Collus PowerStream Corp.

Financial Statements

For the year ended December 31, 2016
(expressed in CDN$)

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Financial Statements
For the year ended December 31, 2016

Table of Contents

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 sheet as at December 31, 2016 and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory informationand.

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 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, 2016 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Collins Barrow SGB LLP.

Collins Barrow SGB LLP
Licensed Public Accountants
Collingwood, Ontario
March 23, 2017

Collus PowerStream Corp.
Balance Sheet
(expressed in CDN$)

As at December 31		2016	2015
Assets			
Current			
Cash and bank	(Note 6)	**$ 940,680**	$ 2,943,000
Investments	(Note 7)	**-**	100
Accounts receivable	(Note 8)	**4,850,878**	4,088,883
Unbilled energy revenue		**4,852,979**	4,232,314
Inventory		**310,242**	285,875
Payments in lieu of taxes receivable	(Note 9)	**27,203**	-
Prepaid expenses		**355,964**	466,092
		11,337,946	12,016,264
Deferred taxes	(Note 9)	**560,930**	681,582
Property, plant and equipment	(Note 10)	**19,736,310**	17,240,932
Intangibles	(Note 11)	**936,002**	343,980
Total Assets		**32,571,188**	30,282,758
Regulatory deferrals	(Note 12)	**1,566,053**	1,598,265
Total Assets and Regulatory Deferrals		**$ 34,137,241**	$ 31,881,023
Liabilities and Shareholder's Equity			
Current			
Accounts payable and accruals	(Note 13)	**$ 7,688,912**	$ 7,225,825
Payments in lieu of taxes payable	(Note 9)	**-**	4,317
Customer deposits and credits	(Note 14)	**599,416**	834,308
Current portion of long-term debt	(Note 16)	**503,495**	491,505
		8,791,823	8,555,955
Long-term customer deposits	(Note 14)	**278,020**	281,455
Long-term debt	(Note 16)	**11,447,235**	11,950,730
Contributions in aid of construction	(Note 15)	**2,769,851**	1,075,897
Employee future benefits	(Note 17)	**838,844**	381,933
Total Liabilities		**24,125,773**	22,245,970
Commitments	(Note 18)		
Shareholder's Equity			
Share capital	(Note 19)	**5,101,340**	5,101,340
Miscellaneous paid in capital	(Note 20)	**2,966,014**	2,966,014
Retained earnings		**1,574,153**	738,859
Accumulated other comprehensive deficit		**(152,567)**	(58,639)
Total Shareholder's Equity		**9,488,940**	8,747,574
Total Liabilities and Shareholder's Equity		**33,614,713**	30,993,544
Regulatory deferrals	(Note 12)	**522,528**	887,479
Total Liabilities, Equity and Regulatory Deferrals		**$ 34,137,241**	$ 31,881,023

On behalf of the Board:

Dan Horchik ________ Director ________ Director

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

Collus PowerStream Corp.

Statement of Comprehensive Income

(expressed in CDN$)

For the year ended December 31		2016	2015
Revenues			
Sale of energy		**$ 36,500,735**	$ 34,446,520
Distribution revenue		**6,741,148**	6,648,383
Other revenue		**595,882**	480,897
		43,837,765	41,575,800
Cost of power purchased		**36,667,055**	33,644,023
		7,170,710	7,931,777
Expenses			
Amortization	(Note 24)	**836,935**	751,188
Billing and collecting	(Note 33)	**1,054,295**	1,036,537
Operations and maintenance	(Note 33)	**2,482,131**	2,388,712
General and administrative	(Note 33)	**1,354,024**	1,175,650
Loss on disposal of property, plant and equipment		**62,919**	200,578
Donations and Low-Income Energy Assistance Program		**10,108**	13,536
		5,800,412	5,566,201
Income from operations		**1,370,298**	2,365,576
Finance income	(Note 32)	**32,790**	34,485
Finance cost	(Note 32)	**(506,604)**	(486,122)
Income before income taxes and net regulatory movements		**896,484**	1,913,939
Income taxes (Note 9)			
Current		**150,279**	178,697
Deferred		**145,543**	64,157
		295,822	242,854
Income before net regulatory movements		**600,662**	1,671,085
Net movement on regulatory deferral accounts	(Note 12)	**357,630**	(683,495)
Net income and regulatory movements		**958,292**	987,590
Other comprehensive income: items that will not be reclassified to profit or loss, net of income tax			
Remeasurement of defined benefit pension plan, net of tax		**(69,037)**	-
Net movement on regulatory deferral accounts	(Note 12)	**(24,891)**	-
		(93,928)	-
Total income and other comprehensive income		**$ 864,364**	$ 987,590

Collus PowerStream Corp.
Statement of Changes in Equity
(expressed in CDN$)

