



**Collus PowerStream Solutions Corp.**

**Financial Statements**

**For the year ended December 31, 2016**

**(expressed in CDN\$)**



**Collus PowerStream Solutions Corp.  
Financial Statements  
For the year ended December 31, 2016**

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**COLLINS BARROW SGB LLP**  
**CHARTERED PROFESSIONAL ACCOUNTANTS**

**INDEPENDENT AUDITOR'S REPORT**

To the Shareholder of Collus PowerStream Solutions Corp.:

**Report on the Financial Statements**

We have audited the accompanying financial statements of Collus PowerStream Solutions Corp., which comprise the balance sheet as at December 31, 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 information.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

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

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

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

**Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of Collus PowerStream Solutions Corp. as at December 31, 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**  
**CHARTERED PROFESSIONAL ACCOUNTANTS**

**INDEPENDENT AUDITOR'S REPORT (continued)**

**Emphasis of Matter**

Without qualifying our opinion, we draw attention to Note 5 in the financial statements which indicates that the corporation incurred a net loss of \$235,613 during the year ended December 31, 2016 and, as of that date, the corporation's current liabilities exceeded its total assets by \$107,382. These conditions, along with other matters as set forth in Note 5, indicate the existence of a material uncertainty that may cast significant doubt about the corporation's ability to continue as a going concern.

*Collins Barrow SGB LLP.*

***Collins Barrow SGB LLP***

Licensed Public Accountants

Collingwood, Ontario

March 23, 2017



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

**As at December 31** 2016 2015

**Assets**

**Current**

Cash and bank	(Note 6)	\$ 8,774	\$ 292,883
Accounts receivable	(Note 7)	61,812	227,287
Payment in lieu of taxes receivable	(Note 9)	26,304	501

**96,890** 520,671

**Deferred taxes** (Note 9) - 89,857

**\$ 96,890** \$ 610,528

**Liabilities and Shareholder's Equity**

**Current**

Accounts payable and accruals	(Note 10)	\$ 4,250	\$ 143,214
Due to Collus PowerStream Corp.	(Note 14)	200,022	-

**204,272** 143,214

**Employee future benefits** (Note 11) - 339,083

**204,272** 482,297

**Shareholders' equity (deficiency)**

Share capital	(Note 12)	100	100
(Deficit) Retained earnings		(221,931)	13,682
Accumulated other comprehensive income		114,449	114,449

**(107,382)** 128,231

**\$ 96,890** \$ 610,528

On behalf of the Board:

*Dan Horchik*

Director

Director

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



**Collus PowerStream Solutions Corp.**  
**Statement of Comprehensive Income**  
(expressed in CDN\$)

<b>For the year ended December 31</b>	<b>2016</b>	<b>2015</b>
<b>Revenues</b>		
Administrative service	(Note 14)	<u>\$ 1,103,395</u>
		\$ 1,920,993
<b>Expenses</b>		
General and administrative		4,538
Professional fees		4,685
Salaries and benefits	(Note 14)	10,800
Subcontract	(Note 14)	21,564
		1,058,465
		1,881,803
		<u>181,183</u>
		<u>-</u>
		<u>1,254,986</u>
		1,908,052
<b>Income from operating activities</b>		<b>(151,591)</b>
		12,941
Finance income - interest income on bank deposits		2,237
Finance expense - net interest on employee future benefits		2,527
		<u>(15,980)</u>
		<u>(14,977)</u>
<b>Income before provision for payment in lieu of taxes</b>		<b>(165,334)</b>
		491
<b>Provision for payment in lieu of taxes</b>		
Current	(Note 9)	(19,578)
Deferred	(Note 9)	6,130
		<u>89,857</u>
		<u>(6,000)</u>
		<u>70,279</u>
		130
<b>Net income</b>		<b>(235,613)</b>
		361
<b>Other comprehensive income</b>		<u>-</u>
		<u>-</u>
<b>Total income and other comprehensive income</b>		<b>\$ (235,613) \$ 361</b>

