Collingwood PowerStream Utility Services Corp.

Consolidated Financial Statements

For the year ended December 31, 2017

(expressed in CDN$)

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Consolidated Financial Statements
For the year ended December 31, 2017

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Collingwood PowerStream Utility Services Corp.:

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Collingwood PowerStream Utility Services Corp., which comprise the consolidated balance sheet as at December 31, 2017, the consolidated 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 Consolidated Financial Statements

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

Independent Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements present fairly, in all material respects, the consolidated financial position of Collingwood PowerStream Utility Services Corp. as at December 31, 2017, and the results of its consolidated operations and its cash flows for the year then ended in accordance International Financial Reporting Standards.

Collins Barrow SGB LLP

Licensed Public Accountants
Collingwood, Ontario
March 23, 2018

Collus PowerStream

Collingwood PowerStream Utility Services Corp.
Consolidated Balance Sheet
(expressed in CDN$)

As at December 31		2017	2016
Assets			(Note 13)
Current			
Cash and bank	(Note 7)	**$ 2,255,419**	$ 949,653
Accounts receivable	(Note 8)	**4,109,277**	4,712,668
Unbilled energy revenue		**3,863,870**	4,852,979
Inventory		**288,487**	310,242
Payments in lieu of taxes receivable		**74,002**	53,507
Prepaid expenses		**364,344**	355,964
		10,955,399	11,235,013
Deferred taxes	(Note 9)	**442,488**	560,930
Property, plant and equipment	(Note 10)	**22,131,745**	19,736,310
Intangibles	(Note 11)	**910,164**	936,002
Total Assets		**34,439,796**	32,468,255
Regulatory deferrals	(Note 12)	**3,057,416**	2,687,036
Total Assets and Regulatory Deferrals		**$ 37,497,212**	$ 35,155,291
Liabilities and Shareholder's Equity			
Current			
Accounts payable and accruals	(Note 14)	**$ 7,077,303**	$ 8,763,668
Customer deposits and credits	(Note 15)	**634,824**	599,416
Current portion of long-term debt	(Note 17)	**573,858**	503,495
		8,285,985	9,866,579
Long-term customer deposits	(Note 15)	**265,077**	278,020
Long-term debt	(Note 17)	**13,922,124**	11,447,235
Contributions in aid of construction	(Note 16)	**3,225,522**	2,769,851
Employee future benefits	(Note 18)	**844,331**	838,844
Total Liabilities		**26,543,039**	25,200,529
Shareholder's Equity			
Share capital	(Note 19)	**5,101,640**	5,101,640
Miscellaneous paid in capital	(Note 20)	**2,966,014**	2,966,014
Retained earnings		**2,887,747**	1,888,260
Accumulated other comprehensive deficit		**(13,227)**	(13,227)
Total Shareholder's Equity		**10,942,174**	9,942,687
Total Liabilities and Shareholder's Equity		**37,485,213**	35,143,216
Regulatory deferrals	(Note 12)	**11,999**	12,075
Total Liabilities, Equity and Regulatory Deferrals		**$ 37,497,212**	$ 35,155,291

On behalf of the Board:

Director Dan Horchik Director

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

Collingwood PowerStream Utility Services Corp.

Consolidated Statement of Comprehensive Income

(expressed in CDN$)

For the year ended December 31		2017	2016
			(Note 13)
Revenues			
Sale of energy		**$ 35,499,898**	$ 36,316,681
Distribution revenue		**6,811,090**	6,741,148
Other revenue		**489,055**	595,882
Administrative service revenue		-	408,809
		42,800,043	44,062,520
Cost of power purchased		**35,815,725**	36,651,902
		6,984,318	7,410,618
Expenses			
Amortization	(Note 24)	**939,422**	836,935
Billing and collecting	(Note 31)	**1,204,657**	1,054,295
Operations and maintenance	(Note 31)	**2,189,894**	2,482,131
General and administrative	(Note 31)	**1,168,859**	1,914,426
Loss on disposal of property, plant and equipment		**25,935**	62,919
Donations and Low-Income Energy Assistance Program		**10,441**	10,108
		5,539,208	6,360,814
Income from operations		**1,445,110**	1,049,804
Finance income	(Note 26)	**40,353**	35,028
Finance cost	(Note 26)	**(599,757)**	(522,584)
Income before income taxes and net regulatory movements		**885,706**	562,248
Income taxes (Note 9)			
Current		**138,233**	130,701
Deferred		**118,442**	235,400
		256,675	366,101
Income before net regulatory movements		**629,031**	196,147
Net movement on regulatory deferral accounts	(Note 12)	**370,456**	380,988
Net income and regulatory movements		**999,487**	577,135
Other comprehensive income: items that will not be reclassified to profit or loss, net of income tax			
Remeasurement of defined benefit pension plan		-	(93,928)
Deferred tax on re-measurements		-	24,891
		-	(69,037)
Total income and other comprehensive income		**$ 999,487**	$ 508,098

Collus PowerStream

Collingwood PowerStream Utility Services Corp.
Consolidated Statement of Changes in Equity
(expressed in CDN$)