For the year ended December 31

	Share Capital	Miscellaneous Paid In Capital	Accumulated Other Comprehensive Deficit	Retained Earnings	Total
Balance January 1, 2015	**$ 5,101,340**	**$ 2,966,014**	**$ (58,639)**	**$ 159,376**	**$ 8,168,091**
Net income and regulatory movements	-	-	-	987,590	987,590
Dividends	-	-	-	(408,107)	(408,107)
Balance December 31, 2015	**$ 5,101,340**	**$ 2,966,014**	**$ (58,639)**	**$ 738,859**	**$ 8,747,574**
Net income and regulatory movements	-	-	-	958,292	958,292
Other comprehensive income	-	-	**(93,928)**	-	(93,928)
Dividends	-	-	-	(122,998)	(122,998)
Balance December 31, 2016	**$ 5,101,340**	**$ 2,966,014**	**$ (152,567)**	**$ 1,574,153**	**$ 9,488,940**

Collus PowerStream Corp.
Statement of Cash Flows
(expressed in CDN$)

For the year ended December 31		2016	2015
Cash flows from operating activities			
Total income and other comprehensive income		**$ 864,364**	$ 987,590
Adjustments for items not affecting cash:			
Amortization	(Note 24)	**836,935**	751,188
Vehicle amortization, allocated to other accts	(Note 24)	**224,957**	231,922
Loss on disposal of property, plant and equipment		**62,919**	200,578
Gain on disposal of property, plant and equipment		**(23,506)**	(2,715)
Contributions in aid of construction		**(45,635)**	(16,751)
Provision for payment in lieu of taxes		**270,931**	242,854
Finance income		**(32,790)**	(34,485)
Finance expense		**506,604**	486,122
		2,664,779	2,846,303
Changes in non-cash working capital:			
Accounts receivable		**(761,995)**	543,061
Unbilled energy revenue		**(620,665)**	(287,460)
Inventory		**(24,367)**	(21,502)
Prepaid expenses		**110,129**	(302,677)
Accounts payable and accruals		**468,388**	(1,484,481)
Customer deposits and credit balances		**(234,892)**	278,027
Employee future benefits		**439,097**	(24,741)
Payments in lieu of corporate taxes paid		**(183,057)**	(201,727)
		1,857,417	1,344,803
Cash flows from investing activities			
Purchase of property, plant and equipment	(Note 10)	**(3,696,344)**	(2,430,616)
Proceeds of contributions in aid of construction	(Note 15)	**1,739,589**	745,573
Purchase of computer software	(Note 11)	**(69,340)**	(12,521)
Proceeds on disposal of property, plant and equipment		**130,393**	2,825
Proceeds from disposal of investment		**100**	-
Capital contributions in aid of construction paid	(Note 11)	**(553,415)**	-
Net increase (decrease) regulatory accounts		**(332,739)**	683,495
Interest received		**32,790**	34,485
		(2,748,966)	(976,759)
Cash flows from financing activities			
Deferred program funding		**-**	(35,813)
Increase (decrease) in long-term customer deposits		**(3,435)**	(4,513)
Proceeds of long-term debt		**-**	4,110,170
Repayments of long-term debt		**(491,505)**	(2,113,853)
Interest paid		**(492,833)**	(463,771)
Dividends paid	(Note 21)	**(122,998)**	(408,107)
		(1,110,771)	1,084,113
Decrease (increase) in cash during the year		**(2,002,320)**	1,452,157
Cash and bank, beginning of year		**2,943,000**	1,490,843
Cash and bank, end of year		**$ 940,680**	$ 2,943,000

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

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.

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.

The financial statements were authorized for issue by the Board of Directors on March 23, 2017.

(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.

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 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.

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.

(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.

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.

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 and are measured at amortized cost, which, upon initial recognition, is considered equivalent to fair value. Subsequent measurements are recorded at amortized cost using the effective interest rate method. The carrying amounts approximate fair value due to the short-term maturity of these instruments.

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.

Impairment of Financial assets

A financial asset not carried at fair value through income is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

The corporation considers evidence of impairment for receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics. In assessing collective impairment the corporation uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

3. Significant Accounting Policies Continued

(d) Financial Assets continued

Impairment of Financial assets continued

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in income and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through income.

(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 amortization 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.

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
Computer equipment	3 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.

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

Paid Capital Contributions include amounts paid by the corporation for capital expenditures under a Capital Cost Recovery Agreement. The contribution is measured at cost less accumulated amortization and accumulated impairment losses. They are not amortized until put into use.

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 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 in service. 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:

Paid Capital Contributions	40 years
Computer software	5 years

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.

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.

3. Significant Accounting Policies Continued

(j) Employee Future Benefits 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 ("OEFC"), 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.

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.

