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pricing the asset or liability, and are based on market data obtained from sources independent of us. Unobservable inputs reflect assumptions market participants would use in pricing the asset or liability based on the best information available in the circumstances. The hierarchy is broken down into three levels based on the reliability of inputs as follows:

- Level 1—Valuations based on quoted prices in active markets for identical assets or liabilities that we have the ability to access. Valuation adjustments and block discounts are not applied to Level 1 instruments. Because valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these instruments does not entail a significant degree of judgment.
- Level 2—Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly. Valuations for Level 2 are prepared on an individual instrument basis using data obtained from recent transactions for identical securities in inactive markets or pricing data from similar instruments in active and inactive markets.
- Level 3—Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

For cash and cash equivalents, cash committed for construction projects, restricted cash, accounts receivable, accounts payable, and accrued liabilities, the carrying amount approximates fair value because of the short-term maturity of the instruments. For due to parent and affiliates, the carrying amount approximates fair value based on comparable market interest rates for similar instruments. See Note 5 for disclosures related to the fair value of our long-term debt and Note 7 for disclosures related to the fair value of derivative instruments.

Foreign currency

We determine the functional currency of each entity based on a number of factors, including the predominant currency for the entity's sales and expenditures and the entity's borrowings. When an entity's local currency is considered its functional currency, we translate its financial statements to U.S. Dollars as follows:

- Assets and liabilities using exchange rates in effect at the balance sheet date, and
- Statement of operations accounts at weighted average exchange rates for the period.

Adjustments from the translation process are presented in accumulated other comprehensive income (loss) in total equity.

Transaction gains and losses that arise from exchange rate fluctuations on transactions and balances denominated in a currency other than the functional currency are generally included in the results of operations as incurred. Foreign currency transaction (gains) or losses are included in other (income) expense, net in the combined statements of operations and totaled \$(4,039) and \$2,247 during the years ended December 31, 2014 and 2013, respectively.

Comprehensive income and loss

Comprehensive income and loss represents a measure of all changes in equity that result from recognized transactions and other economic events other than transactions with owners in their capacity as owners.

Derivative financial instruments and hedging activities

All derivative instruments are recognized in the combined balance sheet at fair value. Derivatives not designated for hedge accounting and used to hedge foreign-currency-denominated balance sheet items are reported directly in earnings along with offsetting transaction gains and losses on the items being hedged.