For the year ended December 31

(Note 13)

	Share Capital	Miscellaneous Paid In Capital	Accumulated Other Comprehensive Deficit	Retained Earnings	Total
Balance January 1, 2016	**$ 5,101,640**	**$ 2,966,014**	**$ 55,810**	**$ 1,434,123**	**$ 9,557,587**
Net income and regulatory movements	-	-	-	577,135	577,135
Other comprehensive income	-	-	(69,037)	-	(69,037)
Dividends	-	-	-	(122,998)	(122,998)
Balance December 31, 2016	**$ 5,101,640**	**$ 2,966,014**	**$ (13,227)**	**$ 1,888,260**	**$ 9,942,687**
Net income and regulatory movements	-	-	-	999,487	999,487
Balance December 31, 2017	**$ 5,101,640**	**$ 2,966,014**	**$ (13,227)**	**$ 2,887,747**	**$ 10,942,174**

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

Collus PowerStream

Collingwood PowerStream Utility Services Corp.
Consolidated Statement of Cash Flows

(expressed in CDN$)

For the year ended December 31		2017	2016
Cash flows from operating activities			
Total income and other comprehensive income		**$ 999,487**	$ 508,098
Adjustments for items not affecting cash:			
Amortization	(Note 24)	**939,422**	836,935
Vehicle amortization, allocated to other accts	(Note 24)	**227,795**	224,957
Loss on disposal of property, plant and equipment		**25,935**	62,919
Gain on disposal of property, plant and equipment		**(10,000)**	(23,506)
Contributions in aid of construction	(Note 16)	**(72,285)**	(45,635)
Income taxes		**256,675**	341,210
Finance income	(Note 26)	**(40,353)**	(35,028)
Finance expense	(Note 26)	**599,757**	522,584
		2,926,433	2,392,534
Changes in non-cash working capital:			
Accounts receivable		**603,391**	(508,858)
Unbilled energy revenue		**989,109**	(620,665)
Inventory		**21,755**	(24,367)
Prepaid expenses		**(8,380)**	110,129
Accounts payable and accruals		**(1,684,094)**	1,512,290
Customer deposits and credit balances		**35,408**	(234,892)
Employee future benefits		**(26,273)**	84,034
Payments in lieu of corporate taxes paid		**(158,728)**	(189,282)
		2,698,621	2,520,923
Cash flows from investing activities			
Purchase of property, plant and equipment	(Note 10)	**(3,548,749)**	(3,696,344)
Proceeds of contributions in aid of construction	(Note 16)	**527,957**	1,739,589
Purchase of computer software	(Note 11)	**(13,999)**	(69,340)
Proceeds on disposal of property, plant and equipment		**10,000**	130,393
Proceeds from disposal of investment		**-**	100
Capital contributions in aid of construction paid	(Note 11)	**-**	(553,415)
Net decrease in regulatory accounts		**(370,456)**	(1,282,593)
Interest received		**40,353**	35,028
		(3,354,894)	(3,696,582)
Cash flows from financing activities			
Decrease in long-term customer deposits		**(12,943)**	(3,435)
Proceeds of long-term debt		**3,100,000**	-
Repayments of long-term debt		**(554,749)**	(491,505)
Interest paid		**(570,269)**	(492,833)
Dividends paid	(Note 21)	**-**	(122,998)
		1,962,039	(1,110,771)
Increase (decrease) in cash during the year		**1,305,766**	(2,286,430)
Cash and bank, beginning of year		**949,653**	3,236,083
Cash and bank, end of year		**$ 2,255,419**	$ 949,653

1. Corporate Information

Collingwood PowerStream Utility Services Corp. (the "corporation") (formerly known as Collingwood Utility Services Corp.) was incorporated on April 13, 2000, under the Business Corporations Act (Ontario). The corporation is owned 50% by the Town of Collingwood and 50% by Alectra Utilities Corporation (formerly known as PowerStream Inc.). The address of the corporation's office and principal place of business is 43 Stewart Road, Collingwood, Ontario, Canada.

The corporation is a holding company for the following three wholly-owned subsidiaries:

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

(ii) Collus PowerStream Solutions Corp. provided shared employee services in the areas of management, billing, collecting, and customer service to Collus PowerStream Corp. for electricity billings and to The Town of Collingwood for water and sewer billings. The coroporation is inactive as at January 1, 2017.

(iii) Collus PowerStream Energy Corp. has remained an inactive company since incorporation.

2. Basis of Consolidation

The consolidated financial statements include the accounts of Collingwood PowerStream Utility Services Corp. and 100% of its wholly-owned operating subsidiaries, including Collus PowerStream Corp., Collus PowerStream Solutions Corp., and Collus PowerStream Energy Corp. All intercompany transactions and balances are eliminated upon consolidation.

3. 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, 2018.

(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.

3. 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 5.

(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.

4. 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 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.

4. Significant Accounting Policies Continued

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.

(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.

4. Significant Accounting Policies Continued

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. The amortization of contributed capital is included in Other revenue on the Statement of Comprehensive Income.

(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.