3. Significant Accounting Policies Continued

(n) Standards, Amendments and Interpretations Not Yet Effective Continued

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.

IFRS 16 Leases

IFRS 16 is effective for periods beginning on or after January 1, 2019. The new requirements eliminate nearly all off balance sheet accounting for leases and redefine many commonly used financial ratios and performance metrics. This will increase comparability, but may also affect covenants, credit ratings, borrowing costs and stakeholder perceptions. IFRS 16 does not require a company to capitalize leases of low-value assets that, at the time of issuing IFRS 16 would have a capital value of $5,000 US or less. Management has yet to fully assess the impact of the Standard. However, management has identified that the corporation currently only has the following two leases:

- Three separate photocopier leases for an aggregate annual lease cost of $8,616, with a term of 36 months, beginning February 1, 2017
- Building lease with the Town of Collingwood for $216,000 annually, currently on a month-to month basis with one year notice required

In order to determine the impact management is in the process of deciding which transitional provision to adopt, assessing current disclosures for leases as these are likely to form the basis of the amounts to be capitalized and become right-of-use assets, and assessing the additional disclosures that will be required.

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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.

4. Use of Estimates and Judgments Continued

Payments in Lieu of Taxes Payable and Deferred Taxes

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 and deferred 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.

Estimate of Useful Life of Assets

The estimates and assumptions made to determine the useful life of property, plant and equipment and certain intangibles are determined by management at the time the asset is acquired and reviewed annually for appropriateness based on industry standards, historical experience, and technological obsolescence.

Regulatory Estimates

Certain estimates are necessary given that the regulatory environment in which the corporation operates often requires amounts to be recorded at estimated values until finalization and adjustment, pursuant to subsequent OEB regulatory proceedings or decisions.

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).

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, 2016 the rate was 1.00% (December 31, 2015 - 1.00%).

7. Investments

	2016	2015
Utility Collaborative Services Inc. ("UCS") recorded using the cost method, 100 common shares, 10% interest	$ -	$ 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)

On May 25, 2016 the corporation redeemed 100 common shares and received $100.

8. Accounts Receivable

	2016	2015
Accounts receivable	$ 3,978,432	$ 3,513,888
Other accrued and miscellaneous receivable	172,390	198,862
Construction and trade receivable	414,573	386,349
HST receivable	160,477	46,612
Ontario Power Authority receivable	-	21,088
Collus PowerStream Solutions Corp.	200,022	-
	4,925,894	4,166,799
Less: Allowance for bad debts (See Note 25)	75,016	77,916
	$ 4,850,878	$ 4,088,883

Accounts receivable include $752,890 (December 31, 2015 - $747,289) for water and sewer billings.

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:

		2016		2015
Current tax				
Based on current year taxable income	**$**	**150,279**	$	178,697
Deferred tax				
Origination and reversal of temporary differences		**145,543**		64,157
	$	**295,822**	$	242,854

The significant components of the tax effect of the amount recognized in other comprehensive income are composed of:

		2016		2015
Deferred tax				
Remeasurement of defined benefit plan	**$**	**(24,891)**	$	-

Statutory Canadian federal and provincial tax rates for the current year comprise 15% (2015 - 15%) for federal corporate tax and 11.5% (2015 - 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:

		2016		2015
Net income and regulatory movement	**$**	**864,364**	$	987,590
Plus current income taxes		**150,279**		178,697
Net income before income taxes		**1,014,643**		1,166,287
Statutory Canadian federal and provincial tax rate		**26.50%**		26.50%
Provision for PILs at statutory rate	**$**	**268,880**	$	309,066
Increase (decrease) in income tax resulting from:				
Reassessment 2012		**5,041**		-
Cumulative eligible capital deduction		**(7,519)**		(8,085)
Interest and penalties on taxes		**333**		-
Amortization expense in excess of capital cost allowance		**(133,853)**		(113,437)
Change in pension post retirement plan		**31,236**		(1,810)
Meals and entertainment		**1,271**		1,324
Co-operative education and apprenticeship credits		**(16,174)**		(8,361)
Taxable gain and net capital losses		**1,453**		-
Miscellaneous other		**708**		-
Investment income		**585**		-
Dividend tax credit		**(1,682)**		-
Total provision	**$**	**150,279**	$	178,697
Effective tax rate		**14.81%**		15.32%

9. Payments in Lieu of Corporate Taxes Continued

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

	2016	2015
Opening balance, January 1	**$ 681,582**	$ 745,739
Recognized in net income	**(145,543)**	(64,157)
Recognized in other comprehensive income	**24,891**	-
Closing balance, December 31	**$ 560,930**	$ 681,582

Deferred tax assets are attributable to the following:

	2016	2015
Employee future benefits	**$ 222,294**	$ 101,212
Property, plant and equipment	**312,063**	546,278
Goodwill	**26,573**	34,092
	$ 560,930	$ 681,582

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.

