

2014

	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
Utility receivable	\$ 150,955	\$	\$	\$	\$	94,773
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)					
	\$ (3,367,281)	\$ 30,228	\$	\$(107,655)	\$	\$(1,560,534)

2013

Utility receivable	\$ 117,101	\$	\$	\$	\$	164,712
Trade receivable	11,055			89,107		
Trade payable		(42,866)				(606,819)
Interest payable	(95,427)					
Sewer payable	(941,841)					
Long-term debt	(1,710,170)					
	\$ (2,619,282)	\$ (42,866)	\$	\$ 89,107	\$	\$(442,107)

Compensation and expenses for the board of directors were incurred during the year in the amount of \$56,236 (2013 - \$73,200).

The corporation paid \$61,684 (2013 - \$57,587) in fees to Cornerstone Hydro Electric Concepts Association Inc. ("CHEC") (See Note 11).

The corporation paid \$181,116 (2013 - \$163,993) in fees to Utility Collaborative Services Inc. ("UCS") for items such as information technology hosting and software licensing (See Note 11).



Collus PowerStream Corp.

Notes to Financial Statements

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30. Financial Instruments

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

	2014		2013	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Assets				
Cash and bank	\$ 1,490,843	\$ 1,490,843	\$ 1,604,306	\$ 1,604,306
Accounts receivable	4,631,944	4,631,944	3,546,215	3,546,215
Unbilled energy revenue	3,944,854	3,944,854	3,513,375	3,513,375
Long-term investments	100	undeterminable	100	undeterminable
Liabilities				
Accounts payable	\$ 8,602,601	\$ 8,602,601	\$ 6,609,204	\$ 6,609,204
Customer deposits	842,249	842,249	859,201	859,201
Long-term debt	10,445,918	10,445,918	10,817,802	10,817,802

The estimated fair values of financial instruments as at December 31, 2014 and December 31, 2013 are based on relevant market prices and information available at the time. The fair value estimates are not necessarily indicative of the amounts that the corporation may receive or incur in actual market transactions. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

Determination of fair values

- (a) The fair values of cash and bank, accounts receivable, unbilled revenue, current customer deposits and credit balances, and accounts payable and accrued liabilities approximate their carrying values because of the short-term nature of these instruments.
- (b) Long-term investments include common shares of private companies accounted for by the cost method. These investments are not publicly traded and, therefore, fair values are not practicable to determine.
- (c) The fair value of each of the corporation's long-term debt instruments is based on the amount of future cash flows associated with each instrument discounted using an estimate of what the corporation's current borrowing rate for similar debt instruments of comparable maturity would be.

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



Collus PowerStream Corp.

Notes to Financial Statements

December 31, 2014

31. Capital Disclosures

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

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

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

The covenants require the corporation to provide notification prior to any new debt issuance. The most restrictive covenants from each credit agreement require maintaining a Debt Service Coverage Ratio of 1.15 to 1 or higher, a maximum debt to capital ratio of 0.60 to 1, and a minimum current ratio of 1.10 to 1. All covenants are to be tested and calculated as of the end of each fiscal year. The corporation is in compliance with these covenants as at December 31, 2014.

Management monitors the following key ratios to effectively manage capital:

	2014	2013
a) Debt Service Coverage Ratio: (must be at least 1.15)	1.28:1	2.03:1
b) Debt to Capital: (must not exceed 0.60)	0.57:1	0.59:1
c) Current ratio: (must be at least 1.10)	1.10:1	1.15:1

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



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32. 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.

Credit risk

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

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

The corporation is exposed to credit risk related to accounts receivable and unbilled 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 limits its credit risk by collecting deposits, purchasing commercial account credit insurance, following collection policies, monitoring accounts receivable aging, and utilizing collection agencies. The Ontario Energy Board has prescribed certain rules for the payment of deposits by customers. Although these rules limit the risk of the corporation, no deposits are required by customers who have shown good payment history for the previous 24 month period. The corporation does not have any material accounts receivable balances greater than 90 days outstanding. As a result, the corporation believes that its accounts receivable represent a low credit risk.

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

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.

	2014	2013
Under 30 days	\$ 4,663,396	\$ 3,506,932
30 to 60 days	52,274	45,031
61 to 90 days	11,263	25,197
Over 90 days	21,446	87,585
	4,748,379	3,664,745
Provision	116,435	118,530
Total accounts receivable	\$ 4,631,944	\$ 3,546,215



Collus PowerStream Corp.

Notes to Financial Statements

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32. Financial Risk Management Continued

Liquidity risk

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

	0 - 3 mo	3 mo - 1 yr	1 - 5 yr	Thereafter
Accounts payable	\$ 8,473,442	\$ 129,159	\$ -	\$ -
PIL's	27,347	-	-	-
Customer deposits	-	556,281	285,968	-
Long-term debt	44,023	334,660	1,588,281	8,478,954
Employee future benefits	-	6,830	17,340	311,195
Regulatory liabilities	-	-	(40,285)	731,589
Deferred program funding	-	-	139,077	-
Total	<u>\$ 8,544,812</u>	<u>\$ 1,026,930</u>	<u>\$ 1,990,381</u>	<u>\$ 9,521,738</u>

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, 2014.

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 which bears a fixed rate of interest. As at December 31, 2014, 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.

33. 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.