(d) Financial Assets

Financial assets - classified as loans and receivables

These include cash and bank, accounts receivable and unbilled energy revenue and are initially recognized at fair value plus any directly attributable transaction costs. Subsequently, they are measured at amortized cost using the effective interest rate method less any impairment. 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.

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.

4. Significant Accounting Policies Continued

(d) Financial Assets continued

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.

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 and are initially measured at fair value. Subsequently, they are measured at amortized cost using the effective interest rate method less any impairment.

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) 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.

(g) 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.

Notes to Consolidated Financial Statements (expressed in CDN$)

4. Significant Accounting Policies Continued

(h) 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. The estimated useful lives are as follows:

Buildings	50 years
Distribution stations	20 - 45 years
Distribution lines	40 - 60 years
Distribution transformers	40 years
Distribution services	40 years
Meters	15 years
Vehicles	5 - 8 years
Office equipment	10 years
Tools and equipment	10 years
Communication equipment	10 years
System supervisory equipment	15 years

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) and not amortized.

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.

4. Significant Accounting Policies Continued

(i) 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.

(j) 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.

(k) 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.

4. Significant Accounting Policies Continued

(l) 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 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 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. The contribution payable in exchange for services rendered during a period is recognized as an expense during that period.

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 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.

4. Significant Accounting Policies Continued

(m) 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.

(n) 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 Other Comprehensive Income.

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).

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.

4. Significant Accounting Policies Continued

(o) Change in Accounting Policy

The amendments to IAS 7 "Statement of Cash Flows" were issued to improve information provided to users of financial statements about the entity's changes in liabilities arising from financing activities. These amendments were implemented with prospective application and had no impact on the corporation's consolidated financial statements. (Note 32)

(p) Future Changes in Accounting Policy and Disclosures

The corporation is evaluating the adoption of the following new and revised standards along with any subsequent amendments. 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. 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

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.

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 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.

5. 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 18 Employee Future Benefits.

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.

Notes to Consolidated Financial Statements (expressed in CDN$)

6. Seasonality

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

7. Cash and Bank

The corporation's bank account is held at one chartered bank and earns interest based upon its average monthly credit balance. Interest is paid monthly at the bank's monthly average prime rate less 1.70%. As at December 31, 2017 the rate was 1.50% (December 31, 2016 - 1.00%).

8. Accounts Receivable

	2017	2016
Accounts receivable	**$ 3,400,410**	$ 3,978,432
Other accrued and miscellaneous receivable	**162,471**	172,390
Construction and trade receivable	**524,133**	476,385
HST receivable	**118,878**	160,477
	4,205,892	4,787,684
Less: Allowance for bad debts (See Note 25)	**96,615**	75,016
	$ 4,109,277	$ 4,712,668

Accounts receivable include $823,557 (December 31, 2016 - $752,890) for water and sewer billings.

Notes to Consolidated Financial Statements (expressed in CDN$)

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:

	2017	2016
Current tax		
Based on current year taxable income	**$ 138,233**	$ 130,701
Deferred tax		
Origination and reversal of temporary differences	**118,442**	235,400
	$ 256,675	$ 366,101

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

	2017	2016
Deferred tax		
Remeasurement of defined benefit plan	**$ -**	$ (24,891)

Statutory Canadian federal and provincial tax rates for the current year comprise 15% (2016 - 15%) for federal corporate tax and 11.5% (2016 - 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:

	2017	2016
Total income and other comprehensive income	**$ 999,487**	$ 508,098
Plus current and deferred income taxes	**256,675**	341,210
Net income before income taxes	**1,256,162**	849,308
Statutory Canadian federal and provincial tax rate	**26.50%**	26.50%
Provision for PILs at statutory rate	**$ 332,883**	$ 225,067
Increase (decrease) in income tax resulting from:		
Reassessment 2012	**-**	5,041
Interest and penalties on taxes	**-**	333
Non-capital losses carried forward	**-**	114,092
Temporary differences	**(67,083)**	10,516
Meals and entertainment	**1,272**	1,271
Co-operative education and apprenticeship credits	**(10,290)**	(16,174)
Taxable gain and net capital losses	**-**	1,453
Miscellaneous other	**(107)**	708
Investment income	**-**	585
Dividend tax credit	**-**	(1,682)
Total provision	**$ 256,675**	$ 341,210
Effective tax rate	**20.43%**	40.18%

Notes to Consolidated Financial Statements (expressed in CDN$)

9. Payments in Lieu of Corporate Taxes Continued

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

	2017	2016
Opening balance, January 1	**$ 560,930**	$ 771,439
Recognized in net income	**(118,442)**	(235,400)
Recognized in other comprehensive income	**-**	24,891
Closing balance, December 31	**$ 442,488**	$ 560,930

Deferred tax assets are attributable to the following:

	2017	2016
Employee future benefits	**$ 223,748**	$ 222,294
Property, plant and equipment	**199,160**	312,063
Goodwill	**19,580**	26,573
	$ 442,488	$ 560,930

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.