10. Property, Plant and Equipment

	Land and Buildings	Distribution Equipment	Vehicles	Other Equipment	Work-in Progress	Total
COST						
January 1, 2015	**$ 859,783**	**$ 14,194,677**	**$ 1,100,611**	**$ 462,820**	**$ 359,294**	**$ 16,977,185**
Additions	2,300	1,804,122	39,114	114,518	470,562	2,430,616
Disposals	-	(225,654)	-	-	-	(225,654)
December 31, 2015	**862,083**	**15,773,145**	**1,139,725**	**577,338**	**829,856**	**19,182,147**
Additions	-	3,737,887	354,140	86,911	(482,594)	3,696,344
Disposals	**(106,886)**	(69,254)	**-**	(1,503)	-	(177,643)
December 31, 2016	**$ 755,197**	**$ 19,441,778**	**$ 1,493,865**	**$ 662,746**	**$ 347,262**	**$ 22,700,848**
ACCUMULATED AMORTIZATION						
January 1, 2015	**$ 9,296**	**$ 708,270**	**$ 219,594**	**$ 65,141**	**$ -**	**$ 1,002,301**
Amortization	9,335	645,283	231,921	77,341	-	963,880
Disposals	-	(24,966)	-	-	-	(24,966)
Impairment Loss	-	-	-	-	-	-
December 31, 2015	**18,631**	**1,328,587**	**451,515**	**142,482**	**-**	**1,941,215**
Amortization	9,399	706,284	224,957	94,549	-	1,035,189
Disposals	-	(11,080)	-	(786)	-	(11,866)
December 31, 2016	**$ 28,030**	**$ 2,023,791**	**$ 676,472**	**$ 236,245**	**$ -**	**$ 2,964,538**
CARRYING AMOUNTS						
December 31, 2015	**$ 843,452**	**$ 14,444,558**	**$ 688,210**	**$ 434,856**	**$ 829,856**	**$ 17,240,932**
December 31, 2016	**$ 727,167**	**$ 17,417,987**	**$ 817,393**	**$ 426,501**	**$ 347,262**	**$ 19,736,310**

During the year, the corporation capitalized borrowing costs, related to the duration of capital construction projects greater than four months, amounting to $NIL (2015 - $13,511).

11. Intangibles

	Paid Capital Contributions	Software	Goodwill	Total
COST				
January 1, 2015	**$ -**	**$ 95,975**	**$ 276,704**	**$ 372,679**
Additions	-	12,521	-	12,521
Disposals	-	-	-	-
December 31, 2015	**-**	**108,496**	**276,704**	**385,200**
Additions	553,415	69,340	-	622,755
Disposals	-	(5,035)	-	(5,035)
December 31, 2016	**$ 553,415**	**$ 172,801**	**$ 276,704**	**$ 1,002,920**
ACCUMULATED AMORTIZATION				
January 1, 2015	**$ -**	**$ 21,990**	**$ -**	**$ 21,990**
Additions	-	19,230	-	19,230
Disposals	-	-	-	-
December 31, 2015	**-**	**41,220**	**-**	**41,220**
Additions	-	26,705	-	26,705
Disposals	-	(1,007)	-	(1,007)
December 31, 2016	**$ -**	**$ 66,918**	**$ -**	**$ 66,918**
CARRYING AMOUNTS				
December 31, 2015	**$ -**	**$ 67,276**	**$ 276,704**	**$ 343,980**
December 31, 2016	**$ 553,415**	**$ 105,883**	**$ 276,704**	**$ 936,002**

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:

	2015	Disposition May 2016	Balances Arising in the Period	Recovery	2016
Regulatory deferral debits:					
Stranded assets	$ 521,954	$ -	$ 5,637	$ -	**$ 527,591**
OEB Cost assessment variance	-	-	27,817	-	**27,817**
Energy East consultation costs	2,290	-	25	-	**2,315**
IFRS transition costs	180,484	-	20,802	-	**201,286**
Late payment penalty settlement	(2,217)	-	-	-	**(2,217)**
Green Energy Renewable Connection	5,454	-	3,258	-	**8,712**
Stranded meters	9,852	-	40	-	**9,892**
Smart Grid	4,661	-	49	-	**4,710**
PILs tax variance - other	17	-	-	(17)	**-**
PILs tax variance - Ontario SBD	35,187	-	385	-	**35,572**
LRAMVA	52,730	-	50,810	-	**103,540**
RARA approved May 1, 2013, 2 yr	98,637	-	1,182	-	**99,819**
RARA approved May 1, 2015, 1 yr	514,186	-	2,277	(356,915)	**159,548**
Retail settlement variances	-	-	272,404	-	**272,404**
	1,423,235	-	384,686	(356,932)	**1,450,989**
Miscellaneous deferred debits	175,030	-	30,454	(90,420)	**115,064**
	$ 1,598,265	$ -	$ 415,140	$ (447,352)	**$1,566,053**
Regulatory deferral credits:					
Retail settlement variances	$ 249,932	$ -	$ (249,932)	$ -	**$ -**
RARA approved May 1, 2010, 4 yr	(56,204)	-	5,727	-	**(50,477)**
RARA approved May 1, 2012, 2 yr	12,169	-	(77)	(17)	**12,075**
Deferred taxes (See Note 9b)	681,582	-	(120,652)	-	**560,930**
	$ 887,479	$ -	$ (364,934)	$ (17)	**$ 522,528**
Net regulatory asset	$ 710,786	$ -	$ 780,074	$ (447,335)	**$1,043,525**