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



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

**For the year ended December 31**

	Share Capital	Accumulated Other Comprehensive Income	Retained Earnings	Total
<b>Balance January 1, 2015</b>	<b>\$ 100</b>	<b>\$ 114,449</b>	<b>\$ 13,321</b>	<b>\$ 127,870</b>
Net income	-	-	361	361
Other comprehensive income	-	-	-	-
Dividends	-	-	-	-
<b>Balance December 31, 2015</b>	<b>100</b>	<b>114,449</b>	<b>13,682</b>	<b>128,231</b>
Net income	-	-	(235,613)	(235,613)
Other comprehensive income	-	-	-	-
Dividends	-	-	-	-
<b>Balance December 31, 2016</b>	<b>\$ 100</b>	<b>\$ 114,449</b>	<b>\$ (221,931)</b>	<b>\$ (107,382)</b>

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



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

<b>For the year ended December 31</b>	<b>2016</b>	<b>2015</b>
<b>Cash flows from operating activities</b>		
Total income and other comprehensive income for the year	\$ (235,613)	\$ 361
Adjustments to determine cash provided by operations:		
Provision for payment in lieu of taxes	70,279	130
Finance income	(2,237)	(2,527)
Finance expense	15,980	14,977
	<b>(151,591)</b>	12,941
Changes in non-cash working capital:		
Accounts receivable	165,475	(10,657)
Accounts payable and accruals	(138,964)	5,063
Due to Collus PowerStream Corp.	200,022	-
Employee future benefits	(355,063)	7,663
<b>Cash generated from operations</b>	<b>(280,121)</b>	15,010
Payments in lieu of taxes paid	(6,225)	(6,055)
Payments in lieu of taxes received	-	1,809
<b>Net cash generated from operations</b>	<b>(286,346)</b>	10,764
<b>Cash flows from investing activities</b>		
Interest received	2,237	2,527
<b>(Decrease) increase in cash during the year</b>	<b>(284,109)</b>	13,291
<b>Cash and bank, beginning of year</b>	<b>292,883</b>	279,592
<b>Cash and bank, end of year</b>	<b>\$ 8,774</b>	\$ 292,883

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





# **Collus PowerStream Solutions Corp.**

## **Notes to Financial Statements**

### **December 31, 2016**

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

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

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

(a) Statement of compliance

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

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.

(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.

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# **Collus PowerStream Solutions Corp.**

## **Notes to Financial Statements**

### **December 31, 2016**

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

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

#### **(a) Revenue Recognition**

Revenue is recognized to the extent that it is probable that economic benefits will flow to the corporation and when the revenue can be reliably measured. Revenue comprises administration services and bank interest. Revenue from administrative services provided is recognized at the time the service is rendered. Finance income such as bank interest is recognized at the time the revenue is earned.

#### **(b) Cash and Bank**

Cash and bank include deposits held on demand with a financial institution.

#### **(c) Financial Assets**

These include cash and bank and accounts receivable 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.

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. 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. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through income.

#### **(d) Financial Liabilities**

Accounts payable and accruals are classified as financial liabilities. Financial liabilities are recognized initially at fair value, subsequently the liabilities are measured at amortized cost using the effective interest method.

#### **(e) 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.



# **Collus PowerStream Solutions Corp.**

## **Notes to Financial Statements**

### **December 31, 2016**

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

##### (e) Employee Future Benefits Continued

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 the 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 operating expenses 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.

##### 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 the expected remaining period to settlement.



# **Collus PowerStream Solutions Corp.**

## **Notes to Financial Statements**

### **December 31, 2016**

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

##### (f) Payments in Lieu of Taxes

###### Tax status

The corporation is a Municipal Electricity Utility ("MEU") for purposes of the payment in lieu of taxes ("PILs") regime contained in the Electricity Act, 1998. As an 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 ("OEFEC"), 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 for payment in lieu of taxes expense 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. Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes 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.

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.



# **Collus PowerStream Solutions Corp.**

## **Notes to Financial Statements**

### **December 31, 2016**

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

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

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

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

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

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

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

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

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# **Collus PowerStream Solutions Corp.**

## **Notes to Financial Statements**

### **December 31, 2016**

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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 11 Employee Future Benefits.

##### Payment in lieu of taxes payable

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

##### Accounts receivable impairment

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

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## **Collus PowerStream Solutions Corp. Notes to Financial Statements December 31, 2016**

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### **5. Going Concern**

As the corporation's main source of revenue is derived from providing administrative services to related parties, its ability to continue viable operations is dependent upon Collus PowerStream Corp. and The Town of Collingwood. The shared services agreement with The Town of Collingwood has been under review for a number of years without resolution.