Non-capital losses carried forward for tax purposes of $430,135 (2016 - $430,538), originating from the corporate income tax return of Collus PowerStream Solutions Corp., have not been recorded as a deferred tax asset. Collus PowerStream Solutions Corp. is inactive and there is no anticipation of future profits to which losses may be applied. The tax advantage at a 26.50% tax rate is $113,985 (2016 - $114,092) in tax savings. The shareholders are considering amalgamating Collus PowerStream Corp. and Collus PowerStream Solutions Corp. in the future in order to take advantage of these losses.

Notes to Consolidated Financial Statements (expressed in CDN$)

10. Property, Plant and Equipment

	Land and Buildings	Distribution Equipment	Vehicles	Other Equipment	Work-in Progress	Total
COST						
January 1, 2016	**$ 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**
Additions	-	2,965,810	388,938	92,481	101,520	3,548,749
Disposals	-	(29,078)	(49,172)	-	(7,149)	(85,399)
December 31, 2017	**$ 755,197**	**$ 22,378,510**	**$ 1,833,631**	**$ 755,227**	**$ 441,633**	**$ 26,164,198**
ACCUMULATED AMORTIZATION						
January 1, 2016	**$ 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**
Amortization	9,373	782,588	227,795	107,623	-	1,127,379
Disposals	-	(10,292)	(49,172)	-	-	(59,464)
December 31, 2017	**$ 37,403**	**$ 2,796,087**	**$ 855,095**	**$ 343,868**	**$ -**	**$ 4,032,453**
CARRYING AMOUNTS						
December 31, 2016	**$ 727,167**	**$ 17,417,987**	**$ 817,393**	**$ 426,501**	**$ 347,262**	**$ 19,736,310**
December 31, 2017	**$ 717,794**	**$ 19,582,423**	**$ 978,536**	**$ 411,359**	**$ 441,633**	**$ 22,131,745**

During the year, the corporation capitalized borrowing costs, related to the duration of capital construction projects greater than four months, amounting to $NIL (2016 - $NIL).

Notes to Consolidated Financial Statements (expressed in CDN$)

11. Intangibles

	Paid Capital Contributions	Software	Goodwill	Total
COST				
January 1, 2016	**$ -**	**$ 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**
Additions	-	13,999	-	13,999
Disposals	-	(11,360)	-	(11,360)
December 31, 2017	**$ 553,415**	**$ 175,440**	**$ 276,704**	**$ 1,005,559**
ACCUMULATED AMORTIZATION				
January 1, 2016	**$ -**	**$ 41,220**	**$ -**	**$ 41,220**
Additions	-	26,705	-	26,705
Disposals	-	(1,007)	-	(1,007)
December 31, 2016	**-**	**66,918**	**-**	**66,918**
Additions	6,149	33,688	-	39,837
Disposals	-	(11,360)	-	(11,360)
December 31, 2017	**$ 6,149**	**$ 89,246**	**$ -**	**$ 95,395**
CARRYING AMOUNTS				
December 31, 2016	**$ 553,415**	**$ 105,883**	**$ 276,704**	**$ 936,002**
December 31, 2017	**$ 547,266**	**$ 86,194**	**$ 276,704**	**$ 910,164**

Notes to Consolidated Financial Statements (expressed in CDN$)

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. 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 from customers (returned to customers) in future periods and as such regulatory deferral account balances are comprised of:

	2016	Disposition May 2017	Balances Arising in the Period	Recovery	2017
Regulatory deferral debits:	(Note 13)				
Stranded assets	$ 527,592	$ -	$ 6,154	$ -	**$ 533,746**
OEB Cost assessment variance	27,817	-	39,321	-	**67,138**
Energy East consultation costs	2,315	-	27	-	**2,342**
IFRS transition costs	201,286	-	2,272	-	**203,558**
Late payment penalty settlement	(2,217)	-	-	-	**(2,217)**
Green Energy Renewable Connection	8,711	-	3,985	-	**12,696**
Stranded meters	9,891	-	44	-	**9,935**
Smart Grid	4,711	-	54	-	**4,765**
MIST Meters	-	-	1,907	-	**1,907**
PILs tax variance - Ontario SBD	35,572	-	420	-	**35,992**
LRAMVA	103,540	-	42,377	-	**145,917**
RARA approved May 1, 2013, 2 yr	99,818	-	1,290	-	**101,108**
RARA approved May 1, 2015, 1 yr	161,767	-	1,714	-	**163,481**
RARA approved May 1, 2010, 4 yr	50,477	-	585	-	**51,062**
Retail settlement variances	1,340,692	-	336,389	-	**1,677,081**
	2,571,972	-	436,539	-	**3,008,511**
Miscellaneous deferred debits	115,064	-	(66,159)	-	**48,905**
	$ 2,687,036	$ -	$ 370,380	$ -	**$3,057,416**
Regulatory deferral credits:					
RARA approved May 1, 2012, 2 yr	12,075	-	(76)	-	**11,999**
	$ 12,075	$ -	$ (76)	$ -	**$ 11,999**
Net regulatory asset	$ 2,674,961	$ -	$ 370,456	$ -	**$3,045,417**

Notes to Consolidated Financial Statements (expressed in CDN$)

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 $36,692 (2016 - $5,829) to the above regulatory accounts for carrying charges and the related net credit balance is included in net movement on regulatory deferral accounts. The prescribed interest rate history is as follows:

	Q1	Q2	Q3	Q4
2017 OEB quarterly prescribed interest rates	1.10 %	1.10 %	1.10 %	1.50 %
2016 OEB quarterly prescribed interest rates	1.10 %	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.