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 $5,829 (2015 - $18,078) 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
2016 OEB quarterly prescribed interest rates	1.10 %	1.10 %	1.10 %	1.10 %
2015 OEB quarterly prescribed interest rates	1.47 %	1.10 %	1.10 %	1.10 %

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.

OEB Cost Assessment Variance

On February 9, 2016, the Board established this deferral account to record material differences between the quarterly OEB cost assessments currently built into rates and the cost assessments that will result from the application of the new Cost Assessment Model.

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.

12. Regulatory Deferral Accounts Continued

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.

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 (SBD)

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
		$70,000
	50% sharing of tax change	x 50%
		$35,000
	Carrying charges	572
		$35,572

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.

12. Regulatory Deferral Accounts Continued

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.

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:

	2016			2015		
	Cost	**Expensed**	**Net Book Value**	Cost	Expensed	Net Book Value
Regulatory expenses	**$ 346,356**	**$ 318,936**	**$ 27,420**	$ 346,356	$ 236,676	$ 109,680
Distribution system plan	**30,579**	**-**	**30,579**	125	-	125
Expansion charges	**204,914**	**147,849**	**57,065**	204,914	139,689	65,225
	$ 581,849	**$ 466,785**	**$ 115,064**	$ 551,395	$ 376,365	$ 175,030

Regulatory expenses include 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 of $27,420 will be expensed to the general and administration category over the next four months.

The distribution system plan is currently in progress for the upcoming cost of service application.

Expansion charges 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.

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 are recognized in the financial statements as a result of IFRS regulatory treatment:

	2016	2015
Statement of Comprehensive Income:		
(Increase) decrease in the sale of energy	**$ 166,320**	$ (802,498)
(Increase) decrease in distribution revenue	**50,238**	(41,174)
(Decrease) in operating expenses	**(2,140)**	(75,169)
Loss on disposal of property, plant and equipment	**-**	161,271
Increase in interest expense	**5,829**	18,078
(Decrease) in amortization	**(8,160)**	(8,160)
Increase in deferred tax expense	**145,543**	64,157
	357,630	(683,495)
Statement of Other Comprehensive Income:		
(Decrease) in deferred tax expense related to OCI	**(24,891)**	-
Net movement on regulatory deferral accounts	**332,739**	(683,495)
Balance Sheet:		
Increase in retained earnings	**710,786**	1,394,281
	$ 1,043,525	$ 710,786

13. Accounts Payable and Accruals

	2016	2015
Independent Electricity System Operator	**$ 3,994,330**	$ 3,363,174
Hydro One	**795,110**	747,500
Trade payables	**744,252**	664,268
Town of Collingwood - Sewer	**1,137,903**	1,165,058
Town of Collingwood - Interest Payable	**-**	81,575
Town of Collingwood - Water	**638,157**	754,389
Economic evaluations	**66,989**	129,159
Debt retirement charge payable	**87,801**	151,598
Other accounts payable and accruals	**66,282**	29,764
Accrued interest on long-term debt	**30,775**	36,076
Deferred conservation program funding	**127,313**	103,264
	$ 7,688,912	$ 7,225,825

14. Customer Deposits and Credits

	2016	2015
Customer deposits	**$ 480,169**	$ 481,279
Construction work deposits	**96,146**	327,354
Customer credit balances in trade receivables	**301,121**	307,130
	877,436	1,115,763
Less long-term portion of customer deposits	**278,020**	281,455
	$ 599,416	$ 834,308

15. Contributions in Aid of Construction

	2016	2015
Deferred contributions, net, beginning of year	**$ 1,075,897**	$ 347,075
Contributions in aid of construction received	**1,739,589**	745,573
Contributions in aid of construction recognized as distribution revenue	**(45,635)**	(16,751)
Deferred contributions, net, end of year	**$ 2,769,851**	$ 1,075,897