The impact of some lost services with the Town of Collingwood on January 1, 2016, such as management, accounting, and administration services, resulted in a number of staff being moved directly into Collus PowerStream Corp. mid-year. In December 2016, the board of directors signed a resolution to also move the remaining staff, who were providing billing, collecting and customer service.

At at December 31, 2016, the corporation has no employees and therefore no ability to produce future revenues. Any remaining billing, collecting, customer service, and information technology services required by the Town of Collingwood will be billed by PowerStream Corp. and subcontracted to Collus PowerStream Corp.

The corporation incurred losses of \$235,613 in 2016. The corporation's total liabilities of \$204,272 exceed total assets of \$96,890 by \$107,382.

The shareholders of the parent company, Collingwood PowerStream Utility Services Corp. have agreed to an independent review by a National Audit Firm of the service fees paid by the Town of Collingwood for services rendered by Collus PowerStream Solutions in 2016. The purpose of the review is to ascertain the amount owing (if any) by the Town of Collingwood.

The corporation has not accrued a contingent asset as at December 31, 2016 for the anticipated future receipt because of the uncertainty of timing and amount. The corporation plans to pay its remaining liabilities in 2017 once the adjustment payment has been determined by the National Audit Firm and the amount is received from The Town of Collingwood.

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## **Collus PowerStream Solutions Corp.**

### **Notes to Financial Statements**

#### **December 31, 2016**

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#### **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%).

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#### **7. Accounts Receivable**

	<u>2016</u>	<u>2015</u>
Town of Collingwood	\$ 37,329	\$ 39,767
Town of Collingwood - Water Department	24,483	73,990
Collus PowerStream Corp.	-	112,361
Employees receivable	-	1,169
	<u>\$ 61,812</u>	<u>\$ 227,287</u>

Due to its short term nature, the carrying amount of the accounts receivable due from related parties and other accounts receivable approximates its fair value.

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#### **8. Credit Facilities**

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

##### Line of Credit

The corporation has a line of credit, secured by a general security agreement, with an authorized limit of \$250,000 available under a credit facility agreement with a Canadian chartered bank. Interest on advances is calculated using the bank's prime rate less 0.30% 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% (December 31, 2015 - 2.40%).

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## Collus PowerStream Solutions Corp. Notes to Financial Statements December 31, 2016

### 9. Payment in Lieu of Taxes and Deferred Taxes

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

	2016	2015
<b>Current tax</b>		
Based on current year taxable income	\$ -	\$ 6,130
Loss carryback	<b>(19,578)</b>	-
<b>Deferred tax</b>		
Change in unrecognized deferred tax assets	<b>89,857</b>	(6,000)
	<b>\$ 70,279</b>	\$ 130

The income tax expense has no variation from amounts which would be computed by applying the corporation's combined statutory income tax rate as follows:

	2016	2015
Income before provision for PILs	\$ (165,334)	\$ 491
Statutory Canadian federal and provincial tax rate	<b>26.50%</b>	26.50%
Provision for PILs at statutory rate	\$ (43,814)	\$ 130
Increase (decrease) in income tax resulting from:		
Non-capital losses carried forward	<b>114,093</b>	-
Total provision	<b>\$ 70,279</b>	\$ 130
Effective tax rate	<b>(42.51)%</b>	26.56%

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. There was no change in the federal and provincial corporate tax rates in 2016 or 2015.

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

	2016	2015
Opening balance, January 1	\$ 89,857	\$ 83,857
Recognized in net income	<b>(89,857)</b>	6,000
Recognized in other comprehensive income	-	-
Closing balance, December 31	<b>\$ -</b>	\$ 89,857

Deferred tax assets are attributable to the following:

Employee future benefits	\$ -	\$ 89,857
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## **Collus PowerStream Solutions Corp.**

### **Notes to Financial Statements**

**December 31, 2016**

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#### **10. Accounts Payable and Accruals**

Accounts payable and accruals consist of the following:

	<u>2016</u>	<u>2015</u>
Trade payables	\$ -	\$ 1,174
OMERS payable	-	35,485
HST payable	-	71,130
Other government remittances payable	-	3,122
Payroll accrual	-	27,653
Audit accrual	<b>4,250</b>	4,650
	<b>\$ 4,250</b>	<b>\$ 143,214</b>

Due to its short term nature, the carrying amount of the accounts payable and accruals approximates its fair value.