Notes to Consolidated Financial Statements (expressed in CDN$)

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.

MIST (Metering Inside the Settlement Timeframe) Meters

This meter cost deferral account has been established for the tracking of incremental capital, operating costs, and carrying charges related to the Distribution System Code amendment requiring distributors to install interval meters (i.e. MIST meters) on any installation that is forecast by the distributor to have a monthly average peak demand during a calendar year of over 50kW.

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	992
		$35,992

Notes to Consolidated Financial Statements (expressed in CDN$)

12. Regulatory Deferral Accounts Continued

Lost Revenue Adjustment Mechanism Variance Account ("LRAMVA")

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

Regulatory Asset Recovery Accounts ("RARA")

The RARA is comprised of the cumulative balances of regulatory assets and regulatory liabilities approved for disposition by the OEB, reduced by amounts settled with customers through billing of approved disposition rate riders. The RARA is subject to carrying charges following the OEB prescribed methodology and rates. The number of years over which the recovery has been approved has been noted in the preceding schedule.

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:

	2017			2016		
	Cost	**Expensed**	**Net Book Value**	Cost	Expensed	Net Book Value
Regulatory expenses	**$ 346,356**	**$ 346,356**	**$ -**	$ 346,356	$ 318,936	$ 27,420
Distribution system plan	**53,856**	**53,856**	**-**	30,579	-	30,579
Expansion charges	**204,914**	**156,009**	**48,905**	204,914	147,849	57,065
	$ 605,126	**$ 502,365**	**$ 48,905**	$ 581,849	$ 466,785	$ 115,064

Regulatory expenses included 2013 cost of service application expenses, which were charged to expense over the four year term of the application ending April 30, 2017. The distribution system plan is currently complete and has been fully expensed in 2017. 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.

Notes to Consolidated Financial Statements (expressed in CDN$)

12. Regulatory Deferral Accounts Continued

The entry required to translate the accounting records from regulatory reporting to IFRS was as follows:

	2017	2016
Statement of Comprehensive Income:		
Decrease in the gross margin on sale of energy	**$ 315,826**	$ 335,221
Decrease in distribution revenue	**40,831**	50,238
Decrease in operating expenses	**(14,012)**	(2,140)
Increase in interest expense	**35,971**	5,829
Decrease in amortization	**(5,040)**	(8,160)
Balance Sheet:		
Increase in property, plant and equipment	**90,491**	-
Decrease to regulatory deferral accounts	**(93,611)**	-
Net movement on regulatory deferral accounts	**370,456**	380,988
RSVA regulatory balance adjustment (Note 13 a)	**-**	901,605
Increase in retained earnings	**2,674,961**	1,392,368
	$ 3,045,417	$ 2,674,961

13. Restatement

Certain comparative figures have been restated for 2016 as follows:

(a) The OEB ordered the corporation to engage a special purpose audit of its regulatory deferral balances for RSVA Power and Global Adjustment for the years 2014 to 2016 and an adjustment was required.

(b) The corporation discovered an error within the metering and billing set up at a plant owned by The Town of Collingwood and repaid two years of overbilling.

(c) The corporation corrected its understanding of IFRS 14 Regulatory Deferral Accounts in relation to the presentation of deferred taxes.

Balance Sheet:	**Original**	**(a)**	**(b)**	**(c)**	**Restated**
Regulatory deferral net	$ 1,043,525	$ 901,605	$ 168,901	$ 560,930	$ 2,674,961
Accounts payable	(7,693,162)	(901,605)	(168,901)	-	(8,763,668)
OCI	38,118	-	-	(24,891)	13,227
Retained earnings	(1,352,221)	-	-	(536,039)	(1,888,260)
Income Statement:					
Sale of energy	36,500,735)	-	184,054	-	36,316,681)
Cost of Power	36,667,055	-	(15,153)	-	36,651,902
Regulatory movement	(357,630)	-	(168,901)	145,543	(380,988)
Regulatory movement OCI	24,891	-	-	(24,891)	-

Notes to Consolidated Financial Statements (expressed in CDN$)

14. Accounts Payable and Accruals

	2017	2016
Independent Electricity System Operator	**$ 3,180,964**	$ 4,880,061
Hydro One	**762,568**	795,110
Trade payables	**725,534**	929,027
Town of Collingwood - Sewer	**1,300,413**	1,137,903
Town of Collingwood - Water	**730,452**	638,157
Economic evaluations	**66,989**	66,989
Debt retirement charge payable	**78,121**	87,801
Other accounts payable and accruals	**104,617**	70,532
Accrued interest on long-term debt	**28,502**	30,775
Deferred conservation program funding	**99,143**	127,313
	$ 7,077,303	$ 8,763,668