16. Long-term Debt

	2016	2015
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, $100,000 principal repayable semi-annually plus interest in October and April, due April 2025	**$ 1,700,000**	$ 1,900,000
• 3.84% fixed rate, $32,700 principal and interest repayable monthly, due September 2037	**5,606,535**	5,780,010
• 4.58% fixed rate, $3,563 principal and interest repayable monthly, due December 2043	**664,778**	677,055
• 2.76% fixed rate, $25,000 principal repayable semi-annually plus interest in October and April, due April 2035	**925,000**	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	**3,054,417**	3,110,170
	11,950,730	12,442,235
Current portion of long-term debt	**503,495**	491,505
	$ 11,447,235	$ 11,950,730

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, 2016, the corporation had undrawn credit capacity under this facility of $NIL (2015 - $NIL).

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

2017	$ 503,495
2018	513,377
2019	523,645
2020	534,020
2021	545,390
Thereafter	9,330,803
	$ 11,950,730

Subsequent to year-end, on March 10th, 2017 the corporation received a $3,100,000 loan advance from TD bank.

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 $185,757 (2015 - $116,455). 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, 2015. The results of this valuation disclosed total actuarial liabilities of $82.4 (2014 - $77.3) billion in respect of benefits accrued for service with actuarial assets at that date of $75.4 (2014 - $70.2) billion, indicating an actuarial deficit of $7.0 (2014 - $7.1) 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% (2015 - 9.0%) for employees earning up to $54,900 (2015 - $53,600) and 14.6% (2015 - 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, 2016 and 2015 were based on results and assumptions determined by actuarial valuation as at December 31, 2016 and January 1, 2014 respectively.

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.

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:

	2016	2015
Defined benefit obligation, beginning of the year	**$ 381,933**	$ 388,763
Amounts recognized in net income:		
Current service cost	**6,793**	6,482
Interest cost on obligation	**17,814**	17,911
	24,607	24,393
Amounts recognized in other comprehensive income:		
Actuarial loss from financial assumption	**93,928**	-
Benefit payments	**(21,646)**	(31,223)
Assumption of related company employee future benefits	**360,022**	-
Defined benefit obligation, end of the year	**$ 838,844**	$ 381,933

Actuarial assumptions are as follows:

	2016	2015
Discount rate	**3.90 %**	4.80 %
Consumer price index	**2.00 %**	2.00 %
Rate of compensation increase	**3.50 %**	3.50 %
Health benefits costs escalation	**4.50 %** to **5.99 %**	4.60 % to 6.70 %
Dental benefits costs escalation	**4.50 %**	4.60 %
Retirement age	**59 yrs**	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	$ (41,000)	$ 52,000	$ (16,000)	$ 16,000	$ 10,000	$ (10,000)
Service Cost	(2,000)	4,000	(2,000)	2,000	2,000	(1,000)
Interest Cost	2,000	(3,000)	(1,000)	-	-	(1,000)

The weighted average duration of the defined benefit obligation at December 31, 2016 was 12 years (December 31, 2015 - 10 years).

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, 2016 the obligation to CHEC includes 2017 membership dues of approximately $46,500.

Utility Collaborative Services Inc. ("UCS")

The corporation had 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.

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. The corporation is paying the first eighteen months of the three year notice period as normally billed each month. The corporation prepaid the last eighteen months of the three year notice period in the amount of $197,387. The prepaid expense will be recognized in the income statement as follows:

2017	$ 10,966
2018	131,591
2019	54,830

As at December 31, 2016 the estimated future obligation to UCS includes fees of approximately $227,640 payable as follows:

2017	$ 171,999
2018	39,034
2019	16,607

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 regard to the corporation's residual assets. There are no preference shares. The issued and fully paid share capital is as follows:

		2016	2015
5,101,340	Common shares	**$ 5,101,340**	$ 5,101,340

(b) Movement in ordinary share capital

No movement in ordinary share capital has occurred during 2016 or 2015.

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	(5,101,340)
Miscellaneous Paid In Capital	$ 2,966,014

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

21. Dividends

Dividends in the amount of $122,998 (2015 - $408,107) 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, 2016, 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, 2016 the balance was $NIL (2015 - $NIL) on this credit facility and the rate was 2.40% (2015 - 2.70%).

Letter of Credit ("LOC")

As at December 31, 2016, the corporation had utilized $2,326,160 (2015 - $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% (2015 - 0.50%). For the year ended December 31, 2016 the fee incurred was $11,695 (2015 - $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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24. Amortization

	2016	2015
Property, plant and equipment	**$ 810,230**	$ 731,958
Software	**26,705**	19,230
Deferred charges	**8,160**	8,160
	845,095	759,348
Less net regulatory movement related to deferred charges	**(8,160)**	(8,160)
	836,935	751,188
Vehicles, allocated to other accounts	**224,957**	231,922
	$ 1,061,892	$ 983,110

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

	2016	2015
Write-offs during the year	**$ 74,862**	$ 55,536
Recoveries during the year	**(13,580)**	(13,576)
Opening allowance	**(77,916)**	(90,964)
Closing allowance	**75,016**	77,916
	$ 58,382	$ 28,912

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.