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# **Collus PowerStream Solutions Corp.**

## **Notes to Financial Statements**

### **December 31, 2016**

#### **11. 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 \$88,915 (2015 - \$164,275). 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 corporations 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.



## Collus PowerStream Solutions Corp. Notes to Financial Statements December 31, 2016

### 11. 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	<b>\$ 339,083</b>	\$ 316,443
Amounts recognized in net income:		
Current service cost	<b>17,282</b>	16,491
Interest cost on obligation	<b>15,980</b>	14,977
	<b>33,262</b>	31,468
Benefit payments	<b>(12,323)</b>	(8,828)
Transfer to Collus PowerStream Corp.	<b>(360,022)</b>	-
Defined benefit obligation, end of the year	<b>\$ -</b>	\$ 339,083

Actuarial assumptions are as follows:

	2016	2015
Discount rate	<b>3.90 %</b>	4.80 %
Consumer price index	<b>2.00 %</b>	2.00 %
Rate of compensation increase	<b>3.50 %</b>	3.50 %
Health benefits costs escalation	<b>4.50 % to 5.99 %</b>	4.60 % to 6.70 %
Dental benefits costs escalation	<b>4.50 %</b>	4.60 %
Retirement age	<b>59 yrs</b>	59 yrs

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

	Discount Rate		Retirement Age		Health Benefits	
	1%+	1%-	2 yrs+	2 yrs-	1%+	1%-
Obligation	\$ (59,000)	\$ 78,000	\$ (48,000)	\$ 46,000	\$ 22,000	\$ (22,000)
Service Cost	(3,000)	3,000	(3,000)	2,000	2,000	(2,000)
Interest Cost	1,000	(2,000)	(2,000)	2,000	1,000	(1,000)

The weighted average duration of the defined benefit obligation at December 31, 2016 was 15 years (2015 - 14 years).



## **Collus PowerStream Solutions Corp.**

### **Notes to Financial Statements**

#### **December 31, 2016**

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#### **12. 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:

	<u>2016</u>	<u>2015</u>
100    Common shares	<u>\$    100</u>	<u>\$    100</u>

(b) Movement in ordinary share capital

No movement in ordinary share capital occurred during 2016 and 2015.

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#### **13. 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 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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## Collus PowerStream Solutions Corp. Notes to Financial Statements December 31, 2016

### 14. Related Party Transactions Continued

At the end of the year, the amounts due from 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 Corp.	Collus PowerStream Energy Corp.
Accounts receivable	\$ 61,812	\$ -	\$ -	\$ -	-
Accounts payable	\$ -	\$ -	\$ -	200,022	-
	2015				
Accounts receivable	\$ 113,757	\$ -	\$ -	112,361	-

(c) Key management personnel compensation comprised:

The key management personnel of the corporation have been identified as members of its board of directors and management team members.

	2016		2015	
Board of directors' fees	\$ 4,200	\$	4,200	\$
Short-term employment benefits and salaries	357,007	\$	637,597	\$
Post-employment benefits	20,463	\$	19,747	\$
	\$ 381,670	\$	661,544	\$



# **Collus PowerStream Solutions Corp.**

## **Notes to Financial Statements**

### **December 31, 2016**

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#### **15. Financial Instruments and Risk Management**

The carrying values of cash and bank, accounts receivable, and accounts payable and accruals approximate fair value because of the short term maturity of these instruments.

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

##### **(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 receivables 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 arising from its day-to-day administrative services. Exposure to credit risk is limited due to the corporation's revenue sources being from related municipal and electricity distribution organizations. The corporation does not have any accounts receivable balances greater than 30 days outstanding. As a result, the corporation believes that its accounts receivable represent a low credit risk. Two customers account for 100% of the corporation's administrative service revenue (See Note 5).

##### **(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. Accounts payable and accruals are due within 30 days. The corporation's exposure is reduced by cash generated from operations and undrawn credit facilities (See Note 8). Exposure to such risks is reduced through close monitoring of cash flows and budgeting.

##### **(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 corporation is not exposed to significant market risk given that they do not have investments in foreign currency, and have no investment in interest bearing instruments.