15. Customer Deposits and Credits

	2017	2016
Customer deposits	**$ 453,000**	$ 480,169
Construction work deposits	**104,651**	96,146
Customer credit balances in trade receivables	**342,250**	301,121
	899,901	877,436
Less long-term portion of customer deposits	**265,077**	278,020
	$ 634,824	$ 599,416

16. Contributions in Aid of Construction

	2017	2016
Deferred contributions, net, beginning of year	**$ 2,769,851**	$ 1,075,897
Contributions in aid of construction received	**527,957**	1,739,589
Contributions in aid of construction recognized as other revenue	**(72,285)**	(45,635)
Deferred contributions, net, end of year	**$ 3,225,522**	$ 2,769,851

Notes to Consolidated Financial Statements (expressed in CDN$)

17. Long-term Debt

	2017	2016
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, $100,000 principal repayable semi-annually plus interest in October and April, due April 2025	**$ 1,500,000**	$ 1,700,000
• 3.84% fixed rate, $32,700 principal and interest repayable monthly, due September 2037	**5,426,279**	5,606,535
• 4.58% fixed rate, $3,563 principal and interest repayable monthly, due December 2043	**651,933**	664,778
• 2.76% fixed rate, $25,000 principal repayable semi-annually plus interest in October and April, due April 2035	**875,000**	925,000
TD Bank Debentures - secured by a general security agreement on all assets and real property under a second charge equal priority ranking arrangement with Infrastructure Ontario		
• 3.65% fixed rate, $14,239 combined principal and interest repayable monthly, due December 31, 2025	**2,994,024**	3,054,417
• 3.59% fixed rate, $14,077 combined principal and interest repayable monthly, due March 31, 2027	**3,048,746**	-
	14,495,982	11,950,730
Current portion of long-term debt	**573,858**	503,495
	$ 13,922,124	$ 11,447,235

The agreement governing these facilities contains certain covenants as described in Note 29.

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

2018	$ 573,858
2019	586,334
2020	598,699
2021	612,727
2022	626,703
Thereafter	11,497,661
	$ 14,495,982

Subsequent to year-end, in March 2018 the corporation received a $2,000,000 loan advance from TD bank.

18. 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 $293,887 (2016 - $185,757). 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, 2016. The results of this valuation disclosed total actuarial liabilities of $87.6 (2015 - $82.4) billion in respect of benefits accrued for service with actuarial assets at that date of $81.8 (2015 - $75.4) billion, indicating an actuarial deficit of $5.7 (2015 - $7.0) 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% (2016 - 9.0%) for employees earning up to $55,300 (2016 - $54,900) and 14.6% (2016 - 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, 2017 and 2016 were based on results and assumptions determined by actuarial valuation as at December 31, 2016.

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.

Notes to Consolidated Financial Statements (expressed in CDN$)

18. 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:

	2017	2016
Defined benefit obligation, beginning of the year	**$ 838,844**	$ 721,016
Amounts recognized in net income:		
Current service cost	**22,708**	24,075
Interest cost on obligation	**31,760**	33,794
	54,468	57,869
Amounts recognized in other comprehensive income:		
Actuarial loss from financial assumption	**-**	93,928
Benefit payments	**(48,981)**	(33,969)
Defined benefit obligation, end of the year	**$ 844,331**	$ 838,844

Actuarial assumptions are as follows:

	2017	2016
Discount rate	**3.90 %**	3.90 %
Consumer price index	**2.00 %**	2.00 %
Rate of compensation increase	**3.50 %**	3.50 %
Health benefits costs escalation	**4.50 % to 5.78 %**	4.50 % to 5.99 %
Dental benefits costs escalation	**4.50 %**	4.50 %
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	$ (101,000)	$ 130,000	$ (64,000)	$ 62,000	$ 32,000	$ (29,000)
Service Cost	(5,000)	7,000	(4,000)	4,000	4,000	(3,000)
Interest Cost	3,000	(5,000)	(3,000)	2,000	1,000	(2,000)

The weighted average duration of the defined benefit obligation at December 31, 2017 was 14 years (December 31, 2016 - 14 years).

Notes to Consolidated Financial Statements (expressed in CDN$)

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:

		2017	2016
5,101,640	Common shares	**$ 5,101,640**	$ 5,101,640

(b) Movement in ordinary share capital: No movement in ordinary share capital has occurred during 2017 or 2016.

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

21. Dividends

A non-routine dividend in 2016 of $122,998 was paid solely to The Town of Collingwood on account of the sale of a particular portion of land that was negotiated during the sale purchase agreement in 2012. No regular annual dividends were paid in 2016 or 2017.

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.

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, 2017, 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.

Notes to Consolidated Financial Statements (expressed in CDN$)

23. Credit Facilities

The credit facility agreement contains certain covenants as described in Note 29.

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, 2017 the balance was $NIL (2016 - $NIL) on this credit facility and the rate was 3.20% (2016 - 2.70%).