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.

	2016				
	50% Shareholder of Parent	50% Shareholder of Parent	Parent	Wholly owned subsidiary of Parent	Wholly owned subsidiary of Parent
	Town of Collingwood	PowerStream Inc.	Collingwood PowerStream Utility Services Corp.	Collus PowerStream Solutions Corp.	Collus PowerStream Energy Corp.
Receipts:					
Shared employee services	$	$	$	$ 181,183	$
Streetlight maintenance	41,638				
Conservation funding from IESO		40,000			
Emergency assistance		12,999			
	$ 41,638	$ 52,999	$	$ 181,183	$
Disbursements:					
Property taxes	$ 18,662	$	$	$	$
Property maintenance	5,000				
Board payments	2,100				
Services		20,973			
Shared employee charge	43,331	143,291		694,586	
Computer lease	21,792				
Building lease	216,000				
Conservation program		12,750			
Misc and shared invoices	13,812	1,960			
Emergency assistance		5,796			
Inventory and capital materials		36,394			
	$ 320,697	$ 221,164	$	$ 694,586	$
Dividends paid	$	$	$ 122,998	$	$

26. Related Party Transactions Continued

	2015				
	50% Share-holder of Parent	50% Share-holder of Parent	Parent	Wholly owned subsidiary of Parent	Wholly owned subsidiary of Parent
	Town of Collingwood	PowerStream Inc.	Collingwood PowerStream Utility Services Corp.	Collus PowerStream Solutions Corp.	Collus PowerStream Energy Corp.
Receipts:					
Streetlight maintenance	$ 49,548	$	$	$	$
Conservation funding from IESO		40,000			
	$ 49,548	$ 40,000	$	$	$
Disbursements:					
Property taxes	$ 18,782	$	$	$	$
Property maintenance	7,500				
Interest	81,575				
Services		20,246			
Shared employee charge	37,743			1,068,008	
Computer lease	21,792				
Building lease	216,000				
Conservation program		140,103			
	$ 383,392	$ 160,349	$	$ 1,068,008	$
Dividends paid	$	$	$ 408,107	$	$

26. Related Party Transactions Continued

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

2016

	50% Share-holder of Parent	50% Share-holder of Parent	Parent	Wholly owned subsidiary of Parent	Wholly owned subsidiary of Parent
	Town of Collingwood	PowerStream Inc.	Collingwood PowerStream Utility Services Corp.	Collus PowerStream Solutions Corp.	Collus PowerStream Energy Corp.
Trade receivable	$ 85,426	$ 14,689	$	$ 200,022	$
Trade payable	(24,883)	(18,049)			
Waste water collections payable	(1,137,903)				
Water collections payable	(638,157)				
	$ (1,715,517)	$ (3,360)	$	$ 200,022	$

2015

	Town of Collingwood	PowerStream Inc.	Collingwood PowerStream Utility Services Corp.	Collus PowerStream Solutions Corp.	Collus PowerStream Energy Corp.
Trade receivable	$ 50,645	$	$	$	
Trade payable	(2,599)	(13,947)		(112,361)	
Interest payable	(81,575)				
Waste water collections payable	(1,165,058)				
Water collections payable	(754,389)				
	$ (1,952,976)	$ 13,947	$	$ (112,361)	$

The corporation paid $58,290 (2015 - $59,892) in fees to Cornerstone Hydro Electric Concepts Association Inc. ("CHEC") (See Note 18).

The corporation paid $374,425 (2015 - $179,287) 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.

	2016	2015
Board of directors' fees	**$ 49,992**	$ 71,812
Short-term employment benefits and salaries	**899,824**	754,962
Post-employment benefits	**25,284**	16,411
	$ 975,100	$ 843,185

27. Financial Instruments

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

	2016		2015	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Assets				
Cash and bank	**$ 940,680**	**$ 940,680**	$ 2,943,000	$ 2,943,000
Investments	**-**	**-**	100	undeterminable
Accounts receivable	**4,850,878**	**4,850,878**	4,088,883	4,088,883
Unbilled energy revenue	**4,852,979**	**4,852,979**	4,232,314	4,232,314
Liabilities				
Accounts payable & accruals	**$ 7,688,912**	**$ 7,688,912**	$ 7,225,825	$ 7,225,825
Customer deposits	**877,436**	**877,436**	1,115,763	1,115,763
Long-term debt	**11,950,730**	**11,950,730**	12,442,235	12,442,235

The estimated fair values of financial instruments as at December 31, 2016 and December 31, 2015 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;

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 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. All covenants are to be tested and calculated as of the end of each fiscal year. The corporation was in compliance with these covenants during the year and as at December 31, 2016.