Letter of Credit ("LOC")

As at December 31, 2017, the corporation had utilized $2,326,160 (2016 - $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% (2016 - 0.50%). For the year ended December 31, 2017 the fee incurred was $11,631 (2016 - $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.

24. Amortization

	2017	2016
Property, plant and equipment	**$ 1,127,379**	$ 1,035,187
Less vehicle amortization, burdened to other accounts	**(227,795)**	(224,957)
	899,584	810,230
Capital contributions paid	**6,149**	-
Software	**33,688**	26,705
Deferred charges	**8,160**	8,160
	947,581	845,095
Less net regulatory movement related to deferred charges	**(8,160)**	(8,160)
	939,422	836,935

Notes to Consolidated Financial Statements (expressed in CDN$)

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

	2017	2016
Write-offs during the year	**$ 82,725**	$ 74,862
Recoveries during the year	**(26,895)**	(13,580)
Opening allowance	**(75,016)**	(77,916)
Closing allowance	**96,615**	75,016
	$ 77,429	$ 58,382

26. Finance Income and Finance Cost

	2017	2016
Finance Income:		
Interest earned on bank account	**$ 40,353**	$ 35,028
Finance Cost:		
Net interest on employee future benefits	**$ 31,760**	$ 33,794
Interest on customer deposits	**14,360**	3,354
Interest on Letter of Credit	**11,631**	11,695
Interest on long-term debt	**542,006**	472,483
Interest other	**-**	1,258
	$ 599,757	$ 522,584

27. Related Party Transactions

(a) The ultimate parent

Collingwood PowerStream Utility Services Corp. (owned 50% by the Town of Collingwood and 50% by Alectra Utilities Corporation) is the holding company for the following three wholly-owned subsidiaries:

(i) Collus PowerStream Corp. - Electricity distributor
(ii) Collus PowerStream Solutions Corp. - Inactive as of January 1, 2017
(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.

Notes to Consolidated Financial Statements (expressed in CDN$)

27. 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.

	2017	
	50% Share-holder of Parent	50% Share-holder of Parent
	Town of Collingwood	Alectra Utilities Corporation
Receipts:		
Shared employees - billing & collecting	$ 260,000	$
Shared invoices - billing & collecting	245,572	
Subcontract recoverable work	57,146	
Information technology services	49,240	
Streetlight maintenance	27,077	
	$ 639,035	$
Disbursements:		
Property taxes	$ 16,051	$
Property maintenance	5,000	
Board payments	3,000	1,200
Services		45,126
Shared employee charge	30,733	121,509
Building lease	216,000	
Conservation program		13,001
Misc and shared invoices	3,664	
Inventory and capital materials		362
	$ 274,448	$ 181,198
Dividends paid	$	$

Notes to Consolidated Financial Statements (expressed in CDN$)

27. Related Party Transactions Continued

	2016	
	50% Share-holder of Parent	50% Share-holder of Parent
	Town of Collingwood	Alectra Utilities Corporation
Receipts:		
Shared employee services	$ 408,809	$
Streetlight maintenance	41,638	
Conservation funding from IESO		40,000
Emergency assistance		12,999
	$ 450,447	$ 52,999
Disbursements:		
Property taxes	$ 18,662	$
Property maintenance	5,000	
Board payments	2,100	
Services		20,973
Shared employee charge	43,331	143,291
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
Dividends paid	$ 122,998	$

Notes to Consolidated Financial Statements (expressed in CDN$)

27. Related Party Transactions Continued

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

	2017	
	50% Shareholder of Parent	50% Shareholder of Parent
	Town of Collingwood	Alectra Utilities Corporation
Trade receivable	$ 65,550	$ 14,689
Trade payable		(1,766)
Utility payable	(410,748)	
Waste water collections payable	(1,300,413)	
Water collections payable	(730,452)	
	$ (2,376,063)	$ 12,923

	2016	
Trade receivable	$ 147,238	$ 14,689
Trade payable	(24,883)	(18,049)
Interest payable		
Waste water collections payable	(1,137,903)	
Water collections payable	(638,157)	
	$ (1,653,705)	$ (3,360)

(c) The key management personnel compensation is comprised of the corporation's board of directors and management team.

	2017	2016
Board of directors' fees	**$ 48,369**	$ 54,192
Short-term employment benefits and salaries	**967,927**	1,044,120
	$ 1,016,296	$ 1,098,312

Notes to Consolidated Financial Statements (expressed in CDN$)

28. Financial Instruments

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

	2017		2016	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Assets				
Cash and bank	**$ 2,255,419**	**$ 2,255,419**	$ 949,653	$ 949,653
Accounts receivable	**4,109,277**	**4,109,277**	4,712,668	4,712,668
Unbilled energy revenue	**3,863,870**	**3,863,870**	4,852,979	4,852,979
Liabilities				
Accounts payable & accruals	**$ 7,077,303**	**$ 7,077,303**	$ 8,763,668	$ 8,763,668
Customer deposits	**899,901**	**899,901**	877,436	877,436
Long-term debt	**14,495,982**	**14,495,982**	11,950,730	11,950,730

The estimated fair values of financial instruments as at December 31, 2017 and December 31, 2016 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) 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;

Notes to Consolidated Financial Statements (expressed in CDN$)

28. 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.