Management monitors the following key ratios to effectively manage capital:

		2016	2015
a) Debt Service Coverage Ratio IO:	(must be at least 1.30)	**1.52**:**1**	2.17:1
b) Debt Service Coverage Ratio TD:	(must be at least 1.20)	**1.21**:**1**	1.45:1
d) Debt to Total Assets IO:	(must not exceed 0.60)	**0.35**:**1**	0.39:1
c) Debt to Capital TD:	(must not exceed 0.60)	**0.50**:**1**	0.57:1
e) Current ratio IO:	(must be at least 1.10)	**1.29:1**	1.40:1

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. Receivables greater than 30 days are considered past due.

	2016	2015
Under 30 days	**$ 4,608,460**	$ 4,056,322
30 to 60 days	**171,114**	79,379
61 to 90 days	**50,589**	15,115
Over 90 days	**95,731**	15,983
	4,925,894	4,166,799
Provision	**75,016**	77,916
Total accounts receivable	**$ 4,850,878**	$ 4,088,883

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	$ 7,621,923	$ 66,989	$ -	$ -	$ 7,688,912
Payments in lieu of taxes	-	-	-	-	-
Customer deposits/credits	-	599,416	278,020	-	877,436
Long-term debt	62,847	440,648	2,116,432	9,330,803	11,950,730
Total	$ 7,684,770	$ 1,107,053	$ 2,394,452	$ 9,330,803	$ 20,517,078

(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, 2016.

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. Note 17 describes the interest rate risk associated with Employee Future Benefits. The corporation is also 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, 2016, 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. Financial Statement Presentation

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

31. 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 Town of Collingwood. The agreement is currently under review and the impact of any changes to the agreement is unknown at this time.

32. Finance Income and Finance Cost

	2016	2015
Finance Income:		
Interest earned on bank account	**$ 32,790**	$ 34,485
Finance Cost:		
Net interest on employee future benefits	**$ 17,814**	$ 17,911
Interest on customer deposits	**3,354**	4,524
Interest on Letter of Credit	**11,695**	11,631
Interest on long-term debt	**472,483**	452,056
Interest other	**1,258**	-
	$ 506,604	$ 486,122

33. Expenses by Nature

		2016	2015
Billing and collecting:			
After hours call centre		$ 15,521	$ 15,888
Bad debts	(Note 25)	58,382	28,912
Bank charges		16,027	15,639
Billing supplies and services provided		150,401	124,847
Collection agency costs		2,233	2,733
Conservation and community safety programs		-	5,175
Disconnection and collection service subcontractor		36,046	26,685
Information technology		16,403	16,801
Insurance - Business credit collections		21,760	22,611
Meter reading - manual		10,120	6,573
Office and general		8,167	13,170
Postage		67,693	108,690
Retailer Settlement Expenses		85,048	86,000
Survey		9,700	-
Salaries and benefits		320,937	348,653
Smart meter reading and operations		227,790	199,932
Telephone		2,246	4,892
Training and travel		1,706	5,580
Vehicle burden allocation		932	1,046
		$ 1,051,112	$ 1,033,827
Add regulatory movement		3,183	2,710
		$ 1,054,295	$ 1,036,537
Operations and maintenance:			
Materials, supplies, small tools		$ 72,128	$ 137,580
Office and general		3,356	4,781
Property taxes		22,082	22,167
Rent - operations facility and yard		172,800	172,800
Rent - joint pole use		20,790	19,999
Salaries, benefits and burdens		1,677,799	1,391,127
Subcontractor and service providers		195,531	316,840
Telephone		13,850	18,163
Training and travel		21,069	51,320
Utilities		8,821	7,647
Vehicle burden allocation		273,905	246,288
		$ 2,482,131	$ 2,388,712

33. Expenses by Nature Continued

	2016	2015
General and administrative:		
Advertising and sponsorships	$ 14,203	$ 23,418
Actuary	7,757	-
Audit	33,000	27,600
Building maintenance	393	30,730
Computer lease	21,792	21,792
Conferences, events, training, meetings and travel	31,626	70,392
Consulting	26,703	26,018
Information technology	30,201	25,644
Insurance	72,984	75,188
Legal	59,143	25,368
Memberships, fees and dues	102,203	102,799
Office supplies and materials	9,044	4,569
Regulatory	125,798	122,296
Rent - administration building	43,200	43,200
Salaries and benefits	774,442	644,763
Telephone	6,859	9,753
	$ 1,359,348	$ 1,253,530
Less regulatory movement	(5,324)	(77,880)
	$ 1,354,024	$ 1,175,650