29. 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, 2017.

Management monitors the following key ratios to effectively manage capital:

		2017	2016
a) Debt Service Coverage Ratio IO:	(must be at least 1.30)	**1.38:1**	1.52:1
b) Debt Service Coverage Ratio TD:	(must be at least 1.20)	**1.22:1**	1.21:1
d) Debt to Total Assets IO:	(must not exceed 0.60)	**0.39**:1	0.34:1
c) Debt to Capital TD:	(must not exceed 0.60)	**0.51**:1	0.50:1
e) Current ratio IO:	(must be at least 1.10)	**1.32:1**	1.14:1

Notes to Consolidated Financial Statements (expressed in CDN$)

30. 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 15), 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.

	2017	2016
Under 30 days	**$ 3,785,379**	$ 4,470,250
30 to 60 days	**91,144**	171,114
61 to 90 days	**22,632**	50,589
Over 90 days	**306,737**	95,731
	4,205,892	4,787,684
Provision	**96,615**	75,016
Total accounts receivable	**$ 4,109,277**	$ 4,712,668

Notes to Consolidated Financial Statements (expressed in CDN$)

30. 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	$ 7,010,314	$ 66,989	$ -	$ -	$ 7,077,303
Customer deposits/credits	-	634,824	265,077	-	899,901
Long-term debt	80,564	493,294	2,424,463	11,497,660	14,495,981
Total	$ 7,090,878	$ 1,195,107	$ 2,689,540	$ 11,497,660	$ 22,473,185

(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, 2017.

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. Note 18 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, 2017, 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.

Notes to Consolidated Financial Statements (expressed in CDN$)

31. Expenses by Nature

		2017	2016
Billing and collecting:			
After hours call centre		**$ 15,865**	$ 15,521
Bad debts	(Note 25)	**77,429**	58,382
Bank charges		**17,660**	16,027
Billing supplies and services provided		**154,566**	150,401
Collection agency costs		**4,261**	2,233
Contingency		**30,000**	-
Disconnection and collection service subcontractor		**25,066**	36,046
Information technology		**68,727**	16,403
Insurance - Business credit collections		**22,138**	21,760
Meter reading - manual		**11,431**	10,120
Office and general		**16,835**	8,167
Postage		**86,000**	67,693
Retail and settlement expenses		**84,160**	85,048
Survey		**8,859**	9,700
Salaries and benefits		**347,196**	320,937
Smart meter reading and operations		**213,081**	227,790
Telephone		**1,977**	2,246
Training and travel		**12,552**	1,706
Vehicle burden allocation		**1,589**	932
		$ 1,199,392	$ 1,051,112
Add regulatory movement, smart meter reading		**5,265**	3,183
		$ 1,204,657	$ 1,054,295
Operations and maintenance:			
Information technology		**59,895**	-
Materials, supplies, small tools		**$ 82,814**	$ 72,128
Office and general		**5,848**	3,356
Property taxes		**19,817**	22,082
Rent - operations facility and yard		**172,800**	172,800
Rent - joint pole use		**26,256**	20,790
Salaries, benefits and burdens		**1,394,358**	1,677,799
Subcontractor and service providers		**199,198**	195,531
Telephone		**11,700**	13,850
Training and travel		**58,933**	21,069
Utilities		**8,174**	8,821
Vehicle burden allocation		**150,101**	273,905
		$ 2,189,894	$ 2,482,131

Notes to Consolidated Financial Statements (expressed in CDN$)

31. Expenses by Nature Continued

		2017		2016
General and administrative:				
Advertising and sponsorships	**$**	**11,569**	$	14,203
Actuary		**-**		7,757
Audit		**41,115**		43,800
Bank charge - loan arrangement fee		**7,000**		-
Building maintenance		**2,466**		393
Computer lease		**-**		21,792
Conferences, events, training, meetings and travel		**45,069**		31,626
Consulting		**30,750**		26,703
Information technology		**64,971**		30,201
Insurance		**69,029**		72,984
Legal		**94,661**		59,143
Memberships, fees and dues		**99,974**		102,203
Office supplies and materials		**8,042**		9,044
Regulatory		**150,823**		125,798
Rent - administration building		**43,200**		43,200
Salaries and benefits		**516,132**		1,324,044
Telephone		**3,335**		6,859
	$	**1,188,136**	$	1,919,750
Less regulatory movement, regulatory expenses		**(19,277)**		(24,113)
Less regulatory movement, audit		**-**		18,789
	$	**1,168,859**	$	1,914,426

32. Summary of Changes in Liabilities Arising from Financing Activities

	2016	Proceeds	Repayment	Other	**2017**
Long-term customer deposits	$ 278,020	$	$	$ (12,943)	$ 265,077
Current and long-term debt	11,950,730	3,100,000	(554,749)		14,495,982
Accrued interest*	30,775			(2,272)	28,502
	$ 12,259,525	$ 3,100,000	$ (554,749)	$ (15,215)	$ 14,789,561

* Accrued interest is included within accounts payable and accruals